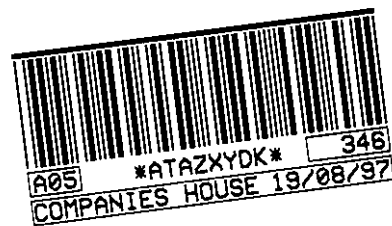


**Report of the Directors and
Financial Statements
for the Year Ended 31 December 1996
for
ELRO (UK) Limited**

2098653



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for the Year Ended 31 December 1996**

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**Company Information
for the Year Ended 31 December 1996**

DIRECTORS: A Zimmermann
R Fohn

SECRETARY: H. van Slagaren & Hexagon Registrars Ltd

REGISTERED OFFICE: Milton House
27 Station Road
Egham
Surrey
TW20 9LD

REGISTERED NUMBER: 2098653 (England and Wales)

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

**Report of the Directors
for the Year Ended 31 December 1996**

The directors present their report with the financial statements of the company for the year ended 31 December 1996.

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 1996.

DIRECTORS

The directors during the year under review were:

A Zimmermann
R Fohn

The directors holding office at 31 December 1996 did not hold any beneficial interest in the issued share capital of the company at 1 January 1996 or 31 December 1996.

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

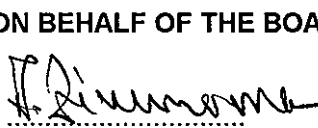
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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:


- DIRECTOR

Dated: 20. June 1997

**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 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


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

Dated: 20th June 1997

**Profit and Loss Account
for the Year Ended 31 December 1996**

		<u>1996</u>	<u>1995</u>
	Notes	£	£
TURNOVER	2	295,651	392,198
Cost of sales		<u>214,683</u>	<u>236,327</u>
GROSS PROFIT		80,968	155,871
Administrative expenses		<u>165,762</u>	<u>174,667</u>
OPERATING LOSS	4	(84,794)	(18,796)
Interest receivable and similar income	5	<u>-</u>	<u>224</u>
		(84,794)	(18,572)
Interest payable and similar charges	6	<u>16,982</u>	<u>13,662</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(101,776)	(32,234)
Tax on loss on ordinary activities	7	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		(101,776) ✓	(32,234)
Deficit brought forward		<u>(67,337)</u>	<u>(35,103)</u>
DEFICIT CARRIED FORWARD		<u>£(169,113) ✓</u>	<u>£(67,337)</u>

CONTINUING OPERATIONS

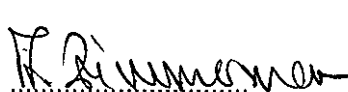
None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

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

Balance Sheet
31 December 1996

		<u>1996</u>		<u>1995</u>	
	Notes	£	£	£	£
FIXED ASSETS:					
Intangible assets	8		23,025 ✓		30,933
Tangible assets	9		<u>18,559</u> ✓		<u>23,211</u>
			41,584		54,144
CURRENT ASSETS:					
Stocks	10	59,366		53,543	
Debtors	11	<u>142,947</u> ✓		<u>205,093</u>	
		202,313		258,636	
CREDITORS: Amounts falling due within one year	12	<u>250,052</u>		<u>296,447</u>	
NET CURRENT LIABILITIES:			<u>(47,739)</u>		<u>(37,811)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			(6,155)		16,333
CREDITORS: Amounts falling due after more than one year	13		<u>82,958</u>		<u>3,670</u>
			<u>£(89,113)</u>		<u>£12,663</u>
CAPITAL AND RESERVES:					
Called up share capital	15		80,000		80,000
Profit and loss account			<u>(169,113)</u>		<u>(67,337)</u>
Shareholders' funds	16		<u>£(89,113)</u> ✓		<u>£12,663</u>

ON BEHALF OF THE BOARD:


- DIRECTOR

Approved by the Board on 20 June 1997

**Notes to the Financial Statements
for the Year Ended 31 December 1996**

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
Computer equipment	- 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 1996**

2. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the company.

3. STAFF COSTS

	1996	1995
	£	£
Wages and salaries	71,326	73,319
Social security costs	7,199	7,480
Other pension costs	<u>1,694</u>	<u>2,706</u>
	<u><u>80,219</u></u>	<u><u>83,505</u></u>

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

	1996	1995
Directors	2	2
Operating	<u>3</u>	<u>3</u>
	<u><u>5</u></u>	<u><u>5</u></u>

4. OPERATING LOSS

The operating loss is stated after charging:

	1996	1995
	£	£
Subcontract labour	15,173	-
Depreciation - owned assets	2,412	2,050
Depreciation - assets on hire purchase contracts or finance leases	3,464	3,456
Loss on disposal of fixed assets	1,554	1,000
Goodwill written off	7,909	7,016
Auditors' remuneration	<u>2,200</u>	<u>1,845</u>
Directors' emoluments	<u>-</u>	<u>-</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	1996	1995
	£	£
Deposit account interest	<u>-</u>	<u>224</u>

**Notes to the Financial Statements
for the Year Ended 31 December 1996**

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1996	1995
	£	£
Bank interest	7,425	2,041
Loan	<u>9,557</u>	<u>11,621</u>
	<u><u>16,982</u></u>	<u><u>13,662</u></u>

7. TAXATION

No liability to UK Corporation tax arose on ordinary activities for the year ended 31 December 1996 nor for the year ended 31 December 1995.

8. INTANGIBLE FIXED ASSETS

	<u>Goodwill</u>
	£
COST:	
At 1 January 1996	
and 31 December 1996	<u>39,439</u>
AMORTISATION:	
At 1 January 1996	8,506
Charge for year	<u>7,908</u>
At 31 December 1996	<u>16,414</u>
NET BOOK VALUE:	
At 31 December 1996	<u><u>23,025</u></u> ✓
At 31 December 1995	<u><u>30,933</u></u>

Notes to the Financial Statements
for the Year Ended 31 December 1996

9. TANGIBLE FIXED ASSETS

	Plant and machinery	Fixtures and fittings	Motor vehicles	Computer equipment	Totals
	£	£	£	£	£
COST:					
At 1 January 1996	2,397	13,189	13,824	606	30,016
Additions	179	-	-	6,855	7,034
Disposals	-	-	-	(6,618)	(6,618)
At 31 December 1996	<u>2,576</u>	<u>13,189</u>	<u>13,824</u>	<u>843</u>	<u>30,432</u>
DEPRECIATION:					
At 1 January 1996	290	1,765	4,596	154	6,805
Charge for year	415	1,068	3,464	929	5,876
Eliminated on disposals	-	-	-	(808)	(808)
At 31 December 1996	<u>705</u>	<u>2,833</u>	<u>8,060</u>	<u>275</u>	<u>11,873</u>
NET BOOK VALUE:					
At 31 December 1996	<u>1,871</u>	<u>10,356</u>	<u>5,764</u>	<u>568</u>	<u>18,559</u>
At 31 December 1995	<u>2,107</u>	<u>11,424</u>	<u>9,228</u>	<u>452</u>	<u>23,211</u>

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

	Motor vehicles
	£
COST:	
At 1 January 1996 and 31 December 1996	<u>13,824</u>
DEPRECIATION:	
At 1 January 1996	4,596
Charge for year	<u>3,464</u>
At 31 December 1996	<u>8,060</u>
NET BOOK VALUE:	
At 31 December 1996	<u>5,764</u>
At 31 December 1995	<u>9,228</u>

10. STOCKS

	1996 £	1995 £
Stock	<u>59,366</u> ✓	<u>53,543</u>

Notes to the Financial Statements
for the Year Ended 31 December 1996

11. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR

	1996 £	1995 £
V.A.T.	7,566 ✓	3,656
Trade debtors	105,223 ✓	169,564
Other debtors	9,400 ✓	9,300
Prepayments <i>insurance etc.</i>	20,758 ✓	22,573
	<u>142,947</u>	<u>205,093</u>

12. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR

	1996 £	1995 £
Bank loans and overdrafts (see note 14)	186,337 ✓	56,978
Trade creditors	13,901	17,135
Hire purchase	2,202	2,202
Expenses control	185	1,624
Other creditors	38,577	-
Paye and social security	1,752	-
Due to Elro Werke AG	-	210,464
Accrued expenses	7,098	8,044
	<u>250,052</u>	<u>296,447</u>

13. CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR

	1996 £	1995 £
Bank loans (see note 14)	81,490	-
Hire purchase	1,468	3,670
	<u>82,958</u>	<u>3,670</u>

14. LOANS AND OVERDRAFTS

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

	1996 £	1995 £
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>186,337</u>	<u>56,978</u>
Amounts falling due between one and two years:		
Due to the holding company:	<u>81,490</u>	<u>-</u>

**Notes to the Financial Statements
for the Year Ended 31 December 1996**

15. CALLED UP SHARE CAPITAL

Authorised:		Nominal value: £1	1996	1995
Number:	Class:		£	£
500,000	Ordinary Shares		<u>500,000</u>	<u>500,000</u>

Allotted, issued and fully paid:		Nominal value: £1	1996	1995
Number:	Class:		£	£
80,000	Ordinary Shares		<u>80,000</u> ✓	<u>80,000</u>

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996	1995
	£	£
Loss for the financial year	<u>(101,776)</u> ✓	<u>(32,234)</u>
NET REDUCTION OF SHAREHOLDERS' FUNDS	(101,776)	(32,234)
Opening shareholders' funds	<u>12,663</u> ✓	<u>44,897</u>
CLOSING SHAREHOLDERS' FUNDS	<u>(89,113)</u> ✓	<u>12,663</u>
Equity interests	<u>(89,113)</u>	<u>12,663</u>