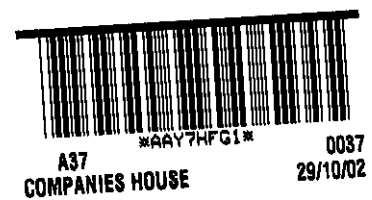


HCL Safety Limited

Annual report

for the 15 months ended 31 March 2002

Registered no: 2691137



HCL Safety Limited

Annual report for the 15 months ended 31 March 2002

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Directors and advisers

Executive directors

G McKeating (resigned 28 November 2001)
S Rees
R A Orton (appointed 28 November 2001)
D N Hearson (appointed 28 November 2001)

Secretary and registered office

R Jones
Unit 6
Wharfside Business Centre
Trafford Wharf Road
Manchester
M17 1EX

Registered Auditors

PricewaterhouseCoopers
One Kingsway
Cardiff
CF10 3PW

Solicitors

Lovell White Durrant
65 Holborn Viaduct
London
EC1A 2DY

Bankers

National Westminster Bank plc
P O Box 305
Spring Gardens
Manchester
M60 2DB

**Directors' report
for the 15 months ended 31 March 2002**

The directors present their report and the audited financial statements for the 15 months ended 31 March 2002.

Principal activities

The profit and loss account for the period is set out on page 5.

The principal activity of the company is the provision of fall arrest and safety restraint systems.

Review of business and future developments

On 28 November 2001, Latchways plc acquired the entire issued share capital of HCL Group plc. The change in ultimate parent company has been reflected in note 18.

The company enjoyed another successful period of trading. Trading in the early part of the current year has been encouraging.

Dividends and transfers to reserves

The directors recommend the payment of a dividend of £100,000 (2000: £55,000). The retained profit for the period of £191,115 is to be transferred to reserves.

Directors

The directors of the company at 31 March 2002 are as noted on page 1.

Directors' interests in shares of the company

No directors held beneficial interests in the shares of the company at 31 March 2002. The individual interests of the directors in the ordinary shares of the holding company are shown in the directors' report of Latchways plc.

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period.

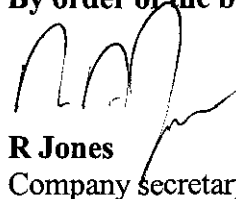
The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 31 March 2002. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company, and for preventing and detecting fraud and other irregularities.

Auditors

A resolution to reappoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

By order of the board



R Jones
Company secretary

Independent auditors' report to the members of HCL Safety Limited

We have audited the financial statements which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, and the related notes which have been prepared under the historical cost convention and the accounting policies set out in note 1 to the financial statements.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

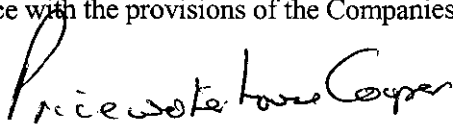
Basis of audit opinion

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 at 31 March 2002 and of its profit for the period then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Cardiff

21 October 2002

Profit and loss account for the 15 month period ended 31 March 2002

	Notes	15 months ended 31 March 2002 £	Year ended 31 December 2001 Restated £
Turnover - Continuing operations	2	6,465,503	4,290,058
Cost of sales - Continuing operations		<u>(4,093,609)</u>	<u>(2,604,920)</u>
Gross profit		2,371,894	1,685,138
Operating expenses - continuing operations	3	<u>(1,980,718)</u>	<u>(1,524,266)</u>
Profit on ordinary activities before taxation	4	391,176	160,872
Tax on ordinary activities	7	<u>(100,061)</u>	<u>(56,000)</u>
Profit on ordinary activities after taxation		291,115	104,872
Dividends	8	<u>(100,000)</u>	<u>(55,000)</u>
Retained profit for the year	13	<u>191,115</u>	<u>49,872</u>

There is no difference between the profit on ordinary activities before taxation and the profit retained for the period stated above, and their historical cost equivalents.

Statement of total recognised gains and losses for the 15 month period ended 31 March 2002

	15 months ended 31 March 2002 £	Year ended 31 December 2001 £
Profit for the financial year	<u>191,115</u>	<u>49,872</u>
Total recognised gains and losses relating to the year	191,115	<u>49,872</u>
Prior year adjustment (FRS19)	<u>497</u>	
Total recognised gains and losses since last report	<u>191,612</u>	

Balance sheet at 31 March 2002

	Notes	31 March 2002	31 December 2001
		£	Restated £
Current assets			
Stocks	9	334,501	459,593
Debtors	10	2,000,137	1,309,901
Cash at bank and in hand		192,023	225,756
		<u>2,526,661</u>	<u>1,995,250</u>
Creditors: amounts falling due within one year	11	<u>(2,013,429)</u>	<u>(1,673,133)</u>
Net current assets		<u>513,232</u>	<u>322,117</u>
Net assets		<u>513,232</u>	<u>322,117</u>
Capital and reserves			
Called up share capital	12	2	2
Profit and loss account	13	<u>513,230</u>	<u>322,115</u>
Equity shareholders' funds	14	<u>513,232</u>	<u>322,117</u>

The financial statements on pages 5 to 13 were approved by the board of directors on
19 July 2002 and were signed on its behalf by:

Director  R A Orton

Director  S Rees

Notes to the financial statements for the 15 month period ended 31 March 2002

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Stocks and work in progress, excluding long term contracts

Stocks and work in progress are stated at the lower of cost and net realisable value.

Long term contracts

Turnover on long term contracts is recognised according to the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The costs on long term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in stocks as long term contract balances.

Pension costs

The company participates in a defined contribution pension scheme operated by Norwich Union Life Insurance Society.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied and the value of long term contract work done.

Deferred taxation

FRS 19 'Deferred Tax' has been adopted in the preparation of these accounts. The Standard requires full provision to be made for deferred tax arising from timing difference between the recognition of gains and losses in the financial statements and their recognition in tax computations, where future payment or receipt is more likely than not to occur. In adopting FRS 19, the company has chosen not to discount deferred tax assets and liabilities. The comparative figures for the prior period have been restated to reflect the impact of FRS 19. This change in accounting policy has been reflected by means of a prior year adjustment, the impact of which is set out in note 7.

Cash flow statement

The company is a wholly owned subsidiary of Latchways plc. As a consequence it is exempt from the requirement to publish a cash flow statement. The consolidated financial statements include a consolidated cash flow statement dealing with the cash flows of the group.

2 Turnover

Turnover consists almost entirely of sales made in the United Kingdom.

3 Operating expenses

	15 months ended 31 March 2002	Year ended 31 December 2001 Restated
	£	£
Distribution costs	89,972	103,929
Administration expenses	1,890,746	1,420,337
	<u>1,980,718</u>	<u>1,524,266</u>

4 Operating profit

Operating profit is stated after charging/(crediting).

	15 months ended 31 March 2002	Year ended 31 December 2001
	£	£
Auditors' remuneration	4,500	4,300
Hire of plant and machinery	43,124	34,940
Hire of other assets	<u>53,452</u>	<u>74,453</u>

5 Directors' emoluments

	15 months ended 31 March 2002	Year ended 31 December 2001
	£	£
Aggregate emoluments	<u>-</u>	<u>-</u>

6 Employee information

	15 months ended 31 March 2002 Number	Year ended 31 December 2001 Number
Contracts	51	47
Selling and distribution	3	3
Administration	11	10
	<u>65</u>	<u>60</u>

	15 months ended 31 March 2002 £	Year ended 31 December 2001 Restated £
Staff costs (for the above persons)		
Wages and salaries	1,510,163	1,099,990
Social security costs	113,674	84,472
Other pension costs	44,135	29,552
	<u>1,667,972</u>	<u>1,214,014</u>

7 Taxation

	15 months ended 31 March 2002 £	Year ended 31 December 2001 £
(a) Analysis of tax charge in the period		
The charge based on the profit for the year comprises:		
Current tax:		
UK Corporation tax on profits of the year	118,543	56,000
Adjustments in respect of previous periods	(17,308)	-
Total current tax (note 7b)	<u>101,235</u>	<u>-</u>
Deferred tax:		
Origination and reversal of timing differences	(1,174)	-
Total deferred tax	<u>(1,174)</u>	<u>-</u>
Tax on profit on ordinary activities	<u>100,061</u>	<u>56,000</u>

	15 months ended 31 March 2002	Year ended 31 December 2001 Restated
(b) Factors affecting the tax charge for the period	£	£
Profit before tax	<u>391,176</u>	<u>160,872</u>
Profit multiplied by the standard rate of corporation tax in the UK of 30% (2000: 26.68%)	117,353	42,920
Effects of:		
Other timing differences	1,174	-
Prior year charge/(credit)	(17,308)	-
Permanent differences	16	55
Buffer movement		13,025
Total current tax charge for the period (note 7a)	<u>101,235</u>	<u>56,000</u>

8 Dividends

	15 months ended 31 March 2002	Year ended 31 December 2001 Restated
	£	£
Dividends on equity shares		
Ordinary shares: proposed £50,000 per share (2000:£27,500)	<u>100,000</u>	<u>55,000</u>

9 Stocks and work in progress

The amounts attributable to different categories are as follows:-

	31 March 2002	31 December 2001 Restated
	£	£
Materials	275,133	308,921
Work in progress	<u>59,368</u>	<u>150,672</u>
	<u>334,501</u>	<u>459,593</u>

10 Debtors

	31 March 2002	31 December 2001 Restated
	£	£
Amounts falling due within one year		
Trade debtors	1,452,139	1,132,703
Prepayments and accrued income	31,906	-
Amounts owed by parent company and fellow subsidiaries	514,421	176,701
Deferred tax	1,671	497
	<u>2,000,137</u>	<u>1,309,901</u>

	31 March 2002	31 December 2001 Restated
	£	£
Deferred taxation		
The movement on the deferred tax asset is as follows:		
At start of the period – as previously stated	-	-
Prior year adjustment for FRS 19	497	497
At start of period as restated	497	497
Profit and loss account	1,174	-
At end of period	<u>1,671</u>	<u>497</u>

The deferred tax provided is made up as follows:

Other timing differences	<u>1,671</u>	<u>497</u>
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11 Creditors: amounts falling due within one year

	31 March 2002	31 December 2001 Restated
	£	£
Trade creditors	265,491	527,348
Corporation tax	133,543	66,916
Other creditors	117,686	42,723
Other taxation and social security costs	292,155	230,288
Amounts owed to parent company and fellow subsidiaries	1,149,543	751,000
Accruals and deferred income	55,011	54,858
	<u>2,013,429</u>	<u>1,673,133</u>

The bank account is secured by a mortgage debenture on the assets of the company together with a guarantee given to its bankers by its holding company.

12 Called up share capital

	31 March 2002	31 December 2001
		Restated
	£	£
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

13 Profit and loss account

	£
At 1 January 2001 as previously reported	321,618
Prior year adjustment – FRS 19	<u>497</u>
At 1 January 2001 as restated	322,115
Profit for period	291,115
Dividends	<u>(100,000)</u>
At 31 March 2002	<u>513,230</u>

14 Reconciliation of movements in shareholders' funds

	15 months ended 31 March 2002	Year ended 31 December 2001
	£	£
Profit for period	291,115	104,872
Dividends	<u>(100,000)</u>	<u>(55,000)</u>
Net charges in shareholders' funds	<u>191,115</u>	<u>49,872</u>
Opening shareholders' funds as previously reported	321,620	271,748
Prior year adjustment – FRS 19	<u>497</u>	<u>497</u>
Opening shareholders' funds as restated	<u>322,117</u>	<u>272,245</u>
Closing shareholders' funds	<u>513,232</u>	<u>322,117</u>

15 Pension and similar obligations

With effect from April 1995 a Group Personal Pension (defined contribution) contract was established with Norwich Union for the provision of future pension benefits.

The total pension cost for the company amounted to £44,135 (2000: £29,552).

16 Contingent liability

HCL Safety Limited has given a guarantee in respect of the overdraft of its holding company HCL Group plc. As at 31 March 2002 the overdraft stood at £49,652 (2000: £61,738).

17 Related Party Transactions

Advantage has been taken of the exemption not to disclose transactions with companies where 90% or more of the voting rights are controlled within the Latchways plc group and which are included in the consolidated financial statements of Latchways plc.

18 Ultimate parent company

The company is a wholly owned subsidiary of HCL Group plc, a company registered in England and Wales, which in turn is a wholly owned subsidiary of Latchways plc, a company registered in England and Wales.