

H DAVENPORT & SONS LIMITED
REPORT AND FINANCIAL ACCOUNTS
Year ended 31st December 1996

Company Registered No: 1026710

OWEN MILLICHAMP & CO
Chartered Accountants
WOLVERHAMPTON



H DAVENPORT & SONS LIMITED
(INCORPORATING B BURGESS AND SONS LIMITED)

DIRECTORS

S Davenport Senior - Chairman
J Davenport
S Davenport Junior
Mrs J Davenport
Mrs S Davenport

SECRETARY

J Davenport

REGISTERED OFFICE

Davenport House
47 Wednesfield Road
Willenhall
West Midlands WV13 1AL

REPORT AND ACCOUNTS - 31st December 1996

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The following pages do not form part of the statutory accounts

13 and 14	Schedules to the Profit and Loss Account
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H DAVENPORT AND SONS LIMITED
(INCORPORATING B BURGESS AND SONS LIMITED)
REPORT OF THE DIRECTORS

The Directors present their Report with the accounts of the Company for the year ended 31st December 1996.

PRINCIPAL ACTIVITY

The principal activity of the Company continued to be the manufacture of cut keys, key blanks and key cutting equipment.

REVIEW OF BUSINESS

A summary of the results of the year's trading is given on page 4 of the accounts.

Turnover has increased to over £3-8 million. The Directors consider the Profit achieved on ordinary activities before taxation to be satisfactory.

A dividend of £130,000 is proposed.

DIRECTORS

The Directors in office in the year and their beneficial interests in the Issued Ordinary Share Capital were as follows:-

	<u>31.12.96</u>	<u>31.12.95</u>
S Davenport Senior	250	250
J Davenport	3125	3125
S Davenport Junior	3125	3125
Mrs J Davenport	Nil	Nil
Mrs S Davenport	Nil	Nil

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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 apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the company will continue to operate.

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.

H DAVENPORT AND SONS LIMITED
(INCORPORATING B BURGESS AND SONS LIMITED)
REPORT OF THE DIRECTORS (CONTINUED)

FIXED ASSETS

Acquisitions and disposals of fixed assets during the year are recorded in the Notes to the Accounts.

In the opinion of the directors the open market value of the company's freehold property is a figure in excess of cost.

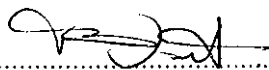
POLITICAL AND CHARITABLE CONTRIBUTIONS

Political and Charitable contributions paid during the year did not exceed £200.

AUDITORS

The auditors, Owen Millichamp & Co., will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

Approved by the board of directors on 29/10/97
and signed on their behalf by:-


.....

AUDITORS REPORT TO THE MEMBERS OF
H DAVENPORT AND SONS LIMITED
(INCORPORATING B BURGESS AND SONS LIMITED)

We have audited the financial statements on pages 4 to 12 which have been prepared in accordance with the accounting policies set out on page 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and 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 whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

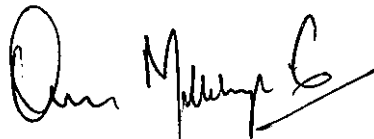
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. 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 the company's affairs at 31st December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chapel Ash House
6 Compton Road
Chapel Ash
WOLVERHAMPTON

29/10/97



OWEN MILLICHAMP & CO
Registered Auditors
Chartered Accountants

H DAVENPORT AND SONS LIMITED
(INCORPORATING B BURGESS AND SONS LIMITED)
PROFIT AND LOSS ACCOUNT
for the year ended 31st December 1996

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> £
TURNOVER	1 & 2	3,816,033	3,130,244
Cost of Sales		<u>2,960,431</u>	<u>2,336,703</u>
GROSS PROFIT		855,602	793,541
Distribution Costs		88,116	76,390
Selling and Marketing Expenses		195,697	188,349
Establishment Expenses		33,480	36,677
Administrative Expenses		<u>346,259</u>	<u>338,198</u>
OPERATING PROFIT	3	192,050	153,927
Bank Interest Received		<u>34,527</u>	<u>33,652</u>
		226,577	187,579
Interest Payable	6	<u>3,316</u>	<u>2,430</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		223,261	185,149
Taxation	7	<u>60,982</u>	<u>45,514</u>
PROFIT for the financial year		162,279	139,635
Dividends		<u>130,000</u>	<u>-</u>
RETAINED PROFIT for the financial year		32,279	139,635
RETAINED PROFIT at 1st January 1996		<u>1,434,227</u>	<u>1,294,592</u>
RETAINED PROFIT at 31st December 1996		<u>1,466,506</u>	<u>1,434,227</u>

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profit for the above two financial years.

H DAVENPORT AND SONS LIMITED
(INCORPORATING B BURGESS AND SONS)
BALANCE SHEET as at 31st December 1996

	Notes	1996 £	£	1995 £	£
<u>FIXED ASSETS</u>					
Tangible Assets	1 & 9		774,991		754,194
Investments	10		5,688		5,688
			<u>780,679</u>		<u>759,882</u>
<u>CURRENT ASSETS</u>					
Stocks	11	492,952		501,817	
Debtors	12	849,469		825,504	
Cash at Bank and in Hand		721,959		655,903	
			<u>2,064,380</u>		<u>1,983,224</u>
CREDITORS: Amounts falling due within one year	13	1,306,529		1,251,800	
NET CURRENT ASSETS			<u>757,851</u>		<u>731,424</u>
TOTAL ASSETS less CURRENT LIABILITIES			1,538,530		1,491,306
CREDITORS: Amounts falling due after more than one year	14		12,380		3,175
			<u>1,526,150</u>		<u>1,488,131</u>
<u>PROVISION FOR LIABILITIES AND CHARGES</u>					
Deferred Taxation	15		53,144		47,404
NET ASSETS			<u>1,473,006</u>		<u>1,440,727</u>
<u>CAPITAL AND RESERVES</u>					
Share Capital	18		6,500		6,500
Profit and Loss Account			1,466,506		1,434,227
SHAREHOLDERS FUNDS	17		<u>1,473,006</u>		<u>1,440,727</u>

Approved by the board of directors on
and signed on their behalf by:

29/10/97



Director

H DAVENPORT AND SONS LIMITED
(INCORPORATING B BURGESS AND SONS LIMITED)
CASH FLOW STATEMENT
for the year ended 31st December 1996

	Notes	<u>1996</u>		<u>1995</u>	
		£	£	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	1		104,861		78,080
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest Received			34,527		33,652
Interest Paid			<u>(3,316)</u>		<u>(2,430)</u>
			31,211		31,222
TAXATION			(40,242)		(48,736)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Purchase of fixed assets			(40,655)		-
Proceeds of sale of fixed assets			<u>5,600</u>		<u>13,228</u>
			(35,055)		13,228
EQUITY DIVIDENDS PAID			-		(30,000)
FINANCING					
Loans Received			25,000		-
Loan Repaid			(972)		-
Capital element of finance leases			<u>(18,747)</u>		<u>(21,466)</u>
			5,281		(21,466)
INCREASE/(DECREASE) IN CASH			<u>66,056</u>		<u>22,328</u>

H DAVENPORT & SONS LIMITED
(INCORPORATING B BURGESS AND SONS LIMITED)
NOTES TO THE CASH FLOW STATEMENT (Continued)
for the year ended 31st December 1996

	<u>1996</u>	<u>1995</u>
	£	£
1 <u>Reconciliation of operating profit to net cash inflow from operating activities</u>		
Operating Profit	192,050	153,927
Depreciation	21,907	14,082
Loss on sale of fixed assets	2,650	(1,580)
Decrease/(Increase) in stock	8,865	(23,036)
Decrease/(Increase) in debtors	(25,669)	(205,450)
(Decrease)/Increase in creditors	(94,942)	140,137
	<u>(87,189)</u>	<u>(75,847)</u>
Net cash inflow from operating profit	<u>104,861</u>	<u>78,080</u>
2 <u>Reconciliation of net cash flow to movement in net debt</u>		
Increase in cash in the year	66,056	22,328
Cash inflow from increase in debt and lease financing	<u>5,281</u>	<u>21,466</u>
Change in net funds resulting from cash flows	60,775	43,794
Finance leases acquired	<u>(10,299)</u>	<u>(27,326)</u>
Movement in net funds in the year	50,476	16,468
Net funds at 1st January 1996	<u>642,773</u>	<u>626,305</u>
Net funds at 31st December 1996	<u>693,249</u>	<u>642,773</u>

H DAVENPORT AND SONS LIMITED
(INCORPORATING B BURGESS AND SONS LIMITED)
NOTES TO THE CASH FLOW STATEMENT (Continued)
for the year ended 31st December 1996

3 <u>Analysis of changes in net funds</u>	<u>As at 1st</u> <u>January 1996</u> <u>£</u>	<u>Cash Flows</u> <u>£</u>	<u>Other</u> <u>Changes</u> <u>£</u>	<u>As at 31st</u> <u>December 1996</u> <u>£</u>
Cash at bank and in hand	655,903	66,056	-	721,959
Loans: Due within one year	-	(12,028)	-	(12,028)
Due after more than one year	-	(12,000)	-	(12,000)
Finance leases	(13,130)	18,747	(10,299)	(4,682)
	(13,130)	(5,281)	(10,299)	(28,710)
<u>Total funds</u>	642,773	60,775	(10,299)	693,249

H DAVENPORT AND SONS LIMITED
(INCORPORATING B BURGESS AND SONS LIMITED)
NOTES TO THE ACCOUNTS
for the year ended 31st December 1996

1 Basis of accounting

The accounts have been prepared under the historical cost convention.

Consolidation

The accounts present the information of the company only. Consolidated accounts have not been prepared since the group qualifies as a medium sized group and is entitled, therefore, to the exemptions conferred by Section 248 of the Companies Act 1985.

Turnover

Turnover represents sales takings and the invoice value of goods and services provided excluding value added tax.

Tangible Fixed Assets

Depreciation is provided at the following annual rates to write off the cost of fixed assets over their estimated useful lives:-

Freehold Properties	-	None
Motor Vehicles	-	25% per annum - reducing balance
Plant & Machinery	-	15% per annum - reducing balance
Office Furniture and Fittings	-	15% per annum - reducing balance
Computer Equipment	-	20% straight line

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.

Leased Assets

Fixed assets acquired under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The present value of the future rentals is shown as a liability. Interest and charges are allocated to the profit and loss account on a straight line basis.

Operating Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profit as incurred.

Stocks

Stock and work in progress is valued at the lower of replacement cost and net realisable value, after making allowance for obsolete and slow moving items.

Foreign Currencies

Assets and liabilities in foreign currencies are converted into sterling at the rates of exchange ruling at the Balance Sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Deferred Taxation

Provisions are made at appropriate rates for taxation deferred in respect of all material timing differences only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

Pensions

The company has a defined contribution pension scheme. The cost of contributions made by the company to the scheme are charged to profit and loss accounts as incurred.

H DAVENPORT AND SONS LIMITED
(INCORPORATING B BURGESS AND SONS LIMITED)
NOTES TO THE ACCOUNTS (Continued)
for the year ended 31st December 1996

2 TURNOVER

The turnover and profit before taxation is attributable to the one principal activity of the Company; and is attributed to geographical markets as follows:-

	<u>1996</u>	<u>1995</u>
	£	£
United Kingdom	3,677,315	3,005,198
Europe	121,114	111,938
America	274	136
Africa	17,330	12,338
Asia	-	294
Australia	-	340
	<u>3,816,033</u>	<u>3,130,244</u>

3 OPERATING PROFIT

The operating profit is stated after charging the following:-

Depreciation of tangible fixed assets	21,907	14,082
Operating lease charges	26,883	28,550
Staff costs (Note 4)	350,600	321,455
Auditors Remuneration	3,000	3,000
Audit fees	3,750	3,750
Accountancy charges	244,683	234,620
Directors' Emoluments (Note 5)	<u>244,683</u>	<u>234,620</u>

4 STAFF COSTS

Wages and Salaries	295,873	271,009
Social Security Costs	50,025	46,079
Staff Pension Contributions	4,702	4,367
	<u>350,600</u>	<u>321,455</u>

The average monthly number of employees are as follows:

Office Management	11	12
Production and Sales	30	28
	<u>41</u>	<u>40</u>

5 DIRECTORS' REMUNERATION

Directors' Remuneration:-

Directors' Emoluments	211,960	201,900
Pension Contributions under money purchase scheme	32,723	32,720
	<u>244,683</u>	<u>234,620</u>

Number of Directors for whom benefits are accruing under money purchase scheme

	3	3
	<u>62,500</u>	<u>62,500</u>

6 FINANCE COST

Interest on bank loan	159	-
Finance charges - Hire Purchase	3,157	2,430
	<u>3,316</u>	<u>2,430</u>

H DAVENPORT AND SONS LIMITED
(INCORPORATING B BURGESS AND SONS)
NOTES TO THE ACCOUNTS (Continued)
for the year ended 31st December 1996

	<u>1996</u>	<u>1995</u>
	£	£
7 TAXATION		
The tax on the profit on ordinary activities for the year is as follows:		
Corporation Tax @ 27% on profits for the year	55,000	40,000
Deferred Taxation at 25% (Note 16)	5,740	4,778
Adjustment re Prior Years	242	736
	<u>60,982</u>	<u>45,514</u>

8 DIVIDENDS ON EQUITY SHARES		
Proposed Dividends on 6,500 Ordinary Shares @ £20.00 per share	<u>130,000</u>	<u>NIL</u>

9 TANGIBLE FIXED ASSETS				
Cost	<u>As at 31.12.95</u>	<u>Disposals</u>	<u>Additions</u>	<u>As at 31.12.96</u>
	£	£	£	£
Freehold Property	697,461			697,461
Plant and Machinery	199,321		10,655	209,976
Office Furniture and Fittings	57,989			57,989
Computer Equipment	55,536			55,536
Motor Vehicles	11,000	(11,000)	40,299	40,299
	<u>1,021,307</u>	<u>(11,000)</u>	<u>50,954</u>	<u>1,061,261</u>

		<u>Eliminated on</u>	<u>Charge for the</u>	
Depreciation	<u>As at 31.12.95</u>	<u>Disposal</u>	<u>year</u>	<u>As at 31.12.96</u>
	£	£	£	£
Freehold Property	-	-	-	-
Plant and Machinery	178,746	-	4,685	183,431
Office Furniture and fittings	43,448	-	2,181	45,629
Computer Equipment	42,169		4,966	47,135
Motor Vehicles	2,750	(2,750)	10,075	10,075
	<u>267,113</u>	<u>(2,750)</u>	<u>21,907</u>	<u>286,270</u>
Written Down Value	<u>754,194</u>			<u>774,991</u>

The net book value of tangible fixed assets includes £7,725 (1995 - £18,555) in respect of assets held under finance leases. Depreciation charged on those assets amounted to £2,575 (1995 £6,185).

10 INVESTMENTS		
100% Investment in wholly owned Subsidiary Company		
- B Burgess & Sons Ltd., - Dormant Company		
(Registered in England)		
5550 Ordinary Shares of £1 each	<u>1996</u>	<u>1995</u>
	£	£
Aggregate capital and reserves		
Shares at Cost	27,306	27,306
Current Account	(21,618)	(21,618)
	<u>5,688</u>	<u>5,688</u>

H DAVENPORT AND SONS LIMITED
(INCORPORATING B BURGESS AND SONS LIMITED)
NOTES TO THE ACCOUNTS (Continued)
for the year ended 31st December 1996

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
11 STOCKS		
Raw Materials	299,719	300,790
Finished Goods	193,233	201,027
	<u>492,952</u>	<u>501,817</u>
12 DEBTORS		
Trade Debtors	834,097	804,058
Prepayments	14,500	18,870
Hire Purchase Interest not yet due	872	2,576
	<u>849,469</u>	<u>825,504</u>

Hire Purchase interest includes an amount of £60 (1995 £551) falling due after more than one year.

13 CREDITORS -Amounts falling due within one year		
Trade Creditors	479,939	479,329
Borrowings (Note 15)	17,202	12,531
Amount due to Associated Company	77,982	140,622
Social Security and other Taxes	78,761	81,838
Other Creditors	66,000	54,000
Accruals	147,519	155,509
	<u>867,403</u>	<u>923,829</u>
Directors Current Accounts	254,126	287,971
Proposed Dividend	130,000	-
Corporation Tax	55,000	40,000
	<u>1,306,529</u>	<u>1,251,800</u>

14 CREDITORS: -Amounts falling due after more than one year		
Borrowings (Note 15)	<u>12,380</u>	<u>3,175</u>

15 BORROWINGS		
Due within one year:-		
Bank Loan (Secured)	12,028	-
Obligations under finance leases	5,174	12,531
	<u>17,202</u>	<u>12,531</u>
Wholly repayable by instalments between 1-5 years		
Bank Loan	12,000	-
Obligations under finance leases	380	3,175
	<u>12,380</u>	<u>3,175</u>

Interest on the bank loan, which is repayable by November 1988 is charged at a margin over base rate.
The Loan is secured by an unlimited debenture dated 2nd August 1983.

H DAVENPORT AND SONS LIMITED
(INCORPORATING B BURGESS AND SONS LIMITED)
NOTES TO THE ACCOUNTS (Continued)
for the year ended 31st December 1996

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
16 <u>DEFERRED TAXATION</u>		
Provided for		
Accelerated Capital Allowances -		
Current Year	5,740	4,778
Brought forward	47,404	42,626
	<u>53,144</u>	<u>47,404</u>
17 <u>RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS</u>		
Profit for the financial year after taxation	162,279	139,635
Dividends	130,000	-
Net addition to shareholders funds	32,279	139,635
Opening shareholders funds at 1st January 1996	1,440,727	1,301,092
Closing shareholders funds at 31st December 1996	<u>1,473,006</u>	<u>1,440,727</u>
18 <u>CALLED UP SHARE CAPITAL</u>		
<u>Authorised</u>		
10000 Ordinary Shares of £1 each	<u>10,000</u>	<u>10,000</u>
<u>Allotted, issued and fully paid</u>		
6500 Ordinary Shares of £1 each	<u>6,500</u>	<u>6,500</u>
19 <u>COMMITMENTS</u>		
Capital Commitments		
At 31st December 1996 capital commitments were as follows:-		
Contracted but not provided for in the accounts	<u>9,000</u>	<u>10,000</u>
Lease commitments - operating leases		
At 31st December 1996 the company had the following commitments		
under non- cancellable operating leases:-		
expiring within one year	759	18,225
expiring in 1-5 years	50,133	5,730
20 <u>CONTROLLING PARTY</u>		
The company is not under the control of any one shareholder.		

H DAVENPORT AND SONS LIMITED
(INCORPORATING B BURGESS AND SONS LIMITED)
NOTES TO THE ACCOUNTS (Continued)
for the year ended 31st December 1996

21 RELATED PARTY TRANSACTIONS

Related Businesses

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

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

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/(from) at the year end</u>
		£	£
Wadco Engineering Limited	Management charges	24000	Nil
	Re-charged expenses	5455	Nil
	Purchases from	621703	77982

Directors current accounts

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

	<u>1996</u>	<u>1995</u>
	£	£
S Davenport Senior	9621	8462
J Davenport	39255	66123
S Davenport Junior	18046	52943
Mrs J Davenport	116341	99964
Mrs S Davenport	70863	60479
	<u>254126</u>	<u>287971</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.