

Philip Payne Limited

Annual report and financial statements
for the year ended 30 June 2004

Registered number: 1361523



Philip Payne Limited

Annual Report and financial statements for the year ended 30 June 2004

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Philip Payne Limited

Directors' report for the year ended 30 June 2004

The directors present their report and the audited financial statements of the company for the year ended 30 June 2004.

Principal activities

The company's principal activity during the year was the manufacture and distribution of specialist lighting equipment and illuminated signs.

Review of business and future developments

Both the level of business and the year end financial position were good and the directors expect this to continue into the coming year.

Results and dividends

The profit for the year before taxation amounted to £297,869 (2003: £291,592). The directors recommend payment of a dividend of £86,867 (2003: £143,671), after which a profit of £86,867 (2003: £143,671) will be transferred to reserves.

Directors

The directors in office during the year are given below:

P D Mason
A B Thorpe
D Taylor

Directors' interests

No director had any interest in the share capital of the company at 30 June 2004 or 30 June 2003.

Mr P D Mason and Mr A B Thorpe are directors of the parent company and their interests in the shares of that company are disclosed in that company's annual report and accounts for the year ended 30 June 2004.

Details of share options granted to Mr D Taylor in respect of shares of the parent company are as follows:

	30 June 2004	30 June 2003
Mr D Taylor	10,000	10,000

Date Granted	Option price	No of options	Exercise period
6 May 1999	117p	10,000	7 May 2002 to 6 May 2009

On 21 September 2004, Mr Taylor exercised 8,876 options. The market price was 285p per share on that date.

During the year no director had any beneficial interest in any material contracts with the Company other than service contracts.

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Directors' report for the year ended 30 June 2004 (continued)

Research and development activities

The company is committed to research and development activities in order to maintain its market share in the lighting components market. These activities encompass constant development of products to ensure that a leading position in the lighting components market is maintained.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 June 2004 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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 and detection of fraud and other irregularities.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the board



P D Mason
Company Secretary
18 November 2004

Independent auditors' report to the members of Philip Payne Limited

We have audited the financial statements, which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body, in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

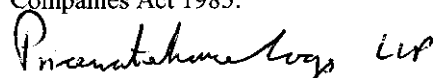
Basis of audit opinion

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 judgments 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 affairs of the company at 30 June 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Birmingham

18 November 2004

Philip Payne Limited

Profit and loss account for the year ended 30 June 2004

	Notes	2004 £'000	2003 £'000
Turnover	2	1,146	1,007
Cost of sales		(576)	(470)
Gross profit		570	537
Distribution costs		(36)	(41)
Administrative expenses		(254)	(216)
Operating profit		280	280
Interest receivable	4	18	11
Profit on ordinary activities before taxation	2	298	291
Taxation on profit for the year	5	(124)	(4)
Profit on ordinary activities after taxation		174	287
Dividends	6	(87)	(144)
Retained profit for year	13	87	143

All operations in the year were continuing operations.

The company has no recognised gains and losses in the year other than the profit for the year.

There is no difference between the result as disclosed in the profit & loss account and the result on a historical cost basis.

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Balance sheet as at 30 June 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	7	75	65
Current assets			
Stock	8	122	109
Debtors	9	735	674
		857	783
Creditors: amounts falling due within one year	10	(325)	(328)
Net current assets		532	455
Total assets less current liabilities		607	520
Deferred tax liability	11	-	-
Net assets		607	520
Capital and reserves			
Called up share capital	12	-	-
Profit and loss accounts	13	607	520
Equity shareholders' funds	14	607	520

The financial statements on pages 4 to 14 were approved by the Board of Directors on 18 November 2004 and were signed on its behalf by:



P D Mason
Director

Philip Payne Limited

Notes to the financial statements for the year ended 30 June 2004

1 Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention. The key accounting policies and estimation techniques are set out below and are in accordance with applicable UK accounting standards.

Revenue recognition

Sales are recognised upon delivery and acceptance by customers of products. Sales are shown net of value added tax and discounts.

Research and Development

Research and development expenditure is recognised as an expense when incurred.

Tangible fixed assets and depreciation

Leasehold land and buildings, plant, equipment, furniture and fittings are stated at historical cost less depreciation.

Depreciation is calculated on a straight line basis to write off the cost of assets over their useful lives at the rates shown below:

Leasehold land and buildings	over the period of the lease
Plant & machinery	10 years
Office furniture & Equipment	10 years
Motor vehicles	4 years
Computer equipment	3 years

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is determined by the first-in first-out (FIFO) method. The cost of work in progress and finished goods comprises the cost of raw materials, direct labour and other direct and related production overheads, relating to the normal level of activity.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Debtors

Trade debtors are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts of the year end. Bad debts are written off when identified.

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Notes to the financial statements for the year ended 30 June 2004 (continued)

1 Principal accounting policies (continued)

Deferred taxation

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised are not discounted.

Pension obligations

The cost of providing defined benefit pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of actuaries.

The company's contributions to the group's defined contribution pension plan are charged to the income statement in the period to which the contributions related.

Leases

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Rectification costs

The company recognises, as an expense accrual, the estimated cost to repair or replace products still under warranty at the balance sheet date. The accrual is calculated based on past history of the level of repairs and replacements.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated at the rate of ruling at the balance sheet date. Exchange differences arising on translation and/or settlement are charged to the profit and loss account where incurred.

Cash flow statement

The Company is a wholly owned subsidiary of F W Thorpe PLC, and the cash flows of the Company are included in the consolidated cash flow statement of F W Thorpe PLC. Consequently the Company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

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Notes to the financial statements for the year ended 30 June 2004 (continued)

2 Turnover and profit on ordinary activities before taxation

Turnover is attributable to the sale of specialist lighting equipment and illuminated signs in the UK.

The profit on ordinary activities is stated after charging:

	2004	2003
	£'000	£'000
Auditors' remuneration for: audit	4	4
Depreciation – tangible fixed assets	25	20
Research and development	52	48
Operating lease charges – land and buildings	25	25

3 Directors and employees

	2004	2003
	£'000	£'000
Staff costs:		
Wages and salaries	246	240
Social security	27	24
Other pension costs	10	10
	283	274

The average number of employees employed by the Company during the year is set out below:

	2004 Number	2003 Number
Production	11	10
Administration	2	2
	13	12

Remuneration in respect of the directors was payable as follows:

	2004	2003
	£'000	£'000
Aggregate emoluments	80	72

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Notes to the financial statements for the year ended 30 June 2004 (continued)

4 Interest receivable

	2004	2003
	£'000	£'000
Group interest receivable	18	11

5 Taxation on profit for the year

The tax charge is based on the profit for the year:	2004	2003
	£'000	£'000
Current tax		
Corporation tax at 30% (2003: 30%)	89	11
(Over)/under provision in respect to prior years	39	(6)
Total current tax	128	5
Deferred tax		
(Release)/charge for the year	(4)	(1)
Tax on profit on ordinary activities	124	4

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004	2003
	£'000	£'000
Profit on ordinary activities before tax	298	291
Profit on ordinary activities multiplied by standard rate in the UK 30% (2003: 19%)	89	55
Accelerated capital allowances and other timing differences	4	-
Adjustments to tax charge in respect to previous period	39	(6)
Group relief	(4)	(44)
	128	5

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Notes to the financial statements for the year ended 30 June 2004 (continued)

6 Dividends

	2004	2003
	£'000	£'000
Proposed dividend for the year of £868.67 per share (2003: £1,436.71 per share)	87	144

7 Tangible fixed assets

	Short leasehold land and buildings	Plant & machinery	Office furniture & equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 July 2003	28	26	59	41	154
Additions	15	2	4	24	45
Disposals	-	-	-	(21)	(21)
At 30 June 2004	43	28	63	44	178
Accumulated depreciation					
At 1 July 2003	9	24	42	14	89
Charge for the period	8	1	6	10	25
Disposals	-	-	-	(11)	(11)
At 30 June 2004	17	25	48	13	103
Net book value					
At 30 June 2004	26	3	15	31	75
At 30 June 2003	19	2	17	27	65

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Notes to the financial statements for the year ended 30 June 2004 (continued)

8 Stocks

	2004	2003
	£'000	£'000
Raw materials	79	50
Work in progress	39	42
Finished goods	4	17
	122	109

9 Debtors

	2004	2003
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	135	177
Amounts owed by parent and fellow subsidiary undertakings	580	455
Corporation tax	-	27
Deferred tax asset (note 11)	4	-
Prepayments	16	15
	735	674

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Notes to the financial statements for the year ended 30 June 2004 (continued)

10 Creditors: amounts falling due within one year

	2004	2003
	£'000	£'000
Bank overdraft	18	5
Trade creditors	62	95
Amounts owed to parent and fellow subsidiary undertakings	-	22
Corporation tax	90	-
Other taxation and social security	16	8
Other creditors & accruals	52	54
Proposed dividend	87	144
	325	328

11 Deferred tax

The deferred tax (asset)/liability relating to accelerated capital allowances is:

	2004	2003
	£'000	£'000
At 1 July	-	(1)
Profit and loss account movement	(4)	1
At 30 June (note 9)	(4)	-

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Notes to the financial statements for the year ended 30 June 2004 (continued)

12 Share capital

	2004	2003
	£	£
Authorised		
5,000 ordinary shares of £1 each	5,000	5,000
Allotted, called up and fully paid		
100 ordinary shares of £1 each	100	100

13 Profit and loss account

	2004	2003
	£'000	£'000
At 1 July	520	377
Retained profit for the year	87	143
At 30 June	607	520

14 Reconciliation of movements in shareholders' funds

	2004	2003
	£'000	£'000
Profit for the financial year	87	143
Opening shareholders' funds	520	377
Closing shareholders' funds	607	520

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Notes to the financial statements for the year ended 30 June 2004 (continued)

15 Operating leases

	2004	2003
	£'000	£'000
<hr/>		
Annual commitments on operating leases, which all relate to land and buildings, expire:		
In two to five years	25	25

16 Pension scheme

The company participates in a combined defined benefits/defined contribution scheme in the UK operated by the parent company FW Thorpe PLC with identification of individual company shares not being possible. This is a funded scheme with the assets held in a separate trustee administered fund.

The most recent actuarial valuation of the FW Thorpe PLC Group Retirement Benefits Scheme was 1 July 2004 and is currently in progress. The valuation of the scheme used the projected unit method and was carried out by SBJ Benefit Consultants, professionally qualified actuaries.

Details of the F W Thorpe PLC Pension and Life Assurance Scheme and the most recent valuation are disclosed in that company's annual report and accounts for the year ended 30 June 2004.

The contributions made by the company for members of this scheme during the year were £10,117 (2003: £6,632).

17 Related party transactions and balances

The company has taken advantage of the exemption allowed by FRS 8 not disclose transactions and balances with related company undertakings, 90% or more of whose voting rights are controlled within the group.

18 Ultimate parent company and controlling party

The directors consider F W Thorpe PLC, a company registered in England & Wales to be the ultimate parent company and controlling party by virtue of its interest in the share capital of the company.

Copies of the parent's consolidated financial statements may be obtained from The Secretary, F W Thorpe PLC, Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH.