

# Hardware Engineering Limited

## Report and Accounts

31 December 1995

*Registered Number: 2490994*

 ERNST & YOUNG



# Hardware Engineering Limited

## DIRECTORS' REPORT

### DIRECTORS

A G Gledhill (New Zealand)  
J F C Garnett  
K Hinton  
D W S Moloney (New Zealand)

### SECRETARY

A R Hornby

The directors present their report for the year ended 31 December 1995.

### PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activity of the Company is that of holding company. The principal activity of the subsidiary throughout the year under review continued to be the manufacture and sale of friction stays.

The results of the year's trading are given on page 4. In the opinion of the Directors, the state of the Group's affairs is satisfactory and the Group has adequate financial resources to enable it to take advantage of business and product opportunities as they arise.

### RESULTS AND DIVIDENDS

The directors submit the audited accounts of the company for the year ended 31 December 1995. The profit for the year amounts to £94,008 (1994 - £33,184) which is to be retained.

### DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were those listed above.

The Directors have no interest in the Share Capital of the Company, but their interests in options to purchase shares of The Laird Group Public Limited Company, which for the purpose of its group accounts has incorporated Hardware Engineering Limited, are as follows:

	<i>At 1 January 1995</i>	<i>Granted during the year</i>	<i>Exercised during the year</i>	<i>At 31 December 1995</i>
J F C Garnett	185,960	50,000	75,353	160,607
K Hinton	60,018	-	-	60,018

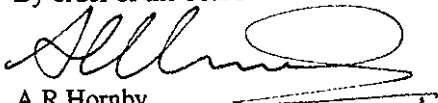
### FIXED ASSETS

Fixed asset movements are detailed in note 7 to the accounts.

### AUDITORS

The Company's auditors, Ernst & Young, will be proposed for re-appointment at the Annual General Meeting.

By order of the board



A R Hornby  
Secretary

29 March 1996

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
ACCOUNTS

The following statement, which should be read in conjunction with the Report of the Auditors set out on page 3, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditors in relation to the accounts.

The Directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit or loss of the Group for the financial year.

The Directors consider that in compiling the accounts on pages 4 to 14, which have been prepared on a going concern basis, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and of the Group and which enable them to ensure that the accounts comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having prepared the accounts, note that the Auditors are required by the Companies Act 1985, to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

**REPORT OF THE AUDITORS**  
**to the members of Hardware Engineering Limited**

We have audited the accounts on pages 4 to 14, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

**Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 December 1995 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young*  
Ernst & Young  
Chartered Accountants  
Registered Auditor  
Birmingham

29 March 1996

# Hardware Engineering Limited

## GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1995

	Notes	1995 £	1994 £
<b>TURNOVER</b>	2	4,823,055	5,123,623
Cost of sales		3,823,926	4,129,787
		<u>999,129</u>	<u>993,836</u>
<b>GROSS PROFIT</b>			
Administrative Expenses		873,106	988,769
		<u>126,023</u>	<u>5,067</u>
<b>OPERATING PROFIT</b>	3		
Bank interest received		3,815	3,851
Finance lease charges payable		(1,446)	(1,662)
Bank interest payable		(220)	-
		<u>128,172</u>	<u>7,256</u>
<b>PROFIT ON ORDINARY BEFORE TAXATION</b>			
Taxation	5	(34,164)	25,928
		<u>94,008</u>	<u>33,184</u>
<b>RETAINED PROFIT FOR THE YEAR</b>			

### STATEMENT OF RETAINED PROFITS

Balance at 1 January 1995	804,903	771,719
Profit for the year	94,008	33,184
	<u>898,911</u>	<u>804,903</u>

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £94,008 in the year ended 31 December 1995 and of £33,184 in the year ended 31 December 1994.

### RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1995 £	1994 £
Profit attributable to members of the company	94,008	33,184
Shareholders' funds at 1 January 1995	1,401,390	1,368,206
	<u>1,495,398</u>	<u>1,401,390</u>
Shareholders' funds at 31 December 1995		

# Hardware Engineering Limited

## GROUP BALANCE SHEET

at 31 December 1995

	Notes	1995 £	1994 £
<b>FIXED ASSETS</b>			
Tangible fixed assets	7	569,788	616,348
<b>CURRENT ASSETS</b>			
Stocks	8	483,709	750,518
Debtors	9	866,781	1,114,752
Cash at bank and in hand		537,885	472,277
		<u>1,888,375</u>	<u>2,337,547</u>
<b>CREDITORS: amounts falling due within one year</b>	10	961,242	1,548,378
<b>NET CURRENT ASSETS</b>		<u>927,133</u>	<u>789,169</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,496,921</u>	<u>1,405,517</u>
<b>CREDITORS: amounts falling due after more than one year</b>	11	1,523	4,127
		<u>1,495,398</u>	<u>1401,390</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	100	100
Merger reserve		596,387	596,387
Retained profits		898,911	804,903
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>1,495,398</u>	<u>1,401,390</u>

K Hinton  
Director



29 March 1996

# Hardware Engineering Limited

## COMPANY BALANCE SHEET

at 31 December 1995

	<i>Notes</i>	<i>1995</i> £	<i>1994</i> £
<b>FIXED ASSETS</b>			
Investment in subsidiary undertaking	6	98	98
<b>CURRENT ASSETS</b>			
Debtors	9	2	2
<b>NET CURRENT ASSETS</b>		2	2
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		100	100
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	100	100

K. Hinton  
Director

29 March 1996

# Hardware Engineering Limited

## GROUP STATEMENT OF CASH FLOWS

for the year ended 31 December 1995

	<i>Notes</i>	<i>1995</i> £	<i>1994</i> £
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	16(a)	212,304	200,993
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		3,815	3,851
Interest payable		(220)	-
Finance lease charges payable		(1,446)	(1,662)
<b>NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		2,149	2,189
<b>TAXATION</b>			
Corporation tax paid		(2,685)	(29,155)
Corporation tax recovered		-	18,165
<b>TAX PAID</b>		(2,685)	(10,990)
<b>INVESTING ACTIVITIES</b>			
Payments to acquire tangible fixed assets		(143,550)	(249,574)
Receipts from sale of tangible fixed assets		-	3,750
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		(143,550)	(245,824)
<b>NET CASH OUTFLOW BEFORE FINANCING</b>		68,218	(53,632)
<b>FINANCING</b>			
Repayments of capital element of finance lease rentals	16(b)	2,610	2,408
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING</b>		2,610	2,408
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	16(c)	65,608	(56,040)
		68,218	(53,632)



# Hardware Engineering Limited

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## NOTES TO THE ACCOUNTS

at 31 December 1995

### 1. ACCOUNTING POLICIES

#### *Basis of preparation*

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

#### *Basis of consolidation*

The group accounts consolidate the accounts of Hardware Engineering Limited and its subsidiary undertaking for the year ended 31 December 1995.

#### *Depreciation*

Depreciation is calculated to write off the cost of fixed assets evenly over their expected useful lives, as follows:

Plant and machinery	–	10 years
Tooling	–	5 years
Fixtures and fittings	–	5 years

#### *Stocks*

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete or slow moving items.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

#### *Lease and hire purchase agreements*

Certain assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"). These are included in the balance sheet as fixed assets at cost less depreciation, and the capital element of future rentals is treated as a liability. The interest element of payments is charged to the profit and loss account over the period of the finance leases on a straight line basis.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

#### *Deferred taxation*

Deferred tax is calculated on the liability method to take account of timing differences arising between the treatment of certain items for the purposes of the financial statements and their treatment for tax purposes to the extent that it is expected to crystallise.

# Hardware Engineering Limited

## NOTES TO THE ACCOUNTS

at 31 December 1995

### 2. TURNOVER

Turnover represents invoiced amounts excluding value added tax in respect of goods sold. The turnover and profit before taxation is attributable to the one principal activity of the Group. Turnover is analysed below:

	1995 £	1994 £
United Kingdom	4,414,093	4,724,364
Rest of World	408,962	399,259
	<u>4,823,055</u>	<u>5,123,623</u>

### 3. OPERATING PROFIT

The operating profit is stated after charging:

	1995 £	1994 £
Depreciation of tangible fixed assets - owned	163,102	99,080
- leased	1,341	1,341
Staff costs (see note 4)	1,026,905	1,111,029
Auditors remuneration - audit services	2,450	2,829
- non-audit services	600	1,500
Operating lease rentals - office equipment and motor vehicles	34,726	63,325
- leasehold property	59,000	59,000
	<u>1,026,905</u>	<u>1,111,029</u>

The directors of the company receive no emoluments from the company or its subsidiary undertaking.

### 4. STAFF COSTS

	1995 £	1994 £
Wages and salaries	932,116	1,013,065
Social security costs	78,560	84,543
Other pension costs	16,229	13,421
	<u>1,026,905</u>	<u>1,111,029</u>

The group contributes to defined contributions and defined benefits schemes operated by the parent undertaking, The Laird Group Public Limited Company. Details of the schemes are shown in the parent undertaking's accounts.

The average weekly number of employees during the year was as follows:-

	No.	No.
Office management	10	10
Production and sales	68	70
	<u>78</u>	<u>80</u>

# Hardware Engineering Limited

## NOTES TO THE ACCOUNTS

at 31 December 1995

### 5. TAXATION

The charge/(credit) for the year was as follows:

	1995 £	1994 £
Corporation tax based on the results for the period	41,050	(7,763)
Corporation tax (over) provided in previous years	(6,886)	(18,165)
	<u>34,164</u>	<u>(25,928)</u>

### 6. INVESTMENT IN SUBSIDIARY UNDERTAKING

*Company*

Cost of investment:

At 1 January 1995 and 31 December 1995 £98

Details of the subsidiary undertaking are as follows:

<i>Name</i>	<i>Country of registration</i>	<i>Holding</i>	<i>Class of shares</i>
Euromond Limited	England and Wales	100%	£1 ordinary

The nature of the subsidiary's business is the manufacture and sale of friction stays.

### 7. TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Plant and equipment</i> £	<i>Fixtures and fittings</i> £	<i>Total</i> £
At 1 January 1995	1,219,939	81,490	1,301,429
Additions	117,883	-	117,883
Disposals	(1,400)	-	(1,400)
At 31 December 1995	<u>1,336,422</u>	<u>81,490</u>	<u>1,417,912</u>
Depreciation:			
At 1 January 1995	632,158	52,923	685,081
Charge for the year	151,644	12,799	164,443
Disposals	(1,400)	-	(1,400)
At 31 December 1995	<u>782,402</u>	<u>65,722</u>	<u>848,124</u>
Net book value:			
At 31 December 1995	<u>554,020</u>	<u>15,768</u>	<u>569,788</u>
At 1 January 1995	<u>587,781</u>	<u>28,567</u>	<u>616,348</u>

The net book value of plant and equipment includes £9,165 (1994 - £10,397) in respect of assets held under finance leases.

# Hardware Engineering Limited

## NOTES TO THE ACCOUNTS

at 31 December 1995

### 8. STOCKS

<i>Group</i>	<i>1995</i>	<i>1994</i>
	<i>£</i>	<i>£</i>
Raw materials	265,791	432,009
Work in progress	24,723	59,821
Finished goods	193,195	258,688
	<u>483,709</u>	<u>750,518</u>

### 9. DEBTORS

	<i>Group</i>		<i>Company</i>	
	<i>1995</i>	<i>1994</i>	<i>1995</i>	<i>1994</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Trade debtors	684,236	982,445	-	-
Amounts owed by fellow subsidiary undertakings	132,823	73,331	-	-
Prepayments	49,720	51,211	-	-
Corporation tax recoverable	-	7,763	-	-
Other debtors	2	2	2	2
	<u>866,781</u>	<u>1,114,752</u>	<u>2</u>	<u>2</u>

### 10. CREDITORS: amounts falling due within one year

<i>Group</i>	<i>1995</i>	<i>1994</i>
	<i>£</i>	<i>£</i>
Trade creditors	821,674	1,382,515
Amounts owed to fellow subsidiary undertakings	19,263	2,216
Social security and other taxes	52,192	38,286
Accruals	34,942	115,900
Corporation tax	30,561	6,845
Finance lease obligations	2,610	2,616
	<u>961,242</u>	<u>1,548,378</u>

### 11. CREDITORS: amounts falling due after more than one year

<i>Group</i>	<i>1995</i>	<i>1994</i>
	<i>£</i>	<i>£</i>
Finance lease obligations due within two to five years	<u>1,523</u>	<u>4,127</u>

# Hardware Engineering Limited

## NOTES TO THE ACCOUNTS

at 31 December 1995

### 12. CALLED UP SHARE CAPITAL

	1995 £	1994 £
Authorised		
500 A Ordinary shares of £1 each	500	500
500 B Ordinary shares of £1 each	500	500
	<u>1,000</u>	<u>1,000</u>
Issued and fully paid		
50 A Ordinary shares of £1 each	50	50
50 B Ordinary shares of £1 each	50	50
	<u>100</u>	<u>100</u>

The A ordinary shares and B ordinary shares rank pari passu in all respects.

### 13. FINANCIAL COMMITMENTS

At 31 December 1995, the group had annual commitments under non-cancellable operating leases as follows:-

	<i>Land and buildings</i>		<i>Other</i>	
	1995 £	1994 £	1995 £	1994 £
On leases where the commitment expires:				
Within one year	1,917	-	9,773	3,378
Between two and five years	-	11,500	20,037	25,384
Thereafter	47,500	47,500	182	182
	<u>49,417</u>	<u>59,000</u>	<u>29,992</u>	<u>28,944</u>

### 14. CAPITAL COMMITMENTS

At 31 December 1995 there are £28,000 outstanding commitments in respect of capital expenditure for the subsidiary company, authorised by the Directors (1994: Nil).

### 15. DEFERRED TAX

The following amounts for deferred tax have not been provided in the accounts:

	1995 £	1994 £
Capital allowances in advance of depreciation	<u>49,208</u>	<u>55,541</u>

# Hardware Engineering Limited

## NOTES TO THE ACCOUNTS

at 31 December 1995

### 16. CASH FLOW STATEMENT

#### (a) Reconciliation of operating profit to net cash inflow from operating activities

	1995	1994
	£	£
Operating profit	126,023	5,067
Depreciation	164,443	100,421
Profit on sale of tangible fixed assets	-	(2,827)
Decrease/(increase) in stocks	266,809	(162,243)
Decrease/(increase) in debtors	240,208	(50,361)
(Increase)/decrease in creditors	(585,179)	310,936
Net cash inflow from operating activities	<u>212,304</u>	<u>200,993</u>

#### (b) Analysis of changes in financing during the year

	<i>Finance lease obligations</i>	
	1995	1994
	£	£
At 1 January 1994	6,743	9,151
Cash outflow from financing	(2,610)	(2,408)
At 31 December 1994	<u>4,133</u>	<u>6,743</u>

#### (c) Analysis of changes in cash and cash equivalents as shown in the balance sheet

	1995	1994	Change in year
	£	£	£
Cash at bank and in hand	<u>537,885</u>	<u>472,277</u>	<u>65,608</u>

	1994	1993	Change in year
	£	£	£
Cash at bank and in hand	<u>472,277</u>	<u>528,317</u>	<u>(56,040)</u>

# Hardware Engineering Limited

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## NOTES TO THE ACCOUNTS

at 31 December 1995

### 17. ULTIMATE HOLDING COMPANY

Hardware Engineering Limited is fifty percent owned by The Laird Group Public Limited Company and fifty percent owned by Interlock Industries Limited.

Group accounts incorporating Hardware Engineering Limited have been prepared by The Laird Group Public Limited Company on the basis that the latter company meets the definition of the ultimate parent undertaking as set out in Section 258 of the Companies Act 1985.

The Laird Group Public Limited Company is a company incorporated in Great Britain and registered in England and Wales. Copies of its accounts can be obtained from the Company Secretary, 3 St James's Square, London SW1Y 4JU.

Interlock Industries Limited is a company incorporated in New Zealand.