

DIAMOND H CONTROLS LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2000

Company No. 00730330



DIAMOND H CONTROLS LIMITED

COMPANY INFORMATION

Directors

Mr R L Kottritsch
Mr P J Hodge
Mr C E Poyner
Mr K Hutchins
Mr A C Purdue
Mr S H Hayes
Mr S G Wain

Secretary

Mrs T Miles

Company number

00730330

Registered office

Neville House
42-46 Hagley Road
Edgbaston
Birmingham
B16 8PZ

Auditors

KPMG
2 Cornwall Street
Birmingham
B3 2DL

DIAMOND H CONTROLS LIMITED

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DIAMOND H CONTROLS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 2000

The directors present their report and the audited accounts for the company for the year ended 31st December 2000.

Principal activities and review of business

The company's principal activity during the year was the manufacture of electrical switches, relays, electronic controls and domestic appliance controls.

The company has experienced a difficult year's trading. The directors are confident that the long-term future of the business is secure. Segmental information is presented in note 2.

During the year the company acquired the trade and assets of Karavale Electronics Limited for a consideration of £2m.

Results and Dividends

The results for the year are set out in the profit and loss account on page 5.

The directors do not recommend a dividend.

Directors and their interests

The directors of the company during the year were as follows:

Mr R L Kottritsch

Mr P J Hodge

Mr C E Poyner

Mr K Hutchins

Mr A C Purdue

Mr S H Hayes

Mr S G Wain

None of the directors held any interest in the company or any other group companies in the year.

Events since the end of the year

On 26th October 2001 the company transferred the trade and assets of the Karavale business, which it had acquired in the year, to a fellow subsidiary undertaking, BI Electronics Limited.

DIAMOND H CONTROLS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 2000

Employee Involvement

The company recognises the need to ensure effective communications with employees. All senior management are regularly informed of company developments in strategic, financial, commercial and personnel matters to enable them to inform and discuss these issues with employees as appropriate.

Employment of Disabled Persons

The company's policy is to give full and fair consideration to applications for employment by disabled persons, having regard to the nature of their employment. Suitable opportunities are offered to disabled persons in order to promote their career development.

Creditor Payment Policy

The company does not follow a standard code on creditor payment but agrees terms and conditions for its business transactions with all of its suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the supplier.

As at 31 December 2000 the company's trade creditors represented 69 days purchases (1999: 69 days).

European Monetary Union

The directors have considered the impact of European Monetary Union upon the activities of the company.

Despite the prevailing uncertainties attached to the ongoing evolution of a single currency, the directors are confident that its impact upon the company will be manageable within the day to day operations of the company.

Statement of directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that year. In preparing these accounts 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, subject to any material departures disclosed and explained in the accounts;

Prepare the accounts 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 enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIAMOND H CONTROLS LIMITED

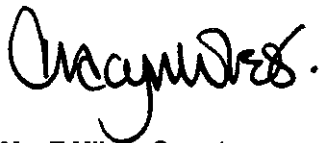
DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 2000

Auditors

Pursuant to Section 386 of the Companies Act 1985, a resolution has been passed which results in the company not being required to annually reappoint KPMG as its auditors.

By order of the Board



Mrs T Miles, Secretary

29th October 2001

Neville House
42-46 Hagley Road
Edgbaston
Birmingham
B16 8PZ

AUDITORS' REPORT TO THE SHAREHOLDERS OF DIAMOND H CONTROLS LIMITED

We have audited the accounts on pages 5 to 18.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described above, the accounts in accordance with applicable United Kingdom law and applicable accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you, if in our opinion, the directors' report is not consistent with the accounts, 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.

Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 the information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31st December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants and Registered Auditors
Birmingham
Date: 29th October 2001

DIAMOND H CONTROLS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2000

	Notes	2000 £	1999 £
Turnover	2	10,497,305	10,326,190
Cost of sales		(9,667,397)	(9,138,505)
Gross profit		829,908	1,187,685
Distribution costs		(362,872)	(301,634)
Administrative expenses		(1,370,932)	(1,534,790)
Operating loss	5	(903,896)	(648,739)
Interest payable/receivable	6	(9,513)	103,118
Loss on ordinary activities before taxation		(913,409)	(545,621)
Tax on loss on ordinary activities	7	250,795	114,521
Loss for the financial year	18	(662,614)	(431,100)

All amounts relate to continuing activities.

There is no material difference between the results set out above and those recorded on a historical cost basis.

There were no recognised gains or losses for 2000 other than those included in the profit and loss account.

DIAMOND H CONTROLS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31ST DECEMBER 2000

	2000 £	1999 £
Statement of total recognised gains and losses		
Loss for the financial year	(662,614)	(431,100)
Unrealised deficit on revaluations of properties	-	(10,000)
Total recognised losses relating to the year	<u>(662,614)</u>	<u>(441,100)</u>

DIAMOND H CONTROLS LIMITED

BALANCE SHEET

AS AT 31ST DECEMBER 2000

	Notes	£	2000 £	£	1999 £
Fixed assets					
Intangible assets	8		275,535		-
Tangible assets	9		5,696,453		3,152,310
Investments	10		1,238		1,238
			<u>5,973,226</u>		<u>3,153,548</u>
Current assets					
Stocks	11	1,844,417		1,454,257	
Debtors	12	4,312,481		3,637,596	
Cash at bank and in hand		531,330		1,227,854	
		<u>6,688,228</u>		<u>6,319,707</u>	
Creditors: amounts falling due within one year	13	<u>(3,197,333)</u>		<u>(2,156,619)</u>	
Net current assets			<u>3,490,895</u>		<u>4,163,088</u>
Total assets less current liabilities			<u>9,464,121</u>		<u>7,316,636</u>
Creditors: amounts falling due after more than one year	14		<u>(3,542,567)</u>		<u>(894,098)</u>
Provisions for liabilities and charges					
Deferred taxation	16		<u>(242,662)</u>		<u>(81,032)</u>
			<u>5,678,892</u>		<u>6,341,506</u>
Capital and reserves					
Share capital	17		4,185,180		4,185,180
Share premium account	18		389,580		389,580
Revaluation reserve	18		1,007,559		1,007,559
Profit and loss account	18		96,573		759,187
Shareholders' funds	19		<u>5,678,892</u>		<u>6,341,506</u>

These accounts were approved by the board on 29th October 2001 and signed on its behalf by:


Mr K Hutchins
 Director

DIAMOND H CONTROLS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

1 Accounting policies

Basis of accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of freehold properties and in accordance with applicable accounting standards.

Consolidation

The accounts contain information about Diamond H Controls Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it is a wholly owned subsidiary of another UK company.

Depreciation

Depreciation is calculated to write off the cost or valuation, less the estimated residual value, of tangible assets on a straight line basis over their estimated lives as follows:

Freehold land	- Nil
Freehold buildings	- Lower of 50 years or remaining useful life
Leasehold properties	- Lease term
Plant and machinery	- From 3 to 10 years

Research and development

Research and development expenditure is written off as incurred.

Investments in subsidiaries

Investments in subsidiary undertakings are stated at cost less provisions for diminution in value.

Goodwill

Goodwill, which represents the excess of cost of acquisitions of businesses over the value attributed to their net assets, is amortised through the profit and loss account by equal instalments over its estimated useful economic life of 15 years.

Stocks

Stocks have been valued at the lower of cost and net realisable value. In respect of work in progress and finished goods cost includes all direct costs of production and the appropriate proportion of production overheads.

Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences.

DIAMOND H CONTROLS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

Foreign currencies

Foreign currency transactions are translated at the rates ruling when they occurred or at rates specified in related forward foreign currency contracts. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date or, if appropriate, at rates specified in related forward exchange contracts and exchange differences arising are dealt with in the profit and loss account.

Pensions

Contributions are paid to both defined benefit and defined contribution pension schemes in accordance with the recommendations of independent actuaries and advisers. Defined benefit contributions are charged to the profit and loss account to spread the cost of pensions over the anticipated service lives of employees. Contributions to defined contribution schemes are charged to the profit and loss account on the accruals basis, except in exceptional circumstances.

Leasing and hire purchase

Assets acquired under finance leases and hire purchase arrangements are capitalised and the related liabilities, excluding finance charges, are included in borrowings. Finance charges in respect of such assets are charged to the profit and loss account. Operating lease rentals are written off on a straight line basis over the lease period.

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No. 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of National Industries Group (Holdings) S.A.K. and its cash flows are included within the consolidated cash flow statement in the published accounts of that company, which are publicly available.

2 Turnover

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

The analysis of turnover by geographical area is as follows:

	2000 £	1999 £
United Kingdom	9,295,615	8,912,272
Europe	944,584	1,241,186
America	74,158	78,201
Rest of the world	182,948	94,531
	<u>10,497,305</u>	<u>10,326,190</u>

DIAMOND H CONTROLS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

3 Employee information

The average number of persons employed by the company (including directors) during the year was as follows:

	2000 Number	1999 Number
Production	371	370
Administration	23	19
	<u>394</u>	<u>389</u>

The aggregate payroll costs of these persons were as follows:

	2000 £	1999 £
Wages and salaries	4,545,303	4,137,956
Social security costs	362,902	343,819
Other pension costs	212,728	447,952
	<u>5,120,933</u>	<u>4,929,727</u>

4 Directors' remuneration

	2000 £	1999 £
Aggregate emoluments	140,807	154,087
Company contributions to defined benefit pension schemes	18,541	16,117
	<u>159,348</u>	<u>170,204</u>

3 directors are members of group defined benefit pension schemes to which the company makes contributions (1999: 4)

DIAMOND H CONTROLS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

5 Operating loss

The operating loss is stated after charging or crediting:

	2000	1999
	£	£
Depreciation of tangible fixed assets:	446,552	340,418
Loss on disposal of fixed assets	-	(43)
Operating leases - plant and equipment	17,833	16,575
Auditors' remuneration	13,000	11,564
Research and development	401,088	417,516

6 Net interest payable/receivable

	2000	1999
	£	£
Finance leases and hire purchase contracts	(64,242)	-
Bank interest receivable	54,729	103,118
	(9,513)	103,118

7 Taxation

	2000	1999
	£	£
UK corporation tax at 30%	(414,206)	(124,000)
Deferred taxation	153,863	(28,968)
Adjustment in respect of prior years:		
Corporation tax	1,781	61,201
Deferred taxation	7,767	(22,754)
	(250,795)	(114,521)

DIAMOND H CONTROLS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

8 Intangible fixed assets

Cost and Net Book Value	Goodwill £	Total £
Additions	275,535	275,535
At 31st December 2000	<u>275,535</u>	<u>275,535</u>

During the year the company acquired the trade and assets of Karavale Electronics Limited for a consideration of £2m. Goodwill arising on this acquisition of £275,535 will be amortised over a period of 15 years, being in the opinion of the directors, the expected useful life of this asset.

On 26th October 2001 the trade and assets of the Karavale business were transferred to a fellow subsidiary undertaking BI Electronics Limited.

DIAMOND H CONTROLS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

9 Tangible fixed assets

	Freehold land and buildings	Leasehold land and buildings	Plant, equipment, fixtures and fittings	Totals
Cost or valuation	£	£	£	£
At 1st January 2000	1,500,000	80,000	7,204,116	8,784,116
Additions	-	-	2,990,695	2,990,695
At 31st December 2000	1,500,000	80,000	10,194,811	11,774,811
Depreciation				
At 1st January 2000	29,000	5,000	5,597,806	5,631,806
Charge for the year	29,000	5,000	412,552	446,552
At 31st December 2000	58,000	10,000	6,010,358	6,078,358
Net book value				
At 31st December 2000	1,442,000	70,000	4,184,453	5,696,453
<i>At 31st December 1999</i>	<i>1,471,000</i>	<i>75,000</i>	<i>1,606,310</i>	<i>3,152,310</i>

Included within land and buildings is £500,000 (1999: £500,000) in respect of land which is not depreciated.

Fixed assets in the course of construction amounting to £381,000 have not been depreciated (1999: £433,770).

On 1 January 1999 the company revalued its properties based on a valuation produced by independent commercial property consultants at open market value on an existing use basis. On the same day the company began charging depreciation on its buildings to write off their value over their useful life as determined by the valuation.

In line with group accounting policies, no depreciation had been charged in the period from the company's acquisition by BI Group Plc in August 1997 to 31 December 1998.

Prior to the 1999 revaluation of property, the company did not depreciate its land and buildings. As a consequence, appropriate information relating to the split of cost between land and buildings was not retained. It is therefore only possible to disclose that the non-depreciated historic cost and net book value of land and buildings is £768,000 (1999: £768,000).

Assets held under finance leases and hire purchase originally cost £2,121,060 (1999: £121,060) and have a net book value of £1,927,400 (1999: £Nil). Depreciation charged for the year amounted to £72,600 (1999: £Nil).

DIAMOND H CONTROLS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

10 Investments

	Shares in group undertakings £	Total £
Cost and Net book value		
At 1st January 2000 and 31st December 2000	1,238	1,238

The company owns the whole of the issued share capital of Robinson and Hudson Limited, a dormant company registered in England and Wales.

Consolidated accounts have not been produced as permitted by Section 228 of the Companies Act 1985.

11 Stocks

	2000 £	1999 £
Raw materials	1,012,576	658,747
Work in progress	570,742	542,525
Finished goods	261,099	252,985
	<u>1,844,417</u>	<u>1,454,257</u>

12 Debtors

	2000 £	1999 £
Trade debtors	2,535,415	2,355,246
Amounts owed by group undertakings	1,043,867	1,043,440
Prepayments and accrued income	197,305	148,910
Corporation tax	535,894	90,000
	<u>4,312,481</u>	<u>3,637,596</u>

Amounts owed by group undertakings includes £1,043,440 (1999: £1,043,440) due after more than one year.

13 Creditors: amounts falling due within one year

	2000 £	1999 £
Trade creditors	1,892,757	1,254,184
Amounts owed to group undertakings	18,977	22,824
Other creditors	40,622	252,308
Accruals and deferred income	518,783	345,388
Other taxes and social security	326,194	281,915
Obligations under hire purchase and finance lease (Note 15)	400,000	-
	<u>3,197,333</u>	<u>2,156,619</u>

DIAMOND H CONTROLS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

14	Creditors: amounts falling due after more than one year	2000 £	1999 £
	Amounts owed to group undertakings	2,142,567	894,098
	Obligations under hire purchase and finance lease (Note 15)	1,400,000	-
		<u>3,542,567</u>	<u>894,098</u>

There are no predetermined repayment dates or interest payment arrangements applying to amounts owed to group undertakings. However, repayment will not be requested within one year.

15	Obligations under hire purchase and finance leases	2000 £	1999 £
	Obligations under hire purchase contracts and finance leases are analysed between amounts payable:		
	In the next year	400,000	-
	In the second to fifth years inclusive	1,400,000	-
		<u>1,800,000</u>	<u>-</u>

DIAMOND H CONTROLS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

16 Deferred taxation

The movements in deferred taxation during the current year and previous period are as follows:

	2000 £	1999 £
At 1st January 2000	81,032	132,754
Movement in the year	161,630	(51,722)
At 31st December 2000	242,662	81,032

Full provision has been made for deferred taxation on the liability method at a corporation tax rate of 30% as follows:

	Amount provided	
	2000 £	1999 £
Accelerated capital allowances	232,122	154,000
Other timing differences	10,540	(72,968)
	242,662	81,032

All timing differences were fully provided at 31st December 2000 and 31st December 1999

17 Share capital

	2000 £	1999 £
Authorised Equity shares		
4,185,180 ordinary shares of £1 each	4,185,180	4,185,180
Allotted Equity shares		
Issued, allotted, called up and fully paid ordinary shares of £1 each	4,185,180	4,185,180

18 Reserves

	Share premium account £	Revaluation reserve £	Profit and loss account £
At 1st January 2000	389,580	1,007,559	759,187
Loss for the year	-	-	(662,614)
At 31st December 2000	389,580	1,007,559	96,573

DIAMOND H CONTROLS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

19 Reconciliation of movement in shareholders' funds

	2000 £	1999 £
Loss for the financial year	(662,614)	(431,100)
Revaluation arising	-	(10,000)
Decrease in shareholders' funds	(662,614)	(441,100)
Opening shareholders' funds	6,341,506	6,782,606
Closing shareholders' funds	5,678,892	6,341,506

20 Capital commitments

The company had the following capital commitments:

	2000 £	1999 £
Contracted for but not provided in the financial statements	239,000	294,110

21 Operating lease commitments

At 31st December 2000 the company had annual commitments under non-cancellable operating leases as set out below:

	At 31 December 2000		At 31 December 1999	
	Land & buildings £	Other £	Land & buildings £	Other £
Operating leases which expire:				
Within one year	-	5,648	-	5,266
Between two and five years	-	52,980	-	46,306
After five years	-	-	-	7,045
	-	58,628	-	58,617

22 Contingent liabilities

During the year, the group repaid its 8.75% Senior notes carrying a par value of US\$35.0m. In their place, the group secured 5 year facilities totalling US\$35.0m of which the company guarantees US\$35.0m.

23 Pension scheme

The company is a member of a defined benefit pension scheme operated by the Group. Contributions are paid in accordance with the recommendations of independent actuaries, based on the regular cost of providing benefits across the group as a whole. Particulars of the scheme are given in the accounts of BI Group Plc.

At 31 December 2000, total contributions amounting to £27,218 (1999: £249,556) were payable to the schemes and are included within accruals and deferred income.

DIAMOND H CONTROLS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

24 Related parties

The company is controlled by BI Group Plc. The ultimate controlling party is National Industries Group (Holdings) S.A.K.

The company has taken advantage of the exemption given in Financial Reporting Standard No 8 Related Party Disclosures with respect to inter group disclosures as the group controls at least 90% of the company's voting share capital and the group accounts are publicly available.

25 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary undertaking of BI Group Plc. The ultimate parent company is National Industries Group (Holdings) S.A.K., incorporated in Kuwait. Copies of the financial statements of National Industries Group (Holdings) S.A.K. are available from PO Box 417, 13005 Safat, Kuwait.

The smallest group in which the results of the company are consolidated is that headed by NIC Holdings (UK) PLC, incorporated in the United Kingdom. Copies of the financial statements of this entity are available from Neville House, 42-46 Hagley Road, Edgbaston, Birmingham, B16 8PZ.