

COSALT LIGHTING LIMITED

FINANCIAL STATEMENTS

**for the fifty-two weeks ended
29th August 1999**

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COSALT LIGHTING LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29TH AUGUST 1999

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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 LIGHTING LIMITED

Directors

F.W. Wood (Chairman)
D J Oldham (Managing)
N.R. Carrick
D A Cox
D J C Procter
D K Irvin
J P Edwards

DIRECTORS' REPORT

The directors submit their annual report and the audited financial statements of the company for the fifty-two weeks ended 29th August 1999 ("the year").

Business review

The principal activity of the company is the manufacture and supply of decorative lighting.

The company was incorporated on 3rd September 1998 as Wilchap 91 Limited. On 16th October the Company name was changed to Cosalt Contract Lighting Limited and subsequent to this, on 16th November 1998, to Cosalt Lighting Limited.

On 2nd November 1998 the company acquired the trade of the lighting division of Cosalt plc, the ultimate parent company.

The trading results for the year are shown in the profit and loss account on page 5.

The directors do not recommend the payment of a dividend.

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 from 2nd November 1998. Wilchap Nominees Limited also served as a director of the company from 3rd September 1998 to 2nd November 1998.

Directors' shareholdings

None of the directors has any beneficial interest in the share capital of the company. The interests of Messrs. F.W. Wood and N.R. Carrick 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 29th August 1999	At 3rd September 1998
D J Oldham	8,149	7,703
D A Cox	1,496	1,050
D J C Procter	407	265
D K Irvin	973	759
J P Edwards	-	-

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

COSALT LIGHTING LIMITED

DIRECTORS' REPORT

(continued)

Directors' shareholdings (continued)

Mr D J Oldham also held options to purchase Cosalt plc ordinary shares under the various Cosalt plc Executive Share Option Schemes as follows:-

At 3rd September 1998	Granted during year	Exercised during year	At 29th August 1999	Exercise price	Market price at date of exercise	Dates from which exercisable	Expiry date
7,500	-	7,500	-	193p	202p		
10,000	-	10,000	-	140p	202p		
10,000	-	-	10,000	219.50p		17.02.00*	16.02.04
10,000	-	-	10,000	232.50p		23.12.00*	22.12.04
-	<u>15,000</u>	-	<u>15,000</u>	204.50p		22.12.01*	22.12.05
<u>37,500</u>	<u>15,000</u>	<u>17,500</u>	<u>35,000</u>				

* Performance criteria must be met before exercise permitted.

No options lapsed during the year.

The market price of Cosalt plc ordinary shares at 29th August 1999 was 210.00p and the range during the year was 174.50p to 224.50p.

Fixed assets

The movement in tangible fixed assets are set out in note 7 to the financial statements. In note 14 additional information is provided on assets used by the company which are subject to lease agreements.

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, KPMG Audit plc, have expressed their willingness to continue in office. In accordance with Section 384 of the Companies Act 1985, a resolution for their appointment will be proposed at the Annual General Meeting.

By order of the Board

Fish Dock Road
GRIMSBY


A.B. Clark
Secretary

13th March 1999

COSALT LIGHTING 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 have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**REPORT OF THE AUDITORS, KPMG AUDIT PLC, TO THE MEMBERS OF
COSALT LIGHTING LIMITED**

We have audited the financial statements on pages 5 to 12.

Respective responsibilities of directors and auditors

As described on page 3, 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 29th August 1999 and of its profit for the period from 3 September 1998 (the date of incorporation) to 29 August 1999 and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Sheffield

28 April 2000

COSALT LIGHTING LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE FIFTY-TWO WEEKS ENDED 29TH AUGUST 1999

		<i>52 weeks ended 29th August 1999</i>
	Note	£
Turnover	2	<u>2,289,670</u>
Operating loss	3	(83,370)
Interest payable and similar charges	4	<u>(49,739)</u>
Loss on ordinary activities before taxation		(133,109)
Taxation credit	6	<u>42,395</u>
Transferred from reserves	13	<u>(90,714)</u>

All operations are classed as acquisitions.

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

The notes on pages 7 to 12 form part of these financial statements.

COSALT LIGHTING LIMITED
BALANCE SHEET - 29TH AUGUST 1999

	Note	29th August 1999	
		£	£
Fixed assets			
Tangible fixed assets	7		117,382
Current assets			
Stocks	8	591,852	
Debtors	9	584,188	
Bank and cash balances			<u>184,331</u>
		1,360,371	
Creditors			
Amounts falling due within one year	10	<u>1,535,697</u>	
Net current liabilities			(175,326)
Total assets less current liabilities			(57,944)
Creditors			
Amounts falling due after more than one year	10		<u>32,768</u>
Net liabilities			<u>(90,712)</u>
Capital and reserves			
Called up share capital	12		2
Profit and loss account	13		<u>(90,714)</u>
Equity shareholders' funds - adverse	13		<u>(90,712)</u>

Approved by the Board on 13th March 2000

N.R. Carrick - Director



The notes on pages 7 to 12 form part of these financial statements.

COSALT LIGHTING LIMITED

NOTES ON FINANCIAL STATEMENTS - 29TH AUGUST 1999

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 that 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 profit and loss account so as to spread the cost of pensions over employees' service lives.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at approximate rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. All exchange differences arising are included in the profit and loss account for the year.

COSALT LIGHTING LIMITED

NOTES ON FINANCIAL STATEMENTS - 29TH AUGUST 1999

(continued)

2 Turnover

Turnover represents the goods and services, excluding value added tax, invoiced to customers. The principal activity of the company is the manufacture and supply of decorative lighting and the geographical analysis of turnover is as follows:

	1999 £
United Kingdom	2,173,308
Overseas	<u>116,362</u>
	<u>2,289,670</u>

All turnover originated in the United Kingdom.

3 Operating loss

1999
£

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

Movement in stocks of finished goods and work in progress	(38,513)
Raw materials and consumables	946,756
Other external charges	311,957
Auditors' remuneration	3,156
Operating lease charges - plant and vehicles	38,721
Plant hire	1,764
Staff costs (note 5)	1,025,938
Depreciation on owned assets	21,854
Depreciation on assets held under finance leases	16,107
Other operating charges	<u>45,300</u>
	<u>2,373,040</u>

4 Interest Payable and Similar Charges

1999
£

On finance leases	4,439
Capital charge by ultimate parent company	<u>45,300</u>
	<u>49,739</u>

COSALT LIGHTING LIMITED

NOTES ON FINANCIAL STATEMENTS - 29TH AUGUST 1999

(continued)

5 Directors and Employees

	1999 £
Staff costs:	
Wages and salaries	878,055
Social security costs	91,620
Other pension costs	45,517
Employees' profit sharing scheme	<u>10,746</u>
	<u>1,025,938</u>
Emoluments of the directors of the company were:	
Remuneration for management	<u>173,443</u>

	Number
The number of directors accruing benefits under defined benefit pension schemes in respect of qualifying service was:	7
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
The average number of employees of the company during the year was:	
Management and administration	17
Production and sales staff	<u>49</u>

66**6 Taxation**

	1999 £
The taxation credit based on the loss on ordinary activities is:	
Group taxation relief recoverable at 30.5%	(35,000)
Transfer from deferred taxation	<u>(7,395)</u>
	<u>(42,395)</u>

COSALT LIGHTING LIMITED

NOTES ON FINANCIAL STATEMENTS - 29TH AUGUST 1999

(continued)

7 Tangible fixed assets	Plant, vehicles and equipment £
Cost or valuation	
Additions	10,071
Disposals	(43,554)
Intra group transfers	<u>373,573</u>
At 29th August 1999	<u>340,090</u>
Depreciation	
Charged to profit and loss account	37,961
Eliminated in respect of disposals	(43,354)
Intra group transfers	<u>228,101</u>
At 29th August 1999	<u>222,708</u>
Net book values	
At 29th August 1999	<u>117,382</u>

Assets costing £119,000 have been fully depreciated and are still in use.

The following tangible fixed assets held under finance lease are included in plant, vehicles and equipment:

	1999 £
Cost	97,880
Depreciation	<u>52,384</u>
Net book value	<u>45,496</u>
8 Stocks	1999 £
Raw materials	306,358
Work in progress	38,577
Finished goods	<u>246,917</u>
	<u>591,852</u>
9 Debtors	1999 £
Amounts falling due within one year:	
Trade debtors	521,953
Group taxation relief recoverable	35,000
Deferred taxation	7,395
Prepayments and accrued income	<u>19,840</u>
	<u>584,188</u>

COSALT LIGHTING LIMITED

NOTES ON FINANCIAL STATEMENTS - 29TH AUGUST 1999

(continued)

10 Creditors	1999
	£
Amounts falling due within one year:	
Trade creditors	317,779
Amount owed to ultimate parent company	1,081,332
Amounts owed to fellow subsidiary undertakings	9
Taxation	55,582
Social security	6,763
Accruals and deferred income	53,644
Obligations under finance leases (Note 14)	<u>20,588</u>
	<u>1,535,697</u>
Amounts falling due after more than one year:	
Obligations under finance leases (Note 14)	<u>32,768</u>
11 Deferred taxation	1999
	£
The provision included in the balance sheet relates to deferred taxation and comprises:	
Accelerated tax allowances	(7,427)
Other timing differences	<u>32</u>
	<u>(7,395)</u>
12 Called up Share Capital	1999
	£
Authorised: 100 ordinary shares of £1 each	<u>100</u>
Issued and fully paid:	
2 ordinary shares of £1 each	<u>2</u>
13 Reserves	1999
	£
Reconciliation of movements in equity shareholders' funds	
Loss for the financial year and net reduction in equity shareholders' funds	(90,714)
Subscriber shares issued	<u>2</u>
Closing equity shareholders' funds	<u>(90,712)</u>
Profit and loss account	
Loss for the period	<u>(90,714)</u>

COSALT LIGHTING LIMITED

NOTES ON FINANCIAL STATEMENTS - 29TH AUGUST 1999

(continued)

14 Leasing obligations	1999
	£
Future commitments due under finance leases are:	
Within one year	23,994
Between two and five years	<u>34,894</u>
	58,888
Less: future finance charges	<u>5,532</u>
	<u>53,356</u>
Shown in creditors (Note 10) as:	
Amounts falling due within one year	20,588
Amounts falling due after more than one year	<u>32,768</u>
	<u>53,356</u>

15 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 £45,517 are based on pension costs across the group as a whole and are assessed in accordance with the 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

16 Related party transactions

The company has taken advantage of the exemption from disclosing related party transactions with other group companies, as permitted by Financial Reporting Standard No. 8 as the consolidated financial statements in which the company is included are publicly available.

17 Future financial support

The financial statements have been prepared under the going concern basis, the validity of which is dependent upon the continued financial support by the ultimate parent company.

The directors, having consulted with the directors of the ultimate parent company, believe that this financial support will continue for the foreseeable future.

Should the ultimate parent company be unable to continue its financial support, certain adjustments would be necessary to these financial statements.

18 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary undertaking of Cosalt plc which is the ultimate parent company, incorporated in England. The consolidated accounts of this company are available to the public and may be obtained from Fish Dock Road, Grimsby, DN31 3NW.