Electrium

CONSOLIDATED ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2004

Electrium (2003) Limited (formerly Electrium Limited)
Registered number 03335339

	Pages
Directors and advisers	**2**
Directors' report	**3**
Independent auditors report	**6**
Consolidated profit and loss account	**7**
Statement of group total recognised gains and losses	**8**
Consolidated and company balance sheets	**9**
Consolidated cash flow statement	**10**
Notes to the financial statements	**11**

DIRECTORS AND ADVISERS

Executive Directors
C J Thomas (Chief Executive)
A Kitchen
N M Turnbull

Secretary
N M Turnbull

Registered Office
Lichfield Road
Brownhills
West Midlands
WS8 6JZ

Registered Auditors
PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Bankers
The Royal Bank of Scotland plc
5-10 Great Tower Street
London
EC3P 3HX

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 March 2004.

Principal activities

The company is an investment holding company for a group of companies primarily involved in the manufacture and distribution of low voltage electrical installation equipment.

Company and Capital structure

The company changed its name from Electrium Limited to Electrium (2003) Limited on 20 February 2004.

The company was formed to facilitate a management buy-out of the Hanson Electrical group of companies from Hanson plc. These companies include a number of leading brands in the UK electrical installation industry; including Crabtree and Wylex. The buy-out was successfully completed on the 14th April 1997.

Following a decision taken by the major shareholder, Cinven, to exit from the company, 100% of the equity share capital of the company was acquired by Hallingware Limited on 20 December 2003. Hallingware Limited changed its name to Electrium Limited on 20 February 2004.

Business Review

Trading for the year ending 31 March 2004 generated an operating profit, prior to exceptional items of £6,426,000 (2003: £5,826,000).

This improvement was primarily driven by a £4,671,000 increase in sales from 2003: £64,726,000 to 2004: £69,397,000.

The directors anticipate further sales growth and cost reduction programmes to result in continued profit growth during the year ending 31 March 2005.

Dividends

The directors do not recommend the payment of an equity dividend in respect of the period ended 31 March 2004.

Directors

The directors of the company who served during the year were

Sir R A Biggam	(resigned 20 December 2003)
D Barker	(resigned 20 December 2003)
C J Thomas	
A Kitchen	
N M Turnbull	

DIRECTORS' REPORT

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period that give a true and fair view of the company and of the profit or loss for that period. The directors are required to prepare financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in the preparing the financial statements for the year ended 31 March 2004 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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.

Directors' interests in shares of the company

The interests of the directors of the company in the shares of the company were :

Ordinary shares of £1 each	**31 March 2004**	**31 March 2003**
C J Thomas	Nil	100,000
A Kitchen	Nil	50,000
N M Turnbull	Nil	50,000

There are no other interests required to be disclosed under the Companies Act 1985.

Employees

Disabled employees
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation
The company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings.

Equal opportunities
It is the group's policy and practice that selection for employment and promotion is based on the objective assessment of ability and experience, free from discrimination on any grounds.

DIRECTORS' REPORT (continued)

Creditor payment policy

Suppliers are paid in accordance with the agreed terms of purchase, providing that the supplier is also complying with all relevant terms and conditions. Average creditor days for the year were 80 (2003: 88). The parent company has no trade creditors (2003: £NIL).

Auditors

During the year Deloittes resigned as auditors and PricewaterhouseCoopers LLP were appointed. PricewaterhouseCoopers LLP have indicated their willingness to continue in appointment.

By order of the board

N. M. Turnbull

N M Turnbull
Company Secretary
7 July 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ELECTRIUM LIMITED

We have audited the financial statements which comprise the consolidated profit and loss account, the consolidated and company balance sheet, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies.

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. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 affairs of the company and the group at 31 March 2004 and the loss and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
7 July 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for year ended 31 March 2004

		2004			2003		
	Notes	**Continuing** £000	**Exceptional** £000	**Total** £000	**Continuing** £000	**Exceptional** £000	**Total** £000
Group Turnover	2	69,397	-	69,397	64,726	-	64,726
Cost of sales		(51,340)	-	(51,340)	(47,629)	(395)	(48,024)
Gross profit		**18,057**		**18,057**	**17,097**	**(395)**	**16,702**
Distribution costs		(9,749)	-	(9,749)	(9,079)	-	(9,079)
Administration costs		(1,882)	(923)	(2,805)	(2,192)	-	(2,192)
Operating profit/(loss)	3	**6,426**	**(923)**	**5,503**	**5,826**	**(395)**	**5,431**
Exceptional items	6		(8,078)	(8,078)		(1,232)	(1,232)
(Loss)/profit after exceptional items				**(2,575)**			**4,199**
Interest receivable and similar income				207			39
Interest payable and similar charges	7			(4,045)			(6,085)
Loss on ordinary activities before taxation				**(6,413)**			**(1,847)**
Tax on loss on ordinary activities	8			5,186			(331)
Loss after taxation				**(1,227)**			**(2,178)**
Dividends payable	10			200			(42)
Retained loss				**(1,027)**			**(2,220)**

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

In 2004 all items dealt with in arriving at operating profit relate to continuing activities.

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES
for year ended 31 March 2004

	2004	2003
	£000	£000
Loss for the financial year	(1,227)	(2,178)
Currency translation adjustment on foreign currency net investments	(64)	68
Surplus on revaluation of properties	645	-
Total recognised losses for the year	(646)	(2,110)

RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS
for year ended 31 March 2004

	2004	2003
	£000	£000
Loss for the current year	(1,227)	(2,178)
Dividends and appropriations	200	(42)
	(1,027)	(2,220)
Preference share appropriation	-	42
Currency translation differences on foreign currency net investments	(64)	68
Surplus on revaluation of properties	645	-
Issue of shares at a premium	104,620	-
Net increase/(decrease) in shareholders' funds	104,174	(2,110)
Shareholders' funds at 1 April	(63,822)	(61,712)
Shareholders' funds at 31 March	40,352	(63,822)

BALANCE SHEETS
as at 31 March 2004

	Notes	Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
Fixed assets					
Tangible assets	11	8,137	11,674	-	-
Investments	12	-	1	38,199	38,200
		8,137	11,675	38,199	38,200
Current assets					
Stocks	13	12,573	13,055	-	-
Debtors: amounts to be received within one year	14	11,092	9,815	169,782	180,177
Debtors: amounts to be received after more than one year - pension surplus	14	24,249	24,249	-	-
Cash at bank and in hand		4,553	11,088	504	5,593
		52,467	58,207	170,286	185,770
Creditors: amounts falling due within one year	15	(15,985)	(14,736)	(109,191)	(113,967)
Net current assets		36,482	43,471	61,095	71,803
Total assets less current liabilities		44,619	55,146	99,294	110,003
Creditors: amounts falling due after more than one year	15	-	(111,693)	-	(111,693)
Provisions for liabilities and charges	16	(4,267)	(7,275)	-	-
		(4,267)	(118,968)	-	(111,693)
Net assets/(liabilities)		40,352	(63,822)	99,294	(1,690)
Capital and reserves					
Called up share capital	17	2,695	2,695	2,695	2,695
Share premium	18	104,620	-	104,620	-
Capital reserve	19	3,512	3,512	-	-
Capital redemption reserve	19	1,740	1,740	1,740	1,740
Revaluation reserve	19	645	-	-	-
Revenue reserves	19	(72,860)	(71,769)	(9,761)	(6,125)
Total equity shareholders' funds		40,352	(63,822)	99,294	(1,690)
Shareholders' funds - equity interest			(64,676)		
Shareholders' funds - non equity interest			854		
Total shareholders' funds			(63,822)		
Non current shareholder loan stock			98,313		
Total shareholders' interests			34,491		

The financial statements on pages 7 to 27 were approved by the directors on 21 June 2004.

C J Thomas
Director
7 July 2004

CONSOLIDATED CASH FLOW STATEMENT
for year ended 31 March 2004

	Notes	2004 £000	2004 £000	2003 £000	2003 £000
Net cash inflow from continuing operating activities	20		4,621		7,702
Returns from investments and servicing of finance					
Interest received		207		39	
Interest paid		(1,119)		(92)	
			(912)		(53)
Taxation paid			-		(2)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(272)		(818)	
Proceeds from sale of fixed assets		33		1,049	
			(240)		231
Dividends paid			-		(201)
Net cash inflow before financing			3,470		7,677
Financing					
Loan repayments		(10,000)		-	
Redemption of share capital		-		(832)	
Net outflow from financing			(10,000)		(832)
(Decrease)/increase in cash in the period	22		(6,530)		6,845

Notes to the financial statements
for the year ended 31 March 2004

1. Principal accounting policies

These financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards. The directors have reviewed the accounting policies during the year in accordance with FRS18: "Accounting Policies" and have confirmed that the accounting policies are the most appropriate to the group. A summary of the more important group accounting policies, which have been applied consistently except as set out below, is as follows.

Basis of consolidation
The consolidated profit and loss account, balance sheet and cashflow statement include the financial statements of the company and its subsidiary undertakings made up to 31 March 2004. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passes to the company. Intra-group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, the subsidiary's assets and liabilities at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

Goodwill
Goodwill arising on consolidation represents the excess of the consideration paid, fees and other expenses of the acquisition over the fair value of the identifiable net assets acquired. Goodwill is capitalised and amortised to the profit and loss account. Goodwill on acquisition made prior to the adoption of FRS10 remains written off against reserves. In the event of a sale of a subsidiary, goodwill originally written off to reserves is reinstated via the profit and loss account.

Tangible fixed assets
Fixed assets are shown at cost less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its estimated useful life as follows:

Freehold land and buildings	40-50 years
Plant and machinery	5-20 years
Fixtures & fittings	1-10 years
Motor vehicles	3-5 years
Major computer equipment	3-5 years

Finance and operating leases
Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligation under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against the profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Stocks
Stocks are stated at the lower of cost and net realisable value. In the case of manufactured products, cost includes all appropriate direct and indirect expenditure and production overheads based on the normal level of activity. Provision is made for obsolete, slow-moving or defective items where appropriate.

Notes to the financial statements (continued)

Taxation

Corporation tax payable is provided on taxable profits at the current rate. Deferred taxation liabilities are provided on all timing differences arising from transactions that have occurred at the balance sheet date and give rise to an obligation to pay more tax in future. Deferred tax assets are recognised to the extent that, on the basis of all available evidence, it can be regarded more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is not discounted.

Foreign currency

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates as of the date of the transaction or, where appropriate, at the rate of exchange in a related forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the year end or, where appropriate, at the rate of exchange in a related forward contract. Differences on exchange arising from the retranslation of the opening net investments in subsidiary companies, and from the translation of the results of those companies at average rate are taken to reserves and are reported in the statement of total recognised gains and losses. All the foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Pension costs

Pension contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group, on a basis in accordance with SSAP24. Disclosures relating to the introduction of FRS 17: "Retirement Benefits" have been included in note 23.

Turnover

Turnover, which excludes value added tax and sales between group companies, represents the invoiced value of goods and services supplied in the normal course of business.

Research and development

Research and development expenditure is written off in the period in which it is incurred.

Borrowings

All borrowings are initially stated at the fair value of the consideration received after deduction of loan finance costs. In accordance with FRS4 these costs are charged to the profit and loss account over the estimated life of the related borrowing.

Government grants

Government grants received in the year are recognised in the profit and loss account for the year and as deferred income in the balance sheet.
The deferred income element is released to the profit and loss account to match the expenditure towards which it is intended to contribute.

Changes in accounting policies

The group has adopted a revaluation policy for Land and Buildings. The adoption of this policy is a change in accounting policy. Details of the effect of this change are given in note 11.

Notes to the financial statements (continued)

2. Segmental reporting

Turnover by geographical destination	**Group 2004 £000**	Group 2003 £000
United Kingdom	60,047	53,546
Middle East	5,068	5,838
Other EU Countries	1,571	1,720
Far East	689	1,108
Other	2,022	2,514
Total	69,397	64,726

An analysis of net assets, turnover by origin and profit on ordinary activities before tax by geographical area has not been disclosed. The directors are of the opinion that the disclosure of this information would be prejudicial to the interests of the group.

3. Operating profit

The operating profit is stated after charging

		Group 2004 £000	Group 2003 £000
Loss on sale of fixed assets		-	36
Depreciation on tangible fixed assets	- owned	1,483	1,638
Hire of plant & machinery under operating leases		555	526
Auditors' remuneration	- audit services	92	90
	- other services	139	198

Notes to the financial statements (continued)

4. Directors' emoluments

	2004 £000	2003 £000
Aggregate emoluments and benefits	526	490
Company pension contributions to money purchase schemes	-	14
Compensation for loss of office	383	-
Highest paid director		
Aggregate emoluments and benefits	232	214
Company pension contributions to money purchase schemes	-	12
Accrued pension at 31 March under defined benefit scheme	132	129

The directors ceased to accrue benefits in defined benefit schemes with effect from 19 December 2003.

5. Employee information

	Group 2004 £000	Group 2003 £000
Employee costs during the year amounted to:		
Wages and salaries	16,020	16,601
Social security costs	1,439	1,332
Pension costs	6	19
	17,465	17,952

	Group 2004 Number	Group 2003 Number
The average monthly number of persons employed by the group during the year was	917	1,083

Notes to the financial statements (continued)

6. Exceptional items

	Group 2004			Group 2003
	Fundamental re-organisation	**Other**	**Total**	Total
	£000	**£000**	**£000**	£000
Redundancy costs	3,005		3,005	679
Re-organisation costs	75		75	167
Asset impairment and stock write off	4,712		4,712	858
Loss/(gain) on disposal of fixed assets	286		286	(224)
Professional fees		923	923	147
	8,078	923	9,001	1,627

The costs relating to the fundamental reorganisation are primarily the costs relating to a programme which commenced in 2001, to reposition the Groups products, manufacturing and supply base to take account of a major change in the profitability of the Groups markets. The costs relating to professional fees are costs relating to the sale process of Electrium (2003) Limited.

7. Interest payable and similar charges

	Group 2004	Group 2003
	£000	£000
Bank loans and overdrafts	45	123
Investor loan note	3,552	5,325
Hanson plc loan note	448	637
	4,045	6,085

Notes to the financial statements (continued)

8. Taxation on ordinary activities

	Group 2004 £000	Group 2003 £000
Tax charge for the year		
UK corporation tax		
- Current year	214	-
- Adjustment to prior years	-	-
Overseas tax		
- Current year	3	7
- Adjustment to prior years	5	-
Total current tax charge	222	7
Deferred tax-origination and reversal of timing differences current year	(5,408)	-
Deferred tax-origination and reversal of timing differences prior year	-	324
Total tax (credit)/charge	(5,186)	331
Tax reconciliation		
Loss before tax on ordinary activities	(6,413)	(1,847)
Expected tax credit on profit on ordinary activities	(1,936)	(554)
Non-deductible/(non-taxable) items	870	280
Depreciation for period in excess of capital allowances	868	258
Capital gain on property disposal	412	160
Adjustment to tax charge in respect of previous periods	5	-
Origination/reversal of timing differences	-	(144)
Overseas taxes	3	7
Current tax charge on profit on ordinary activities	222	7

9. Loss for the financial year

As permitted by Section 20 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's loss for the financial year was £3,636,000 (2003: Profit £6,359,000).

10. Dividends and appropriations

	Group		Company	
	2004 £000	2003 £000	**2004 £000**	2003 £000
Dividends on non equity shares Preference shares 5% cumulative, payable from 31 March 2003	(200)	42	-	42

During 2003, the current and prior year appropriation of dividends on the preference shares was reversed following the waiving of all rights to the dividends by the preference shareholders.

Notes to the financial statements (continued)

11. Tangible assets

Group

	Land & buildings	Plant & machinery	Fixtures Fittings & Tooling	Total
	£000	£000	£000	£000
Cost or Valuation				
As at 1 April 2003	6,574	27,509	14,904	48,987
Additions	91	123	150	364
Revaluation	220	-	-	220
Disposals	-	(3,620)	-	(3,620)
Exchange fluctuations	-	-	2	2
As at 31 March 2004	**6,885**	**24,012**	**15,056**	**45,953**
Depreciation				
As at 1 April 2003	(807)	(22,905)	(13,601)	(37,313)
Charge for the year	(129)	(1,047)	(307)	(1,483)
Revaluation	425	-	-	425
Disposals	-	3,301	-	3,301
Impairment	(709)	(1,586)	(450)	(2,745)
Exchange fluctuations	-	-	(1)	(1)
As at 31 March 2004	**(1,220)**	**(22,237)**	**(14,359)**	**(37,816)**
Net Book Value				
As at 31 March 2004	**5,665**	**1,775**	**697**	**8,137**
As at 31 March 2003	5,767	4,604	1,303	11,674

Analysis of net book value of land and buildings	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	£000	£000
Freehold	3,480	2,810	-	-
Leasehold over 50 years unexpired	2,185	2,957	-	-
	5,665	5,767	-	-

Analysis of land and buildings	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	£000	£000
At cost	-	2,155	-	-
At valuation	6,885	4,419	-	-
	6,885	6,574	-	-

The group valued its land and buildings in 1998. In the opinion of the directors, unreasonable expense would be incurred in obtaining the original cost of the assets valued in 1998.

Notes to the financial statements (continued)

11. Tangible assets (continued)

The group's freehold properties and it's long leasehold properties were re-valued at 31 March 2004, on the basis of existing use value by independent qualified valuers.

The valuations were undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors in the United Kingdom, by Lambert Smith Hampton, a firm of independent chartered surveyors.

There will be regular valuations carried out in accordance with FRS 15 "Tangible Fixed Assets".

These valuations have been incorporated into the financial statements and the resulting revaluation adjustments have been taken to the revaluation reserve and the resulting impairment of one of the long leasehold properties has been charged to the Profit and loss account in the year.

Company
No tangible fixed assets exist within the company.

12. Fixed asset investments

	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	£000	£000
Electrium (UK) Limited	-	-	38,199	38,199
Government securities	-	1	-	1
	-	1	38,199	38,200

A full list of subsidiary companies is given in note 25.

13. Stocks

	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	£000	£000
Raw materials	993	1,935	-	-
Work in progress	4,138	3,058	-	-
Finished products	7,442	8,062	-	-
	12,573	13,055	-	-

14. Debtors

	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	£000	£000
Amounts falling due within one year				
Trade debtors	10,166	9,052	-	-
Amounts owed by group undertakings	-	-	169,616	180,177
Prepayments and accrued income	466	763	-	-
Other Debtors	460	-	36	-
Deferred Tax	-	-	130	-
	11,092	9,815	169,782	180,177
Amounts falling due after more than one year				
Pension prepayment	24,249	24,249	-	-

The pension prepayment arises from the surplus transferred into the Electrium Pension Scheme on acquisition of the Hanson companies by Electrium Limited (see note 23).

Amounts owed by group companies are unsecured, interest free and have no fixed repayment date.

Notes to the financial statements (continued)

15. Creditors

	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	£000	£000
Amounts falling due within one year				
Trade creditors	13,739	11,708	-	-
Amounts owed by group undertakings	-	-	109,181	113,704
Corporation tax payable - Overseas	1	7	-	-
Other taxation and social security	1,024	1,149	-	-
Other creditors & accruals	1,221	1,672	10	63
Dividends payable	-	200	-	200
	15,985	14,736	109,191	113,967
Amounts falling due after more than one year				
Bank and other loans	-	98,313	-	98,313
Loan note 5% (see below)	-	13,380	-	13,380
	-	111,693	-	111,693
Bank loans, loan notes and overdrafts				
In 1 year or less	-	-	-	-
Between 1 & 2 years	-	36,320	-	36,320
Between 2 & 5 years	-	75,373	-	75,373
In 5 years or more	-	-	-	-
	-	111,693	-	111,693

Amounts owed to group companies are unsecured, interest free and have no fixed repayment date.

The terms of the loan notes falling due between 2 and 3 years and in 5 years or more are:

a) 8% Unsecured subordinated loan notes, issued 14 April 1997 of £66,565,000 and accrued interest of £31,748,000 repayable annually by equal instalments. The first payment being due on 31 March 2005.

b) 5% Unsecured adjustable subordinated loan note, issued 14 April 1997 of £10,000,000 and accrued interest of £3,380,000 repayable annually by equal instalments. The first repayment being due on 31 March 2006. The interest is adjustable upwards to a maximum of 20% dependent on the IRR achieved by the institutional investors of the company in the event of a sale or listing of the company.

c) Certain security over the group's assets provided to the group's bankers were in place at 31 March 2003.

Following the acquisition of the company in December 2003 the amounts owed in (a) and (b) above were repaid. All external loans are now held in the holding company Electrium Limited.

Notes to the financial statements (continued)

16. Provisions for liabilities and charges

Group	Deferred taxation £000	Restructuring provision £000	Total £000
Balance at 1 April 2003	7,275	-	7,275
Profit & loss account	(5,408)	2,400	(3,008)
Balance at 31 March 2004	1,867	2,400	4,267

The elements of deferred tax are as follows	**Group 2004** £000	Group 2003 £000	**Company 2004**	Company 2003
Pension fund	7,275	7,275	-	-
Other timing differences	(5,408)	-	-	-
Deferred tax (asset)/liability	1,867	7,275	-	-
The movement in the deferred tax balance were as follows				
Provision at beginning of year	7,275	6,951	-	(217)
Amount (credited)/charged to profit and loss	(5,408)	324		217
Provision at end of year	1,867	7,275		-
The closing balance is made up of				
Deferred tax asset	(5,408)	-	-	-
Deferred tax liability	7,275	7,275	-	-
Net deferred tax liability	1,867	7,275	-	-

A deferred tax asset in the parent company of £4,717,000 relating to tax losses has not been recognised because in the directors' opinion their future realisation within Electrium (2003) Limited is not certain.

Notes to the financial statements (continued)

17. Called up share capital

	Company 2004	Company 2003
	£000	£000
Authorised		
1,883,001 (2002: 1,883,000) ordinary shares of £1 each	1,883	1,883
811,800 (2002 : 811,800) 5% cumulative redeemable preference shares of £1 each	812	812
	2,695	2,695
Allotted, called up and fully paid		
1,883,001 (2002: 1,883,000) ordinary shares of £1 each	1,883	1,883
811,800 (2002: 811,800) 5% cumulative redeemable preference shares of £1 each	812	812
	2,695	2,695

The 5% cumulative preference shares, which do not carry any voting rights, were issued in 1997 at £1 per share and are redeemable at par.

18. Share Premium

	Group £000	**Company** £000
Premium on share issued during the year	104,620	104,620
Balance at 31 March 2004	104,620	104,620

During the year the Company issued 1 ordinary share of £1 at a premium of £104,620,000 to Electrium Limited.

19. Reserves

Profit & Loss Reserve	**Group** £000	**Company** £000
Balance at 1 April 2003	(71,769)	(6,125)
Retained loss for the year	(1,027)	(3,636)
Exchange differences	(64)	-
Balance at 31 March 2004	(72,860)	(9,761)

Capital Reserve	**Group** £000	**Company** £000
Balance at 1 April 2003 and 31 March 2004	3,512	-

Capital Redemption Reserve	**Group** £000	**Company** £000
Balance at 1 April 2003 and 31 March 2004	1,740	1,740

Revaluation Reserve	**Group** £000	**Company** £000
Transfer on revaluation of properties during the year	645	-
Balance at 31 March 2004	645	-

Notes to the financial statements (continued)

20. Reconciliation of operating profit to net cash inflow from operating activities

	Group 2004 £000	Group 2003 £000
Continuing operations		
Operating (loss)/profit	(2,575)	4,199
Depreciation charge (net of profit/loss on disposals)	1,769	1,450
Impairment write down on fixed assets	2,745	260
Impairment write down on stock	1,967	-
Movement in stocks	(1,491)	(1,104)
Movement in debtors	(1,398)	3,077
Movement in creditors	3,604	(180)
Net cash inflow from continuing operating activities	4,621	7,702

21. Reconciliation of net cash flow to movement in net debt

	Group 2004 £000	Group 2003 £000
(Decrease)/Increase in cash in the period and change in net debt resulting from cash flows	(6,530)	6,845
Exchange translation difference	(5)	2
Interest accruals and charges for the finance cost of debt	(4,000)	(5,963)
Interest repayment	1,073	-
Capital repayment	10,000	-
Capitalisation of debt	104,620	-
Decrease in net debt in the period	105,158	884
Opening net debt	(100,605)	(101,489)
Closing net debt	4,553	(100,605)

Notes to the financial statements (continued)

22. Analysis of net debt

	Balance at beginning of period £000	Cash flow £000	Other non-cash items £000	Balance at end of period £000
Cash at bank	11,088	(6,530)	(5)	4,553
	11,088	(6,530)	(5)	4,553
Debt due after 1 year	(111,693)	11,074	100,619	-
	(100,605)	4,544	100,614	4,553

23. Pensions and similar obligations

The Group has continued to account for pensions in accordance with SSAP 24. The disclosures given below are those required by that standard. FRS 17 Retirement Benefits was issued in November 2000 but will not be fully mandatory for the Group until after the year ending 31 March 2004. Prior to this, phased transitional disclosures are required. The disclosures required by FRS 17 are shown below.

SSAP 24

The Group operates a pension scheme open to all UK employees, the Electrium Pension Scheme. This scheme is funded with assets held in a separate trustee administered fund.

The pension cost relating to the Electrium Pension Scheme is assessed in accordance with the advice of a firm of qualified actuaries, Watson Wyatt LLP, using the Projected Unit method. An actuarial assessment of the Electrium Pension Scheme has been carried out for the Company as at 31 March 2001. Relative to price inflation, the long term assumptions made were that the return on investments would be 3.9% per annum and salary growth 1.3% per annum adjusted for short term salary expectations. Pension increases were assumed to be in line with price inflation, unless subject to a minimum of 3% per annum, where they are assumed to exceed price inflation by 0.5% per annum.

As at 31 March 2001, the market value of the assets of the Electrium Pension Scheme was £66.7m. The market value of the scheme's investments was sufficient to cover approximately 167% of the accrued past service liabilities as at 31 March 2001 on the actuarial assumptions adopted. An updated actuarial valuation of the Electrium Pension Scheme is scheduled for 31 March 2004. Since the actuarial valuation carried out at 31 March 2001 the market values of scheme assets have changed markedly as a result of changes in general market values. If this position remains at 31 March 2004 the actuarial valuation is likely to reflect a deterioration in the scheme's investment percentage cover of the accrued past service liabilities of the scheme.

As at 31 March 2004 there was a balance sheet prepayment of £24,249,000 in respect of pensions.

The pensions cost in respect of the defined benefit scheme in the year was nil (2003: £NIL).

Notes to the financial statements (continued)

23. Pensions and similar obligations (continued)

FRS 17 Retirement Benefits

The valuation used for FRS 17 disclosures has been based on an actuarial valuation at 31 March 2001 by a qualified actuary. This takes account of the requirements of FRS 17 in order to assess the liabilities of the schemes at 31 March 2004 . Scheme assets are stated at their market value at 31 March 2004.

The financial assumptions used to calculate scheme liabilities under FRS 17 were

			2004	2003	2002
Rate of increase in salaries			3.2%	2.75%	8.5%
Rate of increase of pensions in payment	-	Crabtree section	2.7%	2.25%	2.5%
	-	Other sections	3.0%	3.0%	3.0%
Discount rate			5.6%	5.6%	6.0%
Inflation assumption			2.7%	2.5%	2.5%
Rate of increase for deferred pensioners			2.7%	2.5%	2.5%

Long term asset returns expected

	2004	2003	2002
Equities	8.7%	8.7%	8.3%
Bonds	4.8%	4.6%	5.0%
Property	6.7%	6.6%	6.6%
Other	3.0%	3.8%	4.5%

The assets of the scheme and the expected rates of return are

	2004 £000	2003 £000	2002 £000
Equities	46,700	33,600	44,900
Bonds	5,600	7,700	11,200
Property	1,800	1,800	2,100
Other	800	1,700	1,300
Total market value of assets	54,900	44,800	59,500
Actuarial value of liabilities	(56,000)	(46,600)	(43,300)
Pension (deficit)/surplus	(1,100)	(1,800)	16,200
Related deferred tax/asset(liability)	330	540	(4,900)
Net pension (liability)/ asset	(770)	(1,260)	11,300
Net assets/liabilities excluding pension asset	23,378	(80,796)	(78,686)
Pension asset/(liability)	(770)	(1,260)	11,300
Net assets/(liabilities) including pension asset	22,608	(82,056)	(67,386)
Profit and loss account excluding pension asset	(89,834)	(88,743)	(86,633)
Pension reserve	(770)	(1,260)	11,300
Profit and loss account including pension asset	(90,604)	(90,003)	(75,333)

Notes to the financial statements (continued)

23. Pensions and similar obligations (continued)

The following amounts would have been recognised in the performance statements in the year to 31 March 2004 under the requirements of FRS17

	2004 £000	2003 £000
Operating profit		
Current service cost	2,000	2,000
Total operating charge	2,000	2,000
Other finance income		
Interest on pension scheme liabilities	2,600	2,600
Expected return on assets in the pension scheme	(3,400)	(4,400)
Net credit to other finance income	(800)	(1,800)
Statement of total recognised gains and losses		
Actual gain/(loss) on assets	(8,300)	17,300
Experience loss on liabilities	6,400	1,100
Gain on change of assumptions	-	(600)
Total loss recognised in statement of recognised gains and losses	(1,900)	17,800
Movement in deficit in the scheme during the year		
Deficit/surplus in the plan at beginning of year	(1,800)	16,200
Current service cost	(2,000)	(2,000)
Other finance income	800	1,800
Actuarial gain	1,900	(17,800)
Deficit in the plan at end of year	(1,100)	(1,800)

24. Capital and financial commitments

Capital commitments

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Future capital expenditure contracted but not provided	Nil	109	Nil	Nil

Financial commitments
At 31 March the company had annual commitment under non-cancellable operating leases expiring as follows:

	2004 £000	2003 £000	2004 £000	2003 £000
Annual commitments under operating leases				
For leases expiring				
after more than 5 years	-	-	-	-
between 2 and 5 years	294	388	-	-
within 1 year	85	91	-	-
	379	479	-	-

None of the above leases relate to land and buildings.

Notes to the financial statements (continued)

25. Principal subsidiaries

Company	Country of incorporation	Issued share capital	Percentage of beneficial ownership held
Subsidiaries (all consolidated)			
Electrium (UK) Limited	England	67,319,704 £0.25 ordinary shares	100%
Electrium Sales Limited	England	10,000,001 £1.00 ordinary shares	100%
Crabtree Electrical Industries Limited	England	120,000 £1.00 ordinary shares	100%
Electrium (Ireland) Limited	Ireland	2 IR£1.00 ordinary shares	100%
Marbo Limited	England	32,730 £1.00 ordinary shares	100%
Volex Accessories Limited	England	8,575,002 £1.00 ordinary shares	100%
Wylex Limited	England	563,845 £0.25 ordinary shares	100%
Marbo Holdings Limited	England	3 £1.00 ordinary shares	100%

26. Ultimate parent company

The ultimate parent and controlling company is Electrium Limited, a company registered in England and Wales.