

COSALT HOLIDAY HOMES LIMITED

FINANCIAL STATEMENTS

**for the fifty-two weeks ended
31st August, 1997**



KIDSONS IMPEY

Chartered Accountants

HULL

COSALT HOLIDAY HOMES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST, 1997

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The following pages do not form part of the statutory accounts

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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 31st August, 1997 ("the year").

Business review

The principal activities 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 caravan holiday homes business achieved record production levels during the year, which resulted in an increase in market share and profitability. The customs homes business continues to be busy and maintains its position as the UK market leader. "Kingsform" business recorded encouraging retail sales as well as healthy levels of contract orders during the year.

The 1998 season models have been well received and current orders are at higher levels than at the same time last year.

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 £1,186,000 with £178 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. In addition, Mr. M.J. Isaac served on the Board for the whole of the financial year until his resignation on 31st August, 1997.

Messrs. A. Smith & N.R. Carrick 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 31st August, 1997	At 2nd September, 1996
R. C. F. Lloyd	5,500	5,000
P. T. Nevitt	2,839	2,417
A. Smith	1,316	1,046

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

COSALT HOLIDAY HOMES LIMITED

DIRECTORS' REPORT

(continued)

Directors' shareholdings (continued)

Messrs. M. J. Isaac and P. T. Nevitt each held options to purchase Cosalt plc ordinary shares under the Cosalt plc various Executive Share Option Schemes as follows:

P.T. Nevitt

At 2nd September, 1996	Granted during year	At 31st August, 1997	Exercise price	Dates from which exercisable	Expiry date
8,000	-	8,000	140p	16.12.94	15.12.01
8,000	-	8,000	164p	17.12.95	16.12.02
8,000	-	8,000	111.70p	22.12.96	21.12.03
10,000	-	10,000	140p	15.12.97	14.12.04
<u>-</u>	<u>10,000</u>	<u>10,000</u>	219.50p	17.02.00*	16.02.04
34,000	10,000	44,000			
<u> </u>	<u> </u>	<u> </u>			

M.J. Isaac

At 2nd September, 1996	Lapsed during year	At 31st August, 1997	Exercise price	Dates from which exercisable	Expiry date
8,000	-	8,000	140p	16.12.94	15.12.01
8,000	-	8,000	164p	17.12.95	16.12.02
8,000	-	8,000	111.70p	22.12.96	21.12.03
<u>10,000</u>	<u>10,000</u>	<u>-</u>			
34,000	10,000	24,000			
<u> </u>	<u> </u>	<u> </u>			

Remaining options of Mr. M.J. Isaac lapse on 24th December, 1997.

* Performance criteria must be met before exercise permitted.

No options lapsed during the year, except as indicated above.

The market price of Cosalt plc ordinary shares at 31st August, 1997 was 198.50p and the range during the year was 187.50p to 228.50p.

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 55 days.

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.

24th November, 1997.

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 15 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 at 31st August, 1997 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

Kidsons Impey

Hull: 24th November, 1997.

Registered Auditors
Chartered Accountants

COSALT HOLIDAY HOMES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE FIFTY-TWO WEEKS ENDED 31ST AUGUST, 1997

	Note	52 weeks ended 31st August, 1997 £	52 weeks ended 1st September, 1996 £
Turnover	2	38,052,686	31,319,865
Operating profit	3	2,311,827	1,488,801
Interest payable and similar charges	4	<u>587,094</u>	<u>530,114</u>
Profit on ordinary activities before taxation		1,724,733	958,687
Taxation	6	<u>538,555</u>	<u>336,577</u>
Profit for the financial year		1,186,178	622,110
Dividends	7	<u>1,186,000</u>	<u>622,000</u>
Transferred to reserves	14	<u>178</u>	<u>110</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 15 form part of these financial statements.

COSALT HOLIDAY HOMES LIMITED
BALANCE SHEET - 31ST AUGUST, 1997

	Note	31st August, 1997		1st September, 1996	
		£	£	£	£
Fixed assets					
Tangible fixed assets	8		550,180		537,787
Current assets					
Stocks	9	2,966,553		2,626,787	
Debtors	10	7,026,069		6,671,047	
Bank and cash balances		<u>2,369,123</u>		<u>2,743,526</u>	
		12,361,745		12,041,360	
Creditors					
Amounts falling due within one year	11	<u>12,775,648</u>		<u>12,374,839</u>	
Net current liabilities			(413,903)		(333,479)
Total assets less current liabilities			136,277		204,308
Creditors					
Amounts falling due after more than one year	11	105,956		172,656	
Provisions for liabilities and charges	12	<u>4,153</u>		<u>5,662</u>	
			110,109		178,318
Net assets			26,168		25,990
Capital and reserves					
Called up share capital	13		300		300
Profit and loss account	14		<u>25,868</u>		<u>25,690</u>
Equity shareholders' funds			26,168		25,990

Approved by the Board on 24th November, 1997.



N. R. Carrick - Director

The notes on pages 8 to 15 form part of these financial statements.

COSALT HOLIDAY HOMES LIMITED

NOTES ON FINANCIAL STATEMENTS - 31ST AUGUST, 1997

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 element 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.

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:

	1997 £	1996 £
United Kingdom	36,039,353	29,574,741
Overseas	<u>2,013,333</u>	<u>1,745,124</u>
	38,052,686	31,319,865
	<u><u> </u></u>	<u><u> </u></u>

All turnover originated in the United Kingdom.

COSALT HOLIDAY HOMES LIMITED

NOTES ON FINANCIAL STATEMENTS - 31ST AUGUST, 1997

(continued)

3. Operating profit

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

	1997 £	1996 £
Movement in stocks of finished goods and work in progress	(227,019)	(348,035)
Raw materials and consumables	25,958,028	21,517,098
Auditors' remuneration - audit fees	6,500	6,500
- non audit services	4,190	3,565
Operating lease charges - plant	132,787	139,147
- other	57,333	-
Other external charges	2,026,464	2,266,322
Staff costs (note 5)	7,239,046	5,726,342
Depreciation on owned assets	102,242	85,552
Depreciation on assets held under finance leases	57,538	75,273
Other operating charges	<u>383,750</u>	<u>359,300</u>
	<u>35,740,859</u>	<u>29,831,064</u>

4. Interest payable and similar charges

	1997 £	1996 £
Capital charge by ultimate parent company	383,750	359,300
Interest on finance leases	13,561	22,172
Other interest	<u>189,783</u>	<u>148,642</u>
	<u>587,094</u>	<u>530,114</u>

5. Directors and employees

	1997 £	1996 £
Staff costs:		
Wages and salaries	6,614,349	5,148,754
Social security costs	505,776	466,276
Other pension costs	84,880	78,918
Employees' profit sharing scheme	<u>34,041</u>	<u>32,394</u>
	<u>7,239,046</u>	<u>5,726,342</u>
The emoluments of directors of the company were:	1997 £	1996 £
Remuneration for management	<u>406,206</u>	<u>322,783</u>

COSALT HOLIDAY HOMES LIMITED

NOTES ON FINANCIAL STATEMENTS - 31ST AUGUST, 1997

(continued)

5. Directors and employees (continued)

Total remuneration of the highest paid director was £154,263 (1996 £121,139) including £4,889 (1996 £4,680) of pension contributions.

	1997 £	1996 £
The accrued pension entitlement of the highest paid director is:	10,405	9,150
	Number	Number
The number of directors accruing benefits under defined benefit pension schemes in respect of qualifying services was:	6	6
The number of directors exercising share options in respect of Cosalt plc shares during the year was:	1	-
The number of directors granted share options in respect of Cosalt plc shares during the year was:	3	-
	1997	1996

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

Management and administration	41	39
Production and sales staff	<u>295</u>	<u>263</u>
	336	302
	<u> </u>	<u> </u>

6. Taxation

	1997 £	£	1996 £	£
The taxation charge based on the profit on ordinary activities is:				
U.K. corporation tax payable @ 32.16% (1996 - 33%)		575,000		333,000
Deferred taxation		<u>(226)</u>		<u>2,381</u>
		574,774		335,381
Adjustment in respect of prior years:				
Corporation tax	(34,936)		(2,000)	
Deferred taxation	<u>(1,283)</u>	<u>(36,219)</u>	<u>3,196</u>	<u>1,196</u>
		538,555		336,577
		<u> </u>		<u> </u>

COSALT HOLIDAY HOMES LIMITED

NOTES ON FINANCIAL STATEMENTS - 31ST AUGUST, 1997

(continued)

7. Dividends

	1997	1996
	£	£
Final dividend proposed	1,186,000	622,000
	<u> </u>	<u> </u>

8. Tangible fixed assets

	Plant and machinery	Motor vehicles	Total
	£	£	£
Cost			
At 2nd September, 1996	1,510,595	23,266	1,533,861
Additions	160,386	12,300	172,686
Disposals	<u>(43,978)</u>	<u>(1,300)</u>	<u>(45,278)</u>
At 31st August, 1997	<u>1,627,003</u>	<u>34,266</u>	<u>1,661,269</u>
	<u> </u>	<u> </u>	<u> </u>
Depreciation			
At 2nd September, 1996	978,436	17,638	996,074
Charged to profit and loss account	157,002	2,778	159,780
Eliminated in respect of disposals	<u>(43,765)</u>	<u>(1,000)</u>	<u>(44,765)</u>
At 31st August, 1997	<u>1,091,673</u>	<u>19,416</u>	<u>1,111,089</u>
	<u> </u>	<u> </u>	<u> </u>
Net book values			
At 31st August, 1997	<u>535,330</u>	<u>14,850</u>	<u>550,180</u>
	<u> </u>	<u> </u>	<u> </u>
At 1st September, 1996	<u>532,159</u>	<u>5,628</u>	<u>537,787</u>
	<u> </u>	<u> </u>	<u> </u>

Assets costing £719,000 (1996 £488,000) have been fully depreciated and are still in use.

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

	1997	1996
	£	£
Cost	741,511	755,211
Depreciation	<u>490,648</u>	<u>446,810</u>
Net book values	<u>250,863</u>	<u>308,401</u>
	<u> </u>	<u> </u>

COSALT HOLIDAY HOMES LIMITED

NOTES ON FINANCIAL STATEMENTS - 31ST AUGUST, 1997

(continued)

9. Stocks	1997	1996
	£	£
Raw materials	960,171	847,424
Work in progress	264,118	243,381
Finished goods	<u>1,742,264</u>	<u>1,535,982</u>
	<u>2,966,553</u>	<u>2,626,787</u>
10. Debtors	1997	1996
	£	£
Amounts falling due within one year:		
Trade debtors	6,472,238	6,007,856
Taxation recoverable	233,117	352,632
Other debtors	-	39,744
Prepayments and accrued income	<u>320,714</u>	<u>270,815</u>
	<u>7,026,069</u>	<u>6,671,047</u>
11. Creditors	1997	1996
	£	£
Amounts falling due within one year:		
Trade creditors	5,051,280	4,626,571
Amount owed to ultimate parent company	4,967,109	4,789,175
Amounts owed to fellow subsidiary undertakings	30,158	304,991
Corporation tax	575,000	348,681
Other taxation	38,483	29,621
Social security	48,482	37,499
Other creditors	-	1,017,231
Accruals and deferred income	812,432	520,627
Dividend payable	1,186,000	622,000
Obligations under finance leases (note 15)	<u>66,704</u>	<u>78,443</u>
	<u>12,775,648</u>	<u>12,374,839</u>
Amounts falling due after more than one year:		
Obligations under finance leases (note 15)	<u>105,956</u>	<u>172,656</u>

COSALT HOLIDAY HOMES LIMITED

NOTES ON FINANCIAL STATEMENTS - 31ST AUGUST, 1997

(continued)

12. Provisions for liabilities and charges

	1997 £	1996 £
The provision included in the balance sheet relates to deferred taxation and comprises:		
Accelerated tax allowances	216	1,226
Other timing differences	<u>3,937</u>	<u>4,436</u>
	<u>4,153</u>	<u>5,662</u>

13. Called up share capital

	1997 £	1996 £
Authorised: 10,000 ordinary shares of £1 each	10,000	10,000
Issued and fully paid: 300 ordinary shares of £1 each	<u>300</u>	<u>300</u>

14. Reserves

(a) Reconciliation of movements in equity shareholders' funds

	1997 £	1996 £
Profit for the financial year	1,186,178	622,110
Dividends	<u>(1,186,000)</u>	<u>(622,000)</u>
Net addition to equity shareholders' funds	178	110
Opening equity shareholders' funds	<u>25,990</u>	<u>25,880</u>
Closing equity shareholders' funds	<u>26,168</u>	<u>25,990</u>

(b) Profit and loss account

	£
Balance at 2nd September, 1996	25,690
Profit for the year, less dividend	<u>178</u>
Balance at 31st August, 1997	<u>25,868</u>

COSALT HOLIDAY HOMES LIMITED

NOTES ON FINANCIAL STATEMENTS - 31ST AUGUST, 1997

(continued)

15. Leasing obligations

(a) Future commitments due under finance leases are:

	1997 £	1996 £
Within one year	75,781	92,341
Between two and five years	<u>111,573</u>	<u>187,356</u>
	187,354	279,697
Less: future finance charges	<u>14,694</u>	<u>28,598</u>
	<u>172,660</u>	<u>251,099</u>
Shown in creditors (note 11) as:	£	£
Amounts falling due within one year	66,704	78,443
Amounts falling due after more than one year	<u>105,956</u>	<u>172,656</u>
	<u>172,660</u>	<u>251,099</u>

(b) Annual commitments due under non-cancellable operating leases are:

	1997 £	1996 £
Plant leases which expire:		
Within one year	12,636	22,212
Between two and five years	<u>103,976</u>	<u>82,484</u>
	<u>116,612</u>	<u>104,696</u>

16. 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 £84,880 (1996 £78,918) 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 1st January, 1997.

17. Contingent liabilities

The company has guaranteed the liabilities of certain group companies to bankers amounting to £778,870 (1996 £4,353,400).

COSALT HOLIDAY HOMES LIMITED**NOTES ON FINANCIAL STATEMENTS - 31ST AUGUST, 1997**

(continued)

18. Related party transactions

- (i) On 18th July, 1997 Mr. P.T. Nevitt, the managing director of the company, received a secured interest free loan of £185,000 from Cosalt plc to assist with relocation. The full loan was outstanding at 31st August, 1997.
- (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.