

H DAVENPORT AND SONS LIMITED

Company Registered No. 1026710

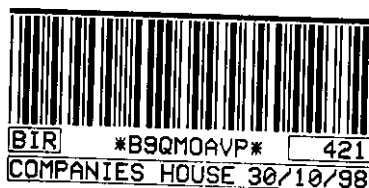
AUDITED ACCOUNTS

YEAR ENDED 31ST DECEMBER 1997

DAVENPORT HOUSE, 47 WEDNESFIELD ROAD, WILLENHALL, WEST MIDLANDS

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DIRECTORS' REPORT

The directors present their annual report and the audited accounts of the company for the year ended 31st December 1997.

Results and Dividends for the Year

The trading profit for the year, after all taxation, was £186494.
The directors do not propose a dividend for the year.
The profit left to be retained by the company is therefore £186494.

Year 2000 Compliance

The directors have considered the possible impact upon the business of the year 2000 computer problem and are not aware of any major implications arising for the company's business.

Review of the Business

The principal activities of the company during the year were those of the manufacture of cut keys, key blanks and key cutting equipment.

There has been no significant change in the activities of the company during the year.

Freehold and Long Leasehold Land and Buildings

In the opinion of the directors, the market value of the land and buildings at the balance sheet date was not substantially different from its book value.

Future Developments

No major alterations to the company's present position are foreseen.

Important Events Since the Year End

No major events have taken place since the end of the year.

DIRECTORS' REPORT (continued)Directors and their Shareholdings

The directors during the year, and their interests in the share capital of the company, were as follows:

	As at 31.12.97	As at 31.12.96
S. Davenport, Esq. Snr. (Deceased)	250	250
J. Davenport, Esq.	2875	3125
S. Davenport, Esq. Jnr	2875	3125
Mrs. J. Davenport	-	-
Mrs. S. C. Davenport	-	-

The directors have not been granted, nor have exercised, any right to subscribe for shares in the company during the year.

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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' REPORT (continued)

Political and Charitable Donations

The company has made the following donations:

	<u>1997</u>	<u>1996</u>
	£	£
Charitable donations	325	-
	<u> </u>	<u> </u>

Auditors

A resolution to re-appoint Owen Millichamp as auditors will be proposed at the forthcoming Annual General Meeting.

By Order of the Board,

..........

J. Davenport, Esq.

Secretary.

30th October 1998

H DAVENPORT & SONS LIMITED

Company Registered No. 1026710

UNDER SECTION 247B OF THE

COMPANIES ACT 1985

We have examined the abbreviated accounts set out on pages 5 to 22, together with the financial statements of the company for the year ended 31st December 1997 prepared under section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act to the Registrar of Companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

Basis of opinion

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246A(3) of the Companies Act 1985, and the abbreviated accounts on pages 5 to 22 are properly prepared in accordance with those provisions.

Signed. *Owen...Millichamp...*

30th October 1998

OWEN MILLICHAMP
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
CHAPEL ASH HOUSE
6 COMPTON ROAD
WOLVERHAMPTON
WEST MIDLANDS
WV3 9PH

PROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED31ST DECEMBER 199731ST DECEMBER 1996

	<u>Notes</u>	£	£	£	£
<u>Gross Profit for the Year</u>			867541		840218
Distribution Costs		73029		75946	
Administrative Expenses		601615		596224	
Other Operating Income		(24000)		(24000)	
			<u>650644</u>		<u>648170</u>
<u>Operating Profit</u>	2		216897		192048
Interest Receivable		41530		34527	
Interest Payable and Similar Charges	3	(2902)		(3316)	
			<u>38628</u>		<u>31211</u>
<u>Profit on Ordinary Activities before Taxation</u>			255525		223259
Tax on Profit on Ordinary Activities	5		69031		60982
<u>Profit on Ordinary Activities after Taxation</u>			186494		162277
Dividends	6		-		130000
<u>Retained Profit for the Financial Year</u>			186494		32277
Retained Profit brought forward			1466506		1434229
<u>Retained Profit carried forward</u>			1653000		1466506
<u>Continuing Operations</u>					

None of the company's activities were acquired or discontinued during these two financial years.

Recognised Gains and Losses

There were no recognised gains or losses in these two financial years other than the profits attributable to the shareholders of the company.

The notes on pages 11 to 22 form part of these accounts.

<u>BALANCE SHEET AS AT</u>		<u>31ST DECEMBER 1997</u>		<u>31ST DECEMBER 1996</u>	
	<u>Notes</u>	£	£	£	£
<u>Fixed Assets</u>					
Tangible Assets	7		782894		774991
Investments	8		21618		27306
			804512		802297
<u>Current Assets</u>					
Stocks	9	525075		492952	
Debtors	10	851315		850955	
Cash at Bank and in Hand		729659		721959	
		2106049		2065866	
<u>Creditors : amounts due within one year</u>					
Loans	11	449058		320126	
Bank Loan and Overdraft	12	11980		12028	
Obligations under Finance					
Leases and Hire Purchase					
Contracts	13	5836		3865	
Trade Creditors		455886		479939	
Amounts due to Group Undertakings		21618		21618	
Amounts due to Companies in which the directors have a participating interest		26810		77982	
Current Corporation Tax		62500		55000	
Other Taxes and Social Security		121506		78761	
Accruals		35526		149877	
Proposed Dividends		-		130000	
		1190720		1329196	
<u>Net Current Assets</u>					
			915329		736670
<u>Total Assets less Current Liabilities</u>					
			1719841		1538967
<u>Creditors: amounts falling due after one year</u>					
	14	-		12817	
<u>Provision for Liabilities and Charges</u>					
	15	60341		53144	
			60341		65961
<u>Net Assets</u>					
			1659500		1473006

The notes on pages 11 to 22 form part of these accounts.

BALANCE SHEET (CONTINUED)

		<u>31ST DECEMBER 1997</u>		<u>31ST DECEMBER 1996</u>	
	<u>Notes</u>	£	£	£	£
<u>Capital and Reserves</u>					
<u>Share Capital</u>					
Authorised:					
Ordinary Shares of £1 each		10000		10000	
		<u> </u>		<u> </u>	
Allotted, Called up and Fully Paid:					
Ordinary Shares of £1 each			6500		6500
<u>Reserves</u>					
Profit and Loss Account			1653000		1466506
			<u> </u>		<u> </u>
<u>Shareholders' Funds</u>	16		1659500		1473006
			<u> </u>		<u> </u>

The directors have taken advantage of the exemptions conferred by Section B of Part III of Schedule 8 to the Companies Act 1985 and have done so on the grounds that, in their opinion, the company is entitled to those exemptions as a medium company.

Approved by the Board of Directors on 30th October 1998

Director.....  J. Davenport, Esq.

Director.....  S. Davenport, Esq.

The notes on pages 11 to 22 form part of these accounts.

CASH FLOW STATEMENT

<u>FOR THE YEAR ENDED</u>	<u>31ST DECEMBER 1997</u>		<u>31ST DECEMBER 1996</u>	
	£	£	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES (note 1)		201230		104861
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	41530		34527	
Interest paid:				
on loans	(1570)		(158)	
on finance leases	(1332)		(3158)	
	<u> </u>		<u> </u>	
		38628		31211
TAXATION		(54334)		(40242)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Purchase of fixed assets	(27905)		(40655)	
Proceeds of sale of fixed assets	-		5600	
	<u> </u>		<u> </u>	
		(27905)		(35055)
EQUITY DIVIDENDS PAID		(130000)		-
FINANCING				
Loans received	-		25000	
Loans repaid	(12048)		(972)	
Capital element of finance leases	(7872)		(18747)	
	<u> </u>		<u> </u>	
		(19920)		5281
INCREASE IN CASH		7699		66056
		<u> </u>		<u> </u>

The notes on pages 9 to 10 form part of this statement.

NOTES TO THE CASH FLOW STATEMENT

<u>FOR THE YEAR ENDED</u>	<u>31ST DECEMBER 1997</u>		<u>31ST DECEMBER 1996</u>	
	£	£	£	£
1. <u>Reconciliation of operating profit to net cash inflow from operating activities</u>				
Operating profit		216897		192048
Depreciation	29028		21907	
Loss on sale of fixed assets	-		2650	
(Increase)/decrease in stocks	(32123)		8865	
Increase in debtors	(360)		(25669)	
Increase/(decrease) in creditors	(17900)		(94940)	
Diminution in value of investment	5688		-	
	<u> </u>	(15667)	<u> </u>	(87187)
NET CASH INFLOW FROM OPERATING ACTIVITIES		<u>201230</u>		<u>104861</u>
	£	£	£	£
2. <u>Reconciliation of net cash flow to movement in net funds</u>				
Increase in cash in the period	7700		66056	
Cash outflow/(inflow) from increase/decrease in debt and lease financing	19920		(5281)	
	<u> </u>		<u> </u>	
Change in net funds resulting from cash flows	27620		60775	
Finance leases acquired	(9025)		(10299)	
	<u> </u>		<u> </u>	
MOVEMENT IN NET FUNDS IN THE PERIOD		18595		50476
NET FUNDS AT 1ST JANUARY 1997		<u>693249</u>		<u>642773</u>
NET FUNDS AT 31ST DECEMBER 1997		<u>711844</u>		<u>693249</u>

NOTES TO THE CASH FLOW STATEMENT - CONTINUEDFOR THE YEAR ENDED 31ST DECEMBER 19973. Analysis of changes
in net funds

	<u>At start of year</u>	<u>Cash flows</u>	<u>Other changes</u>	<u>At end of year</u>
	£	£	£	£
Cash at bank and in hand	721959	7700	-	729659
Loans: due within one year	(12028)	48	-	(11980)
: due after one year	(12000)	12000	-	-
Finance leases:	(4682)	7872	(9025)	(5855)
	(28710)	19920	(9025)	(17815)
TOTAL NET FUNDS	693249	27620	(9025)	711844

NOTES TO THE ACCOUNTSYEAR ENDED 31ST DECEMBER 19971. Accounting Policies

The financial statements have been prepared in accordance with applicable U.K. accounting standards. The particular accounting policies adopted are described below.

Accounting Convention

The accounts are prepared under the historical cost convention.

Consolidation

The accounts present the information of the company only. The group qualifies as a medium group and therefore the company is exempt from the requirement to prepare group accounts under section 248 of the Companies Act 1985.

Turnover

Turnover represents the amounts derived from the provision of goods and services, net of value added tax.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:-

Plant and Equipment	15% p.a. reducing balance basis
Fixtures and Fittings	15% p.a. reducing balance basis
Computer Equipment	20% p.a. straight line basis and 33% p.a. straight line basis
Motor Vehicles	25% p.a. reducing balance basis

The freehold property is subject to a programme of repair and refurbishment, such that the residual value is at least equal to its book value. Having regard to this, it is the opinion of the directors that the depreciation of the property as required by the Companies Act 1985 and accounting standards would not be material.

NOTES TO THE ACCOUNTS (CONTINUED)

YEAR ENDED 31ST DECEMBER 1997

1. Accounting Policies - continued

Stocks

Stocks are stated at the lower of cost and net realisable value as follows:

Raw Materials,	Purchase cost on a first-in, first-out
Consumables and	basis.
Goods for Resale	

Deferred Taxation

Deferred taxation is provided on the liability method on all material timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that taxation will be payable.

Leasing and Hire Purchase Commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

Interest charges are allocated to the profit and loss account over the period of the contract and represent a constant proportion of the balance of capital outstanding.

Operating Leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Pension Contributions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

NOTES TO THE ACCOUNTS (CONTINUED)YEAR ENDED 31ST DECEMBER 1997

	<u>1997</u>	<u>1996</u>
<u>2. Operating Profit</u>		
<u>is stated after charging or crediting:</u>	£	£
Auditors' Remuneration		
- for audit work	3000	3000
- for non-audit work	4750	3750
Depreciation of Tangible Fixed Assets		
- owned assets	24841	19332
- assets held under finance leases and hire purchase contracts	4187	2575
Operating Lease Rentals		
- other	774	929
Employee Pension Costs	4655	4702
Permanent Diminution in Value of Investment	5688	-
	<u> </u>	<u> </u>
<u>3. Interest Payable and</u>		
<u>Similar Charges</u>	£	£
On Bank Loans and Overdrafts	1570	159
Finance Charges	1332	3157
	<u> </u>	<u> </u>
	2902	3316
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS (CONTINUED)YEAR ENDED 31ST DECEMBER 19974. Staff Numbers and Costs and Directors' Remuneration

The average monthly number of employees during the year (including directors) was made up as follows:-

	<u>1997</u>	<u>1996</u>
Management	11	11
Production and Sales Staff	30	30
	<hr/>	<hr/>
Staff costs (including directors) during the year amounted to:	£	£
Salaries and Wages	512397	507833
Employer's National Insurance	60964	50025
Pension Costs	37375	37422
	<hr/>	<hr/>
	610736	595280
	<hr/>	<hr/>
Pension costs for employees (excluding directors) were to a defined contribution pension scheme and amounted to:	£	£
	4655	4702
	<hr/>	<hr/>
<u>Directors' Remuneration</u>	£	£
Fees	212960	211960
Pension Contributions	32720	32720
	<hr/>	<hr/>
	245680	244680
	<hr/>	<hr/>
The number of directors to whom retirement benefits are accruing under a defined contribution pension scheme was:	2	3
	<hr/>	<hr/>
	£	£
Emoluments (excluding pension contributions) of the highest paid director	62500	62500
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (CONTINUED)YEAR ENDED 31ST DECEMBER 1997

	<u>1997</u>	<u>1996</u>
	£	£
<u>5. Taxation</u>		
This comprises:		
Corporation Tax payable on profits for the year at 27% (1996: 27%)	62500	55000
Deferred Taxation	7197	5740
	_____	_____
	69697	60740
Adjustment re: (Under)/over provision in previous years	(666)	242
	_____	_____
	69031	60982
	=====	=====
	£	£
<u>6. Dividends Proposed</u>		
The dividends proposed were:		
Ordinary shares - proposed	-	130000
	=====	=====

H DAVENPORT AND SONS LIMITED
 NOTES TO THE ACCOUNTS (CONTINUED)
 YEAR ENDED 31ST DECEMBER 1997

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7. Tangible Fixed Assets

<u>Cost or Valuation</u>	<u>At start of year</u>	<u>Additions</u>	<u>Disposals</u>	<u>At end of year</u>
	£	£	£	£
Land and Buildings:				
Freehold	697461	-	-	697461
Plant and Equipment	209976	1423	-	211399
Fixtures and Fittings	57989	3420	-	61409
Computer Equipment	55536	23062	-	78598
Motor Vehicles	40299	9026	-	49325
	1061261	36931	-	1098192

<u>Depreciation</u>	<u>At start of year</u>	<u>Charge for the year</u>	<u>Disposal Adjustment</u>	<u>At end of year</u>
	£	£	£	£
Plant and Equipment	183431	4195	-	187626
Fixtures and Fittings	45629	2367	-	47996
Computer Equipment	47135	12654	-	59789
Motor Vehicles	10075	9812	-	19887
	286270	29028	-	315298

<u>Net Book Value</u>	<u>£</u>
As at 31st December 1997	782894
As at 31st December 1996	774991

Included in tangible fixed assets are the following amounts relating to assets held at 31st December 1997 under finance leases and hire purchase contracts:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Depreciation charge for the year</u>
	£	£	£	£
Motor Vehicles	19324	6762	12562	4187

NOTES TO THE ACCOUNTS (CONTINUED)YEAR ENDED 31ST DECEMBER 19978. InvestmentsGroup
CompaniesCost or Valuation

£

As at 1st January 1997

27306

Additions

-

Disposals

-

As at 31st December 1997

27306

Amortisation

Charge for the year

5688

As at 31st December 1997

5688

Net Book Value

As at 31st December 1997

21618

As at 31st December 1996

27306

The company is:-

<u>Name of Company</u>	<u>Country of Incorporation</u>	<u>Holding</u>	<u>Proportion Held</u>	<u>Nature of Business</u>
B. Burgess & Sons Limited	England	Ordinary shares of £1	100%	Dormant Company

Financial Summary

£

Profit for the year ended
31st December 1997

Nil

Net Assets as at
31st December 1997

21618

H DAVENPORT AND SONS LIMITEDNOTES TO THE ACCOUNTS (CONTINUED)YEAR ENDED 31ST DECEMBER 1997

	<u>1997</u>	<u>1996</u>
	£	£
9. <u>Stocks</u>		
Raw Materials and Consumables	346663	299719
Goods for Resale	178412	193233
	<hr/>	<hr/>
	525075	492952
	<hr/>	<hr/>

The current replacement cost of stocks is not materially different from the historical cost.

10. Debtors

<u>Amounts falling due within one year:</u>	£	£
Trade debtors	826107	834097
Loans receivable	985	2358
Prepayments and accrued income	24223	14500
	<hr/>	<hr/>
	851315	850955
	<hr/>	<hr/>

11. Loans

<u>Amounts falling due within one year:</u>	£	£
Directors' current accounts	363670	254126
Other loans	85388	66000
	<hr/>	<hr/>
	449058	320126
	<hr/>	<hr/>

12. Bank Borrowings

<u>Amounts due within one year:</u>	£	£
Bank loan	11980	12028
<u>Amounts due after one year:</u>		
Bank loan	-	12000
	<hr/>	<hr/>
	11980	24028
	<hr/>	<hr/>

The bank loan is secured by an unlimited debenture dated 2nd August 1983.

H DAVENPORT AND SONS LIMITEDNOTES TO THE ACCOUNTS (CONTINUED)YEAR ENDED 31ST DECEMBER 1997

	<u>1997</u>	<u>1996</u>
<u>13. Obligations under Finance Leases and Hire Purchase Contracts</u>	£	£
Amounts payable:		
Within one year	5366	4556
In the second to fifth years	1247	380
	<hr/>	<hr/>
	6613	4936
Less: Finance charges allocated to future periods	777	254
	<hr/>	<hr/>
	5836	4682
	<hr/>	<hr/>
<u>14. Creditors</u>	<hr/>	<hr/>
<u>Amounts falling due after one year</u>	£	£
Bank loans and overdrafts	-	12000
Obligations under finance leases and hire purchase contracts (secured)	-	817
	<hr/>	<hr/>
	-	12817
	<hr/>	<hr/>
<u>15. Deferred Taxation</u>	£	£
The provision for deferred taxation, which represents the full potential liability, comprises:-		
Accelerated capital allowances	60341	53144
	<hr/>	<hr/>
Movement of deferred tax provision:	£	£
Balance as at 1st January 1997	53144	47404
Transfer for the year	7197	5740
	<hr/>	<hr/>
Balance as at 31st December 1997	60341	53144
	<hr/>	<hr/>

H DAVENPORT AND SONS LIMITEDNOTES TO THE ACCOUNTS (CONTINUED)YEAR ENDED 31ST DECEMBER 1997

	<u>1997</u>	<u>1996</u>
16. <u>Reconciliation of Movements in Shareholders' Funds</u>	£	£
Profit for the financial year after taxation	186494	162277
Dividends	-	(130000)
	<hr/>	<hr/>
Net addition to shareholders' funds	186494	32277
Opening shareholders' funds at 1st January 1997	1473006	1440729
	<hr/>	<hr/>
Closing shareholders' funds at 31st December 1997	1659500	1473006
	<hr/>	<hr/>

17. CommitmentsCapital Commitments

There were no capital commitments contracted for at the balance sheet date (1996: £Nil).

Operating Lease Commitments

At the balance sheet date the following commitments existed under non-cancellable operating leases expiring within two to five years:-

	£
Motor Vehicles	15970
	<hr/>
Office Equipment	1404
	<hr/>

18. Contingent Liabilities

There were no significant contingent liabilities at the balance sheet date (1996: £Nil).

19. Controlling Party

The company is not under the control of any one shareholder.

H DAVENPORT AND SONS LIMITEDNOTES TO THE ACCOUNTS (CONTINUED)YEAR ENDED 31ST DECEMBER 199720. Related Party TransactionsRelated Businesses

The following businesses are related parties of H. Davenport & Sons Limited:

<u>Name of Business</u>	<u>Nature of Relationship</u>
B. Burgess & Sons Limited	Wholly owned subsidiary of this company.
Wadco Engineering Limited	The directors of H Davenport & Sons Limited control 78% of the issued share capital of Wadco Engineering Limited.

and the following transactions took place with these businesses during the year:

<u>Name of Business</u>	<u>Type of Transaction</u>	<u>Amount</u>	<u>Balance due to that company at the year end</u>
		£	£
Wadco Engineering Limited	Management charges	24000	
	Re-charged expenses	5763	
	Purchases from	668287	26810
B. Burgess & Sons Limited	Monies due to that company		21618

Continued...

H DAVENPORT AND SONS LIMITEDNOTES TO THE ACCOUNTS (CONTINUED)YEAR ENDED 31ST DECEMBER 199720. Related Party Transactions - ContinuedRelated Individuals

The following transactions took place with individual related parties during the year:

Directors' current accounts

Creditors include the following amounts due to directors at the year end:

	<u>1997</u>	<u>1996</u>
	£	£
S. Davenport, Snr (Deceased)	10704	9622
J. Davenport, Esq.	118715	39255
S. Davenport, Jnr	83271	18046
Mrs. J. Davenport	102606	116340
Mrs. S. C. Davenport	48374	70863
	<u>363670</u>	<u>254126</u>

These balances arise as a result of drawings made against the opening balances due and emoluments voted but not paid at the year end.

All related party transactions

There are no provisions against any of the amounts owing at the year end and no amounts have been written off in respect of these transactions during the year.

All of the above transactions were undertaken at arms length on normal commercial terms.