

Datong Electronics Limited

Directors' report and financial
statements

Registered number 1169448

31 March 2003

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Directors' report

The directors present their report and financial statements for the year ended 31 March 2003.

Principal activities

The company's principal activity during the year was the manufacture, design and marketing of electronic equipment.

The products require sophisticated and advanced technology and the company's activities include the research and development thereof.

Business review

The company continues to develop new products whilst at the same time expanding its sales into developing geographic markets.

The directors consider the state of the company's affairs and prospects to be satisfactory.

Results and dividends

The result for the year on ordinary activities after taxation amounted to £367,142 (2002: £380,096).

The directors did not recommend the payment of a dividend. The retained profit for the year has been added to reserves.

Directors

The directors who served during the year were B M Smith, R.V.Cohen and J.Cooke.

According to the register of directors' interests, no director holding office at 31 March 2003 had any beneficial interest in the shares of the Company during the year. The directors' beneficial interests in shares, debentures and options in the ultimate parent company, Investec Limited, are set out below.

Following the implementation of the Dual Listed Company structure of Investec Limited (a company incorporated in the Republic of South Africa and listed on the Johannesburg Stock Exchange) and Investec plc, it is the Group's policy to award the directors and staff share options in both Investec Limited and Investec plc. Consequently, options in both companies have been disclosed.

Investec Limited Share Option Scheme and Investec plc Share Option Plan 2002

Director	Beneficial holdings at 1 April 2002 ¹	Holdings at 28 August 2002 ^{2,3}	Options granted after 28 August 2002	Exercised	Lapsed	Beneficial holdings at 31 March 2003
R V Cohen						
Investec Group Limited UK Option Plan	15,000	(15,000)	-	-	-	-
Investec Limited Share Option Scheme	-	5,550	9,514	-	(2,553)	12,511
Investec plc Share Option Plan 2002	-	9,450	20,486	-	(4,347)	25,589
J Cooke						
Invested Group Limited UK Option Plan	2,625	(2,625)	-	-	-	-
Investec Limited Share Option Scheme	-	972	1,850	-	(176)	2,646
Investec plc Share Option Plan 2002	-	1,653	6,150	-	(299)	7,504

Directors' report (continued)

Directors (continued)

- (1) Prior to the listing of Investec plc on the London Stock Exchange, the directors were granted options in terms of the Invested Group Limited UK Option Plan. On 28 August 2002 the Board approved the replacement of this plan with a new offer of options in terms of the Investec plc Share Option Plan 2002 on the same terms and conditions as the previous scheme.
- (2) In terms of the Investec Limited Share Option Scheme, the directors were offered 37 Investec Limited options for every 100 options granted in terms of their previous entitlement in the Investec Group Limited UK Option Plan.
- (3) In terms of the Investec plc Share Option Plan 2002, for every 100 options previously held, the directors were entitled to 63 Investec plc options.

The above options are exercisable at prices of £7.93, £10.52 and £15.73 between 2004 and 2012.

Directors' attributable interest in Investec Limited and Investec plc shares through a leveraged equity plan called Fintique II as at 31 March 2003

Director	Entitlement to Investec Limited shares	Entitlement to Investec plc shares	Period Exercisable
R V Cohen	3,278	5,582	31 July 2008

- (1) No interests in Fintique II were acquired during the year. All of the directors' entitlements in the Fintique II scheme are fully vested and can be taken up at a price of R74.63, based on the valuation of the sinking fund as at 31 March 2003. The directors acquired the units at their market value at the date of acquisition and they are at risk for any shortfall on maturity of the scheme.

Donations

Charitable donations of £ Nil were made this year (2002: £195).

Auditors

A resolution to re-appoint KPMG LLP as auditors of the company will be proposed at the Annual General Meeting.

By order of the board

J Cooke
Director

25 June 2003

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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.



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Independent auditors' report to the members of Datong Electronics Limited

We have audited the financial statements on pages 6 to 17.

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

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 transactions with the company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of the company's affairs as at 31 March 2003 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

25 June 2003

Profit and loss account
for the year ended 31 March 2003

	<i>Note</i>	Continuing operations	
		2003	200
		2003	2002
		£	£
Turnover	2	3,995,118	3,751,145
Cost of sales		(2,450,619)	(2,151,337)
		<hr/>	<hr/>
Gross profit		1,544,499	1,599,808
Distribution costs		(476,705)	(372,283)
Administrative expenses		(753,959)	(789,220)
		<hr/>	<hr/>
Operating profit	3	313,835	438,305
Interest receivable	4	5	4,556
Interest payable	5	(33,038)	(44,765)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		280,802	398,096
Tax on profit on ordinary activities	8	86,340	(18,000)
		<hr/>	<hr/>
Profit on ordinary activities after taxation and retained profit for the financial year		367,142	380,096
Retained profit brought forward		1,528,903	1,148,807
		<hr/>	<hr/>
Retained profit carried forward		1,896,045	1,528,903
		<hr/> <hr/>	<hr/> <hr/>

There are no recognised gains or losses other than as disclosed above and there have been no discontinued activities or acquisitions.

There is no difference between the results on ordinary activities before taxation for the period stated above, and their historical cost equivalent.

Balance sheet
at 31 March 2003

	<i>Note</i>	2003		2002	
		£	£	£	£
Fixed assets					
Tangible assets	9		895,876		919,234
Investments	10		1,951		
Current assets					
Stocks	11	560,697		554,349	
Debtors	12	1,678,089		1,323,460	
Cash at bank and in hand		-		12,322	
		<hr/>		<hr/>	
		2,238,786		1,890,131	
Creditors: amounts falling due within one year	13	(991,568)		(1,187,285)	
		<hr/>		<hr/>	
Net current assets			1,247,218		702,846
			<hr/>		<hr/>
Total assets less current liabilities			2,145,045		1,622,080
Creditors amounts falling due after more than one year	14		(248,400)		(92,577)
			<hr/>		<hr/>
Net assets			1,896,645		1,529,503
			<hr/> <hr/>		<hr/> <hr/>
Capital and reserves					
Called up share capital	15		600		600
Profit and loss account			1,896,045		1,528,903
			<hr/>		<hr/>
Shareholders' funds - equity interests	16		1,896,645		1,529,503
			<hr/> <hr/>		<hr/> <hr/>

These financial statements were approved by the board of directors on 25 June 2003 and were signed on its behalf by:

BM Smith
Director

Cash flow statement
for the year ended 31 March 2003

	<i>Note</i>	2003 £	2002 £
Net cash (outflow)/inflow from operating activities	21	(48,532)	478,894
Return on investments and servicing of finance	22	(33,033)	(40,209)
Capital expenditure and financial investment	22	(79,428)	(399,331)
Cash outflow before financing		<u>(160,993)</u>	<u>39,354</u>
Financing			
Increase in debt	22	51,057	281,145
(Decrease)/Increase in cash in the period		<u>(109,936)</u>	<u>320,499</u>

Reconciliation of net cash flow to movement in net debt (note 23)

	2003 £	2002 £
Decrease in cash in the period	(109,936)	320,499
Cash outflow from increase in debt financing	<u>(51,057)</u>	<u>(281,145)</u>
Changes in net debt resulting from cash flows	(160,993)	39,354
Movement in net funds in the period	(160,993)	39,354
Net debt at start of the period	(446,205)	(485,559)
Net debt at end of the period	<u>(607,198)</u>	<u>(446,205)</u>

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 company's financial statements

Basis of preparation

These financial statements have been prepared in accordance with the historical cost convention.

As the company is a wholly owned subsidiary of Investec Bank (UK) Limited, the company 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 (or investees of the group qualifying as related parties).

Turnover

Turnover is the amount derived from the provision of goods and services falling within the company's ordinary activities excluding Value Added Tax.

Research and development

Costs incurred in respect of research and development are written off in the year in which they are incurred.

Tangible fixed assets and depreciation

Depreciation is calculated to write down the cost of fixed assets to their estimated residual values by equal annual instalments over their expected useful lives which are considered to be:

Plant and machinery	-	3 and 5 years
Motor vehicles	-	5 years
Freehold buildings	-	between 25 and 50 years

Taxation

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 revised by the balance sheet date, except as otherwise required by FRS19.

Stocks and work in progress

Stocks and work in progress is valued at the lower of cost and net realisable value. Cost where appropriate includes a proportion of work overheads. Provision is made for obsolete, slow moving and defective stock.

Lease and Hire Purchase Agreements

Assets held under finance agreements that give rights approximating to ownership are treated as if they had been purchased outright at the present value of the total amount payable during the primary period of the agreements.

The corresponding financial commitments are shown as creditors. The interest element of payments under these agreements and depreciation on the relevant assets are charged to the profit and loss account.

The rentals arising under operating lease agreements are charged to the profit and loss account over the terms of the agreements.

Pensions

The company operates a series of personal plans administered by trustees independently of the company. The company's contributions are determined by contractual arrangements referenced to the employees own contributions and are reflected in the financial statements for the period in which they are paid.

Notes (continued)

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at the balance sheet date.

2 Analysis of turnover

The turnover attributable to each of the company's geographical markets is:

	2003 £	2002 £
United Kingdom	788,927	330,409
Other	3,206,191	3,420,736
	3,995,118	3,751,145
	3,995,118	3,751,145

In the opinion of the directors the turnover, result for the year and net assets are attributable to one class of business. The directors do not believe that an analysis of result and net assets by reference to geographical markets would be appropriate.

3 Operating profit

	2003 £	2002 £
<i>is arrived at after charging/(crediting)</i>		
Auditors' remuneration:		
Audit	7,310	6,600
Operating leases		
Rental costs of land and buildings	1,000	11,000
Depreciation	104,035	113,541
Profit on disposal of fixed assets	(3,200)	(1,000)
Costs, including appropriate salary costs, incurred on research and development of products during the year reflected within cost of sales	738,935	624,518
	738,935	624,518
	738,935	624,518

4 Interest receivable

	2003 £	2002 £
Other	5	4,556
	5	4,556
	5	4,556

Notes *(continued)*

5 Interest payable

	2003	2002
	£	£
Bank interest and interest on loans repayable within five years	13,332	20,608
On loan from Group undertakings repayable within five years	13,012	21,076
On hire purchase contracts	6,694	3,081
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	33,038	44,765
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

6 Directors' emoluments

	2003	2002
	£	£
Aggregate amount of emoluments	116,324	117,629
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Aggregate value of company contributions to money purchase pension schemes	3,825	3,640
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Number of directors to whom retirement benefits accrue under the schemes	1	1
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>

7 Employees

The average number of persons, including directors, employed by the company in its normal activities during the year was 53 (2002: 50):

The costs incurred in respect of these employees were:-

	2003	2002
	£	£
Wages and salaries	1,379,404	1,323,650
Social security costs	129,251	125,889
Other pension costs (note 18)	43,031	34,537
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	1,551,686	1,484,076
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

Notes *(continued)*

8 Tax on profit on ordinary activities

	2003	2002
	£	£
Based on the profit for the year at an average rate of 30% (2001: 30%)		
Corporation tax - Current	50,000	110,500
- Group relief	(136,340)	(92,500)
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	(86,340)	18,000
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

The current tax charge for the period is lower at 18% (2002:lower at 28%) than the standard rate of corporation tax in the UK (30% 2002:30%). The differences are explained below.

	2003	2002
	£	£
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	280,802	398,097
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
Current tax at 30% (2002:30%)	84,241	119,429
<i>Effects of:</i>		
Relief on research and development expenditure in excess of cost	(45,850)	-
Expenses not deductible for tax purposes	14,399	(7,647)
Capital allowances for period in excess of depreciation	(2,790)	(1,282)
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
Total current tax charges (See above)	50,000	110,500
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

Notes (continued)

9 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Motor vehicles	Total
	£	£	£	£
<i>Cost</i>				
At beginning of year	740,663	1,040,755	72,176	1,853,594
Additions	8,041	61,274	17,162	86,477
Disposals			(36,476)	(36,476)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	748,704	1,102,029	52,862	1,903,595
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	48,807	844,763	40,790	934,360
Charged for the year	14,629	78,834	10,572	104,035
Disposals			(30,676)	(30,676)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	63,436	923,597	20,686	1,007,719
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 March 2003	685,268	178,432	32,176	895,876
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2002	691,856	195,992	31,386	919,234
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Included in the net book value of plant and machinery is £109,914 (2002: £147,003) and of motor vehicles is £18,445 (2002: £25,585) in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £44,230 (2002: £41,256). The net book value of land, not subject to depreciation, amounted to £208,786 (2002: £208,786).

10 Fixed asset investments

The company owns 100% equity interest in Datong Electronics Inc., a company incorporated in the USA, whose primary activity is the marketing of electronic equipment. The investment was acquired during the year and is held at cost.

Management accounts of the subsidiary showed net liabilities of £61,000 at 31 March 2003 and that the loss in the year then ended, related to set-up costs of the subsidiary, was £63,000.

11 Stocks

	2003	2002
	£	£
Raw materials and consumables	336,786	270,026
Work in progress and sub-assembled	213,741	269,609
Finished goods and goods for resale	10,170	14,714
	<hr/>	<hr/>
	560,697	554,349
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

12 Debtors

	2003 £	2002 £
Trade debtors	1,378,481	1,258,612
Amounts due from group undertakings	249,897	-
Other debtors	8,648	32,328
Prepayments and accrued income	41,063	32,520
	1,678,089	1,323,460
	1,678,089	1,323,460

13 Creditors: amounts falling due within one year

	2003 £	2002 £
Bank loan and overdraft	117,474	-
Obligations under hire purchase contracts	67,825	75,950
Trade creditors	284,025	318,889
Amount owed to group undertakings	230,391	372,731
Corporation tax	50,000	110,500
Other taxation and social security	39,713	35,240
Accruals and deferred income	202,140	273,975
	991,568	1,187,285
	991,568	1,187,285

The bank loan and overdraft are secured by way of a fixed charge over the company's freehold property and a floating charge on other assets.

14 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Bank loan	223,648	-
Obligations under hire purchase contracts	24,752	92,577
	248,400	92,577
	248,400	92,577

The maturity of the bank loan and overdraft is as follows:

In one year or less or on demand	117,474	-
Between one and two years	19,283	-
Between two and five years	68,481	-
In five years or more	135,884	-
	341,122	-
	341,122	-

Notes *(continued)*

	2003	2002
	£	£
<i>The maturity of obligations under hire purchase contracts is as follows:</i>		
Within one year	67,825	75,950
In the second to fifth years	24,752	92,577
	92,577	168,527
	92,577	168,527

15 Share capital

	2003	2002
	£	£
<i>Authorised</i>		
600 ordinary shares of £1 each	600	600
	600	600
<i>Allotted, called up and fully paid</i>		
600 ordinary shares of £1 each	600	600
	600	600

16 Reconciliation of movements in shareholders' funds

	2003	2002
	£	£
Profit for the financial period	367,142	380,096
Net addition to shareholders' funds	367,142	380,096
Opening shareholders' funds	1,529,503	1,149,407
	1,896,645	1,529,503
	1,896,645	1,529,503

17 Commitments

The company had capital commitments at the year end of £14,952 (2002: £22,116).

18 Pensions

The company contributes to individual personal pension plans administered by trustees independent of the company. The pension cost charge of £43,031 (2002: £34,537) represents contributions payable by the company to the plans.

There were no outstanding or prepaid contribution at either the beginning or end of the financial year.

19 Ultimate holding company and parent undertaking of larger group of which the company is a member

The company's immediate parent undertaking is Investec Bank (UK) Limited, a company registered in England and Wales. The company's ultimate parent undertaking is Investec Plc, a company registered in England and Wales.

Notes (continued)

20 Related party transactions

No transactions with other group undertakings or investees of the group qualifying as related parties have occurred.

21 Reconciliation of operating loss to net cash (outflow) / inflow from operating activities

	2003 £	2002 £
Operating profit	313,835	438,305
Depreciation	104,035	113,541
Profit on disposal of fixed assets	(3,200)	(1,000)
Increase in debtors	(354,629)	(17,178)
Decrease in creditors	(102,225)	(26,386)
(Increase)/Decrease in stock	(6,348)	39,612
(Decrease) in provisions		(68,000)
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(48,532)	478,894
	<hr/> <hr/>	<hr/> <hr/>

22 Analysis of cash flows

	2003 £	2002 £
Returns on investments		
Interest received	5	4,556
Interest element of finance lease rental payments	(6,694)	(3,081)
Interest paid	(26,344)	(41,684)
	<hr/>	<hr/>
	(33,033)	(40,209)
	<hr/> <hr/>	<hr/> <hr/>
Capital expenditure and fixed investment		
Purchase of tangible fixed assets	(86,477)	(400,331)
Investment in subsidiary company	(1,951)	-
Receipts from disposal of fixed assets	9,000	1,000
	<hr/>	<hr/>
	(79,428)	(399,331)
	<hr/> <hr/>	<hr/> <hr/>
Financing		
Loan finance	250,000	300,000
Hire purchase financing	-	194,660
Repayment of capital element of hire purchase	(75,951)	(51,015)
Repayment of loan	(122,992)	(162,500)
	<hr/>	<hr/>
	51,057	281,145
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

23 Analysis of net debt

	At beginning of year £	Cash Flow £	At end of year £
Cash in hand and at bank	12,322	(12,322)	-
Overdrafts	-	(97,614)	(97,614)
	<hr/>	<hr/>	<hr/>
Debt due within one year	12,322	(109,936)	(97,614)
Debt due after one year	(290,000)	96,640	(193,360)
Finance resources	-	(223,648)	(223,648)
	(168,527)	75,951	(92,576)
	<hr/>	<hr/>	<hr/>
Total	(446,205)	(160,993)	(607,198)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>