Electrium

CONSOLIDATED ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 1999

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COMPANIES HOUSE 28/01/00

Electrium Limited
Registered number 03335339

DIRECTORS AND ADVISERS

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

Non Executive Directors
Sir R A Biggam (Chairman)
H Langmuir
A Marchant

Secretary
N M Turnbull

Registered Office
Forge Road
Willenhall
West Midlands
England
WV12 4HD

Registered Auditors
PricewaterhouseCoopers
Temple Court
35 Bull Street
Birmingham
B4 6JT

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

Solicitors
Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London
EC2A 2HA

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 March 1999.

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. In addition the group includes a power cordset and vending/sheet metal business.

Company and Capital structure

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; namely Crabtree, Wylex and Dorman Smith among others. The buy-out was successfully completed on the 14th April 1997.

The buy-out was supported by Cinven, a leading UK venture capital company, which provided an institutional loan of £66,565,000. Bank finance of £80,000,000 was underwritten by the Royal Bank of Scotland plc and Union Bank of Switzerland (now Warburg Dillon Read). This was subsequently syndicated to include a further six banks. Hanson plc provided the company with a loan note of £10,000,000 and Asea Brown Boveri subscribed for preference shares of £2,435,000. Equity share capital was issued to Cinven, the directors, Asea Brown Boveri and company management.

Business Review

Sales for the year were £122,129,000 and operating profit prior to exceptional costs £12,801,000. This compares to prior year sales of £136,322,000 and operating profit prior to exceptionals of £15,288,000.

The analysis of sales and profits by business segment is as follows:

	Sales		Profit	
	1999	1998	**1999**	1998
	£000	£000	£000	£000
Low Voltage Electrical Installation	102,291	110,633	13,326	13,834
Power Cordsets	16,508	20,662	22	1,470
Vending/Sheet Metal (Climet)	3,330	5,027	(547)	(16)
	122,129	136,322	12,801	15,288

DIRECTORS' REPORT (continued)

As a result of the significant deterioration in the vending/sheet metal business (Climet) and continuing negative returns a decision has been taken to dispose of this business or its' assets and an appropriate charge for asset and goodwill impairment has been included as an exceptional charge in the accounts.

Both sales and profits of the power cordset business were significantly impacted by sales volume reductions to Moulinex, the largest customer of this business. Moulinex itself was adversely impacted by difficulties in the Russian economy which resulted in stock returns and a significant downturn in production pending the utilisation of this returned stock. The power cordset business traded at a loss for the second half of the financial year. However, during the year the development of a new joint venture in China, established in April 1998 has continued. In addition a number of initiatives have been implemented with the objective of broadening both the customer and product base. While the power cordset market remains competitive the above development and initiatives, coupled with an upturn in Moulinex volumes, have resulted in the business returning to profitability during the first quarter of the current year. The directors anticipate this improvement continuing with the business contributing positive profit and cash to the group during the current year.

Electrium's core business, low voltage electrical installation, which includes the Crabtree, Wylex, Dorman Smith, Volex and Marbo accessories, Britmac and Appleby brands experienced a reduction in turnover of £8,342,000 and a reduction in operating profit of £508,000. However, despite adverse market conditions the business improved its return on sales from 12.5% to 13.0%. This improvement is primarily a result of a two year manufacturing and business restructuring programme which has created product based manufacturing centres of excellence. This has significantly reduced the cost base of the company and established a structure from which further cost reductions can be delivered.

The restructuring programme is largely complete and the directors believe the business is now in a position to address prior years sales decline via both market share growth and new product introductions. This will be a key focus area during the current year.

The company again generated a strong cash flow during the year decreasing net debt by £1,915,000 and ending with a positive cash balance of £7,832,000. In addition £5,110,000, primarily capital, was invested in the company. This will continue to support both cost base improvements and new product introductions during the current year.

The loss on ordinary activities before tax of £1,577,000 includes both the exceptional Climet impairment charge of £2,095,000 and non recurring debt finance costs of £871,000.

The directors recognise that the electrical low voltage installation market remains competitive but anticipate a slightly improved general level of activity in the second half of the current year and expect continuing benefits from the manufacturing centres of excellence programme and the improvement in the power cordset business.

Dividends

The directors do not recommend the payment of a dividend in respect of the period ended 31st March 1999.

Directors

The directors of the company all served throughout the year and are listed on page 2.

DIRECTORS' REPORT (continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. 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 that disclose with reasonable accuracy at any time the financial position of the company and the group and to 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 the group 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 at 31 March 1999 were :

Ordinary shares of £1 each	31 March 1999
C J Thomas	100,000
D H Norman	50,000
A Kitchen	50,000
N M Turnbull	50,000
Sir R A Biggam	20,000
A Marchant	2,060
H Langmuir	2,060

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 and via a European Works Council.

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. Electrium's standard payment policy is net 60 days except when otherwise agreed. Average creditor days for the year were 59 days.

Year 2000

A millennium project team, responsible to the board and project plan were instigated in January 1998. The objective being to ensure that all company chip reliant systems and machinery will be millennium compliant in advance of the year 2000. This is progressing satisfactorily and the main elements of this plan are as follows:

(i) The gathering of a detailed inventory of all the equipment and products that may be subject to the millennium problem;

(ii) Issue of a standard letter and questionnaire to each supplier requesting information regarding the millennium compliance of their products in all areas of the group;

(iii) The preparation of a detailed action plan to ensure millennium compliance.

The implementation of this plan has commenced and all elements are on target to ensure millennium compliance throughout the group prior to year 2000. Costs to be incurred as the project progresses are anticipated to be £300,000.

Introduction of the euro

The introduction of the euro has had little impact on the operations of the company to date. The directors will continue to monitor developments.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the annual general meeting.

By order of the board

N. Turnbull

N M Turnbull
Company Secretary
29 July 1999

REPORT OF THE AUDITORS TO THE MEMBERS OF ELECTRIUM LIMITED

We have audited the financial statements on pages 8 to 28, which have been prepared under the historical cost convention and the accounting policies set out on pages 12 to 14.

Auditors Report

The directors are responsible for preparing the Annual Report, including as described on page 5 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company or the group 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.

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 1999 and of 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

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Birmingham
29 July 1999

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for year ending 31 March 1999

	Notes	1999 £000	1998 £000
Sales including share of joint ventures and associates:			
Continuing operations		121,702	134,301
Discontinued operations		427	2,021
		122,129	136,322
Less: Share of associates sales		(854)	-
Group sales	2	121,275	136,322
Cost of sales		(92,064)	(102,569)
Gross profit		29,211	33,753
Distribution costs		(13,327)	(14,605)
Administration costs		(3,360)	(3,973)
Operating profit			
Continuing operations		12,508	15,219
Discontinued operations		16	(44)
		12,524	15,175
Share of operating profit of associates		277	113
Total operating profit		12,801	15,288
Exceptional items			
Continuing operations		(2,095)	-
Discontinued operations		-	(738)
	3	(2,095)	(738)
Profit on ordinary activities before interest		10,706	14,550
Interest receivable and similar charges		106	365
Interest payable and similar charges	6	(12,389)	(12,899)
(Loss)/profit on ordinary activities before tax	7	(1,577)	2,016
Tax on profit on ordinary activities	8	(1,291)	(3,257)
Loss after tax		(2,868)	(1,241)
Minority interest	20	41	56
Loss for the financial period		(2,827)	(1,185)
Dividends payable	10	(128)	(122)
Retained Loss		(2,955)	(1,307)

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES
for year ending 31 March 1999

	1999 £000	1998 £000
Loss for the financial period	(2,827)	(1,185)
Currency translation adjustment on foreign currency net investments	468	(1,981)
Total recognised losses for the year	(2,359)	(3,166)

There is no difference between the profit shown above and the historical cost profit.
The accompanying notes are an integral part of this profit and loss account.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for year ending 31 March 1999

	Group 1999 £000	Group 1998 £000
Opening shareholders' funds	(61,193)	-
Loss for the current year	(2,827)	(1,185)
New share capital issued	-	4,435
Dividends and appropriations	(128)	(122)
Expenses of share issue	-	(15)
Goodwill reinstated on the disposal of a subsidiary	548	-
Prior year goodwill written off	(96)	(62,325)
Currency translation differences on foreign currency net investments	468	(1,981)
Closing shareholders' funds	(63,228)	(61,193)

BALANCE SHEETS
as at 31 March 1999

		Group		Company	
		1999	1998	**1999**	1998
	Notes	£000	£000	£000	£000
Fixed assets					
Tangible assets	11	32,349	35,974	-	-
Intangible assets	12	-	-	-	-
Investments	13	1,024	567	38,200	38,200
		33,373	36,541	38,200	38,200
Current assets					
Stocks	14	16,721	17,668	-	-
Debtors: amounts to be received within one year	15	23,192	27,320	118,940	116,861
Debtors: amounts to be received after one year	15	394	-	-	-
pension surplus	15	24,249	24,300	-	-
Cash at bank and in hand		7,832	9,160	3,885	3,528
		72,388	78,448	122,825	120,389
Creditors: amounts falling due within one year	16	(32,173)	(35,361)	(44,217)	(26,218)
Net current assets		40,215	43,087	78,608	94,171
Total assets less current liabilities		73,588	79,628	116,808	132,371
Creditors: amounts falling due after more than one year	16	(129,158)	(130,568)	(128,645)	(130,456)
Provisions for liabilities and charges	17	(7,752)	(10,309)	-	-
		(136,910)	(140,877)	(128,645)	(130,456)
Net (liabilities)/assets		(63,322)	(61,249)	(11,837)	1,915
Capital and reserves					
Called up share capital	18	4,435	4,435	4,435	4,435
Revenue reserves	19	(67,663)	(65,628)	(16,272)	(2,520)
Equity shareholders' funds		(63,228)	(61,193)	(11,837)	1,915
Minority Interests	20	(94)	(56)	-	-
Total shareholders' funds		(63,322)	(61,249)	(11,837)	1,915
Total shareholders' interests					
Non current shareholder loan stock		76,561	70,786		
Equity shareholders' funds		(63,228)	(61,193)		
Total shareholders' interests		13,333	9,593		

[signature]

C. J. Thomas
Director
29 July 1999

CONSOLIDATED CASH FLOW STATEMENT
for year ending 31 March 1999

	Notes	**1999** £000	**1999** £000	1998 £000	1998 £000
Net cash inflow from continuing operating activities	21		14,752		27,636
Net cash inflow from discontinued operating activities	21		1,111		105
Returns from investments and servicing of finance					
Interest received		106		365	
Interest paid		(5,597)		(6,041)	
			(5,491)		(5,676)
Taxation					
UK Corporation tax		(8)		-	
Overseas tax paid		-		(284)	
			(8)		(284)
Capital investment and financial investment					
Purchase of tangible fixed assets		(4,868)		(7,306)	
Sale of fixed asset proceeds		3,065		-	
Purchase of investments		(242)		1,109	
			(2,045)		(6,197)
Acquisition and disposals					
Purchase of subsidiaries		-		(38,199)	
Net cash acquired with subsidiary	25	9		564	
Bank loans and finance leases acquired with subsidiaries		-	-	190	-
			9		(37,445)
Dividends paid			-		-
Net cash inflow/(outflow) before financing			8,328		(21,861)
Financing					
Repayment of subsidiary debt		-		(104,319)	
Net proceeds of new loans and facility draw downs		12,500		139,419	
Loan repayments		(22,122)		(7,950)	
Repayment of principle under finance leases		(157)		(21)	
		(9,779)		27,129	
Share Issue		-		4,435	
Expenses of share issue		-		(15)	
Net (outflow)/inflow from financing	23		(9,779)		31,549
(Decrease)/increase in cash in the period	23		(1,451)		9,688

Notes to the financial statements

1. Principal accounting policies

These financial statements have been prepared under the historical cost conventions and in accordance with applicable accounting standards. The directors consider that the accounting policies set out below are suitable, have been consistently applied and are supported by reasonable and prudent judgements and estimates.

Basis of consolidation
The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 March 1999. 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.

Associated undertakings
The group's share of profits less losses of associated undertakings is included in the consolidated profit and loss account, and the group's share of the net assets is included in the consolidated balance sheet. These have been taken from the last audited accounts when the year corresponds to Electrium Limited or, in the case of ABB Wylex Production and Development Limited, from the audited accounts at 31 December 1998 adjusted by the management accounts for the quarter to 31 March 1999.

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. The group has adopted FRS10 "Goodwill and intangible assets" and consequently goodwill is capitalised and amortised against the profit and loss account. Goodwill on acquisition made prior to the adoption of FRS10 remains written off against reserves as a matter of accounting policy. In the event of a sale of a subsidiary, goodwill originally written off to reserves is reinstated via the profit and loss account in accordance with UITF3.

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	0-10 years
Motor vehicles	3-5 years
Major computer equipment	3-5 years

Notes to the financial statements (continued)

Changes in presentation of financial information
FRS9, "Associates and joint ventures", has been adopted and, consequently, the group's profit and loss account, balance sheet and cash flow statement have been presented in accordance with the new requirements. Figures presented for year ended March 1998 have not been restated in this respect.

FRS10, "Goodwill and intangible assets", has been adopted and consequently goodwill arising on acquisitions made from 1 April 1998 is now capitalised and amortised through the profit and loss account over 14 years.

FRS11, "Impairment of fixed assets and goodwill", has been adopted and consequently assets are written down to their recoverable amount when they are considered to be impaired.

FRS12, "Provisions, contingent liabilities and contingent assets", has been adopted. No restatement of prior year information has been necessary.

Finance & 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.

Taxation
Corporation tax payable is provided on taxable profits at the current rate.
Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal.

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.

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

2. Segmental reporting

Turnover by geographical segment	**Group 1999 £000**	Group 1998 £000
United Kingdom	83,663	93,078
Other EU Countries	14,123	17,786
Far East	2,000	3,354
Middle East	18,027	16,816
Other	4,316	5,288
Total	122,129	136,322
Group	121,275	136,322
Share of associates turnover	854	-
Total Group sales	122,129	136,322

An analysis of net assets 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.

Group turnover and operating profit by division	**Total turnover 1999 £000**	**Total operating profit 1999 £000**	Total turnover 1998 £000	Total operating profit 1998 £000
Electrical low voltage installation divisions	102,291	13,326	110,633	13,834
Cordset division	16,508	22	20,662	1,470
Climet division	3,330	(547)	5,027	(16)
Total	122,129	12,801	136,322	15,288

3. Exceptional item

The exceptional charge of £2,095,000 relates to the intended disposal of the vending/sheet metal business (Climet) and it's subsidiaries. The charge consists of the impairment of the net assets of the business at £1,547,000 and the impairment of the goodwill reinstated from revenue reserves at £548,000.

4. Directors' emoluments

	1999 £000	1998 £000
Aggregate emoluments and benefits	559	679
Company pension contributions to money purchase schemes	14	12
Sums paid to third parties for directors' services	52	48
Highest Paid Director		
Aggregate emoluments and benefits	200	294
Company pension contributions to money purchase schemes	12	11
Accrued pension at 31 March 1999	117	80

Aggregate emoluments and benefits for the year to 31 March 1998 include relocation costs.
The four executive directors are accruing benefits in a defined benefits pension scheme. Three of the four executive directors are also accruing benefits in money purchase pension schemes. The highest paid directors' accrued pension at 1998 has been restated taking into consideration IR limits and final remuneration.

Notes to the financial statements (continued)

5. Employee information

	Group 1999 £000	Group 1998 £000
Employee costs during the year amounted to:		
Wages and salaries	34,355	35,142
Social security costs	3,500	4,072
Pension costs	66	-
	37,921	39,214

	Group 1999 Number	Group 1998 Number
The average monthly number of persons employed by the group during the period was as follows:		
Commercial division	139	132
Operations division	1,553	1,907
Dorman Smith division	497	500
Group	8	9
Electrical low voltage installation divisions	2,197	2,548
Cordset division	262	323
Climet division	78	99
	2,537	2,970

6. Interest payable and similar charges

	Group 1999 £000	Group 1998 £000
Bank loans and overdrafts	5,633	6,047
Investor loan note	5,325	5,121
Hanson plc loan note	524	481
FRS4 costs	871	1,229
	12,353	12,878
Interest on finance leases	1	21
	12,354	12,899
Share of associates interest	35	-
	12,389	12,899

Notes to the financial statements (continued)

7. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is after charging/(crediting)

		Group 1999 £000	Group 1998 £000
Goodwill amortised		9	-
Profit on sale of fixed assets		(170)	(580)
Depreciation on tangible fixed assets	- owned	4,868	5,490
Depreciation on tangible fixed assets	- held under finance lease	30	35
Hire of plant & machinery under operating leases		254	90
Auditors remuneration	- audit services	136	155
	- other services	41	309

8. Tax on ordinary activities

	Group 1999 £000	Group 1998 £000
United Kingdom corporation tax		
- current year (31%)	21	11
Provision for deferred taxation	1,159	2,854
Overseas taxation	19	361
	1,199	3,226
Share of associates taxation	92	31
	1,291	3,257

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 pre tax loss for the financial year was £13,752,000 (1998: £6,735,000).

10. Dividends and appropriations

	Group		**Company**	
	1999 £000	1998 £000	**1999** £000	1998 £000
Dividends payable on equity shares	-	-	-	-
Dividends on non equity shares				
Preference shares 5% cumulative, payable from 31 March 2003	128	122	128	122
	128	122	128	122

Notes to the financial statements (continued)

11. Tangible assets

Group

	Land & Buildings £000	Plant & Machinery £000	Fixtures & Fittings £000	Total £000
Cost				
As at 1 April 1998	14,086	44,746	22,991	81,823
On acquisition	-	100	3	103
Exchange differences	106	236	16	358
Reallocations between asset categories	652	32	(684)	-
Additions	15	3,592	1,261	4,868
Disposals	(2,703)	(509)	(892)	(4,104)
As at 31 March 1999	**12,156**	**48,197**	**22,695**	**83,048**
Depreciation				
As at 1 April 1998	509	27,196	18,144	45,849
On acquisition	-	14	2	16
Exchange differences	54	40	3	97
Reallocations between asset categories	-	(86)	86	-
Charge for the year	242	3,450	1,206	4,898
Disposals	(70)	(284)	(717)	(1,071)
Asset impairment	637	259	14	910
As at 31 March 1999	**1,372**	**30,589**	**18,738**	**50,699**
Net Book Value at 31 March 1998	13,577	17,550	4,847	35,974
Net Book Value at 31 March 1999	**10,784**	**17,608**	**3,957**	**32,349**

The cost of assets held under finance leases amounted to £427,000 (£444,000 1998)
Depreciation charged on those assets amounted to £403,000 (£390,000 1998)

Company
No tangible fixed assets exist within the company

12. Intangible assets

Goodwill

	At 1 April 1998 £000	Arising on Acquisition £000	Charge for the year £000	Impairment £000	At 31 March 1999 £000
Cost	-	194	-	(194)	-
Amortisation	-	-	(9)	9	-
Net Book Value	-				-

Notes to the financial statements (continued)

13. Fixed asset investments

	Group		Company	
	1999	1998	**1999**	1998
	£000	£000	£000	£000
Electrium (UK) Limited	-	-	38,199	38,199
ABB Wylex Production & Development Ltd (Associate)	687	567	-	-
Pan Electrium Industrial company Limited (registered in Hong Kong)	160	-	-	-
Havell's Dorman Smith Limited (registered in India)	176	-	-	-
Government securities	1	-	1	1
	1,024	567	38,200	38,200

A full list of associates and subsidiaries is given on pages 27 and 28.

14. Stocks

	Group		Company	
	1999	1998	**1999**	1998
	£000	£000	£000	£000
Raw materials	3,743	5,807	-	-
Work in progress	5,787	5,969	-	-
Finished products	7,191	5,892	-	-
	16,721	17,668	-	-

15. Debtors

	Group		Company	
	1999	1998	**1999**	1998
	£000	£000	£000	£000
Amounts falling due within one year				
Trade debtors	21,646	26,310	135	126
Amounts owed by group undertakings	-	-	118,452	116,527
Prepayments and accrued income	1,546	1,010	353	208
	23,192	27,320	118,940	116,861
Amounts falling due after more than one year				
Pension prepayment	24,249	24,300	-	-
Overseas advance corporation tax recoverable	390	-	-	-
Other	4	-	-	-
	24,643	24,300	-	-

The pension prepayment arises from the surplus transferred into the new Electrium Pension Scheme on acquisition of the Hanson companies by Electrium Limited (see note 24).
Amounts owed by group companies are unsecured, interest free and have no fixed repayment date.

Notes to the financial statements (continued)

16. *Creditors*

	Group		Company	
	1999	1998	**1999**	1998
	£000	£000	£000	£000
Amounts falling due within one year				
Bank loans and overdrafts	7,221	8,263	6,720	7,581
Obligations under finance leases	-	158	-	-
Trade creditors	17,579	19,246	273	227
Amounts owed by group undertakings	-	-	36,990	17,777
Corporation tax payable - UK	24	11	-	-
- Overseas	31	361	-	-
Other taxation and social security	3,590	2,682	34	-
Other creditors & accruals	3,728	4,640	200	633
	32,173	35,361	44,217	26,218
Amounts falling due after more than one year				
Bank and other loans	117,390	119,957	117,390	119,853
Loan note	11,005	10,481	11,005	10,481
	128,395	130,438	128,395	130,334
Dividends payable	250	122	250	122
Deferred grants	-	8	-	-
Other	513	-	-	-
	129,158	130,568	128,645	130,456
Bank loans, loan notes and overdrafts				
In 1 year or less	7,221	8,263	6,720	7,581
Between 1 & 2 years	8,083	8,628	8,083	8,602
Between 2 & 5 years	29,646	28,093	29,646	28,015
In 5 years or more	90,666	93,717	90,666	93,717
	135,616	138,701	135,115	137,915

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

Bank loans and loan notes falling due in 5 years or more are:

8% Unsecured subordinated loan notes, issued 14 April 1997, of £66,565,000 and accrued interest of £10,446,000 repayable annually by equal instalments. The first payment being due on 31 March 2005.

5% Unsecured adjustable subordinated loan note, issued 14 April 1997, of £10,000,000 and accrued interest of £1,005,000 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.

Libor + 2.125% Bank loan of £2,650,000.

Notes to the financial statements (continued)

17. Provisions for liabilities and charges

	Acquisition provisions £000	Deferred taxation £000	Restructuring provision £000	Other £000	Total £000
Balance at 1 April 1998	695	5,816	3,766	32	10,309
Profit & loss account	-	1,159	-	-	1,159
Utilised in year	(234)	-	(3,450)	(32)	(3,716)
Balance at 31 March 1999	461	6,975	316	-	7,752

Deferred tax comprises £7,275,000 (1998; £7,290,000) in respect of the pension surplus, less £300,000 (1998; £1,474,000) in respect of short term timing differences.
Deferred tax is not provided on earnings from overseas.

Company
There is no liability to deferred tax within the company.

18. Called up share capital

	Company 1999 £000	Company 1998 £000
Authorised		
2,000,000 ordinary shares of £1 each	2,000	2,000
2,435,000 5% cumulative redeemable preference shares of £1 each	2,435	2,435
	4,435	4,435
Allotted, called up and fully paid		
2,000,000 ordinary shares of £1 each	2,000	2,000
2,435,000 5% cumulative redeemable preference shares of £1 each	2,435	2,435
	4,435	4,435

The preference shares may be redeemed, at the shareholders' option, between 31 March 2005 and 31 March 2007.

Notes to the financial statements (continued)

19. Reserves

	Profit and Loss Account £000
Group	
At 1 April 1998	(65,628)
Exchange differences	468
Retained loss	(2,955)
Prior year goodwill written off	(96)
Goodwill reinstated on the intended disposal of a subsidiary	548
Balance at 31 March 1999	(67,663)
Company	
At 1 April 1998	(2,520)
Loss retained	(13,752)
Balance at 31 March 1999	(16,272)

20. Minority interests

	Group 1999 £000	Group 1998 £000
Balance 1 April 1998	56	-
Transfer of subsidiary reclassified as an associate	(3)	-
Profit and loss account	41	56
Balance at 31 March 1999	94	56

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

Continuing operations	Group 1999 £000	Group 1998 £000
Operating profit before income from associates and after exceptional items	10,402	15,219
Depreciation charge (net of profit/loss on disposals)	4,727	4,782
Impairment write down on fixed assets	910	-
Goodwill amortisation and impairment write down	670	-
Movement in stocks	331	(450)
Movement in debtors	4,291	9,654
Movement in creditors	(6,579)	(1,569)
Net cash inflow from continuing operating activities	14,752	27,636

Notes to the financial statements (continued)

Reconciliation of operating profit to net cash inflow from operating activities continued

Discontinued operations	Group 1999 £000	Group 1998 £000
Operating profit/(loss) after exceptional items	27	(782)
Depreciation charge (net of profit/loss on disposals)	1	163
Movement in stocks	696	622
Movement in debtors	334	178
Movement in creditors	53	(76)
Net cash inflow from discontinued operating activities	1,111	105

22. ***Reconciliation of net cash flow to movement in net debt***

	Group 1999 £000	Group 1998 £000
(Decrease)/Increase in cash in the period	(1,451)	9,688
Add back cash flow from decrease/(increase) in debt	9,779	(131,448)
Change in net debt resulting from cash flows	8,328	(121,760)
Exchange translation difference	50	(913)
Interest accruals and charges for the finance cost of debt	(6,463)	(7,026)
Decrease/(Increase) in net debt in the period	1,915	(129,699)
Opening net debt	(129,699)	-
Closing net debt	(127,784)	(129,699)

Notes to the financial statements (continued)

23. Analysis of net debt

	Balance at beginning of period £000	Cash flow £000	Other non cash items £000	Exchange movements £000	Balance at end of period £000
Cash at bank	9,160	(1,400)	-	72	7,832
Overdrafts	(440)	(51)	-	(25)	(516)
	8,720	(1,451)	-	47	7,316
Debt due after 1 year	(130,438)	8,661	(6,618)	-	(128,395)
Debt due within 1 year	(7,823)	961	155	2	(6,705)
Finance leases	(158)	157	-	1	-
	(138,419)	9,779	(6,463)	3	(135,100)
	(129,699)	8,328	(6,463)	50	(127,784)

24. Pensions and similar obligations

The Group operates a number of pension schemes throughout the UK. These schemes are funded with assets held in a separate trustee administered fund, the Electrium Pension Scheme, established with effect from 1 June 1997, following a bulk transfer of assets and liabilities from the Hanson Industrial Pension Scheme (HIPS).

The pension cost relating to the main defined benefit scheme in the UK is assessed in accordance with the advice of a firm of qualified actuaries, Watson Wyatt, using the Projected Unit Method. An actuarial valuation of the Electrium Pension Scheme has been carried out for the company as at 31 March 1998. Relative to price inflation, the long term assumptions made were that the return on investments would be 4.75% per annum, salary growth 1.5% per annum and dividend increase 1.0% per annum. Pension increases were assumed to lag price inflation in the long term by 0.25% per annum.

As at 31 March 1998, the market value of the invested assets of the Electrium Pension Scheme was £61.1m. The actuarial valuation of the scheme's investments was sufficient to cover approximately 148% of the accrued past service liabilities as at 31 March 1998 on the actuarial assumptions adopted adjusted for short term salary expectations.

As at 31 March 1999 there was a balance sheet asset of £24.249m in respect of pensions.

Notes to the financial statements (continued)

25. Acquisitions

On the 10 May 1998 Climet Limited, a wholly owned subsidiary within the group acquired 100% of the shares of Dinahs Limited (formally Tridine Limited) and of its' subsidiary Webb Technology Limited.

The consideration was satisfied by cash paid of £30,000 and guaranteed royalty payments over the next 5 years of £242,000. In addition acquisition expenses of £22,000 were incurred.

The purchase has been accounted for as an acquisition. Fair value and accounting policy adjustments have been made on review of the company's balance sheet. The accounting policy adjustment of £19,000 relates to primarily the write-off of patents in accordance with group policy. The fair value adjustments consist of write-off of obsolete plant and machinery and write-downs of stock and debtors to realisable value.

The assets and liabilities of Dinahs Limited and its' subsidiary as acquired are set out below.

	Book Value £000	Fair value adjustments £000	Accounting policy alignment £000	*Fair value* of net assets acquired £000
Fixed assets	113	(17)	(19)	77
Stock	50	-	-	50
Debtors	75	(19)	-	56
Creditors	(94)	2	-	(92)
Cash at bank	9	-	-	9
Net assets/(liabilities)	153	(34)	(19)	100
		Goodwill	(refer to note 12)	194
				294
	Satisfied by :		Cash paid	30
			Deferred royalties	242
			Acquisition expenses	22
				294

Notes to the financial statements (continued)

26. Contingent liabilities

The bank loans of the ultimate parent company amounting to £48.3 million at 31 March 1999 are secured by way of a floating charge on the assets of all the subsidiaries within the group. Cross guarantees exist between all the subsidiaries of the group and parent company.

At the 31 March 1999 the company has contracted to purchase 9,900,000 Deutsche Marks' and to sell 1,500,000 US Dollars' during the following year. These contracts form part of the existing bank borrowing facilities and are thus secured by way of a floating charge on the assets of all the subsidiaries within the group.

The company has guaranteed bank and other borrowings jointly with its' co-investors of an associate undertaking amounting to Indian Rupees 22,150,000 (£323,382).

During 1998, the company received a Regional Selective Assistance grant from the Department of Trade and Industry of £300,000. This grant falls repayable if certain conditions are not met. The maximum amount repayable would be £300,000, of which £113,000 would be charged against profit.

27. Capital and financial commitments

Capital commitments

	Group		Company	
	1999	1998	**1999**	1998
	£000	£000	£000	£000
Future capital expenditure contracted but not provided	1,011	3,916	-	-

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

	Group		Company	
	1999	1998	**1999**	1998
	£000	£000	£000	£000
Annual commitments under Operating leases				
For leases expiring				
after more than 5 years	15	15	-	-
between 2 and 5 years	649	636	-	-
between 1 and 2 years	5	13	-	-
within 1 year	11	74	-	-
	680	738	-	-

Non of the above leases relate to land and buildings.

Notes to the financial statements (continued)

28. Related party transactions

The value of purchases during the year from associated companies and the balance outstanding owed to these companies is shown below.

	Holding %	Group purchases during the year £000	Group sales during the year £000	Balances owed to the group £000	Balances owed by the group £000
ABB Wylex Production and Development Limited	49%	6,528	825	279	1,921
Pan Electrium Industrial Company Limited	50%	220	-	-	-
Havells Dorman Smith Limited	50%	-	-	52	-

The company owns 51% of a subsidiary ABB Wylex Sales Limited. During the year this company purchased goods to the value of £16,789,000 from the Electrium group and sold goods with a value of £69,000 to members of the Electrium group. At the end of the year the ABB Wylex Sales Limited owed the Electrium group £2,060,000 and the Electrium group owed ABB Wylex Sales Limited £69,000.

29. Principle subsidiaries, joint ventures and associates

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%
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	8,575,000 £1.00 ordinary shares	100%
Marbo SA	France	217,863 FF50.00 ordinary shares	100%
Quality Electrical Manufacturing (1997) Sdn Bhd	Malaysia	14,091,689 RM1.00 ordinary shares	100%
Scholes Group Limited	England	38,600,000 £1.00 ordinary shares	100%
Wylex Limited	England	10,000,000 £1.00 ordinary shares	100%
Dorman Smith Switchgear Limited	England	965,250 £1.00 ordinary shares	100%
Electrium Sales Limited	England	563,845 £0.25 ordinary shares	100%
Climet Limited	England	100,000 £1.00 ordinary shares	100%
Dinahs Limited	England	200 £1.00 ordinary shares	100%
Metron Calne Limited	England	200,000 £1.00 ordinary shares	100%
		50,000 £1.00 A ordinary shares	100%
		50,000 £1.00 B ordinary shares	100%
Quality Wiring Accessories Sdn Bhd	Malaysia	390,150 RM1.0 A ordinary shares	100%
		374,850 RM1.0 B ordinary shares	0%
ABB Wylex Sales Limited	England	204,000 £1.00 A ordinary shares	100%
		196,000 £1.00 B ordinary shares	0%

Notes to the financial statements (continued)

29. Principle subsidiaries, joint ventures and associates continued

Company	**Country of incorporation**	**Issued share capital**	**Percentage of beneficial ownership held**
Associates (All equity accounted)			
Havells Dorman Smith Limited (1)	India	1,800,000 IRP10.00 ordinary shares	50%
ABB Wylex (Production & Development) Limited	Scotland	147,000 £1.00 ordinary shares	49%
Pan Electrical Industrial Limited	Hong Kong	5,000,000 HK$1.00 ordinary shares	50%

Note (1) In last years accounts this company was consolidated into the group accounts but from 1 April 1998 the company has been accounted for under the equity method of accounting.