Bachmann Europe Plc

Directors' report and consolidated financial statements

Registered number 2392907

31 December 2008

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

Principal activities

The principal activity of the company is the sale of model railways and accessories to retail outlets.

Results for the year

2008 has been another successful year.

Business review

2008 has seen a substantial growth in the sales of accessory and scenic's items. The Scenecraft range of buildings, vehicles and figures in both OO and N scales has increased in depth and variation, with large, high price items proving very popular with the end user. Scenescape trees have also been launched very successfully with good sales volumes across this extensive range.

The core business, model railway rolling stock, enjoyed positive growth with Branchline OO scale items responsible for an increase in sales of 18%. This was mainly due to the excellent sales performance of new items including the G2 freight and Standard Class 4 locomotives. The Graham Farish N scale range increased sales by 5%. This has been achieved by releasing the Blue Riband range of locomotives and rolling stock including the class 108 Diesel multiple unit.

Future development

2009 will see increased marketing activity to promote the Graham Farish products. We feel that the benefits of the new Blue Riband range and compact nature of the models are good reasons to choose N scale and should be highlighted as such.

The first train set incorporating the Dynamis digital control system will be a popular addition to the Branchline portfolio. Many keenly anticipated OO scale models will be released including the Class 150 DMU and the 4 CEP EMU. These Branchline models will provide a good revenue stream when released in the 2nd half of the year. Items featuring digital sound continue to be popular and two Key new items for 2009 are the Deltic and Class 45 diesel locomotive models. Further key Scenecraft models will be released periodically throughout 2009 in both N and OO scales.

Research and development

Development expenditure is incurred in relation to the design of artwork for models of British and European outlined model trains in order to enable expansion in the UK and European markets.

Directors

The directors who held office during the year were as follows:

Ivan Ting
Kenneth Ting
Graham Hubbard (as nominee for Kader Holdings Company Limited)
Colin Plester
Ivan Ting and Kenneth Ting are also directors of the ultimate parent company.

Directors' report *(continued)*

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

G Hubbard
Director

Moat Way
Barwell
Leicestershire
LE9 8EY

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards.

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that period.

In preparing these 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG LLP
1 Waterloo Way
Leicester
LE1 6LP

Independent auditors' report to the members of Bachmann Europe Plc

We have audited the financial statements of Bachmann Europe Plc for the year ended 31 December 2008 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all of the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 of 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group and parent company's affairs as at 31 December 2008 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP.

Chartered Accountants
Registered Auditor

27th April, 2009.

Consolidated profit and loss account

for the year ended 31 December 2008

	Note	2008	2007
		£	£
Turnover	2	12,501,870	11,513,664
Cost of sales		(8,129,755)	(7,402,886)
Gross profit		4,372,115	4,110,778
Distribution costs		(297,259)	(279,908)
Administrative expenses		(3,026,785)	(2,806,472)
Gain on foreign exchange		245,393	13,491
Operating profit	3	1,293,464	1,037,889
Interest receivable and similar income	6	31,137	7,487
Interest payable and similar charges	7	(74,746)	(86,278)
Profit on ordinary activities before taxation		1,249,855	959,098
Tax on profit on ordinary activities	8	(369,471)	(389,334)
Profit on ordinary activities after taxation	16	880,384	569,764

The group had no recognised gains or losses other than the profit for the year.

The turnover and profit for both years all relate to continuing activities.

Consolidated balance sheet
at 31 December 2008

	Note	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Intangible assets					
Goodwill	*9*		-		56,667
Tangible assets	*10*		**1,349,924**		1,542,925
			1,349,924		1,599,592
Current assets					
Stocks	*12*	**6,514,458**		6,499,628	
Debtors	*13*	**1,551,692**		1,642,138	
Cash at bank and in hand		**639,864**		725,432	
		8,706,014		8,867,198	
Creditors: amounts falling due within one year	*14*	**(2,588,718)**		(2,879,954)	
Total net current assets			**6,117,296**		5,987,244
Total assets less current liabilities			**7,467,220**		7,586,836
Capital and reserves					
Called up share capital	*15*		**2,050,000**		2,050,000
Profit and loss account	*16*		**5,417,220**		5,536,836
Shareholders' funds			**7,467,220**		7,586,836

These financial statements were approved by the board of directors on 27 April 2009
and were signed on its behalf by:

G Hubbard
Director

Company balance sheet
at 31 December 2008

	Note	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Intangible assets					
Goodwill	9		-		56,667
Tangible assets	10		1,349,924		1,542,925
Investments	11		625,645		625,645
			1,975,569		2,225,237
Current assets					
Stocks	12	6,514,458		6,499,628	
Debtors	13	1,551,692		1,642,138	
Cash at bank and in hand		639,864		725,432	
		8,706,014		8,867,198	
Creditors: amounts falling due within one year	14	(3,214,363)		(3,505,599)	
Total net current assets			5,491,651		5,361,599
Total assets less current liabilities			7,467,220		7,586,836
Capital and reserves					
Called up share capital	15		2,050,000		2,050,000
Profit and loss account	16		5,417,220		5,536,836
			7,467,220		7,586,836

These financial statements were approved by the board of directors on 27 April 2009 and were signed on its behalf by:

G Hubbard
Director

Consolidated cash flow statement
for the year ended 31 December 2008

	Note	2008 £	2007 £
Cash flow statement			
Cash flow from operating activities	*19*	1,594,495	1,101,850
Returns on investments and servicing of finance	*20*	(158,671)	(78,791)
Taxation		(361,887)	(274,013)
Capital expenditure and financial investment	*20*	(137,010)	(46,768)
Equity dividends paid		(1,000,000)	-
Cash (outflow)/ inflow before financing		(63,073)	702,278
Financing	*20*	(22,495)	(256,971)
(Decrease)/increase in cash in the year		(85,568)	445,307

Reconciliation of net cash flow with movement in net debt

	Note	2008 £	2007 £
(Decrease)/increase in cash in the year		(85,568)	445,307
Cash outflow from decrease in debt financing		22,495	256,971
Movement in net debt in the year		(63,073)	702,278
Net cash at the start of the year		702,937	659
Net cash at the end of the year	*21*	639,864	702,937

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2008

	Group		Company	
	2008	2007	**2008**	2007
	£	£	**£**	£
Profit for the financial year	**880,384**	569,764	**880,384**	569,764
Opening shareholders' funds	**7,586,836**	7,017,072	**7,586,836**	7,017,072
Dividend payment	**(1,000,000)**	-	**(1,000,000)**	-
Closing shareholders' funds	**7,467,220**	7,586,836	**7,467,220**	7,586,836

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2008. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired, or disposed of, in the year are included in the consolidated profit and loss account either from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985, the company is exempt from the requirement to present its own profit and loss account. The profit for the financial year dealt with in the accounts of the holding company is £Nil.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of 10 years or through an impairment review conducted by management.

Tangible fixed assets and depreciation

Depreciation is provided by the company in order to write off the cost, less the estimated residual value, of tangible fixed assets over their estimated useful economic lives as follows:

Freehold buildings	-	2% on cost
Property improvements	-	10% on cost
Plant and machinery	-	25% on book value, maximum 8 years
Fixtures and fittings	-	25% on book value, maximum 8 years
Motor vehicles	-	33 1/3% on cost
Computer equipment	-	20% on cost
Tooling	-	between 10% and 25% on cost

No depreciation is provided on freehold land.

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date, and the gains or losses on translation are included in the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes *(continued)*

1 Accounting policies *(continued)*

Pension costs

The company contributes to a money purchase defined contribution scheme for certain of its employees. The assets of the scheme are held separately from those of the company in separately administered funds. The pension cost for the year represents contributions paid by the company.

Stock

Stock is valued at the lower of cost and net realisable value based on rates of duty and exchange at the time of importation.

Taxation

Deferred tax is recognised, without discounting , in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen, but not reversed, by the balance sheet date except as otherwise required by FRS 19.

2 Turnover

	2008 £	2007 £
Geographical analysis (by destination):		
United Kingdom	**10,360,529**	9,212,426
Rest of the world	**2,141,341**	2,301,238
	12,501,870	11,513,664

3 Operating profit

	2008 £	2007 £
Operating profit is stated after charging/(crediting):		
Auditors' remuneration		
Audit	**14,750**	14,800
Depreciation and other amounts written off tangible fixed assets	**352,863**	215,781
Development expenditure	**79,121**	73,605
Operating lease rentals - equipment	**7,407**	7,181
- property	**27,950**	27,950
Impairment/ amortisation of goodwill	**56,667**	18,888
Profit on disposal of tangible fixed assets	**(22,855)**	(3,010)

Notes *(continued)*

4 Remuneration of directors

	2008 £	2007 £
Directors' emoluments	**177,312**	165,071
Company contributions to money purchase pension schemes	**9,950**	9,556
	187,262	174,627

Two of the company's directors are members of money purchase pension schemes.

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2008	2007
Management and administration	**54**	53
Development	**11**	10
	65	63

The aggregate payroll costs of these persons were as follows:

	2008 £	2007 £
Wages and salaries	**1,516,524**	1,334,007
Social security costs	**187,735**	153,968
Other pension costs	**149,144**	108,594
	1,853,403	1,596,569

6 Interest receivable and similar income

	2008 £	2007 £
Bank interest receivable	**31,137**	7,487

Notes *(continued)*

7 Interest payable and similar charges

	2008 £	2007 £
On bank loans and overdrafts	-	34,698
Interest payable to holding company	74,746	51,580
	74,746	86,278

8 Taxation

Analysis of charge in year

	2008 £	2007 £
UK corporation tax		
Corporation tax on income for the year	431,514	407,609
Adjustments in respect of prior years	(72,751)	2,029
Total current tax	358,763	409,638
Deferred tax		
Reversal of timing differences	(40,263)	(20,304)
Adjustments in respect of previous years	50,971	-
Tax on profit on ordinary activities	369,471	389,334

Factors affecting the tax charge for the current year

The current tax charge for the year is higher than the standard rate of corporation tax in the UK of 28.5% *(2007: 30%)*. The differences are explained below.

	2008 £	2007 £
Current tax reconciliation		
Profit on ordinary activities before tax	1,249,855	959,098
Current tax at 28.5% *(2007: 30%)*	356,209	287,729
Effects of:		
Expenses not deductible for tax purposes	18,213	15,122
Depreciation on ineligibles	16,693	17,166
Capital allowances lower than depreciation	41,254	16,580
Timing differences	(855)	71,012
Adjustments to tax charge in respect of previous years	(72,751)	2,029
Total current tax charge (see above)	358,763	409,638

Notes *(continued)*

9 Intangible fixed assets

Group and company	Goodwill £
Cost	
At beginning and end of year	188,883
Amortisation	
At beginning of year	132,216
Charged in year	56,667
At end of year	188,883
Net book value	
At 31 December 2008	-
At 31 December 2007	56,667

During the year, the Directors reviewed the carrying value of the goodwill and deemed it no longer to have any value. The carrying value was therefore impaired to nil in the year, and the impairment charge included in administration expenses in the profit and loss account.

10 Tangible fixed assets

Group and company	Freehold land and buildings £	Plant, machinery and tooling £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At beginning of year	1,601,272	1,479,225	88,395	195,323	3,364,215
Additions	2,512	57,829	1,295	107,723	169,359
Disposals	-	-	-	(87,081)	(87,081)
At end of year	1,603,784	1,537,054	89,690	215,965	3,446,493
Depreciation					
At beginning of year	390,413	1,200,280	76,017	154,580	1,821,290
Charge for year	58,578	229,736	3,497	61,052	352,863
Eliminated on disposals	-	-	-	(77,584)	(77,584)
At end of year	448,991	1,430,016	79,514	138,048	2,096,569
Net book value					
At 31 December 2008	**1,154,793**	**107,038**	**10,176**	**77,917**	**1,349,924**
At 31 December 2007	1,210,859	278,945	12,378	40,743	1,542,925

Notes *(continued)*

10 Tangible assets *(continued)*

The net book value of freehold land and buildings includes the following amount in respect of buildings:

	2008	2007
	£	£
Cost	**1,214,351**	1,211,839
Accumulated depreciation	**(448,993)**	(390,413)
Net book value	**765,358**	821,426

11 Investments

Company

	Investments in subsidiary undertaking
	£
Cost	
At beginning and end of year	749,938
Provisions	
At beginning and end of year	124,293
Net book value	
At 31 December 2008	**625,645**
At 31 December 2007	625,645

The company owns the entire share capital of Graham Farish Limited, a company which has wholly owned subsidiary undertakings, being Grafar Limited and Intertrans 148 Limited. All three companies are incorporated and registered in England, and were dormant throughout the year.

12 Stock

Group and company

	2008	2007
	£	£
Goods for resale	**6,514,458**	6,499,628

In the directors' opinion, the replacement cost of the stocks is not materially different from the historical cost stated above.

Notes *(continued)*

13 Debtors

	Group		Company	
	2008	2007	**2008**	2007
	£	£	**£**	£
Trade debtors	**1,236,236**	1,328,489	**1,236,236**	1,328,489
Amounts owed by group undertakings	**254**	62,075	**254**	62,075
Other debtors	**152,801**	19,301	**152,801**	19,301
Deferred tax asset	**34,555**	45,263	**34,555**	45,263
Prepayments and accrued income	**127,846**	187,010	**127,846**	187,010
	1,551,692	1,642,138	**1,551,692**	1,642,138

Group and company	**Deferred taxation**
	£
Asset at beginning of year	45,263
Charge for the year	(10,708)
Asset at end of year	34,555

The elements of deferred taxation are as follows:

	2008	2007
	£	£
Differences between accumulated depreciation and capital allowances	**34,555**	45,263

14 Creditors: amounts falling due within one year

	Group		Company	
	2008	2007	**2008**	2007
	£	£	**£**	£
Bank loans and overdraft	-	22,495	-	22,495
Trade creditors	**130,982**	282,911	**130,982**	282,911
Amounts owed to group undertakings	**1,499,617**	1,750,489	**2,125,262**	2,376,134
Corporation tax	**231,514**	234,638	**231,514**	234,638
Other taxation and social security	**297,277**	264,259	**297,277**	264,259
Accruals and deferred income	**429,328**	325,162	**429,328**	325,162
	2,588,718	2,879,954	**3,214,363**	3,505,599

Notes *(continued)*

14 Creditors: amounts falling due within one year *(continued)*

The bank loans and overdraft were secured by way of fixed charges over the company's freehold properties and fixed and floating charges over the assets and undertakings of the company.

Analysis of debt:

Group and company	**2008**	2007
	£	£
Debt can be analysed as falling due:		
In one year or less or on demand	-	22,495

15 Called up share capital

	2008	2007
	£	£
Authorised		
2,050,000 ordinary shares of £1 each	**2,050,000**	2,050,000
Allotted, called up and fully paid		
2,050,000 ordinary shares of £1 each	**2,050,000**	2,050,000

16 Reserves

Group and company	**Profit and loss account**
	£
At beginning of year	5,536,836
Profit for the year	880,384
Dividend paid	(1,000,000)
At end of year	5,417,220

Notes *(continued)*

17 Commitments

Group and company

a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	2008	2007
	£	£
Contracted	-	42,576

b) Annual commitments under non-cancellable operating leases are as follows:

	2008		2007	
	Land and buildings	**Other**	Land and Buildings	Other
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	-	-
In the second to fifth years inclusive	-	5,496	-	5,496
	-	5,496	-	5,496

18 Parent company

The company is a member of a group, the ultimate parent company of which is Kader Holdings Company Limited, a company incorporated in Bermuda. The consolidated accounts of Kader Holdings Company Limited are available from Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda.

The company is taking advantage of the exemption provided by FRS 8(3) not to disclose related party transactions with other group companies as it is 100% owned by the parent company.

19 Reconciliation of operating profit with operating cash flows

	2008	2007
	£	£
Operating profit	1,293,464	1,037,889
Depreciation, amortisation and impairment charges	409,530	234,669
Profit on disposal of fixed assets	(22,855)	(3,010)
Increase in stocks	(14,830)	(770,630)
Decrease in debtors	194,800	66,957
(Decrease)/increase in creditors	(265,617)	535,975
Net cash inflow from operating activities	1,594,492	1,101,850

Notes *(continued)*

20 Analysis of cash flows

	2008		2007	
	£	£	£	£
Returns on investment and servicing of finance				
Interest received	(83,925)		7,487	
Interest paid	(74,746)		(86,278)	
		(158,671)		(78,791)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(169,359)		(52,518)
Sales proceeds from tangible fixed assets		32,349		5,750
		(137,010)		(46,768)
Financing				
Repayment of loan		(22,495)		(256,971)

21 Analysis of net debt

	Balance at beginning of year	Cash flow	Balance at end of year
	£	£	£
Cash at bank and in hand	725,432	(85,568)	639,864
Debt due within one year	(22,495)	22,495	-
	702,937	(63,073)	639,864