

Report of the DirectorsIn Respect of the year ended 29 March 1986

1. Directors:

Mr G S Wilson	Throughout the Year
Mr R G Irwin	Throughout the Year
Mr W T M Cabell	Throughout the Year
Mr A Godfrey	Throughout the Year
Metal Industries Ltd	Throughout the Year
Mr J R Bell	Resigned 31 January 1986

2. Review of Business and Future Developments:

The business will continue to manufacture electrical relays and switches. It is considered, following re-organisation within the Company, that improvements in the performance of the business will continue. At the end of the year the Press Shop operation was sold to the Envopak Group Ltd. The Directors have been advised by Thorn EMI plc that conditional contracts have been exchanged to dispose of the whole of its interests in the company, on a going concern basis, to a third party.

3. Accounts and Dividends:

The result in the year was £40,000 loss which includes a charge for rationalisation of £125,000. The Directors do not recommend a dividend to be paid for the year.

4. Fixed Assets:

The movement of Fixed Assets during the year are shown in Note 9 to the accounts.

5. Directors' Interests:

- (a) With the exception of Metal Industries, the Directors had no interest in the share and loan capital of the Company or of its ultimate holding company, THORN EMI plc, as at the 29 March 1986 or 31 March 1985. Metal Industries' interests are shown below:

	Keyswitch Varley Ltd	
	29.3.86	31.3.85
	£	£
Shares at £1.00 each	100,070	100,070

Report of the Directors (Continued)

6. **Employment of Disabled Persons:**

It is a Company practice to facilitate the employment of disabled persons and to provide, whenever possible, opportunities for training, career development and promotion. Where employees have become disabled whilst in the service of the Company, every effort is made to rehabilitate them in their former jobs, or some other suitable alternative, and to provide appropriate and specialist advice.

7. **Employee Involvement:**

During the year Joint Consultative Meetings took place to explain to employees the financial performance of the Company.

8. **Auditors:**

A Resolution to re-appoint the auditors, Coopers & Lybrand, will be proposed at the next General Meeting.

BY ORDER OF THE BOARD



R G Irwin
Director

Date ...17 May 1986.....

KEYSWITCH VARLEY LIMITED

Report of the Auditors to the Members

We have audited the accounts on pages 2 to 15 in accordance with approved auditing standards.

In our opinion these accounts give a true and fair view of the state of affairs of the Company and the Group at 29 March 1986 and of the results and source and application of funds of the Group for the year then ended and comply with the Companies Act 1985.

Coopers & Lybrand

COOPERS & LYERAND
Chartered Accountants
London

Date *17 May 1986*

KEYSWITCH VARLEY LIMITED & SUBSIDIARIES

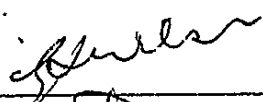
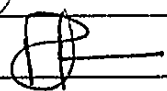
Profit & Loss Account for the Year ended 29 March 1986

	Notes	1986 £000	1985 £000
Turnover	2	5557	5410
Cost of Sales		<u>4756</u>	<u>4593</u>
Gross Profit		801	817
Distribution costs		315	303
Administration expenses		550	577
Other operating income - Profit on disposed fixed assets	8	<u>79</u>	<u>-</u>
Operating profit/loss	3	15	(63)
Adjustment to value of freehold land		-	140
Interest payable & similar charges	6	<u>55</u>	<u>14</u>
Profit on ordinary activities before tax/loss	2	(40)	(217)
Tax on profit on ordinary activities	7	<u>-</u>	<u>-</u>
Profit on ordinary activities after tax/loss		(40)	(217)
Extraordinary items		<u>-</u>	<u>-</u>
Profit for the financial year/loss		(40)	(217)
Dividends paid and proposed		<u>-</u>	<u>-</u>
Retained profit for the year/loss		<u>(40)</u>	<u>(217)</u>
<u>Statement of Reserves</u>			
At 1st April 1985		(5)	212
Retained profit for the year/loss		<u>(40)</u>	<u>(217)</u>
At 29 March 1986		<u>(45)</u>	<u>(5)</u>

The notes of pages 5 to 15 form part of these accounts.

KEYSWITCH VARLEY LIMITED & SUBSIDIARIES

Balance Sheet at 29 March 1986

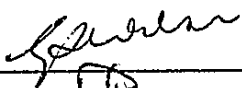

	Notes	1986 £000	1985 £000
FIXED ASSETS			
Tangible assets	9 & 20	458	476
CURRENT ASSETS			
Stocks	11	810	967
Debtors	12	1413	1286
Cash at bank & in hand		<u>1</u>	<u>1</u>
		2224	2254
CREDITORS: amounts falling due within one year	13	<u>1886</u>	<u>1265</u>
NET CURRENT ASSETS		<u>338</u>	<u>989</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>796</u>	<u>1465</u>
NET ASSETS		<u>796</u>	<u>1465</u>
CAPITAL & RESERVES			
Called up share capital	14	100	100
Profit & loss account	15	<u>(45)</u>	<u>(5)</u>
		55	95
GROUP FUNDING: INTEREST FREE LOANS	16	<u>741</u>	<u>1370</u>
		<u>796</u>	<u>1465</u>
<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="text-align: center;">  <hr/> G S Wilson </div> <div style="text-align: center;">  <hr/> R G Irwin </div> <div style="text-align: right;">) Directors) </div> </div>			

The notes on Pages 5 to 15 form part of these accounts.

KEYSWITCH VARLEY LIMITED

Balance Sheet at 29 March 1986

	Notes	1986 £000	1985 £000
FIXED ASSETS			
Tangible assets	9 & 20	<u>458</u>	<u>476</u>
CURRENT ASSETS			
Stocks	21	810	967
Debtors	21	1413	1286
Cash at bank & in hand		<u>1</u>	<u>1</u>
		2254	2254
CREDITORS: amounts falling due within one year	21	<u>1912</u>	<u>1291</u>
NET CURRENT ASSETS		<u>312</u>	<u>963</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>770</u>	<u>1439</u>
NET ASSETS		<u>770</u>	<u>1439</u>
CAPITAL & RESERVES			
Called up share capital	14	100	100
Profit & loss account	15	<u>(71)</u>	<u>(31)</u>
		29	69
GROUP FUNDING: INTEREST FREE LOANS	16	<u>741</u>	<u>1369</u>
		<u>770</u>	<u>1438</u>

	G S Wilson)	Directors
	R G Irwin)	

The notes on Pages 5 to 15 form part of these accounts.

KEYSWITCH VARLEY LIMITED

NOTES TO THE ACCOUNTS

1. Accounting Policies:

Accounting Convention:

The accounts are prepared under the historical cost convention.

Depreciation:

Depreciation has been calculated as in previous years, at rates estimated to write off the relevant assets by equal annual amounts over their expected useful lives; effect is given where necessary to commercial and technical obsolescence. The principal annual rates used for this purpose, which are consistent with those of last year are:

	%
Leasehold property (furniture, fixtures & fittings)	15
Plant & Machinery	15
Motor Vehicles	25
Tooling	33

Freehold property is not depreciated.

Investment and Development Area Grants:

Grants in respect of capital expenditure have been applied in reduction of cost of the relevant assets and depreciation has been calculated by reference to net cost of those assets.

Stocks and Work in Progress:

Stocks and work in progress have been valued consistently with the previous year at the lower of cost and net realisable value. Cost includes direct material, direct labour and manufacturing overhead where appropriate. Due allowance had been made for obsolete or slow moving items.

Research and Development:

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

Deferred Taxation:

Provision is made for deferred tax at the rate of Corporation Tax ruling at the year end (the liability method) except in respect of any tax reduction which can reasonably be expected to continue for the future.

Finance and Operating Leases

Costs in respect of operating leases are charged in arriving at the operating profit. There are no assets held under finance leases.

NOTES TO THE ACCOUNTS (Continued)

2. Principal activities and analysis of results:

The contributions of the various activities of the company to turnover and profit before taxation were as follows:

	Turnover		Profit Before Tax	
	1986	1985	1986	1985
	£000	£000	£000	£000
Principal activities:				
Manufacture of Electrical Relays, Assembly Boards, Switches and Press Parts	5557	5410	(40)	(217)
	<u>5557</u>	<u>5410</u>	<u>(40)</u>	<u>(217)</u>

Geographical analysis:

	£000	£000
United Kingdom	5191	4910
Europe (other EEC)	139	224
Europe (non-EEC)	147	168
North America	15	33
Australasia	30	23
Africa	13	28
Asia	<u>22</u>	<u>24</u>
	<u>5557</u>	<u>5410</u>

3. Operating profit is stated after charging:

	1986	1985
	£000	£000
Depreciation of tangible assets	151	118
Hire of plant and equipment	49	38
Auditors' remuneration	12	11
Rationalisation	125	(165)
Adjustment to land value	-	140
Operating lease rentals for land & buildings	172	172

4. Employees:

(a) The average number of employees including directors of the company in each week of the year were:

1986	1985
<u>274</u>	<u>320</u>
<u>274</u>	<u>320</u>

NOTES TO THE ACCOUNTS (Continued.....)

4. Employees (cont.)

(b) Staff costs, including directors' emoluments

	19 86 £000	19 85 £ 000
Wages and salaries	1824	2010
Social security costs	159	199
Other pension costs	44	41
	<u>2027</u>	<u>2250</u>

(c) Emoluments of U.K. employees

The number of employees (excluding directors) whose emoluments exceeded £30,000 are set out below.

	19 86 Number	19 85 Number
£30,000 - £35,000	NIL	NIL
£35,001 - £40,000	NIL	NIL
£40,001 - £45,000	NIL	NIL
£45,001 - £50,000	NIL	NIL

5. Emoluments of Directors

	1986 £	19 85 £
Fees		
Remuneration, including pension contributions	112,094	112,777
Compensation for loss of office	23,526	NIL
	<u>135,620</u>	<u>112,777</u>

The emoluments, excluding pension contribution, of the directors of the company in the United Kingdom are detailed as follows:

	1986 £	19 85 £
Chairman	NIL	NIL
Highest paid director	23,820	27,576
Other directors in scale:		
Up to £5,000	Number	Number
£5,001 to £10,000	-	-
£10,001 to £15,000	-	-
£15,001 to £20,000	-	-
£20,001 to £25,000	-	1
£25,001 to £30,000	5	3
	-	1

NOTES TO THE ACCOUNTS (Continued)

6.	<u>Interest payable and similar charges</u>	1986 £000	1985 £000
	On bank overdraft	-	-
	On loan from group company	<u>55</u>	<u>14</u>
		<u>55</u>	<u>14</u>
7.	<u>Tax on profit on ordinary activities</u>	1986 £000	1985 £000
	United Kingdom Corporation Tax @ 40% (1985 45%)	-	-
		<u>-</u>	<u>-</u>
8.	<u>Profit on disposed fixed assets</u>		

Of the £79,000 in profit realised on the disposal of fixed assets, £76,000 relates to the sale of the fixed assets of the press shop operation as referred to in note 2 of the directors' report.

ASSETS TO THE ACCOUNTS (Continued)

9. <u>Tangible fixed assets</u>	Freehold Property £000	Leasehold Property £000	Plant Equipment & Motor Vehicles £000	Total £000
<u>Cost or valuation</u>				
At 1st April 1985	179	301	651	1131
Re-classification	-	-	206	206
Additions	-	-	127	127
Disposals	(19)	-	(392)	(411)
At 29 March 1986	<u>160</u>	<u>301</u>	<u>592</u>	<u>1053</u>
<u>Depreciation</u>				
At 1st April 1985	13	113	529	655
Charge for year	-	45	106	151
Disposals	(13)	-	(383)	(396)
Re-classification	-	-	185	185
At 29 March 1986	<u>-</u>	<u>158</u>	<u>437</u>	<u>595</u>
<u>Net book amount</u>				
<u>29 March 1986</u>	<u>160</u>	<u>143</u>	<u>155</u>	<u>458</u>
<u>Net book amount</u>				
<u>31 March 1985</u>	<u>166</u>	<u>188</u>	<u>122</u>	<u>476</u>

Notes:

- (i) Leasehold property with 50 or more years of the respective leases unexpired accounts for £NIL (1985 £NIL) of the net book amount of leasehold property.
- (ii) In order to make presentation consistent throughout both management and financial reporting, tooling has now been re-classified from stock to fixed assets (see note 11).
- (iii) Capital commitments
- | | | |
|---|--------------|--------------|
| Capital expenditure authorised at 31 March: | 1986
£000 | 1985
£000 |
| Contracted | 90 | 15 |
| Not contracted | - | - |
| | <u>90</u> | <u>15</u> |

10. Lease Commitments

Payments which the company is committed to make during the next year analysed by the year in which the commitment expires, is as follows;

	1986 £000	1985 £000
(i) in the next year	-	-
(ii) in the second to fifth years inclusive	6	6
(iii) over five years	<u>172</u>	<u>172</u>
	<u>178</u>	<u>178</u>

NOTES TO THE ACCOUNTS (Continued)

11. <u>Stocks</u>	1986 £000	1985 £000
Raw Materials	357	510
Work in progress	428	370
Finished goods	25	53
Tooling (see note 9 (ii))	-	34
	<u>810</u>	<u>967</u>
12. <u>Debtors</u>	1986 £000	1985 £000
<u>Due within one year</u>		
Trade debtors	1212	1023
Amounts owed by fellow subsidiaries	8	140
Pre-payments and accrued income	43	43
Other debtors	<u>150</u>	<u>80</u>
	<u>1413</u>	<u>1286</u>

NOTES TO THE ACCOUNTS (Continued)

13. Creditors: amounts falling due within one year

	1986 £000	1985 £000
Bank loans and overdrafts	226	318
Trade creditors	778	591
Amounts owed to ultimate holding company	639	63
Other taxes including VAT & Social Security costs	119	120
Accruals	112	146
Other creditors	<u>12</u>	<u>27</u>
	<u>1886</u>	<u>1265</u>

NOTES TO THE ACCOUNTS (Continued)

	1986 £000	1985 £000
14. Share Capital:		
Authorised		
Ordinary Shares of £1.00 each	<u>100</u>	<u>100</u>
	<u>100</u>	<u>100</u>
Called up and fully paid		
Ordinary Shares of £1.00 each	<u>100</u>	<u>100</u>
	<u>100</u>	<u>100</u>
15. Reserves:		
	Company Profit & Loss Account	Consolidated Profit & Loss Account
	£000	£000
At 1st April 1985	(31)	(5)
Retained profit of the year	<u>(40)</u>	<u>(40)</u>
At 29 March 1986	<u>(71)</u>	<u>(45)</u>
16. Group funding - Interest free loans:		

The group loan of £741.000 is interest free and has no repayment date. THORN EMI plc has advised of its intention to capitalise the sum in the event of a sale of the company referred to in the Directors' report.

NOTES TO THE ACCOUNTS (Continued)

17. Holding Company:

The company's ultimate holding company is THORN EMI plc, incorporated in England, which has confirmed it will give financial support to the Company as necessary.

18. Pension arrangements:

The company participates in the THORN EMI Pension Fund, a contributory scheme, membership of which is open to all qualifying employees on a voluntary basis. The Trustee of the Fund, THORN EMI Pension Trust Ltd, is responsible for the management of the scheme and the investment of its funds.

Contributions by the company and by members are made in accordance with the Rules and actuarial recommendations having regard to the requirement that the Fund should be able to meet benefits payable as and when they fall due. As it is expected that the company will leave the THORN EMI Group it has received no benefit from a surplus in the Fund established by an actuarial valuation carried out as at 5 April 1985.

19. VAT Group Registration:

The company is registered with HM Customs and Excise as a member of a group for VAT purposes and, as a result, is jointly and severally liable on a continuing basis for amounts owing by any other member of that group in respect of unpaid VAT.

20. Market value of land and buildings:

In the opinion of the directors the market value of freehold land is at least that of the book value at which these assets are included in the balance sheet.

NOTES TO THE ACCOUNTS (Continued)

21. Net Current Assets - The Company

	1986 £000	1985 £000
Stocks		
Raw Materials		
Work in Progress	357	510
Finished Goods	428	370
Tooling	25	53
	<u>-</u>	<u>34</u>
	<u>810</u>	<u>967</u>
Debtors:		
Due Within one Year		
Trade Debtors	1212	1023
Amounts Owed by Fellow Subsidiaries	8	140
Pre-Payments	43	43
Other Debtors	<u>150</u>	<u>80</u>
	<u>1413</u>	<u>1286</u>
Due After More than One Year		
Creditors		
Amounts Falling Due Within one Year		
Bank Overdraft	226	318
Trade Creditors	778	591
Amount Owed to Ultimate Holding Company	639	63
Amount Owed to Subsidiary	26	26
Other Taxes incl. VAT & Social Security	119	120
Accruals	112	146
Other Creditors	<u>12</u>	<u>27</u>
	<u>1912</u>	<u>1291</u>

22. Investment & Subsidiaries:

The company has the following wholly owned subsidiaries at 29 March 1986:

ADS Relays Ltd	Incorporated in England
Qualcut Press Tools Ltd	Incorporated in England

These subsidiaries did not trade during the year and made neither profit nor loss.

Statement of Source of Application of Funds
For the year ended 29 March 1986

	1986 £000	1986 £000	1985 £000	1985 £000
Source of Funds				
Profit before taxation/(loss)		(40)		(217)
Adjustments for items not involving the use of funds:				
Depreciation of tangible fixed assets	151		118	
Adjustment to value of land	-		140	
(Profit)/loss on sale of tangible fixed assets	<u>(79)</u>	<u>72</u>	<u>17</u>	<u>275</u>
Total Generated from Operations		32		58
Funds from other sources				
Proceeds of disposal of tangible fixed assets	93		20	
Increase in Group loans	<u>61</u>	<u>154</u>	<u>-</u>	<u>20</u>
Total sources of funds		186		78
Application of Funds				
Decrease in group funding	628		-	
Purchase of tangible fixed assets	<u>112</u>		<u>54</u>	
Total Application of Funds		<u>740</u>		<u>54</u>
		<u>(554)</u>		<u>24</u>
(Decrease)/Increase in Working Capital				
Decrease in stocks	(122)		(242)	
Increase in debtors	188		181	
Decrease/(Increase) in Current Creditors Excluding bank loans and overdrafts	<u>(712)</u>	<u>(646)</u>	<u>217</u>	<u>156</u>
Movement in net liquid funds:				
Bank loans and overdrafts	92		(133)	
Cash at bank and in hand	<u>-</u>	<u>92</u>	<u>1</u>	<u>(132)</u>
		<u>92</u>		<u>(132)</u>
<u>(Decrease)/Increase in Working Capital</u>		<u>(554)</u>		<u>24</u>