

REPORT AND ACCOUNTS

ALTAI GROUP LIMITED

DECEMBER 28, 1996



Altai Group Limited

Registered No. 580524

DIRECTORS

G.J. Cameron
A.J.N. Gearty
A.J. Grant
I.G. McLachlan
A. Perkin
D.D. Smith

SECRETARY

J.L. Crossley

AUDITORS

Ernst & Young
Commercial Union House
Albert Square
Manchester
M2 6LP

BANKERS

Bank of Scotland
110 St. Vincent Street
Glasgow
G2 5EJ

SOLICITORS

Dickson Minto W.S.
Royal London House
22/25 Finsbury Square
London,
EC2A 1DS

REGISTERED OFFICE

Dallas Court
South Langworthy Road
Salford
Manchester
M5 2GF

DIRECTORS' REPORT

The directors present their report and accounts for the period ended December 28, 1996.

RESULTS AND DIVIDENDS

The loss for the period after taxation amounted to £421,603 (loss of £840,926 for the period ended December 30, 1995). The company paid an interim dividend of £63,818 (£nil for the period ended December 30, 1995). The directors do not recommend the payment of a final dividend (£nil for the period ended December 30, 1995) which leaves a loss of £485,421 (loss of £840,926 for the period ended December 30, 1995) to be transferred to reserves.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company's principal activity during the period continued to be importing and distribution of electronic and electrical goods.

Considerable progress was achieved during the period with the effects of real improvements in product availability and product packaging showing through as the year progressed. Management action and the strengthening of sterling against the principal buying currencies meant that gross margins were returned to acceptable levels. All of this contributed to a significant improvement in operating profitability compared with the previous year.

A new catalogue was issued in April 1997 with 4,000 products, 20 per cent of which are new. This, together with the improving customer base, means that the company should make further progress in 1997.

FIXED ASSETS

The changes in fixed assets during the period are set out in notes 11 and 12 to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors who served during the period were as follows:

G.J. Cameron

A.J.N. Gearty

A.J. Grant

B.J. Kelly (resigned March 18, 1997)

I.G. McLachlan

A. Perkin

D.D. Smith

N.W. Turner (resigned December 31, 1996)

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS (continued)

The company is a wholly owned subsidiary of Saltire PLC. D.D. Smith is a director of Saltire PLC and his interests in its share capital are disclosed in the accounts of that company.

The interests of the other directors in the ordinary shares of Saltire PLC were as follows:

	At December 28, 1996		At December 30, 1995	
	Shares	Options	Shares	Options
G.J. Cameron	-	3,293	-	-
A.J.N. Gearty	-	27,441	-	24,148
A.J. Grant	-	3,293	-	-
B.J. Kelly	23,166	27,066	23,166	27,066
I.G. McLachlan	16,100	103,293	16,100	100,000
A. Perkin	1,350	2,133	1,350	2,133

PAYMENT TO SUPPLIERS

The company agrees terms and conditions for dealings with suppliers whenever possible. In the absence of any disputes, and subject to the performance of their obligations, payments to suppliers are made accordingly.

AUDITORS

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

For and on behalf of the Board

Jessica Crossley 28/7/97

J.L. Crossley
Secretary

**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; and
- 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 ALTAI GROUP LIMITED**

We have audited the accounts on pages 6 to 21, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 4 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.

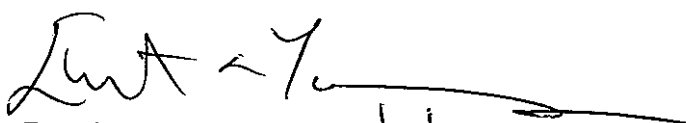
Basis of opinion

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 as at December 28, 1996 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
Manchester

28/7/97

Altai Group Limited

PROFIT AND LOSS ACCOUNT

for the period ended December 28, 1996

		For the period ended December 28 1996	For the period ended December 30 1995
	Note	£	£
TURNOVER	2	26,839,952	27,310,668
Change in stocks of finished goods and work in progress		1,564,903	(957,201)
		<u>28,404,855</u>	<u>26,353,467</u>
Other operating income		31,299	57,000
		<u>28,436,154</u>	<u>26,410,467</u>
Raw materials and consumables		(20,717,218)	(20,064,379)
Other external charges		(1,231,022)	(1,386,198)
GROSS PROFIT		<u>6,487,914</u>	<u>4,959,890</u>
Staff costs	5	2,671,673	2,266,953
Depreciation and amortisation		322,029	308,785
Other operating charges		3,211,391	3,184,758
		<u>6,205,093</u>	<u>5,760,496</u>
OPERATING PROFIT/(LOSS)	3	<u>282,821</u>	<u>(800,606)</u>
Income from investments	6	1,076	122,931
Interest receivable	7	43,768	15,683
Interest payable	8	(730,302)	(699,770)
		<u>(685,458)</u>	<u>(561,156)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(402,637)</u>	<u>(1,361,762)</u>
Taxation	9	(18,966)	520,836
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(421,603)</u>	<u>(840,926)</u>
Dividends	10	(63,818)	-
LOSS RETAINED FOR THE PERIOD		<u><u>(485,421)</u></u>	<u><u>(840,926)</u></u>

STATEMENT OF MOVEMENT ON RESERVES

	Capital reserve £	Profit and loss account £
At December 30, 1995	10,000	7,238,319
Retained loss for the year	-	(485,421)
At December 28, 1996	<u>10,000</u>	<u>6,752,898</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses other than the loss attributable to shareholders of the company of £421,603 for the period ended December 28, 1996 and the loss of £840,926 for the period ended December 30, 1995.

Altai Group Limited

BALANCE SHEET

at December 28, 1996

	Note	At December 28 1996 £	At December 30 1995 £
FIXED ASSETS			
Tangible assets	11	665,556	848,765
Investments	12	267,063	271,063
		<u>932,619</u>	<u>1,119,828</u>
CURRENT ASSETS			
Stock	13	7,901,955	6,337,052
Debtors	14	9,159,053	7,546,447
Cash at bank and in hand		2,261	1,059
		<u>17,063,269</u>	<u>13,884,558</u>
CREDITORS: amounts falling due within one year	15	(11,209,505)	(7,617,830)
NET CURRENT ASSETS		<u>5,853,764</u>	<u>6,266,728</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,786,383</u>	<u>7,386,556</u>
CREDITORS: amounts falling due after more than one year			
	16	(20,485)	(135,237)
		<u>6,765,898</u>	<u>7,251,319</u>
CAPITAL AND RESERVES			
Called up share capital	18	3,000	3,000
Capital reserve		10,000	10,000
Profit and loss account		6,752,898	7,238,319
Equity shareholders' funds		<u>6,765,898</u>	<u>7,251,319</u>

On behalf of the Board

 Director

28/7/97

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	For the period ended December 28 1996 £	For the period ended December 30 1995 £
Loss for the financial period	(421,603)	(840,926)
Dividends	(63,818)	-
	<u>(485,421)</u>	<u>(840,926)</u>
Net deduction to shareholders' funds	(485,421)	(840,926)
Opening shareholders' funds	<u>7,251,319</u>	<u>8,092,245</u>
Closing shareholders' funds	<u><u>6,765,898</u></u>	<u><u>7,251,319</u></u>

NOTES TO THE ACCOUNTS

at December 28, 1996

1. ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared under the historical cost convention and comply with applicable accounting standards.

Group accounts

The company is a wholly owned subsidiary of Saltire PLC, a company registered in England and Wales. Accordingly no group accounts have been prepared as permitted by Section 228 of the Companies Act 1985.

Cash flow statement

The company is exempt from publishing a cash flow statement as it is a wholly owned subsidiary of Saltire PLC whose group accounts contain a consolidated cash flow statement.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at contracted rates, where applicable. Assets and liabilities denominated in foreign currencies are translated into sterling at period end rates of exchange or contracted rates, where applicable. All exchange differences thus arising are dealt with through the profit and loss account.

Depreciation of tangible fixed assets

Depreciation is provided on a straight line basis to write off assets over their estimated useful lives, as follows:

Short leasehold property	- period of the lease
Plant and machinery	- 10% - 25% per annum
Fixtures and fittings	- 20% per annum

Deferred taxation

Provision is made under the liability method in respect of those timing differences which are expected to crystallise in the foreseeable future.

Stock

Stock is stated at the lower of cost and net realisable value. Cost comprises purchase price and all other directly attributable costs.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are included as tangible assets at cost and depreciated over the asset's life. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet. The interest element of the rental obligations is charged in the profit and loss account over the period of the leases and hire purchase contracts and represents a constant proportion of the balance of capital repayments outstanding. Rentals payable under operating leases are charged in the profit and loss account on a straight line basis.

NOTES TO THE ACCOUNTS

at December 28, 1996

1. ACCOUNTING POLICIES (continued)

Pensions

The company operates several defined contribution pension schemes and a defined benefit pension scheme. The assets of the schemes are held separately from those of the company in independently administered funds.

Defined contribution scheme

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Defined benefit scheme

Contributions are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension costs, which are identified as a result of actuarial valuations are amortised over the average expected remaining lives of employees in proportion to their expected payroll costs.

2. TURNOVER AND SEGMENTAL ANALYSIS

Turnover, which is stated net of value added tax, is attributable to one continuing activity, the importing and distribution of electrical equipment.

An analysis of turnover by geographical market is given below:

	For the period ended December 28 1996 £	For the period ended December 30 1995 £
United Kingdom	15,819,084	16,152,591
The Netherlands	5,846,836	6,430,371
Eastern Europe	59,986	-
Other Europe	4,653,565	4,313,199
Other	460,481	414,507
	<u>26,839,952</u>	<u>27,310,668</u>

NOTES TO THE ACCOUNTS

at December 28, 1996

3. OPERATING PROFIT/(LOSS)

	For the period ended December 28 1996	For the period ended December 30 1995
	£	£
This is stated after charging/(crediting):		
Auditors' remuneration	29,000	30,000
Depreciation of owned fixed assets	262,911	251,907
Depreciation of assets held under finance leases and hire purchase contracts	59,118	56,824
Operating lease rentals - plant and machinery	37,559	33,839
- land and buildings	431,858	445,630
Foreign exchange gains	(21,940)	(176)
	<u> </u>	<u> </u>

4. DIRECTORS' EMOLUMENTS

	For the period ended December 28 1996	For the period ended December 30 1995
	£	£
Emoluments, including pension contributions	625,574	530,597
Compensation for loss of office	25,000	-
	<u>650,574</u>	<u>530,597</u>

The above includes an amount of £205,490 (£123,575 for the period ended December 30, 1995) paid by a fellow subsidiary and recharged to the company.

NOTES TO THE ACCOUNTS

at December 28, 1996

4. DIRECTORS' EMOLUMENTS (continued)

Directors' emoluments, excluding pension contributions and compensation for loss of office, fell within the following ranges:

	For the period ended December 28 1996 Number	For the period ended December 30 1995 Number
£0 - £5,000	1	3
£5,001 - £10,000	-	1
£20,001 - £25,000	-	1
£50,001 - £55,000	1	1
£55,001 - £60,000	1	1
£60,001 - £65,000	1	-
£65,001 - £70,000	1	1
£70,001 - £75,000	1	-
£105,001 - £110,000	-	1
£115,001 - £120,000	1	-
£135,001 - £140,000	1	1

The emoluments, excluding pension contributions, of the chairman, who was also the highest paid director, were £137,385 (£138,104 for the period ended December 30, 1995).

5. STAFF COSTS

	For the period ended December 28 1996 £	For the period ended December 30 1995 £
Wages and salaries	2,289,863	2,025,418
Social security costs	274,024	185,726
Other pension costs	107,786	55,809
	<u>2,671,673</u>	<u>2,266,953</u>

The average weekly number of employees during the period was 112 (103 for the period ended December 30, 1995).

NOTES TO THE ACCOUNTS
at December 28, 1996

6. INCOME FROM INVESTMENTS

	For the period ended December 28 1996 £	For the period ended December 30 1995 £
From subsidiary undertaking	-	122,000
From listed investments	1,076	931
	<u>1,076</u>	<u>122,931</u>

7. INTEREST RECEIVABLE

	For the period ended December 28 1996 £	For the period ended December 30 1995 £
Bank interest	-	15,194
Other - group	42,937	-
- non-group	831	489
	<u>43,768</u>	<u>15,683</u>

8. INTEREST PAYABLE

	For the period ended December 28 1996 £	For the period ended December 30 1995 £
Bank overdrafts	594,060	551,507
Other	118,152	119,052
Finance charges payable under finance leases and hire purchase contracts	18,090	29,211
	<u>730,302</u>	<u>699,770</u>

Altai Group Limited

NOTES TO THE ACCOUNTS

at December 28, 1996

9. TAXATION

	For the period ended December 28 1996 £	For the period ended December 30 1995 £
Based on the loss for the period:		
Group relief receivable	(133,525)	(362,956)
Tax credits attributable to franked investment income	215	233
	<u>(133,310)</u>	<u>(362,723)</u>
Adjustments in respect of previous periods:		
Group relief	152,276	(158,113)
	<u>18,966</u>	<u>(520,836)</u>

No provision for deferred taxation has been made in the accounts. Deferred tax assets not provided are as follows:

	At December 28 1996 £	At December 30 1995 £
Capital allowances in advance of depreciation	240,986	240,228
Other timing differences	21,051	20,774
	<u>262,037</u>	<u>261,002</u>

10. DIVIDENDS

	For the period ended December 28 1996 £	For the period ended December 30 1995 £
Interim - paid	<u>63,818</u>	<u>-</u>

NOTES TO THE ACCOUNTS

at December 28, 1996

11. TANGIBLE FIXED ASSETS

	Short leasehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Total £
Cost:				
At December 30, 1995	210,773	1,293,624	1,069,231	2,573,628
Additions	11,414	60,743	97,030	169,187
Disposals	-	(85,838)	(13,269)	(99,107)
At December 28, 1996	<u>222,187</u>	<u>1,268,529</u>	<u>1,152,992</u>	<u>2,643,708</u>
Depreciation:				
At December 30, 1995	98,751	893,023	733,089	1,724,863
Provided during the period	41,742	152,519	127,768	322,029
Disposals	-	(64,392)	(4,348)	(68,740)
At December 28, 1996	<u>140,493</u>	<u>981,150</u>	<u>856,509</u>	<u>1,978,152</u>
Net book value:				
At December 28, 1996	<u>81,694</u>	<u>287,379</u>	<u>296,483</u>	<u>665,556</u>
At December 30, 1995	<u>112,022</u>	<u>400,601</u>	<u>336,142</u>	<u>848,765</u>

The net book value of plant and machinery included £165,728 (£260,728 at December 30, 1995) in respect of assets held under finance leases and hire purchase contracts.

12. INVESTMENTS

Investments comprise:	Investment in subsidiary undertakings £	Listed investments £	Total £
Cost:			
At December 30, 1995	492,293	6,357	498,650
Disposals	-	(4,000)	(4,000)
At December 28, 1996	<u>492,293</u>	<u>2,357</u>	<u>494,650</u>
Provision:			
At December 30, 1995 and December 28, 1996	<u>227,587</u>	<u>-</u>	<u>227,587</u>
Net book value:			
At December 28, 1996	<u>264,706</u>	<u>2,357</u>	<u>267,063</u>
At December 30, 1995	<u>264,706</u>	<u>6,357</u>	<u>271,063</u>

NOTES TO THE ACCOUNTS

at December 28, 1996

12. INVESTMENTS (continued)

The market value of the listed investments at December 28, 1996 was £5,200 (£54,142 at December 30, 1995).

Investments in subsidiary undertakings are as follows:

Subsidiary	Country of registration	Holding	Proportion held	Activity
Altai Group UK Limited	England and Wales	Ordinary shares	100%	Non-trading
Eagle Distributors Limited	England and Wales	Ordinary shares	100%	Dormant
Eagle International Limited	England and Wales	Ordinary shares	100%	Dormant
Cheetah Marketing Limited	England and Wales	Ordinary shares	100%	Dormant
Altai (Hong Kong) Limited	Hong Kong	Ordinary shares	100%	Non-trading
Altai France SARL *	France	Ordinary shares	100%	Distribution of electrical goods

* Owned indirectly through a subsidiary company

The aggregate value of the subsidiary undertakings is not less than the amount at which they are stated in the accounts.

13. STOCKS

	At December 28 1996 £	At December 30 1995 £
Finished goods and goods for resale	<u>7,901,955</u>	<u>6,337,052</u>

NOTES TO THE ACCOUNTS

at December 28, 1996

14. DEBTORS

	At December 28 1996 £	At December 30 1995 £
Trade debtors	3,938,603	3,840,514
Amounts owed by parent undertaking	343,377	332,129
Amounts owed by subsidiary undertakings	1,500,459	599,160
Amounts owed by other group undertakings	3,120,418	1,912,935
Other debtors	17,041	136,381
Prepayments and accrued income	227,478	417,968
Dividends receivable	11,677	122,000
Group relief receivable	-	185,360
	<u>9,159,053</u>	<u>7,546,447</u>

15. CREDITORS: amounts falling due within one year

	At December 28 1996 £	At December 30 1995 £
Bank overdraft	8,410,797	4,594,801
Trade creditors	1,605,955	2,034,270
Amounts owed to other group undertakings	57,808	264,187
Other taxes and social security	146,575	68,130
Other creditors	57,111	167,972
Accruals	804,808	400,549
Obligations under finance leases and hire purchase contracts (note 17)	107,700	87,921
Group relief payable	18,751	-
	<u>11,209,505</u>	<u>7,617,830</u>

The overdraft is secured by a fixed and floating charge over the assets of the company.

Altai Group Limited

NOTES TO THE ACCOUNTS

at December 28, 1996

16. CREDITORS: amounts falling due after more than one year

	At December 28 1996 £	At December 30 1995 £
Obligations under finance leases and hire purchase contracts (note 17)	<u>20,485</u>	<u>135,237</u>

17. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

	At December 28 1996 £	At December 30 1995 £
Amounts payable:		
Within one year	112,226	110,691
Within two to five years	<u>20,534</u>	<u>140,365</u>
	132,760	251,056
Finance charges allocated to future periods	<u>(4,575)</u>	<u>(27,898)</u>
	<u>128,185</u>	<u>223,158</u>
Finance leases and hire purchase contracts are analysed as follows:		
Amount due within one year	107,700	87,921
Amount due after one year	<u>20,485</u>	<u>135,237</u>
	<u>128,185</u>	<u>223,158</u>

18. SHARE CAPITAL

	At December 28 1996 Number	At December 30 1995 Number
Authorised:		
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
	£	£
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>3,000</u>	<u>3,000</u>

NOTES TO THE ACCOUNTS

at December 28, 1996

19. FINANCIAL COMMITMENTS

During the year the company reorganised its banking and entered into the Saltire Group Facility with Bank of Scotland.

The Bank of Scotland has a fixed and floating charge over all of the company's assets. The company is a party to a group banking facility with its principal bankers under which it has guaranteed the liabilities of fellow group undertakings. The amount drawn down as bank overdrafts at December 28, 1996 was £7,316,000.

The company had contingent liabilities in respect of open Letters of Credit at December 28, 1996 of £455,000 (£2,472,000 at December 30, 1995).

A director of Altai France SARL has an option to subscribe for shares in Altai Group UK Limited dependent upon the results of Altai France exceeding a pre-determined level in the two years to December 28, 1996. A put and call arrangement is in place whereby the company will acquire these shares for a maximum aggregate consideration of FF 2,000,000.

20. OTHER FINANCIAL COMMITMENTS

At December 28, 1996 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	At December 28 1996	At December 30 1995	At December 28 1996	At December 30 1995
	£	£	£	£
Operating leases which expire:				
Within one year	-	200,000	-	15,300
Within two to five years	460,284	102,285	10,372	21,234
After more than five years	57,000	83,000	-	-
	<u>517,284</u>	<u>385,285</u>	<u>10,372</u>	<u>36,534</u>

NOTES TO THE ACCOUNTS

at December 28, 1996

21. PENSION COMMITMENTS

The company operates a defined benefit pension scheme funded by the payment of contributions to a separately administered fund.

The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit credit method. The results of the most recent valuation which was conducted as at April 1, 1995, are as follows:

Market value of schemes' assets	£945,300
Level of funding, being the actuarial value of assets expressed as a percentage of the benefits accrued to members, after allowing for future salary increases	213%
Main assumptions	
	%
Rate of return on investments	per annum
Rate of salary increases	8.5
Rate of pension increases	7.0
	nil

As a result of the surplus, on the advice of actuaries, a contributions holiday is being taken.

22. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available under FRS8, Related Party Disclosures, to subsidiaries with 90% or more voting rights controlled within the group, and has not disclosed transactions with entities that are part of the group.

23. ULTIMATE PARENT UNDERTAKING

The parent undertaking of the smallest group of which the company is a member is Cannon Street Securities Limited, registered in England and Wales.

The ultimate parent undertaking, for which group accounts are drawn up and of which the company is a member, is Saltire PLC, a company registered in England and Wales. Copies of the report and accounts of Saltire PLC can be obtained from the registered office, Carlton Plaza, 111 Upper Richmond Road, Putney, London, SW15 2TJ.