

18929/137/36

M.K. ELECTRIC LIMITED

1.

REPORT OF THE DIRECTORS

1. The directors submit their report and accounts for the 52 weeks ended 31st March 1979.

Principal activity

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

Results

3. The results for the year are set out on page 6 of the attached accounts.

Exports

4. The sales value of goods exported by the company from the United Kingdom amounted to £10,274,000 (1978 - £7,043,000).

Dividends

5. The directors recommend payment of an ordinary dividend of £5,098,000 (1978 - £9,327,000).

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:-

	<u>Ordinary shares fully paid</u>		<u>Ordinary shares 1p paid, issued under the share incentive scheme</u>	
	<u>31st March 1979</u>	<u>2nd April 1978 or later date of appointment</u>	<u>31st March 1979</u>	<u>2nd April 1978 or later date of appointment</u>
J.W. Bloomfield	635	635	NIL	NIL
G.R. Carr (appointed 1/1/79)	NIL	NIL	NIL	NIL
M.J. Dowsett	16,600	16,600	14,000	14,000
J.J. Fallon	1,000	1,000	9,500	9,500
L.G. Hazzard	1,500	1,500	NIL	NIL
P. Joyce (resigned 31/12/78)		NIL		NIL
Lord Orr-Ewing	1,500	1,500	NIL	NIL
E. Race	NIL	NIL	NIL	NIL
D.G. Rance	NIL	NIL	NIL	NIL

There have been no changes in the above shareholdings since 31st March 1979.

REGISTRATION  
M 1979

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 £3,665,000 on plant and other fixed assets during the period.

The policy of the company is to revalue property every five years, the last valuation having been undertaken in 1976. The directors are of the opinion that there has been no material change in the value of freehold and leasehold properties since 27th March 1976.

Charitable contributions

9. During the period the company made donations for charitable purposes of £6,000.

Auditors

10. A resolution to reappoint 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

7th June 1979

Shrubbery Road,  
Edmonton,  
London N9 0PB

M.K. ELECTRIC LIMITEDREPORT OF THE AUDITORS TO THE MEMBERS

We report on the accounts set out on pages 4 to 13. These have been prepared under the historical cost convention as explained in the statement of accounting policies set out on pages 4 and 5.

In our opinion the accounts give a true and fair view of the state of affairs at 31st March 1979 and of the profit and source and application of funds for the fifty-two weeks ended on that date, according to the historical cost convention, and comply with the Companies Acts 1948 and 1967.

COOPERS & LYBRAND

LONDON, 27th June 1979

Chartered Accountants

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 27th March 1976. The surplus on revaluation is credited to reserves. Plant and other fixed assets are shown at cost.

Depreciation

The straight-line method of depreciation is applied as being that by which the cost of assets is most fairly allocated over the periods during which they are in use, commencing with the month of acquisition. 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 amounts provided, and the full potential liability, are set out in note 7. The tax reduction referred to above is based on the extent to which management projections for the next three years give reasonable expectation that:-

- (a) in each year capital allowances on plant and other fixed assets will exceed the charge for depreciation;
- (b) stocks will not reduce in money terms below current levels and therefore stock appreciation relief already claimed will continue for the foreseeable future;
- (c) 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, in respect of current service and the cost of augmenting existing pensions, 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

PROFIT AND LOSS ACCOUNT  
FOR THE 52 WEEKS ENDED 31ST MARCH 1979

	<u>Notes</u>	52 weeks 1979 <u>£'000</u>	52 weeks 1978 <u>£'000</u>
TURNOVER	1	45,151 <u>          </u>	33,725 <u>          </u>
TRADING PROFIT	2	6,868	5,186
INTEREST PAID	4	- <u>          </u>	(119) <u>          </u>
PROFIT BEFORE TAXATION		6,868	5,067
TAXATION	5	(1,634) <u>          </u>	(1,411) <u>          </u>
PROFIT AFTER TAXATION		5,234	3,656
DIVIDENDS PROPOSED		(5,098) <u>          </u>	(9,327) <u>          </u>
PROFIT AFTER TAXATION LESS DIVIDENDS PROPOSED		136 <u>          </u>	(5,671) <u>          </u>

MOVEMENT ON RESERVES

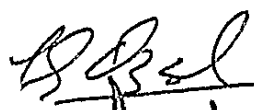
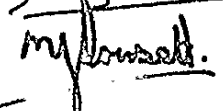
		£'000	£'000
OPENING RESERVES	12	9,076	14,747
PROFIT AFTER TAXATION LESS DIVIDENDS PROPOSED		136 <u>          </u>	(5,671) <u>          </u>
CLOSING RESERVES	12	9,212 <u>          </u>	9,076 <u>          </u>

The policies and notes on pages 4 and 5 and 9 to 13 form part of these accounts.

## M.K. ELECTRIC LIMITED

## BALANCE SHEET - 31ST MARCH 1979

	<u>Notes</u>	<u>1979</u> £'000	<u>1978</u> £'000
ASSETS EMPLOYED			
FIXED ASSETS	9	14,504	12,163
DUE FROM ASSOCIATED COMPANY		1,114	175
CURRENT ASSETS			
Stocks	10	12,042	8,829
Debtors		6,345	5,414
Cash		22	19
		18,409	14,262
CURRENT LIABILITIES			
Creditors		6,455	4,481
Dividends		5,098	9,327
Taxation	6	542	870
		12,095	14,678
NET CURRENT ASSETS/(LIABILITIES)		6,314	(416)
		21,932	11,922
FINANCED BY			
ORDINARY SHARE CAPITAL	11	901	901
RESERVES	12	9,212	9,076
		10,113	9,977
GROUP INDEBTEDNESS	8	11,819	1,945
		21,932	11,922

 L.G. HAZZARD )  
 M.J. DOWSETT ) Directors

The policies and notes on pages 4 and 5 and 9 to 13 form part of these accounts.

M.K. ELECTRIC LIMITEDSOURCE AND APPLICATION OF FUNDS FOR THE 52 WEEKS TO 31ST MARCH 1979

	<u>1979</u> <u>£'000</u>	<u>1978</u> <u>£'000</u>
SOURCE OF FUNDS		
Profit before taxation	6,868	5,067
Adjustment for item not involving the movement of funds:		
Depreciation	<u>1,243</u>	<u>946</u>
TOTAL GENERATED FROM OPERATIONS	8,111	6,013
OTHER SOURCES		
Fixed assets - disposals	<u>81</u>	<u>184</u>
	<u>8,192</u>	<u>6,197</u>
APPLICATION OF FUNDS		
Dividends	(9,327)	(2,824)
Taxation	(1,962)	(1,675)
Fixed assets - additions	(3,665)	(2,406)
Associated company indebtedness	(939)	(175)
	<u>(15,893)</u>	<u>(7,080)</u>
(INCREASE)/DECREASE IN WORKING CAPITAL		
Stocks	(3,213)	(962)
Debtors	(931)	(770)
Creditors	1,974	557
Cash	(3)	(3)
	<u>(2,173)</u>	<u>(1,178)</u>
(INCREASE) IN AMOUNTS OWING TO GROUP COMPANIES	<u>(9,874)</u>	<u>(2,061)</u>

The policies and notes on pages 4, and 5 and 9 to 13 form part of these accounts.



M.K. ELECTRIC LIMITED

9.

NOTES TO THE ACCOUNTS

1. Turnover

Turnover representing net sales to customers, excluding value added tax, comprises:-

	52 weeks 1979 <u>£'000</u>	52 weeks 1978 <u>£'000</u>
Third parties	42,677	32,806
Group companies	2,474	919
	<u>45,151</u>	<u>33,725</u>

2. Trading profit

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

	1979 <u>£'000</u>	1978 <u>£'000</u>
Depreciation of fixed assets	1,243	946
Hire of equipment	67	92
Auditors' remuneration	28	30
Directors' remuneration (note 3)	113	76
Management charge	<u>470</u>	<u>207</u>

3. Directors' remuneration

	1979 <u>£'000</u>	1978 <u>£'000</u>
Fees	-	-
Other emoluments including pension contributions	<u>113</u>	<u>76</u>
	<u>113</u>	<u>76</u>

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

	1979 <u>£'000</u>	1978 <u>£'000</u>
Chairman	<u>NIL</u>	<u>NIL</u>
Highest paid director	<u>21</u>	<u>16</u>

NOTES TO THE ACCOUNTS - Continued

## Other directors

	<u>1979</u>	<u>1978</u>
Nil - £ 2,500	one	four
£ 2,501 - £ 5,000	one	nil
£ 5,001 - £ 7,500	nil	nil
£ 7,501 - £10,000	nil	one
£10,001 - £12,500	nil	four
£12,501 - £15,000	two	nil
£15,001 - £17,500	two	nil
£17,501 - £20,000	one	nil

Two (1978 - nil) employees of M.K. Electric Limited received emoluments in the range £10,001 - £12,500.

4. Interest paid

	<u>1979</u> <u>£'000</u>	<u>1978</u> <u>£'000</u>
Paid to holding company	-	(119)
	<u>=</u>	<u>=</u>

5. Taxation charge

The charge for taxation, based on the profit for the period, is made up as follows:-

	<u>1979</u> <u>£'000</u>	<u>1978</u> <u>£'000</u>
United Kingdom corporation tax at 52% (1978-52%)	(1,634)	(1,411)
	<u>=</u>	<u>=</u>

The tax charge is £2,161,000 less (1978 - £1,337,000 less) than it would have been had full provision been made for the full potential liability for deferred taxation.

6. Taxation liability

	<u>1979</u> <u>£'000</u>	<u>1978</u> <u>£'000</u>
The provision for taxation comprises:-		
Corporation tax payable by 31st March 1980	1,108	1,144
Advance corporation tax recoverable	(566)	(274)
	<u>542</u>	<u>870</u>
	<u>=</u>	<u>=</u>

The advance corporation tax deducted above is the excess of the amount recoverable against future corporation tax liabilities over deferred taxation (note 7).

NOTES TO THE ACCOUNTS - Continued7. Deferred taxation

The tax provisions made in the accounts and the full potential liability are as follows:-

	<u>1979</u>		<u>1978</u>	
	<u>Provision made £'000</u>	<u>Full potential liability £'000</u>	<u>Provision made £'000</u>	<u>Full potential liability £'000</u>
Tax on the excess of capital allowances over depreciation	-	3,925	-	2,935
Stock appreciation relief	-	3,166	-	1,998
Tax that would arise on disposal of properties at their revalued amounts	-	1,399	-	1,396
	-	8,490	-	6,329
Advance corporation tax recoverable	(566)	(566)	(274)	(274)
	<u>(566)</u>	<u>7,924</u>	<u>(274)</u>	<u>6,055</u>

Advance corporation tax on the dividends of M.K. Electric Holdings Limited is available for relief against future corporation tax liabilities of the company under a group election. The excess of advance corporation tax recoverable over deferred taxation is deducted from the taxation liability (note 6).

The above amount of £3,166,000 relating to stock appreciation relief includes amounts totalling £571,000 which would cease to be a potential liability if the proposed changes in legislation announced on 12th June 1979 are enacted.

8. Group indebtedness

	<u>1979 £'000</u>	<u>1978 £'000</u>
Amounts due to holding company	12,412	2,519
Amounts due from fellow subsidiaries	(819)	(778)
Amounts due to fellow subsidiaries	226	204
	<u>11,819</u>	<u>1,945</u>

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

NOTES TO THE ACCOUNTS - Continued9. Fixed assets

	<u>Total</u> £'000	<u>Freehold</u> <u>property</u> £'000	<u>Property</u> <u>on long</u> <u>lease</u> £'000	<u>Plant and</u> <u>machinery</u> £'000
<u>Cost or Valuation</u>				
At 2nd April 1978	17,618	6,451	124	11,043
Additions	3,665	402	4	3,259
Disposals	(254)	(42)	-	(212)
	<u>21,029</u>	<u>6,811</u>	<u>128</u>	<u>14,090</u>
<u>Comprising</u>				
Cost	14,564	470	4	14,090
Valuation	6,465	6,341	124	-
	<u>21,029</u>	<u>6,811</u>	<u>128</u>	<u>14,090</u>
<u>Depreciation</u>				
At 2nd April 1978	(5,455)	(189)	(5)	(5,261)
On disposals	173	-	-	173
Charge for period	(1,243)	(95)	(3)	(1,145)
	<u>(6,525)</u>	<u>(284)</u>	<u>(8)</u>	<u>(6,233)</u>
Net book value at 31st March 1979	<u>14,504</u>	<u>6,527</u>	<u>120</u>	<u>7,857</u>

10. Stocks

	<u>1979</u> £'000	<u>1978</u> £'000
Stocks comprise:-		
Raw materials	2,343	1,679
Work in progress	6,289	4,439
Finished goods	3,410	2,711
	<u>12,042</u>	<u>8,829</u>

M.K. ELECTRIC LIMITED

13.

NOTES TO THE ACCOUNTS - Continued

11. Ordinary share capital

	<u>1979</u> <u>£'000</u>	<u>1978</u> <u>£'000</u>
Ordinary shares of £1 each		
Authorised: 1,500,000 shares	1,500	1,500
	<u>          </u>	<u>          </u>
Issued and fully paid: 900,605 shares	901	901
	<u>          </u>	<u>          </u>

12. Reserves

	<u>1979</u> <u>£'000</u>	<u>1978</u> <u>£'000</u>
Surplus on revaluation of properties	4,495	4,523
Retained profits	4,717	4,553
	<u>9,212</u>	<u>9,076</u>

An amount of £28,000 included in "Surplus on revaluation" last year has been realised as a result of property sales during the year and transferred to "Retained profits".

13. Future capital expenditure

	<u>1979</u> <u>£'000</u>	<u>1978</u> <u>£'000</u>
Contracted but not provided	1,083	1,449
Authorised but not yet contracted	57	100
Approved in principle but subject to specific authorisations	8,278	3,376
	<u>9,418</u>	<u>4,925</u>

14. Contingent liabilities

There were no material contingent liabilities.