

ARTHUR ANDERSEN

U.K. Electric Limited

Accounts 31 December 1996
together with directors' and auditors' reports
Registered number: 2742081



Directors' report

For the year ended 31 December 1996

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 1996.

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 13 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:

	£
Retained profit at 31 December 1995	30,195
Profit for the year after taxation	15,726
Goodwill written off	(300,000)
Accumulated deficit at 31 December 1996	<u>(254,079)</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

A handwritten signature in black ink, appearing to be 'R K Johnson', written over a horizontal line.

R K Johnson
Secretary

20 October 1997

Auditors' report

Reading

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 1996 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

20 October 1997

Profit and loss account

For the year ended 31 December 1996

	Note	1996 £	1995 £
Turnover			
Continuing operations		839,848	672,901
Acquisitions		11,566,575	-
	2	<u>12,406,423</u>	<u>672,901</u>
Operating profit			
Continuing operations		49,225	48,244
Acquisitions		134,291	-
	3	<u>183,516</u>	<u>48,244</u>
Interest receivable and similar income		6,283	3,091
Interest payable and similar charges	4	<u>(150,166)</u>	<u>(8,192)</u>
Profit on ordinary activities before taxation		39,633	43,143
Tax on profit on ordinary activities	6	<u>(23,907)</u>	<u>(14,668)</u>
Profit on ordinary activities after taxation, being profit for the financial year		15,726	28,475
Retained profit, at beginning of year		30,195	1,720
Goodwill, written off against profit and loss account reserve		<u>(300,000)</u>	<u>-</u>
(Accumulated deficit) retained profit, at end of year		<u>(254,079)</u>	<u>30,195</u>

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


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

Balance sheet

31 December 1996

	Note	1996 £	1995 £
Fixed assets			
Tangible assets	7	234,328	287
Investments	8	103,106	-
		<u>337,434</u>	<u>287</u>
Current assets			
Stocks - goods for resale		1,746,975	62,094
Debtors	9	2,728,596	144,085
Cash at bank		-	105,601
		<u>4,475,571</u>	<u>311,780</u>
Creditors: Amounts falling due within one year	10	<u>(5,067,082)</u>	<u>(281,870)</u>
Net current (liabilities) assets		<u>(591,511)</u>	<u>29,910</u>
Net (liabilities) assets		<u>(254,077)</u>	<u>30,197</u>
Capital and reserves			
Called-up share capital	11	2	2
Profit and loss account		<u>(254,079)</u>	<u>30,195</u>
Equity shareholders' funds	12	<u>(254,077)</u>	<u>30,197</u>

Signed on behalf of the Board


 M P Mills Director

20 October 1997

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

Notes to accounts

31 December 1996

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) 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

c) 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.

d) 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.

e) Turnover

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

f) Cash flow statement

The Company has taken advantage of the exemption available in Financial Reporting Standard Number 1 "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 15).

Notes to accounts (continued)

1 Statement of accounting policies (continued)

g) 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.

h) 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:

	1996 £	1995 £
Changes in stocks of goods for resale	(5,721)	(901)
Other operating income	48,049	41,722
Goods for resale and consumables	(9,937,902)	(493,659)
Other external charges	(695,931)	(34,754)
Staff costs (note 5)	(1,064,717)	(69,453)
Depreciation charged on fixed assets	(98,076)	(144)
Other operating charges	(468,609)	(67,468)
	<u>(12,222,907)</u>	<u>(624,657)</u>
Auditors' remuneration - audit fee included within other external charges	<u>(12,500)</u>	<u>(4,000)</u>

The auditors also received £1,350 (1995 - £300) for non-audit services.

Notes to accounts (continued)

4 Interest payable and similar charges

	1996 £	1995 £
On bank overdraft and other loan repayable within five years	3,512	8,192
On loan from parent company, repayable within five years	145,931	-
On finance leases and hire purchase agreements	723	-
	<u>150,166</u>	<u>8,192</u>

5 Staff costs

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

	1996 Number	1995 Number
Sales and distribution	52	4
Administration	17	2
	<u>69</u>	<u>6</u>

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

	1996 £	1995 £
Wages and salaries	934,705	64,473
Social security costs	92,749	4,980
Other pension costs	37,263	-
	<u>1,064,717</u>	<u>69,453</u>

The directors received no emoluments during either year.

6 Tax on profit on ordinary activities

	1996 £	1995 £
Corporation tax at 33%	<u>23,907</u>	<u>14,668</u>

There is 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	-	574	-	574
Additions	56,795	11,768	271,242	339,805
Disposals	-	-	(13,950)	(13,950)
End of year	<u>56,795</u>	<u>12,342</u>	<u>257,292</u>	<u>326,429</u>
Depreciation				
Beginning of year	-	287	-	287
Charge	14,597	2,113	81,366	98,076
Disposals	-	-	(6,262)	(6,262)
End of year	<u>14,597</u>	<u>2,400</u>	<u>75,104</u>	<u>92,101</u>
Net book value				
Beginning of year	-	287	-	287
End of year	<u>42,198</u>	<u>9,942</u>	<u>182,188</u>	<u>234,328</u>

The net book value of fixed assets held under finance leases and hire purchase agreements is £79,454 (1995 - £nil).

8 Fixed asset investments

Fixed asset investments represent the Company's investment in its wholly-owned subsidiary undertaking, Western Automation Limited, which is non-trading and registered in England and Wales.

Western Automation Limited was acquired on 1 January 1996. Details of the acquisition were as follows:

	£
Assets acquired -	
Cash at bank	<u>103,106</u>
Consideration paid	<u>103,106</u>

The fair value of the assets acquired was equal to their book value.

Notes to accounts (continued)

9 Debtors

	1996 £	1995 £
Amounts falling due within one year:		
Trade debtors	2,725,631	106,471
Amounts owed by a fellow subsidiary undertaking	-	37,362
Prepayments	2,965	252
	<u>2,728,596</u>	<u>144,085</u>

10 Creditors: Amounts falling due within one year

	1996 £	1995 £
Bank overdraft (unsecured)	314,495	-
Amount owed under finance leases and hire purchase agreements	47,215	-
Trade creditors	2,135,056	94,822
Amount owed to parent undertaking	2,205,670	100,000
Amounts owed to fellow subsidiary undertaking	-	17,522
Other creditors		
- UK corporation tax payable	23,907	12,554
- VAT	130,531	4,257
- other	201,951	7,900
Accruals and deferred income	8,257	44,815
	<u>5,067,082</u>	<u>281,870</u>

The amount owed to parent undertaking comprises a short term loan from the immediate parent company, Newbury Investments (UK) Limited (see note 15). 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

	1996 £	1995 £
<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

	1996 £	1995 £
Profit for the financial year	15,726	28,475
Goodwill written off (note 13)	(300,000)	-
Opening shareholders' funds	30,197	1,722
Closing shareholders' funds	<u>(254,077)</u>	<u>30,197</u>

The cumulative amount of goodwill written off against reserves is £300,000 (1995: £nil).

13 Other acquisitions

On 1 January 1996 the Company acquired the trade and certain assets of two businesses. The following tables set out the book values of the identifiable assets acquired.

Western Automation

	£
Assets acquired:	
Fixed assets	19,341
Stocks	783,556
Debtors	8,000
Cash	2,000
Total assets	<u>812,897</u>
Goodwill	100,000
	<u>912,897</u>
Satisfied by:	
Cash consideration	<u>912,897</u>

Notes to accounts (continued)

13 Acquisitions (continued)

Walsall Domestic Appliances

	£
Assets acquired:	
Fixed assets	38,989
Stocks	234,108
Cash	200
Total assets	<u>273,297</u>
Goodwill	200,000
	<u>473,297</u>
Satisfied by:	
Cash consideration	<u>473,297</u>

For both acquisitions the fair value of the assets acquired was equal to their book value. Purchased goodwill of £300,000 has been written off to the profit and loss account reserve.

14 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 leases was £147,183 (1995: £nil).

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

	1996 £	1995 £
Operating leases which expire		
- within 1 year	7,471	-
- within 2 - 5 years	10,000	-
- after 5 years	135,450	-
	<u>152,921</u>	<u>-</u>

Notes to accounts (continued)

14 Guarantees and other financial commitments (continued)

c) Pension arrangements

The pension cost for the year was £37,263 (1995: £nil).

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.

15 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.

16 Subsequent events

On 28 February 1997 and 30 May 1997 respectively the company acquired the entire issued ordinary share capital of IVAC Limited and CSM Lighting Limited. Both of these companies are engaged in the distribution of electrical goods.