JJS Electronics Limited

Directors' report and financial statements

Registered number 1780413

31 December 2005

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activities

The principal activity of the company is contract electronic manufacturers.

Business review

The result for the year is shown in the profit and loss account on page 4. The profit for the year has been added to reserves.

Proposed dividend

The directors do not recommend the payment of a final dividend. Final dividends are now accounted for in the accounting period in which they are approved. An interim dividend of £41,355 was paid in the year.

Directors and directors' interests

The directors who held office during the year were as follows:

Mr JA Butcher
Mr SJ Greaves

Mr D Williams and Mr IT Martin were appointed as directors on 22 February 2006.

Mr Butcher and Mr Greaves, being directors of Baxcol Limited of which this company is a wholly owned subsidiary, are not required to declare their notifiable interests in the share capital of the group companies.

According to the register of directors' interests, no rights to subscribe for shares, or debentures of the company, were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Political and charitable contributions

The company made no political contributions or charitable donations in the year.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

SJ Greaves
Director

Wycliffe Industrial Park
Leicester Road
Lutterworth
Leicestershire
LE17 4HG

17.10.06.

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company, and of the profit or loss of the company, for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures *disclosed and explained in the financial statements; and*
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP
1 Waterloo Way
Leicester
LE1 6LP
United Kingdom

Independent auditors' report to the members of JJS Electronics Limited

We have audited the financial statements of JJS Electronics Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

Chartered Accountants
Registered Auditor

26th October, 2006.

Profit and loss account
for the year ended 31 December 2005

	Note	2005		2004	
		£	£	£	£
Turnover	*1*		**12,008,521**		11,059,626
Cost of sales			**(8,899,982)**		(8,258,637)
Gross profit			**3,108,539**		2,800,989
Distribution costs		**123,600**		63,198	
Administrative expenses		**2,775,127**		2,555,854	
			(2,898,727)		(2,619,052)
Operating profit	*2-4*		**209,812**		181,937
Interest payable and similar charges	*5*		**(126,766)**		(101,653)
Profit on ordinary activities before taxation			**83,046**		80,284
Tax on profit on ordinary activities	*6*		**(32,629)**		(28,521)
Profit on ordinary activities after taxation			**50,417**		51,763

The company had no recognised gains or losses other than the profit for the period.

All turnover and operating profit is derived from continuing operations.

Balance sheet
at 31 December 2005

	Note	2005	2005	2004	2004
		£	£	£	£
Fixed assets					
Tangible assets	8		**522,108**		711,269
Investments	9		**134,498**		134,498
			656,606		845,767
Current assets					
Stocks	10	**980,132**		754,384	
Debtors	11	**3,181,805**		2,839,133	
Cash at bank and in hand		**267**		602	
		4,162,204		3,594,119	
Creditors: amounts falling due within one year	12	**(3,980,741)**		(3,538,620)	
Net current assets			**181,463**		55,499
Total assets less current liabilities			**838,069**		901,266
Creditors: amounts falling due after more than one year	13		**(89,114)**		(161,373)
Net assets			**748,955**		739,893
Capital and reserves					
Called up share capital	14		**9,762**		9,762
Share premium account	15		**89,516**		89,516
Profit and loss account	15		**649,677**		640,615
Shareholders' funds - equity			**748,955**		739,893

These financial statements were approved by the Board of Directors on

and were signed on its behalf by: 17.10.06.

SJ Greaves
Director

Reconciliation of movements in shareholders' funds

	2005	2004
	£	£
Profit for the financial year	**50,417**	51,763
Dividends	**(41,355)**	(219,169)
Net addition to/(reduction in) shareholders' funds	**9,062**	(167,406)
Opening shareholders' funds	**739,893**	907,299
Closing shareholders' funds	**748,955**	739,893

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the companies financial statements. In these financial statements, the following new standards have been adopted for the first time:

- FRS 21 'events after the balance sheet date'
- FRS 28 ' corresponding amounts'

The accounting policies under these new standards are set out below together with indication of the effects of their adoption FRS 28 'corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt from the requirement to prepare a cashflow statement under Financial Reporting Standard 1 on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Baxcol Limited, has taken advantage of the exemption contained in FRS 8, and has therefore not disclosed transactions or balances with entities which form part of the group.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Fixed assets and depreciation

Depreciation is provided in order to write off the cost, less the estimated residual value, of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Improvements to leasehold property	-	Over half of the life of lease
Motor vehicles	-	25% on straight line
Plant and machinery	-	10% to 50% on straight line
Computer equipment and photocopier	-	33 1/3% on straight line

No depreciation is provided on freehold land and buildings.

Additional depreciation was charged in the year on certain items of plant and machinery which management were of the opinion should be depreciated over the life of the lease. An additional £15,000 of depreciation was charged to the profit and loss account for the year.

Leases

Assets acquired under finance leases are capitalised and the capital element of the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting year.

Notes *(continued)*

1 Accounting policies *(continued)*

Stocks

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods, cost is taken as production cost.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen, but not reversed, by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers.

Dividends on shares presented within shareholder's funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends which do not meet these criteria are disclosed in the notes to the financial statements.

2 Profit on ordinary activities before taxation

	2005	2004
	£	£
Profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration:		
Audit	**20,445**	11,000
Other services	**6,676**	6,000
Lease of premises	**160,000**	165,000
Hire of other assets – operating leases	**52,921**	33,652
Depreciation and other amounts written off tangible fixed assets - owned	**195,905**	286,055
- leased	**84,610**	27,203

3 Remuneration of directors

	2005	2004
	£	£
Directors' emoluments	**235,206**	194,293
Company contributions to money purchase pension schemes	**19,469**	6,564
	254,675	200,857

The amount attributable to the highest paid director is £127,670 (*2004:£101,051*).

	Number of directors	
	2005	2004
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**2**	2

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of staff	
	2005	2004
Office and management	**41**	55
Production	**180**	139
	221	194

The aggregate payroll costs of these persons were as follows:

	2005	2004
	£	£
Wages and salaries	**3,776,570**	3,459,168
Social security costs	**354,977**	328,532
Pension costs	**107,531**	85,119
	4,239,078	3,872,819

5 Interest payable and similar charges

	2005	2004
	£	£
On bank loans and overdrafts	**87,959**	86,358
Finance charges payable in respect of finance leases and hire purchase contracts	**38,807**	15,295
	126,766	101,653

Notes *(continued)*

6 Taxation

Analysis of charge in period

	2005 £	2004 £
UK corporation tax		
Current tax on income for the period,	41,583	41,026
Adjustments in respect of prior periods	(61)	-
Total current tax	41,522	41,026
Deferred tax		
Origination/reversal of timing differences	(8,893)	(21,471)
Effect of decreased tax rate	-	8,966
Total deferred tax	(8,893)	(12,505)
Tax on profit on ordinary activities	32,629	28,521

The elements of deferred taxation are as follows:

	2005 £	2004 £
Difference between accumulated depreciation and amortisation of capital allowances	(49,311)	(35,243)
Other timing differences	3,464	(1,711)
Deferred tax asset (note 11)	(45,847)	(36,954)

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (*2004: higher*) than the small companies rate of corporation tax in the UK of 19% (*2004: 19%*). The differences are explained below.

	2005 £	2004 £
Current tax reconciliation		
Profit on ordinary activities before tax	83,046	80,284
Current tax at 19% (*2004: 19%*)	15,779	15,254
Effects of:		
Expenses not deductible for tax purposes	6,444	2,484
Non deductible depreciation on assets not qualifying for capital allowances	1,271	1,817
Depreciation for period in excess of capital allowances	14,067	22,047
Other timing differences	(5,175)	(576)
Group relief received	(285)	-
Tax rate higher than 19%	9,482	-
Adjustment to tax charge in respect of previous periods	(61)	-
Total current tax charge (see above)	41,522	41,026

Notes *(continued)*

7 Dividends

	2005	2004
	£	£
Interim dividend paid in respect of the current year	**41,355**	219,169

8 Tangible fixed assets

	Improvements to leasehold property	**Testing and other equipment**	**Computer equipment**	**Motor Vehicles**	**Total**
	£	£	£	£	£
Cost					
At beginning of year	499,008	1,204,582	211,327	65,184	1,980,101
Additions	-	57,418	36,064	-	93,482
Disposals	-	-	-	(19,820)	(19,820)
At end of year	499,008	1,262,000	247,391	45,364	2,053,763
Depreciation					
At beginning of year	377,726	766,516	98,612	25,978	1,268,832
Charge for year	60,641	154,849	51,939	13,086	280,515
Eliminated on disposals	-	-	-	(17,692)	(17,692)
At end of year	438,367	921,365	150,551	21,372	1,531,655
Net book value					
At 31 December 2005	**60,641**	**340,635**	**96,840**	**23,992**	**522,108**
At 31 December 2004	121,282	438,066	112,715	39,206	711,269

Included in the total net book value of £522,108 is £261,163 *(2004: £304,869)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £84,610 *(2004: £27,203).*

Notes *(continued)*

9 Fixed asset investments

	Share in group undertakings £
Cost	
At beginning and end of year	134,498
Provision	
At beginning and end of year	-
Net book value	
At beginning and end of year	**134,498**

The undertaking in which the company's interest at the year end is more than 20% is as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held by the company
Subsidiary undertakings			
CBL Electronics Limited	England	Dormant	100% ordinary shares 100% preference shares

10 Stocks

	2005 £	2004 £
Raw materials and consumables	**476,387**	353,068
Work in progress	**275,668**	277,136
Finished goods	**228,077**	124,180
	980,132	754,384

Notes *(continued)*

11 Debtors

	2005	2004
	£	£
Trade debtors	**2,334,374**	2,259,243
Amounts owed by group undertakings	**671,491**	451,315
Other debtors	**17,748**	19,024
Prepayments and accrued income	**112,345**	72,597
Deferred tax asset	**45,847**	36,954
	3,181,805	2,839,133

12 Creditors: amounts falling due within one year

	2005	2004
	£	£
Bank loans and overdrafts	**1,347,151**	1,235,973
Obligations under finance leases and hire purchase contracts	**114,444**	102,152
Trade creditors	**1,683,050**	1,328,966
Amounts owed to group undertakings	**134,498**	134,498
Taxation and social security	**289,655**	314,614
Corporation tax	**41,583**	41,026
Accruals and deferred income	**370,360**	381,391
	3,980,741	3,538,620

The bank overdraft is secured on the book debts of the company.

13 Creditors: amounts falling due after more than one year

	2005	2004
	£	£
Obligations under finance leases and hire purchase contracts	**89,114**	161,373

The maturity of obligations under bank loans and overdrafts is as follows:

	2005	2004
	£	£
In one year or less or on demand	**1,347,151**	1,235,973

Notes *(continued)*

13 Creditors: amounts falling due after more than one year *(continued)*

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2005 £	2004 £
In one year or less, or on demand	**114,444**	102,152
Between two and five years	**89,114**	161,373
	203,558	263,525

14 Called up share capital

	2005 £	2004 £
Authorised		
Equity: 1,000,000 ordinary shares of 1p each	**10,000**	10,000
Allotted, called up and fully paid		
Equity: 976,200 ordinary shares of 1p each	**9,762**	9,762

15 Share premium and reserves

	Share premium account £	**Profit and loss account** £
At beginning of year	89,516	640,615
Retained profit for the year	-	9,062
At end of year	89,516	649,677

Notes (continued)

16 Commitments

(a) Annual commitments under non-cancellable operating leases are as follows:

	2005		2004	
	Land and buildings	**Other**	Land and buildings	Other
	£	**£**	£	£
Operating leases which expire:				
Within one year	**-**	**6,833**	-	-
In the second to fifth years inclusive	**-**	**60,423**	-	34,151
Over five years	**160,000**	**-**	165,000	-
	160,000	**67,256**	165,000	34,151

(b) There were no capital commitments at the end of the financial year for which no provision has been made *(2004: nil)*.

17 Pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the fund and amounted to £124,203 *(2004: £85,119)*.

There were outstanding contributions of £nil *(2004: £15,568)* at the end of the financial year.

18 Related party disclosures and transactions with directors

Included within debtors are amounts due from directors as follows:

	At 31 December 2005	**Maximum outstanding during the year**	At 31 December 2004
	£	**£**	£
JA Butcher	**4,767**	**22,822**	14,599
SJ Greaves	**-**	**3,306**	-

19 Ultimate parent company

The company is a subsidiary undertaking of Baxcol Limited which is the ultimate parent company incorporated in England.