

UK ELECTRIC LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2004



UK ELECTRIC LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2004

Company registration number: 2742081

Registered office: Mill House
Hambridge Lane
Newbury
Berks
RG14 5LS

Directors: R W Colburn
R Evans
M P Mills
S Westbrook

Secretary: S Westbrook

Auditors: Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
London Thames Valley Office
Slough
Berks
SL1 2LS

UK ELECTRIC LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2004

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UK ELECTRIC LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 2004

The directors present their report together with the financial statements for the year ended 31 December 2004.

Principal activity

The principal activity of the company during the year was the distribution of electrical equipment.

Business review

The directors expect the present level of activity to improve in the current year.

Charitable donations

During the year the company made charitable contributions of £1,157 (2003: £374).

Results and dividends

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements. There was a profit for the year after taxation amounting to £22,261 (2003: loss £520,523).

The directors do not recommend payment of a dividend (2003: £nil).

Directors and their interests

The present membership of the Board is set out below. All the directors served throughout the year.

The interests of the directors and their families in the shares of the company as at 31 December 2004 and 1 January 2004 were as follows:

	31 December 2004	1 January 2004
R W Colburn	*	*
R Evans	-	-
M P Mills	*	*
S Westbrook	-	-

*The company is a wholly owned subsidiary and the interests of R W Colburn and M P Mills are disclosed in the financial statements of the immediate parent company.

R Evans and S Westbrook have no interests in the shares of the immediate or ultimate parent company.

UK ELECTRIC LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 2004

Statement of directors' responsibilities

United Kingdom 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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, 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 financial statements
- 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors 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.

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



S Westbrook
Secretary

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF UK ELECTRIC LIMITED

We have audited the financial statements of UK Electric Limited for the year ended 31 December 2004 which comprise the profit and loss account, the balance sheet, the principal accounting policies and notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

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 with the company is not disclosed.

We read other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

UK ELECTRIC LIMITED (CONTINUED)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

**GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON THAMES VALLEY OFFICE
SLOUGH**

15 June 2005.

UK ELECTRIC LIMITED

PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 December 2004

Basis of accounting

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

The principal accounting policies are set out below and have remained unchanged from the previous year.

Under the provision of section 248 of the Companies Act 1985 the company is exempt from preparing consolidated financial statements and has not done so, therefore the financial statements show information about the company as an individual entity.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised 1996) 'Cash Flow Statements' from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its immediate parent publishes a consolidated cash flow statement.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of value added tax.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant and equipment - 4 years
Motor vehicles - 4 years
Office and computer - 4 years
Leasehold improvements - 5 to 10 years

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete slow moving and defective items where appropriate.

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

UK ELECTRIC LIMITED

PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 December 2004

Pension costs

Defined benefit pension scheme

The company provides pension arrangements to employees through a defined benefit scheme, which is operated by a non group company. It is not possible to identify the share of the underlying assets and liabilities in this scheme which is attributable to the company on a consistent and reasonable basis. Therefore, the company has applied the provisions in Financial Reporting Standard 17 'Retirement Benefits' to account for the scheme as if it were a defined contribution scheme.

Defined contribution pension scheme

The company operates a defined contribution scheme for employees. The assets of the scheme are held separately from those of the company in independently administered funds. The amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax on defined benefit pension scheme surpluses or deficits is adjusted against these surpluses. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date.

Taxation

United Kingdom corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

The taxation liabilities of certain group companies are reduced wholly or in part by the surrender of losses by fellow group companies. The taxation benefits arising from group relief are recognised in the financial statements of the surrendering and recipient company.

Fixed asset investments

Fixed asset investments are shown at cost less any amounts written off. Provisions are made for any impairment. Where advantage is taken of merger relief under section 131 of the Companies Act 1985, cost is equal to the nominal value of the share issued plus the fair value of any consideration given. Only dividends received and receivable are credited to the company's profit and loss account.

UK ELECTRIC LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2004

	Note	2004 £	2003 £
Turnover	1	27,646,979	31,495,575
Operating profit/(loss)	2	468,894	(327,206)
Interest receivable and similar income		400	1,171
Interest payable and similar charges	3	(310,506)	(309,055)
Profit/(loss) on ordinary activities before taxation		158,788	(635,090)
Tax on profit/(loss) on ordinary activities	6	(136,527)	114,567
Profit/(loss) for the financial year		22,261	(520,523)
Balance brought forward		(2,334,114)	(1,813,591)
Balance carried forward		(2,311,853)	(2,334,114)

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the profit for the year as set out above.

The accompanying accounting policies and notes form an integral part of these financial statements.


UK ELECTRIC LIMITED

BALANCE SHEET AT 31 DECEMBER 2004

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	9	1,036,128	1,051,992
Investments	10	<u>396,873</u>	<u>500,273</u>
		1,433,001	1,552,265
Current assets			
Stocks	11	3,095,873	3,564,948
Debtors	12	5,713,494	6,897,997
Cash at bank		<u>45,712</u>	<u>68,855</u>
		8,855,079	10,531,800
Creditors: Amounts falling due within one year	13	<u>(4,569,931)</u>	<u>(5,338,177)</u>
Net current assets		<u>4,285,148</u>	<u>5,193,623</u>
Total assets less current liabilities		5,718,149	6,745,888
Creditors: Amounts falling due after more than one year	14	<u>(5,030,000)</u>	<u>(6,080,000)</u>
Net assets		<u>688,149</u>	<u>665,888</u>
Capital and reserves			
Called-up share capital	16	2	2
Other reserve	17	3,000,000	3,000,000
Profit and loss account		<u>(2,311,853)</u>	<u>(2,334,114)</u>
Equity shareholders' funds	18	<u>688,149</u>	<u>665,888</u>

The financial statements were approved by the board of directors on 15 June 2005

M P Mills



Director

The accompanying accounting policies and notes form an integral part of these financial statements.

UK ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

1 TURNOVER

The turnover is attributable to the principal activity of the company as described in the directors' report.

An analysis of turnover is given below:

	2004 £	2003 £
United Kingdom	<u>27,646,979</u>	<u>31,495,575</u>

2 OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after (charging)/crediting:

	2004 £	2003 £
Change in stocks of finished goods	(469,075)	528,506
Other operating income	250,371	612,562
Raw materials and consumables	(20,706,882)	(25,138,101)
Other external charges	(450,383)	(994,915)
Staff costs (see note 4)	(3,521,187)	(4,018,701)
Depreciation written off fixed assets	(338,804)	(261,883)
Other operating charges	<u>(1,942,125)</u>	<u>(2,550,249)</u>
	<u>(27,178,085)</u>	<u>(31,822,781)</u>

	2004 £	2003 £
Other external charges include:		
Auditors' remuneration		
- Audit fees	16,000	18,500
- Non-audit services	<u>2,800</u>	<u>3,750</u>
Other operating charges include:		
Other operating lease rentals	<u>462,267</u>	<u>595,618</u>

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £	2003 £
Interest payable on bank borrowings	-	56
Finance charges	-	1,424
Other similar charges payable	<u>310,506</u>	<u>307,575</u>
	<u>310,506</u>	<u>309,055</u>

UK ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

4 EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2004 No	2003 No
Administration	50	55
Sales and distribution	82	102
	<u>132</u>	<u>157</u>

The aggregate payroll costs of the above were:

	2004 £	2003 £
Wages and salaries	2,969,842	3,516,617
Social security costs	325,333	340,380
Pension costs	226,012	161,704
	<u>3,521,187</u>	<u>4,018,701</u>

5 DIRECTORS

Remuneration in respect of directors was as follows:

	2004 £	2003 £
Emoluments receivable	20,422	20,485
Value of company pension contributions to a final salary scheme	709	639
	<u>21,131</u>	<u>21,124</u>

Two directors (2003: 2) are accruing benefits under a defined benefit pension scheme.

6 TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2004 £	2003 £
The tax charge/(credit) represents:		
UK Corporation tax at 30% (2003: 30%)	109,764	(165,636)
Under provision in prior periods	8,465	54,894
Total current tax	118,229	(110,742)
Origination and reversal of timing differences	18,298	(3,825)
Tax on profit/(loss) on ordinary activities	<u>136,527</u>	<u>(114,567)</u>

UK ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

7 FACTORS AFFECTING TAX CHARGE/(CREDIT) FOR THE YEAR

The tax assessed on the profit/(loss) on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2003: 30%).

	2004 £	2003 £
Profit/(loss) on ordinary activities before taxation	<u>158,788</u>	<u>(635,090)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	47,636	(190,527)
Effect of:		
Expenses not deductible for tax purposes	63,565	21,066
Tax losses	900	-
Capital allowances in excess of depreciation	(24,977)	(14,722)
Other timing differences	5,779	18,547
Other differences	16,861	-
Adjustments to tax charge in respect of prior periods	<u>8,465</u>	<u>54,894</u>
Current tax charge/(credit)	<u>118,229</u>	<u>(110,742)</u>

8 INTANGIBLE FIXED ASSETS

	Goodwill £
Cost	
At 1 January 2004 and 31 December 2004	<u>55,000</u>
Amortisation	
At 1 January 2004 and 31 December 2004	<u>55,000</u>
Net book value at 31 December 2004 and 31 December 2003	<u>-</u>

UK ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

9 TANGIBLE FIXED ASSETS

	Plant and equipment £	Motor vehicles £	Office and computer £	Leasehold improvements £	Total £
Cost					
At 1 January 2004	154,640	697,916	299,791	563,672	1,716,019
Additions	48,641	223,121	72,727	14,586	359,075
Disposals	(15,948)	(228,242)	(10,249)	(2,721)	(257,160)
At 31 December 2004	187,333	692,795	362,279	575,537	1,817,934
Depreciation					
At 1 January 2004	108,428	275,730	124,891	154,978	664,027
Charge for the year	18,751	164,907	67,747	87,399	338,804
Disposals	(15,947)	(193,855)	(8,884)	(2,339)	(221,025)
At 31 December 2004	111,232	246,782	183,754	240,038	781,806
Net book value at 31 December 2004	<u>76,101</u>	<u>446,013</u>	<u>178,515</u>	<u>335,499</u>	<u>1,036,128</u>
Net book value at 31 December 2003	<u>46,212</u>	<u>422,186</u>	<u>174,900</u>	<u>408,694</u>	<u>1,051,992</u>

Finance leases and hire purchase agreements

Included within the net book value of £1,036,128 is £420 (2003: £428) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £428 (2003: £10,655).

10 INVESTMENTS

	Shares in subsidiary undertakings £
Cost	
At 1 January 2004 and 31 December 2004	500,273
Amounts written off	
Charge for the year and at 31 December 2004	103,400
Net book amount	
At 31 December 2004	<u>396,873</u>
Net book amount	
At 31 December 2003	<u>500,273</u>

UK ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

INVESTMENTS (CONTINUED)

The company directly owns the entire issued share capital of the companies listed below, all of which are incorporated in England and Wales.

Name	Share capital and reserves £	Activities
ABGO Equipment Sales Limited	39,678	Dormant
CSM Lighting Limited	127,121	Dormant
IVAC Limited	126,968	Dormant
Western Automation Limited	103,106	Dormant

Under the provision of section 248 of the Companies Act 1985 the company is exempt from preparing consolidated financial statements and has not done so, therefore the financial statements show information about the company as an individual entity.

11 STOCKS

	2004 £	2003 £
Finished goods	<u>3,095,873</u>	<u>3,564,948</u>

12 DEBTORS

	2004 £	2003 £
Trade debtors	5,446,268	6,276,016
Amounts owed by group undertakings	90,648	1,737
Corporation tax recoverable	-	165,636
Deferred tax	59,713	78,011
Other debtors	44,103	254,703
Prepayments and accrued income	72,762	121,894
	<u>5,713,494</u>	<u>6,897,997</u>

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Bank loans and overdrafts	406,031	647,079
Trade creditors	2,594,386	2,613,479
Amount owed to group undertakings	396,875	558,480
Corporation tax payable	109,764	-
Other taxation and social security	223,307	227,881
Other creditors	32,287	92,445
Accruals and deferred income	783,911	1,178,177
Pension contributions	23,370	20,636
	<u>4,569,931</u>	<u>5,338,177</u>

UK ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2004 £	2003 £
Amounts owed to group undertakings	<u>5,030,000</u>	<u>6,080,000</u>

The amounts owed to group undertakings represents a short term loan from the immediate parent company of £5,030,000 (2003: £6,080,000). This loan is unsecured, repayable in between one and five years and interest bearing at a rate of 1.5% above the Natwest Bank Plc's base rate.

15 DEFERRED TAXATION

The movement in the deferred taxation asset account during the year was:

	2004 £	2003 £
At 1 January 2004	78,011	74,186
Profit and loss account movement arising during the year	<u>(18,298)</u>	<u>3,825</u>
At 31 December 2004	<u>59,713</u>	<u>78,011</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2004 £	2003 £
Tax losses	900	-
Capital allowances and depreciation	(10,890)	14,087
Other timing differences	<u>69,703</u>	<u>63,924</u>
	<u>59,713</u>	<u>78,011</u>

16 SHARE CAPITAL

	2004 £	2003 £
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>

17 RESERVES

	Capital contribution reserve £
At 1 January 2004 and 31 December 2004	<u>3,000,000</u>

UK ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

18 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2004 £	2003 £
Profit/(loss) for the financial year	22,261	(520,523)
Opening equity shareholders' funds	665,888	1,186,411
Closing equity shareholders' funds	688,149	665,888

The cumulative amount of goodwill written off against reserves is £395,000 (2003: £395,000).

19 CAPITAL COMMITMENTS

The company had not capital commitments at 31 December 2004 or 31 December 2003.

20 CONTINGENT LIABILITIES

There is an unlimited cross guarantee between the company, Newbury Investments (UK) Limited, Deta Designs Limited, Deta Electrical Company Limited, Stearn Electrical Company Limited and UK Cables Limited in favour of Natwest Bank Plc. The obligation under this guarantee at 31 December 2004 was £nil (2003: £527,223).

There were no other contingent liabilities at 31 December 2004 or at 31 December 2003.

21 LEASING COMMITMENTS

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as set out below:

	2004 £	2003 £
Operating leases which expire:		
Within one year	97,755	10,500
Within two to five years	186,950	230,080
After more than five years	147,213	181,838
	431,918	422,418

22 RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary undertaking of Newbury Investments (UK) Limited and has taken advantage of the exemption available under Financial Reporting Standards No 8 'Related Party Transactions' not to disclose details of transactions with entities which are part of this group. The directors do not consider that transactions with other related parties, which were conducted under normal commercial terms, are sufficiently material to influence decisions made by the users of the financial statements.

UK ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

23 PENSION ARRANGEMENTS

Defined benefit pension scheme

The pension cost for the year was £217,029 (2003: £161,704).

The company contributes to a defined benefit scheme operated by a non-group company which provides pensions to certain employees. The assets of the scheme are managed through a separate trustee administered fund.

The contributions to this fund are based upon independent actuarial advice using the projected unit method. Triennial actuarial valuations of the scheme are made, with the most recent having been carried out as at 31 March 2004. The most significant assumption in arriving at this valuation is that the investment returns would exceed the increase in average earnings by 1.75%. The valuation showed that the market value of the scheme's assets was £104,700,000 with the market value of the assets representing 90% of the liabilities which had accrued to members. The next valuation will take place as at 31 March 2007.

Defined contribution pension scheme

The company operates a defined contribution pension scheme for the benefit of the employees and the directors. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds and amounted to £8,983 (2003: £nil).

24 ULTIMATE PARENT COMPANY

The ultimate parent company is Newbury Investments BV, a company incorporated in the Netherlands. The smallest and largest group in which the results of the company are consolidated is that headed by Newbury Investments (UK) Limited. A copy of these financial statements may be obtained from Companies House. The immediate parent company is Newbury Investments (UK) Limited.