

KPMG Peat Marwick McLintock

43652

LOHEAT LIMITED
FINANCIAL STATEMENTS

31ST MARCH 1991



Registered number 436522

KPMG PEAT MARWICK McLINTOCK
Bristol

LOHEAT LIMITED

FINANCIAL STATEMENTS

31st March 1991

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DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31st March 1991.

PRINCIPAL ACTIVITIES

The principal activities of the company are the manufacture and supply of transformers, electrical and dairy equipment.

BUSINESS REVIEW

The company's business was affected by difficult trading conditions.

The company acquired all of the issued share capital of Cliffcrete Limited from UMECO plc in exchange for the issue of 1,046,667 new ordinary 5p shares at 30 pence per share. The company acquired the toroidal transformer manufacturing business of Cliffcrete and all its assets and assumed its liabilities as at 24th August 1990 for a consideration of £314,000, purchased goodwill being written off to reserves. Details of the results for the year are shown in the profit and loss account on page 4.

DIVIDENDS

The directors do not recommend the payment of a dividend (1990 £Nil).

RESEARCH AND DEVELOPMENT

The company's research and development efforts are directed mainly at new product design and enhancement of transformers and mains isolation and distribution panels.

FIXED ASSETS

Information relating to changes in fixed assets is given in note 10 to the financial statements.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year were:

G R A Metcalfe - Chairman
I H Taylor (resigned 28th February 1991)
C G Hodson
F J Marshall (appointed 1st February 1991)

None of the directors has an interest in the shares of the company.

DIRECTORS' REPORT (continued)

DIRECTORS AND DIRECTORS' INTERESTS (continued)

G R A Metcalfe and C C Hodson are directors of UMECO Plc, the ultimate holding company, and as such their interests in the shares of that company are not required to be shown in the Register of Directors' Interests of this company. None of the other directors had any interest in the share capital of the ultimate holding company at 31st March 1991.

During the year I H Taylor exercised an option under the Executive Share Option Scheme to purchase 48,000 shares in UMECO plc at 46p per share.

DONATIONS

The company made charitable donations of £280 during the year.

AUDITORS

In accordance with s385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Peat Marwick McLintock as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Everland Road
Hungerford
Berkshire
RG17 0DU

By order of the board


Secretary

18th June 1991

REPORT OF THE AUDITORS, KPMG PEAT MARWICK McLINTOCK,
TO THE MEMBERS OF LOHEAT LIMITED

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We have audited the financial statements on pages 4 to 15 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st March 1991 and of its loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Bristol
18th June 1991

KPMG Peat Marwick McLintock
Chartered Accountants

PROFIT AND LOSS ACCOUNT

For the year ended 31st March 1991

	<u>Note</u>	<u>1991</u> £	<u>1990</u> £
TURNOVER	2	1,644,882	1,989,456
Cost of sales		<u>(1,077,273)</u>	<u>(1,253,713)</u>
GROSS PROFIT		567,609	735,743
Distribution costs		(38,924)	(60,449)
Administrative expenses		(706,432)	(645,474)
Other interest receivable and similar income	4	4,828	10,732
Interest payable and similar charges	5	<u>(27,231)</u>	<u>(1,665)</u>
OPERATING (LOSS)/PROFIT BEFORE EXCEPTIONAL ITEMS		(200,150)	38,887
Exceptional item	6	<u>(104,045)</u>	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	(304,195)	38,887
Taxation	9	<u>91,149</u>	<u>(11,848)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(213,046)	27,039
Retained profit brought forward		483,817	456,778
Goodwill on acquisition of Clifferete		<u>(156,634)</u>	-
RETAINED PROFIT CARRIED FORWARD		<u>114,137</u>	<u>483,817</u>

The notes on pages 7 to 15 form part of these financial statements.

BALANCE SHEET

At 31st March 1991

	Note	1991 £	1990 £
FIXED ASSETS			
Tangible assets	10	132,378	87,560
Investments	11	131	-
		<u>132,509</u>	<u>87,560</u>
CURRENT ASSETS			
Stocks	12	252,282	261,535
Debtors	13	535,751	521,258
Cash at bank and in hand		86	6,525
		<u>788,119</u>	<u>789,318</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(619,612)	(270,564)
NET CURRENT ASSETS		<u>168,507</u>	<u>518,754</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>301,016</u>	<u>606,314</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	(9,130)	(11,329)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(14,248)	-
NET ASSETS		<u>277,638</u>	<u>594,985</u>
CAPITAL AND RESERVES			
Called up share capital	17	163,501	111,168
Profit and loss account		114,137	483,817
		<u>277,638</u>	<u>594,985</u>

The notes on pages 7 to 15 form part of these financial statements.

These financial statements were approved by the board of directors on 18th June 1991.

G R A METCALFE

Director



C C HODSON

Director



STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended 31st March 1991

	<u>1991</u>		<u>1990</u>	
	£	£	£	£
SOURCE OF FUNDS				
(Loss)/profit on ordinary activities before taxation		(304,195)		38,887
Adjustment for items not involving the movement of funds:				
Depreciation	25,935		33,359	
Profit on sale of tangible fixed assets	-		(453)	
Other provisions	5,000		-	
		<u>30,935</u>		<u>32,906</u>
FUNDS (ABSORBED BY)/GENERATED FROM OPERATIONS		(273,260)		71,793
FUNDS FROM OTHER SOURCES				
Proceeds of sale of tangible fixed assets		-		64,938
Finance leases		-		9,460
Issue of shares		52,333		-
		<u>(220,927)</u>		<u>146,191</u>
APPLICATION OF FUNDS				
Purchase of fixed assets	(70,753)		(38,004)	
Purchase of investment	(131)		-	
Corporation tax paid	(19,524)		(8,412)	
Repayment of finance leases	(1,147)		(6,279)	
Purchase of goodwill	(156,634)		-	
		<u>(248,189)</u>		<u>(52,695)</u>
(DECREASE)/INCREASE IN WORKING CAPITAL		(469,116)		93,496
COMPONENTS OF (DECREASE)/INCREASE IN WORKING CAPITAL				
Stocks		(9,253)		7,290
Debtors		(91,686)		112,165
Creditors falling due within one year		<u>(350,623)</u>		<u>15,333</u>
Movement in net liquid funds:		(451,562)		134,788
Cash at bank and in hand		<u>(17,554)</u>		<u>(41,292)</u>
		<u>(469,116)</u>		<u>93,496</u>

NOTES TO THE ACCOUNTS

31st March 1991

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts.

(b) Depreciation

Depreciation is provided to write off the cost of tangible fixed assets by equal annual instalments over their estimated useful lives as follows:

Plant and machinery	-	4-10 years
Fixtures, fittings, tools and equipment	-	2-10 years
Improvements to premises	-	5-15 years

(c) Goodwill

Goodwill relating to a business purchased by the company is written off immediately against reserves.

(d) Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. In respect of work in progress and finished goods, cost includes all production overheads and the attributable proportion of indirect overhead expenses.

(e) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred taxation to the extent that it is probable that an actual liability will crystallise.

(f) Warranties

No provision is made for the cost of potential warranty work on electrical goods sold as this is mainly chargeable to the original component supplier. The cost of non-recoverable work is charged against profits in the year in which it is incurred.

NOTES TO THE ACCOUNTS (continued)

31st March 1991

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over the shorter of its estimated useful life and the lease term. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account as interest, and the capital element, which reduces the outstanding obligation for future instalments.

All other leases are operating leases and the rental charges are taken to the profit and loss account on a straight line basis over the life of the lease.

(h) Research and development

Expenditure on research and development is written off against profits in the year in which it is incurred.

(i) Pensions

The company is a member of the group's contributory defined benefit pension scheme. The scheme funds are administered by trustees and are independent of the group's finances. Contributions are paid to the scheme in accordance with the recommendations of independent actuaries and are charged against profits in the year in which they are made.

NOTES TO THE ACCOUNTS (continued)

31st March 1991

2. TURNOVER

Turnover represents amounts invoiced by the company in respect of goods sold and services rendered during the year, excluding value added tax.

The analysis of turnover by geographical area is as follows:

	<u>1991</u> £	<u>1990</u> £
United Kingdom	1,361,964	1,847,638
Rest of Europe	251,037	128,254
Other	31,881	13,564
	<u>1,644,882</u>	<u>1,989,456</u>

3. STAFF NUMBERS AND COSTS

The average number of persons employed by the company during the year was as follows:

	<u>1991</u>	<u>1990</u>
Management	5	6
Administration	17	17
Production	37	37
	<u>59</u>	<u>60</u>

The aggregate payroll costs of these persons were as follows:

	<u>1991</u> £	<u>1990</u> £
Wages and salaries	572,367	524,481
Social security costs	49,572	44,739
Other pension costs	18,930	19,135
	<u>640,869</u>	<u>588,355</u>

4. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>1991</u> £	<u>1990</u> £
On short term loans to group companies	4,828	10,732

NOTES TO THE ACCOUNTS (continued)

31st March 1991

5. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1991</u>	<u>1990</u>
	£	£
Bank loan and overdrafts	237	-
Finance charges payable in respect of finance leases	2,074	1,206
On short term loans from group companies	24,920	459
	<u>27,231</u>	<u>1,665</u>

6. EXCEPTIONAL ITEM

The exceptional item comprises re-organisation and related costs.

7. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The (loss)/profit on ordinary activities before taxation is stated after charging the following:

	<u>1991</u>	<u>1990</u>
	£	£
Depreciation of tangible fixed assets	25,935	33,359
Directors' emoluments (note 8)		
Remuneration as executives (including pension contributions)	31,807	31,794
Compensation paid to former director	12,000	-
Auditors' remuneration	9,300	9,283
Hire of plant and machinery	5,330	3,127
Land and buildings operating lease payments	11,025	-
Other operating lease payments	37,893	30,084
(Profit) on disposal of fixed assets	-	(453)
	<u></u>	<u></u>

8. DIRECTORS' EMOLUMENTS

Excluding pension contributions the emoluments of the chairman were £Nil (1990 - £Nil) and those of the highest paid director were £24,945 (1990 - £29,461).

The emoluments of the other directors were within the following ranges:

	<u>1991</u>	<u>1990</u>
£ 0 - £ 5,000	2	1
£10,001 - £15,000	-	-

NOTES TO THE ACCOUNTS (continued)

31st March 1991

9. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	<u>1991</u> £	<u>1990</u> £
Group relief receivable @ 34%	(104,592)	-
UK corporation tax at 34% based on the profit for the year	-	15,329
Adjustment in respect of prior years	4,195	52
Deferred taxation	9,248	(3,533)
	<u>(91,149)</u>	<u>11,848</u>

10. TANGIBLE FIXED ASSETS

	<u>Plant and machinery</u> £	<u>Fixtures, fittings, tools and equipment</u> £	<u>Improvements to premises</u> £	<u>Total</u> £
COST				
At 1st April 1990	118,948	141,164	22,929	283,041
Transfers	113,621	17,329	-	130,950
Additions	29,784	8,052	-	37,836
	<u>262,353</u>	<u>166,545</u>	<u>22,929</u>	<u>451,827</u>
At 31st March 1991				
DEPRECIATION				
At 1st April 1990	76,241	107,516	11,724	195,481
Charge for the year	12,788	11,602	1,545	25,935
Transfers	85,839	12,194	-	98,033
	<u>174,868</u>	<u>131,312</u>	<u>13,269</u>	<u>319,449</u>
At 31st March 1991				
NET BOOK VALUE				
At 31st March 1991	87,485	35,233	9,660	132,378
	<u>87,485</u>	<u>35,233</u>	<u>9,660</u>	<u>132,378</u>
At 31st March 1990	42,707	33,648	11,205	87,560
	<u>42,707</u>	<u>33,648</u>	<u>11,205</u>	<u>87,560</u>

Included in the total net book value of tangible assets is £10,266 (1990 - £12,769) in respect of assets acquired under finance leases. Depreciation for the year on these assets was £2,503 (1990 - £3,398).

NOTES TO THE ACCOUNTS (continued)

31st March 1991

11. INVESTMENTS

	<u>1991</u>	<u>1990</u>
	£	£
Issue of shares	52,333	-
Provision for diminution in value	(52,202)	-
	<u>131</u>	<u>-</u>

During the year the company acquired all of the share capital of Cliffcrete Limited from UMECO plc in exchange for the issue of 1,046,667 new ordinary 5p shares at 30p per share.

12. STOCKS AND WORK IN PROGRESS

	<u>1991</u>	<u>1990</u>
	£	£
Raw materials	209,602	198,061
Work in progress	15,367	31,784
Finished goods and goods for resale	27,313	31,690
	<u>252,282</u>	<u>261,535</u>

13. DEBTORS

	<u>1991</u>	<u>1990</u>
	£	£
Trade debtors	388,521	500,531
Other debtors	819	980
Prepayments and accrued income	22,342	10,890
Amounts owed by group companies	124,069	8,857
	<u>535,751</u>	<u>521,258</u>

14. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1991</u>	<u>1990</u>
	£	£
Bank overdraft	11,115	-
Trade creditors	137,366	177,090
Other creditors	13,126	10,800
Other taxes and social security	25,178	41,800
Accruals and deferred income	42,072	37,448
Amounts owed to group companies	386,031	1,341
Finance lease creditors	4,724	2,085
	<u>619,612</u>	<u>270,564</u>

NOTES TO THE ACCOUNTS (continued)

31st March 1991

14. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

Other taxes and social security comprises:

	<u>1991</u>	<u>1990</u>
	£	£
Corporation tax	-	15,329
Other taxes	12,962	12,559
Social security	12,216	13,912
	<u>25,178</u>	<u>41,800</u>

15. CREDITORS : AMOUNTS FALLING DUE AFTER ONE YEAR

	<u>1991</u>	<u>1990</u>
	£	£
Finance lease creditors:		
Payable within two to five years	7,042	7,398
Payable after five years	2,088	3,931
	<u>9,130</u>	<u>11,329</u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Other provisions</u>	<u>Deferred taxation</u>	<u>Total</u>
	£	£	£
Deferred taxation			
Balance at 1st April 1990	-	-	-
Transfer from current taxation	-	9,248	9,248
Charge for year in the profit and loss account	5,000	-	5,000
	<u>5,000</u>	<u>9,248</u>	<u>14,248</u>
Balance at 31st March 1991	5,000	9,248	14,248

The amounts provided for deferred taxation and the full potential liability, calculated on the liability method are set out below:

	<u>1991</u>	<u>1990</u>
	Full	Full
	<u>Amount potential provided liability</u>	<u>Amount potential provided liability</u>
	£	£
Difference between accumulated depreciation and amortisation and capital allowances	10,422	10,422
Other timing differences	(1,174)	(1,174)
	<u>9,248</u>	<u>9,248</u>

NOTES TO THE ACCOUNTS (continued)

31st March 1991

17. SHARE CAPITAL

	<u>1991</u> £	<u>1990</u> £
AUTHORISED		
4,500 cumulative preference shares of £1 each	4,500	4,500
3,230,000 ordinary shares of 5p each	<u>161,500</u>	<u>108,500</u>
	166,000	113,000
SHARE CAPITAL ALLOTTED, CALLED UP AND FULLY PAID		
2,852 cumulative preference shares of £1 each	2,852	2,852
3,212,978 ordinary shares of 5p each	<u>160,649</u>	<u>108,316</u>
	163,501	111,168

During the year 1,046,667 shares of 5p each were issued as consideration for the acquisition of Cliffcrete Limited.

18. RESERVES

In accordance with section 131 of the Companies Act 1985, the company has recorded the issue of ordinary shares in respect of the acquisition of Cliffcrete Limited at their nominal value.

The number, nominal value and class of shares in Cliffcrete Limited to which merger relief in accordance with section 131 of the Companies Act 1985 applies is 131 ordinary shares of £1 each.

NOTES TO THE ACCOUNTS (continued)

31st March 1991

19. COMMITMENTS

(a) Operating lease

At 31st March 1991 the company was committed to the following payments under operating leases during the coming year:

	<u>1991</u>		<u>1990</u>	
	<u>Land and buildings</u>	<u>Other</u>	<u>Land and buildings</u>	<u>Other</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Operating leases which expire:				
Within one year	-	3,482	-	4,194
In the second to fifth years inclusive	-	19,112	-	14,321
Over five years	18,900	-	-	-
	<u>18,900</u>	<u>22,594</u>	<u>-</u>	<u>18,515</u>

(b) Capital

At 31st March 1991 the company had authorised, but not committed, expenditure of £Nil (1990 - £4,027) on tangible fixed assets.

20. PENSIONS

The company is a member of the UMECO group's contributory defined benefit pension scheme. The scheme funds are administered by trustees and are independent of the group's finances. Contributions are paid to the scheme in accordance with the recommendations of independent actuaries and are charged against profits in the year in which they are made.

An actuarial valuation of the scheme was carried out at 1st April 1988. This valuation which was carried out on the projected unit credit method, indicated that the scheme is funded. Details of the actuarial valuation are disclosed in the financial statements of UMECO plc. The pension cost for the year was £18,930 (1990 £19,135).

21. CONTINGENT LIABILITIES

Value added tax

Under a group registration the company is jointly and severally liable for value added tax due by other group companies. At 31st March 1991 this contingent liability amounted to £48,950.

22. ULTIMATE HOLDING COMPANY

The ultimate holding company is UMECO plc, a company registered in England and Wales.