

M.K. ELECTRIC LIMITED

ACCOUNTS
30 MARCH 1974

Certified correct

P. Adamson.....Director

M. Smith.....Secretary

ROWLAND & CO.,
Chartered Accountants,
Cross Keys House,
56, Moorgate,
London, EC2R 6ET

M.K. ELECTRIC LIMITED

REPORT OF THE DIRECTORS

The directors submit their report and accounts for the 52 weeks ended 30 March 1974.

ACTIVITIES

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

RESULTS	1974	1973
Profit before taxation	£1,854,819	£2,558,716
Profit after taxation	£902,601	£1,508,716
Profit after taxation and extraordinary items	£780,501	£1,508,716

EXPORTS

Exports amounted to £2,126,634 (1973 - £1,571,307)

DIVIDENDS

Dividends on the 5.25% (formerly 7.5% gross) and 4.2% (formerly 6% gross) cumulative preference shares of £40,950 have been paid during the year. The directors recommend an ordinary dividend of £739,000.

DIRECTORS

The present directors of the company are listed in the table below.

Mr. A.V. Sharman resigned from the board on 28 August 1973.

Mr. J.J. Fallon was appointed a director on 26 September 1973.

The respective holdings of the directors, including family interests, in the ordinary shares of M.K. Electric Holdings Limited, including those held under the terms of the share incentive scheme, are detailed below:

	Ordinary shares		Share incentive scheme	
	30 March 1974	1 April 1973	30 March 1974	1 April 1973
F.D. O'Brien Newman	20,000	20,000		
R.W. Dowsett	30,000	30,000		
M.C. Clear			23,000	23,000
C.F.P. Adamson	300	300	14,000	14,000
D.L.M. Robertson	3,000	3,000		
M.J. Dowsett	11,900	11,900	14,000	14,000
D.E.F. Canney	2,500	2,500		
R.F. Sumner	2,000	2,000		
J.J. Fallon			9,500	9,500

The interests of Mr. J.J. Fallon are shown at 26 September 1973 and 30 March 1974.

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M.K. ELECTRIC LIMITED

REPORT OF THE DIRECTORS
continued

SHARE CAPITAL

The authorised and issued preference share capital was converted to ordinary shares of £1 each by a special resolution on 28 March 1974.

FIXED ASSETS

Additions of fixed assets during the year amounted to £1,560,785, of which £182,051 of freehold property and £34,256 of plant and machinery was acquired from fellow subsidiaries.

The policy of the company is to revalue property every five years, the last valuation having been undertaken in 1971. The directors are of the opinion that, at the present time, the existing use value of freehold and leasehold properties exceeds the book value by not less than £1,200,000.

AUDITORS

Rowland & Co. are willing to continue in office.

By order of the board

P.M. Smith

Secretary

18 June 1974

REPORT OF THE AUDITORS

to the members of

M.K. ELECTRIC LIMITED

In our opinion the accounts on pages 4 to 10 give a true and fair view of the state of the company's affairs at 30 March 1974 and of the profit for the 52 weeks ended on that date and comply with the Companies Acts 1948 and 1967.

Rowland & Co.

Chartered Accountants
Cross Keys House, 56 Moorgate, London, EC2R 6ET
18 June 1974.

M.R. ELECTRIC LIMITED

PROFIT AND LOSS ACCOUNT
for the 52 weeks ended 30 March 1974

	Notes	1974 £	1973 £
TURNOVER	2	<u>17,347,985</u>	<u>15,463,898</u>
TRADING PROFIT	3	1,853,799	2,522,471
Dividend from subsidiary		<u>-</u>	<u>35,504</u>
		1,853,799	2,557,975
Interest received	5	<u>1,020</u>	<u>741</u>
PROFIT BEFORE TAXATION		1,854,819	2,558,716
Taxation	6	<u>952,218</u>	<u>1,050,000</u>
PROFIT AFTER TAXATION		902,601	1,508,716
Extraordinary items	7	<u>122,100</u>	<u>-</u>
PROFIT AFTER TAXATION AND EXTRAORDINARY ITEMS		780,501	1,508,716
Dividends	8	<u>779,950</u>	<u>1,508,500</u>
RETAINED PROFIT		<u>551</u>	<u>216</u>

The notes on pages 6 to 10 form part of these accounts.

M.K. ELECTRIC LIMITED

BALANCE SHEET at 30 March 1974

	Notes	1974 £	1973 £
Assets employed:			
FIXED ASSETS	9	6,432,556 ✓	5,759,181 ✓
INTER GROUP INDEBTEDNESS	10	(2,370,699)	(89,682)
		<u>4,061,857</u>	<u>5,669,499</u>
CURRENT ASSETS			
Stocks		4,808,824	3,147,525
Debtors	11	3,834,270	2,878,649
Cash		75,502	29,378
		<u>8,718,596</u> ✓	<u>6,055,552</u> ✓
CURRENT LIABILITIES			
Creditors		2,762,342	1,191,525
Bank overdraft		-	79,388
Taxation	6	253,603	679,034
Dividends	8	739,000	1,150,000
		<u>3,754,945</u>	<u>3,099,947</u>
NET CURRENT ASSETS		<u>4,963,651</u>	<u>2,955,605</u>
		<u>9,025,508</u>	<u>8,625,104</u>
Financed by:			
SHARE CAPITAL	12	900,605	900,605
RESERVES	13	7,542,077	7,541,526
		8,442,682	8,442,131
DEFERRED TAXATION	14	582,826	182,973
		<u>9,025,508</u>	<u>8,625,104</u>

F.D. O'Brien Newman

Director

C.F.P. Adamson

Director

The notes on pages 6 to 10 form part of these accounts.

M.K. ELECTRIC LIMITED

NOTES ON THE ACCOUNTS

1. ACCOUNTING POLICIES

Fixed assets and depreciation

Freehold property and property held on long lease are revalued professionally at five yearly intervals, the last valuation having taken place in 1971. The surplus on revaluation is credited to reserve. Plant and other fixed assets are shown at cost.

Depreciation is provided on all fixed assets except freehold land and the bases of depreciation for the main asset headings are set out below:

Freehold buildings	2% straight line
Property held on long lease	2% straight line
Plant and machinery	20% reducing balance

Depreciation on other categories of fixed assets is provided at rates varying between 10% and 50% using either straight line or reducing balance methods. Purchased moulds and press tools are depreciated over three years but expenditure on made-in items is charged to revenue as incurred.

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 and net realisable value. In the case of finished stock and work-in-progress, cost comprises materials and labour with an addition for works overheads.

Deferred taxation

Deferred taxation represents the tax on the difference between depreciation and tax allowances on fixed assets calculated at current tax rates. Advance corporation tax on the dividends of M.K. Electric Holdings Limited, available for relief against future corporation tax liabilities under a grouping arrangement, is deducted from deferred taxation.

Advance corporation tax

As a group election has been made no advance corporation tax will be payable on the dividends paid to M.K. Electric Holdings Limited

Group accounts

Group accounts dealing with the company and its subsidiary M.K. Electric Pension Limited are not required since the company is itself the wholly owned subsidiary of M.K. Electric Holdings Limited.

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M.K. ELECTRIC LIMITED

NOTES ON THE ACCOUNTS continued

2. TURNOVER

Turnover represents sales to external customers.

3. TRADING PROFIT

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

	1974 £	1973 £
Depreciation of fixed assets	881,287	657,854
Auditors' remuneration	5,700	4,500
Directors' remuneration (Note 4)	47,626	41,871

4. DIRECTORS' REMUNERATION

	£	£
Fees	6,436	5,478
Other remuneration including pension contributions	36,190	36,393
Payments to a former director	5,000	-
	<u>47,626</u>	<u>41,871</u>

Chairman	4,000	3,800
Highest paid director	10,448	10,193
Other directors		
Nil - £2,500	Five	Four
£2,501 - £5,000	One	One
£5,001 - £7,500	One	Three
£7,501 - £10,000	One	Nil

5. INTEREST RECEIVED

	£	£
Bank	<u>1,020</u>	<u>741</u>

M.K. ELECTRIC LIMITED

NOTES ON THE ACCOUNTS
continued

6. TAXATION	1974 £	1973 £
Based on the profit for the year:		
Corporation tax at 52% (1973 - 40%)	603,000	700,000
Deferred taxation	347,000	350,000
Advance corporation tax not recoverable	2,218	-
	<u>952,218</u>	<u>1,050,000</u>

The provision for taxation comprises:

Corporation tax due 1 January 1975	224,430	638,000
Current taxation	29,173	41,034
	<u>253,603</u>	<u>679,034</u>

Corporation tax due 1 January 1975 is shown after making an adjustment for group relief of £120,000 (1973 - £62,000).

Provision has not been made in the accounts for taxation estimated to amount to £112,500 on the capital gains, which would arise if the freehold property and property held on long lease were realised at their valuation.

8. DIVIDENDS	1974 £	1973 £
Paid on:		
5.25% (formerly 7.5% gross) cumulative preference shares	15,750	22,500
4.2% (formerly 6% gross) cumulative preference shares	25,200	36,000
Ordinary shares	-	300,000
	<u>40,950</u>	<u>358,500</u>
Proposed on:		
Ordinary shares	739,000	1,150,000
	<u>779,950</u>	<u>1,508,500</u>

7. EXTRAORDINARY ITEMS

The charge of £122,100 is the increase in the tax on the difference between depreciation and tax allowances at 31 March 1973 as a result of the increase in rate of corporation tax from 40% to 52%.

M.K. ELECTRIC LIMITED

NOTES ON THE ACCOUNTS continued

9. FIXED ASSETS	Freehold property	Property on long lease	Plant and machinery etc.	1974 Total	1973
Net book value:	£	£	£	£	£
At 1 April 1973	3,853,415	80,863	1,824,903	5,759,181	5,447,848
Additions at cost	182,294	-	1,378,491	1,560,785	977,819
Disposals	-	-	(6,123)	(6,123)	(8,632)
Depreciation charged	(59,107)	(1,617)	(820,565)	(881,287)	(657,854)
	<u>3,976,602</u>	<u>79,246</u>	<u>2,376,708</u>	<u>6,432,556</u>	<u>5,759,181</u>
At 30 March 1974	<u>3,976,602</u>	<u>79,246</u>	<u>2,376,708</u>	<u>6,432,556</u>	<u>5,759,181</u>
Comprising:					
Cost	193,066	19,253	6,535,954	6,748,273	5,209,922
Valuation	3,951,150	64,500	-	4,015,650	4,015,650
Accumulated depreciation	(167,614)	(4,507)	(4,159,246)	(4,331,367)	(3,466,391)
	<u>3,976,602</u>	<u>79,246</u>	<u>2,376,708</u>	<u>6,432,556</u>	<u>5,759,181</u>

10. INTER-GROUP INDEBTEDNESS

	1974 £	1973 £
Shares at cost	100	73,701 ✓
Due to subsidiary	(100)	(88,053)
	-	(14,352)
Due to holding company	(2,258,341)	19,419 ✓
Due to fellow subsidiary	(112,358)	(94,749)
	<u>(2,370,699)</u>	<u>(89,682)</u>

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

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

During the year M.K. Electric Holdings Limited acquired the interest of 63.4% in Insulators Limited held by the company at 31 March 1973.

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M.K. ELECTRIC LIMITED

NOTES ON THE ACCOUNTS
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11. DEBTORS	1974 £	1973 £
Debtors include a secured loan to a director		
At 1 April 1973	7,100	16,250
Repayments	400	9,150
At 30 March 1974	<u>6,700</u>	<u>7,100</u>
12. SHARE CAPITAL	£	£
Authorised:		
5.25% (formerly 7.5% gross) cumulative preference shares of £1 each	-	500,000
4.2% (formerly 6% gross) cumulative preference shares of £1 each	-	600,000
Ordinary shares of £1 each	1,500,000	400,000
	<u>1,500,000</u>	<u>1,500,000</u>
Issued and fully paid:		
5.25% cumulative preference shares	-	300,005
4.2% cumulative preference shares	-	600,000
Ordinary shares	900,605	600
	<u>900,605</u>	<u>900,605</u>
13. RESERVES	£	£
At 1 April 1973	7,541,526	7,541,310
Retained profit for year	551	216
At 30 March 1974	<u>7,542,077</u>	<u>7,541,526</u>
Reserves include surplus on revaluation of properties £1,955,468.		
14. DEFERRED TAXATION	£	£
Tax on differences between depreciation and tax allowances at current rate of corporation tax	876,100	407,000
Advance corporation tax recoverable	293,274	224,027
	<u>582,826</u>	<u>182,973</u>
15. FUTURE CAPITAL EXPENDITURE	£	£
Contracted but not provided	567,971	499,753
16. CONTINGENT LIABILITIES	£	£
Guarantees for the bank overdrafts of the holding company and a fellow subsidiary	975,673	-