

ATLANTIC ELECTRONICS LIMITED

COMPANY INFORMATION

Directors	Mr Rajnikant Harmanbhai Patel Mr Dilipkumar Kantibhai Patel Mr Kantibhai Harmanbhai Patel Mr Ashwin Harmanbhai Patel
Secretary	Mr Kantibhai Harmanbhai Patel
Company Number	1397862
Registered Office	39 High Road Willesden London NW10 2TG
Auditors	F S Dalal & Co 4-6 Peterborough Road Harrow HA1 2BQ
Bankers	State Bank of India Barclays Bank plc



ATLANTIC ELECTRONICS LIMITED

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ATLANTIC ELECTRONICS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 1997

The directors present their report together with the audited accounts for the year ended 31st December 1997.

Principal Activities and Review of Business

The company's principal activity continued to be that of wholesale and retail of electrical appliances and there was no significant change in this activity during the year.

Results and Dividends

The results for the year are set out in the profit and loss account on page 4.

The directors consider the state of the company's affairs to be satisfactory.

The turnover during the year was once again affected due to the stronger sterling value which affected both the export sales and the local sales.

The directors, however, will endeavour to improve the turnover in the foreseeable future in the hope that the sterling value will improve.

The directors recommend dividends amounting to £15,000 (1996 £15,000).

Directors

The directors who served during the year and their beneficial interests in the company's issued share capital were:

Ordinary Shares

	31st December 1997	1st January 1997
Mr Rajnikant Harmanbhai Patel	3,000	3,000
Mr Dilipkumar Kantibhai Patel	3,000	3,000
Mr Kantibhai Harmanbhai Patel	-	-
Mr Ashwin Harmanbhai Patel	-	-

Political and Charitable Contributions

During the year the company made the following political and charitable contributions:

Other charitable contributions	£ 3,080
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ATLANTIC ELECTRONICS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 1997

Directors' Responsibilities

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

Select suitable accounting policies and then apply them consistently;

Make judgements and estimates that are reasonable and prudent;

Prepare the accounts 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 enable them to ensure that the accounts 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.

Auditors

A resolution to reappoint F S Dalal & Co Chartered Accountants as auditors will be put to the members at the Annual General Meeting.

This report was approved by the board on 14th August 1998, and signed on its behalf.



Mr Kantibhai Harmanbhai Patel, Secretary
14th August 1998

AUDITORS' REPORT TO THE

SHAREHOLDERS OF ATLANTIC ELECTRONICS LIMITED

We have audited the accounts on pages 4 to 16 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective Responsibilities of Directors and Auditors

As described on page 1 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 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 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 the information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31st December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



F S Dhill & Co
Chartered Accountants
and Registered Auditors
4-6 Peterborough Road
Harrow
HA1 2BQ
Date: 17th August 1998

ATLANTIC ELECTRONICS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1997

	Notes	1997 £	1996 £
Turnover	2	8,737,365	10,195,548
Cost of Sales		8,007,553	9,509,388
Gross Profit		729,812	686,160
Administrative Expenses		627,043	574,576
		102,769	111,584
Other operating income		84,113	101,630
Operating Profit	3	186,882	213,214
Interest Receivable		945	1,804
Interest Payable and Similar Charges	4	(17,646)	(25,951)
Profit on Ordinary Activities before Taxation		170,181	189,067
Tax on profit on ordinary activities	6	50,277	59,019
Profit for the Financial Year		119,904	130,048
Dividends	7	15,000	15,000
Retained Profit for the Year		104,904	115,048
Retained Profit Brought Forward		572,992	457,944
Retained Profit Carried Forward		677,896	572,992

All amounts relate to continuing activities.

There were no recognised gains or losses for 1997 or 1996 other than those included in the profit and loss account.

ATLANTIC ELECTRONICS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31ST DECEMBER 1997

	1997 £	1996 £
Statement of Total Recognised Gains and Losses		
Profit for the financial year	119,904	130,048
Unrealised deficit on revaluations of freehold land and buildings	-	-
Total recognised gains relating to the year	<u>119,904</u>	<u>130,048</u>

ATLANTIC ELECTRONICS LIMITED

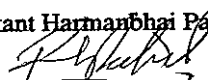
BALANCE SHEET

AS AT 31ST DECEMBER 1997

	Notes	1997	1996
		£	£
Fixed Assets			
Tangible assets	8	553,204	379,572
Investments	9	1	1
		<u>553,205</u>	<u>379,573</u>
Current Assets			
Stocks	10	840,398	775,672
Debtors	11	730,329	953,417
Current asset investments	12	2	2
Cash at bank and in hand		207,308	181,214
		<u>1,778,037</u>	<u>1,910,305</u>
Creditors: Amounts Falling Due Within One Year	13	<u>1,593,346</u>	<u>1,656,886</u>
Net Current Assets		<u>184,691</u>	<u>253,419</u>
Total Assets Less Current Liabilities		<u>737,896</u>	<u>632,992</u>
Capital and Reserves			
Share Capital - Equity	14	60,000	60,000
Profit and loss account		677,896	572,992
Shareholders' Funds	20	<u>737,896</u>	<u>632,992</u>

These accounts were approved by the board on 14th August 1998 and signed on its behalf.

Mr Rajnikant Harmanbhai Patel
Director



ATLANTIC ELECTRONICS LIMITED**CASH FLOW STATEMENT****FOR THE YEAR ENDED 31ST DECEMBER 1997**

	Notes	1997 £	1996 £
Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities			
Operating profit		186,882	213,214
Depreciation		39,270	23,956
Increase in stocks		(64,726)	104,021
Decrease in debtors		223,088	661,532
Decrease in creditors		(138,065)	(421,803)
Net Cash Inflow from Operating Activities		246,449	580,920
CASH FLOW STATEMENT			
Net Cash Inflow from Operating Activities		246,449	580,920
Returns on Investments and Servicing of Finance		(16,701)	(24,147)
Taxation		(107,552)	(11,478)
Capital Expenditure		(212,902)	(24,576)
Equity Dividends Paid		(15,000)	(18,750)
Cash Outflow Before Use of Liquid Resources and Financing		(105,706)	501,969
Decrease in Cash		(105,706)	501,969
Reconciliation of Net Cash Flow to Movement in Net Cash			
Decrease in Cash in the Year		(105,706)	501,969
Decrease in Net Cash		(105,706)	501,969
Net Cash at 1st January 1997		57,934	(444,035)
Net Funds at 31st December 1997		(47,772)	57,934

The notes on pages 8 to 16 form part of these accounts.

ATLANTIC ELECTRONICS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

1 Accounting Policies

Basis of Accounting

The Accounts have been prepared under the historical cost convention.

The company is exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985. These accounts therefore present information about the company as an individual undertaking and not about its group.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

Depreciation

Depreciation is calculated to write down the cost of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates and periods generally applicable are:

- Freehold properties - Over 25 years
- Motor vehicles - Over 4 years
- Fixtures and fittings - Over 5 years
- Short Leasehold Property - Over the term of the lease

Investments

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Contribution to Pension Funds

(For a Defined Contribution Scheme)

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

ATLANTIC ELECTRONICS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

Leased Assets

Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the Profit and Loss Account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the Profit and Loss Account on a straight line basis over the lease term.

2 Turnover

The geographical analysis of turnover is as follows:

	1997 £	1996 £
Europe	2,167,934	3,363,718
Uk	5,879,694	6,116,000
Rest of World	689,737	715,830
	<u>8,737,365</u>	<u>10,195,548</u>

3 Operating Profit

The operating profit is arrived at after charging or crediting:

	1997 £	1996 £
Depreciation of owned assets	39,270	23,956
Hire of equipment - operating leases	622	11,105
Auditors' remuneration	10,000	11,000
	<u>49,892</u>	<u>46,061</u>

4 Interest Payable and Similar Charges

	1997 £	1996 £
Bank overdrafts and loans	17,646	25,951
	<u>17,646</u>	<u>25,951</u>

ATLANTIC ELECTRONICS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

5 Directors and Employees

Staff costs, including directors' remuneration, were as follows:

	1997	1996
	£	£
Wages and salaries	302,832	287,718
Social security costs	26,283	26,270
Other pension costs	35,000	34,046
	<u>364,115</u>	<u>348,034</u>

The average monthly number of employees, including directors, during the year was as follows:

	1997	1996
	Number	Number
Administration	4	4
Management	2	2
Selling and distribution	21	20
	<u>27</u>	<u>26</u>

Directors' emoluments - as directors

	1997	1996
	£	£
Emoluments	90,050	96,150
Directors' pension contributions under defined contribution schemes	35,000	25,646
	<u>125,050</u>	<u>121,796</u>

6 Taxation

	1997	1996
	£	£
Based on the profit for the year		
UK corporation tax at 33%/31% (1996 33%)	51,000	56,000
Taxation (Over)/under provided in previous years	(723)	3,019
	<u>50,277</u>	<u>59,019</u>

7 Dividends

	1997	1996
	£	£
Ordinary dividends - paid	15,000	15,000
	<u>15,000</u>	<u>15,000</u>

ATLANTIC ELECTRONICS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

8 Tangible Fixed Assets

	Freehold Land and Buildings	Motor Vehicles	Fixtures and Fittings	Short Leasehold Premises	Total
Cost	£	£	£	£	£
At 1st January 1997	388,524	59,368	128,915	20,051	596,858
Additions	189,176	23,310	416	-	212,902
At 31st December 1997	577,700	82,678	129,331	20,051	809,760
Depreciation					
At 1st January 1997	31,053	37,269	128,914	20,050	217,286
Charge for the year	23,108	16,079	83	-	39,270
At 31st December 1997	54,161	53,348	128,997	20,050	256,556
Net Book Value					
At 31st December 1997	523,539	29,330	334	1	553,204
At 31st December 1996	357,471	22,099	1	1	379,572

Leasehold premises is a short term leasehold situated at 39 High Road, London NW10.

Freehold properties are situated at 37 High Road and 295/297 High Road, London NW10. An additional freehold property, situated at 12/14 Village Way, London NW10, was acquired during the year at a cost of £177,878.

The freehold premises comprise of freehold land and building. In the opinion of the directors the freehold land and buildings are split on an arbitrary basis with half of the cost being allocated to freehold land.

ATLANTIC ELECTRONICS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

9 Fixed Assets Investments

	Shares in Group Undertakings	Total
Cost	£	£
At 1st January 1997	1	1
At 31st December 1997	1	1
Net Book Value		
At 31st December 1997	1	1
At 31st December 1996	1	1

The company owns 50% of issued share capital of A & M Electronics Ltd. which is an unlisted company registered in England. The company's activities are retail, wholesale and export of Hi-Fi and other electrical appliances. A & M Electronics Limited's financial statements for the year ended 28th February 1997 showed a loss of £20,258 after taxation and the aggregate amount of company's share capital and reserves at that date was £57,264.

10	Stocks	1997 £	1996 £
	Finished goods	840,398	775,672
		<u>840,398</u>	<u>775,672</u>
11	Debtors	1997 £	1996 £
	Trade debtors	640,936	710,131
	Amounts owed by group undertakings	57,213	60,765
	Other debtors	3,750	20,062
	Prepayments and accrued income	28,430	162,459
		<u>730,329</u>	<u>953,417</u>

ATLANTIC ELECTRONICS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

12	Current Asset Investments	1997	1996
		£	£
	S/term invest shares in group companies	<u>2</u>	<u>2</u>
		<u>2</u>	<u>2</u>
<p>Current asset investment is cost of shares in Cambridge Hi-Fi Ltd., £2.</p> <p>The company owns 100% of issued share capital of Cambridge Hi-Fi Ltd., which is an unlisted company in England. The company's activities are retail, wholesale and export of Hi-Fi and other electrical appliances.</p> <p>Cambridge Hi-Fi Limited's financial statements for the year ended 30th June 1997 showed a profit of £23,351 after taxation and the aggregate amount of company's share capital and reserves at that date was £(82,984).</p> <p>Shares of Cambridge Hi-Fi were bought for a consideration of £2 on 30th August 1991.</p>			
13	Creditors: Amounts Falling Due Within One Year	1997	1996
		£	£
	Bank loans and overdrafts	255,082	123,282
	Trade creditors	984,018	1,178,644
	Amounts owed to undertakings in which the company has a participating interest	127,895	105,605
	Corporation tax	51,000	108,275
	Other taxes and social security	47,707	7,641
	ACT payable	3,750	3,750
	Directors' loan accounts	34,058	43,482
	Accruals and deferred income	89,836	86,207
		<u>1,593,346</u>	<u>1,656,886</u>
<p>Bank overdraft is secured by a legal charge over freehold and leasehold properties of the company situated at 37/39 and 295/297 High Road, Willesden, London NW10. The bank also has a debenture charge on all the fixed and floating assets, present and future, of the company.</p>			
14	Share Capital	1997	1996
		£	£
	Authorised		
	Equity Shares		
	- Ordinary shares of £1 each	<u>60,000</u>	<u>60,000</u>
		<u>60,000</u>	<u>60,000</u>
	Allotted		
	Equity Shares		
	60,000 Allotted, called up and fully paid ordinary shares of £1 each	<u>60,000</u>	<u>60,000</u>

ATLANTIC ELECTRONICS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

15 Operating Lease Commitments

At 31 December 1997 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	1997	1996	1997	1996
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	-	11,105
Between two and five years	15,000	15,000	-	-
After five years	15,000	15,000	-	-
	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>11,105</u>

16 Deferred Taxation

There was no potential deferred tax liability as at 31st December 1997 (1996 £ Nil).

17 Contingent Liabilities

The bank has given a guarantee on behalf of the company for forward exchange contracts upto the limit of £500,000 and also the company has given a guarantee for £40,000 favouring H.M. Customs & Excise.

18 Post Balance Sheet Events

There were no post balance sheet events.

19 Pension Scheme

The company operates a defined contribution pension scheme for the benefit of the directors. The assets of the scheme are administered by trustees in a fund independent from those of the company.

The total contributions paid in the year amounted to £35,000 (1996 £34,046).

ATLANTIC ELECTRONICS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

20 Reconciliation of Shareholders' Funds

	1997 £	1996 £
Profit for the financial year	119,904	130,048
Dividends	(15,000)	(15,000)
Increase in the shareholders' funds	104,904	115,048
Opening shareholders' funds	632,992	517,944
Closing shareholders' funds	737,896	632,992

ATLANTIC ELECTRONICS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

21 Related Parties

During the year the company sold goods to the following companies, deemed related to the company:

1. Cambridge Hi-Fi Ltd.

Total amount of goods sold during the year amounted to £264,876 excl. VAT. The balance owed as at 31 December 1997 was £131,254 and subsequently all paid by the related company. No amounts were written off during the year. Cambridge Hi-Fi also owes the company £57,213 for other expenses incurred on their behalf. Cambridge Hi-Fi Ltd is wholly owned subsidiary of the company.

2. Munroview Ltd.

Total amount of goods sold during the year amounted to £1,146,597 Excl. VAT. The balance owed by the related company as at 31 December 1997 was £158,894 and subsequently all paid up. No amounts were written off during the year.

The company also owes Munroview Ltd £42,328 for the expenses incurred on behalf of the company.

Munroview Ltd is related due to common directors/ shareholders as follows:

Mr. D.K. Patel	Director - Atlantic Electronics Ltd/ Munroview Ltd.
Mr. R. H. Patel	Director - Atlantic Electronics Ltd / Munroview Ltd

Mr. D.K. Patel shareholding in Munroview Ltd is 33% and Mr. R. H. Patel shareholding in Munroview Ltd. is 34%.

3. A & M Electronics Ltd.

Total amount of goods sold during the year amounted to £1,671,932 excl. VAT.

The balance owed by the related company as at 31 December 1997 was £416,831 and was subsequently all paid up. No amounts were written off during the year.

The company also owes A & M Electronics Ltd. £85,567 for other expenses incurred on behalf of the company.

The company has a 50% shareholding in A & M Electronics Ltd and the following are also the directors of A & M Electronics Ltd.

Mr.D.K. Patel, Mr.K.H. Patel, Mr. R.H. Patel.