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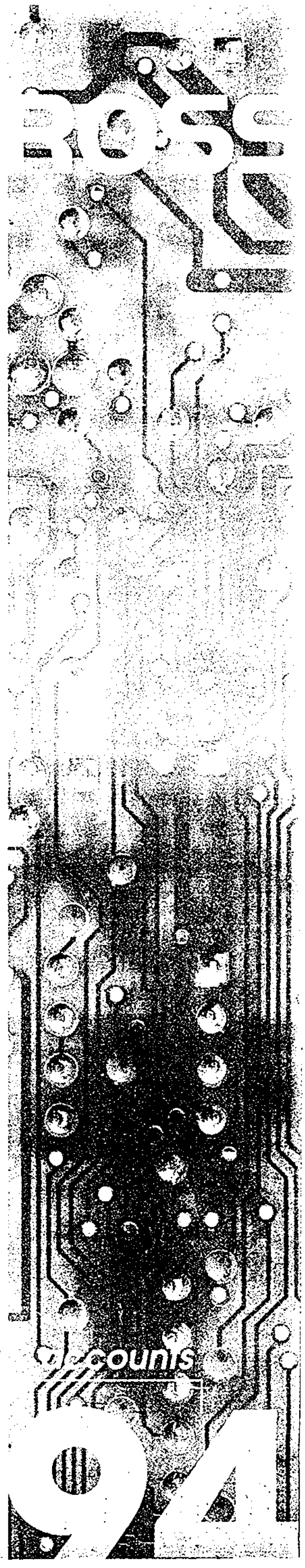
ROSS



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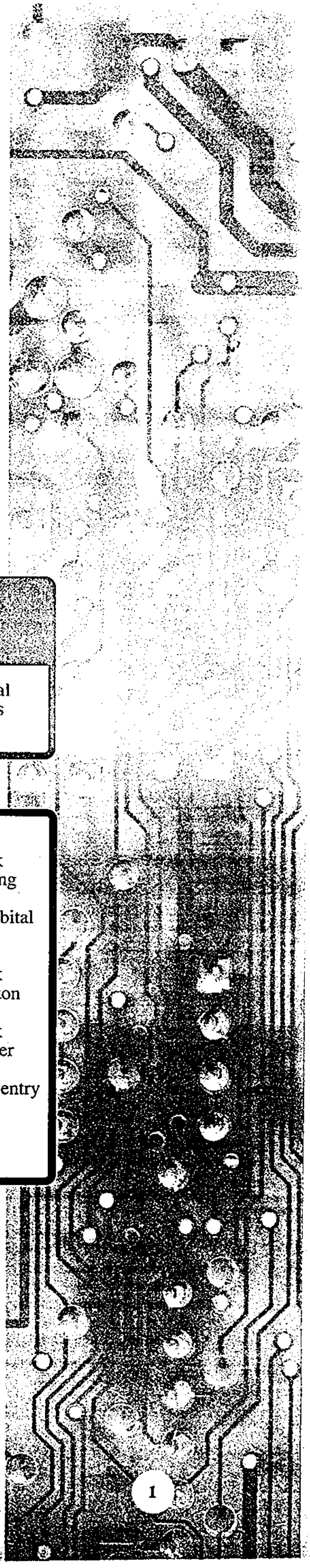
CONTENTS

GROUP STRUCTURE - PRINCIPAL OPERATING BUSINESSES

ROSS
ROSS GROUP PLC

DIVISIONAL STRUCTURE

- **Automotive Electronics**
  - Ross Autotronics
- **Power Supplies Cables and Electrical**
  - Tadmod
  - Selmar Industries
  - Wesglade Electrics
  - Accom Industrial (Holdings) (an associate)
- **Consumer Electronics**
  - Ross Consumer Products
  - Keenon
- **Technical Services**
  - Giltpack Engineering
  - Compact Orbital Gears
  - Giltpack Southampton
  - Giltpack Manchester
  - Giltpack Coventry



CHIEF EXECUTIVE'S STATEMENT

During 1994 the group experienced its worst trading performance in its recent history. Due to this performance, a number of senior management changes have been made including my appointment as Chief Executive. The group is currently performing to budget and efforts are being made to restore the group to profitability. Since the year end the group has made disposals of non-core activities which are expected to reduce bank debt by £1.2m. I would like to thank our employees, shareholders, bankers, suppliers and customers for their continued support during this difficult period.

RESULTS

Turnover from continuing operations for the year was £60.4m. As a result of a £2m rise in operating costs and pressure on margins the group made an operating loss of £7.4m, of which £2.0m related to discontinued activities, and with additional provisions for goodwill (£7.8m) and closures (£0.7m) a pre-tax loss on ordinary activities of £16.5m was recorded resulting in a loss per share of 11.94p.

DIVIDEND

In the light of the disappointing results for 1994 the Board is not recommending the payment of an ordinary dividend.

AUTOMOTIVE ELECTRONICS

Ross Autotronics (formerly Gemini) was unable to continue its satisfactory performance it achieved in 1993 because of persistent supply problems, however the problem has now been addressed by broadening the product base of the company and 1995 should show a return to previous satisfactory performance. Sonicare continued to suffer in an intensely competitive and depressed market and it was decided to discontinue this at the end of 1994.

POWER SUPPLIES, CABLES AND ELECTRICAL

The growth attained by Tadmod in 1993 continued into 1994 as the market in cellular telephones grew further. Sales have now expanded threefold in three years and operating profit increased by 20%. Continued growth in turnover and operating profit is expected in 1995. The excellent trading performance at Tadmod was masked by the poor trading conditions at Selmar Industries resulting in a decision to concentrate on the core activities of battery chargers. As a result of this, the company's electrical products and Easystart businesses were sold for a net sum of £1.2m.

CONSUMER PRODUCTS

In 1994 the consumer products businesses of Ross Group were consolidated onto one site. Savings on overheads were achieved. Sales of £20.5m incorporated a full year of Cascade and Keenon acquired part way through 1993. Margins in this business continue to be tight and extremely competitive.

TECHNICAL SERVICES

The packaging businesses all suffered from continued intense price competition and static volumes. These businesses have undergone a further restructuring programme designed to reduce the overhead base to return this division to profitability in the short term. The engineering business has continued to produce high quality product in a changing market and entered 1995 with a significantly increased order book.

CLOSURES

As a result of the continued poor performance of the group, the Metamec clock operation was closed during 1994 and subsequent to the year end the pallet making operation at Birkenhead and Sonicare were closed. These closures have been fully provided for in the 1994 accounts.

DISPOSALS

During the year the group sold the Traveller business resulting in a profit on disposal of £1.4m. The Inflight business was also sold, resulting in a loss on disposal of £0.5m, as a result of the purchaser being unable to settle the deferred consideration. The group continues to concentrate on core activities and has made disposals in 1995 from the power supplies, cables and electrical division.

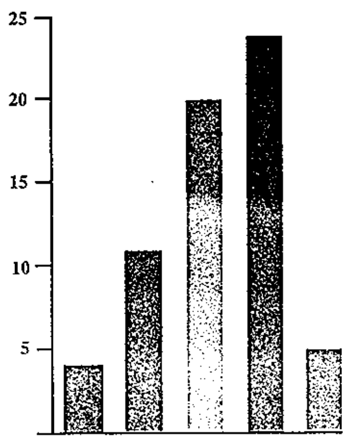
STRATEGY

Since I joined Ross in April there have been a thorough review of all operations and the Board is investigating a number of options to restore the group's profitability. The key objective will be to reduce the group's onerous debt burden and to exploit fully successful operations within the group.

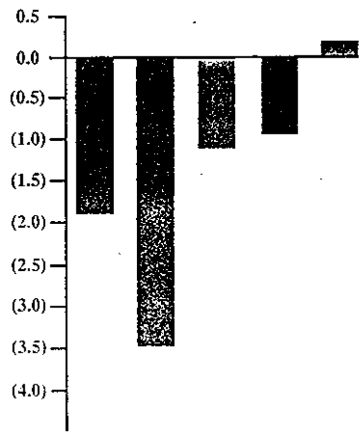
Marcus Evans
Chief Executive
26th June 1995

ANALYSIS OF TURNOVER AND PROFITS BY CLASS OF BUSINESS

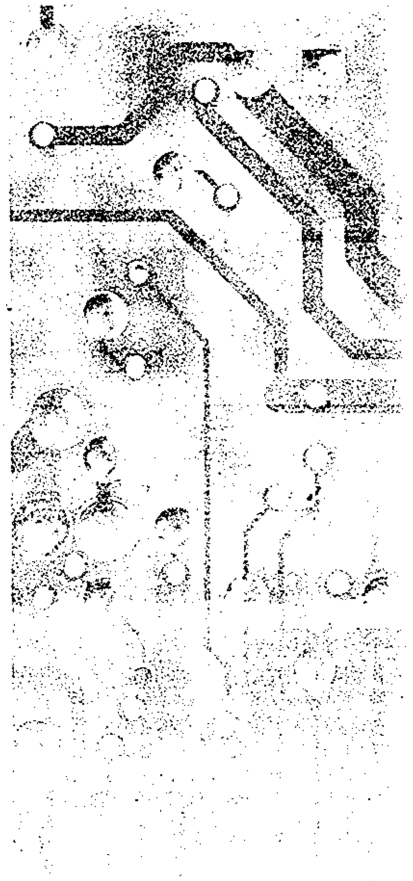
Turnover



Operating Profits/(losses)

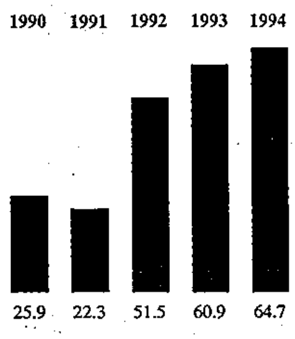


- Discontinued
- Technical Services
- Consumer Electronics
- Power Supplies, Cables and Electrical
- Automotive Electronics

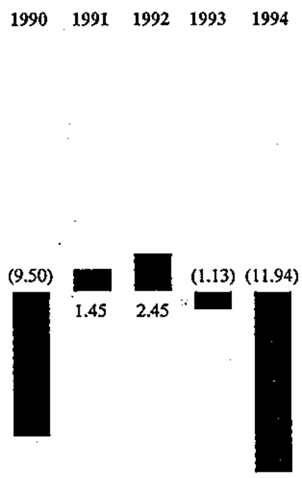


FIVE YEAR RECORD

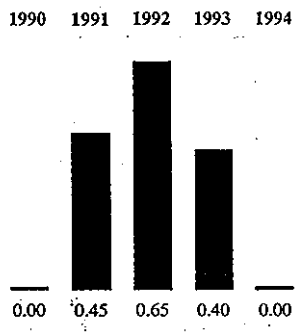
Turnover (£m)

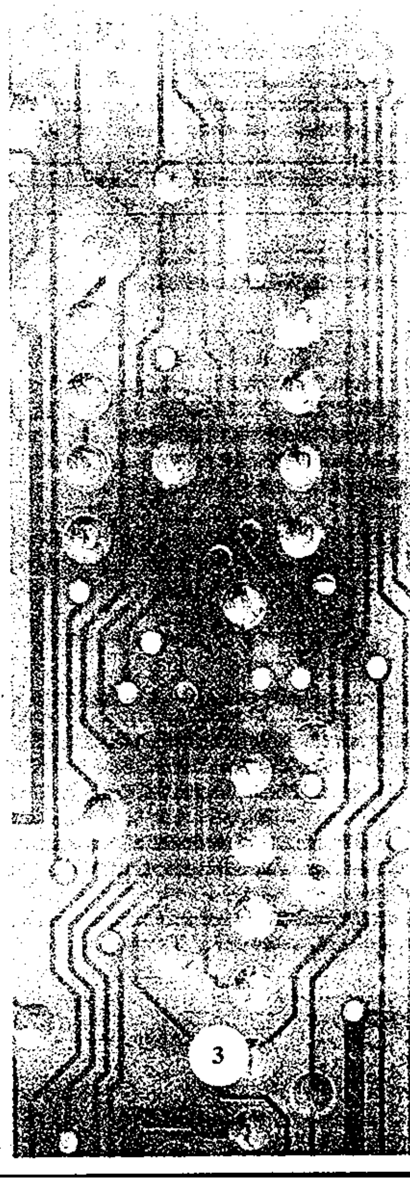


Earnings per Share (p)



Ordinary Dividends (p)





DIRECTORS AND ADVISORS

M P B EVANS	Group Chief Executive
N F HAYES	Non-Executive Chairman
S EDELS	Executive Director
N M SUTHERLAND	Executive Director
M H V JEANS	Non-Executive Director
T M MELVIN	Non-Executive Director
S OXFORD	Non-Executive Director
D B POWELL	Non-Executive Director

BANKERS
National Westminster Bank PLC
15 High Street
Bath, BA1 5AH

Midland Bank PLC
165 High Street
Southampton, SO4 7AL

Credit Lyonnais
84-94 Queen Victoria Street
London, EC4P 4LX

MERCHANT BANKERS
Morgan Grenfell
23 Great Winchester Street
London, EC29 2AX

COMPANY SECRETARY
AND REGISTERED OFFICE
S H Ashworth
4 Cavendish Square
London, W1M 0BX

COMPANY NUMBER
131902

AUDITORS
BDO Stoy Hayward
Chartered Accountants
8 Baker Street, London, W1M 1DA

STOCKBROKERS
UBS Limited
100 Liverpool Street, London, EC2M 2RH

SOLICITORS
Clarke Willmott & Clarke,
Flowers House, 15 Hendford, Yeovil
Somerset, BA20 1TB

Booth and Co.
Sovereign House, PO Box 8, South Parade
Leeds, LA1 1HQ

Freshfields
65 Fleet Street
London, EC4Y 1HS

REGISTRARS AND TRANSFER OFFICE
Independent Registrars Group Limited
Broseley House, Newlands Drive, Witham, Essex, CM8 2UL

DIRECTORS' BIOGRAPHIES

MARCUS EVANS
Group Chief Executive

Marcus Evans, aged 31, was appointed Group Chief Executive in April 1995. Mr Evans is Chairman and founder of THG Worldwide, the international corporate entertainment group. He is also Chairman of ICM Conferences, a global organiser of business strategy conferences.

NOEL HAYES
Non-Executive Chairman

Noel Hayes, aged 38, joined Ross Group in October 1989, after a City career of 14 years, principally with Citicorp Scrimgeour Vickers and latterly as a Director of Kleinwort Benson Securities. He was previously Chairman and Chief Executive of Ross and as of April 1995 assumed a non-executive role.

SYD EDELS
Executive Director

Syd Edels, aged 51, founded Cascade Electronics Ltd in 1980. He has a wide experience of the UK retail market and extensive knowledge of consumer product development and sourcing in the Far East. He joined the group on the acquisition of Cascade by Ross in November 1993.

NEIL SUTHERLAND
Executive Director

Neil Sutherland, aged 55, graduated from Edinburgh University, he worked in a variety of technical and managerial positions for Nuclear Enterprises Ltd, Plessey and Dubilier before joining ITT in 1985 becoming MD of ITT Cannon. He joined Ross in May 1993.

MICHAEL JEANS
Non-Executive Director

Michael Jeans, aged 52, was a member of the Board of KPMG and currently leads their Global Change Management Practice. He is a member of the Council of the Institute of Management Consultants (and Past President) and the Chartered Institute of Management Accountants. He is an Independant Business Advisor to the Planning Inspectorate. He joined Ross as a non-executive Director in April 1995.

THOMAS MELVIN
Non-Executive Director

Thomas Melvin, aged 48, was appointed a non-executive Director of Ross in April 1995. Mr Melvin is Director of Taxation of British Gas plc where he has worldwide responsibility for the Group's Taxation affairs. He is a fellow of the Chartered Association of Certified Accountants and a member of the Institute of Taxation.

SAM OXFORD
Non-Executive Director

Sam Oxford, aged 75, was Chairman and Chief Executive of Magnet and Southerns Plc between 1975 and 1985 and has substantial industrial, commercial and City experience including recent service as a regional director of Lloyds Bank plc. He joined Ross as a non-executive Director in October 1989.

DAVID POWELL
Non-Executive Director

David Powell, aged 61, graduated from Cambridge University and Yale Law School. He was Group Legal Director of British Leyland, Midland Bank, and Guinness, and is presently Legal Advisor with PA Consulting Group. He joined Ross as a non-executive Director in April 1995.

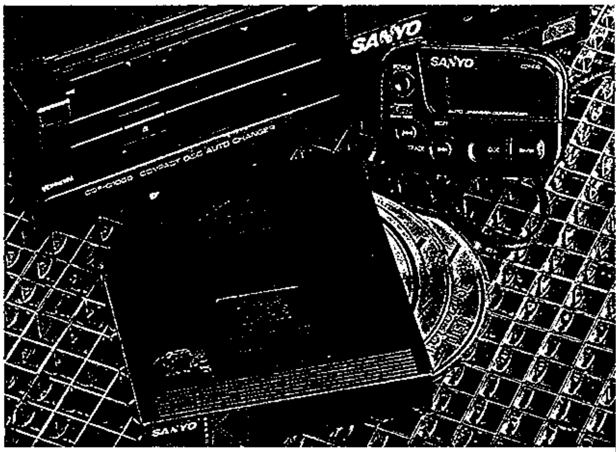
AUTOMOTIVE ELECTRONICS

1994 proved to be a year of significant change for the Division. The automotive security market continued to upgrade from DIY installation to Insurance industry approved product, with the launch of the Vehicle Security Installation Board (VSIB). This, coupled with growing emphasis on effective security by the vehicle manufacturers, has seen a decisive shift towards the professionally fitted and ABI Thatcham approved systems marketed by Ross Autotronics.

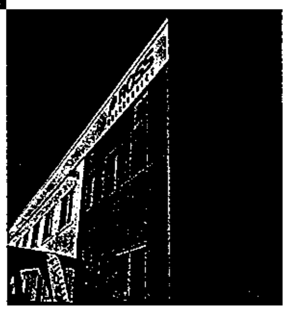
During 1994 the Division was unable to exploit fully its leading position in the market due to persistent supply problems from Gemini Srl in Italy. Gemini Srl has now received a major cash injection of some 8bn lire and simultaneously restructured its business management, distribution structure and product base. These actions have re-established a stable supply of products. In parallel, Ross Autotronics has signed an exclusive distribution contract for the highly regarded Meta range of vehicle security products which has reduced our future dependence upon any one supplier.

The expansion of the Meta range is attracting strong trade support and an investment has been made in three further Thatcham approved systems, including the new Meta-Max which is the most cost effective Category 1 product listed.

Sanyo In-car Entertainment System

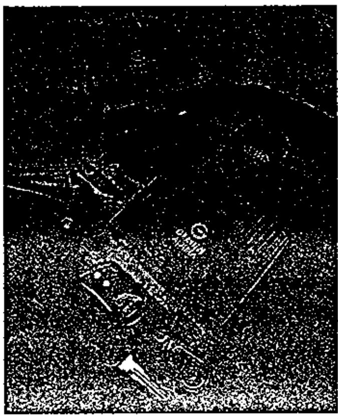


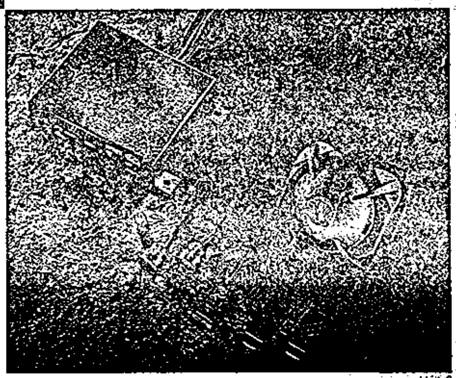
1994 proved to be a year of significant change.



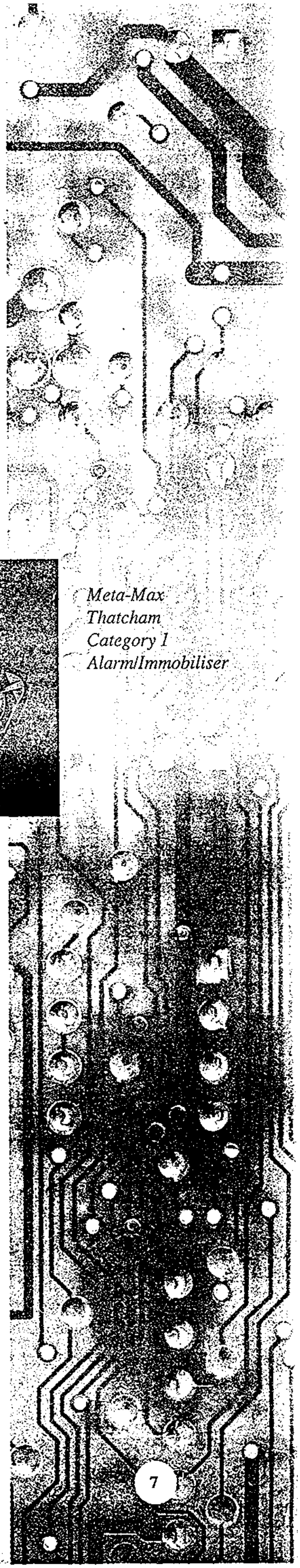
The Ross Autotronics Offices in Worcester

*Gemini Aquila
Thatcham Category 1
Remote Control
Alarm/Immobiliser*





*Meta-Max
Thatcham
Category 1
Alarm/Immobiliser*

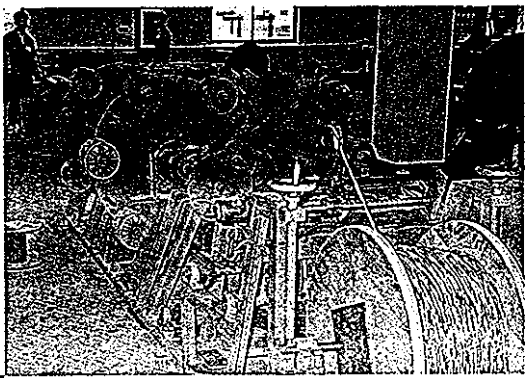


Gemini Alarms are fitted as original equipment on all Rolls Royce and Bentley cars.

Recently a number of incremental security contracts have been won including an exclusive deal with Norwich Union, the UK's largest vehicle insurer, for the supply of up to 10,000 Category 1 Gemini Aquilas. In addition, Mclaren's F1 derived car, the most expensive production car in the world, has chosen a combination of Gemini and Meta products for own equipment manufacture (OEM) fitment to provide it with the ultimate in vehicle security. Gemini already has an unrivalled reputation for protecting quality vehicles and is fitted as original equipment on all Rolls Royce and Bentley cars.

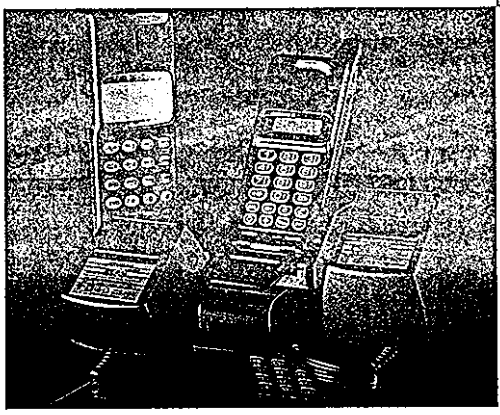
The closure of Sonicare and integration of its OEM and pro-fit audio business into Ross Autotronics modern freehold premises at Worcester has been completed.

Ross Autotronics now market a growing range of quality automotive products all of which enjoy strong brand credibility. With other exclusive products planned for introduction in the near future, the business is well placed to resume its acknowledged track record for growth.



Accom Copper Winding Factory in China

Tadmod Chargers for mobile telephones



Sales have expanded threefold in three years.

The rapid expansion of Tadmod's linear power supply business continued in 1994 with both sales and profits hitting record levels. At the time of its acquisition in November 1991, turnover was running at an annual rate of some £4.5m. By last year sales had expanded nearly threefold and our expectations for the current year are that sales will have quadrupled over the four year period.

During 1994 the two Maldon operations were merged to form a single unit, giving greater focus and response to the market as well as cost efficiencies. Reorganisation costs again restrained profits but benefits from restructuring and efficiency gains from new capital investment are now evident. This investment in the most modern plant and equipment and value engineering are enabling Tadmod to remain at the forefront of the plug top charger market. Against strong international competition, contracts have been secured for the supply of sizable quantities of product into the still rapidly expanding European, African and Asian cellular phone and mobile communication markets.

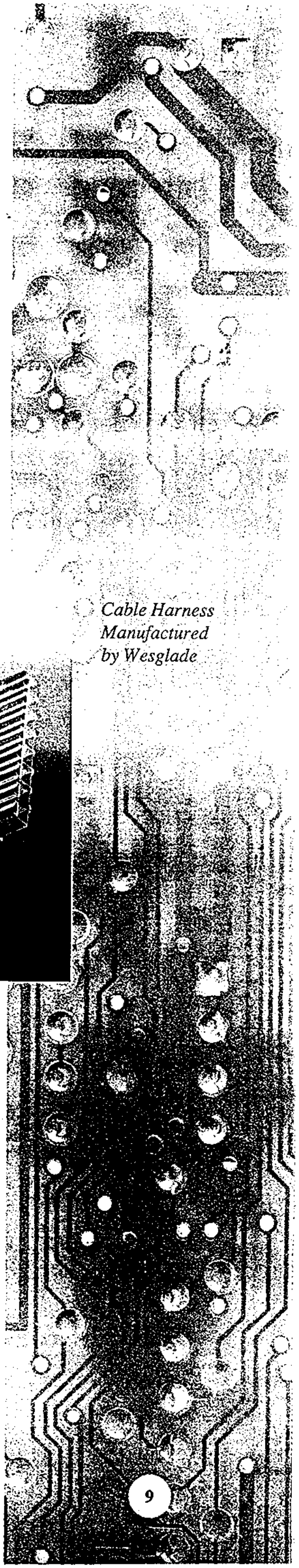
The Brighouse operation suffered a setback to its recovery programme during 1994. The major High Street and DIY retailers, influenced by sluggish trading conditions, switched to lower quality, lower cost imported products in an attempt to hit lower retail price points while maintaining their own margins.

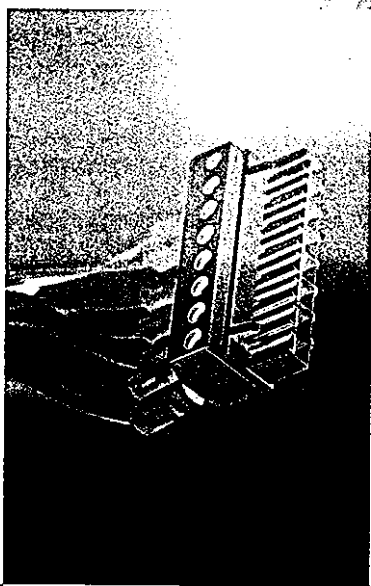
Sales of the continuing businesses are now running at an annualised rate in excess of £20m.

In consequence, the Directors decided to merge the Brighouse and Maldon businesses under the control of the successful Tadmod management team. All the electrical and non-core activities have been eliminated which will result in the business being tightly focussed on power supply and battery charger production.

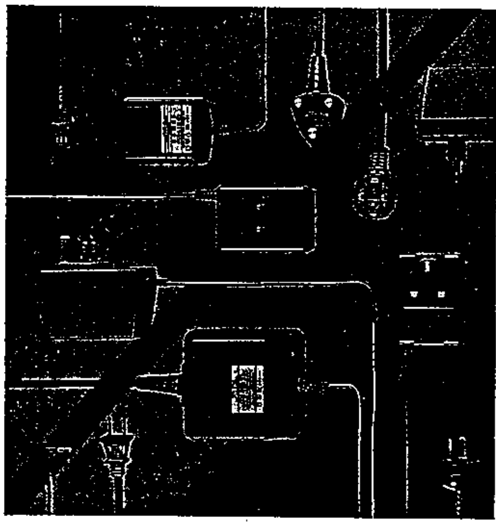
Sales of the continuing businesses are now running at an annualised rate in excess of £20m.

Wesglade Electrics is also emerging from restructuring under a new management team. Sales increased in the year by over 60% with new contracts won from The Ford Motor Company and for supply of security system harnesses on the new Jaguar XJ6. Production capacity is presently being increased in response to customer demand and a year of further good progress is in prospect.





Cable Harness Manufactured by Wesglade



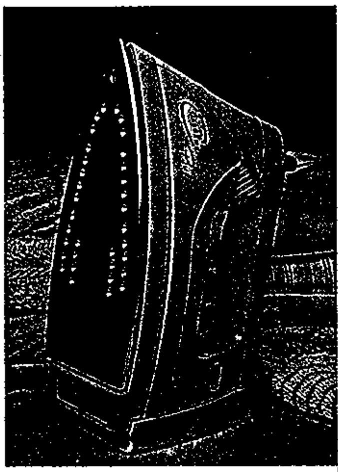
Tadmod Power Supplies, Battery Chargers and Transformers

The consolidation of the Consumer Products division has been substantially completed with the relocation of the original Ross Consumer Electronics and the Metamec Clocks businesses onto the Cascade site at Farnworth, Bolton, where a new warehouse has now been built. The business and its customer base have been reorganised to focus on a smaller number of larger UK retailers.

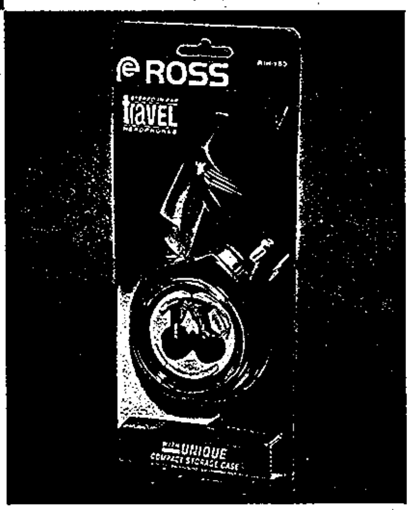
The product ranges have been similarly reviewed to ensure that the emphasis is placed upon the areas of business capable of maximising sales and profit whilst still offering significant customer choice. There has been a need to adjust the business in line with changing buying trends from our major accounts and to this end the balance of business is now split evenly between income generated from stock held in the UK and from shipments made directly to our customers from our manufacturing sources in the Far East. This has enabled the company to substantially reduce its overall stock holding and has resulted in significant cash generation. Considerable overhead reductions have also been achieved by consolidating the warehousing into the one site at Bolton.

Keenon Ltd, the Group's subsidiary in Hong Kong, has expanded its operations during 1994 with a further concentration of its activities in the Peoples Republic of China. A new Management team has been appointed including our UK technical manager who has relocated to Hong Kong to oversee the advancements in our technical ser-

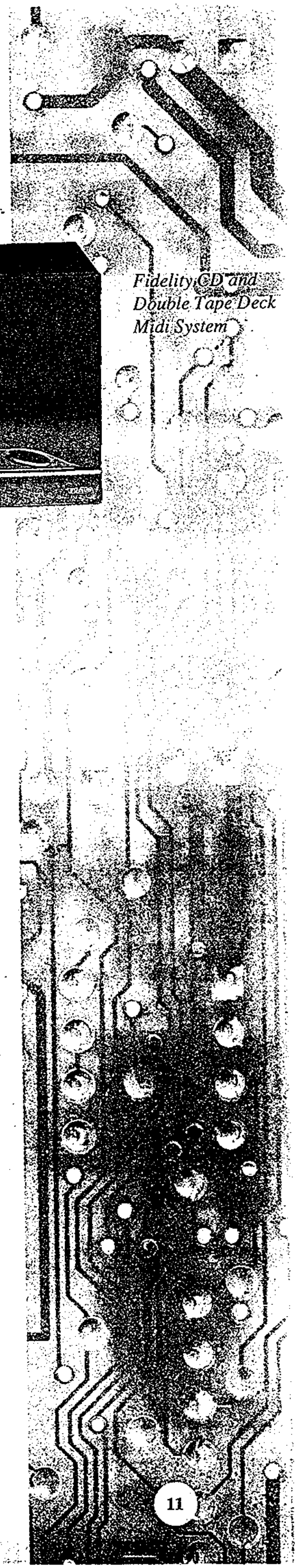
Cascade Steam Iron

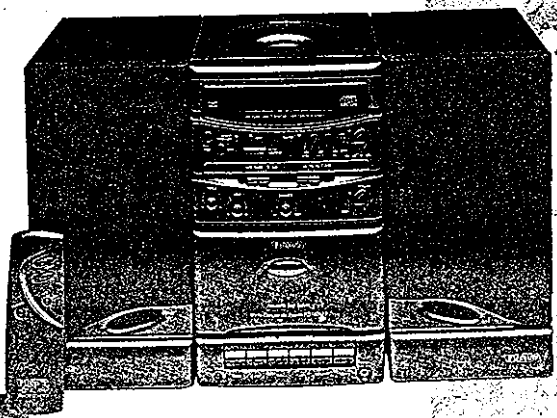


Considerable overhead reductions have been achieved by consolidating the warehousing into the one site.



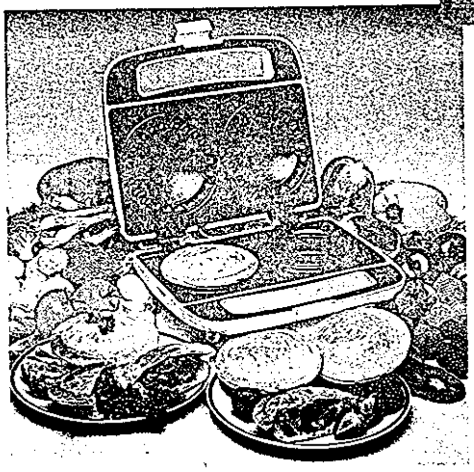
Ross In-ear Headphones





Fidelity CD and Double Tape Deck Midi System

A new management team has been appointed to oversee the advancements in our technical services.



Cascade Piemaker

vices. Keenon has commenced an investment programme in new tooling for audio, small electrical appliances and personal care products which will reap significant benefits during 1995. This process will enhance further development of the business and position Keenon as an international distributor from Hong Kong, building on its traditional role within the UK market.

During 1994 the best elements of the four original companies within the division have been consolidated, with the resultant reduction in the operating costs. This process has been enhanced by the disposal of the Traveller International business to Volex in the month of June. The division continues to develop its existing portfolio of brand names which include Ross, Cascade, Fidelity, Sansui and Metamec, with a policy designed to maximise the individual strengths of each brand. Despite 1994's difficult trading conditions, the division, armed with the above brand names, good market share and the reduced cost base, anticipates a good recovery in profits in 1995.

The Engineering business has continued to build on its expertise in modular, relocatable and mobile units.

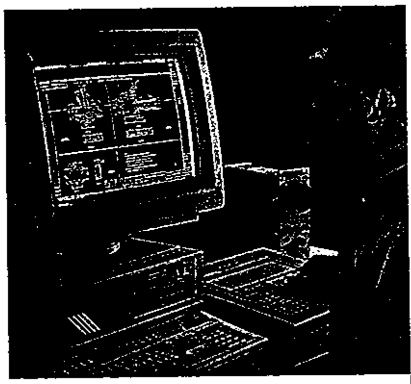
1994 was another difficult year for the Group's specialist packaging and engineering businesses.

The benefits of the restructuring of the four packaging operations in Southampton, Coventry, Birkenhead and Manchester, into the one Giltpack business identity, flowed through in terms of reduced operating costs, but these were in the main offset by declining volumes and price pressure on margins. With the decline in demand for defence packing continuing to impact volumes on the Southampton and Coventry sites, a further programme of restructuring has been undertaken to reduce the cost base and restore margins. A new management team is in place within the main packaging operations.

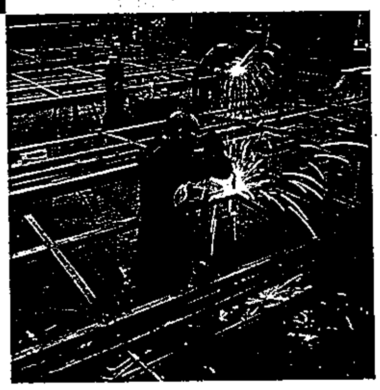
At Birkenhead, the action taken to restore the margins of the pallet business was frustrated by raw material price increases throughout the year and the decision was taken to close down pallet manufacturing, transferring the packaging activities to Coventry and Southampton. In contrast, the Manchester contract packaging business, which services the confectionary, toiletries and other consummables markets, saw improved margins as a result of the new management's drive for higher efficiencies and cost reductions.

The Engineering business has continued to build on its expertise in modular, relocatable and mobile units, with a particular emphasis on the opportunities created by fast-track construction techniques. The production of modular lift shafts for Schindler, the major international lift manufacturer has expanded and the demand for the design and installation of custom plant rooms has continued to grow.

Deliveries of vehicle mounted systems and screened communications base stations has continued to develop with orders from the UK, France and South America.



Giltpack Engineering Computer Aided Design Capability

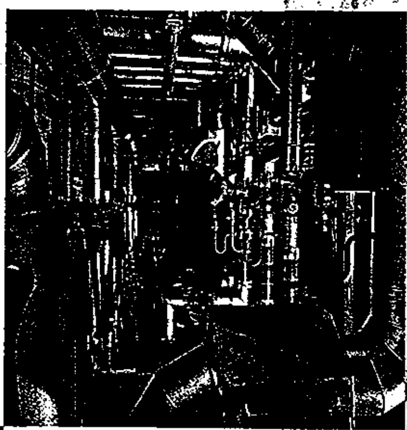


Giltpack Engineering Plantroom Assembly

The business has continued to develop its test rig activity and has established a worldwide licence agreement with a major US aircraft manufacturer for the use of their technology on aircraft component test rigs, which has opened up a substantial opportunity for growth. With the construction industry coming slowly out of recession, Engineering sales in the year were up on 1993. Orders on hand at year end, including a major plant room contract valued at £1 million, together with other opportunities in the core business areas of fast track constuction and test rigs, are however well up on 1994.

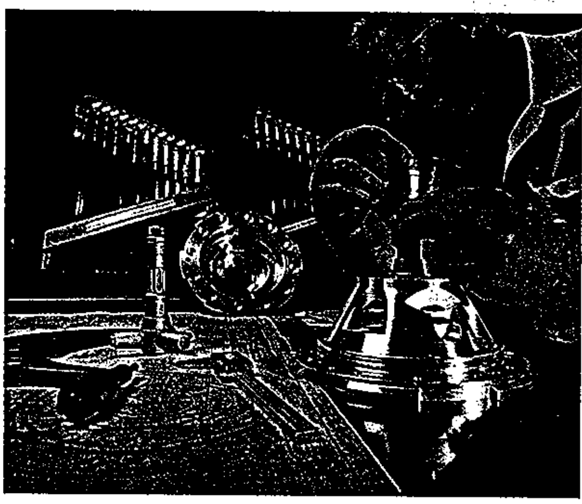
In 1994, Compact Orbital Gears (COG), which supplies gear and transmission systems to the aerospace and marine industries, showed no overall volume growth, with poor demand in the UK. A coordination of sales efforts with the main engineering business is planned to create additional orders in the year 1995.

With the construction industry coming slowly out of recession, Engineering sales in the year were up on 1993.



Giltpack Modular Plantroom

Compact Orbital Gears Workshop



The Directors present their annual report together with the audited financial statements for the year ended 31 December 1994.

Results and dividends
The loss for the year is set out in the profit and loss account on page 18.
The Directors do not recommend the payment of a dividend on the ordinary shares in the year under review.

Principal activities, trading review and future developments
The principal activities of the group are primarily the manufacture, importation, sale and distribution of consumer products and the provision of technical, packaging, engineering and logistic services.

A more detailed review of the business and future developments is given in the divisional review.

Significant changes in fixed assets
Significant changes in fixed assets are set out in notes 11 and 12 to the financial statements. The Directors have considered the carrying value of certain fixed assets and have provided for a permanent diminution in their value, as set out in note 11, arising from the discontinuance of certain operations and the future benefits from other fixed assets in continuing operations.

Directors
The Directors of the company at the year end and their beneficial interests in its ordinary share capital were as follows:

	31 December 1994	1 January 1994 or at date of appointment
R Bampton (retired 7 April 1995)	15,800	15,800
S Edels (appointed 31 January 1994)	3,266,666	3,266,666
N F Hayes	7,681,798	7,161,081
S Oxford	890,810	890,810
A H Schofield (resigned 4 April 1995)	24,545	24,545
N M Sutherland	20,000	20,000

R I L Marks resigned as a Director of the company on 1 November 1994.
G J Tinker resigned as a Director of the company on 15 January 1994.
M P B Evans, M H V Jeans, T M Melvin and D B Powell were appointed to the board on 4 April 1995.
All the Directors' shareholdings as detailed above at 31 December 1994 remain unchanged as at 16 June 1995.
The Directors' biographies (including non-executive Directors) are shown on page 5.
Under various group schemes, the summary below represents the outstanding ordinary share options granted to certain Directors before the end of the period:

	At 1 January 1994	Granted during the year	At 31 December 1994	Exercise price	Date from which exercisable	Expiry date
N M Sutherland	300,000	-	300,000	28.50	23 August 1996	23 August 2003
	-	100,000	100,000	19.50	21 January 1997	21 January 2004
S Edels	-	300,000	300,000	19.50	21 January 1997	21 January 2004
A H Schofield	417,582	-	417,582	34.12	29 April 1994	29 April 2001
	220,000	-	220,000	46.00	12 February 1995	12 February 2002
	56,818	-	56,818	33.00	3 June 1997	3 June 1999
	-	100,000	100,000	19.50	21 January 1997	21 January 2004
R Bampton	417,582	-	417,582	33.26	25 April 1993	25 April 2000
	24,053	-	24,053	29.90	30 May 1995	30 May 1995
	34,090	-	34,090	33.00	3 June 1997	3 June 1999
	-	82,465	82,465	19.50	21 January 1997	21 January 2004

The market price of the ordinary shares at 31 December 1994 was 6p.

There were no contracts of significance during or at the end of the year in which a Director had a material interest, apart from the sale of Inflight Supply Services (International) Limited to R I L Marks on 27 July 1994.

During the year the company purchased and maintained directors' and officers' liability insurance for their benefit.

The Director who retires by rotation is S Oxford. M P B Evans, M H V Jeans, D B Powell and T M Melvin, who were appointed to the board after the year end will retire at the Annual General Meeting and will offer themselves for re-appointment in accordance with article 86 of the Articles of Association. S Oxford will not seek re-election. M P B Evans has a three year service agreement which expires on 4 April 1998.

Substantial shareholdings
On 16 June 1995, the following were registered as being materially interested in 3% or more of the company's issued share capital:

	Number of ordinary shares	% of issued Share Capital
Beneficial holder		
Tomei Industrial (Holdings) Limited	19,948,000	13.50
S S G Hayes	4,500,000	3.05

Donations
During the year the group made no charitable or political donations (1993 - £nil)

Taxation status
The Directors have been advised that at 31 December 1994 the company was not a close company as defined by the Income and Corporation Taxes Act 1988

Employees
The Directors recognise the importance of good communications and relations with employees and the company regularly consults and informs them regarding matters which affect them. In addition, the company encourages the involvement of employees in the group's performance through various share option and profit related pay schemes. It is the policy of the group to consider applications for employment from disabled persons, and provide training, career progression and promotion as and when warranted.

Post balance sheet events
Post balance sheet events are set out in note 32 to the financial statements.

Auditors
Following their admission on 1 October 1994 as the United Kingdom representatives of BDO International our auditors have changed their name to BDO Stoy Hayward with effect from that date. BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By Order of the Board

S H Ashworth S.H. Ashworth

Company Secretary

26th June 1995

CORPORATE GOVERNANCE STATEMENT

The Board of Ross Group plc notes and has discussed in depth the report of the Committee on the Financial Aspects of Corporate Governance, generally known as the Cadbury Committee, together with the guidance notes issued during 1994 and 1995 concerning going concern and internal control.

Code of best practice

The Board continues to review the company's compliance. The guidance concerning internal control did not become standard until 1 January 1995, and therefore the group is implementing procedures to enable it to comply with these provisions for the year ending 31 December 1995.

The group can now comply with the requirements of the Code with respect to going concern. After making enquiries, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Save as aforesaid there are only three areas where the group does not comply with the recommendations of the Code. The first concerns the number of non-executive Directors. The Code suggests that a Board should have at least three non-executive Directors. However, Ross Group plc has had only one non-executive Director on the Board up to 4 April 1995. The company has strengthened its non executive representation, and now complies with the Code.

The Code also recommends that all executive Directors pay should be subject to the recommendations of a remuneration committee made up wholly or mainly of non-executive Directors. The remuneration committee was chaired by Mr Sam Oxford (non-executive Director) and also consisted of the Group Chairman and Group Financial Director. The Board will be considering the structure and membership of the remuneration committee in the near future.

An audit committee with written terms of reference dealing with its authority and duties comprising of at least three non-executive Directors is also recommended by the Code. The Board considers that, now that the appointment of the non-executive Directors has taken place, the establishment of a formal framework of committees will be addressed.

The auditors have confirmed that, in their opinion: with respect to the Directors' statement above, the Directors have provided the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for Directors) and such statements are not inconsistent with the information of which they are aware from their audit work on the financial statements; and that the Directors' other statements above appropriately reflect the company's compliance with the other paragraphs of the Code specified for their review. They were not required to perform the additional work necessary to, and did not, express any opinion on the effectiveness of its corporate governance procedures nor on the ability of the company to continue in operational existence.

RESPONSIBILITIES OF THE DIRECTORS

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 the group 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.
- 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 a going concern basis unless it is inappropriate to presume that the company and the group 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF ROSS GROUP PLC

We have audited the financial statements on pages 18 to 38 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 23 and 24.

Respective responsibilities of Directors and auditors

As described on page 16, 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 mis-statement, 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 and the group as at 31 December 1994 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward

BDO Stoy Hayward
Chartered Accountants and Registered Auditors
London
26th June 1995

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1994

	Note	1994 £000	1994 £000	1993 £000
Turnover				
Continuing operations		60,415		44,834
Discontinued operations		4,295		16,106
	2		64,710	60,940
Cost of sales	3		52,310	44,905
Gross profit			12,400	16,035
Net operating expenses	3		(19,843)	(17,996)
Operating loss				
Continuing operations		(5,455)		796
Discontinued operations		(1,988)		(2,757)
Operating loss	2		(7,443)	(1,961)
Loss on sale of properties in continuing operations			(120)	-
Provision for loss on operations to be discontinued			(677)	-
Profit on disposal of discontinued operations	18		906	321
Goodwill written off	5		(7,820)	-
Loss on ordinary activities before interest and other income			(15,154)	(1,640)
Income from interest in associated undertaking			18	77
Net interest (payable)	6		(1,331)	(882)
Loss on ordinary activities before taxation	2, 7		(16,467)	(2,445)
Taxation on loss on ordinary activities	8		136	1,282
Loss on ordinary activities after taxation			(16,331)	(1,163)
Dividends (including non-equity)	9		(147)	(635)
Retained loss for the financial year	20		(16,478)	(1,798)
Earnings per share	10		(11.94)p	(1.13)p
Adjusted earnings per share	10		(11.85)p	(1.13)p

The notes on pages 23 to 38 form part of the financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDING 31 DECEMBER 1994

	1994 £000	1993 £000
Loss for the financial year	(16,331)	(1,163)
Exchange adjustments on foreign currency net investments	(54)	-
Total recognised gains and losses for the financial year	(16,385)	(1,163)

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDING 31 DECEMBER 1994

	1994 £000	1993 £000
Reported loss on ordinary activities before taxation	(16,467)	(2,445)
Realisation of property gains of previous years	244	172
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	3	3
Historical cost loss on ordinary activities before taxation	(16,220)	(2,270)
Historical cost loss for the year retained after taxation and dividends	(16,231)	(1,623)

The notes on pages 23 to 38 form part of the financial statements.

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 1994

	Note	1994 £000	1994 £000	1993 £000	1993 £000
Fixed assets					
Tangible assets	11		12,246		14,553
Investments	12		2,125		184
			14,371		14,737
Current assets					
Stocks	13	8,762		13,529	
Debtors - receivable within one year	14	11,266		15,843	
- receivable after more than one year	14	535		488	
Cash at bank and in hand	15	503		1,706	
		21,066		31,566	
Creditors					
Amounts falling due within one year	15	25,720		30,617	
Net current (liabilities)/assets			(4,654)		949
Total assets less current liabilities			9,717		15,686
Creditors					
Amounts falling due after more than one year	16		368		388
Provisions for liabilities and charges	17		-		-
			9,349		15,298
Capital and reserves					
Called up share capital - equity	19		7,062		6,498
Called up share capital - non-equity	19		2,750		2,850
Share premium	20		2,168		584
Revaluation reserve	20		24		268
Capital redemption reserve	20		15		15
Non distributable capital reserve	20		3,333		-
Special reserve	20		10,271		5,069
Profit and loss account	20		(16,274)		14
Shareholders' funds			9,349		15,298

All shareholders' funds are equity unless otherwise stated.

These financial statements were approved by the Board on 26th June 1995

The notes on pages 23 to 38 form part of the financial statements.

BALANCE SHEET AT 31 DECEMBER 1994

	Note	1994 £000	1994 £000	1993 £000	1993 £000
Fixed assets					
Tangible assets	11		6,225		6,627
Investments	12		9,140		15,525
			15,365		22,152
Current assets					
Debtors - receivable within one year	14	4,543		5,658	
- receivable after more than one year	14	535		488	
Cash at bank and in hand	15	346		3,273	
		5,424		9,419	
Creditors					
Amounts falling due within one year	15	2,719		7,175	
Net current assets			2,705		2,244
Total assets less current liabilities			18,070		24,396
Creditors					
Amounts falling due after more than one year	16		5,114		4,418
			12,956		19,978
Capital and reserves					
Called up share capital - equity	19		7,062		6,498
Called up share capital - non-equity	19		2,750		2,850
Share premium	20		2,168		584
Capital redemption reserve	20		15		15
Special reserve	20		12,366		9,143
Profit and loss account	20		(11,405)		888
Shareholders' funds			12,956		19,978

All shareholders' funds are equity unless otherwise stated

These financial statements were approved by the Board on 26th June 1995

M P B Evans
N M Sutherland
Directors

The notes on pages 23 to 38 form part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1994

	Note	1994 £000	1994 £000	1993 £000	1993 £000
Net cash inflow/(outflow) from operating activities	22		589		(1,420)
Returns on investments and servicing of finance					
Interest received		896		926	
Interest paid		(2,252)		(1,670)	
Interest element of finance lease rental payments		(70)		(48)	
Dividends paid		(407)		(887)	
Net cash outflow from returns on investments and servicing of finance			(1,833)		(1,679)
Taxation					
Corporation tax paid		(238)		(384)	
Corporation tax refunded		-		75	
Tax paid			(238)		(309)
Investing activities					
Purchase of business operations	27	28		(2,046)	
Sale of business operation	27	2,687		765	
Payments to acquire tangible fixed assets		(1,190)		(1,216)	
Receipts from sales of tangible fixed assets		185		314	
Purchase of fixed asset investments		(26)		(120)	
Net cash inflow/(outflow) from investing activities			1,684		(2,303)
Net cash inflow/(outflow) before financing			202		(5,711)
Financing					
Issue of ordinary share capital		-		(700)	
Repayment of loan notes		1,000		422	
Capital element of finance lease rental payments		246		359	
Net cash outflow from financing	25		1,246		81
Decrease in cash and cash equivalents	23, 24		(1,044)		(5,792)
			202		(5,711)

The notes on pages 23 to 38 form part of the financial statements.

1. Accounting policies

Basis of accounting
The financial statements for the group are prepared under the historical cost convention, as modified for the revaluation of certain assets, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Basis of consolidation
The consolidated financial statements include the financial statements of the parent company, its subsidiaries and associated undertaking. Results of subsidiary undertakings acquired during the financial year are included in the consolidated profit and loss account from the effective date of acquisition and those undertakings disposed of up to the effective date of disposal. For this purpose the net tangible assets of newly acquired subsidiaries and those of unincorporated businesses as acquired are incorporated into the financial statements on the basis of the fair value to the group. Any excess of the consideration over the fair value of the net tangible assets of newly acquired subsidiaries at the effective date of acquisition is deducted from reserves on consolidation.

Associated undertaking
A company is treated as an associated undertaking when the group holds a substantial interest in it for the long term, and exercises significant influence over its operating and financial policy decisions. The group's share of the results of the associated undertaking is included in the consolidated profit and loss account using the equity method of accounting. The investment in the associated undertaking is included in the consolidated balance sheet based on the group's share of the net assets of the associated undertaking, together with the premium paid on the acquisition of the associated undertaking less amortisation at a rate of 5% per annum. The Directors consider that this amortisation rate reflects the useful economic life of the goodwill.

Turnover
Turnover comprises amounts receivable in the ordinary course of business in respect of goods sold and services provided to third parties (excluding value added tax), and rents receivable.

Tangible fixed assets
Tangible fixed assets are stated at cost or valuation less depreciation charged at the following annual rates using the straight line method:

Freehold and long leasehold buildings (other than investment properties)	1.5%
Leasehold improvements	over the term of the lease
Plant, equipment and vehicles	10% to 33%

Investment properties
Investment properties are valued at open market value and no depreciation is provided. Any surplus arising from a revaluation is transferred to the revaluation reserve. Any permanent deficit arising from a revaluation is charged in the profit and loss account. It is the intention of the Directors that all such properties will be valued by external valuers at least once every five years. The Directors consider that this accounting policy results in the financial statements giving a true and fair view.

Leased assets
The cost of assets held under finance leases is included under tangible fixed assets and depreciation is provided in accordance with the group's accounting policy for the class of asset concerned. The interest cost is charged to the profit and loss account and the capital element of future lease payments is included in creditors. The cost of operating leases is charged to profit and loss as incurred.

Pension costs
Pension contributions, which are made to the group's defined contribution scheme, are charged to the profit and loss account for the year in which they become payable.

Stocks
Stock, work in progress and finished goods are valued on consistent bases at the lower of cost, including production overheads, and net realisable value. Net realisable value is based on estimated selling price less further costs to completion and disposal.
Long term contracts are assessed on a contract by contract basis and are reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Where the outcome of each long term contract can be assessed with reasonable certainty before its conclusion the attributable profit is recognised in the profit and loss account as the difference between the reported turnover and related costs for that contract.

Deferred taxation
Provision is made for deferred taxation using the liability method on all material timing differences except to the extent that it is probable that a liability will not arise in the foreseeable future.

Accounting policies (continued)

Foreign currencies
Assets and liabilities expressed in currencies other than sterling are translated into sterling at year end exchange rates. Profit and losses arising from the repayment or restatement of foreign currency net assets are dealt with through the profit and loss account. Assets and liabilities of overseas subsidiaries and associated undertaking and their results for the period are translated into sterling at the rates of exchange ruling at the end of each accounting period. Exchange variances on the opening net investment are dealt with through reserves.

Investments
Investments held as fixed assets are valued at cost. Following Court approval for the capital reorganisation, given in February 1992, the goodwill element of the cost of the company's investments in its subsidiaries is eliminated against the special reserve. Any provision for permanent diminution in value is made through the profit and loss account.

2. Analysis of turnover, (loss)/profit before taxation and net assets

	Turnover		(Loss)/profit before taxation		Net assets	
	1994 £000	1993 £000	1994 £000	1993 £000	1994 £000	1993 £000
Analysis by class of business						
Automotive electronics	4,996	6,137	102	852	2,674	3,214
Consumer electronics	20,497	10,807	(1,107)	58	2,313	1,418
Power supplies, cables and electrical	23,717	17,019	(952)	905	3,991	2,681
Technical services	11,205	10,871	(3,498)	(1,019)	2,545	8,955
Discontinued activities	4,295	16,106	(1,988)	(2,757)	(2,174)	(970)
	64,710	60,940	(7,443)	(1,961)	9,349	15,298
Loss on sale of properties			(120)	-		
Provision for loss on operations to be discontinued			(677)	-		
Profit on disposal of discontinued operations			906	321		
Goodwill written off			(7,820)	-		
Income from interest in associated undertaking			18	77		
Net interest (payable)			(1,331)	(882)		
Loss on ordinary activities before taxation			(16,467)	(2,445)		

The figures for continuing operations in 1994 include the following amounts relating to operations which are in the process of discontinuing.

	£000
Turnover	6,078
Loss before taxation	(1,601)

	Turnover		(Loss)/profit before taxation		Net assets	
	1994 £000	1993 £000	1994 £000	1993 £000	1994 £000	1993 £000
Analysis of turnover by destination						
United Kingdom	53,514	53,220				
Rest of Europe	6,656	4,915				
Rest of the World	4,540	2,805				
Total	64,710	60,940				
Analysis by origin of business						
United Kingdom	58,693	59,796	(14,652)	(2,600)	8,547	14,447
Hong Kong	6,017	1,144	(1,833)	155	802	851
China	-	-	18	-	-	-
	64,710	60,940	(16,467)	(2,445)	9,349	15,298

3. Analysis of cost of sales and net operating expenses

	1994 Continuing £000	1994 Discontinued £000	1994 Total £000	1993 Continuing £000	1993 Discontinued £000	1993 Total £000
Cost of sales	47,655	4,655	52,310	30,968	13,937	44,905
Net operating expenses						
Distribution costs	4,795	360	5,155	2,945	1,285	4,230
Administrative expenses	13,524	1,281	14,805	10,255	3,670	13,925
Other operating income	(109)	(8)	(117)	(130)	(29)	(159)
	18,210	1,633	19,843	13,070	4,926	17,996

The figures for continuing operations in 1994 include the following amounts relating to operations which are in the process of discontinuing.

	£000
Cost of sales	6,109
Net operating expenses	
Distribution costs	421
Administration expenses	1,149
Other operating income	-

4. Staff costs

	1994 £000	1993 £000
Staff costs (including Directors) consist of:		
Wages and salaries	13,745	14,981
Social security costs	1,170	1,256
Pension contributions	178	229
	15,093	16,466
The average number of full time employees excluding Directors, during the year was:	Number	Number
Warehouse and manufacturing	1,017	1,002
Administration, selling, distribution and management	284	379
	1,301	1,381
Directors' emoluments	£000	£000
Salary and other emoluments	544	522
Pension contributions	64	46
Annual performance related bonuses	-	122
Compensation for loss of office	-	240
	608	930
Emoluments (excluding pension contributions) of:		
Chairman		
Salary and other emoluments	130	129
Highest paid Director		
Salary and other emoluments	115	67
Annual performance related bonus	-	110
Compensation for loss of office	-	220
	115	397

Staff costs (continued)

The number of other Directors whose emoluments (excluding pension contributions) fell in the following ranges was:

	1994 Number	1993 Number
£0 - £5,000	1	-
£10,001 - £15,000	1	1
£40,001 - £45,000	1	1
£50,001 - £55,000	1	-
£55,001 - £60,000	-	1
£65,001 - £70,000	-	1
£75,001 - £80,000	-	1
£95,001 - £100,000	1	-
£100,001 - £105,000	-	1
£110,001 - £115,000	1	-
	6	6

5. Goodwill written off

Goodwill of £7,820,000 relating to certain non-core businesses that have been closed during the year or are planned for divestment, which had been written off against reserves at the time of acquisition, has been written off through the profit and loss account in the year. This action follows UITF abstract number 3 on the treatment of goodwill and reflects the value of the businesses. The write off has no effect on shareholders' funds.

6. Net interest (payable)

	1994 £000	1993 £000
Bank overdrafts	(2,002)	(1,793)
Other loans including loan notes	(26)	(73)
Interest receivable	767	1,032
Interest on finance leases	(70)	(48)
	(1,331)	(882)

7. Loss on ordinary activities before taxation

	1994 £000	1993 £000
This is calculated after:		
Depreciation	1,734	1,309
Provision for diminution in value of fixed assets	1,567	-
Goodwill amortisation	70	-
Auditors' remuneration	135	149
Remuneration paid to auditors for non audit services	85	86
Directors' remuneration (note 4)	608	930
Hire of plant and machinery	458	909
Hire of other assets	314	454

Depreciation includes £204,000 (1993-£161,000) charged on assets held under finance leases and hire purchase contracts.

8. Taxation on loss on ordinary activities

	1994 £000	1993 £000
U.K. corporation tax payable at 33% based on result for the year	-	-
Over provision in respect of prior years	139	1,283
Deferred taxation	-	12
Share of associated undertaking's overseas tax charge	(3)	(13)
	136	1,282

9. Dividends

	1994 £000	1993 £000
Preference - paid	147	147
Ordinary interim dividend	-	228
Ordinary final dividend	-	260
	147	635
Dividends per ordinary share		
Interim dividend	-	0.20p
Final dividend	-	0.20p
	-	0.40p

10. Earnings per share

The calculation of earnings per share is based on the weighted average number of issued ordinary shares ranking for dividend of 138.032.592 (1993 - 116.095.377) and earnings of £(16.478.000) (1993 - £ (1.310.000)) being the loss after taxation for the year after deducting preference share dividends.
The adjusted earnings per share has been calculated after excluding the loss on sale of properties of £(120.000) (1993 - £nil).

11. Tangible assets

	Freehold land and buildings £000	Long leasehold land and buildings £000	Leasehold improvements £000	Plant equipment and vehicles £000	Total £000
Group					
Cost or valuation					
At 1 January 1994	8,908	456	268	9,486	19,118
Exchange differences	-	-	(4)	(7)	(11)
Additions	1	41	34	1,403	1,479
Disposals	(170)	-	(78)	(1,066)	(1,314)
At 31 December 1994	8,739	497	220	9,816	19,272
Depreciation					
At 1 January 1994	115	14	124	4,312	4,565
Exchange differences	-	-	(3)	(4)	(7)
Provided for the year	52	6	5	1,671	1,734
Disposals	-	-	(54)	(779)	(833)
Provision for permanent diminution in value	89	-	53	1,425	1,567
At 31 December 1994	256	20	125	6,625	7,026
Net book value					
At 31 December 1994	8,483	477	95	3,191	12,246
At 31 December 1993	8,793	442	144	5,174	14,553
Cost or valuation comprises					
December 1994 valuation	582	-	-	-	582
Cost to group	8,157	497	220	9,816	18,690
	8,739	497	220	9,816	19,272

Tangible assets (continued)

The net book value of tangible fixed assets includes an amount of £811,000 (1993-£781,000) in respect of assets held under finance leases and hire purchase contracts. Included in freehold land and buildings are investment properties with a book value of £582,000 at 31 December 1994 (1993 - £841,000). These properties have been valued at 31 December 1994 by the Directors on an open market basis.

The historical cost of revalued land and buildings is:

	Group 1994 £000	Group 1993 £000	Company 1994 £000	Company 1993 £000
Cost	558	573	671	841
Accumulated depreciation	106	105	104	109
Net book value	452	468	567	732

	Freehold land and buildings £000	Leasehold improvements £000	Plant equipment and vehicles £000	Total £000
Company				
Cost or valuation				
At 1 January 1994	6,500	104	178	6,782
Additions	-	-	77	77
Transfer from subsidiary undertakings	-	-	251	251
Disposals	(170)	(2)	(342)	(514)
At 31 December 1994	6,330	102	164	6,596
Depreciation				
At 1 January 1994	42	36	77	155
Provided for the year	31	15	76	122
Transfer from subsidiary undertakings	-	-	149	149
Disposals	-	(2)	(204)	(206)
Provision for permanent diminution in value	89	53	9	151
At 31 December 1994	162	102	107	371
Net book value				
At 31 December 1994	6,168	-	57	6,225
At 31 December 1993	6,458	68	101	6,627
Cost or valuation comprises				
December 1994 valuation	582	-	-	582
Cost to company	5,748	102	164	6,014
	6,330	102	164	6,596

The net book value of tangible fixed assets includes an amount of £nil (1993 - £49,000) in respect of assets held under finance leases and hire purchase contracts. Included in freehold land and buildings are investment properties with a book value of £582,000 at 31 December 1994 (1993 - £841,000). These properties have been valued at 31 December 1994 by the Directors on an open market basis.

12. Fixed asset investments

	Other Investments £000	Associated Undertakings £000	Total £000
Group			
Cost			
At 1 January 1994	107	13	120
Additions	-	2,073	2,073
Reclassification of associated undertaking to subsidiary undertaking	-	(13)	(13)
At 31 December 1994	107	2,073	2,180
Share of retained profits			
At 1 January 1994	-	64	64
Profit for the period since acquisition (net of tax)	-	15	15
Reclassification of associated undertaking to subsidiary undertaking	-	(64)	(64)
At 31 December 1994	-	15	15
Amounts written off			
At 1 January 1994	-	-	-
Amounts written off in the year	-	70	70
Eliminated in respect of disposals	-	-	-
At 31 December 1994	-	70	70
Net book value			
At 31 December 1994	107	2,018	2,125
At 31 December 1993	107	77	184

Share of associated companies net assets	667
Premium paid on acquisition of interests in associated companies	1,421
Less amounts written off	(70)
	2,018

The aggregate capital and reserves of the associated undertaking as at 31 December 1994 was £2,665,000, the turnover for the year was £11,272,000, and the profit for the year was £83,000.

Fixed asset investments (continued)

	Other investments £000	Associated undertakings £000	Long term loans to subsidiary undertakings £000	Shares in subsidiary undertakings £000	Total £000
Company					
At 1 January 1994	107	13	6,930	8,475	15,525
Disposals	-	-	-	(299)	(299)
Additions	-	2,073	-	120	2,193
Loans repaid	-	-	(124)	-	(124)
Reclassification	-	(13)	-	13	-
Increase in provisions	-	-	(6,806)	(1,349)	(8,155)
At 31 December 1994	107	2,073	-	6,960	9,140

The group held the following investments at 31 December 1994

Subsidiaries	Principal activity
Ross Autotronics Limited (formerly Gemini Elettronica Limited)	Importation and distribution of vehicle security systems
Sonicare International Limited	Manufacturer, import and marketing of consumer electronic products
Tadmod Limited	Manufacture of transformers, electrical adaptors and plastic mouldings
Selmar Industries Limited	Manufacture of automotive and electrical products
Wesglade Electrics Limited	Electrical harness and component assembly
Ross Consumer Products Limited (formerly Ross Consumer Electronics Limited)	Manufacture, import, marketing and wholesale of consumer electronic products and electrical goods
Keenon Limited	Purchasing agents and exporters
Giltpack Limited	Specialists packaging, pallet manufacture and design and manufacture of gear boxes and associated equipment

All subsidiaries are wholly owned, registered in England and Wales and operate in the United Kingdom, except for Keenon Limited which is registered and operates in Hong Kong.

Associated undertaking	**Principal activity**
Accom Industrial (Holdings) Limited	Manufacturer of copper wire, telephone accessory cables and power supplies

Accom Industrial (Holdings) Limited is registered in the British Virgin Islands and operates in the Peoples Republic of China.
The company acquired 25% of the ordinary share capital of Accom Industrial (Holdings) Limited on 18 April 1994.

Other investments

The company also held 100% of the cumulative redeemable convertible preference shares of Ward Flexible Rod Company Limited, which is registered in England and Wales and operates in the United Kingdom.

13. Stocks

	Group 1994 £000	Group 1993 £000
Raw materials and consumables	2,692	4,220
Work in progress	1,586	1,350
Finished goods	4,484	7,959
	8,762	13,529

Replacement cost of stock is not considered to be materially different from the amount stated in the balance sheet.

14. Debtors

	Group 1994 £000	Group 1993 £000	Company 1994 £000	Company 1993 £000
Amounts receivable within one year				
Trade debtors	9,989	12,793	11	27
Amounts due from group undertakings	-	-	4,205	5,251
Amounts due from associated undertakings	-	135	-	135
Other debtors	525	1,841	253	50
Prepayments	505	1,042	74	131
Corporation tax recoverable	247	32	-	-
Dividends receivable	-	-	-	64
	11,266	15,843	4,543	5,658
Amounts receivable after more than one year				
Other debtors	114	164	114	164
Advanced corporation tax recoverable	421	324	421	324
	535	488	535	488

15. Creditors: Amounts falling due within one year

	Group 1994 £000	Group 1993 £000	Company 1994 £000	Company 1993 £000
Bank overdrafts	12,119	12,278	142	969
Loan notes	486	1,486	486	1,486
Trade creditors	7,789	10,404	337	209
Dividends payable	75	335	73	335
Other creditors	576	1,344	10	67
Obligations under finance leases	302	239	-	20
Corporation tax payable	45	92	-	75
Amounts owed to group undertakings	-	-	1,009	3,204
Tax and social security	1,115	1,393	28	63
Accruals	3,213	3,046	634	747
	25,720	30,617	2,719	7,175

The bank overdrafts are secured by a fixed and floating charge over the assets of the group and company.

Creditors: Amounts falling due within one year (continued)

	Group 1994 £000	Group 1993 £000	Company 1994 £000	Company 1993 £000
Loan notes comprise:				
Guaranteed unsecured loan notes redeemable between 6 July 1991 and 6 July 1999 with interest at 1.25% below the relevant 6 months money market rate.	461	461	461	461
Guaranteed unsecured loan notes redeemable at the holders option between 7 July 1993 and 1 October 1999 with interest at 1.25% below the relevant 6 months market rate.	25	25	25	25
Guaranteed unsecured loan notes redeemable at the holders option on or after 30 November 1992 and at the company's option on or after 30 November 1994 with interest 1% below the base rate of National Westminster Bank PLC.	-	1.000	-	1,000
	486	1,486	486	1,486

Of the year end cash balances £346,000 (1993 £1,346,000) is restricted in its use to the repayment of the loan notes.

16. Creditors: Amounts falling due after more than one year

	Group 1994 £000	Group 1993 £000	Company 1994 £000	Company 1993 £000
Obligations under finance leases	368	388	-	16
Amounts due to group undertakings	-	-	5,114	4,402
	368	388	5,114	4,418
Obligations under finance leases are due as follows:				
Within 1-2 years	166	224	-	16
Within 2-5 years	202	149	-	-
After more than 5 years	-	15	-	-
	368	388	-	16

17. Provision for liabilities and charges

	1994 Unprovided £000	1994 Provided in accounts £000	1993 Unprovided £000	1993 Provided in accounts £000
Deferred taxation				
Group				
Accelerated capital allowances	-	-	-	-
Revaluation surpluses	8	-	88	-
Losses	(8)	-	(88)	-
	-	-	-	-

Company
There is no unprovided deferred tax liability.

18. Acquisitions and disposals

	Assets acquired at fair value £000
Acquisitions	
Debtors	14
Creditors	(128)
Taxation	(15)
Bank	28
	(101)
Goodwill written off (note 20)	221
Consideration comprising wholly of non cash equivalents	120

The company acquired the controlling interest in AlfaRoss Limited (a non-trading company), previously an associated undertaking. AlfaRoss Limited ceased trading during 1994.

	£000
Movements in other provisions arising on acquisitions:	
As at 1 January 1994	447
Arising on acquisition	-
Utilised during the year	(267)
As at 31 December 1994	180

Other provisions relate to costs of reorganisation and integration.

Disposals
Profit on disposal of discontinued operations has been calculated as follows:

	Traveller		Inflight Supply Services (International) Limited		Total	
	£000	£000	£000	£000	£000	£000
Cash consideration (net of costs)		2,473		225		2,698
Net assets disposed of						
Tangible fixed assets	66		30		96	
Stocks	407		124		531	
Debtors	-		327		327	
Creditors	-		(109)		(109)	
Bank	-		11		11	
		473		383		856
Goodwill previously written off to the special reserve (note 20).		592		344		936
Profit/(loss) on disposal.		1,408		(502)		906

The group's profit and loss account for the year ended 31 December 1994 includes the results of the above operations up to the date of disposal. These results are:

	£000	£000	£000
Turnover	872	550	1,422
Operating profit/(loss)	173	(38)	135

Inflight Supply Services (International) Limited was sold on 27 July 1994 to R I L Marks, who was an executive Director of Ross Group plc.

19. Share Capital

	1994 £000	1993 £000
Authorised		
195,000,000 ordinary shares of 5p each (31 December 1993 - 161,000,000)	9,750	8,050
4,750,000 5.25% convertible cumulative preference shares of £1 each (31 December 1993 - 4,750,000)	4,750	4,750
	14,500	12,800
Issued, allotted and fully paid		
141,247,318 ordinary shares of 5p each (31 December 1993 - 129,959,304)	7,062	6,498
2,750,000 5.25% convertible cumulative preference shares of £1 each (31 December 1993 - 2,850,000)	2,750	2,850
	9,812	9,348

Movements in share capital during the year

	Ordinary shares Number	Ordinary shares £000	Preference shares Number	Preference shares £000
In issue at 1 January 1994	129,959,304	6,498	2,850,000	2,850
Issued as a result of the acquisition of Accom Industrial (Holdings) Limited	11,100,000	555	-	-
Issued as a result of the conversion of preference shares into ordinary shares	188,014	9	(100,000)	(100)
In issue at 31 December 1994	141,247,318	7,062	2,750,000	2,750

The shares issued as a result of the acquisition of Accom Industrial (Holdings) Limited were issued at 18.5p per share.
On 19 April 1995, 6,497,000 new ordinary shares were issued to a company, wholly owned by M P B Evans, at 5p per share.

Preference share rights

The holders of preference shares are entitled to a fixed cumulative preferential dividend at the rate of 5.25% per annum. The preference shares are convertible into ordinary shares at certain times during the four years following 26 November 1993 at a conversion rate of 1.880142 ordinary shares for each preference share. On a winding up of the company, the preference shareholders have priority over the ordinary shareholders as regards repayment of capital together with all arrears of the fixed cumulative preferential dividend, whether declared or earned or not, calculated to the date of such repayment of capital. Otherwise the holders of preference shares are not entitled to any further participation in the profits or assets of the company and accordingly are classified as non-equity shares.

The holders of preference shares are entitled to receive notice of and to attend at any general meeting but are not entitled to vote on any resolution proposed at any such meeting, unless at the date of the notice convening the meeting the fixed dividend on such preference shares is six months in arrears or the business of the meeting, includes the consideration of a resolution directly affecting any of the special rights or privileges attached to the preference shares as a class.

There were share options granted in respect of 4,844,904 ordinary shares at 31 December 1994 (1993 - 4,326,061) exercisable as follows:

	Number	Option price (p)
Between April 1993 and April 2000	912,425	33.26
Between April 1994 and April 2001	439,998	34.12
Between November 1994 and November 2001	659,430	47.75
Between February 1995 and February 2002	441,700	46.00
In May 1995	298,735	29.90
Between October 1995 and October 2002	59,000	24.50
Between August 1996 and August 2003	512,500	28.50
In June 1997	502,473	33.00
Between January 1997 and January 2004	887,468	19.50
In June 1999	131,175	33.00
	4,844,904	

20. Reserves

	Share premium £000	Revaluation reserve £000	Capital redemption reserve £000	Non distributable capital reserve £000	Special reserve £000	Profit and loss account £000	Total £000
Group							
At 1 January 1994	584	268	15	-	5,069	14	5,950
Premium on issue of shares	1,494	-	-	-	-	-	1,494
Arising on conversion of preference shares	90	-	-	-	-	-	90
Goodwill written off on acquisitions during the year (note 18)	-	-	-	-	(221)	-	(221)
Goodwill transferred on disposal (note 18)	-	-	-	-	936	-	936
Goodwill written off (note 5)	-	-	-	3,333	4,487	-	7,820
Transfer of realised profits	-	(244)	-	-	-	244	-
Currency translation differences on foreign currency net investments	-	-	-	-	-	(54)	(54)
Retained loss for the year	-	-	-	-	-	(16,478)	(16,478)
At 31 December 1994	2.168	24	15	3,333	10,271	(16,274)	(463)
Company							
At 1 January 1994	584	-	15	-	9,143	888	10,630
Premium on issue of shares	1.494	-	-	-	-	-	1,494
Arising on conversion of preference shares	90	-	-	-	-	-	90
Goodwill written off	-	-	-	-	3,223	-	3,223
Retained loss for the year	-	-	-	-	-	(12,293)	(12,293)
At 31 December 1994	2,168	-	15	-	12,366	(11,405)	3,144

The company has taken advantage of the exemption from presenting its own profit and loss account under section 230 of the Companies Act 1985.
The revaluation reserve relates to investment properties.
Cumulative goodwill of £21,253,000 (1993 - £26,455,000) has been written off against reserves to 31 December 1994. £16,099,000 (1993 - £21,301,000) has been written off against the special reserve, £nil (1993 - £3,333,000) against a non distributable capital reserve and £1,821,000 (1993 - £1,821,000) against the profit and loss account.

21. Reconciliation of movements in shareholders' funds

	Group 1994 £000	Group 1993 £000	**Company 1994 £000**	Company 1993 £000
(Loss)/profit for the year	**(16,331)**	(1,163)	**(12,146)**	246
Dividends	**(147)**	(635)	**(147)**	(635)
	(16,478)	(1,798)	**(12,293)**	(389)
Other recognised gains and losses relating to the year (net)	**(54)**	-	**-**	-
New share capital subscribed	**2,048**	4,800	**2,048**	1,467
Goodwill written off	**7,599**	(4,372)	**3,223**	(13)
Goodwill transferred on disposal	**936**	-	**-**	-
Net addition to shareholders' funds	**(5,949)**	(1,370)	**(7,022)**	1,065
Opening shareholders' funds	**15,298**	16,668	**19,978**	18,913
Closing shareholders' funds	**9,349**	15,298	**12,956**	19,978

22. Reconciliation of operating loss to net cash flow from operating activities

	1994 £000	1993 £000
Operating loss	(7,443)	(1,961)
Depreciation	1,734	1,309
Provision for diminution in value of fixed assets	1,567	-
Goodwill amortisation	70	-
Provision for loss on operations to be discontinued	(677)	-
Loss/(profit) on sale of tangible fixed assets	80	(15)
Decrease/(increase) in stocks	4,236	(500)
Decrease/(increase) in debtors	4,310	(999)
(Decrease)/increase in creditors	(3,288)	746
Net cash inflow/(outflow) from operating activities	589	(1,420)

23. Analysis of changes in cash and cash equivalents during the year

	1994 £000	1993 £000
Balance at 1 January	(10,572)	(4,780)
Net cash outflow	(1,044)	(5,792)
Balance at 31 December	(11,616)	(10,572)

24. Analysis of the balances of cash and cash equivalents

	1994 £000	1993 £000	Change in year £000
Cash at bank and in hand	**503**	1,706	(1,203)
Bank overdrafts	**(12,119)**	(12,278)	159
	(11,616)	(10,572)	(1,044)

25. Analysis of changes in financing during the year

	Share Capital (including premium) £000	**Loan notes and finance lease obligations £000**
Financing at 1 January 1994	**9,932**	**2,113**
Cash inflows/(outflows) from financing	**-**	**(1,246)**
Shares issued for non cash consideration	**2,048**	**-**
Inception of finance lease contracts		**289**
Financing at 31 December 1994	**11,980**	**1,156**
Financing at 1 January 1993	8,465	2,335
Cash inflows/(outflows) from financing	700	(781)
Shares issued for non cash consideration	767	-
Inception of finance lease contracts	-	559
Financing at 31 December 1993	9,932	2,113

26. Effect on cash flows of acquisitions and disposals

	Acquisitions £000	Disposals £000
Operating cash flows	-	316
Returns on investment and servicing of finance	-	(105)
Taxation	-	(1)
Investing activities	-	74
Financing	-	-
Net cash inflow	-	284

27. Analysis of net flow of cash and cash equivalents in respect of acquisitions and disposals

	Acquisitions 1994 £000	Acquisitions 1993 £000	Disposals 1994 £000	Disposals 1993 £000
Cash consideration	-	(507)	2,698	765
Bank balances/(overdrafts)	28	(1,539)	(11)	-
Net inflow (outflow) of cash and cash equivalents	28	(2,046)	2,687	765

28. Contingent liabilities

At 31 December 1994, the group had contingent liabilities in respect of documentary credits of £846,000 (1993 - £1,037,000) and a contingent liability to its bankers in respect of composite guarantees given by the company on behalf of its subsidiary undertakings. The amount outstanding at 31 December 1994 was £11,678,000 (1993 - £11,918,000) after setting off £203,000 (1993 - £958,000) of balances held by Ross Group plc.
At 31 December 1994, the group was involved in various litigation issues. The group has obtained legal advice that is likely to be successful in defending the claims, and that none of them will have significant effect on the group's financial position.

29. Financial commitments

	1994 £000	1993 £000
Contracted for but not provided in the financial statements:		
Forward foreign exchange contracts	922	8,893

30. Commitments under operating leases

	Other 1994 £000	Other 1993 £000	Land & Buildings 1994 £000	Land & Buildings 1993 £000
As at 31 December 1994 the group had annual commitments under operating leases as set out below:				
Operating leases which expire				
Within one year	222	593	68	95
In two to five years	181	476	133	164
After five years	-	-	164	164
	403	1,069	365	423

31. Pension commitments

The process of moving the group's defined benefits final salary scheme (the Ross Group Pension Scheme) to an insured basis was completed during the year. All invested assets are now held in the Norwich Union With Profits Pension Fund.
A quotation was accepted from Norwich Union to buy out the Trustee's liabilities to 101 deferred members of the scheme for a sum of £1,657,000.
The board recommended contributions to the defined benefits scheme on 1 January 1994, with the admission of four directors to the scheme.
The group's total contributions to the defined benefits scheme amounted to £6,000 in the year (1993 - £20,000).
The audited accounts of the scheme at 1 April 1994 showed that the net assets of the scheme were £412,000 (1993 - £2,198,000).
An actuarial valuation and report on the scheme, as at 1 April 1993, was made by the independent actuary on 31 March 1994. His opinion is that, at the effective date, the scheme's assets fully covered its liabilities, including those liabilities arising in respect of deferred pensioners, on an ongoing basis. The actuarial method adopted was the projected unit method. The principal assumptions were future salary escalation of 8% and a return of investments of 9%.
Contributions by the group of £79,000 were made during the year (1993 adjusted - £109,000) to the group's defined contribution scheme (the Ross Group Money Purchase Pension Scheme).

32. Post balance sheet events

On 12 June 1995, the group disposed of the Electrical Products division of Selmar Industries Limited. Fixed assets, stock and goodwill were sold to JoJo A/S, a Danish electrical group, for an aggregate of £1.1m in cash.