

REPORT AND ACCOUNTS

MAPLIN ELECTRONICS PLC

**For the Eighteen Months ended
DECEMBER 30, 1995**



Maplin Electronics PLC

Registered No. 1264385

DIRECTORS

R.L. Allen
S.W. Allen
A.D. Black
G.D. Clark
J.C. Fawcett
A.J.N. Gearty
D.D. Smith
M.P.A. Wareing

SECRETARY

J.C. Fawcett

AUDITORS

Ernst & Young
Becket House
1 Lambeth Palace Road
London
SE1 7EU

PRINCIPAL BANKERS

Bank of Scotland
Glasgow Chief Office
110 St Vincent Street
Glasgow
G2 5EJ

SOLICITORS

Dickson Minto WS
Royal London House
22/25 Finsbury Square
London
EC2A 1DS

REGISTERED OFFICE

Maplin House
274-288 London Road
Hadleigh
Benfleet
Essex
SS7 2DE

DIRECTORS' REPORT

The directors present their report and accounts for the eighteen month period ended December 30, 1995.

RESULTS AND DIVIDENDS

The profit for the eighteen month period after taxation amounted to £1,301,268 (profit of £773,458 for the year ended June 30, 1994.) The dividends proposed and paid for the eighteen month period ended December 30, 1995 and the year ended June 30, 1994, together with other appropriations, are shown in note 9, which leaves a profit of £558,517 to be transferred to reserves (profit of £495,496 for the year ended June 30, 1994).

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Maplin Electronics plc, through its 35 catalogue stores and rapid mail order service, brings a huge choice of electronics and technology to consumers and technically qualified users throughout the UK and abroad.

The Maplin professional catalogue, with more than 16,000 products listed, is the most widely available electronics catalogue in the UK for technically qualified engineers, students, DIY specialists and consumers. It provides detailed information and technical advice on a broad range of product categories, covering specialist components, tools, sound and vision, kits and educational projects, computer accessories, general electrical and security products.

The eighteen months covered by this report saw steady growth of turnover and profit in difficult market conditions. Operating profit before exceptional charges was £3,283,188 against £1,533,829 in the twelve months ending June 30, 1994.

On December 12, 1994 the company became a wholly owned subsidiary of Saltire PLC, a publicly quoted holding company with interests principally in electronics and food and drink distribution. Following the acquisition by Saltire, extensive business reviews have been carried out leading to the strengthening of the management team and a number of internal restructuring initiatives. An extensive product range review culminated in the addition of approximately 30% new lines and the production of a significantly expanded catalogue in September 1995. The benefits of these initiatives are now taking effect in 1996.

Rationalisation of the business has led to a number of exceptional costs being incurred during the period:

- redundancy and recruitment costs of £157,294
- rationalisation of exclusive label brands amounting to £23,992
- freehold properties and other assets written down by £329,813

There is now a much sharper focus on improving sales and marketing across all business areas. The company is poised to take advantage of the many opportunities existing in its various product sectors. For example, the introduction of a wide range of additional computer components and accessories from its sister company, Dunnet, has enabled Maplin to begin to benefit from the explosion of interest in multi-media, the Internet and computer networking in the home, at college and in the workplace.

DIRECTORS' REPORT

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)

The company is still committed to its policy of catalogue store expansion. During the period under review, three new stores were opened and one existing outlet was expanded and developed to the status of a Maplin Mondo catalogue superstore, trading under the name of MONDO. Further stores and superstores are planned to commence trading in the forthcoming year.

In the eighteen month period covered by this report, mail order sales showed slower growth than the catalogue stores. However, the company has increased its penetration of the business sales sector of the market and has continued to develop the systems and standard of service required to further exploit this market.

Maplin's traditional mail order customer base has been the technically qualified user of electronic components and equipment for personal and business purposes. Plans are now well advanced to launch a new consumer home shopping catalogue bringing a selection of Maplin's extensive range of innovative products to the general public.

Maplin is committed to an ongoing programme of training and quality improvement and has been awarded the BS EN ISO 9002 Kitemark under the British Standards Institute's Registered Stockist Scheme. During the period the company has maintained the standards required to retain the Kitemark, and ISO 9002 has been extended to the Taiwan buying office.

It is the company's policy to expand its overseas operations over the next five years. The subsidiary packaging company in the Philippines, Cubipaq Corporation, in which the company owns a 70% interest, commenced trading in July 1994. In October 1995 a wholly owned subsidiary was established in Hong Kong to act as a sourcing and quality control office. A satellite branch of Nikkai (Hong Kong) Limited has also been set up in Shekou port in Shen Zhen province, China during March 1996.

MARKET VALUE OF LAND AND BUILDINGS

The difference between the market value and historical cost of land and buildings is shown in the notes to the accounts. As indicated above, the write-down of certain freehold properties in December 1994 resulted in the elimination of the balance of the revaluation reserve that had previously been set up.

FIXED ASSETS

Significant changes in fixed assets during the year are summarised in notes 10 and 11 to the financial statements.

DIRECTORS' REPORT

CLOSE COMPANY STATUS

The company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

EMPLOYEES

Maplin is fortunate to have a team of staff and directors dedicated to product excellence and the highest level of customer service.

The company seeks to encourage and develop the personal skills staff need to carry out their roles to the highest standards. To this end, it recruits technically qualified staff and provides a series of technical and management development programmes for all levels of employee.

The company gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Systems are in place to prevent discrimination.

It is the board's policy to pursue open communication with the company's employees and, to this end, regular meetings are held with management to convey information about the business.

DIRECTORS AND THEIR INTERESTS

The directors who served during the period, and their interests in the £1 ordinary share capital of the company, were as follows:

		At December 30 1995	At June 30 1994
R.L. Allen		-	15,409
S.W. Allen		-	3,434
A.D. Black	(appointed December 9, 1994)	-	-
J.C. Fawcett		-	-
R.J. Francis	(appointed September 11, 1995, resigned January 26, 1996)	-	-
A.J.N. Gearty	(appointed November 22, 1995)	-	-
R.D. Parker	(resigned December 9, 1994)	-	-
D.D. Smith	(chairman, appointed December 9, 1994)	-	-
D.M. Snoad	(resigned July 20, 1995)	-	-

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS (continued)

Subsequent to the period end, on January 2, 1996 and January 11, 1996 respectively, M.P.A. Wareing and G. Clark were appointed to the board.

Options that had previously been held by D.M. Snoad and J.C. Fawcett to subscribe for 1,546 and 160 ordinary shares respectively, under the Executive Share Option Scheme, were waived during the period and the Scheme discontinued. Compensation for the waiver of the options of £193,250 and £20,000 respectively was paid by Saltire PLC.

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 30, 1995		At June 30, 1994 or at date of appointment	
	Shares	Options	Shares	Options
R.L. Allen	10,065,149	-	-	-
S.W. Allen	2,274,540	-	-	-
A.D. Black	-	1,000,000	-	1,000,000
J.C. Fawcett	35,000	-	-	-
A.J.N. Gearty	-	241,487	-	241,487

AUDITORS

Ernst & Young were appointed to fill a casual vacancy following the resignation of Pannell Kerr Forster. A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the Board



J.C. Fawcett
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 MAPLIN ELECTRONICS PLC**

We have audited the accounts on pages 8 to 26, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 11 and 12.

Respective responsibilities of directors and auditors

As described on page 6 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.

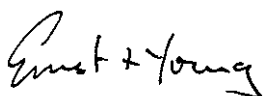
Basis of opinion

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 30, 1995 and of the profit of the company for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
London

4 July 1996

Maplin Electronics PLC

PROFIT AND LOSS ACCOUNT

for the eighteen month period ended December 30, 1995

		For the eighteen month period ended December 30 1995	For the year ended June 30 1994
	Note	£	£
TURNOVER	2	47,886,216	29,127,085
Cost of sales		(28,643,811)	(17,458,638)
GROSS PROFIT		<u>19,242,405</u>	<u>11,668,447</u>
Distribution costs		(5,542,956)	(3,364,085)
Administrative expenses		(10,522,824)	(6,802,870)
Other operating income		106,563	32,337
		<u>(15,959,217)</u>	<u>(10,134,618)</u>
PROFIT BEFORE EXCEPTIONAL ITEMS		3,283,188	1,533,829
Exceptional operating costs	3	(511,099)	-
OPERATING PROFIT	4	<u>2,772,089</u>	<u>1,533,829</u>
Other interest receivable and similar income		2,598	2,276
Interest payable	7	(532,154)	(361,927)
		<u>(529,556)</u>	<u>(359,651)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,242,533	1,174,178
Tax on profit on ordinary activities	8	(941,265)	(400,720)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,301,268	773,458
Other appropriations	9, 21	(30,899)	(17,564)
Dividends paid and proposed	9	(711,852)	(260,398)
PROFIT FOR THE PERIOD	21	<u><u>558,517</u></u>	<u><u>495,496</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the eighteen month period ended December 30, 1995

	For the eighteen month period ended December 30 1995 £	For the year ended June 30 1994 £
Profit for the financial period	1,301,268	773,458
Unrealised surplus on revaluation of properties	-	44,575
Utilisation of revaluation reserve	(87,818)	-
Total recognised gains since the last annual report	<u>1,213,450</u>	<u>818,033</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	For the eighteen month period ended December 30 1995 £	For the year ended June 30 1994 £
Opening balance	3,869,598	3,311,962
Profit for the period attributable to shareholders	1,301,268	773,458
Other recognised gains/(losses)	(87,818)	44,575
Grant of share options	-	1
Dividends	(711,852)	(260,398)
Closing balance	<u>4,371,196</u>	<u>3,869,598</u>

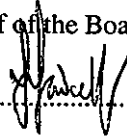
Maplin Electronics PLC

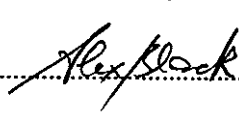
BALANCE SHEET

at December 30, 1995

	Note	At December 30 1995 £	At June 30 1994 £
FIXED ASSETS			
Tangible assets	10	5,617,610	5,265,936
Investments	11	20,384	19,551
		<u>5,637,994</u>	<u>5,285,487</u>
CURRENT ASSETS			
Stock	12	8,011,028	6,564,128
Debtors	13	2,886,943	1,513,294
Cash at bank and in hand		598,408	38,479
		<u>11,496,379</u>	<u>8,115,901</u>
CREDITORS: amounts falling due within one year	14	<u>(12,549,856)</u>	<u>(8,388,654)</u>
NET CURRENT LIABILITIES		<u>(1,053,477)</u>	<u>(272,753)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,584,517</u>	<u>5,012,734</u>
CREDITORS: amounts falling due after more than one year			
	15	<u>(213,321)</u>	<u>(1,143,136)</u>
		<u><u>4,371,196</u></u>	<u><u>3,869,598</u></u>
CAPITAL AND RESERVES			
Called up share capital	20	420,000	420,000
Other reserves	21	429,258	517,076
Profit and loss account	21	3,521,938	2,932,522
Shareholders' funds - including non-equity interests	22	<u><u>4,371,196</u></u>	<u><u>3,869,598</u></u>

On behalf of the Board

.....  Director

.....  Director

NOTES TO THE ACCOUNTS

at December 30, 1995

1. ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared under the historical cost convention modified to include the revaluation of certain land and buildings. The accounts have been prepared in accordance 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 hedged rates, where applicable. Assets and liabilities denominated in foreign currencies are translated into sterling at the period end rates or hedged rates, where applicable. All exchange differences thus arising are dealt with through the profit and loss account.

Depreciation of tangible fixed assets

No depreciation is provided on freehold land. For all other assets, depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its estimated useful life, as follows:

Freehold buildings	-	2% on cost
Short leasehold property and improvements	-	over remaining period of the lease
Long leasehold property and improvements	-	over remaining period of the lease, subject to a maximum of 25 years
Fixtures, fittings, tools and equipment	-	15%, reducing balance basis
Computer equipment and motor vehicles	-	25%, reducing balance basis

Government grants

Grants received on capital expenditure are deducted from the cost of the related asset.

Provision for maintenance warranties

Provisions for the expected costs of maintenance under warranties are charged against profits.

Deferred taxation

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

NOTES TO THE ACCOUNTS

at December 30, 1995

1. ACCOUNTING POLICIES (continued)

Store pre-opening and refurbishment costs

Pre-opening and related start-up expenses incurred by new or refurbished units in the period up to commencement of full trading are deferred and expensed over the first twelve months of trading.

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 interest element is charged to the profit and loss account using a reducing balance method. Rentals under operating leases are charged to the profit and loss account on a straight line basis.

2. TURNOVER AND SEGMENTAL ANALYSIS

An analysis of turnover by activity, destination and origin is given below:

	Total turnover		Intercompany turnover		External turnover	
	For the eighteen month period ended December 30 1995	For the year ended June 30 1994	For the eighteen month period ended December 30 1995	For the year ended June 30 1994	For the eighteen month period ended December 30 1995	For the year ended June 30 1994
TURNOVER	£	£	£	£	£	£
Mail order	22,182,863	14,488,621	517,770	-	21,665,093	14,488,621
Stores	25,703,353	14,638,464	-	-	25,703,353	14,638,464
	<u>47,886,216</u>	<u>29,127,085</u>	<u>517,770</u>	<u>-</u>	<u>47,368,446</u>	<u>29,127,085</u>
By destination:						
United Kingdom	46,120,685	27,752,773	147,875	-	45,972,810	27,752,773
Netherlands	369,895	-	369,895	-	-	-
Other	1,395,636	1,374,312	-	-	1,395,636	1,374,312
	<u>47,886,216</u>	<u>29,127,085</u>	<u>517,770</u>	<u>-</u>	<u>47,368,446</u>	<u>29,127,085</u>
By origin:						
United Kingdom	46,500,212	28,482,389	517,770	-	45,982,442	28,482,389
Other	1,386,004	644,696	-	-	1,386,004	644,696
	<u>47,886,216</u>	<u>29,127,085</u>	<u>517,770</u>	<u>-</u>	<u>47,368,446</u>	<u>29,127,085</u>

NOTES TO THE ACCOUNTS

at December 30, 1995

3. EXCEPTIONAL OPERATING COSTS

	For the eighteen month period ended December 30 1995	For the year ended June 30 1994
	£	£
Write down of freehold premises and other assets	329,813	-
Reorganisation and redundancy costs	157,294	-
Group brands development	23,992	-
	<u>511,099</u>	<u>-</u>

4. OPERATING PROFIT

	For the eighteen month period ended December 30 1995	For the year ended June 30 1994
	£	£
This is stated after charging:		
Auditors' remuneration - audit services	41,789	19,358
- non-audit services	8,805	9,876
Depreciation of owned assets	687,191	378,442
Depreciation of assets held under finance leases	189,880	185,018
Loss on disposal of fixed assets	5,824	1,008
Operating lease costs	1,407,651	745,158
Hire of plant and machinery	22,501	35,390
Exceptional costs (note 3)	<u>511,099</u>	<u>-</u>

5. DIRECTORS' EMOLUMENTS

	For the eighteen month period ended December 30 1995	For the year ended June 30 1994
	£	£
Fees	3,420	7,400
Other emoluments including benefits in kind	452,573	247,338
Compensation for loss of office	30,000	-
	<u>485,993</u>	<u>254,738</u>

NOTES TO THE ACCOUNTS

at December 30, 1995

5. DIRECTORS' EMOLUMENTS (continued)

The emoluments, excluding pension contributions, of the chairman, were £nil in the period from his appointment on December 12, 1994 until December 30, 1995.

The emoluments of the previous chairman were £29,573 for the period to December 12, 1994. The emoluments, excluding pension contributions for the highest paid director were £100,040 for the eighteen month period (£57,710 for the year ended June 30, 1994).

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

	For the eighteen month period ended December 30 1995 Number	For the year ended June 30 1994 Number
£0 - £5,000	4	-
£5,001 - £10,000	-	1
£15,001 - £20,000	1	-
£30,001 - £35,000	-	1
£40,001 - £45,000	-	2
£45,001 - £50,000	-	1
£75,001 - £80,000	1	-
£80,001 - £85,000	1	-
£90,001 - £95,000	1	-
£95,001 - £100,000	1	-
£100,001 - £105,000	1	-
	<u>1</u>	<u>-</u>

6. STAFF COSTS

	For the eighteen month period ended December 30 1995 £	For the year ended June 30 1994 £
Wages and salaries	9,616,829	5,654,590
Social security costs	703,104	436,020
Other pension costs	310,769	152,951
Other staff costs	463,341	139,710
	<u>11,094,043</u>	<u>6,383,271</u>

NOTES TO THE ACCOUNTS

at December 30, 1995

6. STAFF COSTS (continued)

The average weekly number of employees during the period was 493 (476 for the year ended June 30, 1994).

7. INTEREST PAYABLE

	For the eighteen month period ended December 30 1995 £	For the year ended June 30 1994 £
Bank loans, overdraft and other loans repayable within five years	470,463	266,699
Finance charges payable under finance leases	41,046	47,367
Other interest	20,645	47,861
	<u>532,154</u>	<u>361,927</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	For the eighteen month period ended December 30 1995 £	For the year ended June 30 1994 £
The taxation charge is made up as follows:		
Based on the profit for the period - corporation tax (33%)	342,471	400,000
Group relief payable	621,761	-
Overseas tax recoverable	(309)	-
Over provision in prior year:		
UK corporation tax	(22,658)	720
	<u>941,265</u>	<u>400,720</u>

NOTES TO THE ACCOUNTS

at December 30, 1995

9. DIVIDENDS

	For the eighteen month period ended December 30 1995 £	For the year ended June 30 1994 £
<i>Equity dividends on ordinary shares:</i>		
Final dividend proposed £4.82 per share	183,000	-
Interim dividends paid - £1.69 per share	64,199	-
- £9.79 per share	372,000	-
- £0.35 per share	-	13,300
<i>Non-equity dividends on:</i>		
Cumulative convertible voting participating preference shares:		
Interim dividend paid - £2.50 per share (1994 - £6.85 per share)	79,996	219,098
Cumulative redeemable preference shares:		
Interim dividends paid 3.6p per share (1994 - 8.0p per share)	12,657	28,000
	<u>711,852</u>	<u>260,398</u>
Other appropriations	<u>30,899</u>	<u>17,564</u>

Other appropriations represent the finance costs of the cumulative redeemable preference shares.

Dividends in respect of the period ending December 30, 1995, amounting to £29,343 and £347,377, were waived by the holders of the cumulative redeemable preference shares and the cumulative convertible voting participating preference shares respectively.

NOTES TO THE ACCOUNTS

at December 30, 1995

10. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Leasehold property and improvements £	Fixtures fittings tools and equipment £	Computer equipment and motor vehicles £	Total £
Cost or valuation:					
At June 30, 1994	2,581,067	1,217,520	2,082,892	1,602,616	7,484,095
Additions	-	502,023	551,008	654,376	1,707,407
Disposals	-	-	-	(182,155)	(182,155)
Permanent diminution in value	(259,099)	-	-	(70,714)	(329,813)
Utilisation of revaluation reserve	(87,818)	-	-	-	(87,818)
At December 30, 1995	2,234,150	1,719,543	2,633,900	2,004,123	8,591,716
Depreciation:					
At June 30, 1994	300,760	181,094	887,810	848,495	2,218,159
Provided during the period	70,767	141,382	322,110	342,812	877,071
Disposals	-	-	-	(121,124)	(121,124)
At December 30, 1995	371,527	322,476	1,209,920	1,070,183	2,974,106
Net book amount:					
At December 30, 1995	1,862,623	1,397,067	1,423,980	933,940	5,617,610
At June 30, 1994	2,280,307	1,036,426	1,195,082	754,121	5,265,936

The net book amount of fixed assets at December 30, 1995 includes an amount of £291,937 (£812,869 at June 30, 1994) in respect of assets held under finance leases. The related depreciation charge for the period was £189,880 (£185,018 for the year ended June 30, 1994).

Freehold land and buildings have been valued at open market value as at September 16, 1994 by Herring Baker Harris, Chartered Surveyors, apart from two properties which have been valued by the directors at £60,636 and £225,434 respectively. The valuation was carried out in accordance with the Statements of Asset Valuation Practice and Guidance Notes published by the Royal Institution of Chartered Surveyors. Accordingly the value of freehold land and buildings has been written down by £259,099 and charged as an exceptional item to the profit and loss account, and £87,818 has been written off against the revaluation reserve.

NOTES TO THE ACCOUNTS

at December 30, 1995

10. TANGIBLE FIXED ASSETS (continued)

If the properties had not been revalued they would be included in the financial statements at the following amounts:

	£
Cost	2,463,927
Accumulated depreciation	368,804

11. INVESTMENTS

	£
Cost:	
At June 30, 1994	19,551
Additions in the period	833
	20,384

Investments in subsidiary undertakings are as follows:

Subsidiary	Country of registration/ incorporation	Holding	Proportion held	Activity
Cubipaq Inc.	Philippines	ordinary shares	70%	Packaging and general trading
Nikkai (Hong Kong) Limited	Hong Kong	ordinary shares	100%	Buying, sourcing, quality control and shipping of products

NOTES TO THE ACCOUNTS

at December 30, 1995

12. STOCKS

	At December 30 1995 £	At June 30 1994 £
Finished goods and goods for resale	8,011,028	6,564,128

There are no significant differences between replacement cost and the above values.

13. DEBTORS

	At December 30 1995 £	At June 30 1994 £
Trade debtors	1,502,654	1,021,196
Amounts owed by parent and fellow subsidiary undertakings	515,468	-
Amounts owed by subsidiary undertakings	84,688	-
Other debtors	49,586	90,296
Prepayments and accrued income	542,132	290,057
ACT recoverable	159,712	111,745
Overseas tax recoverable	309	-
VAT recoverable	32,394	-
	2,886,943	1,513,294

In 1994 ACT recoverable was included within other debtors and an amount of £69,106 was netted off the corporation tax liability. The comparatives have now been restated to show the gross ACT recoverable.

NOTES TO THE ACCOUNTS

at December 30, 1995

14. CREDITORS: amounts falling due within one year

	At December 30 1995 £	At June 30 1994 £
Directors' current accounts	-	249,496
Customer credits	35,315	35,315
Bank overdrafts (secured)	5,567,734	2,173,311
Bank loans (secured)	125,000	478,933
Payments on account	23,261	18,807
Trade creditors	4,241,148	3,172,576
Amount owed to parent undertaking	4,700	-
Amount owed to fellow subsidiary undertakings	231,991	-
Accruals and deferred income	802,356	749,227
Taxation and social security	231,075	491,194
Obligations under finance leases (note 17)	110,399	240,837
Dividends payable to parent undertaking	183,000	170,558
Corporation tax payable	342,471	565,761
ACT payable	77,860	42,639
Group relief payable	573,546	-
	<u>12,549,856</u>	<u>8,388,654</u>

Bank overdrafts are secured by a fixed and floating charge over the assets of the company.

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

	At December 30 1995 £	At June 30 1994 £
Bank loans (secured)	125,000	512,806
Obligations under finance leases (note 17)	88,321	280,330
Directors' loans	-	350,000
	<u>213,321</u>	<u>1,143,136</u>

NOTES TO THE ACCOUNTS

at December 30, 1995

16. DEFERRED TAXATION

Deferred taxation has not been provided on the grounds that it is not expected to reverse in the foreseeable future. On a full provision basis there is a potential deferred tax liability of approximately £152,790 (£286,000 at June 30, 1994), which arises primarily from capital allowances in advance of depreciation.

17. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	At December 30 1995 £	At June 30 1994 £
Obligations under finance leases:		
Minimum lease payments payable:		
Within one year	118,512	255,198
Within two and five years	89,789	293,862
	<u>208,301</u>	<u>549,060</u>
Finance charges allocated to future years	(9,581)	(27,893)
	<u>198,720</u>	<u>521,167</u>
Amounts due within one year	110,399	240,837
Amounts due after more than one year	88,321	280,330
	<u>198,720</u>	<u>521,167</u>

18. OBLIGATIONS UNDER OPERATING LEASE COMMITMENTS

The company has annual commitments in respect of leases for land and buildings expiring as follows:

	At December 30 1995 £	At June 30 1994 £
Within one year	-	77,500
Within two to five years	71,000	-
More than five years	775,858	792,358
	<u>846,858</u>	<u>869,858</u>

NOTES TO THE ACCOUNTS

at December 30, 1995

19. LOANS

The one loan in existence at the balance sheet date is repayable in half-yearly instalments of £62,500 and bearing interest at 10% per annum. The loan is secured by a legal charge over the freehold land and buildings at Valley Road, Wombwell, South Yorkshire.

20. SHARE CAPITAL

	At December 30 1995	At June 30 1994
	Number	Number
Authorised:		
Ordinary shares of £1 each	41,660	41,660
Cumulative convertible voting participating preference shares of £1 each	32,000	32,000
Cumulative redeemable preference shares of £1 each	350,000	350,000
	<u>423,660</u>	<u>423,660</u>
	£	£
Allotted, called up and fully paid:		
Ordinary shares of £1 each	38,000	38,000
Cumulative convertible voting participating preference shares of £1 each	32,000	32,000
Cumulative redeemable preference shares of £1 each	350,000	350,000
	<u>420,000</u>	<u>420,000</u>

The 350,000 cumulative redeemable preference shares of £1 each have a right to an annual dividend of 10%. The shares are to be redeemable as follows:

Redemption date	Number of redeemable preference shares to be redeemed
December 31, 1995	87,500
June 30, 1996	87,500
December 31, 1996	87,500
June 30, 1997	87,500
	<u>350,000</u>

NOTES TO THE ACCOUNTS

at December 30, 1995

20. SHARE CAPITAL (continued)

In addition, the company may at any time, by giving not less than fourteen days notice, redeem the whole or part of the shares outstanding. The shares shall be redeemed at a premium of 5% per annum on the issue price, compounded annually.

The convertible preference shares are convertible at any time after June 30, 1997, or earlier if a sale or listing of the company occurs, into ordinary shares of £1 each. Dependent upon the terms of conversion, the convertible preference shares are convertible into between 30% and 45% of the total number of ordinary shares in issue after such a conversion. The shares have a right to an annual gross dividend calculated by applying the formula $\frac{£1}{32,000} (1,580,000) \times \text{relevant percentage}$ (as indicated below):

Year ending	Relevant percentage
June 30, 1994	12%
June 30, 1995	14%
and each financial year ending thereafter	16%

In addition, the shares have a right to a further dividend of 10% of pretax profits exceeding £500,000 for the year ended June 30, 1994 and thereafter.

On a winding up of the company the shareholders are entitled to £49.375 in respect of each share held. The voting rights give the shareholders the right of veto.

Subsequent to the acquisition of the entire issued share capital of the company by Saltire PLC proposals to simplify the capital structure of the company were put in place. Following the restructuring, each of the cumulative convertible voting participating preference shares of £1 were converted into one ordinary share of £1, ranking *pari passu* with the existing ordinary shares, and each of the cumulative redeemable preference shares of £1 were converted into one redeemable ordinary share of £1, ranking *pari passu* with the ordinary shares, except that the redeemable ordinary shares may be redeemed at par at the option of either the company or the holder, serving notice on the other.

This conversion took place in May 1996.

NOTES TO THE ACCOUNTS

at December 30, 1995

21. RESERVES

	Share premium £	Revaluation £	Profit and loss account £
At July 1, 1994	429,258	87,818	2,932,522
Profit for the year	-	-	558,517
Other appropriations added back	-	-	30,899
Elimination of revaluation reserve	-	(87,818)	-
At December 30, 1995	<u>429,258</u>	<u>-</u>	<u>3,521,938</u>

22. SHAREHOLDERS' FUNDS

Shareholders' funds can be analysed as follows:

	At December 30 1995 £	At June 30 1994 £
Cumulative redeemable preference shares	392,197	361,297
Cumulative convertible voting participating preference shares	<u>467,518</u>	<u>467,518</u>
	859,715	828,815
Equity shares	<u>3,511,481</u>	<u>3,040,783</u>
	<u>4,371,196</u>	<u>3,869,598</u>

NOTES TO THE ACCOUNTS

at December 30, 1995

23. PENSION COMMITMENTS

The company has a managed invested pension scheme for its present directors and employees, administered by Sedgwick Noble Lowndes Limited. Premiums paid to or provided for this scheme amounted to:

	For the eighteen month period ended December 30 1995 £	For the year ended June 30 1994 £
Directors	17,795	13,050
Employees	292,974	139,901
	<u>310,769</u>	<u>152,951</u>

The company operates a defined benefit funded scheme, contributions being payable both by employees and by the company. The scheme utilises the "Projected Unit Credit" method of valuation, which is designed to give stable contribution rates from one valuation to the next provided the age distribution of the scheme remains reasonably constant and the experience of the scheme broadly follows the valuation assumptions.

The last valuation was carried out as at April 1, 1995 in accordance with the guidelines issues by the Institute and Faculty of Actuaries by Consulting Actuaries, Sedgwick Noble Lowndes Limited, 5 Bedford Park, Croydon, CR9 2ZT.

The main assumptions underlying the valuation were as follows:

Valuation rate of interest	- 10% per annum compound
Rate of salary growth	- 8% per annum compound
Dividend growth and inflation	- 5.5% per annum compound
Retirement age	- 65 years

At the date of this valuation, the market value of the assets was £1.56 million. After allowing for future salary increases, there was a shortfall of assets compared with liabilities for past service of £70,000. The funding level was 96% compared with 93% at the last valuation when the past service liabilities exceeded the assets by £90,000.

The calculated regular contribution rate is 10.7% of pensionable salaries, plus an additional 1.8% to eliminate the shortfall in respect of past service. If the actuarial assumptions are borne out in practice, the deficit will be removed in about two years.

NOTES TO THE ACCOUNTS

at December 30, 1995

23. PENSION COMMITMENTS (continued)

Of the total contribution of 12.5%, 5% is payable by employees. Since the last valuation pension increases have been introduced in line with Limited Price Indexation for service accruing after January 1, 1995.

24. CAPITAL COMMITMENTS

There were no capital commitments contracted but not provided for by the company at December 30, 1995 or June 30, 1994.

	At December 30 1995 £	At June 30 1994 £
Authorised by the directors but not contracted for	350,000	105,000

25. CONTINGENT LIABILITIES

During the period the company became 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 as at December 30, 1995 was £12,785,000

26. ULTIMATE PARENT UNDERTAKING

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, New London Bridge House, 25 London Bridge Street, London, SE1 9SG.