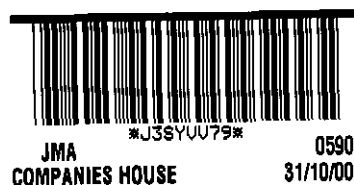


DIAMOND H CONTROLS LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1999



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 1999

The directors present their report and the audited accounts for the company for the year ended 31st December 1999.

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 traded satisfactorily during the period. The directors consider that the company is soundly based both operationally and financially and anticipate further advances in the forthcoming year. Segmental information is presented in note 2.

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 period were as follows:

Mr R L Kottritsch

Mr P J Hodge

Mr C E Poyner

Mr K Hutchins

Mr A C Purdue (appointed 14 December 1999)

Mr S H Hayes

Mr S G Wain (appointed 14 December 1999)

Mr D C N MacPherson (resigned 14 December 1999)

Mr A C Hobson (resigned 16 March 1999)

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

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.

DIAMOND H CONTROLS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 1999

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 1999 the company's trade creditors represented 69 days purchases (1998: 69 days).

Year 2000

The company experienced no year 2000 IT issues and anticipates that none will be experienced in the future.

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

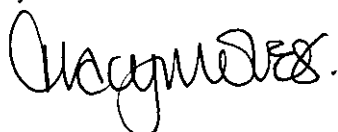
DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 1999

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

5th May 2000

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 16.

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 1999 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: 5th May 2000

DIAMOND H CONTROLS LIMITED**PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED 31ST DECEMBER 1999

	Notes	12 Months 1999 £	9 Months 1998 £
Turnover	2	10,326,190	7,352,777
Cost of sales		(9,138,505)	(6,516,756)
Gross profit		1,187,685	836,021
Distribution costs		(301,634)	(187,481)
Administrative expenses		(1,534,790)	(672,760)
Operating loss	5	(648,739)	(24,220)
Interest receivable	6	103,118	96,563
Loss/Profit on ordinary activities before taxation		(545,621)	72,343
Tax on loss/profit on ordinary activities	7	114,521	(76,754)
Loss for the financial year	16	(431,100)	(4,411)
Retained profit brought forward		1,190,287	1,097,698
Retained profit carried forward		759,187	1,093,287

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 1999 or 1998 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 1999

	12 Months 1999 £	9 Months 1998 £
Statement of total recognised gains and losses		
Loss for the financial year	(431,100)	(4,411)
Unrealised deficit on revaluations of properties	<u>(10,000)</u>	<u>-</u>
Total recognised losses relating to the year	<u><u>(441,100)</u></u>	<u><u>(4,411)</u></u>

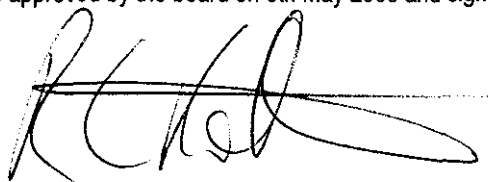
DIAMOND H CONTROLS LIMITED

BALANCE SHEET

AS AT 31ST DECEMBER 1999

	Notes	£	1999 £	£	1998 £
Fixed assets					
Tangible assets	8		3,152,310		2,730,261
Investments	9		1,238		1,238
			<u>3,153,548</u>		<u>2,731,499</u>
Current assets					
Stocks	10	1,454,257		1,316,232	
Debtors	11	3,637,596		4,871,707	
Cash at bank and in hand		1,227,854		1,456,848	
		<u>6,319,707</u>		<u>7,644,787</u>	
Creditors: amounts falling due within one year	12	<u>(2,156,619)</u>		<u>(1,821,561)</u>	
Net current assets			<u>4,163,088</u>		<u>5,823,226</u>
Total assets less current liabilities			<u>7,316,636</u>		<u>8,554,725</u>
Creditors: amounts falling due after more than one year	13		<u>(894,098)</u>		<u>(1,639,365)</u>
Provisions for liabilities and charges					
Deferred taxation	14		<u>(81,032)</u>		<u>(132,754)</u>
			<u>6,341,506</u>		<u>6,782,606</u>
Capital and reserves					
Share capital	15		4,185,180		4,185,180
Share premium account	16		389,580		389,580
Revaluation reserve	16		1,007,559		1,114,559
Profit and loss account	16		759,187		1,093,287
Shareholders' funds	17		<u>6,341,506</u>		<u>6,782,606</u>

These accounts were approved by the board on 5th May 2000 and signed on its behalf by:



Mr R L Kottritsch
Director

DIAMOND H CONTROLS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1999

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 248 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as the group it heads qualifies as a small group.

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 properties	- 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.

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.

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.

DIAMOND H CONTROLS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1999

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 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 period excluding value added tax.

The analysis of turnover by geographical area is as follows:

	1999 £	9 Month Period 1998 £
United Kingdom	8,912,272	6,569,411
Europe	1,241,186	635,404
America	78,201	60,506
Rest of the world	94,531	87,456
	<u>10,326,190</u>	<u>7,352,777</u>

DIAMOND H CONTROLS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1999

3 Employee Information

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

	1999 Number	9 Month Period 1998 Number
Production	370	351
Administration	19	21
	<u>389</u>	<u>372</u>

The aggregate payroll costs of these persons were as follows:

	1999 £	9 Month Period 1998 £
Wages and salaries	4,137,956	2,878,446
Social security costs	343,819	235,456
Other pension costs	447,952	162,832
	<u>4,929,727</u>	<u>3,276,734</u>

4 Directors' remuneration

	1999 £	9 Month Period 1998 £
Aggregate emoluments	<u>154,087</u>	<u>123,058</u>

4 directors are members of group defined benefit pension schemes to which the company makes contributions (period ended 31 December 1998: 6)

DIAMOND H CONTROLS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1999

5 Operating loss

The operating loss is stated after charging or crediting:

	1999	9 Month Period 1998
	£	£
Depreciation of tangible fixed assets:	340,418	288,848
Profit on disposal of fixed assets	(43)	(300)
Hire of equipment	16,575	-
Auditor's remuneration	11,564	12,077
Research and development - pure research	417,516	276,841

6 Interest Receivable

	1999	9 Month Period 1998
	£	£
Bank interest receivable	103,118	96,563

7 Taxation

	1999	9 Month Period 1998
	£	£
UK corporation tax at 31%	(124,000)	40,000
Deferred taxation	(28,968)	36,754
Adjustment in respect of prior years:		
Corporation tax	61,201	-
Deferred taxation	(22,754)	-
	(114,521)	76,754

DIAMOND H CONTROLS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1999

8 Tangible fixed assets

	Freehold land and buildings	Leasehold land and buildings	Plant, equipment, fixtures and fittings	Totals
Cost or valuation	£	£	£	£
At 1st January 1999	1,500,000	90,000	6,432,490	8,022,490
Additions	-	-	772,467	772,467
Disposals	-	-	(841)	(841)
Revaluations	-	(10,000)	-	(10,000)
At 31st December 1999	1,500,000	80,000	7,204,116	8,784,116
Depreciation				
At 1st January 1999	-	-	5,292,229	5,292,229
Charge for the year	29,000	5,000	306,418	340,418
Disposals	-	-	(841)	(841)
At 31st December 1999	29,000	5,000	5,597,806	5,631,806
Net book value				
At 31st December 1999	1,471,000	75,000	1,606,310	3,152,310
<i>At 31st December 1998</i>	<i>1,500,000</i>	<i>90,000</i>	<i>1,140,261</i>	<i>2,730,261</i>

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.

On a historical cost basis, freehold land and buildings would have been included at cost and net book value of £768,000 (1998: £768,000).

Assets held under finance leases and hire purchase originally cost £121,060 (1998: £121,060) and have a net book value of £Nil (1998: £Nil).

DIAMOND H CONTROLS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1999

9 Investments

	Shares in group undertakings	Total
	£	£
Cost and Net book value		
At 1st January 1999 and 31st December 1999	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.

10	Stocks	1999	1998
		£	£
	Raw materials	658,747	662,083
	Work in progress	542,525	490,208
	Finished goods	252,985	163,941
		<u>1,454,257</u>	<u>1,316,232</u>

11	Debtors	1999	1998
		£	£
	Trade debtors	2,355,246	2,338,694
	Amounts owed by group undertakings	1,043,440	2,365,908
	Prepayments and accrued income	148,910	167,105
	Corporation Tax	90,000	-
		<u>3,637,596</u>	<u>4,871,707</u>

Amounts owed by group undertakings includes £1,043,440 (31st December 1998: £2,365,908) due after more than one year.

12	Creditors: amounts falling due within one year	1999	1998
		£	£
	Trade creditors	1,254,184	1,107,600
	Amounts owed to group undertakings	22,824	10,748
	Other creditors	252,308	231,373
	Accruals and deferred income	345,388	78,665
	Corporation tax	-	100,000
	Other taxes and social security	281,915	293,175
		<u>2,156,619</u>	<u>1,821,561</u>

DIAMOND H CONTROLS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1999

13	Creditors: amounts falling due after more than one year	1999	1998
		£	£
	Amounts owed to group undertakings	<u>894,098</u>	<u>1,639,365</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.

14 Deferred taxation

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

	1999	1998
	£	£
At 1st January 1999	132,754	96,000
Movement in the year	<u>(51,722)</u>	<u>36,754</u>
At 31st December 1999	<u>81,032</u>	<u>132,754</u>

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

	Amount provided	
	1999	1998
	£	£
Accelerated capital allowances	154,000	138,754
Other timing differences	<u>(72,968)</u>	<u>(6,000)</u>
	<u>81,032</u>	<u>132,754</u>

All timing differences were fully provided at 31st December 1999 and 31st December 1998

15	Share capital	1999	1998
		£	£
	Authorised		
	Equity shares		
	4,185,180 ordinary shares of £1 each	<u>4,185,180</u>	<u>4,185,180</u>
	Allotted		
	Equity shares		
	Issued, allotted, called up and fully paid ordinary shares of £1 each	<u>4,185,180</u>	<u>4,185,180</u>

DIAMOND H CONTROLS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1999

16 Reserves

	Share premium account	Revaluation reserve	Profit and loss account
	£	£	£
At 1st January 1999	389,580	1,114,559	1,093,287
Loss for the year	-	-	(431,100)
Revaluation arising	-	(10,000)	-
Reclassification	-	(97,000)	97,000
At 31st December 1999	389,580	1,007,559	759,187

17 Reconciliation of movement in shareholders' funds

	1999 £	1998 £
Loss for the financial year	(431,100)	(4,411)
Revaluation arising	(10,000)	-
Decrease in shareholders' funds	(441,100)	(4,411)
Opening shareholders' funds	6,782,606	6,787,017
Closing shareholders' funds	6,341,506	6,782,606

18 Capital commitments

The company had the following capital commitments:

	1999 £	1998 £
Contracted for but not provided in the financial statements	294,110	105,000

19 Operating lease commitments

At 31st December 1999 the company had annual commitments under non-cancellable operating leases as set out below:

	At 31 December 1999		At 31 December 1998	
	Land & Buildings £	Other £	Land & buildings £	Other £
Operating leases which expire:				
Within one year	-	5,266	-	4,998
Between two and five years	-	46,306	-	30,610
After five years	-	7,045	-	7,045
	-	58,617	-	42,653

20 Contingent liabilities

As at 1 January 1999 the company had guaranteed the bank borrowings of certain fellow subsidiaries amounting to £82,655,981. On 22 February 1999 these bank liabilities were fully repaid and the guarantee cancelled.

DIAMOND H CONTROLS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1999

21 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 1999, total contributions amounting to £249,556 (period ended 31 December 1998: £29,069) were payable to the schemes and are included within accruals and deferred income.

22 Related parties

The company is controlled by BI Group Plc. The ultimate controlling party is National Industries Group 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.

23 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 S.A.K., incorporated in Kuwait. Copies of the financial statements of National Industries Group 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.