

**Report of the Directors and  
Financial Statements  
for the Year Ended 31 December 1997  
for  
ELRO (UK) Limited**

2028653



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for the Year Ended 31 December 1997**

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**Company Information  
for the Year Ended 31 December 1997**

**DIRECTORS:** A Zimmermann  
R Fohn

**SECRETARY:** J A A McDonald and Hexagon Registrars Limited

**REGISTERED OFFICE:** Suite 3.5  
City Gate House  
39-45 Finsbury Square  
London  
EC2A 1UU

**REGISTERED NUMBER:** 2098653 (England and Wales)

**AUDITORS:** Williams & Co  
Chartered Accountants  
& Registered Auditors  
1a High Street  
Epsom  
Surrey  
KT19 8DA

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for the Year Ended 31 December 1997**

**DIRECTORS:**

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R Fohn

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**Report of the Directors  
for the Year Ended 31 December 1997**

The directors present their report with the financial statements of the company for the year ended 31 December 1997.

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of the distribution of cooking, heating and kitchen equipment.

**REVIEW OF BUSINESS**

The results for the year and financial position of the company are as shown in the annexed financial statements.

**DIVIDENDS**

No dividends will be distributed for the year ended 31 December 1997.

**DIRECTORS**

The directors during the year under review were:

J A A McDonald  
A Zimmermann  
R Fohn

- appointed 20.10.97    - resigned 01.01.98

The directors holding office at 31 December 1997 did not hold any beneficial interest in the issued share capital of the company at 1 January 1997 (or date of appointment if later) or 31 December 1997.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements 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 period. In preparing those 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;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements 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 auditors, Williams & Co, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

**ON BEHALF OF THE BOARD:**

  
.....  
- SECRETARY

Dated: 2nd April 1998

**Report of the Auditors to the Shareholders of  
ELRO (UK) Limited**

We have audited the financial statements on pages four to eleven which have been prepared under the historical cost convention and the accounting policies set out on page six.

**Respective responsibilities of directors and auditors**

As described on page two 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 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 of the state of the company's affairs as 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.

*Williams & Co*

Williams & Co  
Chartered Accountants  
& Registered Auditors  
1a High Street  
Epsom  
Surrey  
KT19 8DA

Dated: 15th May 1998

**Profit and Loss Account**  
for the Year Ended 31 December 1997

		<u>1997</u>	<u>1996</u>
	Notes	£	£
<b>TURNOVER</b>	2	460,295	295,651
Cost of sales		<u>231,244</u>	<u>214,683</u>
<b>GROSS PROFIT</b>		229,051	80,968
Administrative expenses		<u>194,403</u>	<u>165,762</u>
<b>OPERATING PROFIT/(LOSS)</b>	4	34,648	(84,794)
Interest payable and similar charges	5	<u>17,927</u>	<u>16,982</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		16,721	(101,776)
Tax on profit/(loss) on ordinary activities	6	<u>-</u>	<u>-</u>
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION</b>		16,721	(101,776)
Deficit brought forward		<u>(169,113)</u>	<u>(67,337)</u>
<b>DEFICIT CARRIED FORWARD</b>		<u>£(152,392)</u>	<u>£(169,113)</u>

**CONTINUING OPERATIONS**

None of the company's activities were acquired or discontinued during the current and previous years.

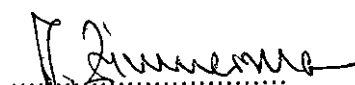
**TOTAL RECOGNISED GAINS AND LOSSES**

The company has no recognised gains or losses other than the profit for the current year and the loss for the previous year.

**Balance Sheet**  
**31 December 1997**

		<u>1997</u>		<u>1996</u>	
	Notes	£	£	£	£
<b>FIXED ASSETS:</b>					
Intangible assets	7		15,139		23,025
Tangible assets	8		<u>14,211</u>		<u>18,559</u>
			29,350		41,584
<b>CURRENT ASSETS:</b>					
Stocks	9	63,356		59,366	
Debtors	10	<u>129,954</u>		<u>142,947</u>	
		193,310		202,313	
<b>CREDITORS:</b> Amounts falling due within one year	11	<u>203,033</u>		<u>250,052</u>	
<b>NET CURRENT LIABILITIES:</b>			<u>(9,723)</u>		<u>(47,739)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES:</b>			19,627		(6,155)
<b>CREDITORS:</b> Amounts falling due after more than one year	12		<u>92,019</u>		<u>82,958</u>
			<u>£(72,392)</u>		<u>£(89,113)</u>
<b>CAPITAL AND RESERVES:</b>					
Called up share capital	14		80,000		80,000
Profit and loss account			<u>(152,392)</u>		<u>(169,113)</u>
Shareholders' funds	17		<u>£(72,392)</u>		<u>£(89,113)</u>

ON BEHALF OF THE BOARD:

  
.....  
- DIRECTOR

  
.....  
- DIRECTOR

Approved by the Board on 2 April 1998



**Notes to the Financial Statements  
for the Year Ended 31 December 1997**

**1. ACCOUNTING POLICIES**

**Accounting convention**

The financial statements have been prepared under the historical cost convention.

**Financial Reporting Standard Number 1**

Exemption has been taken from preparing a cash flow statement on the grounds that the company qualifies as a small company.

**Turnover**

Turnover represents net invoiced sales of goods, excluding value added tax.

**Goodwill**

Goodwill, being the amount paid in connection with the acquisition of a business in 1994, is being written off evenly over its estimated useful life of five years.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Plant and machinery	- 15% on cost
Fixtures and fittings	- 10% on cost
Motor vehicles	- 33% on cost

**Stocks**

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

**Deferred taxation**

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Hire purchase and leasing commitments**

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

**Pensions**

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

**Notes to the Financial Statements  
for the Year Ended 31 December 1997**

**2. TURNOVER**

The turnover and profit (1996 - loss) before taxation are attributable to the one principal activity of the company.

**3. STAFF COSTS**

	1997	1996
	£	£
Wages and salaries	86,042	71,326
Social security costs	7,878	7,199
Other pension costs	<u>2,095</u>	<u>1,694</u>
	<u>96,015</u>	<u>80,219</u>

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

	1997	1996
Directors	2	2
Operating	<u>3</u>	<u>3</u>
	<u>5</u>	<u>5</u>

**4. OPERATING PROFIT/(LOSS)**

The operating profit (1996 - operating loss) is stated after charging/(crediting):

	1997	1996
	£	£
Subcontract labour	15,165	15,173
Depreciation - owned assets	4,102	2,412
Depreciation - assets on hire purchase contracts or finance leases	3,465	3,464
(Profit)/Loss on disposal of fixed assets	(507)	1,554
Goodwill written off	7,886	7,909
Auditors' remuneration	<u>3,250</u>	<u>2,200</u>
Directors' emoluments	<u>11,668</u>	<u>-</u>

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	1997	1996
	£	£
Bank interest	10,989	7,425
Loan	<u>6,938</u>	<u>9,557</u>
	<u>17,927</u>	<u>16,982</u>

**6. TAXATION**

No liability to UK Corporation tax arose on ordinary activities for the year ended 31 December 1997 nor for the year ended 31 December 1996.

**Notes to the Financial Statements  
for the Year Ended 31 December 1997**

**7. INTANGIBLE FIXED ASSETS**

	<u>Goodwill</u>
	£
<b>COST:</b>	
At 1 January 1997	
and 31 December 1997	<u>39,439</u>
<b>AMORTISATION:</b>	
At 1 January 1997	16,414
Charge for year	<u>7,886</u>
At 31 December 1997	<u>24,300</u>
<b>NET BOOK VALUE:</b>	
At 31 December 1997	<u>15,139</u>
At 31 December 1996	<u>23,025</u>

**8. TANGIBLE FIXED ASSETS**

	<u>Plant and machinery</u>	<u>Fixtures and fittings</u>	<u>Motor vehicles</u>	<u>Totals</u>
	£	£	£	£
<b>COST:</b>				
At 1 January 1997	2,575	14,032	13,824	30,431
Additions	1,213	5,061	-	6,274
Disposals	<u>-</u>	<u>(4,256)</u>	<u>-</u>	<u>(4,256)</u>
At 31 December 1997	<u>3,788</u>	<u>14,837</u>	<u>13,824</u>	<u>32,449</u>
<b>DEPRECIATION:</b>				
At 1 January 1997	705	3,108	8,061	11,874
Charge for year	599	3,503	3,465	7,567
Eliminated on disposals	<u>-</u>	<u>(1,203)</u>	<u>-</u>	<u>(1,203)</u>
At 31 December 1997	<u>1,304</u>	<u>5,408</u>	<u>11,526</u>	<u>18,238</u>
<b>NET BOOK VALUE:</b>				
At 31 December 1997	<u>2,484</u>	<u>9,429</u>	<u>2,298</u>	<u>14,211</u>
At 31 December 1996	<u>1,871</u>	<u>10,924</u>	<u>5,764</u>	<u>18,559</u>

**Notes to the Financial Statements  
for the Year Ended 31 December 1997**

**8. TANGIBLE FIXED ASSETS - continued**

Fixed assets, included in the above, which are held under hire purchase contracts or finance leases are as follows:

	<u>Motor vehicles</u>
	£
<b>COST:</b>	
At 1 January 1997	
and 31 December 1997	<u>13,824</u>
<b>DEPRECIATION:</b>	
At 1 January 1997	8,061
Charge for year	<u>3,465</u>
At 31 December 1997	<u>11,526</u>
<b>NET BOOK VALUE:</b>	
At 31 December 1997	<u>2,298</u>
At 31 December 1996	<u>5,764</u>

**9. STOCKS**

	1997	1996
	£	£
Stock	<u>63,356</u>	<u>59,366</u>

**10. DEBTORS: AMOUNTS FALLING  
DUE WITHIN ONE YEAR**

	1997	1996
	£	£
V.A.T.	4,459	7,566
Trade debtors	93,990	105,223
Other debtors	10,100	9,400
Prepayments	<u>21,405</u>	<u>20,758</u>
	<u>129,954</u>	<u>142,947</u>

**Notes to the Financial Statements  
for the Year Ended 31 December 1997**

**11. CREDITORS: AMOUNTS FALLING  
DUE WITHIN ONE YEAR**

	1997 £	1996 £
Bank loans and overdrafts (see note 13)	188,623	186,337
Trade creditors	6,027	13,901
Hire purchase	1,468	2,202
Expenses control	-	185
Other creditors	-	38,577
Paye and social security	2,031	1,752
Accrued expenses	4,884	7,098
	<u>203,033</u>	<u>250,052</u>

**12. CREDITORS: AMOUNTS FALLING  
DUE AFTER MORE THAN ONE YEAR**

	1997 £	1996 £
Bank loans (see note 13)	92,019	81,490
Hire purchase	-	1,468
	<u>92,019</u>	<u>82,958</u>

**13. LOANS AND OVERDRAFTS**

An analysis of the maturity of loans and overdrafts is given below:

	1997 £	1996 £
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>188,623</u>	<u>186,337</u>
Amounts falling due between one and two years:		
Bank loans	<u>92,019</u>	<u>81,490</u>

**14. CALLED UP SHARE CAPITAL**

Authorised:				
Number:	Class:	Nominal value:	1997 £	1996 £
500,000	Ordinary Shares	£1	<u>500,000</u>	<u>500,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	1997 £	1996 £
80,000	Ordinary Shares	£1	<u>80,000</u>	<u>80,000</u>

**Notes to the Financial Statements  
for the Year Ended 31 December 1997**

**15. ULTIMATE PARENT COMPANY**

The ultimate holding company is Elro - Werke AG, a company incorporated in Switzerland.

**16. RELATED PARTY DISCLOSURES**

During the year, the company purchased goods with a value of £ 274,015 and paid £ 7,749 for subcontractors from it's holding company Elro Werke AG. The company also paid £ 8,011 for subcontractors from Elro GMBH , another company within the group. All of these transactions were carried out at market value.

**17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1997 £	1996 £
Profit/(Loss) for the financial year	<u>16,721</u>	<u>(101,776)</u>
<b>NET ADDITION/(REDUCTION) TO SHAREHOLDERS' FUNDS</b>	16,721	(101,776)
Opening shareholders' funds	<u>(89,113)</u>	<u>12,663</u>
<b>CLOSING SHAREHOLDERS' FUNDS</b>	<u>(72,392)</u>	<u>(89,113)</u>
Equity interests	<u>(72,392)</u>	<u>(89,113)</u>