

**Lock Inspection Systems Limited**

**Directors' report and financial  
statements**

Registered number 2683478

31 December 2007

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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

### **Principal activities**

The principal activities of the company are the manufacture and sale of metal detectors and checkweighing equipment

### **Review of performance and future prospects**

The performance of the company was good, across all regions, with strong activity in both machines sales and after-sales. We expect this to continue into the foreseeable future. The results for the year, which the directors consider to be satisfactory, are set out in the profit and loss account on page 5.

During the year, the entire issued share capital of the Company's ultimate parent, Lock Inspection Group Limited, was sold to Fleetness 523 Limited, a company owned by the current Group management team and backed by RBS. We consider this to have been a positive move to allow the Group to develop and expand over the coming years.

### **Principal risks and uncertainties facing the company**

A large proportion of the Company's business is transacted overseas, and the performance of the business is therefore exposed to significant movements in foreign currency exchange rates.

### **Financial risk management objectives and policies**

The Company's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

### **Cash flow risk**

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company uses foreign exchange forward contracts to hedge these exposures.

### **Credit risk**

The Company's principal financial assets are bank balances and cash, stock, and trade and other debtors.

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

### **Liquidity risk**

There is a minimal liquidity risk but the Company utilises the Group's cash pool arrangements to cover short term requirements.

### **Price risk**

The Company is exposed to commodity price risk. The Company does not manage its exposure to commodity price risk due to cost benefit considerations.

### **Proposed dividend**

The directors do not recommend the payment of a dividend (2006 £nil).

## **Directors' report** *(continued)*

### **Directors**

The directors who held office during the year were as follows

D Garnett  
M Randall  
H Hiran  
P Hartley  
H Massey (resigned 5 July 2007)

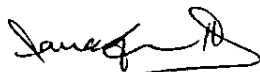
### **Political and charitable contributions**

The company made no political or charitable contributions during the year

### **Auditors**

A resolution has been passed, in accordance with Section 386 of the Companies Act 1985, to dispense with the obligation to appoint auditors annually

By order of the board



**D Garnett**  
*Secretary*

Lock House  
Neville Street  
Oldham  
Lancashire  
OL9 6LF

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP  
1 Waterloo Way  
Leicester  
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United Kingdom

## **Independent auditors' report to the members of Lock Inspection Systems Limited**

We have audited the financial statements of Lock Inspection Systems Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

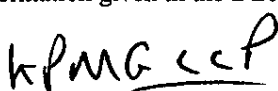
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

  
Chartered Accountants  
Registered Auditor

31 October 2008

**Profit and loss account**  
*for the year ended 31 December 2007*

	<i>Note</i>	<b>2007</b> <b>£000</b>	<b>2006</b> <b>£000</b>
<b>Turnover</b>	<i>2</i>	<b>7,705</b>	7,643
Cost of sales		<b>(4,571)</b>	(4,638)
<b>Gross profit</b>		<b>3,134</b>	3,005
Distribution costs		<b>(527)</b>	(544)
Administrative expenses		<b>(2,277)</b>	(1,996)
<b>Operating profit</b>		<b>330</b>	465
Net interest payable and similar charges	<i>6</i>	<b>(85)</b>	(120)
<b>Profit on ordinary activities before taxation</b>	<i>3</i>	<b>245</b>	345
Tax on profit on ordinary activities	<i>7</i>	<b>(56)</b>	(127)
<b>Profit for the financial year</b>	<i>14</i>	<b>189</b>	218

There are no recognised gains and losses, other than the profit for the year. This was generated entirely from the continuing operations on an historical cost basis.

**Balance sheet**  
 at 31 December 2007

	Notes	2007 £000	2006 £000
<b>Fixed assets</b>			
Tangible assets	8	326	343
Investments	9	-	-
<b>Current assets</b>			
Stocks	10	942	955
Debtors	11	2,942	2,470
Cash at bank and in hand		149	153
		<u>4,033</u>	<u>3,578</u>
<b>Creditors</b> amounts falling due within one year	12	<u>(3,132)</u>	<u>(2,883)</u>
<b>Net current assets</b>		<u>901</u>	<u>695</u>
<b>Net assets</b>		<u><u>1,227</u></u>	<u><u>1,038</u></u>
<b>Capital and reserves</b>			
Called up share capital	13	2,000	2,000
Profit and loss account	14	(773)	(962)
<b>Shareholders' funds</b>	15	<u><u>1,227</u></u>	<u><u>1,038</u></u>

These financial statements were approved by the board of directors on 13 October 2008  
 and were signed on its behalf by



**M Randall**  
 Director



**D Garnett**  
 Director



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable UK accounting standards and under the historical cost accounting rules. The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group accounts.

The directors have taken advantage of the exemption allowing them to dispense with the preparation of a cash flow statement as a consolidated cash flow statement is included in the parent company accounts.

As the company is a wholly owned subsidiary of Fleetness 523 Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions with entities which form part of the group.

#### *Tangible fixed assets and depreciation*

Depreciation is provided to write off the cost, less the estimated residual value, of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold buildings	-	40 years
Plant, machinery, fixtures and fittings	-	3 to 10 years

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date, and the gains or losses on translation are included in the profit and loss account.

#### *Leases*

Assets acquired under finance leases are capitalised, and the capital element of future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### *Post retirement benefits*

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. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods, cost is taken as production cost and includes an appropriate proportion of production overheads.

#### *Taxation*

The charge for taxation is based on the profit or loss for the year. Taxation deferred, because of timing differences between the treatment of certain items for taxation and accounting purposes, is not material and hence has not been taken into account.

#### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers. Sales are recognised at the point of despatch, and deposits and other payments on account, made by customers, are held in creditors until this point.

**Notes** *(continued)*

**2 Analysis of turnover by geographical area**

	2007 £000	2006 £000
United Kingdom	1,154	1,215
Continental Europe	2,952	2,990
America	1,944	1,725
Asia and Pacific Rim	1,655	1,713
	<u>7,705</u>	<u>7,643</u>

**3 Profit on ordinary activities before taxation**

	2007 £000	2006 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Audit	15	13
Depreciation and other amounts written off tangible fixed assets	29	30
Hire of other assets - operating leases	80	78
	<u>124</u>	<u>121</u>

**4 Remuneration of directors**

	2007 £000	2006 £000
Directors' emoluments	151	146
Company contributions to money purchase pension schemes	10	10
	<u>161</u>	<u>156</u>

	Number of directors	
	2007	2006
Retirement benefits are accruing to the following number of directors under Money purchase schemes	3	3

During the year, those directors who were also directors of Lock Inspection Group Limited were remunerated by that company

## Notes (continued)

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2007	2006
Production	49	47
Selling and distribution	9	10
Administration and technical	24	22
	<u>82</u>	<u>79</u>

The aggregate payroll costs of these persons were as follows

	2007	2006
	£000	£000
Wages and salaries	1,779	1,721
Social security costs	168	166
Other pension costs	103	103
	<u>2,050</u>	<u>1,990</u>

### 6 Interest payable and similar charges

	2007	2006
	£000	£000
On bank loans and overdrafts	40	25
Other interest payable	44	48
Loss on exchange	1	47
	<u>85</u>	<u>120</u>

## Notes (continued)

### 7 Taxation

	2007 £000	2006 £000
<i>Current tax</i>		
UK Corporation tax for the year	75	127
Adjustment in respect of prior years	(19)	-
	<u>56</u>	<u>127</u>

The difference between the tax current tax charge and the UK standard rate of corporation tax (30 per cent) is explained below

Profit on ordinary activities before tax	245	345
Current tax at 30% (2006 30%)	74	104
<i>Effects of</i>		
Difference between capital allowances and depreciation	1	4
Other non tax deductible expenditure	-	19
Prior year adjustment	(19)	-
Total current tax charge	<u>56</u>	<u>127</u>

### 8 Tangible fixed assets

	Leasehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
<i>Cost</i>				
At beginning of year	500	387	232	1,119
Additions	-	8	4	12
Disposals	-	(3)	(1)	(4)
At end of year	<u>500</u>	<u>392</u>	<u>235</u>	<u>1,127</u>
<i>Depreciation</i>				
At beginning of year	187	368	221	776
Charge for year	13	12	4	29
Eliminated on disposals	-	(3)	(1)	(4)
At end of year	<u>200</u>	<u>377</u>	<u>224</u>	<u>801</u>
<i>Net book value</i>				
At 31 December 2007	<u>300</u>	<u>15</u>	<u>11</u>	<u>326</u>
At 31 December 2006	<u>313</u>	<u>19</u>	<u>11</u>	<u>343</u>

## Notes (continued)

### 9 Fixed asset investments

	2007 £	2006 £
Investment in subsidiary undertaking	303	303

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issues shares held %
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Lock Inspection Systems Inc	USA	Common stock of \$1 per share	100
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The principal business activities of Lock Inspection Systems Inc are similar to those of Lock Inspection Systems Limited

### 10 Stocks

	2007 £000	2006 £000
Raw materials and consumables	583	592
Work in progress	264	264
Finished goods and goods for resale	95	99
	<u>942</u>	<u>955</u>

### 11 Debtors

	2007 £000	2006 £000
Trade debtors	683	498
Amounts owed by group undertakings	2,138	1,873
Other debtors	48	52
Prepayments and accrued income	73	47
	<u>2,942</u>	<u>2,470</u>

**Notes** *(continued)*

**12 Creditors: amounts falling due within one year**

	2007 £000	2006 £000
Payments received on account	37	52
Trade creditors	1,164	1,142
Amounts owed to group undertakings	1,543	1,254
Corporation tax	75	127
Other taxation and social security	67	66
Other creditors	20	17
Accruals and deferred income	226	225
	<u>3,132</u>	<u>2,883</u>

**13 Called up share capital**

	2007 £000	2006 £000
<i>Authorised</i>		
2,000,000 Ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>
<i>Allotted, called up and fully paid</i>		
2,000,000 Ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

**14 Profit and loss account**

	£000
At beginning of year	(962)
Profit for the year	189
	<u>(773)</u>
At end of year	

**15 Reconciliation of movements in shareholders' funds**

	2007 £000	2006 £000
Profit for the financial year	189	218
Opening shareholders' funds	1,038	820
	<u>1,227</u>	<u>1,038</u>
Closing shareholders' funds		

**Notes** *(continued)*

**16 Commitments**

Capital commitments amounted to £nil (2006 £nil) at the year end. Commitments for the annual rental payments for plant and machinery under operating leases are as follows:

	2007 £000	2006 £000
Expiring within one year	4	13
Expiring between two and five years inclusive	62	44
	<u>66</u>	<u>57</u>

The group's bank borrowings of £2,423,000 (2006 £1,359,000) are secured on the company's assets.

**17 Ultimate parent company**

The ultimate parent company is Fleetness 523 Limited, a company registered in England and Wales. Copies of its accounts are available from the Registrar of Companies.