

Beko (UK) Limited

Registered No. 2415578

DIRECTORS

Mr M R Koc (Chairman)
Mrs S S Arsel
Mrs D S Gonul
Mrs S Kirac
Mr T Ulug
Mr I Yazici (Chief Executive)
Mr M Goodship (Managing Director Consumer Products)

SECRETARY

D Wade

AUDITORS

Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

BANKERS

Barclays Bank plc
Station Road Branch
126 Station Road
Edgware
Middlesex HA8 7RY

REGISTERED OFFICE

The Smokery
Greenhills Rents
Cowcross Street
London EC1M 6BN

ERNST & YOUNG



Beko (UK) Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1996.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £606,539 (1995 - £376,597). The directors do recommend the payment of a dividend of £300,000 (1995 - £200,000).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company continued to trade in Koc Group products in the UK, principally televisions, white goods and heating equipment and commenced the sourcing of components for Koc Group companies.

FIXED ASSETS

Movement of fixed assets is set out in note 9 to the accounts.

DIRECTORS AND THEIR INTERESTS

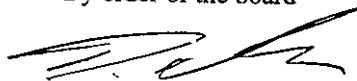
The names of the directors who held office during the year are disclosed on page 1.

There are no directors' interests in the shares of Beko (UK) Limited requiring disclosure under the Companies Act 1985.

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board



D Wade
Secretary

09 JUL 1997

Beko (UK) Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 period. 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;
- 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.

REPORT OF THE AUDITORS
to the members of Beko (UK) Limited

We have audited the accounts on pages 5 to 13 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 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.

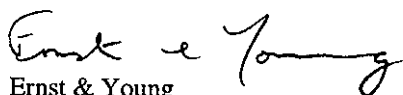
Basis of opinion

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 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 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 state of affairs of the company 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.



Ernst & Young
Chartered Accountants
Registered Auditor
London

10 July 1997

Beko (UK) Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1996

	Notes	1996 £	1995 £
TURNOVER	2	44,346,300	31,178,086
Cost of sales		39,123,167	26,582,622
Gross profit		5,223,133	4,595,464
Distribution costs		724,514	702,378
Administration expenses		3,401,404	3,360,148
Other operating income		-	47,784
OPERATING PROFIT	3	1,097,215	580,722
Interest receivable		77,355	53,229
Interest payable	6	217,885	32,487
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		956,685	601,464
Taxation	7	350,146	224,867
PROFIT FOR THE YEAR		606,539	376,597
Dividend	8	300,000	200,000
RETAINED PROFIT FOR THE YEAR		306,539	176,597
STATEMENT OF MOVEMENT ON RESERVES			
At 1 January		365,041	188,444
Retained profit for the year		306,539	176,597
At 31 December		671,580	365,041

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

All amounts shown are in respect of continuing activities. There are no recognised gains or losses other than as shown in the profit and loss account.

Beko (UK) Limited

BALANCE SHEET at 31 December 1996

	Notes	1996 £	1995 £
FIXED ASSETS			
Tangible assets	9	295,381	358,688
CURRENT ASSETS			
Stocks		3,271,059	6,241,670
Debtors	10	10,502,962	8,145,779
Cash at bank and in hand		2,534,395	1,779,941
		<u>16,308,416</u>	<u>16,167,390</u>
CREDITORS: amounts falling due within one year	12	13,661,320	14,391,974
		<u>2,647,096</u>	<u>1,775,416</u>
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,942,477</u>	<u>2,134,104</u>
PROVISIONS FOR LIABILITIES AND CHARGES	14	1,770,897	1,269,063
		<u>1,171,580</u>	<u>865,041</u>
CAPITAL AND RESERVES			
Called up share capital	15	500,000	500,000
Profit and loss account		671,580	365,041
		<u>1,171,580</u>	<u>865,041</u>

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09 JUL 1997

) Directors

Beko (UK) Limited

STATEMENT OF CASH FLOWS for the year ended 31 December 1996

	Notes	1996 £	1995 £
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	3(b)	4,495,560	(1,288,539)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(217,885)	(32,487)
Interest received		77,355	53,229
Dividend paid		(200,000)	(125,000)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(340,530)	(104,258)
TAXATION			
Corporation tax paid		(243,193)	(184,106)
TAX PAID		(243,193)	(184,106)
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(142,605)	(359,623)
Receipts from sales of tangible fixed assets		30,850	20,100
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(111,755)	(339,523)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		3,800,082	(1,916,426)
FINANCING			
Repayments of capital element of finance lease rentals		(426)	(2,889)
NET CASH OUTFLOW FROM FINANCING		(426)	(2,889)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	11	3,799,656	(1,919,315)

Beko (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

1. ACCOUNTING POLICIES

Accounting convention

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

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Motor vehicles	-	over 3 years
Furniture and fittings	-	over 5 years
Office equipment	-	over 5 years
Leased assets	-	over the term of the lease

Stocks

Stocks are valued at the lower of cost, which is arrived at on a standard cost basis and net realisable value. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the taxation will be payable.

Foreign currencies

Monetary assets, liabilities and transactions denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Provisions for liabilities and charges

Provisions for the expected costs of maintenance under guarantees, spares and returns are charged against profits when products have been invoiced.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and fellow group undertakings and is attributable to one continuing activity, the distribution of domestic electrical goods and heating equipment.

Turnover is not disclosed by class of business or geographic location because the directors consider that to do so would be seriously prejudicial to the interests of the company.

Beko (UK) Limited

NOTES TO THE ACCOUNTS at 31 December 1996

3. OPERATING PROFIT

(a) This is stated after charging

	1996 £	1995 £
Depreciation of owned assets	186,412	173,787
Depreciation of assets held under finance leases	-	1,215
Auditors' remuneration - audit services	18,000	15,000
- non-audit services	15,769	32,000
Operating lease rentals - land and buildings	106,871	95,100

(b) Reconciliation of operating profit to net cash flow from operating activities:

	1996 £	1995 £
Operating profit	1,097,215	580,722
Depreciation	186,412	175,002
Profit on disposal of fixed assets	(11,350)	(4,637)
Increase in debtors	(2,282,183)	(3,163,306)
Decrease/(increase) in stocks	2,930,611	(4,350,713)
Increase in creditors	2,033,021	5,227,962
Increase in provision product guarantees and warranties	501,834	246,431
Net cash inflow/(outflow) from operations	4,495,560	(1,288,539)

4. STAFF COSTS

The payroll costs of the company's employees are analysed as follows:-

	1996 £	1995 £
Wages and salaries	1,386,171	1,078,000
Social security costs	154,425	124,476
	1,540,596	1,202,476

The average number of employees employed by the company during the year was 45 (1995 - 31).

Beko (UK) Limited

NOTES TO THE ACCOUNTS at 31 December 1996

5. DIRECTORS REMUNERATION

	1996 £	1995 £
Emoluments	448,173	422,082

Directors emoluments, excluding pension contributions, fell within the following ranges:

	1996 £	1995 £
£nil - £5,000	5	5
£175,001 - £180,000	-	1
£190,001 - £195,000	1	-
£245,001 - £250,000	-	1
£255,001 - £260,000	1	-

The chairman received no emoluments from the company during the year. The emoluments, excluding pension contributions of the highest paid director were £257,987 (1995 - £246,588).

6. INTEREST PAYABLE

	1996 £	1995 £
Bank overdraft	217,885	32,250
Finance charges payable under finance leases and hire purchase contracts	-	237
	217,885	32,487

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge, based on taxable profit for the year, comprises:

	1996 £	1995 £
UK Corporation tax at 33%	356,000	224,867
Adjustment in respect of prior years	(5,854)	-
	350,146	224,867

8. DIVIDEND

	1996 £	1995 £
Final dividend payable 60p per £1 ordinary share (1995 - 40p)	300,000	200,000

Beko (UK) Limited

NOTES TO THE ACCOUNTS at 31 December 1996

9. TANGIBLE FIXED ASSETS

	<i>Motor vehicles £</i>	<i>Furniture and fittings £</i>	<i>Office equipment £</i>	<i>Leased office equipment £</i>	<i>Total £</i>
Cost:					
At 1 January 1996	210,313	316,064	213,803	15,383	755,563
Additions	128,658	-	13,947	-	142,605
Disposals	(66,309)	-	-	-	(66,309)
At 31 December 1996	272,662	316,064	227,750	15,383	831,859
Depreciation:					
At 1 January 1996	107,733	141,971	129,768	15,383	396,875
Charge for year	83,426	61,971	41,015	-	186,412
Disposals	(46,809)	-	-	-	(46,809)
At 31 December 1996	146,350	203,942	170,803	15,383	536,478
Net book value:					
At 31 December 1996	126,312	112,122	56,947	-	295,381
At 1 January 1996	100,580	174,092	94,015	-	358,688

10. DEBTORS

	<i>1996 £</i>	<i>1995 £</i>
Trade debtors	7,700,937	7,166,683
Amounts owed by fellow group companies	2,657,037	882,848
Other debtors	69,988	46,248
ACT recoverable	75,000	50,000
	10,502,962	8,145,779

11. CASH AND CASH EQUIVALENTS

	<i>1996 £</i>	<i>1995 £</i>
Cash at bank and in hand		
At 1 January	(1,394,231)	525,084
Net cash inflow/(outflow)	3,799,656	(1,919,315)
At 31 December	2,405,425	(1,394,231)

Beko (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

12. CREDITORS: amounts falling due within one year

	1996 £	1995 £
Bank overdraft	128,970	3,174,172
Obligations under finance leases	-	426
Trade creditors	999,987	340,397
Amounts owed to fellow group companies	8,996,015	8,267,410
Taxes and social security	851,191	251,214
Accruals	1,999,393	1,904,544
Corporation tax	310,764	203,811
ACT payable	75,000	50,000
Dividend payable	300,000	200,000
	<u>13,661,320</u>	<u>14,391,974</u>

13. OTHER FINANCIAL COMMITMENTS

At 31 December 1995 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>	
	1996 £	1995 £
Operating leases which expire:		
Within one year	90,000	-
In two to five years	48,100	138,100
	<u>138,100</u>	<u>138,100</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

	1996 £	1995 £
Provision for product guarantees and warranties:		
At 1 January	1,269,063	1,022,632
Arising during the year	501,834	246,431
At 31 December	<u>1,770,897</u>	<u>1,269,063</u>

Beko (UK) Limited

NOTES TO THE ACCOUNTS at 31 December 1996

15. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>1996</i>	<i>1995</i>	<i>1996</i>	<i>1995</i>
	<i>No.</i>	<i>No.</i>	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	500,000	500,000	500,000	500,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	<i>1996</i>	<i>1995</i>
	<i>£</i>	<i>£</i>
Retained profit for the year	656,685	176,597
Opening shareholders funds	865,041	688,444
	<u> </u>	<u> </u>
Closing shareholders funds	1,521,726	865,041
	<u> </u>	<u> </u>

17. ULTIMATE HOLDING COMPANY

In the opinion of the directors KOC Holding A.S., a company registered in Turkey, is the ultimate holding company. The accounts of this company are available from Beko (UK) Limited, 40 Caxton Way, Watford Business Park, Watford, Hertfordshire WD1 8QZ.