



U.K. Electric Limited

Accounts 31 December 1997

together with directors' and auditors' reports

Registered number: 2742081



Directors' report

For the year ended 31 December 1997

The directors present their annual report on the affairs of the Company, together with the accounts and auditors' report for the year ended 31 December 1997.

Principal activity and business review

The principal activity of the Company is the distribution of electrical equipment.

During the year the Company acquired two businesses, details of which are given in note 8 to the accounts.

The directors expect the general level of activity to continue in the current year.

Results and dividends

The result for the year is set out below:

	£
Accumulated deficit at 31 December 1996	(254,079)
Profit for the financial year	71,625
Goodwill written off	(95,000)
Accumulated deficit at 31 December 1997	<u>(277,454)</u>

The directors do not recommend the payment of a dividend.

Directors and their interests

The directors who served during the year were as follows:

R W Colburn
R Evans
I G Falconer
M P Mills

The directors who served during the year have no beneficial interest in the shares of the Company which require disclosure under Schedule 7(2) of the Companies Act 1985.

Directors' report (continued)

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 affairs of the Company and of the profit or loss of the Company for that financial year. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- 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 to 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

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Mill House
Hambridge Lane
Newbury
Berkshire
RG14 5LS

By order of the Board



R K Johnson
Secretary

26-10-98

ARTHUR ANDERSEN

Auditors' report

Bristol

To the Shareholders of U.K. Electric Limited:

We have audited the accounts on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 2, 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 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 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 circumstances of the Company, 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 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 Company's state of affairs at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

Broad Quay House
Broad Quay
Bristol
BS1 4DJ

26 October 1998

Profit and loss account

For the year ended 31 December 1997

	Note	1997 £	1996 £
Turnover			
Existing operations		12,788,102	12,406,423
Acquisitions		<u>1,413,301</u>	<u>-</u>
Continuing operations	2	<u>14,201,403</u>	<u>12,406,423</u>
Operating profit			
Existing operations		311,467	183,516
Acquisitions		<u>41,098</u>	<u>-</u>
Continuing operations	3	352,565	183,516
Interest receivable and similar income		10,282	6,283
Interest payable and similar charges	4	<u>(235,222)</u>	<u>(150,166)</u>
Profit on ordinary activities before taxation		127,625	39,633
Tax on profit on ordinary activities	6	<u>(56,000)</u>	<u>(23,907)</u>
Profit on ordinary activities after taxation, being profit for the financial year		71,625	15,726
(Accumulated deficit) retained profit, at beginning of year		(254,079)	30,195
Goodwill written off	8	<u>(95,000)</u>	<u>(300,000)</u>
Accumulated deficit, at end of year		<u>(277,454)</u>	<u>(254,079)</u>

The accompanying notes are an integral part of this profit and loss account.

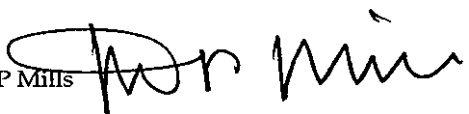
There are no recognised gains or losses other than the profit for each financial year as shown above.

Balance sheet

31 December 1997

	Note	1997 £	1996 £
Fixed assets			
Tangible assets	7	324,061	234,328
Investments	8	<u>460,595</u>	<u>103,106</u>
		<u>784,656</u>	<u>337,434</u>
Current assets			
Stocks - goods for resale		2,031,021	1,746,975
Debtors	9	<u>3,229,184</u>	<u>2,728,596</u>
		5,260,205	4,475,571
Creditors: Amounts falling due within one year	10	<u>(6,322,313)</u>	<u>(5,067,082)</u>
Net current liabilities		<u>(1,062,108)</u>	<u>(591,511)</u>
Net liabilities		<u>(277,452)</u>	<u>(254,077)</u>
Capital and reserves			
Called-up share capital	11	2	2
Profit and loss account		<u>(277,454)</u>	<u>(254,079)</u>
Equity shareholders' funds	12	<u>(277,452)</u>	<u>(254,077)</u>

Signed on behalf of the Board

M P Mills  Director

26-10-98

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

31 December 1997

1 Statement of accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

The accounts have been prepared on the going concern basis in view of the fact that the immediate parent company, Newbury Investments (UK) Limited, has agreed to provide financial support for the foreseeable future.

b) Group accounts

Group accounts have not been prepared as the Company has taken advantage of the relief under section 228 of the Companies Act 1985. The results of the Company are consolidated in the consolidated accounts of Newbury Investments (UK) Limited.

c) Tangible fixed assets

Tangible fixed assets are stated at cost, less depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Leasehold improvements	the life of the lease
Plant and machinery	4 years
Motor vehicles	4 years

d) Stocks

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

Provision is made for obsolete, slow-moving and defective items where appropriate.

e) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

f) Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts and VAT.

Notes to accounts (continued)

1 Statement of accounting policies (continued)

g) Cash flow statement

The Company has taken advantage of the exemption available in Financial Reporting Standard Number 1 (revised) "Cash Flow Statements" and has not produced a cash flow statement. All cash flows of the Company are included within the consolidated cash flow statement of Newbury Investments (UK) Limited (see note 14).

h) Goodwill

Goodwill arising on business acquisitions, representing the excess of the fair value of consideration given over the fair value of the net assets acquired, is written off to the profit and loss account reserve in the year of acquisition.

i) Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

2 Turnover

Turnover and profit on ordinary activities before taxation is attributable to the Company's principal activity which is the distribution of electrical equipment.

3 Operating profit

The operating profit for the year is stated after (charging) crediting:

	1997 £	1996 £
Changes in stocks of goods for resale	(32,552)	(5,721)
Other operating income	72,997	48,049
Goods for resale and consumables	(11,326,573)	(9,937,902)
Other external charges	(701,471)	(695,931)
Staff costs (note 5)	(1,270,198)	(1,064,717)
Depreciation charged on fixed assets	(117,688)	(98,076)
Other operating charges	(473,353)	(468,609)
	<u>(13,848,838)</u>	<u>(12,222,907)</u>
Auditors' remuneration - audit fee included within other external charges	<u>(19,500)</u>	<u>(12,500)</u>

The auditors also received £5,000 (1996 - £1,350) for non-audit services.

Notes to accounts (continued)

4 Interest payable and similar charges

	1997 £	1996 £
Bank overdraft and other loan	8,553	3,512
Loan from parent company	221,354	145,931
Finance leases and hire purchase agreements	5,315	723
	<u>235,222</u>	<u>150,166</u>

5 Staff costs

The average monthly number of persons employed during the year (including executive directors) was:

	1997 Number	1996 Number
Sales and distribution	61	52
Administration	17	17
	<u>78</u>	<u>69</u>

The aggregate remuneration of the persons employed during the year comprised:

	1997 £	1996 £
Wages and salaries	1,109,575	934,705
Social security costs	119,022	92,749
Other pension costs	41,601	37,263
	<u>1,270,198</u>	<u>1,064,717</u>

The directors received no emoluments during either year.

6 Tax on profit on ordinary activities

	1997 £	1996 £
Corporation tax at 31.5% (1996 – 33%)	<u>56,000</u>	<u>23,907</u>

There was no unprovided deferred taxation at either year end.

Notes to accounts (continued)

7 Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Total £
Cost				
Beginning of year	56,795	12,342	257,292	326,429
Additions	22,581	1,923	196,416	220,920
Disposals	(4,856)	(1,321)	(54,741)	(60,918)
End of year	<u>74,520</u>	<u>12,944</u>	<u>398,967</u>	<u>486,431</u>
Depreciation				
Beginning of year	14,597	2,400	75,104	92,101
Charge	15,061	4,598	98,029	117,688
Disposals	(4,847)	(1,315)	(41,257)	(47,419)
End of year	<u>24,811</u>	<u>5,683</u>	<u>131,876</u>	<u>162,370</u>
Net book value				
Beginning of year	<u>42,198</u>	<u>9,942</u>	<u>182,188</u>	<u>234,328</u>
End of year	<u>49,709</u>	<u>7,261</u>	<u>267,091</u>	<u>324,061</u>

The net book value of fixed assets held under finance leases and hire purchase agreements is £35,758 (1996: £79,454).

8 Fixed asset investments

	1997 £	1996 £
Subsidiary undertakings, at cost	<u>460,595</u>	<u>103,106</u>

The company has investments in the following subsidiary undertakings:

	Country of registration	Principal activity	Holding of ordinary shares	% held
Western Automation Limited	England & Wales	Dormant	100,000	100%
Ivac Limited	England & Wales	Dormant	10,000	100%
CSM Lighting Limited	England & Wales	Dormant	1,000	100%

Notes to accounts (continued)

8 Fixed asset investments (continued)

On 28 February 1997 the Company acquired 10000 ordinary shares of £1 each in Ivac Limited, being 100% of its nominal share capital for a cash consideration of £188,502.

On 30 May 1997 the Company acquired 1000 ordinary shares of £1 each in CSM Lighting Limited, being 100% of its nominal share capital for a cash consideration of £168,987.

Immediately following each acquisition the trade, assets and liabilities were transferred to the Company. The following tables set out the book values of the assets and liabilities acquired.

Ivac Limited

	£
Assets acquired:	
Fixed assets	36,664
Stocks	116,114
Debtors	191,901
Cash	38
Creditors	(216,215)
Net assets	128,502
Goodwill	60,000
	<u>188,502</u>
Satisfied by:	
Cash consideration	<u>188,502</u>

CSM Lighting Limited

	£
Assets acquired:	
Fixed assets	40,394
Stocks	114,057
Cash	257
Debtors	190,027
Creditors	(210,748)
Net assets	133,987
Goodwill	35,000
	<u>168,987</u>
Satisfied by:	
Cash consideration	<u>168,987</u>

For both acquisitions the fair value of the assets acquired was equal to their book value. Purchased goodwill of £95,000 has been written off to the profit and loss account reserve.

Notes to accounts (continued)

9 Debtors

Amounts falling due within one year:

	1997 £	1996 £
Trade debtors	3,208,384	2,725,631
Prepayments	20,800	2,965
	<u>3,229,184</u>	<u>2,728,596</u>

10 Creditors: Amounts falling due within one year

	1997 £	1996 £
Obligations under finance leases and hire purchase contracts	12,930	61,985
Bank overdraft (unsecured)	710,465	314,495
Trade creditors	1,902,798	2,135,056
Amount owed to parent undertaking	2,761,790	2,205,670
Amounts owed to fellow subsidiary undertaking	59,123	-
Amounts owed to subsidiary undertakings	337,820	-
Other creditors		
- UK corporation tax payable	89,713	23,907
- VAT	138,601	130,531
- PAYE	29,667	47,215
- other	279,218	139,966
Accruals and deferred income	188	8,257
	<u>6,322,313</u>	<u>5,067,082</u>

The amount owed to parent undertaking comprises a short term loan from the immediate parent company, Newbury Investments (UK) Limited (see note 14). This loan is unsecured, repayable on demand and interest bearing at a rate of 1.5% above the National Westminster Bank's base rate.

11 Called-up share capital

	1997 £	1996 £
<i>Authorised</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, called-up and fully paid</i>		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

Notes to accounts (continued)

12 Reconciliation of movement on equity shareholders' funds

	1997 £	1996 £
Profit for the financial year	71,625	15,726
Goodwill written off (note 8)	(95,000)	(300,000)
Opening shareholders' funds	(254,077)	30,197
Closing shareholders' funds	(277,452)	(254,077)

The cumulative amount of goodwill written off against reserves is £395,000 (1996: £300,000).

13 Guarantees and other financial commitments

a) Capital commitments

There were no capital commitments contracted for but not provided for at either year end.

b) Lease commitments

The company leases certain land and buildings on short and long-term operating leases. The annual rental on these assigned leases was £75,450 (1996: £147,183).

The minimum annual rentals under the foregoing leases are as follows:

	1997 £	1996 £
Operating leases which expire		
- within 1 year	-	7,471
- within 2 – 5 years	33,800	10,000
- after 5 years	41,650	135,450
	<u>75,450</u>	<u>152,921</u>

c) Pension arrangements

The pension cost for the year was £41,601 (1996: £37,263).

The company contributes to a defined benefit scheme operated by a non-group company which provides pensions to certain employees. The assets of the scheme are managed through a separate trustee administered fund.

The contributions to this fund are based upon independent actuarial advice using the projected unit method.

Triennial actuarial valuations of the scheme are made, with the most recent having been carried out at 1 June 1995.

The most significant assumption in arriving at this valuation is that the investment returns will exceed the increase in average earnings by 2%. The most recent actuarial valuation showed the market value of the scheme's assets was £40,900,000 with the actuarial value of the assets representing 107% of the liabilities which had accrued to members.

Notes to accounts (continued)

14 Controlling party and other related parties

The ultimate parent company is Newbury Investments BV, incorporated in the Netherlands. The smallest and largest group in which the results of the Company are consolidated is that headed by Newbury Investments (UK) Limited. A copy of these accounts may be obtained from Companies House. The ultimate controlling party of Newbury Investments (UK) Limited comprises the directors of Newbury Investments BV.

The Company is a wholly owned subsidiary undertaking of Newbury Investments (UK) Limited and has taken advantage of the exemption available under Financial Reporting Standard No. 8 not to disclose details of transactions with entities that are part of this group. The directors do not consider that transactions with other related parties are sufficiently material to influence decisions made by the users of these accounts.