

PONY INTERNATIONAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1996

Registered Number 2121931



PONY INTERNATIONAL LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 1996.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company provides general administration and consultancy services. The company made a profit before tax of £188,190 (1995 - £58,512 loss). The directors do not foresee any significant changes in the company's activities during the current year.

RESULTS AND DIVIDENDS

The results for the year and proposed transfer to reserves are set out on page 4 of the financial statements. The directors do not recommend the payment of a dividend (1995 - £Nil).

DIRECTORS

The following held office during the year:

P McGuigan	Chairman
P Dundon	(Resigned 31 December 1996)

No director had any interest in the shares of the company in the year. Mr P McGuigan is a director of Pentland Group plc. and except as disclosed in the financial statements of that company, he has no interest in the shares of any other group undertaking.

At 31 December 1996, Mr P Dundon was beneficially interested in 35,000 share options of Pentland Group plc under the Executive Share Option Scheme. The options were granted on 21 April 1993 and are exercisable at 117 pence per share. In normal circumstances, these options may be exercised between three and ten years after the date of grant.

At 31 December 1996, he also beneficially held 7,582 options to acquire Pentland Group plc ordinary shares of 25 pence per share under the Savings Related Share Option Scheme dated 20 April 1995 and 8,214 options to acquire Pentland Group plc ordinary shares of 25 pence per share under the Savings Related Share Option Scheme dated 12 April 1996. These options are exercisable at 91 pence and 84 pence per share respectively and may, in normal circumstances, be exercised in the six months following the expiry of five or seven years after the date of grant.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the period to that date. In preparing those financial statements the directors are required:

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

PONY INTERNATIONAL LIMITED

DIRECTORS' REPORT

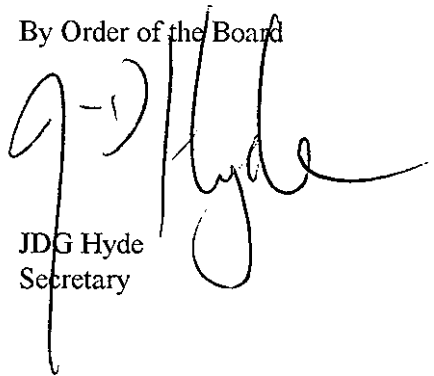
STATEMENT OF DIRECTORS' RESPONSIBILITIES CONT'D

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements of the company comply with the Companies Act 1985. The directors 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.

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution to re-appoint Price Waterhouse as auditors to the company will be proposed at the Annual General Meeting.

By Order of the Board

A handwritten signature in black ink, appearing to read 'JDG Hyde', is written over the typed name and title.

JDG Hyde
Secretary

6 March 1997

AUDITORS' REPORT TO THE SHAREHOLDERS OF PONY INTERNATIONAL LIMITED

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on pages 1 and 2, 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 statements and to 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 financial statements. It also includes an assessment of the significant estimates and judgements 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 of the state of the company's affairs as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, reading "Price Waterhouse". The signature is written in a cursive, flowing style, with the "P" being particularly large and stylized.

Price Waterhouse
Chartered Accountants
and Registered Auditors

London

6 March 1997

PONY INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1996

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> £
Turnover	3	(39)	211,354
Operating profit	4	<u>141,486</u>	<u>53,859</u>
Interest (net)	5	46,704	(112,371)
Profit/(loss) on ordinary activities before taxation		<u>188,190</u>	<u>(58,512)</u>
Taxation	6	72,185	(14,173)
Profit/(loss) on ordinary activities after taxation		<u>116,005</u>	<u>(44,339)</u>
Retained profits brought forward		140,188	184,527
Retained profits carried forward		<u>256,193</u>	<u>140,188</u>

The notes on pages 6 to 10 form part of these financial statements.

All recognised gains and losses are included in the profit and loss account. A separate movement of shareholders' funds statement is not provided as there are no changes for the current or previous year other than the retained profit in the profit and loss account.

PONY INTERNATIONAL LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1996

	<u>Notes</u>	<u>1996</u>	<u>1995</u>
		£	£
Current assets			
Stock	8	117	4,442
Debtors	9	423,292	410,313
Cash at bank and in hand		1,026,033	1,128,810
		<hr/>	<hr/>
		1,449,442	1,543,565
Current liabilities			
Creditors - amounts falling due within one year	10	1,193,247	1,403,375
		<hr/>	<hr/>
Total assets less current liabilities		256,195	140,190
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	11	2	2
Profit and loss account		256,193	140,188
		<hr/>	<hr/>
Total shareholder's funds (all attributable to equity interests)		256,195	140,190
		<hr/>	<hr/>

Approved by the Board on 6 March 1997

On behalf of the Board


 P McGuigan DIRECTOR

The notes on pages 6 to 10 form part of these financial statements.

PONY INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1996

1 ACCOUNTING POLICIES

Accounting convention The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Turnover Turnover comprises invoiced sales net of value added tax.

Foreign currency translation Assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the balance sheet date, or at contracted rates where appropriate. Transactions in foreign currencies during the year are translated at the rates of exchange ruling at the dates of the transactions, or at contracted rates where appropriate. All exchange differences are dealt with in the profit and loss account.

Pensions The company's employees are members of the Pentland Group plc pension scheme which is of the defined benefit type. The level of pension contributions is based upon the advice of qualified actuaries and a charge is made to the company in respect of its employee members. Details of the actuarial valuation of the pension scheme are disclosed in the financial statements of Pentland Group plc, the company's intermediate parent undertaking.

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

2 STATEMENT OF CASH FLOWS

Pentland Group plc, of which the company is a wholly owned subsidiary, has presented in its consolidated accounts a group cash flow statement drawn up under the provisions of Financial Reporting Standard 1: Cash Flow Statements (FRS 1). Accordingly the company has taken advantage of the exemption available under FRS 1 to dispense with presenting its own cash flow statement.

3 TURNOVER

Turnover by geographical area was as follows :

	<u>1996</u>	<u>1995</u>
	£	£
United Kingdom	(39)	11,644
Europe	-	199,710
Other	-	-
	<u>(39)</u>	<u>211,354</u>

Turnover is stated net of trade discounts but has been restated for 1995 to exclude other discounts which are now included in purchases and direct costs.

PONY INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)

4 OPERATING PROFIT

	<u>1996</u>	<u>1995</u>
	£	£
Turnover	(39)	211,354
Decrease in stock of finished goods	(4,325)	(15,558)
Service charges receivable from group undertakings	1,556,358	1,493,964
	<hr/>	<hr/>
	1,551,994	1,689,760
	<hr/>	<hr/>
Purchases and direct charges	-	304,840
Staff costs:		
Wages and salaries	346,056	270,630
Social security costs	31,876	29,387
Other pension costs	38,300	18,646
Auditors' remuneration	14,000	13,100
Profit on foreign exchange	(58,306)	(40,332)
Management charges payable to group undertakings	185,354	3,165
Other operating charges	853,228	1,036,465
	<hr/>	<hr/>
	1,410,508	1,635,901
	<hr/>	<hr/>
Operating profit	141,486	53,859
	<hr/>	<hr/>

5 INTEREST (NET)

	<u>1996</u>	<u>1995</u>
	£	£
Interest payable		
Bank	(1,488)	(1,530)
Group undertakings	-	(113,871)
Interest receivable		
Bank	564	3,030
Group undertakings	47,628	-
	<hr/>	<hr/>
	46,704	(112,371)
	<hr/>	<hr/>

PONY INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)

6 TAXATION

In 1996 the external corporation tax payable is included in creditors. Previously this was held in the amounts due to fellow subsidiary undertakings.

	<u>1996</u>	<u>1995</u>
	£	£
Corporation tax based on profits for the year at 33%	61,904	-
Losses surrendered under group relief at 33%	-	(14,173)
Under provision in previous years	10,281	-
	<u>72,185</u>	<u>(14,173)</u>

7 DIRECTORS AND EMPLOYEES

The average number of persons, including directors, employed by the company during the year was :

	<u>1996</u>	<u>1995</u>
Management and administration	11	10

	<u>1996</u>	<u>1995</u>
	£	£
Emoluments of the company's directors, including pension contributions	65,690	42,894

The Chairman did not receive any emoluments from the company during the year (1995 - £Nil). He received £6,000 (1995 - £6,000) from Pentland Group plc in respect of services provided by him to the company during the year.

The emoluments of the highest paid director, excluding pension contributions, were £58,429 (1995 - £38,856).

The number of directors whose emoluments, excluding pension contributions, fell in the following ranges were:

	<u>1996</u>	<u>1995</u>
£35,000 - £40,000	-	1
£55,000 - £60,000	1	-

PONY INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)

8 STOCK

	<u>1996</u>	<u>1995</u>
	£	£
Finished goods held for resale	117	4,442
	<hr/>	<hr/>

9 DEBTORS

	<u>1996</u>	<u>1995</u>
	£	£
Trade debtors	79,275	169,192
Amounts due from fellow subsidiary undertakings	343,073	218,549
Prepayments	-	8,399
Other Debtors	944	-
Corporation tax recoverable	-	14,173
	<hr/>	<hr/>
	423,292	410,313
	<hr/>	<hr/>

10 CREDITORS - amounts falling due within one year

	<u>1996</u>	<u>1995</u>
	£	£
Bank overdraft	-	99,055
Trade creditors	11,480	63,768
Amounts due to fellow subsidiary undertakings	763,863	961,552
Other creditors including social security and taxation	-	184,000
Accruals	356,000	95,000
Corporation tax payable	61,904	-
	<hr/>	<hr/>
	1,193,247	1,403,375
	<hr/>	<hr/>

PONY INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)

11 SHARE CAPITAL

	<u>1996</u>	<u>1995</u>
	£	£
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
Allotted, called up and fully paid:		
2 ordinary shares of £1 each	2	2
	<hr/>	<hr/>

12 COMMITMENTS AND CONTINGENCIES

The company is party to a guarantee in favour of Pentland Group's bankers regarding the aggregate set-off of the sterling current account balances, of Pentland Group plc and its subsidiaries.

The company's liability under this guarantee is limited to the lower of the aggregate account indebtedness of the relevant group companies and its own sterling current account credit balance with the bank.

13 PARENT UNDERTAKINGS

The intermediate parent undertaking, Pentland Group plc, a company registered in Scotland, will produce consolidated accounts for the year ended 31 December 1996 which will be available from Albany House, 58 Albany Street, Edinburgh EH1 3QR. The ultimate parent undertaking is Robert Stephen Holdings Limited, a company registered in England. Consolidated accounts will be prepared by Robert Stephen Holdings Limited for the year ended 31 December 1996 and these will be obtainable from the company's registered office at The Pentland Centre, Lakeside, Squires Lane, Finchley N3 2QL.

14 RELATED PARTIES

Pentland Group plc, of which the company is a wholly owned subsidiary, has presented in its consolidated accounts, which are publicly available, a related parties disclosure note under the provisions of Financial Reporting Standard 8 : Related Party Disclosures (FRS 8). Accordingly the company has taken advantage of the exemption available under FRS 8 to dispense with disclosing related party transactions with entities within the group, or investees of the group qualifying as related parties.