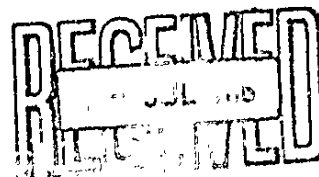


M.K. ELECTRIC LIMITED

Report of the Directors  
for the 52 weeks ended 29 March 1986



- 1 The directors present herewith the audited accounts for the 52 weeks ended 29 March 1986.

Principal activities

- 2 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

- 3 Both the level of business and the year end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

Dividends and reserves

- 4 An interim dividend of £3,724,000 has been paid during the year. It is proposed that the remaining profits of £1,202,000 be transferred to reserves.

Fixed assets

- 5 The company spent £5,020,000 on plant and other fixed assets during the period. In accordance with the company's policy of revaluing freehold and leasehold property every five years, a valuation was conducted by Henry Butcher and Co., valuers and surveyors as at 29 March 1986 and the surplus on revaluation has been incorporated in the accounts.

Directors

- 6 The directors of the company are as follows:-

R.F. Leverton	
M.J. Dowsett	
J.W. Bloomfield	
G.R. Carr	
N.A. Couter	(appointed 1 April 1986)
J.J. Fallon	
A. Goodfellow	(appointed 1 April 1986)
W.H. Hickman-Fitter	(appointed 1 April 1986)
E. Race	
D.G. Rance	
R.W. Wigg	



Directors' interests

7 The interests of the directors of the company at 29 March 1986 in shares of M.K. Electric Group plc, the ultimate holding company were as follows:-

	Ordinary Shares	
	29 March 1986	30 March 1985
J.W. Bloomfield	2,322	1,869
G.R. Carr	1,090	615
J.J. Fallon	3,187	2,853
D.G. Rance	1,052	599
R. Wigg	939	542

The above includes shares held on behalf of executive directors by the Trustees of the M.K. Electric Group Employee Share Ownership Scheme.

The following directors have options to purchase ordinary shares under the terms of the Group's Savings Related Share Option Scheme:-

	<u>Shares</u>	<u>Option Price</u>	<u>Exercisable</u>
J.W. Bloomfield	2,784	172.4p	1989
G.R. Carr	840	220.0p	1990
R.W. Wigg	3,363	220.0p	1990

The following directors have options to purchase ordinary shares under the terms of the Group's Executive Share Option Scheme.

	<u>Shares</u>	<u>Option Price</u>	<u>Exercisable</u>
J.W. Bloomfield	17,000	305p	1987-1994
G.R. Carr	18,500	305p	"
J.J. Fallon	12,000	305p	"
D.G. Rance	17,000	305p	"
R.W. Wigg	14,000	305p	1987-1994

As permitted by statutory instruments the information provided does not include the interests of directors who are directors of the ultimate holding company.

In addition to these holdings as at 29 March 1986, Mr J.J. Fallon held 9,500 ordinary shares 1p paid issued under the 1971 Share Incentive Scheme and 10,527 unlisted fully paid shares with restricted rights issued as bonus and rights issued in respect thereof.

There have been no changes in the above shareholdings since 29 March 1986 save for an application to list 20,027 of the shares issued to Mr J.J. Fallon under the 1971 Executive Share Incentive Scheme.

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

#### Research and development

- 8 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. In accordance with accounting policies, costs relating to these activities totalling £3,332,000 (1985 - £2,932,000), have been charged against the profit for the period.

#### Employee communications and involvement

- 9 The company recognises the importance of employee communications including briefing meetings, house journals and employee consultative committees.

A companywide incentive scheme exists to enhance employee awareness of the importance of their contribution to the company's efficiency and to share in the benefits achieved.

In addition the company is a participant in the MK Electric Group Employee Share Ownership Scheme, established in 1982 to encourage employee identification with the performance and aspirations of the M.K. Electric Group. An allocation of shares was made during the year to the scheme trustees in respect of eligible employees of the company.

#### Employment of disabled persons

- 10 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.

#### Close company provisions

- 11 As far as the directors are aware, the close company provisions of the Income and Corporation Taxes Act 1970, as amended, do not apply to the company. There has been no change in this respect since the end of the financial period.

#### Auditors

- 12 A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

BY ORDER OF THE BOARD

  
Secretary

25 June 1986

Report of the auditors to the members of  
M.K. ELECTRIC LIMITED

We have audited the accounts on pages 5 to 17 in accordance with approved Auditing Standards.

In our opinion the accounts which have been prepared under the historical cost convention, as modified to allow the inclusion of certain fixed assets at a valuation, give a true and fair view of the state of affairs of the company at 29 March 1986 and of its profit and source and application of funds for the 52 weeks then ended and comply with the Companies Act 1985.

*Coopers & Lybrand*

Chartered Accountants  
LONDON, 25 June 1986

M.K. ELECTRIC LIMITED

Profit and loss account  
for the 52 weeks ended 29 March 1986

	<u>Notes</u>	<u>52 Weeks 1986</u>	<u>52 Weeks 1985</u>
		£'000	£'000
Turnover	1	86,665	86,484
Net operating costs	2	(74,281)	(72,883)
Trading profit	3	12,384	13,601
Interest payable less receivable	6	(3,577)	(3,066)
Profit on ordinary activities before taxation		8,807	10,535
Tax on profit on ordinary activities	7	(3,381)	(4,573)
Profit on ordinary activities after taxation		5,426	5,962
Extraordinary charge	8	(500)	-
Profit for the financial period		4,926	5,962
Dividends		(3,724)	(3,774)
Retained profit for the period		1,202	2,188
STATEMENT OF RETAINED PROFITS			
Retained profits at 31 March 1985		8,020	5,832
Retained profit for the period		1,202	2,188
Retained profits at 29 March 1986		9,222	8,020

The notes on pages 8 to 17 form part of these accounts.

Auditors' report page 4.

M.K. ELECTRIC LIMITED

Balance Sheet - as at 29 March 1986

	Notes	1986 £'000	1985 £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	28,064	25,123
<b>CURRENT ASSETS</b>			
Stocks	10	18,632	15,301
Debtors	11	18,933	18,033
Cash at bank and in hand		290	80
		<u>37,855</u>	<u>33,414</u>
CREDITORS: amounts falling due within one year	12	<u>(21,316)</u>	<u>(19,064)</u>
NET CURRENT ASSETS		16,539	14,350
Total assets less current liabilities		<u>44,603</u>	<u>39,473</u>
CREDITORS: Amounts falling due after more than one year	13	(25,538)	(22,211)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(1,500)	(2,174)
		<u>17,565</u>	<u>15,088</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	901	901
Revaluation reserve	16	7,442	6,167
Profit and loss account		9,222	8,020
		<u>17,565</u>	<u>15,088</u>

The Accounts were approved by the Board of Directors on 25 June 1986 and are signed on its behalf by:-

*[Signature]*  
Michael J. Donnell

} DIRECTORS

The notes on pages 8 to 17 form part of these accounts.

Auditors' report page 4.

M.K. ELECTRIC LIMITED

Statement of source and application of funds  
for the 52 weeks ended 29 March 1986

	1986 £'000	1985 £'000
<b>SOURCE OF FUNDS</b>		
Profit on ordinary activities before taxation	8,807	10,535
Extraordinary item	(500)	-
Adjustment for item not involving movement of funds:	8,307	10,535
Depreciation	3,736	3,375
Total from operations	12,043	13,910
Funds from other sources:		
Sale of tangible fixed assets	137	580
Total sources of funds	12,180	14,490
<b>APPLICATION OF FUNDS</b>		
Tax paid	(1,502)	(1,935)
Purchase of tangible fixed assets	(5,020)	(4,766)
Transfer of fixed assets from other group companies	(519)	-
	5,139	7,789
<b>(INCREASE)/DECREASE IN WORKING CAPITAL</b>		
Stocks	(3,331)	(337)
Debtors	(441)	(2,135)
Trading account with related company	(459)	360
Creditors falling due within one year	(301)	1,855
	(4,532)	(257)
Net funds generated	607	7,532
<u>Movement in financing arrangements</u>		
Amount due to holding company	3,327	(4,233)
Cash at bank and in hand	(210)	475
Dividend paid	(3,724)	(3,774)
	(607)	(7,532)

The notes on pages 8 to 17 form part of these accounts.

Auditors' report page 4.

## M.K. ELECTRIC LIMITED

### Accounting Policies

#### General

All accounting policies are consistent with those applied in the previous year.

#### Historical cost convention

The accounts are prepared under the historical cost convention, with the exception that properties are included at a valuation.

#### Foreign currencies

Assets and liabilities in foreign currencies are translated to sterling at the rates of exchange ruling at the balance sheet date. Gains and losses on exchange are included in the profit and loss account.

#### Turnover

Turnover represents net sales to customers excluding value added tax.

#### Tangible fixed assets

Freehold property and property held on long lease are revalued professionally on the existing use basis at five yearly intervals, the last valuation having taken place as at 29 March 1986. The surplus on revaluation is credited to reserves. Plant and other fixed assets are shown at cost less accumulated depreciation.

#### Depreciation

Depreciation is provided on a straight line basis calculated to write off the gross book value of the assets over their useful lives. Depreciation is provided on all fixed assets apart from land. The average life expectancies used in computing depreciation charges for the main categories of assets are as follows:

	Years
Freehold buildings	50
Property held on long lease	50
Plant and machinery	10
Moulds	5
Press Tools	3

#### Deferred taxation

Provision is made for deferred taxation at the expected rate of corporation tax in the years in which the tax liability is expected to arise. No provision is made for any tax reduction which is expected to continue for the foreseeable future. The full potential liability and amounts provided are set out in note 14.



Research and development

Expenditure on research and development is charged to revenue as incurred.

Stocks

The basis of stock valuation is the lower of cost, computed on the 'first in first out' basis, and net realisable value. In the case of finished stocks and work in progress cost comprises material and direct labour costs with an appropriate addition for manufacturing overheads.

Pension funding

Contributions to the M.K. Electric Group Pension Scheme are charged against profits. The scheme is reviewed regularly by actuaries and the rates of contribution are adjusted in accordance with their advice.

M.K. ELECTRIC LIMITED

Notes to the accounts

Turnover

1. A geographical analysis of turnover is as follows:-

	1986 £'000	1985 £'000
United Kingdom		
Middle East	68,936	63,330
Far East	11,128	16,000
Africa	2,483	2,692
Other	933	1,563
	3,185	2,899
	<hr/>	<hr/>
	86,665	86,484
	=====	=====

Net operating costs

2. Net operating costs are made up as follows:-

	1986 £'000	1985 £'000
Change in stocks of finished goods and work in progress		
Own work capitalised	(3,521)	(66)
Raw materials and consumables	(320)	(195)
Other external charges	24,436	22,874
Employee costs (see note 5)	16,745	14,166
Depreciation	33,205	32,729
	3,736	3,375
	<hr/>	<hr/>
	74,281	72,883
	=====	=====

Trading profit

3. Trading profit is stated after charging:-

	1986 £'000	1985 £'000
Auditors' remuneration	49	49
Hire of plant and machinery	61	93
Depreciation of tangible fixed assets	3,736	3,375
Directors' emoluments (see note 4(a))	216	217
Employee share scheme	540	650

M.K. ELECTRIC LIMITED

Notes to the accounts - continued

Directors' emoluments

4.(a) Directors' emoluments comprise emoluments (including pension contributions) for management services.

(b) Particulars of directors' emoluments (excluding pension contributions), are as follows:-

	<u>1986</u> £'000	<u>1985</u> £'000
Emoluments of the chairman	Nil	Nil
Emoluments of the highest paid director	42	39
Number of directors (excluding those above) whose emoluments were within the ranges:-		
Nil to £5,000	Two	Five
£25,001 to £30,000	One	One
£30,001 to £35,000	One	One
£35,001 to £40,000	Two	Two

Employee information

5.(a) The average number of persons employed by the company (including executive directors) during the year was 3,616 (1985 - 3,791).

All of these were based in the United Kingdom.

(b) Employment costs of all employees included above:-

	<u>1986</u> £'000	<u>1985</u> £'000
Gross wages and salaries	29,107	28,689
Employer's national insurance and state pension contributions	2,321	2,438
Employer's pension contributions under the company pension scheme	1,777	1,602
	<u>33,205</u> =====	<u>32,729</u> =====

M.K. ELECTRIC LIMITED

Notes to the accounts - continued

Interest payable

6.	1986 £'000	1985 £'000
Interest charges levied by the holding company	3,577 =====	3,066 =====

Tax on profit on ordinary activities

7. The tax charge is based on the profit on ordinary activities for the year and comprises:-

	1986 £'000	1985 £'000
United Kingdom corporation tax at 40% (1985 - 45%)	4,055	3,899
Deferred tax credit	(674)	674
	3,381 =====	4,573 =====

Extraordinary charge

- 8 Provision of £500,000 has been made for non-recovery of amounts due from a fellow subsidiary as a result of deterioration in business conditions in South Africa.

M.K. ELECTRIC LIMITED

Notes to the accounts - continued

Tangible fixed assets

9

	<u>Freehold property</u>	<u>Property on long Lease</u>	<u>Plant and machinery</u>	<u>Total</u>
	£'000	£'000	£'000	£'000
Cost or valuation (see below)				
At 31 March 1985	8,193	200	35,106	43,499
Expenditure	-	-	5,020	5,020
Transfers	-	-	1,232	1,232
Disposals	-	-	(462)	(462)
Surplus/(deficit on revaluation)	765	(150)	-	615
At 29 March 1986	<u>8,958</u>	<u>50</u>	<u>40,896</u>	<u>49,904</u>
Depreciation				
At 31 March 1985	503	16	17,857	18,376
Transfers	-	-	713	713
Charge for year	137	4	3,595	3,736
Disposals	-	-	(325)	(325)
Written back on revaluation	(640)	(20)	-	(660)
At 29 March 1986	<u>-</u>	<u>-</u>	<u>21,840</u>	<u>21,840</u>
Net book value at 29 March 1986	<u>8,958</u> =====	<u>50</u> ===	<u>19,056</u> =====	<u>28,064</u> =====

In accordance with the company's established policy of obtaining professional valuations of freehold property and property held on long lease at five yearly intervals, these assets have been revalued as at 29 March 1986 by Henry Butcher & Co., valuers and surveyors, on the existing use basis. The surplus on revaluation of £1,275,000 has been credited to reserves.

M.K. ELECTRIC LIMITED

Notes to the accounts - continued

	<u>Gross</u>	<u>Depreciation</u>	<u>Net book value</u>
	£'000	£'000	£'000
<u>Revalued assets:</u>			
Revalued assets included above	9,008	-	9,008
Original cost and depreciation which would have been calculated thereon	3,875	(1,325)	2,550
	<u>5,133</u>	<u>1,325</u>	<u>6,458</u>
	=====	=====	=====
Increase due to revaluation			
	<u>5,133</u>	<u>1,325</u>	<u>6,458</u>
	=====	=====	=====

Stocks

10.

	<u>1986</u>	<u>1985</u>
	£'000	£'000
Raw Materials and consumables	1,891	2,109
Work in progress	10,193	6,992
Finished goods and goods for resale	6,548	6,200
	<u>18,632</u>	<u>15,301</u>
	=====	=====

If stocks had been determined by reference to their replacement cost rather than by reference to their historical cost the amount of the stocks shown above would be increased by £132,000 (1985 - £200,000).

Debtors

11.

	<u>1986</u>	<u>1985</u>
	£'000	£'000
Trade debtors	13,147	12,485
Amounts owed by fellow subsidiaries	1,503	1,980
Trading account with related company	1,655	1,196
Other debtors	323	301
Prepayments and accrued income	2,305	2,071
	<u>18,933</u>	<u>18,033</u>
	=====	=====

All the above amounts are due within one year of the balance sheet date.

M.K. ELECTRIC LIMITED

Notes to the accounts - continued

Creditors: amounts falling due within one year

12.	1986 £'000	1985 £'000
Trade creditors	7,871	8,069
Amounts owed to fellow subsidiaries	403	630
Taxation and social security (see below)	11,783	9,225
Accruals and deferred income	1,259	1,140
	<hr/>	<hr/>
	21,316	19,064
	=====	=====

The creditor for taxation and social security includes UK corporation tax payable amounting to £8,258,000 (1985 - £5,705,000).

Creditors: amounts falling due after more than one year

13.	1986 £'000	1985 £'000
Amounts due to holding company	25,538	22,211
	=====	=====

Provisions for liabilities and charges

14.	Deferred Taxation £'000
At 31 March 1985	2,174
Credit to profit and loss account	(674)
	<hr/>
At 29 March 1986	1,500
	<hr/>

The provision for deferred taxation and the full potential liability are as follows:

	<u>1986</u>		<u>1985</u>	
	Provision made £'000	Full potential liability £'000	Provision made £'000	Full potential liability £'000
Tax at 35% on the excess of capital allowances over depreciation	1,500	5,280	1,500	5,433
Tax that would arise on the disposal of properties at their revalued amounts	-	1,613	-	1,920
Tax at 35% on short term timing differences	-	740	674	674
	<u>1,500</u> =====	<u>7,633</u> =====	<u>2,174</u> =====	<u>8,027</u> =====

Called up share capital

15.

1986  
£'000

1985  
£'000

Authorised:

1,500,000 shares of £1 each

1,500  
=====

1,500  
=====

Allotted, called up and fully paid:

900,605 shares of £1 each

901  
=====

901  
=====

Revaluation Reserve

£'000

16. Revaluation reserve at 31 March 1985

6,167

Surplus on property revaluation

1,275

Revaluation reserve at 29 March 1986

7,442  
=====



M.K. ELECTRIC LIMITED

Notes to the accounts - continued

Commitments and contingent liabilities

17. (a) <u>Capital expenditure</u>	1986 £'000	1985 £'000
Contracted but not provided in the accounts	2,082	1,977
Authorised but not yet contracted	1,526	90
Approved in principle but subject to specific authorisation	4,343	7,003
	<hr/>	<hr/>
	7,951	9,070
	=====	=====

(b) Pensions

Most employees of the company are covered by the M.K. Electric Group Pension Scheme which is contracted out of the state scheme. Entry to the Scheme is voluntary for employees aged over 21 and with two consecutive years service. The Scheme is funded by contributions (partly from employees and partly from the employing company) at rates determined by independent actuaries. Pensions are paid on retirement based on the contributor's final salary and number of years of service.

In addition to the pensions provided under the terms of the Scheme, it has been the company's practice to provide increases in pensions each year to offset the effects of inflation. Payments have been made to fund all increases to date.

The latest actuarial valuation at 5 April 1984 indicated that the value of assets of the Pension Fund (whose assets are independent of the company's finances) was adequate to cover the benefits of current beneficiaries and deferred pensions for current contributors on a discontinuance basis.

(c) Bank borrowing facilities

The company has given an unlimited guarantee in respect of certain of the banking facilities of the M.K. Electric Group. There were no amounts outstanding on these facilities at 29 March 1986.

Associated company

18. The company owns 49% of the share capital of MK Electric (Zimbabwe) (PVT) Limited, a company incorporated in Zimbabwe.

Ultimate holding company

19. The ultimate holding company is M.K. Electric Group plc incorporated in Great Britain.