Catalina International Limited

Directors' report and financial statements

For the year ended 30 September 2005

Registered number 3949382

Contents

Company information

Directors

R Varakian
S G Marble

Company Secretary

N G Lax

Registered Office

Gelderd Road
Leeds
LS12 6NB

Auditors

Grant Thornton UK LLP
St Johns Centre
110 Albion Street
Leeds
LS2 8LA

Report of the directors

The directors present their report and the audited financial statements for the year ended 30 September 2005.

Principal activity

The principal activity of the Company is that of a holding company.

The principal activity of the Group during the year was in distribution, comprising the supply of products to the lighting, automotive, plumbing and gas markets.

Results and business review

The result for the year and the dividends are set out in the consolidated profit and loss account on page 5.

On 15 April 2005, following shareholders' approval at the Extraordinary Meeting held that day, the companies comprising the ancillary businesses were sold to Volvox Group Holdings Limited for a cash consideration of £12.3m. The disposal consisted of the entire issued ordinary share capital of Arctic Products Ltd, Grove Products (Caravan Accessories) Ltd and Lighten Point Corporation Europe Ltd together with the business and assets of BMAC Ltd, Van-Line Ltd and the Automotive Lighting Division of Ring Lamp Company Ltd.

During the year the priority has been to refocus the Group and continue the development of the ongoing lighting business through new product innovation. We believe we can continue to grow and increase market share by the continued development of new products, the maintenance of a high level of customer care and tight cost control.

The proceeds from the disposal of the ancillary businesses has been utilised to reduce the external borrowings which are secured by a floating charge on the Group's assets.

The opening shareholders funds have been restated by £2,392,000 as a result of a prior year adjustment. Full details have been given in note 4 to the financial statements. The results for the year have not been affected.

Dividends

The directors do not recommend the payment of a final dividend for the year (2004: £nil). The directors paid an interim dividend of £nil per ordinary share (2004: £40).

Directors and directors' interests

The directors who served during the year were:

R Varakian
S G Marble
G Rodney (appointed 5 January 2005, resigned 1 June 2005)

At the beginning and end of the year none of the directors or their families had any interest in, or option or other right to subscribe for the share capital of the Company or in any other group company incorporated in the United Kingdom.

Employees

The Group recognises the need for good communication and is committed to involving all employees in its development. Employees are kept informed of, consulted and encouraged to express their views on matters which are likely to affect their interest in and contribution to their company, its profitability and performance.

It is the Group's policy to give full consideration to suitable applications for employment by disabled persons. Where an employee becomes disabled whilst employed, arrangements are made wherever practicable to continue their employment or provide training for any other suitable position. Disabled persons are eligible to participate in all career development opportunities available to staff. All employees are given opportunities to develop their expertise and knowledge and to qualify for promotion in furtherance of their careers.

Charitable donations and political donations

Charitable donations made during the year amounted to £2,289 (2004: £1,975). There were no political donations.

Report of the directors *(continued)*

Supplier payment policy

The Company does not follow an external code or standard on payment practice but it is the Group's policy to pay its suppliers in accordance with the agreed terms, provided that the supplier also complies with all relevant terms and conditions.

At 30 September 2005 and 30 September 2004 the Company had no trade creditors.

Statement of directors' responsibilities in respect of the financial statements

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

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

The directors are responsible for ensuring that proper accounting records are kept which 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385(2) of the Companies Act 1985.

By order of the Board

N G Lax
Secretary

18 April 2006

Grant Thornton UK LLP
St Johns Centre
110 Albion Street
Leeds
LS2 8LA

Report of the Independent Auditors to the members of Catalina International Limited

We have audited the financial statements of Catalina International Limited for the year ended 30 September 2005 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, consolidated statement of recognised gains and losses and notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our work has been undertaken so that we might state to the Company's members those matters we are required to state in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with 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 the relevant legal and regulatory requirements and United Kingdom auditing standards.

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 the information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the other information contained in the directors' report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 affairs of the Company and the Group as at 30 September 2005 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
Leeds
18 April 2006

Consolidated profit and loss account

For the year ended 30 September 2005

		Note	2005 £'000	2004 £'000 as restated
Turnover	- continuing operations		42,062	53,306
	- discontinued operations		18,947	34,052
		2	61,009	87,358
Cost of sales		3	(39,070)	(56,181)
Gross profit			21,939	31,177
Operating costs		3	(18,413)	(22,418)
Operating profit	- continuing operations		1,915	5,649
	- discontinued operations		1,611	3,110
			3,526	8,759
Profit on sale of discontinued activities		7	2,204	-
Profit on ordinary activities before interest			5,730	8,759
Interest receivable		8	1,427	859
Interest payable and similar charges		8	(928)	(846)
Profit on ordinary activities before taxation			6,229	8,772
Tax on profit on ordinary activities		9	(1,380)	(3,102)
Profit on ordinary activities after taxation			4,849	5,670
Minority interest			(104)	(96)
Profit for the financial year			4,745	5,574
Preference dividends payable to minority interests		10	(6)	(36)
Dividends - equity shares		10	-	(2,000)
Retained profit for the financial year transferred to reserves		21	4,739	3,538

The notes on pages 9 to 21 form an integral part of these financial statements.

Balance sheets
at 30 September 2005

		Group		Company	
		30 September 2005	30 September 2004	**30 September 2005**	30 September 2004
	Note	**£'000**	£'000 as restated	**£'000**	£'000 as restated
Fixed assets					
Intangible assets	11	**8,440**	9,012	-	-
Tangible assets	12	**469**	1,156	-	-
Investments	13	-	-	**21,345**	21,345
		8,909	10,168	**21,345**	21,345
Current assets					
Stocks	14	**7,887**	15,728	-	-
Debtors	15	**25,791**	30,286	**18,443**	14,839
Cash at bank and in hand		**113**	1,053	-	-
		33,791	47,067	**18,443**	14,839
Creditors: amounts falling due within one year	16	**(11,805)**	(31,226)	**(26,957)**	(22,301)
Net current assets/(liabilities)		**21,986**	15,841	**(8,514)**	(7,462)
Total assets less current liabilities		**30,895**	26,009	**12,831**	13,883
Creditors: amounts falling due after more than one year	17	**(96)**	(1)	**-**	-
Net assets excluding pension liability		**30,799**	26,008	**12,831**	13,883
Pension liability	27	**(4,329)**	(4,159)	-	-
Net assets including pension liability		**26,470**	21,849	**12,831**	13,883
Minority interests	19	**(720)**	(616)	-	-
Net assets		**25,750**	21,233	**12,831**	13,883
Capital and reserves					
Called-up share capital - equity shares	20	**50**	50	**50**	50
- non-equity shares	20	**14,000**	14,000	**14,000**	14,000
Profit and loss account	21	**11,700**	7,183	**(1,219)**	(167)
Total shareholders' funds		**25,750**	21,233	**12,831**	13,883

The notes on pages 9 to 21 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 18 April 2006 and signed on its behalf by:

R Varakian
Director

Statement of recognised gains and losses
For the year ended 30 September 2005

	2005 £'000	2004 £'000 as restated
Profit attributable to shareholders of the Company	4,739	3,538
Realised gain arising on redemption of preference shares in subsidiary undertaking	-	208
Actuarial loss arising on pension schemes	(317)	(711)
Tax attributable to actuarial loss	95	213
Total recognised gains and losses related to the year	4,517	3,248
Prior year adjustment (note 4)	(2,392)	
Total gains and losses recognised since last annual report	2,125	

Reconciliation of movements in shareholders' funds
For the year ended 30 September 2005

	2005 £'000	2004 £'000 as restated
Profit for the financial year	4,745	5,574
Actuarial revaluation of pension funds	(222)	(498)
Preference dividends payable to minority interests	*(6)*	*(36)*
Ordinary dividends paid on equity shares	-	(2,000)
Realised gain arising on redemption of preference shares in subsidiary undertaking	-	208
Net increase in shareholders' funds	4,517	3,248
Opening shareholders' funds as previously stated	23,573	20,232
Prior year adjustment (note 4)	(2,392)	(2,247)
Adjustment to realised gain arising on redemption of preference shares in subsidiary undertaking as a result of prior year adjustment	52	-
Opening shareholders' funds as restated	21,233	17,985
Closing shareholders' funds as restated	25,750	21,233
Attributable to:		
Equity share interests	11,750	7,233
Non-equity share interests	14,000	14,000
	25,750	21,233

Consolidated cash flow statement
For the year ended 30 September 2005

	30 September 2005 £'000	30 September 2004 £'000 as restated
Cash flow from operating activities (note 22)	**(1,469)**	(7,724)
Returns on investments and servicing of finance (note 23)	**492**	(51)
Taxation	**(2,075)**	(2,865)
Capital expenditure and financial investment (note 23)	**(264)**	(187)
Acquisitions and disposals (note 23)	**11,268**	15
Equity dividends paid	**-**	(2,000)
Cash flow before financing	**7,952**	(12,812)
Financing (note 23)	**(9,074)**	13,028
(Decrease)/increase in cash in the year	**(1,122)**	216

Reconciliation of net cash flow to movement in net debt
For the year ended 30 September 2005

	30 September 2005 £'000	30 September 2004 £'000 as restated
(Decrease)/increase in cash in the year	**(1,122)**	216
Cash flow from movement in debt and lease financing	**9,074**	(13,028)
Movement in net debt in the year	**7,952**	(12,812)
Net debt at 1 October	**(14,145)**	(1,333)
Net debt at 30 September	**(6,193)**	(14,145)

	30 September 2005 £'000	30 September 2004 £'000 as restated
Net debt is comprised of:		
Bank overdraft and short term loans net of cash at bank	**(6,046)**	(14,134)
Obligations under finance leases	**(147)**	(11)
Net debt at 30 September	**(6,193)**	(14,145)

The notes on pages 9 to 21 form an integral part of these financial statements.

Notes to the financial statements

1 Accounting policies

The following accounting policies have been consistently applied in dealing with items which are considered material in relation to the financial statements, except for the adoption of new financial reporting standards introduced during the year. The effect of these are disclosed where relevant.

FRS 17 "Retirement Benefits" has been adopted for the first time in preparing these financial statements. The effect of this adoption is explained in note 4.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and each of its subsidiary undertakings for the year ended 30 September. The results of subsidiary undertakings acquired or disposed of during the year, and requiring to be acquisition accounted, are included in the consolidated profit and loss account from or up to the effective date of acquisition or disposal.

Turnover

Turnover comprises the invoiced value of goods and services supplied by the Group, net of VAT and intra-group transactions.

Leased assets

Assets held under leasing arrangements that give rights approximating to ownership are capitalised as finance leases. The amount capitalised is the present value of the minimum payments payable during the term of each lease. The corresponding leasing commitments are included in creditors. The interest element of the rental obligations is charged to the profit and loss account using the annuity method.

Rentals in respect of all other leases are charged to the profit and loss account on a straight line basis over the lease term.

Depreciation

Freehold and long leasehold land is not depreciated. Depreciation on other assets is calculated to write off the cost on a straight line basis over the estimated useful lives, at the following rates:

Long leasehold property	- 40 years
Leasehold improvements	- over period of lease
Plant and equipment	- 3 - 15 years
Motor vehicles	- 4 - 5 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

Stocks

Stocks are valued at the lower of cost, on a first in first out basis, and net realisable value after making due allowance for any obsolete or slow moving items. In the case of finished goods, cost comprises direct materials, direct labour and an appropriate proportion of production overheads.

Deferred taxation

In accordance with FRS 19 "Deferred Tax", deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in taxation computations in years different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Notes to the financial statements

1 Accounting policies *(continued)*

Goodwill

In accordance with FRS 10 "Goodwill and Intangible Assets", goodwill, being the excess of the fair value of the purchase consideration over the fair value of the net assets at the time of the purchase of the business, is capitalised and amortised over a maximum estimated useful life of 20 years on a straight line basis. The directors consider annually whether a provision against the value of goodwill on an individual investment basis is required.

Pension benefits

The Group operates a defined benefit pension scheme as well as several defined contribution pension schemes. The assets of these schemes are held separately from those of the Company and the Group in independently administered funds.

Contributions to the defined contribution schemes are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. Contributions to certain personal pension policies are charged to the profit and loss account as incurred.

In accordance with FRS 17 "Retirement Benefits", defined benefit scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the Group.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs. Actuarial gains and losses are reported in the statement of total recognised gains and losses.

Foreign currency translation

Transactions denominated in a foreign currency are translated into sterling at either the rate of exchange ruling on the date of the transaction or at the exchange rate of a forward foreign currency contract taken out to cover that transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated using the exchange rate ruling at the balance sheet date, unless they are covered by a related forward foreign currency contract, in which case the exchange rate applicable to the contract is used. Gains or losses on translation are included in the profit and loss account.

2 Segmental analysis

An analysis of turnover and operating profit (which all originated in the United Kingdom) is:

	Turnover 2005 £'000	**Operating profit 2005 £'000**	Turnover 2004 £'000	Operating profit 2004 £'000 as restated
Continuing operations	**42,062**	**1,915**	53,306	5,649
Discontinued operations	**18,947**	**1,611**	34,052	3,110
Total	**61,009**	**3,526**	87,358	8,759

	2005 £'000	2004 £'000
Turnover by destination		
United Kingdom	**59,002**	83,730
Europe	**1,716**	3,008
Far and Middle East	**44**	99
North America	**155**	361
Rest of World	**92**	160
	61,009	87,358

In the opinion of the directors there was only one segment of trade at 30 September 2005 and that all the net assets were utilised in that trade.

Notes to the financial statements

3 Cost of sales and operating costs

	2005			2004		
	Continuing **operations** **£'000**	***Discontinued*** **operations** **£'000**	**Total** **£'000**	*Continuing* operations £'000 as restated	*Discontinued* operations £'000 as restated	Total £'000 as restated
Cost of sales	**26,984**	**12,086**	**39,070**	34,453	21,728	56,181
Operating costs:						
Distribution costs	**4,798**	**1,710**	**6,508**	4,764	3,165	7,929
Selling & marketing costs	**4,307**	**1,842**	**6,149**	4,525	3,071	7,596
Administrative costs	**3,487**	**1,697**	**5,184**	3,343	2,978	6,321
Amortisation of goodwill	**572**	**-**	**572**	572	-	572
	13,164	**5,249**	**18,413**	13,204	9,214	22,418

Operating profit is stated after charging/(crediting):

		2005 **£'000**	2004 £'000
Auditors' remuneration	- audit services	**52**	60
	- other	**83**	190
Hire of plant, equipment and vehicles under operating leases		**425**	497
Leasehold property rents (net of rents received)		**1,189**	1,182
Depreciation of tangible fixed assets		**236**	361
Profit on disposal of tangible fixed assets		**(16)**	(93)
Amortisation of intangible fixed assets		**572**	572

4 Prior year adjustment

FRS 17 "Retirement Benefits" has been adopted for the first time in these financial statements. Current service costs and finance returns are included in the profit and loss account in the year to which they relate. Actuarial gains and losses are recorded through the statement of total recognised gains and losses. The change in policy has been accounted for as a prior year adjustment and previously recorded figures have been restated accordingly.

The effect on the 2004 financial statements has been to increase the profit for the year by £353,000 and to reduce net assets at 30 September 2004 by £2,392,000.

5 Staff numbers and costs

The average number of persons employed by the Group (including directors), analysed by category, was as follows:

	2005 **Number**	2004 Number
Distribution & production	**153**	235
Selling & marketing	**120**	139
Administration	**51**	49
	324	423

The aggregate payroll costs of these persons (including directors emoluments) was:

	2005 **£'000**	2004 £'000
Wages & salaries	**6,170**	7,754
Social security costs	**602**	731
Other employment costs (including pensions)	**195**	252
	6,967	8,737

Notes to the financial statements

6 Emoluments of directors

None of the directors who served during the year were remunerated by any group undertaking incorporated in the United Kingdom and no charge has been included in these financial statements for their services.

7 Exceptional item

On 15 April 2005, following shareholders' approval at the Extraordinary Meeting held that day, the companies comprising the ancillary businesses were sold to Volvox Group Holdings Limited for a cash consideration of £12.3m. The disposal consisted of the entire issued ordinary share capital of Arctic Products Ltd, Grove Products (Caravan Accessories) Ltd and Lighten Point Corporation Europe Ltd together with the business and assets of Ptarmigan (Hyde) Ltd (formerly BMAC Ltd), Ptarmigan (Leeds) Ltd (formerly Van-Line Ltd) and the Automotive Lighting Division of Ring Lamp Company Ltd.

The total profit on disposal amounted to £2,204,000 which is included in the results for the year and is set out in detail in note 26. The associated tax credit of £160,000 is detailed in note 9.

8 Interest receivable, payable and similar charges

	2005	2004
	£'000	£'000
Interest receivable		
Group undertakings	**1,406**	859
On tax refund	**21**	-
	1,427	859
Interest payable and similar charges		
Bank loans and overdrafts and other loans repayable within 5 years	**927**	844
Finance lease charges	**1**	2
	928	846

9 Taxation

	2005	2004
	£'000	£'000
		as restated
Current taxation		
Corporation tax on profit for the year at 30% (2004: 30%)	**1,365**	3,030
Adjustments in respect of prior periods	**(54)**	-
	1,311	3,030
Deferred taxation		
Relating to pension liability	**22**	32
Origination and reversal of timing differences	**47**	40
	1,380	3,102
Tax credit included above attributable to exceptional item	**(160)**	-

Notes to the financial statements

9 Taxation *(continued)*

The actual tax charge for the year differs to the standard rate of tax for the reasons set out in the following reconciliation:

	2005	2004
	£'000	£'000
		as restated
Profit on ordinary activities before tax	**6,229**	8,772
Tax on profit on ordinary activities at standard rate	**1,869**	2,632
Factors affecting charge for the year:		
Profit on sale of ancillary businesses	**(821)**	-
Adjustments in respect of prior periods	**(54)**	-
Excess capital allowances over depreciation	**(15)**	(36)
Goodwill not deductible for tax purposes	**172**	172
Other expenses not deductible for tax purposes	**238**	264
Other timing differences	**(78)**	(2)
Current taxation charge for the year	**1,311**	3,030

No provision has been made for Capital Gains Tax as the Group has sufficient capital losses to relieve any capital gain arising.

10 Dividends

	2005	2004
	£'000	£'000
Interim dividend paid of £nil per ordinary share (2004: £40)	**-**	2,000
Preference dividends payable to minority interests	**6**	36
	6	2,036

11 Intangible assets

	Goodwill
	£'000
Group	
Cost	
At 1 October 2004 and **30 September 2005**	**11,443**
Amortisation	
At 1 October 2004	2,431
Charge for the year	572
At 30 September 2005	**3,003**
Net book amounts	
At 30 September 2005	**8,440**
At 30 September 2004	9,012

The goodwill relates to the acquisition of Ring Limited.

Notes to the financial statements

12 Tangible fixed assets

	Long leasehold property £'000	Plant. equipment & vehicles £'000	Total £'000
Group			
Cost			
At 1 October 2004	357	2,502	2,859
Additions	-	283	283
Disposals	-	(66)	(66)
Transferred on disposal of discontinued activities	(357)	(1,535)	(1,892)
At 30 September 2005	-	1,184	1,184
Depreciation			
At 1 October 2004	45	1,658	1,703
Charge for the year	6	230	236
Disposals	-	(63)	(63)
Transferred on disposal of discontinued activities	(51)	(1,110)	(1,161)
At 30 September 2005	-	715	715
Net book amounts			
At 30 September 2005	**-**	**469**	**469**
At 30 September 2004	312	844	1,156

Included in tangible fixed assets at 30 September 2005 are assets held under finance leases and hire purchase with a net book value of £152,000 (2004: £10,000).

13 Fixed asset investments

	Company 30 September 2005 £'000
Investment in subsidiary undertakings	
Cost	
At 1 October 2004 and **30 September 2005**	**21,345**

Investment in subsidiary undertakings

The principal subsidiary undertakings, all of which are registered in England and Wales and based in the United Kingdom, at 30 September 2005 that have traded during the year were:

Principal subsidiary undertaking	*Principal activity*
Distribution	
Ring Lamp Company Ltd	Automotive parts and lighting distributor
Ptarmigan (Hyde) Ltd (formerly BMAC Ltd)	Transportation lighting equipment assembler and distributor
Ptarmigan (Leeds) Ltd (formerly Van-Line Ltd)	Automotive accessories and spares distributor
Lancer Products Ltd	Automotive parts distributor
Head Office	
Ring Limited*	Distribution holding company
British Syphon Industries Ltd	Distribution holding company
Marshall's Universal Ltd	Distribution holding company
Newton Mill Ltd	Distribution holding company
Graystone Ring Ltd	Distribution holding company
Ring Group Ltd	Distribution holding company

* Direct subsidiary of the parent undertaking, Catalina International Limited.

Notes to the financial statements

13 Fixed asset investments *(continued)*

At 30 September 2005 the parent undertaking or its subsidiary undertakings own 100% of the ordinary and preference issued share capitals of the above undertakings with the exception of:

- Ring Limited in which 2.27% of the issued ordinary shares and 100% of the 3.5% cumulative preference shares are held by external parties
- Newton Mill Ltd in which 49.4% of the preference shares are held by external parties

Dormant subsidiary undertakings are not included in the note since their inclusion would result in a statement of excessive length. A complete list of dormant subsidiaries is available from the Company's registered office at Gelderd Road, Leeds, LS12 6NB.

On 15 April 2005, following shareholders' approval at the Extraordinary Meeting held that day, the companies comprising the ancillary businesses were sold to Volvox Group Holdings Limited for a cash consideration of £12.3m (see note 7).

14 Stocks

	Group	
	30 September	*30 September*
	2005	2004
	£'000	£'000
Raw materials and consumables	**148**	728
Finished goods and goods for resale	**7,739**	15,000
	7,887	15,728

15 Debtors

	Group		Company	
	30 September	30 September	**30 September**	30 September
	2005	2004	**2005**	2004
	£'000	£'000	**£'000**	£'000
		as restated		as restated
Trade debtors	**6,221**	15,177	-	-
Amounts owed by group undertakings	**17,542**	13,553	**17,542**	13,590
Other debtors	**1,328**	209	**2**	12
Prepayments	**572**	1,143	**338**	715
Corporation tax recoverable	-	-	**561**	522
Deferred taxation (note 18)	**128**	193	-	-
Deferred consideration for sale of operations of subsidiary undertakings	-	11	-	-
	25,791	30,286	**18,443**	14,839

Since the year end, £17,542,000 included within amounts owed by group undertakings, has been consolidated with further amounts advanced to Catalina Lighting, Inc., and is due for repayment by instalments during the period 1 July 2006 to 31 December 2011.

16 Creditors: amounts falling due within one year

	Group		Company	
	30 September	30 September	**30 September**	30 September
	2005	2004	**2005**	2004
	£'000	£'000	**£'000**	£'000
		as restated		as restated
Bank overdrafts	**182**	-	-	-
Secured bank loan	**5,977**	15,187	**5,977**	15,187
Trade creditors	**3,588**	10,981	-	-
Amounts owed to group undertakings	**453**	735	**20,928**	7,001
Corporation tax payable	**334**	1,265	-	-
Other taxation and social security costs	**263**	1,334	-	-
Other creditors and accruals	**952**	1,710	**52**	113
Obligations under finance leases	**51**	10	-	-
Non-equity dividends	**5**	4	-	-
	11,805	31,226	**26,957**	22,301

The bank loan is secured by a fixed charge over the Group's stocks and trade debtors.

Notes to the financial statements

17 Creditors: amounts falling due after more than one year

	Group		**Company**	
	30 September 2005 £'000	30 September 2004 £'000	**30 September 2005 £'000**	30 September 2004 £'000
Obligations under finance leases	**96**	1	**-**	-

The total borrowings (including finance leases) of the Group are repayable as follows:

	Bank overdrafts and secured bank loans		Finance lease and other borrowings	
	30 September 2005 £'000	30 September 2004 £'000	**30 September 2005 £'000**	30 September 2004 £'000
Within one year	**6,159**	15,187	**51**	10
Between one and two years	**-**	-	**48**	1
Between two and five years	**-**	-	**48**	-
	6,159	15,187	**147**	11

18 Deferred taxation

Movements in deferred taxation assets, calculated at the rate of 30% (2004: 30%), during the year are as follows:

	Group		**Company**	
	30 September 2005 £'000	30 September 2004 £'000 as restated	**30 September 2005 £'000**	30 September 2004 £'000 as restated
At 1 October 2004	**193**	233	**-**	-
Charged during the year	**(47)**	(40)	-	-
Transferred on disposal of discontinued activities	**(18)**	-	**-**	-
At 30 September 2005	**128**	193	-	-

Deferred taxation assets recognised in the Group financial statements and the amounts not recognised, calculated at the rate of 30% (2004: 30%), are as follows:

	Recognised		Not recognised	
	30 September 2005 £'000	30 September 2004 £'000 as restated	**30 September 2005 £'000**	30 September 2004 £'000 as restated
Capital allowances	**71**	100	-	1
Other timing differences	**57**	93	-	-
Trading losses carried forward	**-**	-	**39**	39
Capital losses carried forward (see below)	**-**	-	**5,139**	5,544
	128	193	**5,178**	5,584

The capital losses are based on the submitted tax computations extant at 30 September 2004 as adjusted for estimated capital gains arising on the disposal of the ancillary businesses. No deferred tax asset has been recognised on these losses as in the opinion of the directors it is unlikely that they will be realised in the foreseeable future.

Notes to the financial statements

19 Minority interests

This represents the external ownership of portions of the issued ordinary and preference shares of the following subsidiary companies:

		30 September 2005 £'000
Ring Limited	- 2.27% ordinary shares of 50p each	**608**
	- 3.5% cumulative preference shares of 62.5p each	**13**
Newton Mill Limited	- 6% cumulative preference shares of £1 each	**99**
		720

20 Called-up share capital

The authorised and allotted share capital at 30 September 2005 and 30 September 2004 was:

	Authorised		Allotted, called-up and fully paid	
	30 September 2005 £'000	30 September 2004 £'000	**30 September 2005 £'000**	30 September 2004 £'000
Equity shares				
Ordinary shares of £1 each	**50**	50	**50**	50
Non-equity shares				
Zero coupon redeemable preference shares of £1 each	**14,000**	14,000	**14,000**	14,000

The holders of the redeemable preference shares of £1 each are not entitled to receive a dividend. The Company has the right to redeem all or, in multiples of preference shares with an aggregate nominal value of £500,000 only, any (to be selected by drawings) of the preference shares on such date as the Board may determine. The preference shares may not be redeemed within 12 months from their date of issue. The holders of the preference shares are not entitled to vote at general meetings unless a resolution is proposed abrogating, varying or modifying any of their rights or privileges or for the winding-up of the Company or the reduction of its share capital. On a winding-up, the assets available for distribution shall be applied to repaying the preference shareholders, in priority to the equity shareholders, at a rate of £1 per fully paid share.

21 Reserves

	Profit and loss account £'000
Group	
At 1 October 2004 as previously stated	9,523
Prior year adjustment (note 4)	(2,392)
Adjustment to realised gain arising on redemption of preference shares in subsidiary undertaking as a result of prior year adjustment	52
At 1 October 2004 as restated	7,183
Retained profit for the financial year	4,739
Actuarial revaluation of pension funds (net of deferred taxation)	(222)
At 30 September 2005	**11,700**
Company	
At 1 October 2004	(167)
Absorbed loss for the financial year	(1,052)
At 30 September 2005	**(1,219)**

In accordance with the exemption allowed by section 230 (1) of the Companies Act 1985 the Company has not presented its own profit and loss account. The loss for the year after taxation was £1,052,000 (2004: profit £776,000).

Notes to the financial statements

22 Reconciliation of operating profit to operating cash flows

	30 September 2005 £'000	30 September 2004 £'000 as restated
Operating profit	**3,526**	8,759
Actuarial loss arising on pension schemes	**(317)**	(712)
Depreciation	**236**	361
Amortisation of goodwill	**572**	572
Profit on disposal of fixed assets (excluding land and buildings)	**(16)**	(93)
Decrease/(increase) in stocks	**1,171**	(612)
Increase in debtors	**(2,463)**	(15,504)
Decrease in creditors	**(4,178)**	(495)
Net cash outflow from operating activities	**(1,469)**	(7,724)

23 Analysis of cash flows for headings netted in the cash flow statement

	30 September 2005 £'000	30 September 2004 £'000
Returns on investments and servicing of finance		
Interest received	**1,427**	859
Interest paid	**(929)**	(842)
Preference dividends paid to minority interests	**(6)**	(66)
Interest element of finance lease rental payments	**-**	(2)
Net cash inflow/(outflow) from returns on investments and servicing of finance	**492**	(51)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(283)**	(320)
Disposal of tangible fixed assets	**19**	133
Net cash outflow from capital expenditure and financial investment	**(264)**	(187)
Acquisitions and disposals		
Deferred consideration from prior period disposals	**11**	15
Net cash balances transferred on sale of subsidiary undertakings	**(10)**	-
Disposal of subsidiary undertakings	**11,267**	-
Net cash inflow from acquisitions and disposals	**11,268**	15
Financing		
New secured bank loan	**-**	15,187
Repayment of secured bank loan	**(9,210)**	(2,144)
New finance leases	**144**	-
Capital element of finance lease payments	**(8)**	(15)
Net cash (outflow)/inflow from financing	**(9,074)**	13,028

Notes to the financial statements

24 Financial commitments

Authorised future capital expenditure amounted to:

	Group		Company	
	30 September 2005 £'000	30 September 2004 £'000	**30 September 2005 £'000**	30 September 2004 £'000
Contracted	-	5	-	-

At 30 September 2005 the Group and Company were committed to making the following payments during the next year in respect of operating leases:

	Group		Company	
	Land and buildings £'000	Plant, equipment and vehicles £'000	Land and buildings £'000	Plant, equipment and vehicles £'000
Leases expiring:				
Within one year	181	40	-	-
Within one to five years	69	230	-	-
In more than five years	640	5	-	-
	890	275	-	-

25 Contingent liabilities

The Company, as part of the overall cross-group banking facility arrangements, guarantees letters of credit raised by fellow group undertakings.

At 30 September 2005 the guarantee was secured by a fixed charge over the stocks and trade debtors of the United Kingdom sub-group, headed by the Company.

26 Business disposal

On 15 April 2005, following shareholders' approval at the Extraordinary Meeting held that day, the companies comprising the ancillary businesses were sold to Volvox Group Holdings Limited for a cash consideration of £12.3m. The disposal consisted of the entire issued ordinary share capital of Arctic Products Ltd, Grove Products (Caravan Accessories) Ltd and Lighten Point Corporation Europe Ltd together with the business and assets of Ptarmigan (Hyde) Ltd (formerly BMAC Ltd), Ptarmigan (Leeds) Ltd (formerly Van-Line Ltd) and the Automotive Lighting Division of Ring Lamp Company Ltd.

	Net tangible assets disposed of £'000
Fixed assets	731
Stock	6,670
Debtors	6,882
Cash	10
Creditors	(5,081)
Corporation tax	(167)
Deferred tax	18
	9,063
Profit on disposal of ancillary businesses	2,204
	11,267
Discharged by:	
Cash received (net of expenses)	**11,267**

Notes to the financial statements

27 Pension schemes

A subsidiary undertaking, Ring Limited, operates a contracted out defined benefit scheme covering certain subsidiary undertakings. The scheme is administered externally and the assets are held separately by professional investment fund managers. There are no active members in the scheme and, to date, responsibility for the ongoing funding of the scheme in respect of accrued benefits has been assumed by Ring Limited.

Costs and liabilities of the scheme are based on actuarial valuations compiled under the requirements of FRS 17. A triennial valuation of the scheme was carried out by a qualified independent actuary at 5 April 2003 which showed the scheme was underfunded. As a result, the Company has been making contributions of £30,000 per month. The total costs charged in the year to this scheme, excluding the provision for the underfunding, were £nil (2004: £nil).

The Group provided an additional amount of £286,000 in the year. At 30 September 2005 there is a provision of £6,226,000 for pension costs, including expenses.

The assets in the scheme and expected rate of return at 30 September were:

	Long term rate of return expected 2005	**Estimated value 2005 £'000**	Long term rate of return expected 2004	Estimated value 2004 £'000	Long term rate of return expected 2003	Estimated value 2003 £'000
Asset						
Equities	**6.25%**	**5,867**	6.75%	4,913	6.75%	4,658
Gilts	**4.25%**	**4,124**	4.75%	3,639	4.75%	3,554
Corporate Bonds (AAA)	**5.00%**	**2,391**	5.50%	2,108	5.25%	2,118
		12,382		10,660		10,330

The liabilities of the scheme at 30 September were calculated on the following basis as required under FRS 17:

	2005	2004	2003
Assumptions			
Discount rate	**4.98%**	5.52%	5.19%
Rate of increase in salaries	**n/a**	n/a	n/a
Rate of increase in pensions in payment	**2.75%**	3.00%	2.75%
Rate of increase in pensions in deferment	**2.75%**	3.00%	2.75%
Inflation assumption	**2.75%**	3.00%	2.75%

The balance sheet position for the Group's defined contribution scheme as calculated under FRS 17 at 30 September was as follows:

	2005 £'000	2004 £'000	2003 £'000
Fair value of assets	**12,382**	10,660	10,330
Present value of scheme liabilities	**(18,567)**	(16,602)	(15,665)
Deficit in the scheme	**(6,185)**	(5,942)	(5,335)
Related deferred tax asset at 30%	**1,856**	1,783	1,601
Net pension liability	**(4,329)**	(4,159)	(3,734)

Analysis of the movement in the scheme deficit during the year:

	2005 £'000	2004 £'000
Opening deficit at 1 October	**(5,942)**	(5,335)
Current service cost	**-**	-
Contributions	**360**	316
Gain arising on curtailment	**-**	-
Other finance charge	**(286)**	(211)
Actuarial losses	**(317)**	(712)
Closing deficit at 30 September	**(6,185)**	(5,942)

Notes to the financial statements

27 Pension schemes *(continued)*

Amounts included within the financial statements for the year ended 30 September 2005 are as follows:

Amounts charged as other finance costs:

	2005 £'000	2004 £'000
Expected return on scheme assets	622	593
Interest cost on scheme liabilities	(908)	(804)
Net finance charge	(286)	(211)

Amounts included within the Statement of Total Recognised Gains and Losses

Amounts included within the Statement of Total Recognised Gains and Losses in the year to 30 September 2005 are shown below, expressed in monetary amounts and as a percentage of:

(i) scheme assets at the balance sheet date; and
(ii) present value of the scheme liabilities at the balance sheet date.

	2005 £'000	2005 %	2004 £'000	2004 %
Difference between actual and expected return on scheme assets (i)	1,054	9%	277	3%
Experience loss arising on scheme liabilities (ii)	-	0%	-	0%
Effects of changes in assumptions underlying the present value of scheme liabilities (ii)	(1,371)	(7%)	(989)	(6%)
Total actuarial losses recognised in the STRGL (ii)	(317)	(2%)	(712)	(4%)

The Group also operates a defined contribution scheme covering subsidiary undertakings in the Group. The total pension cost for the year in respect of this scheme was £128,000 (2004: £162,000).

28 Related party transactions

The Group's related party transactions requiring disclosure in the financial statements in accordance with FRS 8 "Related Party Transactions" are summarised below:

	2005 £'000	2004 £'000
Purchases from fellow subsidiary undertakings	2,900	7,400
Management charges payable to Catalina Lighting, Inc.	176	181
Interest receivable on loans to Catalina Lighting, Inc.	(1,406)	(859)

The Group had the following balances outstanding with related parties at 30 September 2005:

	30 September 2005 £'000	30 September 2004 £'000
Loans receivable from Catalina Lighting, Inc.	17,718	13,590
Management charges due to Catalina Lighting, Inc.	(176)	(37)
Amounts due to fellow subsidiary undertakings	(453)	(735)

All transactions with related parties arise in the normal course of business and on arm's length terms.

29 Ultimate holding company

Sun Capital Partners, LLC, a limited liability company incorporated in the State of Delaware, USA, is the Company's ultimate holding company.