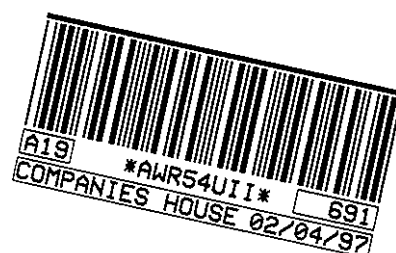


Pendax UK Limited

Directors' report and financial statements

Year ended 31 December 1996

Registered number 1716114



Pendax UK Limited

Directors' report and financial statements

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Pendax UK Limited

Directors' report

The directors of Pendax UK Limited present their annual report to the members together with the audited financial statements of the company for the year ended 31 December 1996.

Principal activities

The company is the exclusive UK distributor of audio-visual training and presentation equipment, manufactured by its parent company, Pendax AB of Sweden.

The company has performed satisfactorily throughout the year and the directors believe that growth will be achieved in the current year.

Results and dividends

The results for the year are set out on page 4.

The directors declared no dividend in respect of the year ended 31 December 1996 (1995:£100,000).

Tangible fixed assets

The movements in tangible fixed assets during the period are set out in note 9 to the financial statements.

Directors

The directors who held office during the year were as follows:

JA Crooks, Managing Director
JS Bedford, Sales and Marketing director
C Lundstrom (Swedish)

Directors' interests in shares

None of the directors had any discloseable interest in the ordinary shares of the company or group companies at any time during the year.

Close company provisions

In the opinion of the directors the company is not a close company within the meaning of section 414 of the Income and Corporation Taxes Act 1988.

Pendax UK Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 financial statements, the directors are required to:

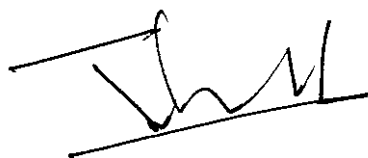
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the 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 maintaining 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 financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'JA Crooks', written over a horizontal line.

JA Crooks
Director



Arlington Business Park
Theale
Reading
RG7 4SD

Report of the auditors to the members of Pendax UK Limited

We have audited the financial statements on pages 4 to 15 in accordance with Auditing Standards.

Respective responsibilities of directors and auditors

As described on page 2 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 at 31 December 1996 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

19 March, 1997

Pendax UK Limited

Profit and loss account for the year ended 31 December 1996

	Note	1996 £	1995 £
Turnover	2	4,515,786	3,797,573
Cost of sales		(2,765,329)	(2,156,661)
Gross profit		1,750,457	1,640,912
Distribution costs		(320,384)	(298,256)
Administrative expenses		(1,171,399)	(1,127,089)
Operating profit	3	258,674	215,567
Patent royalty received		-	25,000
Interest receivable and other similar income	6	2,632	4,832
Interest payable and other similar charges	7	(16,597)	(23,082)
Profit on ordinary activities before taxation		244,709	222,317
Taxation on profit on ordinary activities	8	(81,918)	(75,804)
Profit on ordinary activities after taxation		162,791	146,513
Dividends		-	(100,000)
Retained profit for the financial year		162,791	46,513
Retained profit brought forward		543,063	496,550
Retained profit carried forward		705,854	543,063

The company has no recognised gains or losses other than the profit for the year shown above (1995:£Nil).

A statement of historical cost profit has not been prepared as the historical profit is the same as the operating profit.

All turnover and operating profit reported above is derived from continuing operations.

Pendax UK Limited

Balance sheet at 31 December 1996

	Note	1996 £	1995 £
Fixed assets			
Tangible assets	9	245,671	184,832
Current assets			
Stocks	10	275,057	205,349
Debtors	11	1,078,898	840,826
Cash at bank and in hand		1,500	1,500
		<u>1,355,455</u>	<u>1,047,675</u>
Creditors: amounts falling due within one year	12	<u>(866,414)</u>	<u>(670,987)</u>
Net current assets		<u>489,041</u>	<u>376,688</u>
Total assets less current liabilities		<u>734,712</u>	<u>561,520</u>
Creditors: amounts falling due after more than one year	13	<u>(18,858)</u>	<u>(8,457)</u>
Net assets		<u><u>715,854</u></u>	<u><u>553,063</u></u>
Capital and reserves			
Called up share capital	17	10,000	10,000
Profit and loss account		<u>705,854</u>	<u>543,063</u>
		<u><u>715,854</u></u>	<u><u>553,063</u></u>

These financial statements were approved by the board of directors on 12/3/97 and were signed on its behalf by:



JA Crooks
Director

Pendax UK Limited

Cash flow statement

for the year ended 31 December 1996

Reconciliation of operating profit to net cash flow from operations activities

	1996 £	1995 £
Operating profit	258,674	215,567
Depreciation charges	112,653	85,127
Profit on sale of tangible fixed assets	(6,926)	(2,200)
(Increase)/decrease in stocks	(69,708)	62,036
(Increase)/decrease in debtors	(238,072)	73,832
Increase/(decrease) in creditors	209,529	(136,350)
Net cash inflow from operating activities	266,150	298,012

Cash flow statement

	Note	1996 £	1995 £
Net cash inflow from operating activities		266,150	298,012
Returns on investments and servicing of finance	1	(13,965)	(93,250)
Taxation		(51,593)	(97,664)
Capital expenditure	1	(166,566)	(76,592)
Financing	1	(46,034)	(109,472)
Decrease in cash		(12,008)	(78,966)

Reconciliation of net cash flow to movement in net debt (note 2)

	1996 £	1995 £
Decrease in cash in the period	(12,008)	(78,966)
Repayment of loan	91,349	83,752
Change in net debt	79,341	4,786
Net debt at 1 January 1996	(107,948)	(112,734)
Net funds at 31 December 1996	(28,607)	(107,948)

Pendax UK Limited

Notes to the cash flow statement for the year ended 31 December 1996

1 Gross Cash Flow

	1996 £	1995 £
Returns on investments and servicing of finance		
Interest received	2,632	29,832
Interest paid	(16,597)	(23,082)
Dividends paid	-	(100,000)
	<u>(13,965)</u>	<u>(93,250)</u>
Capital expenditure		
Payments to acquire tangible fixed assets	(200,681)	(95,243)
Receipt from sale of tangible fixed assets	34,115	8,651
Receipt from sale of fixed asset investments	-	10,000
	<u>(166,566)</u>	<u>(76,592)</u>
Financing		
Capital element of finance lease and hire purchase rental payments	(46,172)	(53,601)
Repayment of loan	(91,349)	(83,752)
Finance leases commenced	91,487	27,881
	<u>(46,034)</u>	<u>(109,472)</u>

2 Analysis of changes in net debt

	At 1 January 1996 £	Cash flows £	At 31 December 1996 £
Cash in hand, at bank	1,500	-	1,500
Overdrafts	(18,099)	(12,008)	(30,107)
Debt due within one year	(91,349)	91,349	-
	<u>(107,948)</u>	<u>79,341</u>	<u>(28,607)</u>

Pendax UK Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

Turnover

Turnover represents the invoiced amount of goods sold during the period, net of Value Added Tax.

Fixed assets and depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset over its expected useful life as follows:

Leasehold property	Over remaining life of lease
Fixtures and fittings	Over five years
Motor vehicles	Over four years

A full year's charge is made for all assets in the year of acquisition, and none in the year of disposal.

Stocks and work in progress

Stock is stated at the lower of cost or net realisable value. Cost is based on the average purchase price, and includes due allowance for freight, duty and other directly related costs. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made where necessary for obsolete, slow moving and defective stock.

Taxation

The charge for taxation is based on the result for the year as adjusted for disallowable items.

Deferred tax is provided for using the liability method in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Pendax UK Limited

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are included in the profit and loss account at the rate ruling, except that unrealised exchange gains are not recognised. Exchange gains and losses are included in trading results.

Pension arrangements

The company operates a defined contribution scheme, externally funded and contracted out of the state scheme. The charge against profits is the amount of contributions payable to the pension scheme in respect of the accounting period, at a fixed percentage of pensionable earnings.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduced the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

2 Analysis of Turnover

The geographical analysis of turnover is as follows:

	1996 £	1995 £
United Kingdom	<u>4,515,786</u>	<u>3,797,573</u>

3 Operating profit

	1996 £	1995 £
Operating profit is stated after charging/(crediting):		
Profit on disposal of fixed assets	(6,926)	(2,200)
Depreciation	112,653	85,126
Auditors' remuneration for audit work	6,900	6,300
Auditors' remuneration for non audit work	1,500	1,500
Operating lease charges - premises	54,100	54,100
Staff costs (note 4)	855,429	793,803
Exchange losses	<u>2,624</u>	<u>2,409</u>

Pendax UK Limited

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1996	1995
Selling and distribution	17	15
Administration	15	14
	<hr/>	<hr/>
	32	29
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	1996	1995
	£	£
Salaries and bonuses	770,872	714,049
Social security costs	66,301	62,184
Other pension costs	18,256	17,570
	<hr/>	<hr/>
	855,429	793,803
	<hr/>	<hr/>

5 Remuneration of directors

	1996	1995
	£	£
Directors' emoluments	150,671	198,453
	<hr/>	<hr/>

The highest paid director received remuneration, excluding pension contributions, of £74,214 (1995: £68,099).

The chairman received no emoluments in 1996 or 1995.

Pendax UK Limited

Notes (continued)

5 Remuneration of directors (continued)

The directors received remuneration, excluding pension contributions, in the following bands:

		Number of directors	
		1996	1995
£0	- £ 5,000	1	2
£55,001	- £60,000		1
£65,001	- £70,000		2
£70,001	- £75,000	2	-
		<u>3</u>	<u>5</u>

6 Interest receivable and other similar income

	1996	1995
	£	£
UK bank deposits	<u>2,632</u>	<u>4,832</u>

7 Interest payable and other similar charges

	1996	1995
	£	£
Bank loan and overdraft	11,965	17,972
Hire purchase interest	<u>4,632</u>	<u>5,110</u>
	<u>16,597</u>	<u>23,082</u>

8 Taxation on ordinary activities

The charge for the year is made up as follows:

	1996	1995
	£	£
Tax charge for the year at 33% (1995:33%)	81,918	76,500
Over provisions in respect of prior years	<u>-</u>	<u>(696)</u>
	<u>81,918</u>	<u>75,804</u>

Pendax UK Limited

Notes (continued)

9 Tangible fixed assets

	Leasehold Property (Short lease) £	Fixtures and Fittings £	Vehicles £	Total £
Cost				
At 1 January 1996	20,000	243,984	267,256	531,240
Additions	-	84,442	116,239	200,681
Disposals	-	(18,253)	(77,357)	(95,610)
	<u>20,000</u>	<u>310,173</u>	<u>306,138</u>	<u>636,311</u>
At 31 December 1996	<u>20,000</u>	<u>310,173</u>	<u>306,138</u>	<u>636,311</u>
Depreciation				
At 1 January 1996	10,044	165,142	171,222	346,408
Charge for the year	1,030	38,778	72,845	112,653
Disposals	-	(4,523)	(63,898)	(68,421)
	<u>11,074</u>	<u>199,397</u>	<u>180,169</u>	<u>390,640</u>
At 31 December 1996	<u>11,074</u>	<u>199,397</u>	<u>180,169</u>	<u>390,640</u>
Net book value				
At 31 December 1996	<u>8,926</u>	<u>110,776</u>	<u>125,969</u>	<u>245,671</u>
At 31 December 1995	<u>9,956</u>	<u>78,842</u>	<u>96,034</u>	<u>184,832</u>

Included in the net book value is £104,466 (1995:£49,356) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £37,790 (1995:£18,835).

10 Stocks

Stocks comprise finished goods held for resale.

Pendax UK Limited

Notes (continued)

11	Debtors	1996	1995
		£	£
	Trade debtors	1,046,568	804,788
	Staff floats and advances	3,927	3,590
	Prepaid pension contributions	2,330	2,330
	Prepayments	26,073	30,118
		<u>1,078,898</u>	<u>840,826</u>
12	Creditors: amounts falling due within one year	1996	1995
		£	£
	Overdraft	30,107	109,448
	Trade creditors	357,147	227,175
	Amounts owed to parent undertaking	146,357	109,378
	Obligations under finance leases and hire purchase contracts	54,178	19,264
	Other creditors including taxation and social security	123,319	74,941
	Corporation tax payable	81,825	51,500
	Accruals and deferred income	73,481	79,281
		<u>866,414</u>	<u>670,987</u>
13	Creditors: amounts falling due after more than one year	1996	1995
		£	£
	Obligations under finance leases and hire purchase contracts	18,858	8,457

All hire purchase commitments will fall due within two years.

Pendax UK Limited

Notes (continued)

13 Creditors: amounts falling due after more than one year (continued)

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	1996 £	1995 £
Within one year	8,458	19,264
In the second to fifth years	64,578	8,457
	<u>73,036</u>	<u>27,721</u>

14 Provisions for liabilities and charges

At 31 December 1996 the company has an unprovided deferred tax asset of £18,357 (1995:£17,000), being the difference between accumulated depreciation charged and capital allowances taken.

15 Obligations under operating leases

At 31 December 1996, the company had annual commitments under non-cancellable operating leases of:

	1996 Land and buildings £	1995 Land and buildings £
Over five years	<u>54,100</u>	<u>54,100</u>

16 Contingent liabilities

Counter indemnities

At 31 December 1996, counter indemnities totalling £60,000 were in existence (1995:£60,000).

17 Share capital

	1996 £	1995 £
Authorised, allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

Pendax UK Limited

Notes (continued)

18 Reconciliation of movement in shareholders' funds

	1996 £	1995 £
Profit on ordinary activities after taxation for the financial year	162,791	146,513
Dividends	-	(100,000)
	<hr/>	<hr/>
Retained profit for the year	162,791	46,513
Opening shareholders' funds	553,063	506,550
	<hr/>	<hr/>
Closing shareholders' funds	715,854	553,063
	<hr/>	<hr/>

19 Ultimate holding company

At the year end the company's ultimate holding company was Pendax Holdings AB, a company incorporated in Sweden. Copies of the group financial statements are available from:

Pendax Holdings AB
Post Box 2042
12202 Stockholm
SWEDEN

The holding company of the smallest group of which the company is a member is Pendax AB, a company incorporated in Sweden. Copies of the financial statements of the Pendax group are available from:

Pendax AB
Post Box 2042
12202 Stockholm
SWEDEN