

Coopers
& Lybrand

Yamato Lock Inspection Systems Limited
Annual report
for the period ended 31 December 1992

Registered no: 2683478

Yamato Lock Inspection Systems Limited

Annual report for the period ended 31 December 1992

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Yamato Lock Inspection Systems Limited

1

Directors and advisers

Directors

G Robinson

N J Logue

A I Ross

F E Pringle

T Hirano

S Kawanishi

Registered Auditors

Coopers & Lybrand
Abacus Court
6 Minshull Street
Manchester
M1 3ED

Solicitors

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Secretary and registered office

R G Codrington
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Bankers

Midland Bank PLC
P O Box 68
130 New Street
Birmingham
B2 4JU

**Directors' report
for the period ended 31 December 1992**

The directors present their report and the audited financial statements for the period ended 31 December 1992.

Principal activities

The consolidated profit and loss account for the period is set out on page 5.

The principal activities of the group are the assembly and sale of electronic metal detection equipment and distribution of checkweighers.

Review of business

The company was incorporated on 28 January 1992 following the conclusion during the second half of 1991 of negotiations between a fellow subsidiary, Lock International Limited and Yamato Scale Company Limited of Japan, to form a joint venture company. On 5 February 1992, the company entered into a business sale agreement whereby the business and net assets of Lock International Limited, together with Lock International Inc., a subsidiary of Lock International Limited, were transferred to the company. The net assets transferred were based on accounts at 31 December 1992 (note 19).

On 13 April 1992, with effect from 29 February 1992, the group acquired the net assets and business of Barkley & Dexter Laboratories Inc., a company incorporated in the United States of America, engaged in the manufacture and distribution of metal detectors and checkweighing equipment (note 19).

Dividends and transfers to reserves

The directors do not recommend payment of a dividend. The profit for the financial period of £335,000 has been transferred to reserves.

Research and development activities

The group is committed to research and development activities. All costs attributable to pure research have been written off in the period.

Changes in fixed assets

The movements in fixed assets during the period are set out in note 11 to the financial statements.

Directors

The directors of the company at 31 December 1992 and the dates of their appointment, are set out below:

| | Date of appointment |
|-------------|---------------------|
| G Robinson | 22 April 1992 |
| N J Logue | 28 January 1992 |
| A I Ross | 22 April 1992 |
| F E Pringle | 9 June 1992 |
| T Hirano | 8 June 1992 |
| S Kawanishi | 9 June 1992 |

Wildman & Battell Limited, a director on incorporation of the company, resigned on 28 January 1992.

Directors' interests in shares of the company

G Robinson and N J Logue are directors of the ultimate parent company, Transfer Technology Group plc, and their interests are disclosed in the financial statements of that company.

At 31 December 1992, A I Ross held the following options to purchase ordinary shares of 50p each in the ultimate parent company, Transfer Technology Group plc under The Transfer Technology Group plc Executive Share Option Scheme:

| Subscription price | Number of shares | Exercisable between |
|--------------------|------------------|-----------------------------|
| 295p | 8,212 | January 1995 - January 2002 |
| 295p | 2,737 | January 1997 - January 2002 |

None of the remaining directors had any interests in the shares of the company, or any other group company, at 31 December 1992.

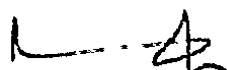
Taxation status

As far as the directors are aware, the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting. Until 1 June 1992 the Firm practised in the name of Coopers & Lybrand Deloitte.

By order of the board



R G Codrington
Secretary
19 April 1993

Report of the auditors to the members of Yamato Lock Inspection Systems Limited

We have audited the financial statements on pages 5 to 19 in accordance with Auditing Standards.

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 December 1992 and of the profit and cash flows of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand

Chartered Accountants and Registered Auditors
Manchester
19 April 1993

**Consolidated profit and loss account
for the period ended 31 December 1992**

| | Notes | 1992 £'000 |
|---|-------|-------------------|
| Turnover | 2 | 9,262 |
| Cost of sales | | (5,168) |
| Gross profit | | <u>4,094</u> |
| Other operating expenses | 3 | (3,652) |
| Operating profit | | <u>442</u> |
| Interest receivable and similar income | 6 | 5 |
| Interest payable and similar charges | 7 | <u>(103)</u> |
| Profit on ordinary activities before taxation | 8 | 344 |
| Taxation | 9 | <u>(9)</u> |
| Retained profit for the financial period | 23 | <u><u>335</u></u> |

Movement on reserves is set out in note 23 to the financial statements.

Balance sheets at 31 December 1992

| | Notes | Group 1992 £'000 | Company 1992 £'000 |
|--|-------|------------------------|--------------------------|
| Fixed assets | | | |
| Tangible assets | 11 | 1,837 | 742 |
| Current assets | | | |
| Stocks | 13 | 1,945 | 872 |
| Debtors | 14 | 4,047 | 4,162 |
| Cash at bank and in hand | | 570 | 483 |
| | | 6,562 | 5,517 |
| Creditors: amounts falling due within one year | 15 | 3,879 | 3,434 |
| Net current assets | | 2,683 | 2,083 |
| Total assets less current liabilities | | 4,520 | 2,825 |
| Creditors: amounts falling due after more than one year | 16 | 2,074 | 816 |
| Provisions for liabilities and charges | 17 | 21 | 21 |
| Accruals and deferred income | 18 | 12 | 12 |
| | | 2,107 | 849 |
| Net assets | | 2,413 | 1,976 |
| Capital and reserves | | | |
| Called up share capital | 22 | 2,000 | 2,000 |
| Profit and loss account | 23 | 413 | (24) |
| | | 2,413 | 1,976 |

The financial statements on pages 5 to 19 were approved by the board of directors on 19 April 1993 and were signed on its behalf by:

N J Logue
A I Ross
Directors



Consolidated cash flow statement for the period ended 31 December 1992

| | Notes | 1992 £'000 |
|--|-------|---------------|
| Net cash inflow from operating activities | 20 | 593 |
| Returns on investments and servicing of finance | | |
| Interest received | | 5 |
| Interest paid | | (99) |
| Interest paid on finance leases | | (4) |
| Net cash outflow from returns on investments and servicing of finance | | (98) |
| Investing activities | | |
| Purchase of net assets of a fellow subsidiary | 19 | (2,740) |
| Purchase of net assets of Barkley & Dexter | 19 | (1,549) |
| Purchase of tangible fixed assets | | (219) |
| Sale of tangible fixed assets | | 13 |
| Net cash outflow from investing activities | | (4,495) |
| Net cash outflow before financing | | (4,000) |
| Financing | | |
| Mortgage loans | | 636 |
| Inter-company loans | | 1,410 |
| Proceeds of issue of share capital | | 2,000 |
| New finance leases and hire purchase contracts | | 98 |
| Repayments under finance leases and hire purchase contracts | | (39) |
| Net cash inflow from financing | | 4,105 |
| Increase in cash and cash equivalents | 21 | 105 |

**Notes to the financial statements
for the period ended 31 December 1992**

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important group accounting policies, which have been applied consistently, is set out below.

Basis of consolidation

The consolidated financial statements include the company and its subsidiary undertakings. Inter-group sales and profits are eliminated fully on consolidation

Research and development

Expenditure on research and development of new products is charged against profits in the period in which it is incurred.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

| | % |
|-----------------------|---------|
| Plant and equipment | |
| Motor vehicles | 10 - 33 |
| Fixtures and fittings | 25 |
| Computer equipment | 20 - 25 |
| | 33 |

Leasehold land and buildings are amortised over 40 years or, if shorter, the period of the lease.

Finance and 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 obligations 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 profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Government grants

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related asset's useful life. Other grants are credited to the profit and loss account when received.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Foreign currencies

Assets and liabilities of foreign subsidiaries are translated into sterling at rates of exchange ruling at the end of the financial period and the results of the foreign subsidiaries are translated at the closing rate of exchange for the period. Differences on exchange arising from the retranslation of the opening net investment in subsidiaries taken are to reserves. All other foreign exchange differences are taken to the profit and loss account in the period in which they arise.

Pension costs

The group operates a defined contribution scheme the assets of which are administered by trustees in funds independent from those of the group. The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Turnover

Turnover represents the invoiced value of goods and services supplied and excludes value added tax.

2 Analysis of turnover by geographical area

| | 1992 £'000 |
|----------------------|---------------|
| Geographical segment | 2,764 |
| United Kingdom | 648 |
| Continental Europe | 5,253 |
| America | 535 |
| Asia | 62 |
| Other | <u>9,262</u> |

3 Other operating expenses

| | 1992 £'000 |
|----------------------|---------------|
| Distribution costs | 166 |
| Administrative costs | 3,486 |
| | <u>3,652</u> |

4 Directors' emoluments

The remuneration paid to the directors of Yamato Lock Inspection Systems Limited was:

| | 1992 £'000 |
|---|---------------|
| Fees | - |
| Other emoluments (including pension contributions and benefits in kind) | 84 |
| | <u>84</u> |

Fees and other emoluments (excluding pension contributions) include amounts paid to:

| | 1992 £'000 |
|---------------------------|---------------|
| The chairman | <u>-</u> |
| The highest paid director | <u>53</u> |

The number of directors (including the chairman and the highest paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

| | 1992 Number |
|--------------------|----------------|
| £0 to £5,000 | 5 |
| £25,001 to £30,000 | 1 |
| £50,001 to £55,000 | 1 |

5 Employee information

The average weekly number of persons (including executive directors) employed by the group during the period was:

| | 1992 Number |
|--------------------------|----------------|
| By function | |
| Production | 84 |
| Selling and distribution | 30 |
| Administration | 25 |
| | <hr/> |
| | 139 |
| | <hr/> |

| | 1992 £'000 |
|-------------------------------------|---------------|
| Staff costs (for the above persons) | |
| Wages and salaries | 2,254 |
| Social security costs | 250 |
| Other pension costs | 63 |
| | <hr/> |
| | 2,567 |
| | <hr/> |

6 Interest receivable and similar income

Interest receivable relates solely to bank interest.

7 Interest payable and similar charges

| | 1992 £'000 |
|---|---------------|
| On bank loans, overdrafts and other loans: | |
| Repayable within 5 years, not by instalments | 60 |
| Repayable within 5 years, by instalments | 39 |
| | <hr/> |
| | 99 |
| On finance leases and hire purchase contracts | 4 |
| | <hr/> |
| | 103 |
| | <hr/> |

8 Profit on ordinary activities before taxation

| | 1992 £'000 |
|--|---------------|
| Profit on ordinary activities before taxation is stated after crediting: | |
| Amortisation of government grants | 1 |
| And after charging: | |
| Depreciation charge for the period: | |
| Tangible owned fixed assets | 118 |
| Tangible fixed assets held under finance leases | 32 |
| Auditors' remuneration | 13 |
| Hire of other assets - operating leases | 40 |
| Loss on disposal of fixed assets | 3 |

9 Taxation on profit on ordinary activities

| | 1992 £'000 |
|--|---------------|
| United Kingdom corporation tax at 33%: | |
| Group relief | (12) |
| Deferred | 21 |
| | 9 |

10 Profit for the financial period

As permitted by Section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. Of the consolidated profit for the financial period of £335,000, a loss of £24,000 has been dealt with in the financial statements of the holding company.

11 Tangible fixed assets

| Group | Leasehold land and buildings £'000 | Plant and machinery £'000 | Fixtures and fittings £'000 | Total £'000 |
|--|---|---------------------------------|--------------------------------------|---------------------|
| Cost | - | - | - | - |
| At 28 January 1992 | - | - | - | - |
| Acquisition of assets of a fellow subsidiary | 509 | 588 | 189 | 1,286 |
| Exchange differences | 2 | 20 | 15 | 37 |
| Additions | 795 | 461 | 58 | 1,314 |
| Disposals | (11) | (66) | (13) | (90) |
| At 31 December 1992 | <u>1,295</u> | <u>1,003</u> | <u>249</u> | <u>2,547</u> |
| Depreciation | - | - | - | - |
| At 28 January 1992 | - | - | - | - |
| Acquisition of assets of a fellow subsidiary | 6 | 443 | 153 | 602 |
| Exchange differences | 1 | 19 | 12 | 32 |
| Charge for period | 16 | 99 | 35 | 150 |
| Eliminated in respect of disposals | (10) | (51) | (13) | (74) |
| 31 December 1992 | <u>13</u> | <u>510</u> | <u>187</u> | <u>710</u> |
| Net book value | 1,282 | 493 | 62 | 1,837 |
| At 31 December 1992 | <u><u>1,282</u></u> | <u><u>493</u></u> | <u><u>62</u></u> | <u><u>1,837</u></u> |

The net book value of tangible fixed assets includes an amount of £129,000 in respect of assets held under finance leases and hire purchase contracts.

| Company | Leasehold land and buildings £'000 | Plant and machinery £'000 | Fixtures and fittings £'000 | Total £'000 |
|--|---|---------------------------------|--------------------------------------|----------------|
| Cost | | | | |
| At 28 January 1992 | - | - | - | - |
| Acquisition of assets of a fellow subsidiary | 500 | 483 | 145 | 1,128 |
| Additions | - | 197 | 4 | 201 |
| Disposals | - | (31) | - | (31) |
| At 31 December 1992 | 500 | 649 | 149 | 1,298 |
| Depreciation | | | | |
| At 28 January 1992 | - | - | - | - |
| Acquisition of assets of a fellow subsidiary | - | 353 | 115 | 468 |
| Charge for period | 13 | 78 | 16 | 107 |
| Eliminated in respect of disposals | - | (19) | - | (19) |
| 31 December 1992 | 13 | 412 | 131 | 556 |
| Net book value | | | | |
| At 31 December 1992 | 487 | 237 | 18 | 742 |

12 Fixed asset investments

| Name of undertaking | Country of incorporation or registration | Description of shares held | Proportion of nominal value of issued shares held by | |
|---------------------------------------|--|----------------------------------|---|--------------|
| | | | Group % | Company % |
| Lock International Inc. | USA | Common stock of \$1 per share | 100 | 100 |
| Yamato Lock Inspection Systems Inc | USA | Common stock of \$1 per share | 100 | 100 |

As part of the acquisition of the net assets and business of Lock International Limited (note 19), the company acquired the share capital of Lock International Inc, a subsidiary of Lock International Limited.

The principal business activities of this subsidiary are similar to those of Yamato Lock Inspection Systems Limited. On 29 December 1992 the company acquired Yamato Lock Inspection Systems Inc, which is dormant. There is no separate disclosure of the investments on the face of the balance sheet because of the small size of the investments.

13 Stocks

| | Group 1992 £'000 | Company 1992 £'000 |
|-------------------------------------|------------------------|--------------------------|
| Raw materials and consumables | 1,459 | 670 |
| Work in progress | 223 | 177 |
| Finished goods and goods for resale | 263 | 25 |
| | <u>1,945</u> | <u>872</u> |

14 Debtors

| | Group 1992 £'000 | Company 1992 £'000 |
|-------------------------------------|------------------------|--------------------------|
| Amounts falling due within one year | | |
| Trade debtors | 2,315 | 1,090 |
| Amounts owed by group undertakings | 1,514 | 2,979 |
| Other debtors | 202 | 77 |
| Prepayments and accrued income | 16 | 16 |
| | <u>4,047</u> | <u>4,162</u> |

15 Creditors: amounts falling due within one year

| | Group 1992 £'000 | Company 1992 £'000 |
|--|------------------------|--------------------------|
| Obligations under finance leases | 54 | 54 |
| Payments received on account | 171 | 104 |
| Trade creditors | 1,408 | 1,118 |
| Amounts owed to group undertakings | 1,906 | 1,981 |
| Other taxation and social security payable | 71 | 71 |
| Accruals and deferred income | 269 | 106 |
| | <u>3,879</u> | <u>3,434</u> |

16 Creditors: amounts falling due after one year

| | Group 1992 £'000 | Company 1992 £'000 |
|------------------------------------|------------------------|--------------------------|
| Obligations under finance leases | 28 | 28 |
| Amounts owed to group undertakings | 1,410 | 788 |
| Mortgage note | 636 | - |
| | <u>2,074</u> | <u>816</u> |

The mortgage bears interest at a rate of 8.5% per annum and is repayable in equal quarterly instalments commencing in June 1994 and ending in March 1997. The mortgage is secured on land situated in Massachusetts, USA.

Finance leases

The future minimum lease payments to which the group and the company are committed under finance leases and hire purchase contracts are as follows:

| | 1992 £'000 |
|---------------------------|---------------|
| In one year or less | 54 |
| Between one and two years | 28 |
| | <u>82</u> |

17 Provisions for liabilities and charges

Deferred taxation

The total potential liability to deferred taxation which has been fully provided in the financial statements, is as follows:

| Group and company | 1992 £'000 |
|--|---------------|
| Tax effect of timing differences because of: Excess of tax allowances over depreciation | <u>21</u> |

18 Accruals and deferred income

| Group and company | £'000 |
|-----------------------------------|------------------|
| Government grants | - |
| At 28 January 1992 | 13 |
| Acquired from a fellow subsidiary | (1) |
| Amortisation in period | <u>12</u> |
| At 31 December 1992 | <u><u>12</u></u> |

19 Acquisitions

On 5 February 1992 the company acquired the business and net assets of a fellow subsidiary based on accounts at 31 December 1992. An analysis of the effect of these transfers is set out below:

| Net assets acquired | £'000 | Discharged by | £'000 |
|---|--------------|------------------------|---------------------|
| Tangible fixed assets | 684 | Issue of share capital | 2,000 |
| Stocks | 1,441 | Inter-company loan | 740 |
| Debtors | 1,736 | | |
| Cash at bank and in hand | 409 | | |
| Creditors: amounts falling due within one year | (1,517) | | |
| Creditors: amounts falling due after more than one year | (13) | | |
| | <u>2,740</u> | | <u><u>2,740</u></u> |

On 13 April 1992, with effect from 29 February 1992, the group acquired the net assets and business of Barkley & Dexter Laboratories Inc, a company incorporated in the United States of America. The assets and liabilities acquired are set out below:

| | Book value | Fair value adjustments | Fair value to the group |
|--|--------------|------------------------|-------------------------|
| | £'000 | £'000 | £'000 |
| Tangible fixed assets | 792 | 303 | 1,095 |
| Stock | 507 | - | 507 |
| Debtors | 346 | - | 346 |
| Creditors: amounts falling due within one year | (399) | - | (399) |
| | <u>1,246</u> | <u>303</u> | <u>1,549</u> |
| Net assets | | | |
| Satisfied by: | | | 636 |
| - mortgage loan | | | 243 |
| - cash | | | 670 |
| - inter-company loan | | | - |
| Goodwill | | | <u><u>-</u></u> |

The purchase has been accounted for by the acquisition method of accounting. As the acquisition relates to a business purchase, a meaningful determination of results prior to acquisition and in the preceeding year cannot be made.

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

| | 1992 £'000 |
|---|---------------|
| Operating profit | 442 |
| Depreciation on tangible fixed assets | 150 |
| Loss on sale of tangible fixed assets | 3 |
| Amortisation of government grants | 1 |
| Decrease in stocks | 125 |
| Increase in debtors | (1,842) |
| Increase in creditors | 1,714 |
| Net cash flow from operating activities | 593 |

21 Cash and cash equivalents

| | 1992 £ |
|--|-----------|
| Cash at bank and in hand | |
| At 28 January 1992 | - |
| Cash balances acquired from a fellow subsidiary | 409 |
| Net cash flow before adjustments for the effects of foreign exchange rates | 105 |
| Effect of foreign exchange rates | 56 |
| At 31 December 1992 | 570 |

22 Called up share capital

| | 1992 £'000 |
|--------------------------------------|---------------|
| Authorised | |
| 2,000,000 ordinary shares of £1 each | 2,000 |
| Allotted, called up and fully paid | |
| 2,000,000 ordinary shares of £1 each | 2,000 |

On 5 February 1992 the company issued 2,000,000 ordinary shares of £1 each as consideration for the purchase of the net assets and business of a fellow subsidiary.

23 Reserves

| | Profit and loss account | |
|---------------------------------------|-------------------------|-------------|
| | Group | Company |
| | £'000 | £'000 |
| At 28 January 1992 | - | - |
| Exchange differences | 78 | - |
| Retained profit/(loss) for the period | 335 | (24) |
| | <u>413</u> | <u>(24)</u> |
| At 31 December 1992 | <u>413</u> | <u>(24)</u> |

24 Capital commitments

The amount of capital expenditure that has been authorised by the directors but has not yet been contracted for is £22,000.

25 Financial commitments

At 31 December 1992 the group had annual commitments under non-cancellable operating leases, as follows:

| | 1992 |
|--|-----------|
| | £'000 |
| Expiring within one year | 4 |
| Expiring between two and five years, inclusive | 14 |
| | <u>18</u> |

26 Pension costs

The group operates a defined contribution scheme the assets of which are administered by trustees in funds independent from those of the group.

27 Ultimate parent company

The directors regard Transfer Technology Group Plc, a company registered in England, as the ultimate parent company. According to the register required to be kept by the company Transfer Technology Group Plc had a 75% interest in the equity capital of the company at 31 December 1992. Copies of the parent's consolidated financial statements may be obtained from The Secretary, Transfer Technology Group Plc, Roman Way, Coleshill, Birmingham, B46 1MQ.