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148

M.K. ELECTRIC LIMITEDREPORT OF THE DIRECTORS

1. The directors submit their report and accounts for the 52 weeks ended 27 March 1982.

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 £12,415,000 (1981 - £12,790,000).

Dividends

5. The directors have recommended payment of a final dividend of £1,210,000 making a total dividend for the year of £3,702,000 (1981 - £2,596,000).

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	
	27 March 1982	29 March 1981	27 March 1982	29 March 1981
D.L.M. Robertson	5,500	5,500	NIL	NIL
M.J. Dowsett	16,600	16,600	14,000	14,000
J.W. Bloomfield	635	635	NIL	NIL
G.R. Carr	NIL	NIL	NIL	NIL
J.J. Fallon	1,000	1,000	9,500	9,500
E. Race	NIL	NIL	NIL	NIL
D.G. Rance	NIL	NIL	NIL	NIL
J. Rawicz-Szczerbo	1,000	1,000	NIL	NIL
R. Wigg	NIL	NIL	NIL	NIL

There have been no changes in the above shareholdings since 27 March 1982.



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 £2,909,000 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

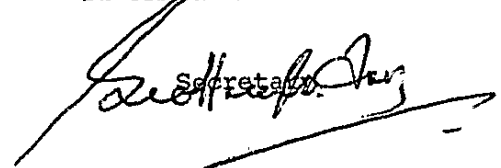
10. A resolution to re-appoint Coopers & Lybrand as auditors will be proposed at the Annual General Meeting.

Income and Corporation Taxes Act 1970

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

14 June 1982  
Shrubbery Road,  
Edmonton,  
London.  
N9 OPE

BY ORDER OF THE BOARD

  
Secretary

AUDITORS' REPORT TO THE MEMBERS OF

M.K. ELECTRIC LIMITED

We have audited the accounts on pages 4 to 13 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 13 give a true and fair view of the state of affairs of the company at 27 March 1982 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*

Chartered Accountants

London, 14 June 1982

M.K. ELECTRIC LIMITED  
PROFIT AND LOSS ACCOUNT  
FOR THE 52 WEEKS ENDED 27 MARCH 1982

	<u>Notes</u>	<u>1982</u>	<u>1981</u>
		£'000	£'000
TURNOVER	1	60,150 =====	52,531 =====
PROFIT BEFORE TAXATION	2	7,057	3,288
TAXATION	4	(3,355)	(882)
PROFIT AFTER TAXATION		3,702	2,406
DIVIDENDS		(3,702)	(2,596)
DEFICIT TAKEN TO RESERVES		- =====	(190) =====

<u>MOVEMENT ON RESERVES</u>			
		£'000	£'000
OPENING RESERVES	12	10,096	8,571
DEFICIT TAKEN TO RESERVES		-	(190)
SURPLUS ON REVALUATION OF PROPERTIES		-	1,715
CLOSING RESERVES	12	10,096 =====	10,096 =====

The policies and notes on pages 7 to 13 form part of these accounts.

Auditors' report - page 3.

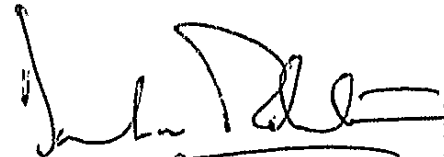
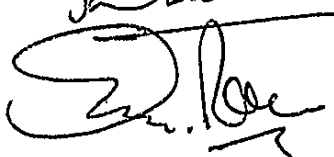
M.K. ELECTRIC LIMITED

BALANCE SHEET - 27 MARCH 1982

	<u>Notes</u>	<u>1982</u> <u>£'000</u>	<u>1981</u> <u>£'000</u>
ASSETS EMPLOYED:			
FIXED ASSETS	9	20,325	20,205
CURRENT ASSETS			
Stocks	10	11,822	12,386
Debtors		10,801	9,092
Trading account with associated company		1,596	3,092
Cash		172	26
		<u>24,391</u>	<u>24,596</u>
CURRENT LIABILITIES			
Creditors		9,221	6,224
Dividends		1,210	2,596
Taxation	5	3,730	690
		<u>14,161</u>	<u>9,510</u>
NET CURRENT ASSETS		10,230	15,086
		<u>30,555</u>	<u>35,291</u>
FINANCED BY:			
ORDINARY SHARE CAPITAL	11	901	901
RESERVES	12	10,096	10,096
		<u>10,997</u>	<u>10,997</u>
GROUP INDEBTEDNESS	8	19,736	24,294
DEFERRED TAXATION	6	(178)	-
		<u>30,555</u>	<u>35,291</u>

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 Directors  


The policies and notes on pages 7 to 13 form part of these accounts.

Auditors' report - page 3.

M.K. ELECTRIC LIMITED  
SOURCE AND APPLICATION OF FUNDS  
FOR THE 52 WEEKS ENDED 27 MARCH 1982

	<u>1982</u>	<u>1981</u>
	£'000	£'000
SOURCE OF FUNDS		
Profit before taxation	7,057	3,288
Adjustment for item not involving the movement of funds:		
Depreciation	<u>2,476</u>	<u>2,170</u>
TOTAL GENERATED FROM OPERATIONS	9,533	5,458
OTHER SOURCES		
Fixed assets - disposals	<u>313</u>	<u>50</u>
	<u>9,846</u>	<u>5,508</u>
APPLICATION OF FUNDS		
Dividends paid	(5,088)	(2,435)
Taxation paid	(493)	(994)
Fixed assets - additions	<u>(2,909)</u>	<u>(3,058)</u>
	<u>(8,490)</u>	<u>(6,487)</u>
(INCREASE)/DECREASE IN WORKING CAPITAL		
Stocks	564	937
Debtors	(1,709)	(2,256)
Creditors	2,997	(1,960)
Cash	(146)	(4)
Trading account with associated company	<u>1,496</u>	<u>(1,956)</u>
	<u>3,202</u>	<u>(5,239)</u>
DECREASE/(INCREASE) IN AMOUNTS OWING TO GROUP COMPANIES	<u>4,558</u> =====	<u>(6,218)</u> =====

The policies and notes on pages 7 to 13 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>1982</u> <u>£'000</u>	<u>1981</u> <u>£'000</u>
Depreciation	2,476	2,170
Hire of equipment	55	46
Auditors' remuneration	40	35
Directors' remuneration (note 3)	145	130
Interest payable	1,043	1,679
Provision against investment (note 7)	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>1982</u> <u>£'000</u>	<u>1981</u> <u>£'000</u>
Fees	-	-
Other emoluments, including pension contributions	145	130
	<u>145</u> ===	<u>130</u> ===

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

	1982 £'000	1981 £'000
Chairman	NIL	NIL
Highest paid director	26	23
<u>Other directors</u>		
NIL - £5,000	Three	Three
£5,001 - £10,000	Nil	One
£10,001 - £15,000	Nil	One
£15,001 - £20,000	One	One
£20,001 - £25,000	One	Two
£25,001 - £30,000	Two	Nil

4. Taxation charge

The charge for taxation is made up as follows:-

	1982 £'000	1981 £'000
United Kingdom corporation tax at 52% (1981 - 52%):		
On the profits for the period	(3,533)	(882)
Deferred tax	178	-
	<u>(3,355)</u>	<u>(882)</u>
	=====	=====

The tax charge is £53,000 less (1981 - £1,304,000 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 £530,000 (1981 - £425,000) as a result of stock appreciation relief.

5. Taxation liability

	<u>1982</u>	<u>1981</u>
	£'000	£'000
The provision for taxation comprises:-		
Corporation tax payable by 31 March 1983	4,262	1,015
<u>Less</u> : Group relief	(532)	(325)
	<u>3,730</u>	<u>690</u>
	=====	=====

6. Deferred taxation

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

	<u>1982</u>		<u>1981</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	-	6,061	-	5,987
Tax that would arise on disposal of properties at their revalued amounts	-	1,987	-	2,008
Other timing differences	(178)	(178)	-	-
	<u>(178)</u>	<u>7,870</u>	<u>-</u>	<u>7,995</u>
	=====	=====	=====	=====

7. Provision against investment

The company has undertaken to purchase shares in an associated company at £719,000. Cumulative losses of the associated company have reduced the book value of the assets represented by these shares by £489,000 to £230,000 and provision has been made accordingly.

8. Group indebtedness

	<u>1982</u> <u>£'000</u>	<u>1981</u> <u>£'000</u>
Amounts due to holding company	20,009	25,073
Amounts due from fellow subsidiaries	(1,068)	(871)
Amounts due to fellow subsidiaries	795	92
	<u>19,736</u>	<u>24,294</u>

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

9. Fixed assets

<u>Cost or Valuation</u>	<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>£'000</u>
At 29 March 1981	29,663	8,402	290	20,971
Additions	2,909	-	-	2,909
Disposals	(680)	(26)	(90)	(564)
At 27 March 1982	<u>31,892</u>	<u>8,376</u>	<u>200</u>	<u>23,316</u>
<u>Comprising</u>				
Cost	23,316	-	-	23,316
Valuation	8,576	8,376	200	-
	<u>31,892</u>	<u>8,376</u>	<u>200</u>	<u>23,316</u>
<u>Depreciation</u>				
At 29 March 1981	(9,458)	-	-	(9,458)
On disposals	367	-	2	365
Charge for period	(2,476)	(102)	(6)	(2,368)
At 27 March 1982	<u>(11,567)</u>	<u>(102)</u>	<u>(4)</u>	<u>(11,461)</u>
Net book value at 27 March 1982	<u>20,325</u>	<u>8,274</u>	<u>196</u>	<u>11,855</u>

10. Stocks

	<u>1982</u> £'000	<u>1981</u> £'000
Stocks comprise:-		
Raw materials	1,607	1,425
Work in progress	6,427	6,124
Finished goods	3,788	4,837
	<u>11,822</u>	<u>12,386</u>
	=====	=====

11. Ordinary share capital

	<u>1982</u> £'000	<u>1981</u> £'000
Ordinary shares of £1 each:		
Authorised	1,500	1,500
	=====	=====
Issued and fully paid 900,605 shares	901	901
	=====	=====

12. Reserves

	<u>1982</u> £'000	<u>1981</u> £'000
Surplus on revaluation of properties	6,167	6,210
Retained profits	3,929	3,886
	<u>10,096</u>	<u>10,096</u>
	=====	=====

13. Future capital expenditure

	<u>1982</u> £'000	<u>1981</u> £'000
Contracted but not provided	976	1,062
Approved in principle but subject to specific authorisations	4,270	2,890
	<u>5,246</u>	<u>3,952</u>
	=====	=====

14. Contingent liabilities

The company has given an unlimited guarantee for a part of the group bank facilities. The amount guaranteed at 27 March 1982 was £562,000.