

Company Registration No. 189291

NOVAR ED&S LIMITED
(formerly MK Electric Limited)

Report and Financial Statements

31 December 2002

Deloitte & Touche LLP
London



NOVAR ED&S LIMITED (Formerly MK ELECTRIC LIMITED)

REPORT AND FINANCIAL STATEMENTS 2002

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	5
Independent auditors' report	6
Profit and loss account	7
Statement of recognised gains and losses	8
Note of historical cost profits and losses	8
Reconciliation of movements in shareholders funds	8
Balance sheet	9
Notes to the accounts	10

NOVAR ED&S LIMITED (Formerly MK ELECTRIC LIMITED)

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T N Darkes
D A Dayan
M A Hill
M A Southgate
C J White
N T Drakesmith
M Delve

SECRETARY

K Richardson

REGISTERED OFFICE

Novar House
24 Queens Road
Weybridge
Surrey
KT13 9UX

BANKERS

Natwest Plc
PO Box 34
15 Bishopsgate
London

Bank of America
London Branch
PO Box 407
1 Alie Street
London
E1 8DE

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
London

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company is the supply of electric and electronic wiring accessories, circuit protector devices and cable management, intruder, fire and lighting systems. The directors believe that the financial statements are a fair view of the development of the company's business during the year and of its position at the end of the year and future prospects remain encouraging.

CHANGE OF NAME

On 29 July 2002 the name of the company was changed from MK Electric Limited to Novar ED&S Limited.

RESULTS AND DIVDENDS

The profit for the year after taxation amounted to £117,694,000 (year ended 31 December 2001 - £6,122,000). The directors do not propose payment of a final ordinary dividend (2001 - £nil). Preference dividends of £3,033,000 were paid in 2002 and 2001.

DIRECTORS AND THEIR INTERESTS

The composition of the Board of Directors throughout the year, and to the date of this report, except as noted was as follows:

C K Bhowmik	(Resigned 11 April 2003)
J O Clark	(Resigned 2 July 2002)
T N Darkes	
D A Dayan	
M A Hill	
T Jones	(Appointed 22 February 2002, resigned 31 July 2003)
N E Siford	(Resigned 22 February 2002)
M A Southgate	
C J White	
N T Drakesmith	(Appointed 22 April 2003)
M Delve	(Appointed 31 July 2003)

Non of the directors held any interests in group companies except as noted below during the year. The beneficial interests of the directors in the issued Ordinary shares of Novar plc, the ultimate parent undertaking, are as follows:

Director	31 December 2002		1 January 2002 or date of appointment	
	Ordinary shares	Options over ordinary shares	Ordinary shares	Options over ordinary shares
	Number	Number	Number	Number
C K Bhowmik	14,194	185,905	4,888	159,249
T N Darkes	-	59,435	-	35,196
D Dayan	69,925	592,810	66,128	500,095
M A Hill	5,208	136,253	5,208	108,659
T Jones	-	217,848	-	111,888
M A Southgate	-	222,987	-	181,044
C J White	13,903	96,036	-	59,656

None of the directors held any interests in the preference shares or "B" shares of Novar plc during the year.

NOVAR ED&S LIMITED (Formerly MK ELECTRIC LIMITED)

DIRECTORS' REPORT

DIRECTORS' AND DIRECTORS' INTERESTS (continued)

The following options over Ordinary shares of Novar plc were granted to the directors during the year:

Director	Options granted (Number of shares) 2002	Options granted (Number of shares) 2001
C K Bhowmilk	35,559	-
M A Hill	27,594	23,633
T N Darkes	29,581	25,948
D A Dayan	92,715	-
T Jones	105,960	-
M A Southgate	41,943	37,980
C J White	36,380	31,936

The following directors exercised options over Ordinary shares of Novar plc during the year under the Novar plc Savings Related Share Option Scheme:

Director	Options exercised (Number of shares) 2002	Options exercised (Number of shares) 2001
C K Bhowmilk	8,903	-
T N Darkes	5,342	-

No options lapsed during the year.

The options reported above have been granted under the rules of Novar plc's Savings Related and Executive Share Option Schemes. The options are exercisable at prices between 99.2p and 280p. The market price of Novar plc Ordinary shares at 31 December 2002 was 108.5p and the range during the year was 98p to 158.5p. Full details of the individual directors' shareholdings and share options are contained in the Company's register of directors' interests.

During the year, Mr. D A Dayan held conditional rights to acquire 32,304 and 48,947 Ordinary shares of Novar plc for £nil consideration under that company's Performance Partnership Plan. The right in respect of 32,304 shares lapsed on 26 February 2003. The right in respect of 48,947 shares will become exercisable in March 2004, subject to the achievement of targets related to the earnings per share performance of Novar Plc.

No director was or is interested in any transactions, arrangement or agreement with the company which was material during or at the end of year.

The company has continued to provide liability insurance for its directors and officers as permitted by the Companies Act 1985.

RESEARCH AND DEVELOPMENT

The company commits sufficient resources to research and development so as to ensure that it maintains its competitive position in the market.

NOVAR ED&S LIMITED (Formerly MK ELECTRIC LIMITED)

DIRECTORS' REPORT

EMPLOYEE INVOLVEMENT

The company is committed to employee involvement and encourages the development of co-operation with employees. To this end, the Company's policy is to ensure that employees are kept fully informed on matters which affect them, through direct communication and established procedures for joint consultation. Employees are eligible to participate in the Novar Group's Savings and Related Share Option Scheme, which provides them with the opportunity to own shares in Novar plc.

Disabled persons – The company has continued to examine ways and means of providing employment for disabled employees, under normal terms and conditions, with opportunities for training, career development and promotion as appropriate. The company's policy on the employment of disabled persons has been applied as sympathetically as possible.

POLICY PAYMENT OF CREDITORS

The company is responsible for agreeing terms and conditions under which business transactions with suppliers are conducted. It is the company's policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all the relevant terms and conditions. The average number of days that the company takes to settle supplier invoices is 60 days (2001 – 67 days).

AUDITORS

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

In accordance with Section 386 of the Companies Act 1985, the company has passed an elective resolution to dispense with the obligation to appoint auditors annually.

Approved by the Board of Directors
and signed on behalf of the Board



K Richardson
Secretary

27 October 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOVAR ED&S LIMITED

We have audited the financial statements of Novar ED&S Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet, statement of total recognised gains and losses, the note of historical cost profits and losses, the reconciliation of movements in shareholders' funds and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

29 October 2003

NOVAR ED&S LIMITED (Formerly MK ELECTRIC LIMITED)

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2002

	Note	2002 £'000	2001 Restated £'000
TURNOVER			
Continuing operations	1,2	126,523	105,015
Acquisitions	1,2	6,310	-
		<hr/>	<hr/>
		132,833	105,015
Change in stocks of finished goods and work in progress		1,066	1,344
Own work capitalised		199	424
Other operating income		-	2
Raw materials and consumables		(59,892)	(47,418)
Other external charges		(31,161)	(21,460)
Staff costs	4	(26,972)	(24,462)
Redundancy costs		(1,300)	-
Depreciation and amortisation	9,10	(6,451)	(5,626)
		<hr/>	<hr/>
OPERATING PROFIT			
Continuing operations		7,113	7,819
Acquisitions		1,209	-
		<hr/>	<hr/>
	2	8,322	7,819
Income from participating interests		108,251	-
Profit on disposal of fixed assets	3	2,082	36
Net interest payable and similar charges	6	(527)	(645)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	118,128	7,210
Tax charge on profit on ordinary activities	7	(434)	(1,088)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			
Dividends	8	117,694	6,122
		(3,033)	(3,033)
		<hr/>	<hr/>
Retained profit for the financial year transferred to reserves	20	114,661	3,089
		<hr/>	<hr/>

The profit and loss account for the year ended 31 December 2001 has been restated for the adoption of FRS 19 (see note 18).

NOVAR ED&S LIMITED (Formerly MK ELECTRIC LIMITED)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 31 December 2002

	2002 £'000	2001 Restated £'000
Profit for the financial year	114,661	3,089
Total recognised gains and losses in the period	114,661	3,089
Prior year adjustment (note 18)	(1,261)	-
Total gains and losses recognised since the last annual report	<u>113,400</u>	<u>3,089</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES Year ended 31 December 2002

	2002 £'000	2001 Restated £'000
Reported profit on ordinary activities before taxation	118,128	7,210
Realisation of property revaluation gains of previous years	1,262	-
Historical cost profit on ordinary activities before taxation	<u>119,390</u>	<u>7,210</u>
Historical cost profit for the year retained after taxation and dividends	<u>115,923</u>	<u>3,089</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS Year ended 31 December 2002

	2002 £'000	2001 Restated £'000
Profit for the financial year as previously reported	117,694	7,383
Prior year adjustment (see note 18)	-	(1,261)
Profit for the financial year as restated	<u>117,694</u>	<u>6,122</u>
Dividends	(3,033)	(3,033)
Net addition to shareholders' funds	<u>114,661</u>	<u>3,089</u>
Opening shareholders' funds	84,357	81,268
Closing shareholders' funds	<u>199,018</u>	<u>84,357</u>

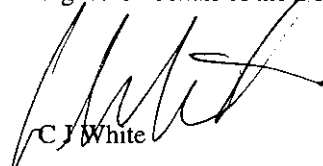
NOVAR ED&S LIMITED (Formerly MK ELECTRIC LIMITED)

BALANCE SHEET 31 December 2002

	Note	2002 £'000	2001 Restated £'000
FIXED ASSETS			
Intangible assets	9	10,460	-
Tangible assets	10	32,664	34,218
Investments	11	16,623	18,009
		<u>59,747</u>	<u>52,227</u>
CURRENT ASSETS			
Stocks	12	15,251	10,362
Debtors: amounts falling due within one year	13	126,636	25,695
Debtors: amounts falling due after more than one year	14	78	70
Cash at bank and in hand		<u>56,081</u>	<u>33,400</u>
		198,046	69,527
CREDITORS: amounts falling due within one year	15	<u>(49,721)</u>	<u>(21,040)</u>
NET CURRENT ASSETS		<u>148,325</u>	<u>48,487</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		208,072	100,714
CREDITORS: amounts falling due after more than one year	16	(872)	(9,940)
PROVISIONS FOR LIABILITIES AND CHARGES	17	<u>(8,182)</u>	<u>(6,417)</u>
NET ASSETS		<u>199,018</u>	<u>84,357</u>
CAPITAL AND RESERVES			
Called up share capital	19	41,542	41,542
Share premium account	20	19,800	19,800
Revaluation reserve	20	714	1,976
Profit and loss account	20	<u>136,962</u>	<u>21,039</u>
TOTAL SHAREHOLDERS' FUNDS		<u>199,018</u>	<u>84,357</u>
Attributable to equity shareholders		158,577	43,916
Attributable to non-equity shareholders		40,441	40,441

These financial statements were approved by the Board of Directors on 27 October 2003

Signed on behalf of the Board of Directors


C J White
Director

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain assets.

Turnover

Turnover represents the invoiced value of sales made to third parties, net of value added tax.

Intangible assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost with the exception of certain freehold and long lease properties, which are stated at valuation. These assets are written off using the straight line method.

No depreciation is provided on freehold land. Long leasehold properties are amortised over 50 years.

Short leasehold properties are amortised over the life of the lease.

For all other assets, depreciation is provided to write off the book amount of those assets over their expected useful lives at the following rates per annum:

Freehold buildings	- 2%
Plant, machinery and tools	- 7% -33%
Fixtures and fittings	- 10%
Motor vehicles	- 20-25%

Following the implementation of FRS 15 the company has adopted a policy of not revaluing fixed assets. The varying amount of tangible fixed assets previously revalued has been retained at their previously revalued amount in accordance with the transitional provisions of FRS 15.

Research and development

All expenditure on research and development is written off in the year in which it is incurred.

Stocks

Stocks and work in progress are stated at the lower of cost and estimated net realisable value. The cost of work in progress and finished goods comprises material, labour and attributable overheads.

Leases

Assets acquired under finance leases are included under the relevant category of tangible fixed assets and depreciated accordingly. The capital element of finance lease rentals is included as appropriate under creditors due within or after one year. The interest element of lease rentals is charged to the profit and loss account.

Rentals under operating leases are charged to the profit and loss account, as incurred, over the term of the lease.

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

1. ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions denominated in foreign currency are translated into sterling at the rate of exchange on the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currency are translated into sterling at mid-market rates of exchange at the balance sheet date. All foreign currency gains and losses are taken to the profit and loss account.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pensions

The retirement benefit obligations of the Company are financed by contributions to separate funds, which are subject to actuarial valuations every three years.

Pension costs in respect of employees who are members of the Novar Group's Pension Schemes are charged to the profit and loss account so as to spread the cost of pensions over the service lives of the employees in the Schemes.

The Company also operates a money-purchase (defined contribution) pension scheme. Company contributions are charged to the profit and loss account as they become payable. Differences between contributions payable in the year and contributions actually paid are either shown as accruals or prepayments in the balance sheet.

2. TURNOVER

Turnover and operating profit derive mainly from activities carried on within the United Kingdom. There have been no discontinued operations in the year. On the 26 July 2002 the company acquired the share capital of Friedland Limited and on the 29 July 2002 the company acquired the trade and assets of Friedland Limited and Gilflex Limited.

NOVAR ED&S LIMITED (Formerly MK ELECTRIC LIMITED)

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting) the following:

	2002 £'000	2001 £'000
Amounts charged by the company's auditors		
Audit fees and expenses	39	25
Tax and consultancy fees	13	5
Rentals payable under operating leases:		
Plant and machinery	226	349
Other	1,738	1,118
Research and development expenditure	2,422	1,709
Restructuring and reorganisation costs (note 17)	2,248	2,438
Depreciation on tangible fixed assets	6,225	5,626
Amortisation on tangible fixed assets (note 9)	226	-
Profit on sale of fixed assets	(2,672)	(36)
Loss on sale of fixed asset investments	590	-
Exchange losses	180	31
	<u> </u>	<u> </u>

4. EMPLOYEES

	2002 No	2001 No
Average number of persons employed		
Manufacturing	650	643
Selling and distribution	182	179
Administration	229	162
	<u> </u>	<u> </u>
	1,061	984
	<u> </u>	<u> </u>
	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	24,197	23,084
Social security costs	1,695	1,570
Other pension costs (note 21)	1,080	(192)
	<u> </u>	<u> </u>
	26,972	24,462
	<u> </u>	<u> </u>

NOVAR ED&S LIMITED (Formerly MK ELECTRIC LIMITED)

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

5. EMOLUMENTS OF DIRECTORS

The aggregate emoluments of the directors were:

	2002 £'000	2001 £'000
Aggregate emoluments	605	830
Compensation for loss of office	-	179
	<u>605</u>	<u>1,009</u>

All directors of the company have benefits accruing to them under defined benefit pension schemes (2001 – same).

During the year two directors exercised share options (2001 – Nil).

Highest paid director

Emoluments of the highest paid director were:

	2002 £'000	2001 £'000
Aggregate emoluments	<u>136</u>	<u>200</u>

At the year end the highest paid director's accrued pension was £7,000 (2001 - £5,000).

6. NET INTEREST PAYABLE

	2002 £'000	2001 £'000
Interest due on intercompany loans repayable	530	661
Interest receivable	(3)	(16)
	<u>527</u>	<u>645</u>

7. TAX CHARGE/(CREDIT) ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge in the period:

	2002 £'000	2001 Restated £'000
Current period taxation		
UK corporation tax	3,251	2,085
Group relief claimed for nil consideration	(3,251)	(2,085)
Under/(over) provision in prior years	457	(850)
Overseas taxation (credit)/charge	(63)	560
	<u>394</u>	<u>(290)</u>
Total current tax		
Deferred tax	-	1,378
Current year charge	40	-
Adjustment in respect of previous year	<u>434</u>	<u>1,088</u>

NOVAR ED&S LIMITED (Formerly MK ELECTRIC LIMITED)

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

7. TAX CHARGE/(CREDIT) ON PROFIT ON ORDINARY ACTIVITIES (continued)

Adoption of FRS19 has required a change in the method of accounting for deferred tax. As a result, the comparative figure for the tax on profit on ordinary activities for 2001 has been restated from the previously reported amount of £173,000 credit to £1,088,000 charge. The impact of adopting FRS19 on the 2001 results is an increase to the tax charge of £1,261,000.

The impact of adopting FRS19 on the results for the current year has been a decrease in the tax charge in respect of deferred tax by £1,261,000.

Factors affecting tax charge for the current period

The tax assessed for the period differs from that resulting from applying the standard rate of corporation tax in the UK of 30% (2001: 30%).

The differences are explained below:

	2002 %	2001 %
Standard tax rate for period	30	30
Effects of:		
Expenses not deductible for tax purposes	-	5
Foreign tax	-	7
Capital allowances in excess of depreciation	(1)	(4)
Movement in short term timing differences	1	(1)
Non taxable income	(27)	-
Group relief surrendered for nil consideration	(3)	(29)
Prior period adjustments	-	(12)
	<hr/>	<hr/>
Current tax rate	-	(4)
	<hr/>	<hr/>

8. DIVIDENDS PAYABLE

	2002 £'000	2001 £'000
Non-equity shares		
Final preference dividend paid	3,033	3,033
	<hr/>	<hr/>
	3,033	3,033
	<hr/>	<hr/>

NOVAR ED&S LIMITED (Formerly MK ELECTRIC LIMITED)

NOTES TO THE ACCOUNTS Year ended 31 December 2002

9. INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
At 1 January 2002	-
Acquisitions	10,686
At 31 December 2002	<u>10,686</u>
Accumulated depreciation	
At 1 January 2002	-
Charge for the year	226
At 31 December 2002	<u>226</u>
Net book value	
At 31 December 2002	<u><u>10,460</u></u>
At 31 December 2001	<u><u>-</u></u>

10. TANGIBLE FIXED ASSETS

	Freehold £'000	Long leasehold £'000	Short leasehold £'000	Motor vehicles £'000	Fixtures and fittings £'000	Plant, machinery and tools £'000	Total £'000
Cost or valuation							
At 1 January 2002	4,238	6,033	275	856	1,908	89,496	102,806
Additions	53	-	-	-	170	4,717	4,940
Disposals	(1,539)	-	-	(303)	-	(92)	(1,934)
Impairment arising on restructuring	-	-	-	(32)	(120)	(2,969)	(3,121)
Reclassification	54	-	-	24	329	(407)	-
Acquisition of businesses	-	-	-	6	81	1,567	1,654
Intra group transfers	-	-	-	-	-	(16)	(16)
At 31 December 2002	<u>2,806</u>	<u>6,033</u>	<u>275</u>	<u>551</u>	<u>2,368</u>	<u>92,296</u>	<u>104,329</u>
Depreciation							
At 1 January 2002	259	1,109	258	854	1,473	64,635	68,588
Charge for the year	44	182	17	25	155	5,802	6,225
Disposals	(301)	-	-	(302)	-	(81)	(684)
Impairment arising on restructuring	-	-	-	(29)	(66)	(2,369)	(2,464)
At 31 December 2002	<u>2</u>	<u>1,291</u>	<u>275</u>	<u>548</u>	<u>1,562</u>	<u>67,987</u>	<u>71,665</u>
Net book value							
At 31 December 2002	<u>2,804</u>	<u>4,742</u>	<u>-</u>	<u>3</u>	<u>806</u>	<u>24,309</u>	<u>32,664</u>
At 31 December 2001	<u>3,979</u>	<u>4,924</u>	<u>17</u>	<u>2</u>	<u>435</u>	<u>24,861</u>	<u>34,218</u>

Freehold land and buildings were valued as at 31 December 1997 by Healey & Baker, International Surveyors & Valuers, on the basis of open market values for existing use. The transitional rules of FRS15 have been followed and the valuations of previously revalued freehold land and buildings have accordingly not been updated.

NOVAR ED&S LIMITED (Formerly MK ELECTRIC LIMITED)

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

10. TANGIBLE FIXED ASSETS (continued)

If freehold land and buildings had not been revalued they would have been included on a historical cost basis at the following amounts:

	2002 £'000	2001 £'000
Net book amount	2,166	2,382
Depreciation in year	157	157

Freehold land and buildings includes freehold land not subject to depreciation amounting to £833,000 (2001 - £2,033,000)

11. FIXED ASSET INVESTMENTS

	Investment in limited partnership £'000	Investment in subsidiary undertaking Shares £'000	Investment in participating interests Shares £'000	Total £'000
At 1 January 2002	16,827	692	490	18,009
Acquisitions	-	15,931	-	15,931
Provision			(490)	(490)
Disposals	(16,827)	-	-	(16,827)
At 31 December 2002	-	16,623	-	16,623

Investment in limited partnership

The investment in the interest of the company in a German limited partnership, Novar Electric GmbH & Co. KG. This was fully disposed of during the year.

Investment in subsidiary undertakings

Details of the participating interests of the Company in its principal subsidiary undertakings are as follows:

Name	Country of Incorporation	Description of shares held	Proportion of shares held %
MK Electric (India) Limited	India	869,100 ordinary shares of RPs 10 each	86.91
Friedland Limited	England	200,000 ordinary shares of £1 each	100

The principal activity of MK Electric (India) Limited is the manufacture and sale of wiring devices in the Indian market.

The share capital of Friedland Limited was acquired on the 26 July 2002. The principal activity of Friedland Limited was the manufacture, marketing and distribution of domestic and industrial sound signalling equipment and consumer electrical and electronic products. On the 29 July 2002 the trade and assets of Friedland Limited were transferred to Novar ED&S.

In the opinion of the directors the aggregate value of the Company's investment in and advances to its subsidiary undertakings is not less than the aggregate amount at which they are stated in the balance sheet.

NOVAR ED&S LIMITED (Formerly MK ELECTRIC LIMITED)

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

11. FIXED ASSET INVESTMENTS (continued)

Investments in participating interests

Details of the investments of the Company in participating interests are as follows:

Name	Country of incorporation	Description of shares held	Proportion of shares held %
Hawa-MK Electrical Accessories Limited	Saudi Arabia	2,440 ordinary shares of SR 1,000 each	40.0

During the year the company provided in full against its 49% investment in Ajax Electrical Limited.

12. STOCKS

	2002 £'000	2001 £'000
Raw materials and consumables	3,696	1,845
Work in progress	1,459	1,558
Finished goods and goods for resale	10,096	6,959
	<u>15,251</u>	<u>10,362</u>

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £'000	2001 £'000
Trade debtors	32,137	17,505
Amounts owed by group undertakings	89,798	3,492
Amounts owed by participating interests	475	388
Other debtors	573	476
Prepayments and accrued income	1,652	1,658
Corporation tax recoverable	1,878	2,013
Advance corporation tax recoverable	123	123
Deferred tax asset (Note 18)	-	40
	<u>126,636</u>	<u>25,695</u>

14. DEBTORS: AMOUNT FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £'000	2001 £'000
Other debtors	<u>78</u>	<u>70</u>

NOVAR ED&S LIMITED (Formerly MK ELECTRIC LIMITED)

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £'000	2001 £'000
Trade creditors	15,386	12,203
Amounts owed to group undertakings	29,821	5,340
Amounts owed to participating interests	-	403
Other creditors	1,630	437
Social security and other taxes	2,760	2,533
Preference dividend proposed	124	124
	<u>49,721</u>	<u>21,040</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £'000	2001 £'000
Amounts owed to group undertakings	<u>872</u>	<u>9,940</u>

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Retirement benefits £'000	Restructuring £'000	Total £'000
At 1 January 2002	5,669	748	6,417
Charged to the profit and loss account	1,967	2,248	4,215
Utilised in the year	-	(2,450)	(2,450)
	<u>7,636</u>	<u>546</u>	<u>8,182</u>
At 31 December 2002			

The restructuring provision relates to property and restructuring liabilities arising from supply chain and manufacturing reorganisation projects. The expected timing of the use of these provisions is currently uncertain.

18. DEFERRED TAXATION

The amounts provided and not provided in respect of deferred taxation are set out below:

	2002		2001 Restated	
	Amount provided £'000	Amount not provided £'000	Amount provided £'000	Amount not provided £'000
Accelerated capital allowances	1,045	-	1,687	-
Other timing differences	(1,045)	(1,283)	(1,727)	-
	<u>-</u>	<u>(1,283)</u>	<u>(40)</u>	<u>-</u>

NOVAR ED&S LIMITED (Formerly MK ELECTRIC LIMITED)

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

18. DEFERRED TAXATION (continued)

The adoption of FRS19 Deferred Taxation has required a change in the method of accounting for deferred tax assets and liabilities. As a result of these changes in accounting policy, the comparatives have been restated as follows:

	Deferred tax £'000	Profit and loss account reserve £'000	Shareholder funds £'000
2001 as previously reported	(1,301)	22,300	85,618
Adoption of FRS19 at 31 December 2001	1,261	(1,261)	(1,261)
	<u>(40)</u>	<u>21,039</u>	<u>84,357</u>

19. CALLED UP SHARE CAPITAL

	2002 £'000	2001 £'000
Authorised:		
1,500,000 Ordinary shares of £1 each	1,500	1,500
45,000,000 Preference shares of £1 each	45,000	45,000
	<u>46,500</u>	<u>46,500</u>
Called up, allotted and fully paid:		
1,100,605 Ordinary shares of £1 each	1,101	1,101
40,440,536 Preference shares of £1 each	40,441	40,441
	<u>41,542</u>	<u>41,542</u>

The holders of the Redeemable Cumulative Preference Shares have the right to be paid a fixed cumulative preference dividend at the rate of 7.5% per annum payable annually in arrears.

The Company shall, subject to the requirements of the Companies Act, be entitled to redeem all or part of the Preference Shares in issue at any time after 1 January 2005 and the amount payable shall be £1 per share, together with any arrears of dividend.

20. RESERVES

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2002 as previously reported	19,800	1,976	22,300
Prior year adjustment (note 18)	-	-	(1,261)
At 1 January 2002 as restated	<u>19,800</u>	<u>1,976</u>	<u>21,039</u>
Retained profit for the financial year	-	-	114,661
Transfer from revaluation reserve	-	(1,262)	1,262
Balance at 31 December 2002	<u>19,800</u>	<u>714</u>	<u>136,962</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

20. RESERVES (continued)

Balance of profit and loss account reserve as of 1 January 2001 has been restated for the adoption of FRS19. See note 18 for details.

21. PENSIONS

The Novar Group operates a number of defined benefit pension schemes based on final pensionable pay. The assets of these schemes are held in separate trustee administered funds. The Company participates in one or more of these schemes. Contributions are based on pension costs across the Group as a whole. A summary of the results of the last actuarial valuations of the group schemes is contained in the financial statements of Novar plc. No contributions were outstanding to the schemes at 31 December 2002 (2001: £Nil).

The latest full actuarial valuation of the Novar plc pension schemes was carried out by independent professional qualified actuaries in March 2000. For the purpose of assessing pension costs under SSAP 24, the pension costs for the current year have been determined by an independent professionally qualified actuary using the Projected Unit Method based on a review of the schemes' finances as at March 2000. For the purpose of FRS17 disclosures, the valuation of the Novar plc pension schemes was updated as at 31 December 2002.

At the date of the latest update, the market value of the schemes' assets was £451.9m. The actuarial value of those assets represented approximately 114% of the value of the benefits that had accrued to pensioners, deferred pensioners and members based on past service and allowing for future increases in earnings where appropriate.

The debit to the profit and loss account in the year in respect of the pension schemes was £1,967,000 (2001: £677,000 credit).

For the purpose of FRS17, as a multi-employer scheme and due to the fact that the company is unable to identify its share of the underlying assets and liabilities, the company will account for the pension schemes on a defined contribution basis.

22. ACQUISITIONS

Friedland Limited

On 29 July 2002 the company acquired the trade and assets of Friedland Limited for consideration of £25,543,000. The fair value of the assets acquired was £15,379,000. The capitalised goodwill on this acquisition is £10,164,000 and this is being amortised in the profit and loss account over 20 years.

NOVAR ED&S LIMITED (Formerly MK ELECTRIC LIMITED)

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

22. ACQUISITIONS (continued)

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair values to the group:

	Book value £'000	Fair Value to group £'000
Fixed Assets		
Tangible	1,654	1,654
Current Assets		
Stocks	3,525	3,525
Debtors	5,350	5,350
Cash	13,152	13,152
Total assets	<u>23,681</u>	<u>23,681</u>
Creditors		
Trade Creditors	(7,813)	(7,813)
Overdraft	(489)	(489)
Total liabilities	<u></u>	<u></u>
Net assets	<u>15,379</u>	<u>15,379</u>

No fair value adjustments have been made.

Net cash outflows in respect of the acquisition comprised:

	£'000
Cash consideration	<u>25,543</u>

Friedland Limited earned a profit after taxation of £12,230,000 in the year ended 31 December 2002 (2001: £(2,180,000)), of which £12,230,000 arose in the period from 1 January 2002 to 29 July 2002. The summarised profit and loss account from 1 January 2002 to 29 July 2002, shown on the basis of the accounting policies of Friedland Limited prior to the acquisition are as follows:

	£'000
Profit and loss account	
Turnover	11,814
Cost of sales	<u>(7,140)</u>
Gross profit	4,674
Other operating expenses (net)	<u>(2,607)</u>
Operating profit	2,067
Profit on sale of trade and assets	<u>10,163</u>
Profit on ordinary activities before taxation	12,230
Tax on profit on ordinary activities	<u>-</u>
Profit on ordinary activities after taxation for the financial period	<u>12,230</u>

NOVAR ED&S LIMITED (Formerly MK ELECTRIC LIMITED)

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

22. ACQUISITIONS (continued)

Gilflex Limited

On the 29 July 2002 the company acquired the trade and assets of Gilflex Limited for a total negative cash consideration of £934,000. The capitalised goodwill on this acquisition is £522,000 and this is being amortised in the profit and loss account over 20 years.

The fair value of assets acquired is as follows:

	Net assets acquired £'000
Stocks	301
Debtors	1,335
Creditors	(1,938)
Net liabilities acquired	(302)

No fair value adjustments have been made.

Net cash outflows in respect of the acquisition comprised:

	£'000
Net debt acquired	1,154
Cash received	(934)
Cash Consideration	220

Gilflex Limited earned a profit after taxation of £547,000 in the year ended 31 December 2002 (2001: £(22,000)), of which £547,000 arose in the period from 1 January 2002 to 29 July 2002. The summarised profit and loss account from 1 January 2002 to 29 July 2002, shown on the basis of the accounting policies of Gilflex Limited prior to the acquisition are as follows:

Gilflex Limited

	£'000
Profit and Loss account	
Turnover	1,580
Cost of sales	(1,555)
Gross profit	25
Other operating expenses (net)	-
Operating profit	25
Profit on the sale of the operation	522
Profit on ordinary activities before taxation	547
Tax on profit on ordinary activities	-
Profit on ordinary activities after taxation for the financial period	547

NOVAR ED&S LIMITED (Formerly MK ELECTRIC LIMITED)

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

23. COMMITMENTS

- (a) Capital commitments at 31 December 2002 for which no provision has been made in these financial statements were as follows:

	2002 £'000	2001 £'000
Contracted but not provided for	50	1,258

- (b) The annual commitment under non-cancellable leases was as follows:

	As at 31 December 2002		As at 31 December 2001	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases:				
Leases expiring:				
Within one year	87	229	-	84
Between one and five years	138	750	215	571
After more than five years	536	40	534	53
	<u>761</u>	<u>1,019</u>	<u>749</u>	<u>708</u>

24. CONTINGENT LIABILITIES

Under an unlimited multilateral guarantee, the Company, in common with certain other Novar Group Companies, has jointly and severally guaranteed the obligations falling due under one of the Novar Group's net overdraft facilities.

At 31 December 2002 the Company has no other contingent liabilities arising in the ordinary course of business (2001: £ nil).

25. CASH FLOW STATEMENT

A consolidated cash flow statement has been included in the accounts of the ultimate parent undertaking which include the accounts of Novar ED&S Limited.

Accordingly, as permitted by FRS1, no cash flow statement is presented with these accounts.

26. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking and controlling party is Novar plc a company incorporated in Great Britain. Novar Plc is the parent of the largest group of which the Company is a member and the largest and smallest for which group accounts are prepared. Copies of these group financial statements can be obtained from The Secretary, Novar plc, Novar House, 24 Queens Road, Weybridge, Surrey, KT13 9UX.

The Company is a wholly owned subsidiary of another company incorporated in Great Britain, thus under Section 228 of the Companies Act 1985 it is exempt from producing Group financial statements.

27. RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemption provided by FRS8 not to disclose transactions with other Novar Group Companies and investees of the Novar Group that qualify as related parties.