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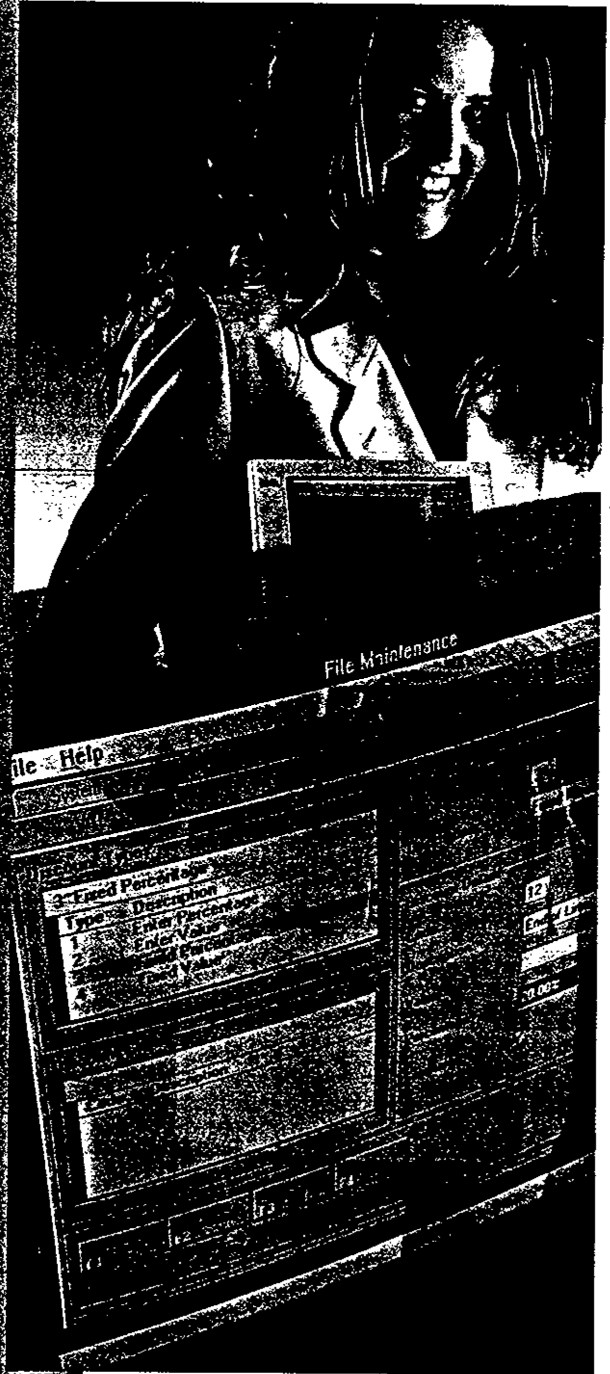
RIVA
GROUP PLC



ANNUAL

REPORT

AND

ACCOUNTS

▼

1995

DIRECTORS AND ADMINISTRATION

Directors
PH Giles (Chairman)
DA Bendall
PA Briggs ACA
AS Petrie
D Turner

Company Secretary
SP Jones ACA

Registered Office
Crompton House,
Barrs Fold Road,
Wingates Industrial Park,
Westhoughton,
Bolton BL5 3XP
Registered in England
No. 1384967

Bankers
The Co-operative Bank p.l.c.
PO Box 101,
1 Balloon Street,
Manchester M60 4EP

Auditors
Binder Hamlyn,
Bank House,
9 Charlotte Street,
Manchester M1 4EU

Solicitors
Slater Heelis,
71 Princess Street,
Manchester M2 4HL

Stockbrokers
Albert E Sharp & Co,
8th Floor, Moor House,
119 London Wall,
London EC2Y 5ET

Registrars
Lloyds Bank Registrars,
The Causeway,
Worthing,
West Sussex BN99 6DB

CONTENTS

FINANCIAL SUMMARY

YEAR ENDED 31 DECEMBER 1995

	1991 £000	1992 £000	1993 £000	1994 £000	**1995 £000**
Results					
Turnover	57,312	59,426	54,004	58,007	**73,022**
Operating profit/(loss)*	(1,259)	1,013	(1,494)	(990)	**398**
Net borrowing (cost)/gain	(1,948)	(879)	(695)	380	**(216)**
Profit/(loss)before tax	(3,207)	134	(2,189)	(610)	**182**
Tax (charge)/credit	1	(32)	–	263	**(131)**
Profit/(loss) after tax	(3,206)	102	(2,189)	(347)	**51**

*Operating profit/(loss) includes items reported previously as exceptional.

	1991 £000	1992 £000	1993 £000	1994 £000	**1995 £000**
Funding					
Shareholders' funds	(2,171)	3,432	1,070	1,008	**1,388**
Discounted bills receivable with recourse	365	408	84	1,253	**1,988**
Other loans and borrowings net of cash	12,581	7,862	7,026	2,816	**2,734**
Total loans and other borrowings net of cash	12,946	8,270	7,110	4,069	**4,722**
Share Capital					
Ordinary shares of 10 pence ('000)	26,000	26,000	26,123	27,012	**29,043**
Convertible Preference Shares of £1 ('000)	–	4,224	4,224	4,224	**3,512**
Net asset value per ordinary share (pence)	(8.4)	13.2	4.1	3.7	**4.8**
Fully diluted net asset value per share (pence)	(6.7)	10.6	3.6	3.3	**4.2**
Earnings/(loss) per ordinary share (pence)	(12.3)	0.2	(8.6)	(1.5)	**0.1**

CHAIRMAN'S STATEMENT

Overview

In 1995 we achieved a significant increase in turnover and a £1.4 million swing back into operating profit after several years of substantial losses. Whilst the result was in line with our expectations it nevertheless represents scant reward for our shareholders and the efforts of employees during the year. In 1996 we need to progress the turnaround programmes in the loss making subsidiaries and build on the success of the Group's latest products.

Results

It is pleasing that the Group has sustained increasing revenue growth in all its markets during the year with turnover up by 26% to £73.0 million (1994: £58.0 million). Overall sales growth in real terms was 18 per cent, with 33 per cent growth in new systems sales. The pressure on margins was resisted by increased sales of software and professional services such as training and project management. Hardware margins continue to erode, particularly on PC products, and the Group is reviewing its strategy to keep manufacturing costs down. Overhead costs increased during the year (15% adjusted for foreign exchange fluctuations) as the Group invested in high calibre staff, particularly in the UK, and in response to the increased turnover and software related activities. After interest charges of £0.2 million (net of a debt waiver of £0.2 million) there was an overall profit before tax of £0.2 million (1994 loss: £0.6 million); this reflects profitable trading in Riva Systems, Electronics and Holland, offset by reduced losses in France, Denmark and Spain.

Dividend and Gearing

In view of the deficit on distributable reserves there will be no dividend payment.

Working capital and the Group's liquidity have been managed effectively given the 26% increase in the level of turnover. Net Group bank borrowings have been maintained at £2.7 million and the increased activity has been funded by increased bill discounting up to £2.0 million (1994: £1.3 million). The level of debt remains consistent with the Group's scale of operations. We are grateful for the continued support from the Company's bankers.

Operations

As predicted last year there have been further rationalisations in Europe during 1995, particularly in Spain and France. Stemming the losses in the old Hugin Sweda subsidiaries has been a major priority; as part of this process we are replacing the old cash register installed base with new systems, protecting the future revenue stream of the service business.

CHAIRMAN'S STATEMENT

Our return to profitability is dependent on the pace of progress in reducing our dependence on the independent retail food market, re-positioning into general retail, and benefiting from the modernisation of service operations, with expert diagnostic systems and efficient call handling and support activities. The changing nature of the industry also dictates the increasing need to make profits from software, consultancy and professional services, whereas the Group has historically focused on hardware sales and service maintenance. The most notable success of our continental strategy in 1995 is Holland which has shown a return to profitability and is now vigorously attacking the general retail market and third party maintenance opportunities. Elsewhere the losses have continued but steps have been taken to reduce their magnitude.

Customers and Prospects

Overall, 1995 has been a year of considerable progress, most notably in recognition of the need to focus on customer and market requirements and above all on the need to generate profits. I expect 1996 to show further growth in revenue and some profit growth overall with a broadening of the customer base; however, the year has started slowly. The main objective continues to be to stem the losses outside the UK by developing the general retail business, and to exploit the opportunities around the Group by progressing the rapid change from the traditional hardware and service maintenance business to a provider of software solutions and professional services.

PHGiles

P H Giles
Chairman
4 April 1996

REVIEW OF OPERATIONS

UK Businesses

The UK businesses continued their improvement in financial performance, generating a higher level of profit in 1995. Riva Systems has invested in resources to generate long term growth and profitability; it has now successfully installed its Windows based Power software in around 1,000 sites and has consolidated its leading market position with the help of Microsoft (with whom it has become the first UK Retail Partner). The software is stable, open and significantly ahead of the competition in an area where retailers are increasingly demanding user friendly interfaces with Windows products in-store. The close relationship with industry leaders, Microsoft and Hewlett Packard, has provided Riva with additional credibility to secure contracts with major retailers; this success has been built on the back of the dedicated retail expertise in the Group and, significantly, successful delivery of the customers' requirements at British Telecom, British Gas, Roseby's and others.

Riva Electronics has experienced a significant turnaround in profitability during the year, thanks to the successful exploitation of the new PC products. Electronics has benefited from increased volumes and the speed with which it brings new hardware and software developments to market.

Holland

Riva Holland was one of the major successes in 1995, returning to profitability built upon a widening of the customer base with major accounts and the establishment of a strong customer focused team. Our growing professionalism has paid dividends with customers such as AHOLD (ETOS, Gall & Gall), Vendex Food Groep (EDAH Supermarkten), De Boer Winkelbedrijven (De Boer Supermarkten, Mitra Slijterijen) and Groenwoudt Groep (Willem Groenwoudt), now counted amongst the Group's new customers. New developments in loyalty systems and multimedia are attracting interest and the software activities have developed into a key business within the company. The service organisation has attracted new investment in expert systems and third party maintenance business is now being targeted.

France

The level of activity in France increased dramatically during the year and the losses have been reduced. The increased sales activity has rejuvenated the installed base of machines with significant positions now held particularly within the major Intermarche and Leclerc grocery organisations. The benefits of the service revenue from this increased installed base should be supplemented by efficiencies in centralising the service administration which is required to improve service quality and effectiveness. A return to profitability in France is dependent upon

REVIEW OF OPERATIONS

developing its general retail business; this process has begun with the sale to the prestigious Decathlon account which is part of the Auchan Group. In 1996 we aim to consolidate our market position with the independent food retailers through the regional sales distribution, and further develop the general retail business.

Spain

The Spanish operation has been through a difficult re-shaping in 1995, in particular dealing with legacy problems from downsizing and lack of funding. Agreements have now been reached with the major parties involved to resolve these historical problems and the management is now focusing on selling the Group food systems into the regional multiple chainstores and developing its position in cash and carry wholesalers.

Denmark

Denmark's activity levels increased during the year and the losses of the previous two years were reduced. However, the main problem for local management has been lack of critical mass with a wide range of activities: selling into the food market, developing its position in general retail with new software, holding a residual position in the hospitality market, manufacturing and selling checkouts, and bringing the new return bottle machine to production. We are reviewing our strategy in Denmark which will bring more focus.

Other Subsidiaries

Switzerland made steady progress during the year. A new management team has been brought in to Switzerland to develop the systems business with major customers and to move away from the staid Hugin Sweda business based on cash registers. We expect to see a significant shift in the profile and profitability of the business in 1996, providing systems solutions to the major retail organisations. Belgium has suffered from difficult market conditions and lack of critical mass. As a result it has struggled to maintain its profitability and recorded a small loss.

Product Developments

The Group's product development activities have progressed full speed ahead during the year with significant interest in the Group's Windows based Power range of software in the general retail market and exciting new developments in open tilling software in the continental food sector. In the UK Powertill and Powerstore have been successfully installed at major customer sites and the recent award of a major contract with the same software, in partnership with Microsoft and Hewlett Packard, is testimony to the progress that Riva has made in the UK in the last two years. In our food markets we have been working on open tilling software with full loyalty and promotional functionality. The resulting software, Instore2, should provide a migration path for customers to the open world, protect their investment

REVIEW OF OPERATIONS

in hardware and enable the retailer to make real choices in respect of their tilling and store management hardware and software platforms. The interest already shown in the product bodes well for its full release. New hardware developments have been based on the laptop till in response to the market demand for robust, open products. The 5480 and 54KB products have been proven at major customer sites and, together with the Group software, represent a real competitive advantage to the Group. Given the increasingly open nature of the EPoS world we have ensured that the products are platform independent and the quality of the Group's software and professional services are becoming the deciding factors with customers.

Customer Services

Contracted service operations have been significantly improved during the year with investment in new people and technology. The technical and software support functions have improved and the operation of dedicated customer helpdesks and problem solving by remote diagnostics has become a reality. We are investing heavily in this area and recognise that the quality of the Group's response centre in Bolton is a key factor in retaining customer loyalty with Riva.

REPORT OF THE DIRECTORS

The directors submit their Report and the Audited Accounts for the year ended 31 December 1995.

Activities and Review of Operations

The Company is a holding company providing financial and management services to its trading subsidiaries.

The principal activities of the Group are the provision, service and support of point of sale terminals and store management information software to the retail market, and professional services in connection with their installation and operation.

Further details of these activities, the development of the Company and its subsidiaries, and likely future developments are given in the Chairman's Statement on pages 2 and 3 and the Review of Operations on pages 4 to 6.

Share Placing

On 22 September 1995 Mr T A Milne, a former director, disposed of his interest in 6,897,616 ordinary shares in the Company, representing 24 per cent of the issued ordinary share capital. As part of the placing arrangement Mr Milne waived £207,000 of the £533,000 debt owed to him by the Company. The balance of the debt of £326,000 has been retained on its existing terms. Mr Milne also retained his preference shares in the Company.

Results and Dividends

Turnover for the year amounted to £73,022,000 (1994: £58,007,000). The Group's profit before taxation for the year amounted to £182,000 (1994 loss: £610,000). Detailed results for the year are shown in the Profit and Loss account on page 12. In view of the deficit on distributable reserves there will be no dividend payment. The net profit after taxation for the year amounted to £51,000 (1994 loss: £347,000) and after an appropriation for the finance costs of non-equity shares amounting to £31,000 (1994: £35,000) an amount of £20,000 has been transferred to reserves (1994: £382,000 deducted from reserves).

Fixed Assets

Movements in fixed assets are shown in notes 8 and 9 to the accounts. The directors are of the opinion that there has been no permanent diminution in the value of freehold properties which are stated at cost less accumulated depreciation in the accounts (net book amount £738,000).

Contracts

None of the directors has, nor during the financial year has had, a material interest in any contract of significance other than contracts of service, to which the Company or any of its subsidiaries is or was a party.

REPORT OF THE DIRECTORS

Directors

The composition of the Board of directors is shown on the inside front cover.

Mr J Berry and Mr D J Dace resigned on 3 April 1995. Mr D A Bendall was appointed as a director on 31 August 1995.

At the Annual General Meeting to be held on 27 June 1996, Mr D A Bendall, who was appointed since the last Annual General Meeting, retires and, being eligible, offers himself for re-election. Mr A S Petrie retires by rotation and, being eligible, also offers himself for re-election.

Mr D A Bendall, Mr P A Briggs, Mr A S Petrie and Mr D Turner have service contracts with the Company which are terminable by not less than twelve months notice. The contract under which Mr P H Giles provides his services is terminable by six months notice.

Directors' Interests

The interests of the directors serving at 31 December 1995 and their families in the Company's share capital were as shown in Note 4 to the Accounts.

On 2 January 1996 Mr P H Giles converted 200,000 of his A Cumulative Convertible Redeemable Preference Shares into 500,000 Ordinary Shares of 10 pence each, representing 1.66 per cent of the Company's issued ordinary share capital. The rights attaching to the shares are summarised in Note 15 to the Accounts.

There have been no other changes in the interests of the directors and their families between 31December 1995 and 3 April 1996.

Details of directors' options under the Company's Employee Share Option Scheme are detailed in Note 4 to the Accounts.

Substantial Shareholdings

As at 2 April 1996 the Company has been notified of the following interests, excluding the interests of directors, representing 3 per cent or more of its present issued ordinary share capital.

	No. of ordinary shares
Pavon Investments Inc	8,676,000
Scottish Amicable Nominees Ltd	2,366,894
Clerical Medical and General Life Assurance Society	2,121,571
State Street Nominees Ltd	1,800,000
Leopold Joseph Nominees Ltd	1,000,000

Loan from FBG Holdings (UK) Limited

FBG Holdings (UK) Limited, a company associated with Pavon Investments Inc., a substantial shareholder in the Company, is the registered holder of 1,579,928 B Cumulative Convertible Redeemable Preference Shares of £1 and has provided on demand loan facilities of £1,580,000. The rights

REPORT OF THE DIRECTORS

attaching to these shares are summarised in Note 15 to the Accounts and further details of the loan are contained in Note 12 to the Accounts.

Employees

The Group is an equal opportunities employer and continues to employ people on the basis of merit and job suitability. Promotions for all personnel are made on the basis of an individual's abilities and aptitude. The Group supports the employment of disabled people wherever possible and assists all personnel, both able bodied and disabled, in structuring their careers, giving them training where appropriate. Wherever possible the Group will continue to employ anyone who becomes disabled whilst in its employment. The Group encourages communication between employees and keeps all employees informed of matters affecting them.

Donations

No donations or contributions were made during the year to charities or political organisations.

Insurance for Directors and Officers

During the year under review, the Company has maintained, for its directors and officers, insurance against the liabilities permitted by Section 310 (3) of the Companies Act 1985 (as amended) in relation to the Company.

Auditors

A resolution for the re-appointment of Binder Hamlyn as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Authority to Issue Shares

In order to maintain flexibility a special resolution will be proposed at the Annual General Meeting to extend until 7 May 1997 or, if earlier, the conclusion of the next Annual General Meeting the authority of the directors to allot unissued shares for cash, otherwise than pro-rata to all shareholders. The new authority covers certain circumstances arising on a rights issue and in other cases is limited to the allotment of shares up to a maximum nominal amount of 1,500,000 shares, under 5 per cent of the current issued ordinary share capital of the Company.

By Order of the Board

S Jones

S P Jones
Secretary
4 April 1996

CORPORATE GOVERNANCE

Statement of Compliance

Following the resignation of Mr J Berry and Mr D J Dace on 3 April 1995 the Company has not had non-executive representation on the Board. Since that date the Company has therefore been unable to comply with those paragraphs of the Code of Best Practice set out in the Report of the Committee on the Financial Aspects of Corporate Governance (the Cadbury Report) which require, or else depend upon, the appointment of non-executive directors. Steps have been taken to recruit non-executive directors by appointing an external firm of recruitment specialists to undertake the task. The directors confirm that in respect of all other paragraphs of the Code the Company has complied throughout the period.

Internal Financial Control

The Directors are responsible for ensuring that the Company maintains a system of internal financial control to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication and that assets are safeguarded. The Directors recognise that such a system can provide only reasonable and not absolute, assurance against material misstatement or loss. The key features of the internal financial control system are as follows:

Organisational control framework

Control is exercised through an organisational structure with clearly defined levels of authority and responsibility and appropriate reporting procedures. Information is regularly provided at all levels and compared with budgeted targets which are reviewed on a monthly basis.

Risk management

The identification of major business risks is carried out in conjunction with operating management and steps are taken to mitigate or manage these where possible.

Financial reporting

The Company operates a comprehensive budgeting system with an annual budget approved by the directors. Monthly trading results, balance sheets and the cash position are reported against the corresponding figures for the budget and previous year. A revised annual rolling trading forecast is prepared on a monthly basis.

Treasury management

The treasury functions of the operating companies are overseen by the Group accounts function. Major transactions are authorised at the requisite level and there is appropriate segregation of duties. Regular reports are submitted to the Group finance function, with weekly and rolling 13 week cash flow forecasts submitted to the Board.

Operating company systems

Each operating company maintains financial controls and procedures appropriate to its own business environment conforming to overall standards and guidelines.

The Board has reviewed the effectiveness of the internal control environment of the Group.

Remuneration Policy

In view of the absence of non-executive representation during the year the executive Board has been responsible for determining the remuneration policy for the senior management throughout the Group. Consequently, it has been unable to comply with Section A of the best practice provisions annexed to the Listing Rules concerning remuneration committees.

Remuneration policy

The Group aims to attract, motivate and retain high calibre staff by rewarding them with competitive salary and benefit packages which are linked to individual responsibility and business performance. The packages are reviewed each year or following a change in responsibilities. During the review process reference is made to external benchmarking opportunities and to the level of enhanced performance required to motivate individuals to meet the Company's objectives.

Incentive schemes

Executive directors participate in performance linked annual bonus schemes. These are based on achievement of profit before interest and tax and effective management of net operating assets, in excess of a pre-determined base approved by the Board. The pre-determined rates are specified for each business unit in the Group. Performance linked bonuses are not pensionable.

Share options

The Board is responsible for supervising the Company's share option scheme in accordance with rules approved by shareholders in General Meeting. Details of the share options held by directors are shown in Note 4 to the Accounts.

Service contracts

There are no contracts of service under which directors are employed other than contracts expiring or terminable within one year and without payment of compensation.

CORPORATE GOVERNANCE

Pensions
The Group operates a number of pension schemes in the UK and overseas. The pension schemes in which the executive directors participate are defined contribution schemes..The Company's contribution to these schemes is shown in Note 4 to the Accounts. Information on the Company's pension plans is shown in Note 21 to the Accounts.
Directors' remuneration
Details of the remuneration paid to directors are shown in Note 4 to the Accounts.

Going Concern
Having reviewed the Group's liquid resources and borrowing facilities and its cash flow forecasts the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Auditors' Statement
The auditors have confirmed that, in their opinion, with respect to the directors' statements on internal financial control and going concern, the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which they are aware from their audit work on the financial statements; and that the directors' other statements appropriately reflect the Company's compliance with the Code specified for their review. They were not required to perform the additional work necessary to, and did not, express any opinion on the effectiveness of either the Company's system of internal control or its corporate governance procedures nor on the ability of the Company to continue in operational existence.

Directors' Responsibilities
Company law requires the directors to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the Group profit or loss for that period. In preparing those financial statements, the directors are required to:
- select suitable accounting policies and 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 financial statements; and
- prepare 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 of the Group 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 of fraud and other irregularities.

The directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements, and that applicable accounting standards have been followed.

GROUP PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 1995

Notes		1995 £'000	1994 £'000
1	**Turnover**	**73,022**	**58,007**
2	**Operating profit/(loss)**	**398**	**(990)**
3	Net borrowing (cost)/gain	(216)	380
	Profit/(loss) on ordinary activities before taxation	**182**	**(610)**
6	Tax on profit/(loss) on ordinary activities	(131)	263
	Profit/(loss) on ordinary activities after taxation	**51**	**(347)**
17	Finance costs of non-equity shares	(31)	(35)
17	**Transferred to/(deducted from) reserves**	**20**	**(382)**
7	Earnings/(loss) per ordinary share	0.1p	(1.5)p

Note: All turnover and operating profit/(loss) derives from continuing activities.

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 31 DECEMBER 1995

	1995 £'000	1994 £'000
Profit/(loss) on ordinary activities after taxation	51	(347)
Currency translation gains on foreign currency net investments	272	185
Total recognised gains/(losses) relating to the year	**323**	**(162)**

GROUP BALANCE SHEET

AT 31 DECEMBER 1995

Notes		1995 £'000	1994 £'000
	Fixed Assets		
8	Tangible assets	**3,702**	**3,407**
	Current Assets		
10	Stocks	6,558	6,001
11	Debtors	15,772	12,449
	Cash at bank and in hand	2,155	2,141
		24,485	**20,591**
	Creditors: amounts falling due within one year		
12	Loans and other borrowings	6,676	4,880
13	Other creditors	18,738	17,081
		25,414	**21,961**
	Net current liabilities	**(929)**	**(1,370)**
	Total assets less current liabilities	**2,773**	**2,037**
	Creditors: amounts falling due after more than one year		
12	Loans and other borrowings	201	77
13	Other creditors	727	385
		928	**462**
14	Provisions for liabilities and charges	457	567
	Net assets	**1,388**	**1,008**
	Capital and Reserves		
15	Share capital	6,951	6,926
17	Share premium account	1,320	1,288
17	Special reserve	818	818
17	Other reserve	108	88
17	Profit and loss account	(3,855)	(4,158)
		5,342	**4,962**
17	Goodwill reserve	(3,954)	(3,954)
19	**Shareholders' Funds**	**1,388**	**1,008**

Note: Share capital and the other reserve include the interests of the non-equity Preference Shareholders as disclosed in Note 19.

Approved by the Board on 4 April 1996

P H Giles, Chairman **P A Briggs, Director**

COMPANY BALANCE SHEET

AT 31 DECEMBER 1995

Notes		1995 £'000	1994 £'000
	Fixed Assets		
8	Tangible assets	36	161
9	Investments in subsidiaries	6,956	7,089
		6,992	**7,250**
	Current Assets		
11	Debtors	1,484	1,290
	Cash at bank and in hand	-	400
		1,484	**1,690**
	Creditors: amounts falling due within one year		
12	Loans and other borrowings	3,940	3,880
13	Other creditors	3,136	3,560
		7,076	**7,440**
	Net current liabilities	**(5,592)**	**(5,750)**
	Net assets	**1,400**	**1,500**
	Capital and Reserves		
15	Share capital	6,951	6,926
17	Share premium account	1,320	1,288
17	Special reserve	818	818
17	Other reserve	108	88
17	Profit and loss account	(7,797)	(7,620)
19	**Shareholders' Funds**	**1,400**	**1,500**

Note: Share capital and the other reserve include the interests of the non-equity Preference Shareholders as disclosed in Note 19.

Approved by the Board on 4 April 1996

P H Giles, Chairman P H Giles

P A Briggs, Director Paul Briggs

GROUP CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 1995

Notes		1995 £'000	1994 £'000
18	**Net cash (outflow)/inflow from operating activities**	**(440)**	**4,453**
	Returns on investments and servicing of finance		
	Interest received	71	90
	Interest paid	(591)	(740)
	Interest element of hire purchase and finance lease rentals	(1)	(7)
	Net cash outflow from returns on investments and servicing of finance	(521)	(657)
	Taxation		
	UK corporation tax repaid	94	84
	Overseas taxes (paid)/ repaid	(69)	29
	Net tax repaid	25	113
	Investing activities		
	Purchase of tangible fixed assets	(1,265)	(1,171)
	Sale of tangible fixed assets	204	241
	Net cash outflow from investing activities	(1,061)	(930)
	Net cash (outflow)/inflow before financing	**(1,997)**	**2,979**
	Financing		
18	Issue of ordinary shares	57	100
	New loans repayable after more than one year	118	-
	New short term loans	71	-
	Repayment of bank loans	(159)	(177)
	Principal payments under finance leases	(26)	(115)
18	Re-negotiation of bank loans now repayable on demand	-	(4,668)
18	Waiver of on demand bank loans	-	1,314
	Expenses paid in connection with refinancing	(104)	(156)
	Net cash outflow from financing	**(43)**	**(3,702)**
18	**Decrease in cash and cash equivalents**	**(2,040)**	**(723)**

ACCOUNTING POLICIES

YEAR ENDED 31 DECEMBER 1995

The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Consolidation

The Group accounts include the results and financial position of the Company and its subsidiaries. The results of subsidiaries acquired are included in the Group profit and loss account from the date of acquisition.

Goodwill, being the excess of the cost of the shares in subsidiaries over the fair value attributable to their net tangible assets on acquisition, is set against reserves in the year of acquisition.

Investments in subsidiaries are stated at cost less amounts written off to reflect any permanent diminution in value.

A separate profit and loss account dealing with the results of the Company only has not been presented as permitted by Section 230 of the Companies Act 1985.

Foreign currencies

All assets, liabilities, and the results of overseas companies denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the retranslation of the opening net investment in overseas companies, including appropriate intra-Group currency loans, are taken direct to reserves.

All other exchange adjustments due to fluctuations arising in the normal course of trade are taken into account in arriving at the operating results.

Depreciation

Depreciation is provided on a straight line basis on all tangible fixed assets, other than freehold land, at the following rates calculated to write off the cost of each asset over its expected useful life:

Freehold buildings	2%
Short leaseholds	over the term of the lease
Plant and equipment	10% to 33%

Research and development

Expenditure on research and development is written off as incurred.

Deferred taxation

Deferred taxation is provided using the liability method for timing differences between tax allowances and related accounting treatments where these are regarded as likely to crystallise in the foreseeable future.

Stocks

Stocks are valued at the lower of cost, including appropriate overheads, and net realisable value.

Hire purchase and leasing commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their useful lives. The capital element of future obligations under these arrangements is included within loans and other borrowings in the balance sheet. The interest element is charged to the profit and loss account over the life of the agreements. Rentals paid under operating leases are charged to the profit and loss account on a straight line basis.

Turnover and profit

Turnover comprises amounts receivable for goods and services provided during the year, stated net of sales taxes. Profit is recognised on long term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses.

Pensions

Contributions to the Group's pension schemes and other payments in respect of pensions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 1995

1 Turnover and operating profit/(loss)

Turnover and operating profit/(loss) were attributable entirely to the principal activities of the Group as set out in the report of the directors. In the opinion of the directors the Group's business activities constitute for the purpose of segmental reporting one class of business and one geographical segment. Turnover by origin, which is not materially different to turnover by destination unless otherwise noted, was as follows:

	1995	1994
	£'000	£'000
United Kingdom - domestic market	25,637	20,806
- rest of Europe	1,678	1,472
	27,315	22,278
France	17,821	13,463
Holland	10,336	6,733
Rest of Europe	17,550	15,533
	73,022	**58,007**

2 Operating profit/(loss)

	1995	1994
	£'000	£'000
Turnover	73,022	58,007
Increase in stocks of finished goods and work in progress	333	60
Raw materials, consumables and finished goods	(30,022)	(23,844)
Other external charges	(16,580)	(11,911)
Staff costs (Note 5)	(25,266)	(22,103)
Depreciation	(1,089)	(1,199)
	398	**(990)**

Operating profit/(loss) is stated after charging/(crediting) the following items:		
Depreciation on owned assets	1,087	1,164
Depreciation on assets held under finance leases and hire purchase contracts	2	35
Operating lease rentals - plant and equipment	1,838	1,549
Operating lease rentals - properties	1,724	1,372
Research and development - staff costs	608	662
Research and development - external charges	117	129
Redundancy and re-organisation expenses	-	620
Auditors' remuneration	165	159
Profit on disposal of tangible fixed assets	(26)	(37)

Amounts paid to Binder Hamlyn and their associates by the Company and its UK subsidiaries in respect of non-audit services in 1995 were £35,000 (1994: £53,000).

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 1995

3 Net borrowing (cost)/gain

	1995	1994
	£'000	£'000
Interest payable:		
On bank loans and overdrafts	(265)	(764)
On other loans and bills of exchange	(208)	(97)
On hire purchase and finance lease borrowings wholly repayable within five years	(1)	(7)
	(474)	(868)
Interest receivable on bank deposits	51	90
Other interest receivable	-	20
Net interest payable	(423)	(758)
Net gain on waiver of other loans (note 18)	207	-
Net gain on waiver of on demand bank loans (note 18)	-	1,138
Net borrowing (cost)/gain	**(216)**	**380**

4 Directors

a) Shareholdings

The directors' interests in the shares of the Company were as follows;

	31 December 1995		31 December 1994*	
		£1 'A'		£1 'A'
	10p	Convertible	10p	Convertible
Beneficial interests:	Ordinary	Preference	Ordinary	Preference
D A Bendall	205,000	-	-	-
P A Briggs	20,000	-	-	-
P H Giles	-	1,193,641	-	1,193,641
A S Petrie	10,000	-	10,000	-
D Turner	1,714,500	-	1,714,500	-
Non-beneficial interests:				
D Turner	157,500	-	157,500	-

* Or date of appointment if later

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 1995

4 Directors (continued)

b) Options

Options have been granted to directors as follows:

	31.12.94	Granted	31.12.95	Exercise Price	Date Exercisable	Date Expires
D A Bendall	-	50,000	50,000	23.0p	28.9.98	28.9.05
D A Bendall	-	100,000	100,000	23.0p	28.9.00	28.9.05
A S Petrie	333,445	-	333,445	17.1p	14.5.90	14.5.97

The market price at 31 December 1995 was 29p (31 December 1994: 10p) and the range during the year was 10p to 32p.

c) Emoluments

The emoluments of the directors of the company were as follows:

	Salary and Fees £'000	Executive Bonus £'000	Other Benefits £'000	Total 1995 £'000	Total 1994 £'000	Pensions 1995 £'000	Pensions 1994 £'000
D A Bendall	30	7	3	40	-	2	-
P A Briggs	55	-	7	62	34	3	1
P H Giles *	154	-	-	154	148	-	-
A S Petrie	89	39	5	133	133	5	5
D Turner	90	45	9	144	92	9	9
N B Alexander (resigned 2 December 1994)	-	-	-	-	71	-	10
J Berry ** (resigned 3 April 1995)	3	-	-	3	17	-	-
D Dace ** (resigned 3 April 1995)	3	-	-	3	21	-	-
P C Nicholson ** (resigned 17 June 1994)	-	-	-	-	-	-	-
T A Milne *** (resigned 2 December 1994)	-	-	-	-	307	-	-
	424	**91**	**24**	**539**	**823**	**19**	**25**

* Executive Chairman and highest paid director.

** Non-Executive director.

*** In 1994 T A Milne received compensation for loss of office of £204,000. This included the grant of pension rights of £120,000 and the transfer of assets with an estimated monetary value of £4,000.

The Remuneration Policy of the Company is explained in the Corporate Governance Section of this Report.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 1995

5 Employees

	1995 Number	1994 Number
The average weekly number of employees during the year was:		
Marketing and systems support	230	209
Service technicians and installation	417	394
Manufacturing	87	85
Administration	92	106
General management	16	16
	842	**810**

	1995 £'000	1994 £'000
Staff costs during the year amounted to:		
Wages and salaries	20,618	17,864
Social security costs	3,182	2,921
Other pension and health costs	1,466	1,318
	25,266	**22,103**

6 Tax on profit/(loss) on ordinary activities

	1995 £'000	1994 £'000
Overseas - current year taxation	(131)	(32)
UK - prior year taxation	-	107
Overseas - prior year taxation	-	188
Total tax (charge)/credit	**(131)**	**263**

The tax charge arises on profits earned by certain overseas subsidiaries since losses arising elsewhere within the Group are not available for offset.

7 Earnings/(loss) per ordinary share

The calculation of the earnings/(loss) per ordinary share is based on an available profit of £20,000 (1994 attributable loss: £382,000) expressed on 28,791,604 shares (1994: 26,152,656 shares) being the weighted average number of ordinary shares in issue during the year.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 1995

8 Tangible fixed assets

	Freehold properties	Short leaseholds	Plant and equipment	Total
Group	£'000	£'000	£'000	£'000
Cost				
At 31 December 1994	767	1,004	8,146	9,917
Exchange adjustment	73	88	478	639
Reclassified	-	164	(164)	-
Additions	-	106	1,249	1,355
Disposals	-	-	(1,300)	(1,300)
At 31 December 1995	**840**	**1,362**	**8,409**	**10,611**
Depreciation				
At 31 December 1994	70	633	5,807	6,510
Exchange adjustment	7	63	362	432
Reclassified	-	98	(98)	-
Charge for the year	25	124	940	1,089
Disposals	-	-	(1,122)	(1,122)
At 31 December 1995	**102**	**918**	**5,889**	**6,909**
Net book amount				
At 31 December 1995	**738**	**444**	**2,520**	**3,702**
At 31 December 1994	697	371	2,339	3,407

Plant and equipment comprises computer equipment, fixtures and fittings, tools and equipment, and motor vehicles. The net book amount of assets held under finance leases and hire purchase contracts, which is included above under the plant and equipment heading, is £71,000 (1994: £22,000).

Company	Cost	Depreciation	Net book amount
Plant and Equipment only	£'000	£'000	£'000
At 31 December 1994	329	168	161
Additions/Charge for the year	21	31	(10)
Disposals	(30)	(21)	(9)
Intra-group disposals	(204)	(98)	(106)
At 31 December 1995	**116**	**80**	**36**

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 1995

9 Investments in subsidiaries - Company

	Unlisted shares in subsidiaries £'000	Loans to subsidiaries £'000	Total Investment £'000
At 31 December 1994 - Cost	19,736	4,757	24,493
At 31 December 1994 - Provision	(15,112)	(2,292)	(17,404)
At 31 December 1994 - Net book amount	4,624	2,465	7,089
Waiver of loans to subsidiaries	800	(800)	-
Additional investment in subsidiaries	-	346	346
Provision for permanent diminution in value	-	(479)	(479)
At 31 December 1995 - Net book amount	**5,424**	**1,532**	**6,956**

The waiver of a loan to Riva Electronics Limited is compensated by an equivalent reduction in provisions made in prior years against the Company's investment in the shares of that company. The write down of the Company's loans to subsidiaries reflects losses incurred by certain of its European subsidiaries.

10 Stocks - Group

	1995 £'000	1994 £'000
Raw materials and consumables	833	609
Work in progress	305	375
Finished goods and goods for resale	5,420	5,017
	6,558	**6,001**

There is no material difference between the historical cost and the current replacement cost of stocks.

11 Debtors

	Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	Company 1994 £'000
Due within one year				
Trade debtors	14,180	10,636	-	-
Amounts owed by subsidiaries	-	-	1,444	1,232
UK corporation tax	-	94	-	-
Other debtors	722	778	14	32
Prepayments and accrued income	870	941	26	26
	15,772	**12,449**	**1,484**	**1,290**

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 1995

12 Loans and other borrowings

	Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	Company 1994 £'000
Borrowings are repayable as follows:				
Within one year				
Bank loans and overdrafts	2,702	2,720	2,034	1,762
Bills discounted at banks with recourse	1,988	-	-	-
Other loans	1,938	2,145	1,906	2,113
Finance leases and hire purchase contracts	48	15	-	5
	6,676	**4,880**	**3,940**	**3,880**
After more than one year				
Bank loans	118	1	-	-
Other loans	52	76	-	-
Finance leases and hire purchase contracts	31	-	-	-
	201	**77**	**-**	**-**
Total borrowings	**6,877**	**4,957**	**3,940**	**3,880**
Bank loans and overdrafts are repayable as follows:				
Not by instalments - within one year	2,647	2,622	2,034	1,762
By instalments:				
- within one year	55	98	-	-
- after one and within two years	118	1	-	-
Total bank loans and overdrafts	**2,820**	**2,721**	**2,034**	**1,762**
Obligations under finance leases and hire purchase contracts are repayable as follows:				
Within one year	48	15	-	5
After one and within two years	17	-	-	-
After two and within five years	14	-	-	-
Total	**79**	**15**	**-**	**5**

The Group has provided security, by way of fixed and floating charges over certain Group assets, in respect of Group bank loans and overdrafts amounting to £2,579,000 at 31 December 1995 (1994: £2,625,000) and in respect of other loans amounting to £1,906,000 at 31 December 1995 (1994: £2,113,000).

Other loans include the following: (i) a secured loan from Mr T A Milne, a former director, amounting to £326,000 at 31 December 1995 (1994: £533,000) which bears interest at a rate of 3 per cent above one month LIBOR and is repayable on demand. (ii) a secured loan from FBG Holdings (UK) Limited amounting to £1,580,000 at 31 December 1995 (1994: £1,580,000) which bears interest at a rate of 1 per cent per annum and is repayable on demand.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 1995

12 Loans and other borrowings (continued)

Bank loans and overdrafts are subject to variable rates of interest.

Company bank loans and overdrafts amounting to £2,034,000 (1994: £1,762,000) and other loans amounting to £1,906,000 (1994: £2,113,000) are secured by fixed and floating charges over certain Group assets.

The Company has guaranteed the borrowings of certain subsidiaries amounting to £349,000 (1994: £273,000) and bills discounted by certain subsidiaries amounting to £Nil (1994: £675,000).

Bills discounted with recourse amounting to £1,988,000 are included in borrowings at 31 December 1995. Bills discounted with recourse amounting to £1,253,000 were disclosed as contingent liabilities at 31 December 1994.

13 Other creditors

	Group 1995	Group 1994	Company 1995	Company 1994
Amounts falling due within one year	£'000	£'000	£'000	£'000
Trade creditors	9,558	7,933	43	101
Amounts owed to subsidiaries	-	-	2,830	3,013
Overseas taxes	73	11	-	-
Other taxation and social security	2,814	2,471	13	4
Accruals	3,223	3,665	250	442
Deferred service income	1,530	1,612	-	-
Payments received on account	1,267	1,100	-	-
Pensions	273	289	-	-
	18,738	**17,081**	**3,136**	**3,560**
Amounts falling due after more than one year				
Pensions	461	385	-	-
Other taxation and social security	266	-	-	-
	727	**385**	**-**	**-**

Other taxation and social security liabilities amounting to £Nil (1994: £206,000) are secured against certain Group assets.

14 Provisions for liabilities and charges

	Restructure Provisions	Warranty Provisions	Total
Group	£'000	£'000	£'000
At 31 December 1994	26	541	567
Exchange adjustment	2	27	29
Charged to profit and loss	-	457	457
Utilised during the year	(28)	(568)	(596)
At 31 December 1995	**-**	**457**	**457**

The Group has no potential liability for deferred taxation.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 1995

15 Share Capital

	Authorised		Allotted, Called Up and Fully Paid	
	Number	£'000	Number	£'000
Equity shares:				
Ordinary Shares of 10p each				
At 1 January 1995	41,999,987	4,200	27,012,321	2,702
Issued during the year:				
- arising on conversion of A Preference Shares	1,781,597	178	1,781,597	178
- under the Company's share option scheme	-	-	250,000	25
At 31 December 1995	**43,781,584**	**4,378**	**29,043,918**	**2,905**
Non-equity shares:				
A Convertible Preference Shares of £1 each				
At 1 January 1995	2,644,436	2,644	2,644,436	2,644
Converted during the year	(712,639)	(712)	(712,639)	(712)
At 31 December 1995	**1,931,797**	**1,932**	**1,931,797**	**1,932**
B Convertible Preference Shares of £1 each				
At 1 January and 31 December 1995	**1,579,928**	**1,580**	**1,579,928**	**1,580**
Non-voting Deferred Shares of 1p each				
At 1 January 1995	-	-	-	-
Issued during the year:				
- arising on conversion of A Preference Shares	53,447,930	534	53,447,930	534
At 31 December 1995	**53,447,930**	**534**	**53,447,930**	**534**
Total Share Capital at 31 December 1995		**8,424**		**6,951**
Total Share Capital at 31 December 1994		8,424		6,926

During the year (i) 250,000 Ordinary shares were issued at a price of 23.0p under the Company's employee share option scheme; (ii) 712,639 A Convertible Preference Shares were converted into 1,781,597 Ordinary Shares of 10p each and 53,447,930 non-voting Deferred Shares of 1p each.

On 2 January 1996, 457,154 A Convertible Preference Shares were converted into 1,142,885 Ordinary Shares of 10p each and 34,286,550 non-voting Deferred Shares of 1p each.

The Convertible Preference Shares carry the right to a preferential dividend of 1p per share net per annum, payable half yearly on 30 June and 31 December in each year, and to interest on unpaid dividends at 2% per annum over The Co-operative Bank p.l.c. base rate.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 1995

15 Share Capital (continued)

The Preference Shares are to be redeemed by the Company at £1 per share, together with any arrears of dividend and accrued interest, on 31 December 1999 if outstanding on that date. On a return of capital holders of Convertible Preference Shares are entitled to the nominal value of their shares, together with all arrears of dividend and accrued interest, in priority to any payment to holders of other classes of shares.

Holders of Convertible Preference Shares are not entitled to vote at general meetings of the Company unless the preferential dividend is six months or more in arrears or the meeting involves the consideration of certain items of business specified for this purpose in the Articles of Association of the Company.

Convertible Preference Shares are convertible into Ordinary Shares on each 30 June and 31 December up to and including 31 December 1999 at the rate of 10 Ordinary Shares for every 4 A Convertible Preference Shares and 10 Ordinary Shares for every 8 B Convertible Preference Shares. Entitlement to any arrears of dividend and accrued interest lapses on conversion.

The non-voting Deferred Shares of 1p each are created under the authority given by the passing on 8 May 1992 of the resolution to create the Convertible Preference Shares and derive from the balance (if any) of a holding of Convertible Preference Shares which remains following conversion of that holding into Ordinary Shares. Non-voting Deferred Shares have no voting rights, no right to receive any dividend or other distribution and have deferred rights of participation on a return of capital.

16 Share Option Scheme

The following options were outstanding at 31 December 1995 under the Company's employee share option scheme:

	Number of Ordinary Shares of 10p each		Option	Date
Exercisable	1995	1994	Price	Granted
Between 1990 and 1997	666,890	666,890	17.1p	14 May 1987
Between 1994 and 2001	36,060	37,870	38.0p	28 May 1991
Up to 17 December 1995	-	333,445	23.0p	23 September 1993
Between 1998 and 2005	150,000	-	23.0p	28 September 1995

The options granted on 23 September 1993 were granted to N B Alexander who died on 17 December 1994. On 13 December 1995, 250,000 shares were exercised under this option (at which time the market price of the shares was 29.0p) and the remaining options over 83,445 shares lapsed on the first anniversary of his death.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 1995

17 Reserves

	Share premium account £'000	Special reserve £'000	Other reserve £'000	Profit and loss account £'000
Group				
At 31 December 1994	1,288	818	88	(4,158)
Transfer	-	-	(11)	11
Premium on issue of shares	32	-	-	-
Currency translation gains	-	-	-	272
Finance costs of non-equity shares	-	-	31	-
Retained profit for the year	-	-	-	20
At 31 December 1995	**1,320**	**818**	**108**	**(3,855)**

	Share premium account £'000	Special reserve £'000	Other reserve £'000	Profit and loss account £'000
Company				
At 31 December 1994	1,288	818	88	(7,620)
Transfer	-	-	(11)	11
Premium on issue of shares	32	-	-	-
Finance costs of non-equity shares	-	-	31	-
Retained loss for the year	-	-	-	(188)
At 31 December 1995	**1,320**	**818**	**108**	**(7,797)**

The other reserve represents the arrears of dividends on Convertible Preference Shares accumulated since 1992. The dividend in respect of the Preference Shares has not been paid as the Company has a deficit on its profit and loss account. The special reserve was created pursuant to a Court Order dated 10 June 1991 and is to be treated as undistributable.

Goodwill	1994 and 1995
Goodwill arising on the acquisition of subsidiaries of £17,066,000 has been written off:	£'000
Against share premium account (in accordance with a Court Order dated 10 June 1991)	13,112
To goodwill reserve	3,954
Total	**17,066**

The loss on ordinary activities after taxation dealt with in the accounts of the Parent Company is £157,000 (1994: loss £15,000).

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 1995

18 Cash Flow Statement

(a) Reconciliation of operating profit/(loss) to net cash (outflow)/inflow from operating activities	1995 £'000	1994 £'000
Operating profit/(loss)	398	(990)
Depreciation	1,089	1,199
Profit on sale of tangible fixed assets	(26)	(37)
(Increase)/reduction in stocks	(202)	74
(Increase)/reduction in debtors	(2,551)	1,032
Increase in creditors	803	3,207
Other items	49	(32)
Net cash (outflow)/ inflow from operating activities	**(440)**	**4,453**

(b) Analysis of changes in cash and cash equivalents during the year		
Balance at 1 January	(481)	256
Net cash outflow before adjusting for the effect of foreign exchange rate movements	(2,040)	(723)
Effect of foreign exchange rate changes	41	(14)
Balance at 31 December	**(2,480)**	**(481)**

(c) Analysis of cash and cash equivalents as shown in the balance sheet	1995 £'000	1994 £'000	Change in year £'000
Cash at bank and in hand	2,155	2,141	14
Bank loans and overdrafts	(2,647)	(2,622)	(25)
Discounted bills receivable	(1,988)	-	(1,988)
	(2,480)	**(481)**	**(1,999)**

Bank loans repayable within one year of £55,000 (1994: £98,000) are not cash equivalents and have been dealt with in the financing section of the Cash Flow Statement. At 31 December 1995 discounted bills receivable with a maturity of less than three months, amounting to £1,988,000 are included in cash and cash equivalents.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 1995

18 Cash Flow Statement (continued)

(d) Analysis of changes in financing during the year	Share capital including premium £'000	Loans and other borrowings £'000
Balance at 1 January 1995	8,214	2,335
New capital leases	-	90
Cash inflow from financing	57	4
Waiver of other loans	-	(207)
Effect of foreign exchange rate changes	-	20
Balance at 31 December 1995	**8,271**	**2,242**

On 22 September 1995 Mr T A Milne, a former director of the Company, disposed of his interest in 6,897,616 ordinary shares in the Company. As part of the placing agreement Mr Milne waived £207,000 of debt in favour of the Company, generating a profit of the same amount.

(e) Cash flow effect of refinancing agreements reached in 1994.

On 4 January 1994 the Company reached agreement with its principal lenders to restructure its bank and other loan facilities whereby £4,668,000 of bank loans repayable after 3 months were converted into bank loans repayable on demand. This is included as a cash outflow in the financing section of the Cash Flow Statement.

On 19 December 1994 the Company rationalised its banking facilities whereby, following a repayment of £907,000 of its on demand loans to certain of the Company's lenders, a profit of £1,314,000, before costs of £176,000, was generated by way of a debt waiver in favour of the Company. This is shown as a cash inflow in the financing section of the Cash Flow Statement.

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 1995

19 Reconciliation of movements in Group shareholders' funds

	1995	1994
	£'000	£'000
Profit/(loss) on ordinary activities after taxation	51	(347)
Currency translation differences	272	185
New share capital issued including share premium	57	100
Net increase/(reduction) in shareholders' funds	380	(62)
Opening shareholders' funds	1,008	1,070
Closing shareholders' funds	**1,388**	**1,008**

	Group	Group	Company	Company
	1995	1994	1995	1994
Closing shareholders' funds are attributable to:	£'000	£'000	£'000	£'000
'A' Convertible Preference Shareholders	1,983	2,692	1,983	2,692
'B' Convertible Preference Shareholders	1,636	1,620	1,636	1,620
Non-voting Deferred Shareholders	-	-	-	-
Total non-equity interests	3,619	4,312	3,619	4,312
Equity interests	(2,231)	(3,304)	(2,219)	(2,812)
Total shareholders' funds	**1,388**	**1,008**	**1,400**	**1,500**

20 Financial commitments

Capital expenditure

The aggregate amounts authorised but not contracted or included in the Group accounts at 31 December 1995 was £Nil (1994: £45,000).

Operating leases - Group

The commitments under lease agreements payable during the next financial year are as follows:	Leasehold property		Other operating leases	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Leases expiring within one year	116	70	847	307
After one and within five years	795	735	1,280	1,498
After five years	617	529	-	-
	1,528	**1,334**	**2,127**	**1,805**

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 1995

21 Pensions

The Group operates a number of pension schemes in the UK and overseas, the assets of which are in most cases held in independently administered funds. The net pension charge for the Group was £1,104,000 (1994: £922,000) of which £933,000 (1994: £729,000) related to overseas schemes.

In the UK the Group operates both a defined benefit scheme and also defined contribution schemes.

The pension cost of the UK defined benefit scheme is assessed in accordance with the advice of qualified, independent actuaries using the attained age method. At 1 April 1994 the actuarial valuation showed the market value of assets to be £8,045,000 and the actuarial value of the assets was 117% of the benefits that had accrued to members. The actuarial surplus was £919,000 and on the advice of the actuaries, Group funding of this scheme continues to be suspended.

The principal assumptions used in the 1994 actuarial valuation are that the investment return will be 9% per annum, that salary increases will average 7% per annum and that present and future pensions will increase at the rate of 3% per annum.

The net pension charge for the Group of this scheme, which is based on the 1994 valuation, was £26,000 (1994: £26,000) and at the balance sheet date the difference between the amount charged in the accounts and the amount transferred to the scheme was £43,000 which is shown in Note 13 (other creditors), (1994: £17,000).

The net pension charge of the UK defined contribution schemes, representing contributions payable, amounted to £145,000 (1994: £167,000). At 31 December 1995 there were no outstanding contributions due to these schemes (1994: £nil).

The pension costs of overseas schemes within the Group is determined in accordance with local conditions and practice and amounts to £933,000 (1994: £729,000). At 31 December 1995 there were outstanding contributions due to these schemes amounting to £691,000 (1994: £657,000) which is shown in Note 13 (other creditors).

AUDITORS' REPORT

TO THE MEMBERS OF RIVA GROUP PLC

We have audited the financial statements on pages 12 to 31 which have been prepared on the basis of the accounting policies set out on page 16.

Respective responsibilities of directors and auditors.

As described on page 11 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 judgements 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 affairs of the Company and of the Group as at 31 December 1995 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Binder Hamlyn

Binder Hamlyn,
Chartered Accountants
Registered Auditors,
Bank House,
9 Charlotte Street,
Manchester M1 4EU,

4 April 1996

PRINCIPAL SUBSIDIARIES

The principal subsidiaries of Riva Group Plc, which are all wholly owned, are listed below. All of the companies shown are incorporated or registered and operate in the countries indicated.

Holding Companies

Hugin Sweda International Limited *, England
Hugin Sweda Holdings BV, The Netherlands

Sales Companies

Riva Systems Limited *, England
SA Riva Hugin Sweda NV, Belgium
A/S Hugin Sweda, Denmark
Hugin Sweda SA, France
Hugin Sweda BV, The Netherlands
Hugin Sweda Espana SA, Spain
Hugin Sweda-Systems AG, Switzerland *

Design, manufacture and supply of EPoS equipment and software

Riva Electronics Limited *, England

* Companies denoted by an asterisk are direct subsidiaries of Riva Group Plc. Companies not denoted by an asterisk are owned through a holding company.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Riva Group Plc will be held at its registered office, Crompton House, Barrs Fold Rd, Wingates Industrial Park, Westhoughton, Bolton, BL5 3XP, on 27 June 1996 at 12.00 noon for the transaction of the following business:

1. To receive and adopt the report of the directors and the accounts for the year ended 31 December 1995 and the report of the auditors thereon.

2. To re-elect as directors Mr D A Bendall, who was appointed since the last Annual General Meeting, and Mr A S Petrie who retires by rotation.

3. To re-appoint Binder Hamlyn as auditors and to authorise the directors to fix their remuneration.

4. As special business, to consider and, if thought fit, pass the following resolution as a Special Resolution of the Company:

That the directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act") to exercise all powers of the Company to allot equity securities of the Company (as defined in Section 94 of the Act) for cash pursuant to the authority conferred by the Special Resolution passed at the Extraordinary General Meeting of the Company held on 8 May 1992 as if Section 89(1) of the Act did not apply to such allotment, provided that this power shall be limited to:

(i) the allotment of equity securities in connection with an issue by way of rights in favour of the holders of ordinary shares where the equity securities respectively attributable to the interests of all the holders of ordinary shares are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them subject to such exclusions or arrangements as the directors may deem necessary or desirable to deal with fractional entitlements otherwise arising or legal or practical problems under the laws of any territory or the regulations of the regulatory authority in any territory; and

(ii) the allotment of equity securities for cash (otherwise than mentioned in sub-paragraph (i) above) up to an aggregate amount not exceeding 1,500,000 ordinary shares;

and shall expire on 7 May 1997 or, if earlier, at the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require the allotment of equity securities after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By Order of the Board

S Jones

S P Jones
Secretary
2 May 1996

Crompton House,
Barrs Fold Road,
Wingates Industrial Park,
Westhoughton,
Bolton BL5 3XP

Notes

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company. Forms of proxy, which are enclosed, must be received at the office of the Company's Registrars 48 hours before the time of the meeting.

Copies of all directors' contracts of service with the Company or any of its subsidiaries together with the directors' share interest will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays and Public Holidays excluded) from the date of this notice until 27 June 1996 and at the place of the Annual General Meeting from at least 15 minutes prior to the meeting until its conclusion.

DETACHABLE FORM OF PROXY

Form of Proxy for use by holders of ordinary shares having the right to attend and vote at the Annual General Meeting on 27 June 1996.

I/we .... being (a) registered holder(s) of ordinary shares in Riva Group Plc hereby appoint the Chairman of the Meeting (Note 2)

....

as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 27 June 1996 and at any adjournment thereof.

Signature .... Date ....

Ordinary Business	**For**	**Against**
1. To receive and adopt the report of the directors and the audited accounts for the year ended 31 December 1995		
2. To re-elect the following persons as directors: Mr D A Bendall		
Mr A S Petrie		
3. To re-appoint Messrs. Binder Hamlyn as auditors and to authorise the directors to fix their remuneration.		
Special Business: (Resolution as set out on notice of meeting)		
4. Authorising the directors to disapply pre-emption rights.		

Please indicate your voting instructions by inserting a cross in the appropriate place. Return of a signed Proxy without specific directions will enable your proxy to vote, in the event of a poll, as he sees fit.

Notes

1. To be valid this form of proxy must be lodged with the Registrars of the Company not less than 48 hours before the time of the meeting.

2. If desired "The Chairman of the Meeting" may be deleted and another name inserted as proxy. A proxy need not be a member of the Company.

3. If you do not indicate how you wish your proxy to vote on any resolution the proxy will vote as he thinks fit, or abstain from voting.

4. A proxy may demand or join in demanding a poll, and may vote only on a poll.

5. In the case of a Corporation the proxy must be executed under its common seal or under the hand of its attorney or an officer duly authorised.

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LLOYDS BANK REGISTRARS
THE CAUSEWAY
WORTHING
WEST SUSSEX
BN99 6DB

1st FOLD

3rd FOLD AND TUCK IN