Company No: 1316674

Pascall Electronics Limited

Annual Report and Financial Statements

Year ended 31 December 2013

Contents of the Annual Report

Company Information

Directors	C T Oliva G M J Jefferies R L Weller M K P Blake
Secretary	G M J Jefferies
Registered office	c/o Emrise Electronics Limited Brunswick Road Cobbs Wood Ashford Kent TN23 1EH
Company registration number	1316674
Auditors	BDO LLP 55 Baker Street London W1U 7EU
Bankers	Lloyds Bank PLC 24 Broad Street Reading Berkshire RG1 2BT

Strategic Report

For the year ended 31 December 2013

The directors present their strategic report for the year ended 31st December 2013.

Principal activities

The company is engaged in the design, development and manufacture of electronic and RF devices primarily for the military and aerospace markets.

Review of the development, performance and position of the business

Company turnover for the year ending 31st December 2013 was £9.45M, a decrease of 11.2% on 2012. The decrease in turnover primarily due to project timing of orders for our RF products, contributed to a decrease in operating profits to £1.91M (from £1.14M in 2012). A total of £10.08M of orders was booked in the year (£9.46M in 2012) with the order book ending the year at £9.93M.

We saw further strong growth in our Civil Aerospace business, relating to established programs and the RF business saw an increase in orders received during 2013 compared to the decline in orders seen in 2012, specifically relating to current products. A similar situation is also reflected in our military power supply business where both US and European Defence budgetary cuts have impacted such that we have seen a flat order intake in 2013 from 2012. However, the current total order book and prospects along with a continuing program of investment in technology, capability and equipment gives the director's confidence that we can increase the current levels of turnover and profit in 2014 as the worldwide economic conditions start to improve. Continued tight inventory controls and the inventory reduction exercise, together with lower turnover saw a reduction on Finished Goods Stock and WIP of 28%.

The Company also took the opportunity in 2013 to purchase the freehold of the land and buildings it had previously leased in Ryde, Isle of Wight . This was completed on 28th February 2013 and is reflected in Note 10 (page 14) detailing the additions in the year.

Principal Risks

The current trend for the defence markets remains flat, mainly driven by government budgetary cuts for defence programmes Worldwide. There is also the potential for a cyclical downturn in commercial air travel and aircraft build rates, despite the increase we have seen over the last three years. The company constantly monitors the trends in the market and the fact that we are in commercial aerospace, military aerospace and defence markets gives the directors confidence that a downturn in one area is unlikely to coincide with a downturn in the other. To emphasise that philosophy, the company has won programs in other harsh environment markets which further protects the volatility in each of the markets we serve. Many of the programmes the company services are the subject of long-term purchase orders that would give the company time to respond to a market shift.

The company's continued ability to compete on price in a maturing global market remains a risk, although the directors are confident that the company can stay at the forefront in its chosen markets, and is perceived as doing so by its customers.

There is always a risk that engineering programmes, which we undertake on a fixed price basis, may not be delivered to cost or time with any resultant overspends affecting profit. To date all contracts undertaken by the company have always been completed with a satisfactory technical solution. These programmes are reviewed regularly throughout the year and any overspend identified and expensed.

Strategic Report (continued)

Key Performance Indicators

The directors monitor the business internally with a number of key performance indicators. The company produces an annual business plan and monthly forecast showing performance against plan, and sales, profit and cash flow forecasts.

Report of the Directors

For the year ended 31 December 2013

The directors present their report and the audited financial statements for the year ended 31st December 2013.

Information included in the Strategic Report

The following information is included in the Strategic Report

- Details of the principal activity of the company
- A review of the business, including developments in the year, its performance and current position
- A summary of the principal risks and uncertainty affecting the position, and
- Information relating to KPI's monitored by the Company

Directors

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

C T Oliva
G M J Jefferies
R L Weller
M K P Blake (Appointed 1st March 2013)

The company has arranged qualifying third party indemnity for all of its directors.

Results and Dividends

During the year the company made an operating profit of £947,458 and a profit of £818,862 after tax.

Interim dividends of £430,151 were paid during the year.

Financial risk management

The company sells its products in two major currencies, Sterling and US Dollars and is therefore exposed to the risks and uncertainties associated with the movements of those currencies. The raw material and selling prices of some products are both denominated in foreign currency and the exchange rate risk is therefore limited to the company's margin on those products. For all other products the full sales value is exposed to currency risk. From time to time the company uses forward foreign currency contracts to mitigate the exchange risk.

Research and Development

The company continues to invest in the development of new technologies

Post Balance sheet events

There are no balance sheet events that require disclosure.

Report of the Directors (continued)

Employee Involvement

Within the bounds of commercial confidentiality, information is disseminated to all members of staff about matters that affect the progress of the Company and are considered to be of interest and concern to them as employees.

Statement of directors' responsibilities in respect of the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 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 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Auditors

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

Approval

The report of the directors was approved by the Board on 29th May 2014 and signed on its behalf by:

G M J Jefferies
Director

29 May 2014

Report of the independent auditors to the member of Pascall Electronics Limited

We have audited the financial statements of Pascall Electronics Limited for the year ended 31 December 2013 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member 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 member, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Report of the independent auditors to the members of Pascall Electronics Limited (Continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Kieran Storan (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London

29 May 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Notes to the Financial Statements

For the year ended 31 December 2013

Profit and Loss Account

For the year ended 31 December 2013

	Note	2013	2012
		£	**£**
Turnover	2	**9,449,973**	10,636,725
Cost of sales		**(6,995,074)**	(7,951,371)
Gross profit		**2,454,899**	2,685,354
Distribution costs		**(422,480)**	(516,522)
Administrative expenses		**(1,127,231)**	(1,069,766)
Other operating income		**42,270**	39,531
		(1,507,441)	(1,546,757)
Operating Profit	3	**947,458**	1,138,597
Interest receivable and similar income	4	**8,377**	9,046
Interest payable and similar charges	5	**(77,912)**	(16,707)
Profit on ordinary activities before taxation		**877,923**	1,130,936
Tax on profit on ordinary activities	8	**(59,061)**	(250,634)
Profit for the financial year	17	**818,862**	880,302

All the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the profit for the year as set out above.

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2013

Balance Sheet

At 31 December 2013

Company number : 1316674	**Note**	**2013** **£**	**2012** **£**
Fixed assets			
Tangible assets	10	**2,176,623**	357,556
Current assets			
Stocks	11	**1,074,297**	1,219,548
Debtors	12	**4,169,972**	3,733,504
Cash at bank and in hand		**225,971**	232,130
		5,470,240	5,185,182
Creditors: Amounts falling due within one year	13	**(2,201,625)**	(1,850,572)
Net current assets		**3,268,615**	3,334,610
Total assets less current liabilities		**5,445,238**	3,692,166
Creditors: Amounts falling due after more than one year	14	**(1,637,879)**	(273,518)
Net assets		**3,807,359**	3,418,648
Capital and reserves			
Called up share capital	16	**53,822**	53,822
Share premium account	17	**233,129**	233,129
Profit and loss account	17	**3,520,408**	3,131,697
Shareholder's funds	18	**3,807,359**	3,418,648

The financial statements were approved and authorised for issue by the Board 29th May 2014 and signed on its behalf by:

G M J Jefferies
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2013

1. **PRINCIPAL ACCOUNTING POLICIES**

Basis of preparation

The financial statements are prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

Turnover

Revenue recognition for products and services provided by the Company depends upon the type of contract involved. Engineering/design services contracts generally entail design and production of a prototype over a term of up to several years, with revenue recognised over the term of the contract on a percentage of completion basis. Production contracts provide for a specific quantity of products to be produced over a specific period of time. Customers issue binding purchase orders or enter into binding agreements for the products to be produced. The Company recognises revenues on these orders as the products are shipped. An estimate of warranty cost is recorded at the time revenue is recognised. The Company offers extended warranty contracts which usually incur an additional cost to its customers, which are recognised rateably over the term of the extended warranty contract.

Significant Estimation Techniques

The Company uses various estimation techniques in the following areas: (a) product warranty liabilities for which generally, the Company's products carry a standard one-year, limited parts and labour warranty. In certain circumstances, the Company provides a two-year limited parts and labour warranty. The Company offers extended warranty contracts which usually incur an additional cost to its customers, which are recognised rateably over the term of the extended warranty contract. Historically, the Company has not experienced significant warranty costs or returns. The Company records a liability for estimated costs that it expects to incur under the basic limited warranties when product revenue is recognised. Factors affecting the warranty liability include the number of units sold, historical and anticipated rates of claim and costs per claim. The Company periodically assesses the adequacy of its warranty liability accrual based on changes in these factors. (b) Engineering design contracts costs are derived on the basis of the costs incurred to-date and an estimate of the costs to complete on the overall program. Estimates are made on the basis of utilising the engineering management estimates and but also taking in to account prior experience of the development of similar technologies. Any losses associated with the total cost estimate versus revenue are provided for immediately. Any profits are reflected against the percentage complete of the overall program in conjunction with the same percentage reflected as revenue. (c) Inventory obsolescence is based on company policy that determines the provision relative to age and usage which are then subject to review for specific situations.

Research and development

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

Development costs are charged to the profit and loss account unless individual projects satisfy all of the following criteria:
The project is clearly defined and related expenditure is separately identifiable; the project is technically feasible and commercially viable; current and future costs are expected to be exceeded by future sales; and adequate resources exist for the project to be completed.

In such circumstances, the costs are capitalised and amortised when commercial production occurs, on a systematic basis.

Notes to the Financial Statements

For the year ended 31 December 2013

1. Principal accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets over their useful economic lives. Where there is evidence of impairment, fixed assets are written down to their recoverable amount.

The principal annual rates used are as follows:

Freehold Buildings	40 years	
Freehold Land	Not depreciated	
Short leasehold property	life of lease	
Plant and machinery	10%-25%	Straight line
Motor vehicles	20%	Straight line

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined by using a weighted average for which the stocks are consumed on a first in, first out basis. The cost of work in progress and finished goods comprises materials, direct labour and attributable production overheads. The direct labour element of work in progress is estimated by determining the percentage complete of each of the works orders in process at the end of the accounting period. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Long- term contracts

Long–term contracts are assessed on a contract by contract basis and are reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Where the outcome of each long–term contract can be assessed with reasonable certainty before its conclusion, the attributable profit is recognised in the profit & loss account as the difference between the reported turnover and related costs for that contract. Full provision is made for all known or expected losses on individual contracts.

Deferred taxation

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Notes to the Financial Statements

For the year ended 31 December 2013

1. **Principal accounting policies (continued)**

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the term lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Pension costs

The pension costs charged against operating profits are the contributions payable to the defined contribution scheme in respect of the accounting period. The assets of the scheme are held separately from those of the company in an independently administered fund.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2. **TURNOVER BY GEOGRAPHICAL MARKET**

Turnover is wholly attributable to the principal activity of the company.

An analysis of turnover by geographical market is given below:

	2013 £	2012 £
European Community (excluding UK)	**349,759**	697,864
North America	**5,706,618**	4,914,345
South America	**85,030**	-
Asia	**613,469**	579,781
Africa	**25,010**	16,950
Export sales	**6,779,886**	6,208,940
United Kingdom	**2,670,087**	4,427,785
	9,449,973	10,636,725

Notes to the Financial Statements

For the year ended 31 December 2013

3. OPERATING PROFIT

The operating profit is arrived at after charging/ (crediting):

	2013 £	2012 £
Depreciation of tangible fixed assets	**142,540**	109,608
Auditors' remuneration		
- Audit Fee	**24,315**	23,393
- Non Audit Fee	**-**	1,100
Research and development	**1,096,297**	1,301,648
Operating lease rentals		
- plant and machinery	**39,436**	32,400
- land and buildings	**45,391**	219,107
Foreign exchange losses/(gains)	**82,401**	(37,546)

The group accounts contain the detailed disclosure on Auditor's remuneration.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

Interest receivable during the year was as follows:-

	2013 £	2012 £
Other	**8,377**	9,046

5. INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable during the year was as follows:-

	2013 £	2012 £
Bank interest payable	**9,316**	7,902
Mortgage interest payable	**56,336**	-
Finance leases and hire purchase contracts	**10,510**	7,350
Other	**1,750**	1,455
	77,912	16,707

Notes to the Financial Statements

For the year ended 31 December 2013

6. DIRECTORS AND EMPLOYEES

The average number of staff employed by the company during the financial period, amounted to:

	2013	2012
	£	£
Production and ancillary	**102**	103
Administration and sales	**15**	17
	117	120

Staff costs (including directors) during the year were as follows:

	2013	2012
	£	£
Wages and salaries	**2,777,545**	2,771,410
Social security costs	**263,272**	273,624
Other pension costs	**194,683**	172,078
	3,235,500	3,217,112

7. DIRECTORS

Remuneration in respect of directors was as follows:

	2013	2012
	£	£
Emoluments	**79,760**	-
Value of company pension contributions to money purchase schemes	**3,868**	-
	83,628	-

Other directors are remunerated by other group companies in respect of services rendered to the company and also have accrued benefits under that company pension scheme.

The number of directors who directly accrued benefits under company pension schemes was follows:

	2013	2012
	No	No
Money purchase schemes	**1**	-

Notes to the Financial Statements

For the year ended 31 December 2013

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the period

	2013 £	2012 £
Current tax:		
UK Corporation tax	**99,236**	252,147
Adjustment in respect of prior year	**(54,739)**	(299)
Total current tax	**44,497**	251,848
Deferred taxation:		
Origination and reversal of timing differences	**14,564**	(1,214)
Taxation on profit on ordinary activities	**59,061**	250,634

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is higher than the standard (2012 : lower than) rate of corporation tax in the UK of 23.0 % (2012 : 24.0%). The differences are explained as follows.

	2013 £	2012 £
Profit on ordinary activities before taxation	**877,923**	1,130,936
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	**204,117**	277,079
Effects of:		
Research and development tax credit	**(56,978)**	(36,987)
Expenses not deductible for tax purposes	**178**	828
Capital allowances in excess of depreciation	**(14,622)**	(15,847)
Other timing differences	**15,109**	27,074
Group loss relief	**(48,568)**	-
Adjustment to tax charge in respect of prior periods	**(54,739)**	(299)
Total current tax (note 8 (a))	**44,497**	251,848

Notes to the Financial Statements

For the year ended 31 December 2013

9. DIVIDENDS

	2013	2012
	£	£
Interim of £ 7.99 (2012: £1.51) per share	**430,151**	81,110

10. TANGIBLE FIXED ASSETS

	Freehold land and buildings	Leasehold land and buildings	Plant and machinery	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1st January 2013	-	232,843	1,969,208	28,958	2,231,009
Additions	1,910,789	-	26,828	23,990	1,961,607
Disposals	-	-	(31,708)	-	(31,708)
Transfer	-	70,997	(70,997)	-	-
At 31 December 2013	1,910,789	303,840	1,893,331	52,948	4,160,908
Depreciation					
At 1st January 2013	-	223,635	1,620,860	28,958	1,873,453
Charge for the year	28,252	9,208	100,682	4,398	142,540
Disposals	-	-	(31,708)	-	(31,708)
Transfer	-	35,539	(35,539)	-	-
At 31 December 2013	28,252	268,382	1,654,295	33,356	1,984,285
Net book value					
At 31 December 2013	**1,882,537**	**35,458**	**239,036**	**19,592**	**2,176,623**
At 31 December 2012	-	9,208	348,348	-	357,556

Plant and machinery stated above include assets held under finance leases and similar hire purchase contract as follows:

	£
Net book value at 31 December 2013	**178,890**
Net book value at 31 December 2012	230,237
Depreciation provided in the year	61,164

Notes to the Financial Statements

For the year ended 31 December 2013

11. STOCKS

	2013 £	2012 £
Raw materials and consumables	**644,438**	620,545
Work in progress	**359,870**	508,333
Finished goods and goods for resale	**69,989**	90,670
	1,074,297	1,219,548

12. DEBTORS : AMOUNTS OWED WITHIN ONE YEAR

	2013 £	2012 £
Trade debtors	**1,929,828**	1,879,448
Amounts owed by group undertakings	**1,937,834**	1,397,246
Other debtors	**34,421**	126,942
Prepayments and accrued income	**81,960**	36,131
Deferred tax asset (Note 15)	**60,008**	74,572
Amounts recoverable on contracts	**125,921**	219,165
	4,169,972	3,733,504

Included within trade debtors are £ 714,662 (2012 : £ 1,074,248) which have been used as security for bank borrowings.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £	2012 £
Bank loans and overdrafts (secured – note 19)	**268,421**	22,744
Mortgage	**44,371**	-
Trade creditors	**640,888**	704,238
Obligations under hire purchase agreements (note 13)	**29,788**	43,823
Other taxation and social security	**67,953**	121,919
Corporation tax	**15,810**	111,211
Accruals and other deferred income	**1,134,394**	846,637
	2,201,625	1,850,572

Bank loans and overdrafts totalling £ 268,421 (2012 : £ 22,744) are secured on specific trade debtors of the company.

Mortgage from Lloyds TSB totalling £1,400,000 (value as at 31st December 2013: £1,365,149) used to purchase freehold property, over 20 years, of which 15 years are at a fixed interest rate of 4.8%. This is secured against the property.

Notes to the Financial Statements

For the year ended 31 December 2013

14. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2013 £	2012 £
Obligations under finance leases and hire purchase agreements		
- two to five years	**13,947**	23,019
Deferred income	**303,154**	250,499
Mortgage	**1,320,778**	-
	1,637,879	273,518

Amounts payable under finance leases and hire purchase agreements are secured on the assets to which they relate.

15. DEFERRED TAXATION

	Deferred tax asset £
At 1st January 2013	74,572
Credited to profit and loss account	(14,564)
At 31 December 2013	**60,008**

The deferred tax asset recognised in the financial statements is set out below:

	2013 £	2012 £
Accelerated capital allowances	**46,516**	60,377
Other timing differences	**13,492**	14,195
	60,008	74,572

16. SHARE CAPITAL

	2013 £	2012 £
Allotted, called up and fully paid		
53,822 ordinary shares of £1 each	**53,822**	53,822

Notes to the Financial Statements

For the year ended 31 December 2013

17. SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account £	Profit and loss account £
At 1st January 2013	**233,129**	**3,131,697**
Profit for the year	-	**818,862**
Dividends	-	**(430,151)**
At 31 December 2013	**233,129**	**3,520,408**

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2013 £	2012 £
Profit for the financial year	**818,862**	880,302
Dividends	**(430,151)**	(81,110)
Net Increase in Shareholder's funds	**388,711**	799,192
Opening Shareholder's funds	**3,418,648**	2,619,456
Closing Shareholder's funds	**3,807,359**	3,418,648

19. FINANCIAL COMMITMENTS

Operating lease commitments

The payments which the company is committed to make in the next year under operating leases are as follows:

	2013 £	2012 £
(i) Land and buildings, leases expiring within one year	-	59,858
(ii) Other assets, leases expiring		
- within one year	**15,226**	12,553
- two to five years	**16,316**	19,372
	31,542	31,925

Notes to the Financial Statements

For the year ended 31 December 2013

20. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

The company, together with other group undertakings, is party to a cross guarantee contingent liability given in respect of the bank loans and overdrafts of the participating companies. As at 31 December 2013 the total of the loans and overdrafts guaranteed by the company under this agreement amounted to £Nil (2012 : £Nil).

At the balance sheet date the company had entered into forward extra currency contracts to purchase $1.2M with expiration dates between January and March 2014.

21. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption offered by FRS 8 not to disclose transactions with other group companies on the grounds that it is a wholly owned subsidiary and group accounts are publicly available from the registered office of the ultimate parent company.

22. ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Pascall Electronic (Holdings) Limited.

The company's ultimate parent undertaking is Emrise Corporation, a company incorporated in the United States of America. The largest group of undertakings for which group accounts are drawn up is that headed by Emrise Corporation. The smallest group of undertakings for which group accounts are prepared is headed by Emrise Electronics Limited whose accounts can be obtained from Companies House.

Copies of the consolidated financial statements of Emrise Corporation are available from :-

Emrise Corporation
2530 Meridian Parkway
Durham
NC 37713
USA