

**MK Electric Limited**

**Annual report**

**for the year ended 31 December 1992**

Registered in England and Wales no:189291



Registered office:  
Shrubbery Road  
London N9 0PP

# **MK Electric Limited**

## **Report of the Directors**

### **for the year ended 31 December 1992**

The directors present their report and the audited accounts for the year ended 31 December 1992.

#### **Principal activities**

The principal activities of the Company are the manufacture of electric and electronic connection, control and circuit protection equipment.

#### **Review of business and future developments**

The profit and loss account for the year is set out on page 5.

In the face of difficult trading conditions, the Company reported a reduced profit for the year. The financial position of the Company at the end of the year was satisfactory.

With effect from 1 January 1993 the company acquired the trade, assets, undertakings and liabilities of a fellow subsidiary company, Ega Limited, at net book value.

The Company will continue to seek opportunities to expand within the market sectors currently served. The Company has continued to improve its operating efficiency and is well placed to take advantage of increases in demand.

#### **Dividends**

No dividend was paid during the year (1991-£5,000,000). The retained loss for the financial year will be transferred to reserves.

#### **Changes in fixed assets**

The movement in the Company's fixed assets during the year is set out in notes 9 to 11 of the accounts.

# MK Electric Limited

## Directors

The following were directors of the Company during the year:

J.W.Ray	(Chairman)
M.J.Dowsett	(Managing Director)
S.L.Amphlett	
G.R.Carr	
N.A.Couter	
M.J.Davison-Griffith	
B.R.Edwards	
W.A.Futcher	
A.Goodfellow	
E.Race	
P.P.Woods	

## Directors' Interests

The Company is not required to disclose details of the interests of Messrs J.W.Ray, M.J.Dowsett and E.Race in shares in or debentures of The RTZ Corporation PLC ("RTZ") or any of its subsidiaries as they are directors of a company of which the Company is a wholly-owned subsidiary. The other directors had the following interests in RTZ ordinary shares of 10p ("Shares").

	Shares held	
	At 31 December 1992	At 31 December 1991
S.L.Amphlett	277	277
N.A.Couter	4,020	-
W.A.Futcher	1,310	1,268
A.Goodfellow	-	1,625

In addition to the above A.Goodfellow held 1,559 (1991-nil) ordinary shares of 10p each in the RTZ General and Single Company Personal Equity Plan.

During the year W.A.Futcher disposed of his holding of £5,986 of redeemable unsecured floating loan notes 1992.

There have been no changes in the above holdings since 31 December 1992.

No director had any material interest during the period in any contract significant in relation to the company's business.

# MK Electric Limited

## Research & Development

The company places great emphasis on research and development activities to maintain its position as market leader in the sector of the electrical industry in which it operates. Expenditure on research and development amounted to £4,624,000 (1991 - £4,348,000) of which £2,865,000 has been charged against the profit for the year and £1,759,000 (1991 - £712,000) has been deferred in accordance with the accounting policy.

## Employees

Company policies recognise the importance of provision of information to, and consultation with, employees. Eligible employees have been given the opportunity to participate in the savings-related share option scheme of The RTZ Corporation PLC

The Company's policy and practice is to encourage and assist the employment of disabled people, their recruitment, training, career development and promotion; and the retention of employees who become disabled. The operation of this policy is reviewed regularly.

## Auditor

The auditor, Coopers & Lybrand, will remain in office. Until 1 June 1992 the firm practised in the name of Coopers & Lybrand Deloitte. A resolution to re-appoint Coopers & Lybrand as the Company's auditor will be proposed at the Annual General Meeting.

By order of the Board

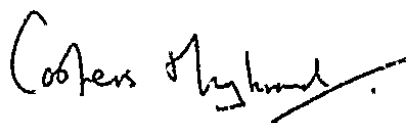


A. Goodfellow  
Secretary  
26 February 1993

## **Report of the Auditor to the members of MK Electric Limited**

We have audited the accounts on pages 5 to 18 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the Company's affairs at 31 December 1992 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script, appearing to read 'Coopers & Lybrand', with a horizontal line drawn through the signature.

**Coopers & Lybrand**  
Chartered Accountants and Registered Auditor  
London  
26 February 1993

## MK Electric Limited

### Profit and loss account for the year ended 31 December 1992

	Notes	1992 £'000	1991 £'000
Turnover	2	92,183	96,658
Net operating costs	3	87,417	89,984
Operating profit		<u>4,766</u>	<u>6,674</u>
Net interest payable	7	<u>3,055</u>	<u>1,331</u>
Profit on ordinary activities before taxation		1,711	5,343
Tax on profit on ordinary activities	8	<u>2,402</u>	<u>1,327</u>
Loss/profit for the year		(691)	4,016
Dividend paid		-	5,000
Retained loss for the year		<u>(691)</u>	<u>(984)</u>
Retained profits brought forward		9,246	10,230
Transfer from revaluation reserve	19	262	-
Retained profits carried forward		<u>8,817</u>	<u>9,246</u>

The policies and notes on pages 7 to 18 form part of these accounts. Auditor's Report - page 4

# MK Electric Limited

## Balance sheet at 31 December 1992

	Notes	1992 £'000	1991 £'000
<b>Fixed Assets</b>			
Intangible assets	9	2,471	712
Tangible assets	10	35,681	28,643
Investments	11	13,230	11,602
		<u>51,382</u>	<u>40,957</u>
		=====	=====
<b>Current assets</b>			
Stocks	12	15,834	14,207
Debtors	13	19,232	22,182
Cash at bank and in hand		2,461	7,479
		<u>37,527</u>	<u>43,868</u>
		=====	=====
<b>Creditors: amounts falling due within one year</b>	14	31,363	33,892
<b>Net current assets</b>		<u>6,164</u>	<u>9,976</u>
		=====	=====
<b>Total assets less current liabilities</b>		<u>57,546</u>	<u>50,933</u>
		=====	=====
<b>Creditors: amounts falling due after more than one year</b>	15	20,940	13,615
<b>Provisions for liabilities and charges</b>	16	458	479
<b>Net assets</b>		<u>36,148</u>	<u>36,839</u>
		=====	=====
<b>Capital and reserves</b>			
Called up share capital	18	1,101	1,101
Share premium account		19,800	19,800
Revaluation reserve	19	6,430	6,692
Profit and loss account		8,817	9,246
<b>Shareholders' funds</b>		<u>36,148</u>	<u>36,839</u>
		=====	=====

The accounts on pages 5 to 18 were approved by the Board of Directors on 26 February 1993 and were signed on its behalf by:

M J Dowsett  - Director  
A Goodfellow  - Director

The policies and notes on pages 7 to 18 form part of these accounts. Auditor's Report - page 4.

# **MK Electric Limited**

## **Notes to the accounts for the year ended 31 December 1992**

### **1 Principal accounting policies**

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

#### **a) Basis of accounting**

The accounts are prepared in accordance with the historical cost convention, modified by the revaluation of certain fixed assets.

#### **b) Turnover**

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

#### **c) Research and Development**

Research expenditure is charged to the profit and loss account in the year in which it is incurred. Development expenditure is charged to the profit and loss account as incurred except where it relates to a major, separately identifiable project where its future recoverability can be foreseen with reasonable assurance. In such cases, the expenditure is deferred and amortised over five years commencing when the project generates sales revenue.

#### **d) Deferred taxation**

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

# MK Electric Limited

## e) Pension scheme arrangements

The expected cost of pensions in respect of Group defined benefit pension schemes in which the Company participates is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes. Contributions are based on pension costs across the Group as a whole. Variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes in line with the allocation by the principal employer of such variations between companies in the schemes. The pension cost is assessed in accordance with the advice of qualified actuaries.

## f) Tangible fixed assets

Freehold property and property held on long lease was revalued professionally on the existing use basis as at 29 March 1986. The surplus on revaluation has been credited to the revaluation reserve. The cost of other tangible fixed assets and freehold property purchased since 29 March 1986 is their purchase cost, together with any expenses of acquisition.

Depreciation is calculated so as to write off the cost, or valuation, of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Freehold buildings	2
Plant and machinery	7-20
Motor vehicles	20
Fixtures and fittings	10

## g) Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease terms.

## h) Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. In the cases of finished stocks and work in progress, cost includes direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

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## i) Cash flow statement

A cash flow statement is not included in these accounts because the Company is a wholly-owned subsidiary undertaking of The RTZ Corporation PLC, which has informed the Company of its intention to prepare a consolidated cash flow statement, including the cash flows of the Company, in its 1992 accounts, in accordance with Financial Reporting Standard No. 1.

## j) Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the date of the transaction. Assets and liabilities in foreign currencies are translated at the rate of exchange at the balance sheet date or, where appropriate, at the relevant contract rate of exchange. Differences on exchange are recognised in the profit and loss account.

## 2 Turnover

Turnover is analysed by geographical destination as follows:-

	1992 £'000	1991 £'000
United Kingdom	74,872	80,900
Europe	4,217	3,925
Middle East	9,363	7,825
Far East	2,427	2,451
Other	1,304	1,557
	<u>92,183</u>	<u>96,658</u>
	=====	=====

The company acts as agents for sales of certain products manufactured by other group companies. Such agency sales are recorded as turnover in the accounts of the principal companies.

# MK Electric Limited

## 3 Net operating costs

	1992	1991
	£'000	£'000
Change in stocks of finished goods and work in progress	(1,824)	361
Own work capitalised	(805)	(532)
Raw materials and consumables	25,487	28,144
Other external charges	4,798	4,880
Staff costs (note 6)	39,695	38,905
Depreciation charge for the year - tangible fixed assets	4,700	4,601
Operating lease rentals:		
Plant and machinery	40	16
Land and buildings	1,156	1,074
Loss on disposal of tangible fixed assets	27	58
Exceptional Items (note 4)	3,004	-
Rent receivable	(6)	(7)
Auditor's remuneration - annual audit	65	60
- other services	5	4
Other operating charges	11,075	12,420
	<u>87,417</u>	<u>89,984</u>
	=====	=====

## 4 Exceptional items

These relate to the cost of restructuring the company's manufacturing capability and the re-organisation of distribution facilities.

## 5 Directors' emoluments

Directors' emoluments (including pension contributions) amounted to £770,896 (1991-£600,899). The chairman received no emoluments. The emoluments (excluding pension contributions) of the highest paid director were £115,718 (1991-£95,134).

The numbers of directors who received emoluments (excluding pension contributions) within the following ranges were:

	1992	1991
	Number	Number
£0 to £5,000	Three	Three
£50,001 to £55,000	-	Three
£55,001 to £60,000	-	Two
£60,001 to £65,000	Two	-
£65,001 to £70,000	Three	One
£70,001 to £75,000	-	One
£80,001 to £85,000	One	-
£95,001 to £100,000	-	One
£110,001 to £115,000	One	-
£115,001 to £120,000	One	-

# MK Electric Limited

## 6 Employee information

The average weekly number of persons (including executive directors) employed by the Company during the year was:

	1992 Number	1991 Number
By activity		
Hourly paid	1,130	1,284
Staff	1,222	1,217
	<u>2,352</u>	<u>2,501</u>
	=====	=====
	1992 £'000	1991 £'000
Staff costs (for the above persons)		
Wages and salaries	35,032	34,158
Social security costs	2,897	2,779
Other pension costs (note 17)	1,119	1,239
Welfare and employee amenities	647	729
	<u>39,695</u>	<u>38,905</u>
	=====	=====

The above pension cost is in line with the cash contributions to the pension fund in the year.

## 7 Net Interest payable

	1992 £'000	1991 £'000
Interest payable and similar charges:		
To Group companies	1,993	458
On bank loans and overdrafts repayable within 5 years, not by instalments	1,117	928
	<u>3,110</u>	<u>1,386</u>
Interest receivable and similar income:		
Other	(55)	(55)
	<u>3,055</u>	<u>1,331</u>
	=====	=====

# MK Electric Limited

## 8 Taxation on profit on ordinary activities

	1992 £'000	1991 £'000
United Kingdom corporation tax at 33% (1991:33.25%):		
Current taxation	1,403	2,012
Deferred taxation (note 16)	(21)	(707)
Adjustment in respect of prior years:		
Current taxation	674	21
Overseas taxation	346	1
	<u>2,402</u> =====	<u>1,327</u> =====

The taxation charge for the year includes taxation payable of £1,739,062 (1991-Nil) in respect of the company's share of profits generated by and retained by an overseas limited partnership.

## 9 Intangible fixed assets

Development expenditure of £1,759,000 (1991 - £712,000) has been deferred in the year in accordance with the accounting policy. Amortisation of deferred development expenditure will commence when sales revenue associated with the development project arises.

	£'000
Balance at 1st January	712
Deferred in the year	1,759
Balance at 31 December	<u>2,471</u> =====

# MK Electric Limited

## 10 Tangible fixed assets

	Freehold land & buildings £'000	Long leasehold land & buildings £'000	Plant & machinery etc. £'000	Total £'000
<b>Cost or valuation</b>				
At 1 January	8,463	140	63,588	72,191
Additions	4,691	-	7,676	12,367
Disposals	390	-	2,913	3,303
<b>At 31 December</b>	<b>12,764</b>	<b>140</b>	<b>68,351</b>	<b>81,255</b>
<b>Depreciation</b>				
At 1 January	743	16	42,789	43,548
Charge for year	128	3	4,569	4,700
Disposals	38	-	2,636	2,674
<b>At 31 December</b>	<b>833</b>	<b>19</b>	<b>44,722</b>	<b>45,574</b>
<b>Net book value</b>	<b>11,931</b>	<b>121</b>	<b>23,629</b>	<b>35,681</b>
<b>At 31 December</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>
<b>Net book value</b>	<b>7,720</b>	<b>124</b>	<b>20,799</b>	<b>28,643</b>
<b>At 1 January</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>

Freehold land and buildings include assets revalued in 1986 on the basis of open market value for the existing use.

	Gross Depreciation		Net book value
	£'000	£'000	£'000
Revalued assets included above	7,808	828	6,980
Original cost and depreciation which would have been calculated thereon	3,321	1,391	1,930
<b>Increase due to revaluation</b>	<b>4,487</b>	<b>563</b>	<b>5,050</b>
	<b>=====</b>	<b>=====</b>	<b>=====</b>

# MK Electric Limited

## 11 Investments

	Investment in limited partnership	Investment in associated undertakings		Total
	£'000	shares	loans	
		£'000	£'000	
At 1 January	10,550	807	245	11,602
Exchange movement	1,628	-	-	1,628
At 31 December	<u>12,178</u>	<u>807</u>	<u>245</u>	<u>13,230</u>

### Investment in limited partnership

The investment in the limited partnership is carried at its deutschemark cost and translated into sterling at each balance sheet date using the closing rate. The investment comprises the interest of MK Electric Limited in a German limited partnership, MK Electric GmbH & Co.KG. The other partner is another group company. Under the partnership agreement, MK Electric Limited is entitled to receive substantially all of the profits of the partnership. The profits of the partnership are retained in the partnership and are accounted for by MK Electric Limited when distributed by the partnership. No profits have been distributed to the company during the year (1991-Nil).

The principal subsidiary of the limited partnership is Esser Sicherheitstechnik GmbH, which is incorporated in Germany. Esser Sicherheitstechnik GmbH manufactures fire detection and intruder security products.

Details of the associated undertakings whose activities are similar to those of the Company are as follows:

Name	Country of Incorporation and registration	Description of shares held	Proportion of shares held %
Hawa-MK Electrical Accessories Limited	Saudi Arabia	1,372 shares of SR1,000 each	22.5
MK Electric (India) Limited	India	400,000 equity shares of Rs10 each	40.0
Ajax Electrical Ltd	Great Britain	490,000 ord. shares of £1 each	49.0

# MK Electric Limited

## 12 Stocks

	1992	1991
	£'000	£'000
Raw materials and consumables	1,146	1,343
Work in progress	4,853	4,671
Finished goods and goods for resale	9,835	8,193
	<u>15,834</u>	<u>14,207</u>
	=====	=====

## 13 Debtors

	1992	1991
	£'000	£'000
Trade debtors	17,106	20,219
Other debtors	278	250
Prepayments and accrued income	982	542
Amounts owed by fellow subsidiaries	866	1,171
	<u>19,232</u>	<u>22,182</u>
	=====	=====

## 14 Creditors: amounts falling due within one year

	1992	1991
	£'000	£'000
Bank loans and overdrafts	11,945	10,317
Trade creditors	7,954	5,625
Corporation tax	1,485	1,488
Other taxation and social security costs	2,323	3,056
Other creditors	853	1,063
Accruals and deferred income	166	160
Amounts owed to fellow subsidiaries	6,637	12,183
	<u>31,363</u>	<u>33,892</u>
	=====	=====

# MK Electric Limited

## 15 Creditors: amounts falling due after more than one year

	1992 £'000	1991 £'000
Amounts owed to the Company's holding company	20,940 =====	13,615 =====

## 16 Provisions for liabilities and charges

Deferred taxation provided in the accounts, and the full potential liability including the amounts for which provision has been made, are as follows:

	Amount Provided		Full potential liability	
	1992 £'000	1991 £'000	1992 £'000	1991 £'000
Tax effect of timing differences due to:				
Excess of capital allowances over depreciation	501	593	3,555	3,622
Other	(43)	(114)	(43)	(114)
	<u>458</u>	<u>479</u>	<u>3,512</u>	<u>3,508</u>
	=====	=====	=====	=====

The movement on the provision for deferred taxation is as follows:

	£'000
At 1 January	479
Charge/(credit) to profit and loss account	(21)
At 31 December	<u>458</u> =====

# MK Electric Limited

## 17 Pension obligations

The Company participates in a number of Group pension schemes in the UK. These schemes are of the defined benefit type. The assets of the schemes are held in separate trustee administered funds. The relevant schemes were reviewed by a qualified actuary as at 5 April 1991 using the projected unit method. The assumptions which have the most significant effect on the results of the valuation of these schemes are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that over the long term the annual rate of return on investment would be 2 per cent higher than the average increase in total pensionable remuneration and 4 per cent higher than the annual increase in present and future pensions in payment. At the date of the latest actuarial valuation the market value of the assets of the scheme was £63 million and the actuarial value of the assets was sufficient to cover 129 per cent of the benefits that had accrued to members after allowing for expected future increases in earnings.

## 18 Called-up share capital

	1992 £'000	1991 £'000
Authorised		
1,500,000 ordinary shares of £1 each	1,500 =====	1,500 =====
Allotted, called-up and fully paid		
1,100,605 ordinary shares of £1 each	1,101 =====	1,101 =====

## 19 Revaluation reserve

Revaluation reserve at 1 January	6,692
Transfer to profit and loss account	(262)
Revaluation in reserve at 31 December	<u>6,430</u> =====

# MK Electric Limited

## 20 Capital commitments

	1992 £'000	1991 £'000
Capital expenditure that has been contracted but has not been provided for	7,030 =====	3,274 =====
Capital expenditure that has been authorised by the directors but has not yet been contracted for	19,744 =====	- =====

## 21 Financial commitments

At 31 December the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	1992 £'000	1991 £'000
Next year	102	150
Second to fifth year	56	57
Thereafter	509	496
	<u>667</u> =====	<u>703</u> =====

## 22 Banking arrangements

(a) Under a Group banking arrangement, bank balances of £2,361,000 form part of an offset arrangement, which could be used to settle the overdrafts of other companies within the Group.

(b) The company has guaranteed a loan of £100,000 made to a related company by way of a lien on one of the company's bank accounts.

## 23 Ultimate parent company

The RTZ Corporation PLC ("RTZ"), registered in England and Wales, is the Company's ultimate parent company. Copies of RTZ's accounts may be obtained from The Secretary, The RTZ Corporation PLC, 6 St. James's Square, London SW1Y 4LD.