

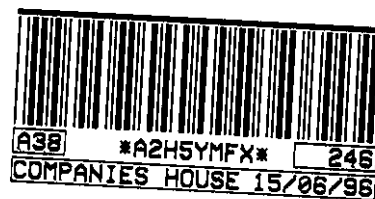
Bachmann Industries Europe Limited

Directors' report and financial statements

31 December 1995

Registered number 2392907

7



Bachmann Industries Europe Limited

Directors' report and financial statements

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Bachmann Industries Europe Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1995.

Principal activities

The principal activity of the company is the sale of model railways to retail outlets.

Results for the year

The results for the year are set out on pages 5 to 13 of the financial statements.

Business review

The directors are satisfied and encouraged by the further growth in the British and overseas markets and are confident that this trend will continue for 1996.

Dividends

The directors do not recommend the payment of a dividend for the year.

Fixed assets

Movements in fixed assets are summarised in note 9 to the financial statements.

Future development

A further six wholesale product lines are to be introduced at the beginning of 1996 to complement our existing range.

Research and development

Development expenditure is incurred in relation to the design of artwork for models of British trains to enable expansion in the UK market.

Bachmann Industries Europe Limited

Directors' report *(continued)*

Directors

The directors who held office during the year together with their interests in the share capital of the company were as follows:

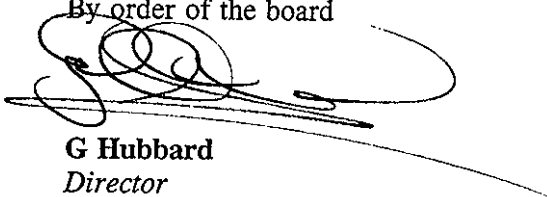
	Interest at beginning and end of year
Kenneth Ting	-
Kenneth Tsang (resigned 1 April 1995)	-
Graham Hubbard (as nominee for Kader Holdings Company Limited)	1
Colin Plester	-
William Li (appointed 1 April 1995)	-

William Li, Kenneth Ting and Kenneth Tsang are also directors of the ultimate parent company and their interests in the issued share capital of that company are shown in its directors' report.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



G Hubbard
Director

Moat Way
Barwell
Leicestershire
LE9 8EY

28 April 1996

Bachmann Industries Europe 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 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;
- 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 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 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.



1 Waterloo Way
Leicester
LE1 6LP

Auditors' report to the members of Bachmann Industries Europe Limited

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors

As described on page 3 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 the company's affairs as at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

Chartered Accountants
Registered Auditors

29 April 1996

Bachmann Industries Europe Limited

Profit and loss account for the year ended 31 December 1995

	Note	1995 £	1994 £
Turnover			
Cost of sales	2	2,821,733 (1,946,203)	1,985,460 (1,315,263)
Gross profit		875,530	670,197
Distribution costs		(70,221)	(55,134)
Administrative expenses		(664,965)	(602,655)
Trading profit	3	140,344	12,408
Interest receivable and similar income	6	3,847	3,975
Interest payable and similar charges	7	(40,871)	(225,789)
(Loss)/profit on foreign exchange		(29,100)	40,376
Profit/(loss) on ordinary activities before taxation		74,220	(169,030)
Tax on profit/(loss) on ordinary activities	8	(32,515)	(74,017)
Profit/(loss) on ordinary activities after taxation		41,705	(243,047)

The company had no recognised gains or losses other than the profit for the year.

Bachmann Industries Europe Limited

Balance sheet

at 31 December 1995

	Note	1995	1994
		£	£
Fixed assets			
Tangible assets	9	539,267	548,676
Current assets			
Stocks	10	1,704,510	1,465,210
Debtors	11	767,463	541,177
Cash at bank and in hand		355,345	194,039
		<u>2,827,318</u>	<u>2,200,426</u>
Creditors: amounts falling due within one year	12	(541,428)	(602,596)
Net current assets			
Due within one year		2,262,857	1,573,979
Debtors due after one year		23,033	23,851
Total net current assets		<u>2,285,890</u>	<u>1,597,830</u>
Total assets less current liabilities		<u>2,825,157</u>	<u>2,146,506</u>
Creditors: amounts falling due after more than one year	13	(3,044,111)	(2,407,165)
		<u>(218,954)</u>	<u>(260,659)</u>
Capital and reserves			
Called up share capital	15	50,000	50,000
Profit and loss account		(268,954)	(310,659)
		<u>(218,954)</u>	<u>(260,659)</u>

These financial statements were approved by the board of directors on 28 April 1996 and were signed on its behalf by:


G. Hubbard
Director

Bachmann Industries Europe 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.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	2% on cost
Property improvements	-	10% on cost
Plant and machinery	-	25% on book value, maximum 8 years
Fixtures and fittings	-	25% on book value, maximum 8 years
Motor vehicles	-	33⅓% on cost
Computer equipment	-	20% on cost

No depreciation is provided on freehold land.

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Pension costs

The company contributes to a money purchase defined contribution scheme for certain of its employees. The assets of the scheme are held separately from those of the company in separately administered funds. The pension cost for the year represents contributions paid by the company.

Stock

Stock is valued at the lower of cost and net realisable value based on rates of duty and exchange at the time of importation.

Bachmann Industries Europe Limited

Notes (continued)

2 Turnover

	1995 £	1994 £
Geographical analysis		
United Kingdom	2,125,437	1,523,248
Rest of the world	696,296	462,212
	<u>2,821,733</u>	<u>1,985,460</u>

3 Trading profit

	1995 £	1994 £
<i>Trading profit is stated after charging</i>		
Auditors' remuneration	6,100	4,725
Depreciation and other amounts written off tangible fixed assets	49,325	53,086
Development expenditure	14,534	31,052
Operating lease rentals - land and buildings	26,672	23,159
	<u>2,350</u>	<u>-</u>
<i>after crediting</i>		
Profit on sale of fixed assets		

4 Remuneration of directors

	1995 £	1994 £
Directors' emoluments:		
As executives	81,041	58,952

The emoluments, excluding pension contributions, of the chairman who is also the highest paid director were £40,440 (1994 : £39,070).

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

	Number of directors	
	1995	1994
£0 - £ 5,000	3	3
£10,001 - £15,000	-	1
£25,001 - £30,000	1	-
£35,001 - £40,000	-	1
£40,001 - £45,000	1	-

Bachmann Industries Europe Limited

Notes (continued)

5 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	
	1995	1994
Management and administration	18	19
Development	5	3
	<u>23</u>	<u>22</u>

The aggregate payroll costs of these persons were as follows:

	1995 £	1994 £
Wages and salaries	363,350	303,520
Social security costs	46,662	38,085
Other pension costs	22,296	14,559
	<u>432,308</u>	<u>356,164</u>

6 Interest receivable and similar charges

	1995	1994 £
Bank interest receivable	<u>3,847</u>	<u>3,975</u>

7 Interest payable and similar charges

	1995 £	1994 £
On bank loan	29,574	9,936
To parent undertaking	-	215,853
Interest on overdue tax	<u>11,297</u>	<u>-</u>
	<u>40,871</u>	<u>225,789</u>

Bachmann Industries Europe Limited

Notes (continued)

8 Taxation

	1995 £	1994 £
Corporation tax on the profit/(loss) for the year at 33 %	32,815	22,282
Adjustments in respect of previous years	(300)	51,735
	<u>32,515</u>	<u>74,017</u>

9 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At beginning of year	510,692	78,902	64,329	54,917	708,840
Additions	1,408	10,429	2,704	25,375	39,916
Disposals	-	-	-	(10,857)	(10,857)
	<u>512,100</u>	<u>89,331</u>	<u>67,033</u>	<u>69,435</u>	<u>737,899</u>
Depreciation					
At beginning of year	35,869	45,439	33,037	45,819	160,164
Charge for year	10,476	13,072	8,222	17,555	49,325
Eliminated on disposals	-	-	-	(10,857)	(10,857)
	<u>46,345</u>	<u>58,511</u>	<u>41,259</u>	<u>52,517</u>	<u>198,632</u>
Net book value					
At 31 December 1995	<u>465,755</u>	<u>30,820</u>	<u>25,774</u>	<u>16,918</u>	<u>539,267</u>
At 31 December 1994	<u>474,823</u>	<u>33,463</u>	<u>31,292</u>	<u>9,098</u>	<u>548,676</u>

The net book value of freehold land and buildings includes the following amount in respect of buildings:

	1995 £	1994 £
Cost	384,300	382,892
Accumulated depreciation	<u>(46,345)</u>	<u>(35,869)</u>
Net book value	<u>337,955</u>	<u>347,023</u>

Bachmann Industries Europe Limited

Notes (continued)

10 Stock

	1995 £	1994 £
Work in progress	17,674	24,453
Goods for resale	1,686,836	1,440,757
	<u>1,704,510</u>	<u>1,465,210</u>

In the directors' opinion the replacement cost of the stocks is not materially different from the historical cost stated above.

11 Debtors

	1995		1994	
	Due within one year £	Due after one year £	Due within one year £	Due after one year £
Trade debtors	536,280	-	326,113	-
Amounts owed by group undertakings - parent company and fellow subsidiaries	120,057	-	149,629	-
Corporation tax	-	23,033	2,390	23,851
Other debtors	35,976	-	945	-
Prepayments and accrued income	52,117	-	38,249	-
	<u>744,430</u>	<u>23,033</u>	<u>517,326</u>	<u>23,851</u>

12 Creditors: amounts falling due within one year

	1995 £	1994 £
Bank loans and overdraft	62,600	69,996
Trade creditors	92,351	76,353
Amounts owed to group undertakings	13,182	6,038
Corporation tax	12,930	97,211
Other taxation and social security	70,681	52,847
Accruals and deferred income	289,684	300,151
	<u>541,428</u>	<u>602,596</u>

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Notes (continued)

13 Creditors: amounts falling due after more than one year

	1995 £	1994 £
Bank loan	219,798	268,518
Amounts owed to group undertaking - parent company	2,824,313	2,138,647
	<u>3,044,111</u>	<u>2,407,165</u>

The bank loan is secured by way of a fixed charge over the company's freehold property and fixed and floating charges over the assets and undertakings of the company.

14 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	1995 £	1994 £
Lease commitments		
Operating leases for land and buildings which expire:		
Within one year	20,108	-
In the second to fifth years inclusive	-	23,159
	<u>-</u>	<u>23,159</u>
Capital commitments		
Authorised and contracted for	15,000	-
	<u>15,000</u>	<u>-</u>

15 Called up share capital

	1995 £	1994 £
<i>Authorised</i>		
Ordinary shares of £1 each	100,000	100,000
	<u>100,000</u>	<u>100,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>

Bachmann Industries Europe Limited

Notes *(continued)*

16 Reconciliation of movements in shareholders' funds

	1995 £	1994 £
Opening shareholders' deficiency of funds	(260,659)	(17,612)
Profit/(loss) for the financial year	<u>41,705</u>	<u>(243,047)</u>
Closing shareholders' deficiency of funds	<u>(218,954)</u>	<u>(260,659)</u>

17 Parent company

The company is a member of a group, the ultimate parent company of which is regarded by the directors as Kader Holdings Company Limited, a company incorporated in Bermuda.