

SLI MINIATURE LIGHTING LIMITED

Report and Accounts

31 December 2000



SLI Miniature Lighting Limited

Registered No. 265006

DIRECTORS

M B Hare
M A Hemingway
D L Cartwright
S M B Hare
D M Clayson
D P Sheppard

SECRETARY

S M B Hare

AUDITORS

Ernst & Young LLP
Compass House
80 Newmarket Road
Cambridge
CB5 8DZ

BANKERS

National Westminster Bank plc
10 Bene't Street
Cambridge
CB2 3PU

SOLICITORS

Hewitson, Becke & Shaw
Shakespeare House
42 Newmarket Road
Cambridge
CB5 8EP

REGISTERED OFFICE

Beetons Way
Bury St Edmunds
Suffolk
IP32 6RA

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 31 December 2000.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £774,000 (1999: £811,000). The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company's principal activities are the manufacture and marketing of miniature electric lamps, added value assemblies, spark gap tubes and light emitting diodes.

The directors are pleased with the result for the year and anticipate a steady level of growth during 2001.

DIRECTORS AND THEIR INTERESTS

The directors at 31 December 2000 were as follows:

M B Hare
M A Hemingway
D L Cartwright
S M B Hare
D M Clayson
D P Sheppard (appointed 15 November 2000)

None of the above has an interest in the share capital of the company or its immediate parent undertaking, Vitality Limited.

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

EMPLOYEE INVOLVEMENT

Arrangements are in existence for the regular consultation with employees or their representatives to ensure that employees are kept informed and consulted on all relevant matters. These arrangements are continually being updated.

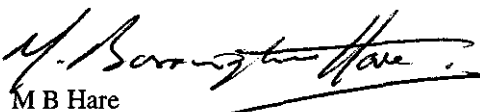
DIRECTORS' REPORT (CONTINUED)

AUDITORS

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & young LLP with effect from 28 June 2001.

A resolution to reappoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the board


M B Hare
Director

24 / Aug / 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS
to the shareholders of SLI Miniature Lighting Limited

We have audited the accounts on pages 6 to 16, which have been prepared under the historical cost convention as modified by the revaluation of land and buildings and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Cambridge

6 September 2001

SLI Miniature Lighting Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2000

		2000 £'000	1999 £'000
	Notes		
TURNOVER	2	12,756	12,142
Cost of sales		10,338	9,809
Gross profit		2,418	2,333
Distribution costs		256	338
Administrative expenses		1,009	842
		1,265	1,180
Other operating income		1,153	1,153
		17	102
OPERATING PROFIT	3	1,170	1,255
Loan interest receivable		20	-
Interest payable and similar charges	6	(83)	(80)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,107	1,175
Tax on profit on ordinary activities	7	333	364
PROFIT RETAINED FOR THE FINANCIAL YEAR	15	774	811

There are no recognised gains or losses other than the profit for the year.

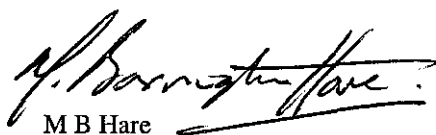
NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2000 £'000	1999 £'000
Reported profit on ordinary activities before taxation	1,107	1,175
Difference between historical depreciation charge and depreciation charge on revalued assets	30	30
Historical cost profit on ordinary activities before taxation	1,137	1,205
Historical cost profit on ordinary activities after taxation	804	841

SLI Miniature Lighting Limited

BALANCE SHEET at 31 December 2000

	Notes	2000 £'000	1999 £'000
FIXED ASSETS			
Tangible assets	8	4,660	3,933
CURRENT ASSETS			
Stocks	9	1,930	1,832
Debtors	10	5,558	3,500
Cash at bank and in hand		1	259
		7,489	5,591
CREDITORS: amounts falling due within one year	11	5,239	3,302
NET CURRENT ASSETS		2,250	2,289
TOTAL ASSETS LESS CURRENT LIABILITIES		6,910	6,222
CREDITORS: amounts falling due after more than one year	12	393	571
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	13	140	48
		6,377	5,603
CAPITAL AND RESERVES			
Called up share capital	14	47	47
Capital reserve	15	46	46
Revaluation reserve	15	1,898	1,928
Profit and loss account	15	4,386	3,582
Shareholders' funds:			
Equity		6,370	5,596
Non-equity		7	7
		6,377	5,603


M B Hare
Director

24/Aug/2001

SLI Miniature Lighting Limited

BALANCE SHEET at 31 December 2000

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention as modified to include the revaluation of land and buildings and in accordance with applicable accounting standards.

Depreciation

Depreciation is provided on all fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	-	over 25 years
Plant and machinery	-	over 3 to 10 years

All properties are externally valued at least every five years. In the period between external valuation, the directors review the value of the properties.

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

The carrying values of fixed assets are reviewed in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale -	purchase cost on a weighted average basis
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

SLI Miniature Lighting Limited

BALANCE SHEET at 31 December 2000

1. ACCOUNTING POLICIES (continued)

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the assets have passed to the company and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The company operates a defined benefit scheme requiring contributions to be made to a separately administered fund. Contributions to the fund are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives. The regular cost is attributed to individual years using the discounted cash flow method.

Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the expected average future service of the current membership. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

2. TURNOVER

Turnover represents the invoiced amount of goods sold, stated net of value added tax.

Turnover is attributable to one continuing activity, the manufacture and marketing of miniature light sources.

An analysis of turnover by geographical location is given below:

	2000 £'000	1999 £'000
United Kingdom	5,584	4,881
Overseas	7,172	7,261
	<u>12,756</u>	<u>12,142</u>

SLI Miniature Lighting Limited

BALANCE SHEET at 31 December 2000

3. OPERATING PROFIT

	2000	1999
	£'000	£'000
This is stated after charging:		
Auditors' remuneration – audit services	27	26
– non-audit services	9	14
Depreciation of assets held under finance leases	–	50
Depreciation of owned assets	470	386
Operating lease rentals - land and buildings	9	9
- plant and machinery	4	6
	<u> </u>	<u> </u>

4. DIRECTORS' EMOLUMENTS

	2000	1999
	£'000	£'000
Emoluments	396	428
	<u> </u>	<u> </u>

Included in the above emoluments is £nil (1999: £30,000) paid to a director as compensation for loss of office. There are 6 (1999: 5) directors accruing retirement benefits in the pension scheme.

The amounts in respect of the highest paid director are as follows:

	2000	1999
	£'000	£'000
Emoluments	133	135
Accumulated total accrued pension	68	60
	<u> </u>	<u> </u>

5. STAFF COSTS

	2000	1999
	£'000	£'000
Wages and salaries	3,261	3,166
Social security costs	291	283
Other pension costs	211	170
	<u> </u>	<u> </u>
	3,763	3,619
	<u> </u>	<u> </u>

The average monthly number of employees during the year was as follows:

	2000	1999
	No.	No.
Manufacturing	190	166
Engineering	7	20
Management and administration	29	26
Selling	7	9
	<u> </u>	<u> </u>
	233	221
	<u> </u>	<u> </u>

SLI Miniature Lighting Limited

BALANCE SHEET at 31 December 2000

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £'000	1999 £'000
Bank loans and overdrafts	83	76
Interest payable on amounts due to group undertakings	—	3
Finance charges payable under finance leases	—	1
	<u>83</u>	<u>80</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £'000	1999 £'000
Based on profit for the year:		
UK corporation tax	263	354
Deferred taxation (note 13)	92	24
	<u>355</u>	<u>378</u>
Corporation tax over provided in prior years:	(22)	(14)
	<u>333</u>	<u>364</u>

8. TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings</i> £'000	<i>Plant and machinery</i> £'000	<i>Total</i> £'000
Cost or valuation:			
At 1 January 2000	2,591	6,127	8,718
Additions	—	1,223	1,223
Disposals	—	(149)	(149)
At 31 December 2000	<u>2,591</u>	<u>7,201</u>	<u>9,792</u>
Depreciation:			
At 1 January 2000	233	4,552	4,785
Provided during the year	41	429	470
Disposals	—	(123)	(123)
At 31 December 2000	<u>274</u>	<u>4,858</u>	<u>5,132</u>
Net book value:			
At 31 December 2000	<u>2,317</u>	<u>2,343</u>	<u>4,660</u>
At 1 January 2000	<u>2,358</u>	<u>1,575</u>	<u>3,933</u>

Freehold land and buildings were valued by independent chartered surveyors Marshall, Buck and Casson on an open market basis in July 1998 and at the balance sheet date by the directors. The net book value of land and buildings includes £1,563,000 (1999: £1,563,000) in respect of land which is not depreciated.

SLI Miniature Lighting Limited

BALANCE SHEET at 31 December 2000

8. TANGIBLE FIXED ASSETS (continued)

On the historical cost basis, freehold land and buildings would have been included as follows:

	£'000
Historical cost:	
At 1 January 2000 and 31 December 2000	767
Depreciation based on cost:	
At 1 January 2000	433
Charge for the year	11
At 31 December 2000	444
Net book value at 31 December 2000	323
Net book value at 1 January 2000	334

9. STOCKS

	2000 £'000	1999 £'000
Raw materials and consumables	471	339
Work in progress	91	138
Finished goods	1,368	1,355
	1,930	1,832

The difference between the purchase price or production cost of stocks and their replacement cost is not material.

10. DEBTORS

	2000 £'000	1999 £'000
Trade debtors	1,323	1,435
Amounts due from group undertakings	4,093	2,039
Other debtors	128	4
Prepayments	14	22
	5,558	3,500

SLI Miniature Lighting Limited

BALANCE SHEET at 31 December 2000

11. CREDITORS: amounts falling due within one year

	2000	1999
	£'000	£'000
Bank loans (note 12)	200	200
Bank overdraft	1,368	1,123
Trade creditors	2,644	963
Corporation tax	729	477
Other taxes and social security costs	121	122
Accruals	177	417
	<u>5,239</u>	<u>3,302</u>

The bank overdraft is secured by fixed and floating charges over the assets of the company.

12. LOANS

	2000	1999
	£'000	£'000
Amounts repayable:		
In one year or less	200	200
In more than one year but not more than two years	200	200
In more than two years but not more than five years	193	371
	<u>593</u>	<u>771</u>
Less: included in creditors: amounts falling due within one year	(200)	(200)
	<u>393</u>	<u>571</u>

The bank loan is secured by fixed and floating charges over the assets of the company.

SLI Miniature Lighting Limited

BALANCE SHEET at 31 December 2000

13. DEFERRED TAXATION

Analysis of the movements in the deferred tax provision:

	2000 £'000	1999 £'000
At 1 January	48	24
Charge for the year	92	24
At 31 December	140	48
Deferred taxation is fully provided as follows:		
	2000 £'000	1999 £'000
Capital allowances in advance of depreciation	182	127
Other timing differences	(42)	(79)
	140	48

The revaluation reserve relating to the freehold land and buildings does not constitute a timing difference. Therefore, tax has not been quantified on the reserve.

14. SHARE CAPITAL

	2000 £'000	1999 £'000	Authorised	
Ordinary shares of £1 each	50	50		
7% first cumulative preference shares of £1 each	5	5		
10% second cumulative preference shares of £1 each	10	10		
	65	65		
	2000 No.	1999 No.	2000 £'000	1999 £'000
Ordinary shares of £1 each	40,488	40,488	40	40
7% first cumulative preference shares of £1 each	4,497	4,497	5	5
10% second cumulative preference shares of £1 each	2,024	2,024	2	2
			47	47

SLI Miniature Lighting Limited

BALANCE SHEET at 31 December 2000

14. SHARE CAPITAL (continued)

The respective rights of the classes of shares are as follows:

(a) *Income*

On a distribution of income, the first and second cumulative preference shares are each entitled to a fixed cumulative dividend, with any surplus being paid to the holders of the ordinary shares.

(b) *Capital*

On a return of assets on liquidation or otherwise the assets of the company remaining after the payment of its liabilities are applied firstly to paying to the holders of the first and second cumulative preference shares (in that order) the amount paid up on the shares together with any arrears of dividend and secondly to paying to the holders of the ordinary shares the residue.

(c) *Voting rights*

The first and second cumulative preference shares carry no voting rights in general meetings unless the dividends are in arrears or the business of the meeting includes the consideration of a resolution for winding up the company or altering the rights of the preference shares. The ordinary shares carry one vote each.

Rights to receive dividends on the first and second cumulative preference shares have been waived in the current and previous years.

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share Capital £'000	Capital reserve £'000	Revaluation reserve £'000	Profit & loss account £'000	Total share- holders' funds £'000
At 1 January 1999	47	46	1,958	2,741	4,792
Profit for the year	—	—	—	811	811
Movement on reserves	—	—	(30)	30	—
At 31 December 1999	47	46	1,928	3,582	5,603
Profit for the year	—	—	—	774	774
Movement on reserves	—	—	(30)	30	—
At 31 December 2000	47	46	1,898	4,386	6,377

SLI Miniature Lighting Limited

BALANCE SHEET

at 31 December 2000

16. PENSION COMMITMENTS

The company operates a defined benefit pension scheme funded by the payment of contributions to a separately administered trust fund.

The total pension cost of the company in respect of this scheme charged in the period was £211,000 (12 months to 31 December 1999: £170,000).

The contributions to the scheme are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit method. The most recent valuations were conducted as at 6 April 1999 using the following main assumptions:

Rate of return on investments	7.25% per annum
Rate of dividend growth	4.25% per annum
Rate of salary increases	4% per annum
Rate of pension payment increases	2.75% on excess over GMP; statutory increases on GMP
Long term average rate of inflation	3% per annum

The latest valuation showed that the market value of the scheme's assets at that date amounted to £6,679,000 and the actuarial value of the assets was sufficient to cover 84% of the benefits that had accrued to members, after allowing for the effect of future increases in their earnings.

Further contributions, in addition to the employers' current contribution of 5.5% of pensionable earnings are being made in order to eliminate the deficiency in the scheme. The deficit is being recognised as a variation from regular cost over 12.8 years, being the average expected remaining service lives of the employees.

17. PARENT UNDERTAKINGS AND CONTROLLING PARTY

At 31 December 2000 the ultimate parent company was SLi Inc; a company incorporated in the USA. Copies of the parent's consolidated financial statements may be obtained from SLi Inc. 500 Chapman Street, Canton, MA 02021, USA.

The directors consider SLi Inc. to be the controlling party by virtue of its controlling interest in the company's share capital.

The parent company of the smallest group of undertakings of which the company is a member and for which group accounts are drawn up is Chicago Miniature Lamp – Sylvania I BV, a company incorporated in The Netherlands.

The company has taken advantage of the exemption conferred by FRS 8 from the requirement to disclose details of transactions with group companies.