

DIRECTORS' REPORT AND ACCOUNTS

AJAX ELECTRICAL LIMITED

(Registered number 778004)

31 December 1994



AJAX ELECTRICAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1994

The directors present their report and the accounts of the company for the year ended 31 December 1994.

REVIEW OF THE BUSINESS

The company made significant progress during 1994 with production rates increasing significantly and output rising by 2,600 K poles over 1993. This excellent progress can largely be attributed to the development of the skill base during the course of the year. A further £500,000 was invested in completing the automated assembly process with a view to further increasing output in 1995.

With signs that the recession in the company's market is coming to an end, prospects for the coming year are excellent. Plans are also in hand to extend the product range during 1995.

RESULTS AND DIVIDEND

The results of the company for the year are set out on page 5. The directors do not recommend the payment of a dividend for the year ended 31 December 1994 (1993 £Nil). The profit for the year of £136,000 (1993 £37,000 loss) has been transferred to reserves.

TANGIBLE FIXED ASSETS

Movements in tangible fixed assets are set out in Note 9.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were:

MJ Dowsett	(Resigned 11 May 1994)
NA Couter	
J Nicod	(Resigned 11 May 1994)
PB Gardner	
R Gringelli	
P Bernard	(Appointed 11 May 1994)
A Goodfellow	(Appointed 11 May 1994)

None of the directors had any interest in the shares of the company or any other group company in the UK at the beginning of the year (or date of appointment, if later) or at end of the year.

AJAX ELECTRICAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1994

DIRECTORS AND THEIR SHARE INTERESTS (CONTINUED)

The directors had the following interest in share options of Groupe Schneider SA at the beginning and end of the year:

	<u>Date of Grant</u>	<u>At 31 December 1994</u>		<u>At 31 December 1993</u>	
		<u>Number</u>	<u>Price</u> FFr	<u>Number</u>	<u>Price</u> FFr
PB Gardner	30 January 1991	1,280	266.25	1,280	266.25
R Gringelli	30 January 1991	2,400	266.25	2,400	266.25
P Bernard	30 January 1991	1,280	266.25	1,280	266.25

These options are all exercisable during a period of five years from the date of grant.

AUDITORS

A resolution to re-appoint the auditors, Price Waterhouse, and to authorise the directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board



D VAN RISTELL
Secretary

13 March 1995

Registered Office

Stafford Park 5
Telford
TF3 3BL

AJAX ELECTRICAL LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- 1 Select suitable accounting policies and then apply them consistently.
- 2 Make judgements and estimates that are reasonable and prudent.
- 3 State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- 4 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 enable them to ensure that the financial statements 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.

Price Waterhouse



**AUDITORS' REPORT TO THE MEMBERS OF
AJAX ELECTRICAL LIMITED**

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 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 1994 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE

Chartered Accountants
and Registered Auditors

13 March 1995

AJAX ELECTRICAL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1994

	<u>Notes</u>	<u>1994</u> £'000	<u>1993</u> £'000
TURNOVER	1,2	6,251	710
Cost of sales		<u>(4,137)</u>	<u>(617)</u>
GROSS PROFIT		2,114	93
Administrative expenses		(1,754)	(751)
Other operating income - government grant		<u>210</u>	<u>210</u>
OPERATING PROFIT/(LOSS)		570	(448)
Interest	3	<u>13</u>	<u>11</u>
PROFIT/(LOSS) BEFORE TAXATION	4	583	(437)
Taxation	7	<u>(447)</u>	<u>400</u>
PROFIT/(LOSS) FOR THE YEAR	17	<u>136</u>	<u>(37)</u>

Movements on reserves are set out in Note 17.

There are no gains or losses other than those recognised in the profit and loss account.

AJAX ELECTRICAL LIMITED

BALANCE SHEET - 31 DECEMBER 1994

	<u>Notes</u>	<u>1994</u> £'000	<u>1993</u> £'000
FIXED ASSETS			
Intangible assets	8	369	412
Tangible assets	9	<u>3,941</u>	<u>4,230</u>
		<u>4,310</u>	<u>4,642</u>
CURRENT ASSETS			
Stock	10	556	216
Debtors	11	3,284	960
Cash at bank and in hand		<u>-</u>	<u>246</u>
		3,840	1,422
CREDITORS (amounts falling due within one year)	12	<u>(2,297)</u>	<u>(854)</u>
NET CURRENT ASSETS		<u>1,543</u>	<u>568</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,853	5,210
CREDITORS (amounts falling due after more than one year)	13	(4,235)	(4,235)
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>(507)</u>	<u>-</u>
		<u>1,111</u>	<u>975</u>
CAPITAL AND RESERVES			
Share capital	16	1,000	1,000
Profit and loss account	17	<u>111</u>	<u>(25)</u>
		<u>1,111</u>	<u>975</u>


RB Gardner

DIRECTOR

APPROVED BY THE BOARD
ON 13 MARCH 1995

AJAX ELECTRICAL LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1994

	Notes	1994	1993
		£'000	£'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	15(1)	166	(73)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		<u>13</u>	<u>11</u>
CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		13	11
TAXATION			
Taxation paid		-	(8)
INVESTING ACTIVITIES			
Purchase of intangible assets		-	318
Purchase of tangible assets		<u>500</u>	<u>3,355</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(500)	(3,673)
NET CASH OUTFLOW BEFORE FINANCING		(321)	(3,743)
FINANCING			
Shareholder loans		<u>-</u>	<u>3,735</u>
NET CASH INFLOW FROM FINANCING		<u>-</u>	<u>3,735</u>
DECREASE IN CASH AND CASH EQUIVALENTS	15(2)	(321)	(8)

The cash flow statement should be read in conjunction with Note 15.

AJAX ELECTRICAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994

1 ACCOUNTING POLICIES

(1) Basis of accounting

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

(2) Turnover

Turnover is the amount derived from invoiced sales excluding rebates and VAT.

(3) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost, which comprises prime costs of direct labour and materials together with related overheads, and net realisable value.

(4) Intangible assets

Intangible assets are amortised over 10 years from the time the company commenced manufacture of patented products.

(5) Tangible assets

Depreciation is provided on a straight line bases to write off the cost of fixed assets over their estimated useful lives which are considered to be:

Plant and machinery - 4 to 6 years from commencement of the year of acquisition

(6) Deferred taxation

Provision is made for taxation liabilities arising from the allocation of items to different periods for taxation and for accounting purposes. The provision is established at the corporation tax rates anticipated to be in force at the time each deferred liability will ultimately crystallise. Losses available to reduce corporation tax on future profits are deducted from the provision.

(7) Pension costs

The cost of providing pension benefits is charged to the profit and loss account as a consistent percentage of earnings over the period benefitting from the employees' services.

AJAX ELECTRICAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

2 TURNOVER

The turnover attributable to each of the company's geographical markets is:

	<u>1994</u> £'000	<u>1993</u> £'000
United Kingdom	3,021	629
Europe	<u>3,230</u>	<u>81</u>
	6,251	710
	<u>=====</u>	<u>=====</u>

3 INTEREST

	<u>1994</u> £'000	<u>1993</u> £'000
Receivable on bank deposits	<u>13</u>	<u>11</u>

4 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

	<u>1994</u> £'000	<u>1993</u> £'000
Amortisation of intangible assets	43	17
Depreciation of tangible assets	789	280
Auditors' remuneration		
- audit	2	2
- non audit services	2	1
	<u>=====</u>	<u>=====</u>
and after crediting:		
Government grant	<u>(210)</u>	<u>(210)</u>

AJAX ELECTRICAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

5 EMPLOYEES

	<u>1994</u> Number	<u>1993</u> Number
The average number of persons employed by the company, which includes executive directors, was	<u>69</u>	<u>23</u>
The costs incurred in respect of these employees were:		
	£'000	£'000
Wages and salaries	1,056	347
Social security costs	85	34
Other pension costs	<u>45</u>	<u>-</u>
	<u>1,186</u>	<u>381</u>

6 DIRECTORS

None of the directors received any emoluments in respect of their services to the company during the year.

7 TAXATION

	<u>1994</u> £'000	<u>1993</u> £'000
Based on the profit/(loss) for the year at 33%:		
UK Corporation Tax	(161)	-
Consortium relief	-	400
Deferred taxation	<u>(507)</u>	<u>-</u>
	(668)	400
Adjustment to consortium relief in respect of prior year	221	<u>-</u>
	<u>(447)</u>	<u>400</u>

The corporation tax charge for the year has been reduced by some £30,000 as a result of the excess of capital allowances and patent allowances over depreciation and amortisation.

AJAX ELECTRICAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

8 INTANGIBLE ASSETS

	<u>Licence fee</u> £'000
<u>Cost</u>	
At 1 January 1994 and 31 December 1994	<u>429</u>
<u>Amortisation</u>	
At 1 January 1994	17
Charge for the year	<u>43</u>
At 31 December 1994	<u>60</u>
<u>Net book amount</u>	
At 31 December 1994	<u>369</u>
At 31 December 1993	<u>412</u>

9 TANGIBLE ASSETS

	<u>Plant and machinery</u> £'000
<u>Cost</u>	
At 1 January 1994	4,510
Additions	<u>500</u>
At 31 December 1994	<u>5,010</u>
<u>Depreciation</u>	
At 1 January 1994	280
Charge for the year	<u>789</u>
At 31 December 1994	<u>1,069</u>
<u>Net book amount</u>	
At 31 December 1994	<u>3,941</u>
At 31 December 1993	<u>4,230</u>

AJAX ELECTRICAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

9 TANGIBLE ASSETS (CONTINUED)

The company had no capital commitments at 31 December 1994 (1993 £428,000 authorised and contracted).

10 STOCKS

	<u>1994</u> £'000	<u>1993</u> £'000
Raw materials and consumables	325	150
Work in progress	<u>231</u>	<u>66</u>
	556	216
	<u> </u>	<u> </u>

11 DEBTORS

	<u>1994</u> £'000	<u>1993</u> £'000
Trade debtors	381	314
Amounts owed by group undertakings	2,009	244
Amounts owed by shareholders for consortium relief	621	400
Corporation tax recoverable	2	2
Other debtors and prepayments	<u>271</u>	<u>—</u>
	3,284	960
	<u> </u>	<u> </u>

AJAX ELECTRICAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

12 CREDITORS (amounts due within year)

	<u>1994</u> £'000	<u>1993</u> £'000
Bank overdraft	75	-
Trade creditors	207	52
Amounts owed to group undertakings	1,640	688
Other taxation and social security	33	21
Other creditors and accruals	182	93
Corporation tax	<u>160</u>	<u>-</u>
	2,297	854
	<u><u> </u></u>	<u><u> </u></u>

13 CREDITORS (amounts due after one year)

	<u>1994</u> £'000	<u>1993</u> £'000
Loans from shareholders:		
Immediate parent company	2,160	2,160
Other shareholder	<u>2,075</u>	<u>2,075</u>
	4,235	4,235
	<u><u> </u></u>	<u><u> </u></u>

The loans do not have any fixed repayment terms and are not subject to interest.

14 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred <u>taxation</u> £'000
At 1 January 1994	-
Charged in the year (see note 7)	<u>507</u>
At 31 December 1994	<u>507</u>
	<u><u> </u></u>

Full provision has been made in the year in respect of accelerated capital allowances.

AJAX ELECTRICAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

15 NOTES TO THE CASH FLOW STATEMENT

(1) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities

	<u>1994</u>	<u>1993</u>
	£'000	£'000
Operating profit/(loss)	570	(448)
Depreciation and amortisation	832	297
Increase in stock	(340)	(216)
Increase in debtors	(2,103)	(558)
Increase in creditors	<u>1,207</u>	<u>852</u>
	166	(73)
	<u>=====</u>	<u>=====</u>

(2) Analysis of changes in cash and cash equivalents during the year

	<u>1994</u>	<u>1993</u>
	£'000	£'000
Balance at 1 January 1994	246	254
Net cash outflow	<u>(321)</u>	<u>(8)</u>
Balance at 31 December 1994	<u>(75)</u>	<u>246</u>
	<u>=====</u>	<u>=====</u>

(3) Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	<u>1994</u>	<u>1993</u>	Change
	£'000	£'000	in year
			£'000
Cash at bank and in hand	-	246	(246)
Bank overdraft	<u>(75)</u>	<u>-</u>	<u>(75)</u>
	<u>(75)</u>	<u>246</u>	<u>(321)</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>

AJAX ELECTRICAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

16 SHARE CAPITAL

	<u>1994</u> £'000	<u>1993</u> £'000
Ordinary shares of £1 each:		
Authorised	<u>5,000</u>	<u>5,000</u>
Allotted and fully paid	<u>1,000</u>	<u>1,000</u>

17 RESERVES

	<u>Profit and loss account</u> £'000
Balance at 1 January 1994	(25)
Retained profit for the year	<u>136</u>
Balance at 31 December 1994	<u>111</u>

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1994</u> £'000	<u>1993</u> £'000
Profit/(loss) for the year	136	(37)
Shareholders' funds at 31 December 1993	<u>975</u>	<u>1,012</u>
Shareholders' funds at 31 December 1994	<u>1,111</u>	<u>975</u>

AJAX ELECTRICAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

19 PENSION COMMITMENTS

Schneider Limited operates pension schemes on behalf of the company of the defined benefit, final salary type. The schemes are managed independently and funded to cover future pension liabilities (including expected future earnings and pension increases) in respect of service up to the balance sheet date. They are subject to independent valuations at least every three years, on the basis of which the qualified actuary certifies the rates of the employer's contributions.

The latest formal valuations of the principal schemes were undertaken as at 1 January 1992, 6 April 1992, 30 June 1992 and 31 December 1993 respectively.

Details of these valuations can be found in the accounts of Schneider Limited.

20 ULTIMATE PARENT UNDERTAKING

The largest group in which the accounts of the company are consolidated is that headed by the ultimate parent undertaking, Schneider SA, a company incorporated in France. Copies of the group accounts of Schneider SA can be obtained from:

Groupe Schneider
Corporate Communication Department
4 rue de Longchamp
75116 Paris

The smallest group in which the accounts of the company are consolidated is headed by Schneider Electric (UK) Limited (formerly Schneider Brands Limited), a company registered in England. Copies of the group accounts of Schneider Electric (UK) Limited can be obtained from:

Schneider Electric (UK) Limited
41 Park Square
Leeds
LS1 2NS