

Hardware Engineering Limited

Report and Accounts

31 December 1994

Registered Number: 2490994



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 1994.

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 1994. The profit for the year amounts to £33,184 (1993: - £115,264) 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 1994</i>	<i>Granted during the year</i>	<i>Exercised during the year</i>	<i>At 31 December 1994</i>
J F C Garnett	156,753	25,000	-	185,960*
K Hinton	55,374	3,083*	-	60,018*

*Adjusted to take account of The Laird Group Public Limited Company rights issue.

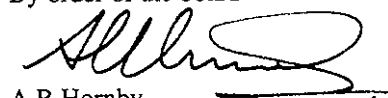
FIXED ASSETS

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

28 April 1995

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.

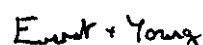
Basis of opinion

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 1994 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

Chartered Accountants

Registered Auditor

Birmingham

28 April 1995

Hardware Engineering Limited

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1994

	Notes	1994 £	1993 £
TURNOVER	2	5,123,623	4,678,591
Cost of sales		4,129,787	3,683,734
GROSS PROFIT		993,836	994,857
Administrative Expenses		988,769	853,827
OPERATING PROFIT	3	5,067	141,030
Bank interest received		3,851	13,108
Finance lease charges payable		(1,662)	(1,374)
PROFIT ON ORDINARY BEFORE TAXATION		7,256	152,764
Taxation	5	25,928	(37,500)
RETAINED PROFIT FOR THE YEAR		33,184	115,264

STATEMENT OF RETAINED PROFITS

Balance at 1 January 1994	771,719	656,455
Profit for the year	33,184	115,264
Balance at 31 December 1994	804,903	771,719

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 £33,184 in the year ended 31 December 1994 and of £115,264 in the year ended 31 December 1993.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1994 £	1993 £
Profit attributable to members of the company	33,184	115,264
Shareholders' funds at 1 January 1994	1,368,206	1,252,942
Shareholders' funds at 31 December 1994	1,401,390	1,368,206

Hardware Engineering Limited

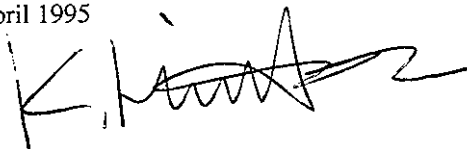
GROUP BALANCE SHEET

at 31 December 1994

	Notes	1994 £	1993 £
FIXED ASSETS			
Tangible fixed assets	7	616,348	468,118
CURRENT ASSETS			
Stocks	8	750,518	588,275
Debtors	9	1,114,752	1,056,628
Cash at bank and in hand		472,277	528,317
		2,337,547	2,173,220
CREDITORS: amounts falling due within one year	10	1,548,378	1,266,592
NET CURRENT ASSETS		789,169	906,628
TOTAL ASSETS LESS CURRENT LIABILITIES		1,405,517	1,374,746
CREDITORS: amounts falling due after more than one year	11	4,127	6,540
		1401,390	1,368,206
CAPITAL AND RESERVES			
Called up share capital	12	100	100
Merger reserve		596,387	596,387
Retained profits		804,903	771,719
		1,401,390	1,368,206

K Hinton
Director

28 April 1995



Hardware Engineering Limited

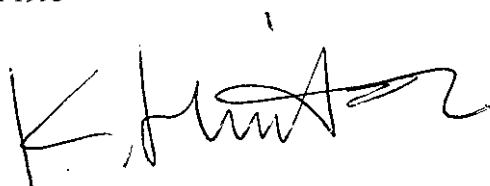
COMPANY BALANCE SHEET

at 31 December 1994

	<i>Notes</i>	<i>1994</i> £	<i>1993</i> £
FIXED ASSETS			
Investment in subsidiary undertaking	6	98	98
CURRENT ASSETS			
Debtors	9	<u>2</u>	<u>2</u>
NET CURRENT ASSETS		<u>2</u>	<u>2</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>100</u>	<u>100</u>
CAPITAL AND RESERVES			
Called up share capital	12	<u>100</u>	<u>100</u>

K Hinton
Director

28 April 1995



Hardware Engineering Limited

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 December 1994

	Notes	1994 £	1993 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	16(a)	<u>200,993</u>	<u>210,957</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		3,851	13,108
Finance lease charges payable		<u>(1,662)</u>	<u>(1,374)</u>
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>2,189</u>	<u>11,734</u>
TAXATION			
Corporation tax paid		(29,155)	(116,500)
Corporation tax recovered		<u>18,165</u>	<u>-</u>
TAX PAID		<u>(10,990)</u>	<u>(116,500)</u>
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(249,574)	(134,689)
Receipts from sale of tangible fixed assets		<u>3,750</u>	<u>-</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(245,824)</u>	<u>(134,689)</u>
NET CASH OUTFLOW BEFORE FINANCING		<u>(53,632)</u>	<u>(28,498)</u>
FINANCING			
Repayments of capital element of finance lease rentals	16(b)	<u>2,408</u>	<u>2,570</u>
NET CASH OUTFLOW FROM FINANCING		<u>2,408</u>	<u>2,570</u>
DECREASE IN CASH AND CASH EQUIVALENTS	16(c)	<u>(56,040)</u>	<u>(31,068)</u>
		<u>(53,632)</u>	<u>(28,498)</u>

NOTES TO THE ACCOUNTS

at 31 December 1994

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 Ltd and its subsidiary undertaking for the year ended 31 December 1994.

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
Motor vehicles	–	4 years
Fixtures and fittings	–	5 years

Stock

Stock 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 1994

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:

	1994 £	1993 £
United Kingdom	4,724,364	4,388,659
Rest of World	399,259	289,932
	<u>5,123,623</u>	<u>4,678,591</u>

3. OPERATING PROFIT

The operating profit is stated after charging:

	1994 £	1993 £
Depreciation of tangible fixed assets - owned	99,080	74,023
- leased	1,341	1,341
Staff costs (see note 4)	1,111,029	1,000,852
Auditors remuneration - audit services	2,829	3,159
- non-audit services	1,500	2,000
Operating lease rentals - office equipment and motor vehicles	63,325	56,344
- leasehold property	59,000	59,000
	<u>1,111,029</u>	<u>1,000,852</u>

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

4. STAFF COSTS

	1994 £	1993 £
Wages and salaries	1,013,065	894,566
Social security costs	84,543	84,110
Other pension costs	13,421	22,176
	<u>1,111,029</u>	<u>1,000,852</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	12
Production and sales	70	54
	<u>80</u>	<u>66</u>

Hardware Engineering Limited

NOTES TO THE ACCOUNTS

at 31 December 1994

5. TAXATION

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

	1994 £	1993 £
Corporation tax based on the results for the period	(7,763)	36,000
Corporation tax (over)/under provided in previous years	(18,165)	1,500
	<u>(25,928)</u>	<u>37,500</u>

6. INVESTMENT IN SUBSIDIARY UNDERTAKING

Company

Cost of investment:

At 1 January 1994 and 31 December 1994 £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>Motor vehicles</i> £	<i>Fixtures and fittings</i> £	<i>Total</i> £
At 1 January 1994	970,365	7,572	81,490	1,059,427
Additions	249,574	-	-	249,574
Disposals	-	(7,572)	-	(7,572)
At 31 December 1994	<u>1,219,939</u>	<u>-</u>	<u>81,490</u>	<u>1,301,429</u>
Depreciation:				
At 1 January 1994	547,527	6,649	37,133	591,309
Charge for the year	84,631	-	15,790	100,421
Disposals	-	(6,649)	-	(6,649)
At 31 December 1994	<u>632,158</u>	<u>-</u>	<u>52,923</u>	<u>685,081</u>
Net book value:				
At 31 December 1994	<u>587,781</u>	<u>-</u>	<u>28,567</u>	<u>616,348</u>
At 1 January 1994	<u>422,838</u>	<u>923</u>	<u>44,357</u>	<u>468,118</u>

The net book value of plant and equipment includes £10,397 (1993 - £11,738) in respect of assets held under finance leases.

Hardware Engineering Limited

NOTES TO THE ACCOUNTS

at 31 December 1994

8. STOCK

<i>Group</i>	<i>1994</i>	<i>1993</i>
	<i>£</i>	<i>£</i>
Raw materials	432,009	246,698
Work in progress	59,821	90,335
Finished goods	258,688	251,242
	<u>750,518</u>	<u>588,275</u>

9. DEBTORS

	<i>Group</i>		<i>Company</i>	
	<i>1994</i>	<i>1993</i>	<i>1994</i>	<i>1993</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Trade debtors	982,445	783,982	-	-
Amounts owed by fellow subsidiary undertakings	73,331	200,574	-	-
Prepayments	51,211	72,070	-	-
Corporation tax recoverable	7,763	-	-	-
Other debtors	2	2	2	2
	<u>1,114,752</u>	<u>1,056,628</u>	<u>2</u>	<u>2</u>

10. CREDITORS: amounts falling due within one year

<i>Group</i>	<i>1994</i>	<i>1993</i>
	<i>£</i>	<i>£</i>
Trade creditors	1,382,515	1,146,499
Amounts owed to fellow subsidiary undertakings	2,216	10,904
Social security and other taxes	38,286	35,614
Accruals	115,900	34,964
Corporation tax	6,845	36,000
Finance lease obligations	2,616	2,611
	<u>1,548,378</u>	<u>1,266,592</u>

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

<i>Group</i>	<i>1994</i>	<i>1993</i>
	<i>£</i>	<i>£</i>
Finance lease obligations due within two to five years	<u>4,127</u>	<u>6,540</u>

Hardware Engineering Limited

NOTES TO THE ACCOUNTS

at 31 December 1994

12. CALLED UP SHARE CAPITAL

	1994 £	1993 £
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 1994, the group had annual commitments under non-cancellable operating leases as follows:-

	<i>Land and buildings</i>		<i>Other</i>	
	1994 £	1993 £	1994 £	1993 £
On leases where the commitment expires:				
Within one year	-	-	3,378	7,308
Between two and five years	11,500	11,500	25,384	20,700
Thereafter	47,500	47,500	182	3,966
	<u>59,000</u>	<u>59,000</u>	<u>28,944</u>	<u>31,974</u>

14. CAPITAL COMMITMENTS

At 31 December 1994 there were no outstanding commitments in respect of capital expenditure authorised by the Directors (1993: £Nil).

15. DEFERRED TAX

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

	1994 £	1993 £
Capital allowances in advance of depreciation	55,541	43,454
Other timing differences	-	(4,678)
	<u>55,541</u>	<u>38,776</u>

Hardware Engineering Limited

NOTES TO THE ACCOUNTS

at 31 December 1994

16. CASH FLOW STATEMENT

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

	1994	1993
	£	£
Operating profit	5,067	141,030
Depreciation	100,421	75,364
Profit on sale of tangible fixed assets	(2,827)	-
Increase in stocks	(162,243)	(119,328)
Increase in debtors	(50,361)	(411,586)
Increase in creditors	310,936	525,477
Net cash inflow from operating activities	<u>200,993</u>	<u>210,957</u>

(b) Analysis of changes in financing during the year

	<i>Finance lease obligations</i>	
	1994	1993
	£	£
At 1 January 1994	9,151	11,721
Cash outflow from financing	(2,408)	(2,570)
At 31 December 1994	<u>6,743</u>	<u>9,151</u>

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

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

	1993	1992	Change in year
	£	£	£
Cash at bank and in hand	<u>528,317</u>	<u>559,385</u>	<u>(31,068)</u>

NOTES TO THE ACCOUNTS

at 31 December 1994

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.