

2603294

H.R.S. Electronics Limited

Report and Accounts

31 October 1997

ERNST & YOUNG



H. R. S. Electronics Limited

Registered No. 2603294

DIRECTORS

M E Depper (Chairman)
M Depper
M L Depper (Appointed 3 July 1997)
M S Depper (Appointed 3 July 1997)
J B Moore (Resigned 31 December 1996)
A Sharp (Appointed 3 July 1997)
D N Holden (Appointed 3 July 1997)

SECRETARY

A Sharp

AUDITORS

Ernst & Young
One Colmore Row
Birmingham
B3 2DB

BANKERS

National Westminster Bank plc
103 Colmore Row
Birmingham
B3 3NR

SOLICITORS

Eversheds
10 Newhall Street
Birmingham
B3 3LX

REGISTERED OFFICE

100 Great Barr Street
Birmingham
B9 4BB

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 October 1997.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £49,348.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the year continued to be the distribution of electronic spares and accessories.

FUTURE DEVELOPMENTS

The directors aim to maintain the management policies which have resulted in the company's growth in recent years. They consider that 1998 will show a growth in sales.

FIXED ASSETS

Details of movements in the company's fixed assets are in note 6 of the accounts.

DIRECTORS AND THEIR INTERESTS

None of the directors had any interests in the share capital of the company.

AUDITORS

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

On behalf of the board

M Depper
Director

25 February 1998

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;
- 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 H. R. S. Electronics Limited

We have audited the accounts on pages 5 to 11, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

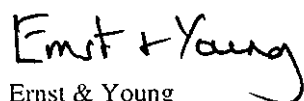
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 October 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985 as applicable to small companies.



Ernst & Young
Chartered Accountants
Registered Auditor
Birmingham

25 February 1998

H. R. S. Electronics Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 October 1997

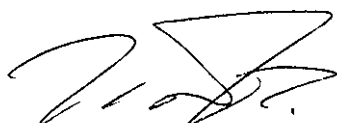
	<i>Notes</i>	<i>1997</i> £	<i>1996</i> £
TURNOVER	2	1,409,052	1,619,994
Cost of sales		(1,236,356)	(1,437,653)
GROSS PROFIT		172,696	182,341
Distribution costs		(5,282)	(23,012)
Administration expenses		(104,344)	(120,971)
OPERATING PROFIT	3	63,070	38,358
Interest payable and similar charges		(20,533)	(33,727)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		42,537	4,631
Tax on profit on ordinary activities	5	6,811	(17,917)
PROFIT/(LOSS) RETAINED FOR THE FINANCIAL YEAR	12	49,348	(13,286)

The Company has no recognised gains or losses other than the profit/(loss) for the above two financial years.

H. R. S. Electronics Limited

BALANCE SHEET at 31 October 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Tangible assets	6	22,017	38,940
CURRENT ASSETS			
Stocks	7	386,525	476,385
Debtors	8	132,345	591,579
Cash at bank and in hand		-	-
		<u>518,870</u>	<u>1,067,964</u>
CREDITORS: amounts falling due within one year	9	468,297	1,083,941
		<u>50,573</u>	<u>(15,977)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>72,590</u>	<u>22,963</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>72,590</u>	<u>22,963</u>
PROVISIONS FOR LIABILITIES AND CHARGES	10	279	-
		<u>72,311</u>	<u>22,963</u>
		<u><u>72,311</u></u>	<u><u>22,963</u></u>
CAPITAL AND RESERVES - EQUITY			
Called up share capital	11	200	200
Profit and loss account	12	72,111	22,763
		<u>72,311</u>	<u>22,963</u>
		<u><u>72,311</u></u>	<u><u>22,963</u></u>



M E Depper

Director

25 February 1998

NOTES TO THE ACCOUNTS

at 31 October 1997

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Computer equipment	-	25% reducing balance
Fixtures, fittings and equipments	-	25% reducing balance
Motor vehicles	-	25% reducing balance

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

H. R. S. Electronics Limited

NOTES TO THE ACCOUNTS

at 31 October 1997

2. TURNOVER

Turnover, which is stated net of value added tax and trade discounts, represents amounts invoiced to third parties.

All turnover is attributed to business carried out in the UK.

3. OPERATING PROFIT

This is stated after charging:

	1997 £	1996 £
Auditors' remuneration	2,000	2,000
Depreciation of owned fixed assets	9,734	7,339
Depreciation of assets held under finance leases and hire purchase contracts	-	3,196
Operating lease rentals - land and buildings	4,315	17,100
	<u> </u>	<u> </u>

4. DIRECTORS' EMOLUMENTS

	1997 £	1996 £
Emoluments	4,925	29,935
Company contributions paid to defined contribution pension scheme	<u>Nil</u>	<u>1,000</u>

Directors emoluments were borne by Connect Distribution Services Limited, a related company.

NOTES TO THE ACCOUNTS

at 31 October 1997

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £	1996 £
Based on the profit for the year:		
Corporation tax	(9,980)	(17,917)
Deferred tax	(279)	-
	<u>(10,259)</u>	<u>(17,917)</u>
Prior year adjustment:		
Corporation tax	17,070	-
	<u>6,811</u>	<u>(17,917)</u>

6. TANGIBLE FIXED ASSETS

	Computer equipment £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost or valuation:				
At 1 November 1996	1,209	61,276	22,724	85,209
Disposals	-	-	(22,724)	(22,724)
At 31 October 1997	<u>1,209</u>	<u>61,276</u>	<u>-</u>	<u>62,485</u>
Depreciation:				
At 1 November 1996	847	32,284	13,138	46,269
Provided during the year	90	7,247	2,397	9,734
Disposals	-	-	(15,535)	(15,535)
At 31 October 1997	<u>937</u>	<u>39,531</u>	<u>-</u>	<u>40,468</u>
Net book value:				
At 31 October 1997	<u>272</u>	<u>21,745</u>	<u>-</u>	<u>22,017</u>
At 1 November 1996	<u>362</u>	<u>28,992</u>	<u>9,586</u>	<u>38,940</u>

The net book value of motor vehicles above includes £nil (1996 : £9,586) in respect of assets held under hire purchase contracts.

7. STOCKS

	1997 £	1996 £
Finished goods and goods for resale	<u>386,525</u>	<u>476,385</u>

H. R. S. Electronics Limited

NOTES TO THE ACCOUNTS

at 31 October 1997

8. DEBTORS

	1997 £	1996 £
Corporation tax	17,070	-
Other debtors	-	2,550
Amounts due from parent undertaking	-	150
Amounts due from associated companies	115,275	588,879
	<u>132,345</u>	<u>591,579</u>

9. CREDITORS: amounts falling due within one year

	1997 £	1996 £
Bank loans and overdrafts	241,325	733,039
Trade creditors	214,734	321,308
Accruals and deferred income	2,258	11,677
Current corporation tax	9,980	17,917
	<u>468,297</u>	<u>1,083,941</u>

10. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	<i>Provided</i>		<i>Not provided</i>	
	1997	1996	1997	1996
	£	£	£	£
Capital allowances in advance of depreciation	279	-	-	866
Other timing differences	-	-	-	(17,092)
	<u>279</u>	<u>-</u>	<u>-</u>	<u>(16,226)</u>

11. SHARE CAPITAL

			<i>Authorised Allotted, called up and fully paid</i>	
	1997	1996	1997	1996
	No.	No.	£	£
Ordinary 'A' shares of £1 each	150	150	150	150
Ordinary 'B' shares of £1 each	50	50	50	50
	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>

H. R. S. Electronics Limited

NOTES TO THE ACCOUNTS

at 31 October 1997

12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital</i> £	<i>Profit and loss account</i> £	<i>Total</i> £
At 1 November 1995	200	36,049	36,249
Loss for the year	-	(13,286)	(13,286)
At 1 November 1996	200	22,763	22,963
Profit for the year	-	49,348	49,348
At 31 October 1997	200	72,111	72,311

13. OTHER FINANCIAL COMMITMENTS

At 31 October 1997 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>1997</i> £	<i>Land and buildings</i> <i>1996</i> £
Operating leases which expire: within one year	-	17,100

14. CONTINGENT LIABILITY

At the year end the company has provided a cross guarantee to associated and group companies guaranteeing the bank overdraft of those companies. At 31 October 1997 this amounted to £157,768 (1996: £30,390).

15. RELATED PARTIES

All sales are made to an associated company, Connect Distribution Services Limited, incorporated for the purpose of acting as a distribution and sales company.