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M.K. ELECTRIC LIMITED

REPORT OF THE DIRECTORS

1. The directors submit their report and accounts for the 52 weeks ended 26 March 1983.

Principal Activity

2. The principal activity of the company is the manufacture of electric wiring accessories.

Results

3. The results for the period are set out on page 4 of the attached accounts.

Exports

4. The sales value of goods exported by the company from the United Kingdom amounted to £18,039,000 (1982 - £12,415,000).

Dividends

5. The directors have recommended payment of a final dividend of £3,089,000 making a total dividend for the year of £5,844,000 (1982 - £3,702,000).

Directors

6. The directors of the company during the period and their beneficial, including family, interests in the ordinary shares of the ultimate holding company, including those held under the terms of the share incentive scheme, are detailed below:-

	Ordinary shares fully paid		Ordinary shares 1p paid, issued under the share incentive scheme	
	26 March 1983	28 March 1982 or later date of appointment	26 March 1983	28 March 1983 or later date of appointment
D.L.M. Robertson	13,200	5,500	NIL	NIL
M.J. Dowsett	33,200	16,600	14,000	14,000
J.W. Bloomfield	1,270	635	NIL	NIL
G.R. Carr	NIL	NIL	NIL	NIL
J.J. Fallon	2,400	1,000	9,500	9,500
M. J. Hussey (appointed 22.9.82)	2,000	NIL	NIL	NIL
E. Race	NIL	NIL	NIL	NIL
D.G. Rance	NIL	NIL	NIL	NIL
J. Rawicz-Szczerbo (resigned 22.9.82)		1,000		NIL
R. Wigg	NIL	NIL	NIL	NIL



In addition to these holdings as at 26 March 1983, and consequent on the 1 for 1 scrip issue and 1 for 5 rights issue of shares by the ultimate holding company during the year, Mr M.J.Dowsett held 15,514 and Mr. J.J. Fallon 10,527 unlisted fully paid shares with restricted rights issued as bonus and rights issues in connection with their incentive scheme shares shown above. Mr. E. Race and Mr.J.W..Bloomfield held options on 1,131 and 2,784 shares (nil paid) respectively, under the M.K. Electric Group Savings Related Share Option Scheme (established 1982).

There have been no changes in the above shareholdings since 26 March 1983.

Directors' interests in contracts

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

Fixed Assets

8. The company spent £4,073,000 on plant and other fixed assets during the period.

Employment of disabled persons

9. 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.

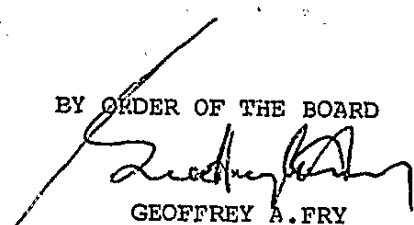
Auditors

10. A resolution to re-appoint Coopers & Lybrand as auditors will be proposed at the Annual General Meeting.

Income and Corporation Taxes Act 1970

11. The company is not a "close" company under the terms of the Act.

BY ORDER OF THE BOARD

  
GEOFFREY A. FRY  
Secretary

19 July 1983  
Shrubbery Road,  
Edmonton,  
London.  
N9 OPB

AUDITORS' REPORT TO THE MEMBERS OF

M.K. ELECTRIC LIMITED

We have audited the accounts on pages 4 to 14 in accordance with approved Auditing Standards. The accounts have been prepared under the historical cost convention, as modified to allow the inclusion of certain fixed assets at a valuation.

In our opinion the accounts on pages 4 to 14 give a true and fair view of the state of affairs of the company at 26 March 1983 and of its profit and source and application of funds for the 52 weeks then ended and comply with the Companies Acts 1948 to 1981.

*Coopers & Lybrand*

COOPERS & LYBRAND  
Chartered Accountants

London, 20 July 1983

M.K. ELECTRIC LIMITED  
PROFIT AND LOSS ACCOUNT  
FOR THE 52 WEEKS ENDED 26 MARCH 1983

	<u>Notes</u>	<u>1983</u>	<u>1982</u>
		£'000	£'000
TURNOVER	1	70,674	60,150
PROFIT BEFORE TAXATION	2	10,245	7,057
TAXATION	4	(4,401)	(3,355)
PROFIT AFTER TAXATION		5,844	3,702
DIVIDENDS		(5,844)	(3,702)
TRANSFER TO RESERVES		-	-

MOVEMENT ON RESERVES

		£'000	£'000
OPENING RESERVES	11	10,096	10,096
TRANSFER TO RESERVES		-	-
CLOSING RESERVES	11	10,096	10,096

The policies and notes on pages 7 to 14 form part of these accounts.

Auditors' report - page 3.

M.K. ELECTRIC LIMITED

BALANCE SHEET - 26 MARCH 1983

	<u>Notes</u>	<u>1983</u> <u>£'000</u>	<u>1982</u> <u>£'000</u>
ASSETS EMPLOYED:			
FIXED ASSETS	8	21,969	20,325
CURRENT ASSETS			
Stocks	9	14,746	11,822
Debtors		10,347	10,801
Trading account with associated company		2,696	1,596
Investments	14	7,927	-
Cash		206	172
		<u>35,922</u>	<u>24,391</u>
CURRENT LIABILITIES			
Creditors		10,791	9,221
Dividends		3,089	1,210
Taxation	5	4,482	3,730
		<u>18,362</u>	<u>14,161</u>
NET CURRENT ASSETS		17,560	10,230
		<u>39,529</u>	<u>30,555</u>
FINANCED BY:			
ORDINARY SHARE CAPITAL	10	901	901
RESERVES	11	10,096	10,096
		<u>10,997</u>	<u>10,997</u>
GROUP INDEBTEDNESS	7	28,532	19,736
DEFERRED TAXATION	6	-	(178)
		<u>39,529</u>	<u>30,555</u>

The Accounts were approved by the Board of Directors on 19 July 1983, and are signed on its behalf by:

ERIC RAGE

DAVID L.M. ROBERTSON

Directors

The policies and notes on pages 7 to 14 form part of these accounts.

M.K. ELECTRIC LIMITED  
SOURCE AND APPLICATION OF FUNDS  
FOR THE 52 WEEKS ENDED 26 MARCH 1983

	<u>1983</u>	<u>1982</u>
	£'000	£'000
SOURCE OF FUNDS		
Profit before taxation	10,245	7,057
Adjustment for item not involving the movement of funds:		
Depreciation	2,394	2,476
	<hr/>	<hr/>
TOTAL GENERATED FROM OPERATIONS	12,639	9,533
OTHER SOURCES		
Fixed assets - disposals	71	313
	<hr/>	<hr/>
	12,710	9,846
	<hr/>	<hr/>
APPLICATION OF FUNDS		
Dividends paid	(3,965)	(5,088)
Taxation paid	(3,471)	(493)
Fixed assets - additions	(4,109)	(2,909)
Investment	(7,927)	-
	<hr/>	<hr/>
	(19,472)	(8,490)
	<hr/>	<hr/>
(INCREASE)/DECREASE IN WORKING CAPITAL		
Stocks	(2,924)	564
Debtors	454	(1,709)
Creditors	1,570	2,997
Cash	(34)	(146)
Trading account with associated company	(1,100)	1,496
	<hr/>	<hr/>
	(2,034)	3,202
	<hr/>	<hr/>
(INCREASE) DECREASE/IN AMOUNTS OWING	(8,796)	4,558
TO GROUP COMPANIES	<hr/>	<hr/>

The policies and notes on pages 7 to 14 form part of these accounts.

Auditors' report - page 3.

M.K. ELECTRIC LIMITED

ACCOUNTING POLICIES

General

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

Historical cost convention

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

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 28 March 1981. 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 cost 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:-

	<u>Years</u>
Freehold buildings	50
Property held on long lease	50
Plant and machinery	15
Moulds	5
Press tools	3

Deferred taxation

Provision is made for deferred taxation at the rates of corporation tax ruling at the period end, except in respect of any tax reduction which is reasonably expected to continue for the foreseeable future. The full potential liability is set out in note 6. The tax reduction referred to above is based on the extent to which management projections give reasonable expectation that in the foreseeable future:

- (a) capital allowances on plant and other fixed assets will exceed the charge for depreciation;
- (b) properties that have been revalued will either not be sold, or, if sold, will be replaced so that taxation on the profit on disposal will continue to be deferred.

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 company's 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

1. Turnover

Turnover represents net sales to customers, excluding value added tax.

2. Profit before taxation

The following amounts have been charged in arriving at the profit before taxation:-

	<u>1983</u> <u>£'000</u>	<u>1982</u> <u>£'000</u>
Depreciation	2,394	2,476
Hire of equipment	197	55
Auditors' remuneration	44	40
Directors' remuneration (note 3)	166	145
Interest payable	547	1,043
Provision against investment	-	489

Interest payable represents interest recharged by the holding company for that part of the group bank facility which is attributed to this company.

3. Directors' remuneration

	<u>1983</u> <u>£'000</u>	<u>1982</u> <u>£'000</u>
Fees	-	-
Other emoluments, including pension contributions	166	145
	<u>166</u>	<u>145</u>
	<u>===</u>	<u>===</u>

Emoluments, excluding company pension contributions, in respect of individual directors of the company were:-

	<u>1983</u> <u>£'000</u>	<u>1982</u> <u>£'000</u>
Chairman	NIL	NIL
Highest paid director	29	26
<u>Other directors</u>		
NIL - £5,000	Four	Three
£15,001 - £20,000	Nil	One
£20,001 - £25,000	One	One
£25,001 - £30,000	Three	Two

4. Taxation charge

The charge for taxation is made up as follows:-

	<u>1983</u> <u>£'000</u>	<u>1982</u> <u>£'000</u>
United Kingdom corporation tax at 52% (1982 - 52%):		
On the profits for the period	(4,401)	(3,533)
Deferred tax	-	178
	<u>(4,401)</u>	<u>(3,355)</u>
	=====	=====

The tax charge is £851,000 less (1982 - £53,000 less) than it would have been had provision been made for the full potential liability for deferred taxation. The tax charge is further reduced by £348,000 (1982 - £530,000) as a result of stock appreciation relief.

5. Taxation liability

	<u>1983</u>	<u>1982</u>
	<u>£'000</u>	<u>£'000</u>
The provision for taxation comprises:-		
Corporation tax payable by 31 March 1983	4,938	4,262
<u>Less : Group relief</u>	<u>(456)</u>	<u>(532)</u>
	<u>4,482</u>	<u>3,730</u>
	<u>=====</u>	<u>=====</u>

6. Deferred taxation

The provision for deferred taxation made in the accounts and the full potential liabilities are as follows:-

	<u>1983</u>		<u>1982</u>	
	Provision Made	Full Potential Liability	Provision Made	Full Potential Liability
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Tax on the excess of capital allowances over depreciation	-	6,861	-	6,061
Tax that would arise on disposal of properties at their revalued amounts	-	1,860	-	1,987
Other timing differences	-	-	(178)	(178)
	<u>-</u>	<u>8,721</u>	<u>(178)</u>	<u>7,870</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

7. Group indebtedness

	<u>1983</u> <u>£'000</u>	<u>1982</u> <u>£'000</u>
Amounts due to holding company	27,808	20,009
Amounts due from fellow subsidiaries	(321)	(1,068)
Amounts due to fellow subsidiaries	1,045	795
	<u>28,532</u>	<u>19,736</u>
	=====	=====

The company is a wholly owned subsidiary of M.K. Electric Group PLC, a company incorporated and registered in England.

8. Fixed assets

	<u>Total</u> <u>£'000</u>	<u>Freehold</u> <u>Property</u> <u>£'000</u>	<u>Property</u> <u>on long</u> <u>Lease</u> <u>£'000</u>	<u>Plant and</u> <u>Machinery</u> <u>&amp; Other</u> <u>£'000</u>
<u>Cost or Valuation</u>				
At 28 March 1982	31,892	8,376	200	23,316
Additions	4,073	27	2	4,046
Transfers	59	-	-	59
Disposals	(908)	-	-	(908)
	<u>35,116</u>	<u>8,403</u>	<u>200</u>	<u>26,513</u>
At 26 March 1983	35,116	8,403	200	26,513
<u>Comprising</u>				
Cost	26,540	27	-	26,513
Valuation	8,576	8,376	200	-
	<u>35,116</u>	<u>8,403</u>	<u>200</u>	<u>26,513</u>
<u>Depreciation</u>				
At 28 March 1982	(11,567)	(102)	(4)	(11,461)
On disposals	837	-	-	837
Transfers	(23)	-	-	(23)
Charge for period	(2,394)	(129)	(4)	(2,261)
	<u>(13,147)</u>	<u>(231)</u>	<u>(8)</u>	<u>(12,908)</u>
At 26 March 1983	(13,147)	(231)	(8)	(12,908)
Net book value at 26 March 1983	<u>21,969</u>	<u>8,172</u>	<u>192</u>	<u>13,605</u>
	=====	=====	=====	=====

9. Stocks

	<u>1983</u> £'000	<u>1982</u> £'000
Stocks comprise:-		
Raw materials	2,327	1,607
Work in progress	7,092	6,427
Finished goods	5,327	3,788
	<u>14,746</u>	<u>11,822</u>
	=====	=====

10. Ordinary share capital

	<u>1983</u> £'000	<u>1982</u> £'000
Ordinary shares of £1 each:		
Authorised	1,500	1,500
	=====	=====
Issued and fully paid 900,605 shares	901	901
	=====	=====

11. Reserves

	<u>1982</u> £'000	<u>1981</u> £'000
Surplus on revaluation of properties	6,167	6,167
Retained profits	3,929	3,929
	<u>10,096</u>	<u>10,096</u>
	=====	=====

12. Future capital expenditure

	<u>1983</u> £'000	<u>1982</u> £'000
Contracted but not provided	780	976
Approved in principle but subject to specific authorisations	6,786	4,270
	<u>7,566</u>	<u>5,246</u>
	=====	=====

13. Contingent Liability

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 26 March 1983.

14. Investments

The investments, which are listed on a recognised stock exchange, are holdings of redeemable preference shares in Channel Island sterling funds. They are included in the accounts at a cost of £7,750,000 together with income accrued on the underlying fund assets of £177,000 which in total is equal to their market value at the balance sheet date.

15. Basis of Preparation

These accounts have been prepared in compliance with Section 149A and Schedule 8A to the Companies Act 1948.