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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 28th March 1981.

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 £12,790,000 (1980 - £10,429,000).

Dividends

5. The directors recommend payment of an ordinary dividend of £2,596,000 (1980 - £4,626,000).

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	
	28th March 1981	30th March 1980 or later date of appointment	28th March 1981	30th March 1980 or later date of appointment
D.L.M. Robertson (appointed 12/5/80)	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
L.G. Hazzard (resigned 15/6/80)		1,500		NIL
E. Race	NIL	NIL	NIL	NIL
D.G. Rance	NIL	NIL	NIL	NIL
J. Rawicz-Szczerbo	1,000	1,000	NIL	NIL
H.W. Wigg (appointed 8/9/80)	NIL	NIL	NIL	NIL

There have been no changes in the above shareholdings since 28th March 1981.

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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 £3,058,000 on plant and other fixed assets during the period.

9. 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 28th March 1981 and the surplus on revaluation has been incorporated in the accounts.

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

Secretary

16th June 1981
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 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 28th March 1981 and of the profit and source and application of funds for the 52 weeks then ended and comply with the Companies Acts 1948 to 1980.

Coopers & Lybrand

Chartered Accountants

LONDON, 16th June 1981

M.K. ELECTRIC LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE 52 WEEKS ENDED 28TH MARCH 1981

	Notes	1981 £'000	1980 £'000
TURNOVER	1	52,531	48,285
PROFIT BEFORE TAXATION	2	3,288	4,356
TAXATION	4	(882)	(371)
PROFIT AFTER TAXATION		2,406	3,985
DIVIDENDS		(2,596)	(4,626)
DEFICIT TAKEN TO RESERVES		(190)	(641)

MOVEMENT ON RESERVES

		£'000	£'000
OPENING RESERVES	11	8,571	9,212
DEFICIT TAKEN TO RESERVES		(190)	(641)
SURPLUS ON REVALUATION OF PROPERTIES		1,715	-
CLOSING RESERVES	11	10,096	8,571

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

Auditors' report - page 3.

M.K. ELECTRIC LIMITED

BALANCE SHEET -- 28TH MARCH 1981

	Notes	1981 £'000	1980 £'000
ASSETS EMPLOYED			
FIXED ASSETS	8	20,205	17,652
CURRENT ASSETS			
Stocks	9	12,386	13,323
Debtors		9,092	6,836
Trading account with associated company		3,092	1,136
Cash		26	22
		24,596	21,317
CURRENT LIABILITIES			
Creditors		6,224	8,184
Dividends		2,596	2,435
Taxation	5	690	802
		9,510	11,421
NET CURRENT ASSETS		15,086	9,896
		35,291	27,548
FINANCED BY			
ORDINARY SHARE CAPITAL	10	901	901
RESERVES	11	10,096	8,571
		10,997	9,472
GROUP INDEBTEDNESS	7	24,294	18,076
		35,291	27,548

Michael J. Dowsett
} 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 28TH MARCH 1981

	1981 £'000	1980 £'000
SOURCE OF FUNDS		
Profit before taxation	3,288	4,356
Adjustment for item not involving the movement of funds:		
Depreciation	2,170	1,704
TOTAL GENERATED FROM OPERATIONS	5,458	6,060
OTHER SOURCES		
Fixed assets - disposals	50	41
	5,508	6,101
APPLICATION OF FUNDS		
Dividends paid	(2,435)	(7,289)
Taxation paid	(994)	(111)
Fixed assets - additions	(3,058)	(4,893)
	(6,487)	(12,293)
(INCREASE)/DECREASE IN WORKING CAPITAL		
Stocks	937	(1,281)
Debtors	(2,256)	(491)
Creditors	(1,960)	1,729
Cash	(4)	-
Trading account with associated company	(1,956)	(22)
	(5,239)	(65)
INCREASE IN AMOUNTS OWING TO GROUP COMPANIES	(6,218)	(6,257)

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 28th 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:-

	Years
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.

M.K. ELECTRIC LIMITED

ACCOUNTING POLICIES - Continued

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:-

	1981 £'000	1980 £'000
Depreciation of fixed assets	2,170	1,704
Hire of equipment	46	46
Auditors' remuneration	35	35
Directors' remuneration (note 3)	130	139
Management charge	-	511
Interest payable	1,679	939

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

	1981 £'000	1980 £'000
Fees	-	-
Other emoluments including pension contributions	130	139
	130	139

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

	1981 £'000	1980 £'000
Chairman	NIL	NIL
Highest paid director	23	24

M.K. ELECTRIC LIMITED

NOTES TO THE ACCOUNTS - Continued

Other directors

	1981	1980
Nil - £5,000	Three	Two
£5,001 - £10,000	One	Nil
£10,001 - £15,000	One	One
£15,001 - £20,000	One	Three
£20,001 - £25,000	Two	One

No employees of M.K. Electric Limited received emoluments in excess of £20,000.

4. Taxation charge

The charge for taxation is made up as follows:-

	1981 £'000	1980 £'000
United Kingdom corporation tax at 52% (1980-52%):		
On the profits for the period	(882)	(550)
Credit in respect of prior years	-	179
	(882)	(371)

The tax charge is £1,729,000 less (1980 - £1,303,000 less) than it would have been had provision been made for the full potential liability for deferred taxation.

5. Taxation liability

	1981 £'000	1980 £'000
The provision for taxation comprises:-		
Corporation tax payable by 31st March 1982	1,252	704
Advance corporation tax payable	-	332
Less: Group relief	(562)	(234)
	690	802

The tax liability has been estimated on the basis of the stock relief provisions contained in the 1981 Finance Bill.

M.K. ELECTRIC LIMITED

NOTES TO THE ACCOUNTS - Continued

6. Deferred taxation

No provision for deferred taxation is required. The full potential liability is as follows:-

	1981 £'000	1980 £'000
Tax on the excess of capital allowances over depreciation	5,987	5,285
Stock appreciation relief	3,534	3,109
Tax that would arise on disposal of properties at their revalued amounts	2,008	1,406
	11,529	9,800

7. Group indebtedness

	1981 £'000	1980 £'000
Amounts due to holding company	25,073	18,675
Amounts due from fellow subsidiaries	(871)	(738)
Amounts due to fellow subsidiaries	92	139
	24,294	18,076

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

M.K. ELECTRIC LIMITED

NOTES TO THE ACCOUNTS - Continued

8. Fixed assets

	Total £'000	Freehold property £'000	Property on long lease £'000	Plant and machinery £'000
Cost or Valuation				
At 30th March 1980	25,734	7,482	378	17,874
Additions	3,058	-	-	3,058
Disposals and transfers	(195)	(165)	(69)	39
Surplus/(deficit) on revaluation	1,066	1,085	(19)	-
At 28th March 1981	29,663	8,402	290	20,971
Comprising				
Cost	20,971	-	-	20,971
Valuation	8,692	8,402	290	-
	29,663	8,402	290	20,971
Depreciation				
At 30th March 1980	(8,082)	(389)	(10)	(7,683)
On disposals	145	5	1	139
Charge for period	(2,170)	(250)	(6)	(1,914)
Written back on revaluation	649	634	15	-
At 28th March 1981	(9,458)	-	-	(9,458)
Net book value at 28th March 1981	20,205	8,402	290	11,513

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 28th March 1981 by Henry Butcher & Co., valuers and surveyors, on the existing use basis. The surplus on revaluation of £1,715,000 has been credited to reserves.

9. Stocks

Stocks comprise:-	1981 £'000	1980 £'000
Raw materials	1,425	2,452
Work in progress	6,124	6,178
Finished goods	4,837	4,693
	12,386	13,323

M.K. ELECTRIC LIMITED

NOTES TO THE ACCOUNTS - Continued

10. Ordinary share capital

	1981 £'000	1980 £'000
Ordinary shares of £1 each:		
Authorised	1,500	1,500
Issued and fully paid 900,605 shares	901	901

11. Reserves

	1981 £'000	1980 £'000
Surplus on revaluation of properties	6,210	4,495
Retained profits	3,886	4,076
	10,096	8,571

12. Future capital expenditure

	1981 £'000	1980 £'000
Contracted but not provided	1,062	1,430
Approved in principle but subject to specific authorisations	2,890	4,946
	3,952	6,376

13. Contingent liabilities

The company has given an unlimited guarantee for a part of the group bank facilities. The amount guaranteed at 28th March 1981 was £1,271,000.