

Datong Electronics Limited

Directors' report and consolidated
financial statements

Registered number 1169448

31 March 2005

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Directors' report

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

Principal activities

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

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

Business review

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

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

Results and dividends

The result for the year on ordinary activities after taxation amounted to £1,138,439 (2004: £684,202).

The directors do not recommend the payment of a dividend (2004: £Nil).

Directors

The directors who served during the year were BM Smith, RV Cohen, J Cooke.

According to the register of directors' interests, no director holding office at 31 March 2005 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 plc, 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

Director	Beneficial holdings at 1 April 2004	Options granted	Exercised	Lapsed	Beneficial holdings at 31 March 2005
R V Cohen					
Investec Limited Share Option Scheme	11,233	-	528	3,125	7,580
Investec plc Share Option Plan	23,414	-	6,348	-	17,066
J Cooke					
Investec Limited Share Option Scheme	2,469	-	-	637	1,832
Investec plc Share Option Plan	7,206	-	1,088	-	6,118

The above options are exercisable at prices of £ 7.93, £10.52 and £15.73 between 2005 and 2012.

Directors' report *(continued)*

Directors *(continued)*

Directors' attributable interest in Investec Limited and Investec plc shares through a leveraged equity plan called Fintique II as at 31 March 2005

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 2004. 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 £80 were made this year (2004: £270).

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 will be proposed at the Annual General Meeting.

By order of the board

J Cooke
Director

[]

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 group 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 group 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 group and to prevent and detect fraud and other irregularities.

Consolidated profit and loss account
for the year ended 31 March 2005

	<i>Note</i>	2005 £	2004 Restated £
Turnover	2	6,485,303	4,825,148
Cost of sales		(2,700,549)	(2,293,133)
		<hr/>	<hr/>
Gross profit		3,784,754	2,532,015
Distribution costs		(754,043)	(516,431)
Administrative expenses		(1,481,464)	(1,140,673)
		<hr/>	<hr/>
Operating profit	3	1,549,247	874,911
Interest receivable	4	24,100	675
Interest payable	5	(18,783)	(28,703)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		1,554,564	846,883
Tax on profit on ordinary activities	8	(416,125)	(162,681)
		<hr/>	<hr/>
Profit for the financial year		1,138,439	684,202
		<hr/> <hr/>	<hr/> <hr/>

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

The group did not have any discontinued operations in either the current or preceding year.

Consolidated balance sheet
at 31 March 2005

	<i>Note</i>	2005		2004	
		£	£	£	£
Fixed assets					
Tangible assets	<i>9</i>		1,100,918		945,711
Investments	<i>10</i>		-		-
Current assets					
Stocks	<i>11</i>	968,750		710,020	
Debtors	<i>12</i>	1,671,692		2,010,854	
Cash at bank and in hand		1,795,819		362,122	
		4,436,261		3,082,996	
Creditors: amounts falling due within one year	<i>13</i>	(1,783,408)		(1,396,694)	
Net current assets			2,652,853		1,686,302
Total assets less current liabilities			3,753,771		2,632,013
Creditors amounts falling due after more than one year	<i>14</i>		(194,576)		(208,546)
Net assets			3,559,195		2,423,467
Capital and reserves					
Called up share capital	<i>15</i>		600		600
Profit and loss account	<i>16</i>		3,558,595		2,422,867
Shareholders' funds - equity interests	<i>17</i>		3,559,195		2,423,467

These financial statements were approved by the board of directors on [] and were signed on its behalf by:

BM Smith
Director

Consolidated cash flow statement
for the year ended 31 March 2005

	<i>Note</i>	2005	2004
		£	£
Net cash inflow from operating activities	21	2,141,379	837,016
Return on investments and servicing of finance	22	5,317	(28,028)
Taxation	22	(165,785)	(52,681)
Capital expenditure and financial investment	22	(321,512)	(172,186)
Cash inflow before financing		1,659,399	584,121
Financing			
Decrease in debt	22	(225,702)	(129,002)
Increase in cash in the period		1,433,697	455,119

Reconciliation of net cash flow to movement in net debt

		2005	2004
		£	£
Increase in cash in the period		1,433,697	455,119
Cash inflow from decrease in debt financing		225,702	129,002
Changes in net debt resulting from cash flows		1,659,399	584,121
Movement in net funds in the period		1,659,399	584,121
Net debt at start of the period		(85,720)	(669,841)
Net funds at end of the period	23	1,573,679	(85,720)

Statement of total recognised gains and losses

for the year ended 31 March 2005

		2005	2004
		£	£
Profit for the year		1,138,439	684,202
Exchange differences		(2,711)	(1,074)
Total recognised gains or losses for the year		1,135,728	683,128

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 group's financial statements

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the group and its subsidiary undertakings made up to 31 March 2005. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertaking acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

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 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

Investments

Investments in subsidiaries are held at cost.

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.

Notes (continued)

1 Accounting policies (continued)

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

Pensions

The group 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.

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 group' geographical markets is:

	2005 £	2004 £
United Kingdom	1,242,564	937,982
Other	5,242,739	3,887,166
	<u>6,485,303</u>	<u>4,825,148</u>

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

	2005 £	2004 £
<i>is arrived at after charging/(crediting)</i>		
Auditors' remuneration:		
Audit – company	9,500	12,000
Audit – group	12,500	19,500
Operating leases		
Rental costs of land and buildings	1,000	1,000
Depreciation	166,883	140,860
Profit on disposal of fixed assets	(1,148)	-
Costs, including appropriate salary costs, incurred on research and development of products during the year reflected within cost of sales	840,283	785,888
	<u>840,283</u>	<u>785,888</u>

4 Interest receivable

	2005 £	2004 £
Other	24,100	675
	<u>24,100</u>	<u>675</u>

Notes *(continued)*

5 Interest payable

	2005 £	2004 £
Bank interest and interest on loans repayable within five years	16,766	16,369
On loan from Group undertakings repayable within five years	443	8,526
On hire purchase contracts	1,574	3,808
	18,783	28,703
	18,783	28,703

6 Directors' emoluments

	2005 £	2004 £
Aggregate amount of emoluments	204,545	147,489
	204,545	147,489
Aggregate value of company contributions to money purchase pension schemes	3,955	3,955
	3,955	3,955
Number of directors to whom retirement benefits accrue under the schemes	1	1
	1	1
	1	1

7 Employees

The average number of persons, including directors, employed by the group in its normal activities during the year was 60 (2003: 54):

The costs incurred in respect of these employees were:-

	2005 £	2004 £
Wages and salaries	2,273,035	1,794,789
Social security costs	254,571	198,820
Other pension costs (note 18)	45,501	43,207
	2,573,107	2,036,816
	2,573,107	2,036,816

Notes (continued)

8 Tax on profit on ordinary activities

	2005	2004
	£	£
Corporation tax - Current	375,070	160,000
- Prior year	(6,679)	(17,947)
- Group relief	-	-
- Deferred taxation	(20,940)	-
	347,451	142,053
Foreign tax - current	62,394	20,628
- prior year	6,280	-
	416,125	162,681

The current tax charge for the period is lower (2003:lower) than the standard rate of corporation tax in the UK (30% 2003:30%). The differences are explained below.

	2005	2004
	£	£
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,554,465	846,883
	466,369	254,065
<i>Effects of:</i>		
Relief on research and development expenditure in excess of cost	(62,931)	(47,939)
Expenses not deductible for tax purposes	1,760	7,100
Capital allowances for period in excess of depreciation	(3,355)	(3,740)
Intercompany profit not yet recognised	20,307	-
Capital items expensed	1,156	-
Tax losses brought to account previously not recognised	-	(23,144)
Higher / (lower) overseas tax rates	14,859	(5,714)
Foreign currency difference	(701)	(5,714)
	437,434	180,628

Notes (continued)

9 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Motor vehicles	Total
	£	£	£	£
The Group				
<i>Cost</i>				
At beginning of year	749,404	1,283,570	62,967	2,095,941
Exchange differences	-	(610)	(246)	(856)
Additions	2,815	305,502	19,995	328,312
Disposals	-	-	(17,850)	(17,850)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	752,219	1,588,462	64,886	2,405,547
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	78,093	1,038,688	33,449	1,150,230
Exchange differences	-	(233)	(53)	(286)
Charged for the year	14,760	139,150	12,973	166,883
Disposals	-	-	(12,198)	(12,198)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	92,853	1,177,605	34,171	1,304,629
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 March 2005	659,366	410,857	30,695	1,100,918
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2004	671,311	244,882	29,518	945,711
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Freehold land and buildings	Plant and machinery	Motor vehicles	Total
	£	£	£	£
The Company				
<i>Cost</i>				
At beginning of year	749,404	1,259,804	52,862	2,062,070
Additions	2,815	283,623	19,995	306,433
Disposals	-	-	(17,850)	(17,850)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	752,219	1,543,427	55,007	2,350,653
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	78,093	1,030,344	31,260	1,139,697
Charged for the year	14,760	127,936	11,001	153,697
Disposals	-	-	(12,198)	(12,198)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	92,853	1,158,280	30,063	1,281,196
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 March 2005	659,366	385,147	24,943	1,069,457
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2004	671,311	229,460	21,602	922,373
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

9 Tangible fixed assets (continued)

Included in the net book value of plant and machinery is £NIL. (£2004: 90,848) and of motor vehicles is £ 21,747 (2004: £14,583) in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £5,971 (2004: £48,767). The net book value of land, not subject to depreciation, amounted to £208,786 (2004: £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 is held at cost.

11 Stocks

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Raw materials and consumables	511,948	385,917	510,119	385,917
Work in progress and sub-assembled	365,063	281,439	365,063	281,439
Finished goods and goods for resale	91,739	42,664	16,461	19,670
	<hr/>	<hr/>	<hr/>	<hr/>
	968,750	710,020	891,642	687,026
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

12 Debtors

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Trade debtors	1,547,840	1,902,716	872,373	770,073
Amounts due from group undertakings	-	-	871,551	1,193,982
Other debtors	20,940	42,794	20,940	42,794
Prepayments and accrued income	102,912	65,344	89,328	53,442
	<hr/>	<hr/>	<hr/>	<hr/>
	1,671,692	2,010,854	1,854,192	2,060,291
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

13 Creditors: amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Bank loan and overdraft	19,408	19,776	19,408	19,776
Obligations under hire purchase contracts	6,156	31,010	4,398	27,934
Trade creditors	476,315	482,658	476,315	482,658
Amount owed to group undertakings	2,000	188,510	2,865	188,510
Corporation tax	410,340	160,000	375,070	160,000
Other taxation and social security	61,019	46,086	61,019	46,079
Accruals and deferred income	808,170	468,654	788,173	438,798
	1,783,408	1,396,694	1,727,248	1,363,755

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

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Bank loan	186,116	204,330	186,116	204,330
Obligations under hire purchase contracts	8,460	4,216	4,765	-
	194,576	208,546	190,881	204,330

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

In one year or less or on demand	19,408	19,776	19,408	19,776
Between one and two years	20,752	20,990	20,752	20,990
Between two and five years	71,281	71,019	71,281	71,019
In five years or more	94,083	112,321	94,083	112,321
	205,524	224,106	205,524	224,106

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

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Within one year	6,156	31,010	4,398	27,934
In the second to fifth years	8,460	4,216	4,765	-
	14,616	35,226	9,163	27,934

Notes (continued)

15 Share capital

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
<i>Authorised</i>				
600 ordinary shares of £1 each	600	600	600	600
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>				
600 ordinary shares of £1 each	600	600	600	600
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

16 Profit and loss reserve

	Group		Company	
	2005	2004	2005	2004
	£	£	£	
Profit for the financial period	1,138,439	684,202	1,114,013	506,637
Exchange differences	(2,711)	(1,074)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	1,135,728	683,128	1,114,013	506,637
Opening reserve	2,422,867	1,739,739	2,402,682	1,896,045
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Closing reserve	3,558,595	2,422,867	3,516,695	2,402,682
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

17 Reconciliation of movements in shareholders' funds

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Profit for the financial period	1,138,439	684,202	1,114,013	506,637
Exchange differences	(2,711)	(1,074)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net addition to shareholders' funds	1,135,728	683,128	1,114,013	506,637
Opening shareholders' funds	2,423,467	1,740,339	2,403,282	1,896,645
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Closing shareholders' funds	3,559,195	2,423,467	3,517,295	2,403,282
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

18 Commitments

The company had capital commitments at the year end of £13,486 (2004: £43,082).

19 Pensions

The company contributes to individual personal pension plans administered by trustees independent of the company. The pension cost charge of £45,501 (2004: £43,207) represents contributions payable by the company to the plans.

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

Notes (continued)

20 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.

21 Reconciliation of operating profit to net cash inflow from operating activities

	Group 2005 £	2004
Operating profit	1,549,247	874,911
Depreciation	166,883	140,860
Exchange differences	(2,141)	-
Profit on disposal of fixed assets	(1,148)	-
Decrease(Increase) in debtors	339,162	(559,447)
Increase in creditors	348,106	472,737
Increase in stock	(258,730)	(92,045)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	2,141,379	837,016
	<hr/> <hr/>	<hr/> <hr/>

22 Analysis of cash flows

	Group 2005 £	2004 £
Returns on investments		
Interest received	24,100	675
Interest element of finance lease rental payments	(1,187)	(3,808)
Interest paid	(17,596)	(24,895)
	<hr/>	<hr/>
	5,317	(28,028)
	<hr/> <hr/>	<hr/> <hr/>
Taxation		
Corporation tax (paid)/refund	(165,785)	(52,681)
	<hr/> <hr/>	<hr/> <hr/>
Capital expenditure and fixed investment		
Purchase of tangible fixed assets	(328,312)	(172,305)
Receipts from disposal of fixed assets	6,800	119
	<hr/>	<hr/>
	(321,512)	(172,186)
	<hr/> <hr/>	<hr/> <hr/>
Financing		
Loan finance	-	38,119
Repayment of capital element of hire purchase	(20,610)	(67,719)
Repayment of loans	(205,092)	(99,402)
	<hr/>	<hr/>
	(225,702)	(129,002)
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

23 Analysis of net funds / (debt)

	At beginning of year £	Cash Flow £	At end of year £
Cash in hand and at bank	362,122	1,433,697	1,795,819
Overdrafts	-	-	-
	<hr/>	<hr/>	<hr/>
Debt due within one year	362,122	1,433,697	1,795,819
	(208,286)	186,878	(21,408)
Debt due after one year	(204,330)	18,214	(186,116)
Finance resources	(35,226)	20,610	(14,616)
	<hr/>	<hr/>	<hr/>
Total	(85,720)	1,659,399	1,573,679
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>