

COSALT HOLIDAY HOMES LIMITED

FINANCIAL STATEMENTS

**for the fifty-two weeks ended
30 August 1998**

KIDSONS IMPEY

Chartered Accountants

HULL



COSALT HOLIDAY HOMES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 AUGUST 1998

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The following pages do not form part of the statutory accounts

Detailed trading and profit and loss account	Appendix 1
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COSALT HOLIDAY HOMES LIMITED

Directors

R.C.F. Lloyd (Chairman)

P.T. Nevitt (Managing)

A. Smith

N.R. Carrick

F.W. Wood

DIRECTORS' REPORT

The directors submit their annual report and the audited financial statements of the company for the fifty-two weeks ended 30 August 1998 ("the year").

Business review

The principal activity of the company continued to be the design and manufacture of caravan holiday homes, custom homes and chalets and the design and manufacture of "Kingsform" furniture doors and panels.

The company has performed well with another year of record sales and record profits.

The caravan holiday homes business has increased its share of the home market from 11% to 20% in the last four years. This performance keeps it on course to meet its objective of becoming the UK market leader. The custom homes business maintained its position as the UK market leader in timber-clad homes.

The 1999 season models have been well received by the trade and the current order book is good.

The trading results for the year are shown in the profit and loss account on page 6.

The directors recommend the payment of a final dividend of £1,917,000 with £634 being transferred to reserves.

The company's future development will be in its current and similar products in which there appear to be opportunities.

Directors

The membership of the Board is shown above. All served on the Board for the whole of the financial year.

Messrs. P.T. Nevitt and F.W. Wood retire by rotation and, being eligible, offer themselves for re-election.

Directors' shareholdings

None of the directors has any beneficial interest in the share capital of the company. The interests of Messrs. N.R. Carrick and F.W. Wood in the share capital of Cosalt plc, the ultimate parent company, are disclosed by that company. The interests of the other directors in the ordinary share capital of Cosalt plc are as follows:

	At 30 August 1998	At 1 September 1997
R.C.F. Lloyd	5,500	5,500
P.T. Nevitt	3,247	2,839
A. Smith	1,724	1,316

These holdings include shares issued under the Cosalt plc Employees' Profit Sharing Scheme.

COSALT HOLIDAY HOMES LIMITED

DIRECTORS' REPORT

(continued)

Directors' shareholdings (continued)

Mr. P.T. Nevitt also held options to purchase Cosalt plc ordinary shares under the various Cosalt plc Executive Share Option Schemes as follows:

At 1 September 1997	Granted during year	Exercised during year	At 30 August 1998	Exercise price	Market price at date of exercise	Dates from which exercisable	Expiry date
8,000	-	8,000	-	140p	260p		
8,000	-	8,000	-	164p	260p		
8,000	-	8,000	-	111.70p	260p		
10,000	-	10,000	-	140p	260p		
10,000	-	-	10,000	219.50p		17.02.00*	16.02.04
<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>	232.50p		23.12.00*	22.12.04
<u>44,000</u>	<u>10,000</u>	<u>34,000</u>	<u>20,000</u>				

* Performance criteria must be met before exercise permitted.

No options lapsed during the year.

The market price of Cosalt plc ordinary shares at 30 August 1998 was 197.50p and the range during the year was 196.50p to 277.50p.

Fixed assets

The movements in tangible fixed assets are set out in note 8 to the financial statements. In note 15 to the financial statements additional information is provided on assets used by the company which are subject to lease agreements.

Employees

Details of employees and their remuneration are shown in note 5 to the financial statements.

By various means efforts are made to encourage employee involvement in the company and to disseminate information to increase awareness of its activities and the decisions taken which affect employees' interests.

The company has for many years employed disabled persons whenever appropriate and has made special efforts in respect of existing employees who have become disabled during their service. Full consideration is given to the career development of such individuals.

COSALT HOLIDAY HOMES LIMITED**DIRECTORS' REPORT**

(continued)

Payment policy

It is the policy of the company to establish terms of payment with suppliers when agreeing the terms of business.

The aim is to despatch cheques to settle undisputed accounts on the due date, or where other means of payment are used, to deliver funds as if payment had been made by cheque.

The number of days' purchases outstanding at the end of the financial year was 58 days.

Year 2000

The company has undertaken a detailed review to assess the impact of the year 2000 on all areas of activities. The review also considers the impact on customers and suppliers and there is on-going dialogue with regard to their compliance.

Most of the company's management information and accounting systems have recently been replaced as part of its on-going investment in IT systems, and assurances have been obtained from the suppliers that they are year 2000 compliant.

The costs incurred on upgrading other systems are written off against operating profits as incurred and are not believed to be material to the company's profits or capital expenditure programmes.

Auditors

The auditors, Messrs. Kidsons Impey, Chartered Accountants, have intimated their willingness to continue in office.

By order of the Board



A.B. Clark

Secretary

Fish Dock Road,
Grimsby.

23 November 1998.

COSALT HOLIDAY HOMES LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- * prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in business.

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

COSALT HOLIDAY HOMES LIMITED**REPORT OF THE AUDITORS TO THE MEMBERS**

We have audited the financial statements on pages 6 to 14 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4, 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 financial statements and to report our opinion to you.

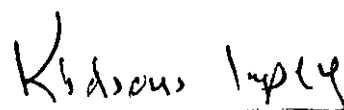
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 August 1998 and of its profit for the fifty-two weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



Kidsons Impey

Hull: 23 November 1998.

Registered Auditors
Chartered Accountants

COSALT HOLIDAY HOMES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE FIFTY-TWO WEEKS ENDED 30 AUGUST 1998

	Note	52 weeks ended 30 August 1998 £	52 weeks ended 31 August 1997 £
Turnover	2	<u>45,562,103</u>	<u>38,052,686</u>
Operating profit	3	3,577,568	2,311,827
Interest payable and similar charges (net)	4	<u>774,608</u>	<u>587,094</u>
Profit on ordinary activities before taxation		2,802,960	1,724,733
Taxation	6	<u>885,326</u>	<u>538,555</u>
Profit for the financial year		1,917,634	1,186,178
Dividends	7	<u>1,917,000</u>	<u>1,186,000</u>
Transferred to reserves	14	<u>634</u>	<u>178</u>

All operations are classed as continuing.

The company has no recognised gains or losses other than the profits for the years disclosed above; accordingly, a statement of recognised gains and losses has not been included in these financial statements.

The notes on pages 8 to 14 form part of these financial statements.

COSALT HOLIDAY HOMES LIMITED

BALANCE SHEET - 30 AUGUST 1998

	Note	30 August 1998		31 August 1997	
		£	£	£	£
Fixed assets					
Tangible fixed assets	8		743,973		550,180
Current assets					
Stocks	9	3,342,840		2,966,553	
Debtors	10	9,583,557		7,026,069	
Bank and cash balances		<u>3,015,527</u>		<u>2,369,123</u>	
		15,941,924		12,361,745	
Creditors					
Amounts falling due within one year	11	<u>16,482,088</u>		<u>12,775,648</u>	
Net current liabilities			(540,164)		(413,903)
Total assets less current liabilities			203,809		136,277
Creditors					
Amounts falling due after more than one year	11	170,528		105,956	
Provisions for liabilities and charges	12	<u>6,479</u>	<u>177,007</u>	<u>4,153</u>	<u>110,109</u>
Net assets			<u>26,802</u>		<u>26,168</u>
Capital and reserves					
Called up share capital	13		300		300
Profit and loss account	14		<u>26,502</u>		<u>25,868</u>
Equity shareholders' funds			<u>26,802</u>		<u>26,168</u>

Approved by the Board on 23 November 1998.


N.R. Carrick - Director

COSALT HOLIDAY HOMES LIMITED**NOTES ON FINANCIAL STATEMENTS - 30 AUGUST 1998****1 Accounting policies****Basis of accounting**

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost convention.

The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No. 1 on the grounds it is a wholly owned subsidiary undertaking of a parent undertaking which publishes a consolidated cash flow statement.

Depreciation

Tangible fixed assets are depreciated on a straight line basis at annual rates which vary depending on the type of asset but which are generally:

Plant and machinery	5-20%
Motor vehicles	20-25%

Leased assets

Assets which are financed by leasing agreements transferring substantially all the risks and rewards of ownership (finance leases) are capitalised and depreciated over their useful lives. The liability to the leasing company is included in creditors. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to profit and loss account. All other payments under lease agreements are charged in full to profit and loss account.

Stocks

Stocks are stated at the lower of cost, including an appropriate proportion of production overheads, and net realisable value.

Deferred taxation

Provision is made on the liability method for deferred taxation, arising from the different treatment of certain items for taxation and accounting purposes, unless there is reasonable probability that such deferred taxation will not be payable in the foreseeable future.

Pension costs

Contributions to the group's pension schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' service lives.

COSALT HOLIDAY HOMES LIMITED

NOTES ON FINANCIAL STATEMENTS - 30 AUGUST 1998

(continued)

2 Turnover

Turnover represents the goods and services, excluding value added tax, invoiced to customers arising from the principal activities as disclosed in the Directors' Report. The geographical analysis of turnover is as follows:

	1998 £	1997 £
United Kingdom	44,127,690	36,039,353
Overseas	<u>1,434,413</u>	<u>2,013,333</u>
	<u>45,562,103</u>	<u>38,052,686</u>

All turnover originated in the United Kingdom.

3 Operating profit

Operating profit has been arrived at after charging/(crediting):

	1998 £	1997 £
Movement in stocks of finished goods and work in progress	(318,182)	(227,019)
Raw materials and consumables	30,448,957	25,958,028
Auditors' remuneration	7,200	6,500
- audit fees		
- non audit services	1,251	4,190
Operating lease charges	146,194	132,787
- plant		
- other	64,500	57,333
Other external charges	2,510,783	2,026,464
Staff costs (note 5)	8,530,207	7,239,046
Depreciation on owned assets	105,948	102,242
Depreciation on assets held under finance leases	68,827	57,538
Other operating charges	<u>418,850</u>	<u>383,750</u>
	<u>41,984,535</u>	<u>35,740,859</u>

4 Interest payable and similar charges (net)

	1998 £	1997 £
Capital charge by ultimate parent company	463,327	383,750
Interest on finance leases	12,464	13,561
Other interest payable	<u>343,294</u>	<u>189,783</u>
	819,085	587,094
Interest received	<u>44,477</u>	<u>-</u>
	<u>774,608</u>	<u>587,094</u>

COSALT HOLIDAY HOMES LIMITED

NOTES ON FINANCIAL STATEMENTS - 30 AUGUST 1998

(continued)

5 Directors and employees

	1998	1997
	£	£
Staff costs:		
Wages and salaries	7,802,499	6,614,349
Social security costs	584,228	505,776
Other pension costs	106,777	84,880
Employees' profit sharing scheme	<u>36,703</u>	<u>34,041</u>
	<u>8,530,207</u>	<u>7,239,046</u>

The emoluments of directors of the company were:

Remuneration for management	<u>358,205</u>	<u>406,206</u>
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Total remuneration of the highest paid director was £275,563 (1997 £154,103) including £9,807 (1997 £4,889) of pension contributions and £41,114 (1997 £Nil) of gains on the exercise of share options.

	1998	1997
	£	£
The accrued pension entitlement of the highest paid director is:	7,895	6,224
	Number	Number

The number of directors accruing benefits under defined benefit pension schemes in respect of qualifying services was:

5 6

The number of directors exercising share options in respect of Cosalt plc shares during the year was:

1 1

The number of directors granted share options in respect of Cosalt plc shares during the year was:

3 3

1998 1997

The average number of employees of the company during the year was:

Management and administration	44	41
Production and sales staff	<u>321</u>	<u>295</u>
	<u>365</u>	<u>336</u>

COSALT HOLIDAY HOMES LIMITED

NOTES ON FINANCIAL STATEMENTS - 30 AUGUST 1998

(continued)

6 Taxation

	1998		1997	
	£	£	£	£
The taxation charge based on the profit on ordinary activities is:				
U.K. corporation tax payable @ 31% (1997 32.16%)		883,000		575,000
Deferred taxation		<u>818</u>		<u>(226)</u>
		883,818		574,774
Adjustment in respect of prior years:				
Corporation tax	-		(34,936)	
Deferred taxation	<u>1,508</u>	<u>1,508</u>	<u>(1,283)</u>	<u>(36,219)</u>
		<u>885,326</u>		<u>538,555</u>

7 Dividends

	1998	1997
	£	£
Final dividend proposed	<u>1,917,000</u>	<u>1,186,000</u>

8 Tangible fixed assets

	Plant and machinery	Motor vehicles	Total
	£	£	£
Cost			
At 1 September 1997	1,627,003	34,266	1,661,269
Additions	371,068	-	371,068
Disposals	<u>(183,609)</u>	<u>(14,466)</u>	<u>(198,075)</u>
At 30 August 1998	<u>1,814,462</u>	<u>19,800</u>	<u>1,834,262</u>
Depreciation			
At 1 September 1997	1,091,673	19,416	1,111,089
Charged to profit and loss account	170,333	4,442	174,775
Eliminated in respect of disposals	<u>(181,609)</u>	<u>(13,966)</u>	<u>(195,575)</u>
At 30 August 1998	<u>1,080,397</u>	<u>9,892</u>	<u>1,090,289</u>
Net book values			
At 30 August 1998	<u>734,065</u>	<u>9,908</u>	<u>743,973</u>
At 31 August 1997	<u>535,330</u>	<u>14,850</u>	<u>550,180</u>

Assets costing £670,000 (1997 £719,000) have been fully depreciated and are still in use.

The following tangible fixed assets held under finance leases are included in plant and machinery:

	1998	1997
	£	£
Cost	861,414	741,511
Depreciation	<u>458,433</u>	<u>490,648</u>
Net book values	<u>402,981</u>	<u>250,863</u>

COSALT HOLIDAY HOMES LIMITED

NOTES ON FINANCIAL STATEMENTS - 30 AUGUST 1998

(continued)

9	Stocks	1998 £	1997 £
	Raw materials	1,166,844	1,108,739
	Work in progress	103,445	115,550
	Finished goods	<u>2,072,551</u>	<u>1,742,264</u>
		<u>3,342,840</u>	<u>2,966,553</u>
10	Debtors	1998 £	1997 £
	Amounts falling due within one year:		
	Trade debtors	9,047,683	6,472,238
	Taxation recoverable	312,866	233,117
	Prepayments and accrued income	<u>223,008</u>	<u>320,714</u>
		<u>9,583,557</u>	<u>7,026,069</u>
11	Creditors	1998 £	1997 £
	Amounts falling due within one year:		
	Trade creditors	5,639,139	5,051,280
	Amount owed to ultimate parent company	5,044,143	4,967,109
	Amounts owed to fellow subsidiary undertakings	27,058	30,158
	Corporation tax	886,225	575,000
	Other taxation	44,056	38,483
	Social security	55,795	48,482
	Other creditors	1,799,917	-
	Accruals and deferred income	954,357	814,432
	Dividend payable	1,917,000	1,186,000
	Obligations under finance leases (note 15)	<u>114,398</u>	<u>66,704</u>
		<u>16,482,088</u>	<u>12,775,648</u>
	Amounts falling due after more than one year:		
	Obligations under finance leases (note 15)	<u>170,528</u>	<u>105,956</u>
	Other creditors £1,799,917 (1997 £Nil) comprise of advances under a debtor financing agreement.		
12	Provisions for liabilities and charges	1998 £	1997 £
	The provision included in the balance sheet relates to deferred taxation and comprises:		
	Accelerated tax allowances	13,523	216
	Other timing differences	<u>(7,044)</u>	<u>3,937</u>
		<u>6,479</u>	<u>4,153</u>

COSALT HOLIDAY HOMES LIMITED

NOTES ON FINANCIAL STATEMENTS - 30 AUGUST 1998

(continued)

13 Called up share capital

	1998 £	1997 £
Authorised: 10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Issued and fully paid: 300 ordinary shares of £1 each	<u>300</u>	<u>300</u>

14 Reserves

	1998 £	1997 £
(a) Reconciliation of movements in equity shareholders' funds		
Profit for the financial year	1,917,634	1,186,178
Dividends	<u>(1,917,000)</u>	<u>(1,186,000)</u>
Net addition to equity shareholders' funds	634	178
Opening equity shareholders' funds	<u>26,168</u>	<u>25,990</u>
Closing equity shareholders' funds	<u>26,802</u>	<u>26,168</u>
(b) Profit and loss account	£	
Balance at 1 September 1997	25,868	
Profit for the year, less dividend	<u>634</u>	
Balance at 30 August 1998	<u>26,502</u>	

15 Leasing obligations

	1998 £	1997 £
(a) Future commitments due under finance leases are:		
Within one year	130,007	75,781
Between two and five years	<u>201,249</u>	<u>111,573</u>
	331,256	187,354
Less: future finance charges	<u>46,330</u>	<u>14,694</u>
	<u>284,926</u>	<u>172,660</u>
Shown in creditors (note 11) as:		
Amounts falling due within one year	114,398	66,704
Amounts falling due after more than one year	<u>170,528</u>	<u>105,956</u>
	<u>284,926</u>	<u>172,660</u>

COSALT HOLIDAY HOMES LIMITED

NOTES ON FINANCIAL STATEMENTS - 30 AUGUST 1998

(continued)

15 Leasing obligations (continued)

	1998 £	1997 £
(b) Annual commitments due under non-cancellable operating leases are:		
Land and buildings:		
Leases which expire within one year	<u>64,500</u>	<u>56,000</u>
Plant leases which expire:		
Within one year	31,855	12,636
Between two and five years	<u>189,977</u>	<u>103,976</u>
	<u>221,832</u>	<u>116,612</u>

The majority of leases of land and buildings are subject to rent reviews.

16 Capital commitments

	1998 £	1997 £
Contracted for but not provided for in the financial statements	<u>24,600</u>	<u>-</u>

17 Pension commitments

The company is part of the Cosalt plc group which operates several pension schemes, the major one being of the defined benefit type, and the assets of these schemes are held in separate trustee administered funds.

Contributions by the company which amounted to £106,777 (1997 £84,880) are based on pension costs across the group as a whole and are assessed in accordance with advice of a qualified actuary. Particulars of actuarial valuations of the group schemes are disclosed in the financial statements of Cosalt plc. The latest actuarial assessment of the major scheme was made at 1 January, 1997.

18 Related party transactions

- (i) During the year a secured interest free loan subsisted between Cosalt plc and Mr. P.T. Nevitt, the managing director of the company, to assist him with relocation. The maximum amount outstanding during the year was £185,000, whilst at 30 August 1998 the amount owing was £40,000 (1997 £185,000).
- (ii) The company has taken advantage of the exemption from disclosing related party transactions with other group companies as permitted by Financial Reporting Standard 8 as the consolidated financial statements in which the company is included are publicly available.

19 Ultimate parent company

The ultimate parent company is Cosalt plc, which is incorporated in England.