

923603

D W Lighting Services Limited
(formerly Parkersell Highway Lighting Services Limited)

Report and Accounts

30 September 2002

ERNST & YOUNG



D W Lighting Services Limited

Registered No: 928643

Directors

R M Thompson BA FCA (appointed 5 February 2002)

J W Green OBE (appointed 5 February 2002)

A M English (appointed 2 September 2002)

Secretary

R M Wood FCMA FCIS

Auditors

Ernst & Young LLP

400 Capability Green

Luton

LU1 3LU

Registered office


Netherfield Lane

Stanstead Abbots

Ware

Herts

SG12 8HE

 ERNST & YOUNG

Directors' Report

The directors present their report and accounts for the nine month period ended 30 September 2002.

Results and dividends

The profit for the period, after taxation, amounted to £709,692. The directors do not recommend the payment of any dividends.

Principal activities and review of the business

The company is principally engaged in public lighting contracting. On 5 February 2002 the company was sold to David Webster Limited and changed its name to D W Lighting Services Limited.

During the year the company has continued to experience difficult trading conditions on certain contracts. Most of the contracts undertaken by the company have been completed, but the company continues to carry out works on certain particular contracts. The parent company is unwilling to underwrite further losses on contract works and accordingly the company accounts have not been prepared on a going concern basis. The company does not expect to take on additional contract work.

Directors and their interests

The directors at 30 September 2002 are listed on page 1.

None of the directors of the company are beneficially interested in the company's shares. R M Thompson, and J W Green were also directors of David Webster Group Limited, the ultimate parent undertaking, during the period and their interests in the ultimate parent undertaking are disclosed in the accounts of that company.

In addition to the directors listed above, the following directors served during the period:

M J Horlock (resigned 5 February 2002)

T Morton (resigned 5 February 2002)

J H Roberts (resigned 5 February 2002)

J Winterbottom (resigned 5 February 2002)

Auditors

Ernst & Young LLP were appointed auditors of the company during the period. A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



R M Wood FCMA FCIS
Secretary

5/2/ 2003

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 affairs of the company and of the profit or loss of the company for that year. 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume 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 and detection of fraud and other irregularities.

Independent Auditors' Report

to the members of D W Lighting Services Limited

We have audited the company's financial statements for the period ended 30 September 2002 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 20. These financial statements have been prepared on the basis of the accounting policies set out therein. The financial statements have not been prepared on the going concern basis.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them 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 for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with 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 information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

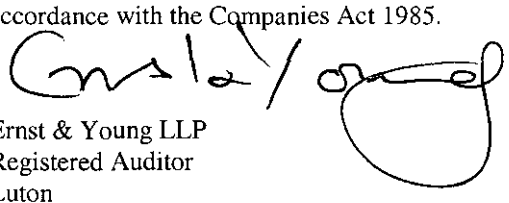
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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.

Independent Auditors' Report
to the members of D W Lighting Services Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 September 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
Luton

5/2 2003

Profit and Loss Account

for the period ended 30 September 2002


		Before exceptional item 2002 (9 months) £	Exceptional item (note 5) 2002 (9 months) £	Total 2002 (9 months) £	Total 2001 (12 months) £
	Notes				
Turnover	3	2,360,966	–	2,360,966	5,231,842
Cost of sales		(2,743,031)	(350,000)	(3,093,031)	(5,673,378)
Gross (loss)/profit		(382,065)	(350,000)	(732,065)	(441,536)
Administrative expenses		(427,184)	–	(427,184)	(1,144,692)
Other operating income – waiver on inter-company loan	5	–	1,244,000	1,244,000	–
Operating profit/(loss)	4	(809,249)	894,000	84,751	(1,586,228)
Interest payable	8			(16,810)	(11,787)
Profit/(loss) on ordinary activities before taxation				67,941	(1,598,015)
Tax on profit on ordinary activities	9			641,751	(15,439)
Profit/(loss) retained for the financial period				709,692	(1,613,454)

The company has no recognised gains or losses other than the results for the period as set out above.

Balance Sheet

at 30 September 2002

	Notes	30 September 2002 £	31 December 2001 £
Fixed assets			
Tangible assets	10	–	261,843
Current assets			
Stocks	11	–	1,171,916
Debtors	12	1,256,031	1,780,449
Cash in hand		1,006	4,200
		<u>1,257,037</u>	<u>2,956,565</u>
Creditors: amounts falling due within one year	13	2,024,323	4,640,245
		<u>(767,286)</u>	<u>(1,683,680)</u>
Net current liabilities			
		<u>(767,286)</u>	<u>(1,421,837)</u>
Total assets less current liabilities			
		<u>(767,286)</u>	<u>(1,421,837)</u>
Creditors: amounts falling due after more than one year	14	–	55,141
		<u>(767,286)</u>	<u>(1,476,978)</u>
Capital and reserves			
Called up share capital	17	500	500
Profit and loss account	18	(767,786)	(1,477,478)
		<u>(767,286)</u>	<u>(1,476,978)</u>
Equity shareholders' funds	18	<u>(767,286)</u>	<u>(1,476,978)</u>


5/2/2003

Notes to the Financial Statements

at 30 September 2002

1. Fundamental accounting concept

The financial statements have not been prepared on a going concern basis. The company has made a loss for the period, before exceptional items, and is budgeted to make future losses in the foreseeable future. On this basis, the parent company is unwilling to provide unlimited financial support to the company and has not committed to funding the existing contracts. Accordingly, adjustments have been made to reduce the carrying value of assets to their estimated realisable amount and to provide for any further liabilities which will arise.

2. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention.

Cash flow statement

A statement of cash flow in accordance with FRS 1 has not been prepared, as the company is a wholly owned subsidiary within the David Webster Group and David Webster Group Limited, the ultimate parent undertaking, prepares a cash flow for the group within its consolidated accounts.

Related parties undertakings

The company has taken advantage of the exemption available under FRS 8, Related Party Disclosures, not to disclose details of its transactions with related parties. This exemption is available as the transactions are with entities that form part of the same group and the consolidated group accounts are publicly available.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Leasehold improvements	- 10% per annum
Furniture, fittings & equipment	- 10% to 33% per annum
Motor vehicles	- 20% to 33% per annum
Plant & equipment	- 20% per annum

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials and consumables - purchase cost on a first-in, first-out basis.

Work in progress represents the cost of the work carried out to date, in respect of contracts, less any foreseeable losses. Provision is made for losses as soon as they are foreseen. Profit on the contracts is only taken when the outcome can be foreseen with reasonable certainty based on the percentage margin forecast, taking a prudent view of future costs.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Notes to the Financial Statements

at 30 September 2002

2. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pension costs

Prior to the sale of the company to David Webster Limited, the company operated a defined benefit pension scheme which requires contributions to be made to a separately administered fund. The expected cost of providing pensions was charged to the profit and loss account so as to spread the cost of the service lives of employees in the scheme operated by Parkersell Limited (former owner) in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll. The scheme was closed to all employees joining the Parkersell Limited group after 1 January 2002.

Following the sale of the company to David Webster Limited, all pension obligations remained with Parkersell Limited.

3. Turnover

Turnover is the total value of sales invoiced by the company during the period net of value added tax, adjusted for movements in work in progress. Turnover is attributable to one continuing activity, public lighting contracting.

An analysis of turnover by geographical market is given below:

	2002 (9 months) £	2001 (12 months) £
United Kingdom	2,360,966	5,231,842

Notes to the Financial Statements

at 30 September 2002

4. Operating profit

This is stated after charging:

	2002 (9 months) £	2001 (12 months) £
Auditors' remuneration - audit services	1,500	4,000
- non-audit services	500	--
	<u>2,000</u>	<u>4,000</u>
Depreciation of owned fixed assets	12,798	61,148
Depreciation of assets held under finance leases and hire purchase contracts	5,918	28,265
Total depreciation charge	<u>18,716</u>	<u>89,413</u>
Loss/(profit) on disposal of fixed assets	45,858	(1,815)
Operating lease rentals - land and buildings	5,704	109,980
- plant and machinery	6,758	122,600

5. Exceptional items

	2002 (9 months) £	2001 (12 months) £
Foreseeable losses on contracts	(350,000)	--
Wavier of inter-company balances with former parent undertaking	1,244,000	--
	<u>894,000</u>	<u>--</u>

6. Staff costs

	2002 (9 months) £	2001 (12 months) £
Wages and salaries	327,923	1,569,443
Social security costs	30,630	140,699
Other pension costs	--	12,321
	<u>358,553</u>	<u>1,722,463</u>

The monthly average number of employees during the period, was as follows:

	2002 (9 months) No.	2001 (12 months) No.
Lighting operatives and other production staff	17	53
Administrative staff	4	13
Directors	--	1
	<u>21</u>	<u>67</u>

Notes to the Financial Statements

at 30 September 2002

7. Directors' emoluments

	2002 (9 months) £	2001 (12 months) £
Emoluments	<u>—</u>	<u>49,565</u>

	2002 (9 months) No.	2001 (12 months) No.
Members of pension schemes	<u>—</u>	<u>—</u>

8. Interest payable

	2002 (9 months) £	2001 (12 months) £
Finance charges payable under finance leases and hire purchase contracts	<u>16,810</u>	<u>11,787</u>

9. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2002 (9 months) £	2001 (12 months) £
<i>Current tax:</i>		
Tax under/(over) provided in previous years	(489,000)	(4,406)
	<u>(489,000)</u>	<u>(4,406)</u>
Group relief receivable	(219,533)	—
Total current tax (note 9(b))	<u>(708,533)</u>	<u>(4,406)</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences (note 9(c))	66,782	19,845
Total deferred tax (note 9(c))	<u>66,782</u>	<u>19,845</u>
Tax on profit on ordinary activities	<u>(641,751)</u>	<u>15,439</u>

Notes to the Financial Statements

at 30 September 2002

9. Tax (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are reconciled below:

	2002 (9 months) £	2001 (12 months) £
Profit/(loss) on ordinary activities before taxation	67,941	(1,598,015)
Profit on ordinary activities at the standard rate of corporation tax in the UK	20,382	(479,404)
Disallowed expenses	13,758	10,248
Non taxable income	(373,200)	—
Capital allowances in excess of depreciation	(758)	(10,691)
Short term timing differences	—	(9,153)
Group relief for no payment	51,845	489,000
Adjustment in respect of prior years	(489,000)	(4,406)
Losses carried forward to future years	68,440	—
Total current tax (note 9(a))	(708,533)	(4,406)

The adjustment in respect of prior years represents amounts paid for tax losses by the former parent undertaking.

(c) Deferred tax

	30 September 2002 £	31 December 2001 £
Capital allowances in advance of depreciation	—	(51,936)
Short term timing differences	—	(14,846)
	—	(66,782)
	£	
At 1 January 2002	(66,782)	
Profit and Loss Account movement arising during the period	66,782	
At 30 September 2002	—	

Notes to the Financial Statements

at 30 September 2002

10. Tangible fixed assets

	<i>Leasehold improvements</i>	<i>Vehicles and plant</i>	<i>Furniture, fittings and equipment</i>	<i>Total</i>
	£	£	£	£
Cost or valuation:				
At 1 January 2002	39,897	1,105,235	255,410	1,400,542
Disposals	(39,897)	(267,726)	(119,332)	(426,955)
Transfers to fellow group company	—	(837,509)	(136,078)	(973,587)
At 30 September 2002	—	—	—	—
Depreciation:				
At 1 January 2002	21,310	902,808	214,581	1,138,699
Provided during the period	256	16,251	2,209	18,716
Disposals	(21,566)	(215,934)	(127,530)	(365,030)
Transfers to fellow group company	—	(703,125)	(89,260)	(792,385)
At 30 September 2002	—	—	—	—
Net book value:				
At 30 September 2002	—	—	—	—
At 31 December 2001	18,587	202,427	40,829	261,843

The net book value of assets above includes an amount of £nil (2001 - £90,447) in respect of assets held under finance leases and hire purchase contracts.

11. Stocks

	<i>30 September 2002</i>	<i>31 December 2001</i>
	£	£
Raw materials	—	327,665
Work in progress	—	844,251
	—	1,171,916

12. Debtors

	<i>30 September 2002</i>	<i>31 December 2001</i>
	£	£
Trade debtors	673,996	1,586,296
Amounts owed by group undertakings	—	48,537
Other debtors	582,035	21,792
Prepayments and accrued income	—	48,042
Deferred tax (see note 9)	—	66,782
Corporation tax	—	9,000
	1,256,031	1,780,449

Notes to the Financial Statements

at 30 September 2002

13. Creditors: amounts falling due within one year

	30 September 2002	31 December 2001
	£	£
Bank overdraft	—	1,941,461
Trade creditors	—	855,458
Amounts owed to group undertakings	445,840	1,301,000
Other taxation and social security	—	118,186
Obligations under finance leases and hire purchase contracts (note 15)	—	29,998
Other creditors	—	180,486
Accruals and deferred income	1,578,483	213,656
	<u>2,024,323</u>	<u>4,640,245</u>

14. Creditors: amounts falling due after more than one year

	30 September 2002	31 December 2001
	£	£
Obligations under finance leases and hire purchase contracts (note 15)	—	55,141

15. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

	30 September 2002	31 December 2001
	£	£
Amounts payable:		
Within one year	—	29,998
In two to five years	—	55,141
	<u>—</u>	<u>85,139</u>

16. Commitments under operating leases

At 30 September 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings		Other	
	30 September 2002	31 December 2001	30 September 2002	31 December 2001
	£	£	£	£
Operating leases which expire:				
Within one year	—	19,898	—	22,266
In two to five years	—	60,900	—	58,828
	<u>—</u>	<u>80,798</u>	<u>—</u>	<u>81,094</u>

Notes to the Financial Statements

at 30 September 2002

17. Share capital

	30 September 2002	Authorised 31 December 2001
	£	£
Ordinary shares of £1 each	1,000	1,000

	Allotted, called up and fully paid			
	30 September 2002		31 December 2001	
	No.	£	No.	£
Ordinary shares of £1 each	500	500	500	500

18. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Profit and loss account £	Total share- holders' funds £
At 1 January 2000	500	135,976	136,476
Loss for the year	—	(1,613,454)	(1,613,454)
At 31 December 2001	500	(1,477,478)	(1,476,978)
Profit for the period	—	709,692	709,692
At 30 September 2002	500	(767,786)	(767,286)

19. Contingent liabilities

The company, the ultimate holding company and certain other group companies have jointly and severally guaranteed their bank indebtedness which is secured by fixed and floating charges on their assets. At 30 September 2002 the net indebtedness amounted to £3,159,962 (2001: £nil).

The company, the ultimate holding company and certain other group companies have jointly and severally guaranteed their indebtedness in respect of finance leases which is secured by fixed and floating charges on their assets. At 30 September 2002 the net indebtedness amounted to £1,955,536 (2001: £nil).

In addition, the company, the ultimate holding company and certain other group companies are jointly and severally contingently liable in respect of Performance Bonds, granted by David Webster Limited, for the benefit of third parties amounting to £2,251,322 at 30 September 2002 (2001: £nil).

20. Ultimate parent company

Until 5 February 2002, the parent undertaking was Parkersell Limited. The ultimate parent undertaking in the UK was Dalkia plc and the controlling party was Vivendi Universal S.A, a company incorporated in France. Following the sale of the company, the parent undertaking and controlling party is David Webster Limited. The post-acquisition results of D W Lighting Services are included within the accounts of David Webster Group Limited, the ultimate parent undertaking of David Webster Limited. Copies of these accounts are available from its registered office: Netherfield Lane, Stanstead Abbots, Ware, Hertfordshire, SG12 8HE.