

Black Cat Fireworks Limited  
Annual report  
for the year ended 31 December 1999

Registered Number: 1900841



# **Black Cat Fireworks Limited**

## **Annual Report**

**for the year ended 31 December 1999**

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# **Black Cat Fireworks Limited**

## **Directors' report for the year ended 31 December 1999**

The directors present their report and the audited financial statements for the year ended 31 December 1999.

### **Principal activity**

The principal activity of the company during the year continues to be the distribution of pyrotechnics.

### **Review of business**

The profit and loss account for the year is set out on page 4.

Both the level of business and the year end financial position remain satisfactory, and the directors expect the present level of activity will be sustained for the foreseeable future.

### **Dividends**

The directors do not recommend the payment of a dividend (1998: £Nil).

### **Directors**

The directors of the company at 31 December 1999, all of whom had been directors for the whole of the year ended on that date, unless otherwise noted, were:

Sir A Hayward (Chairman)  
H D Long  
M Guest  
H Chan  
L Ng

The board announced with regret that Mr H D Long died on 28 April 2000. He and his contribution to the company will be sadly missed.

### **Directors' interest in shares of the company**

No directors held beneficial interests in the shares of the company at 31 December 1999, or at any time during the year. As permitted by Statutory Instruments, the register does not include details of interests of directors in bodies corporate, incorporated outside Great Britain.

# **Black Cat Fireworks Limited**

## **Directors' responsibilities**

The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

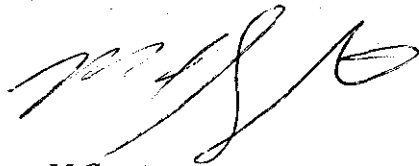
The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1999. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The directors are responsible for keeping proper accounting records, 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 the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

**By order of the board**



**M Guest**  
**Director**

# **Black Cat Fireworks Limited**

## **Auditors' report to the members of Black Cat Fireworks Limited**

We have audited the financial statements on pages 4 to 17.

### **Respective responsibilities of director and auditors**

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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.

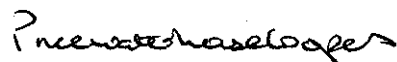
### **Basis of audit opinion**

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 judgements made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1999 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**  
**Chartered Accountants and Registered Auditors**  
**Derby**

4 December 2000

# Black Cat Fireworks Limited

## Profit and loss account for the year ended 31 December 1999

	Note	1999 £	1998 £
<b>Turnover</b>			
Continuing operations		17,530,691	2,983,042
Acquisitions		-	7,104,359
<b>Total turnover</b>	2	17,530,691	10,087,401
Cost of sales		(9,042,882)	(4,556,407)
<b>Gross profit</b>		8,487,809	5,530,994
Net operating expenses (including exceptional items)	3	(5,432,245)	(3,873,490)
Operating profit before exceptional items		3,463,109	1,914,201
Exceptional items-amortisation of intangible assets	4	(407,545)	(256,697)
<b>Operating profit</b>		3,055,564	173,380
Continuing operations		3,055,564	173,380
Acquisitions		-	1,484,124
<b>Total operating profit</b>		3,055,564	1,657,504
Interest receivable and similar income		6,762	-
Interest payable and similar charges	7	(673,889)	(701,266)
<b>Profit on ordinary activities before taxation</b>	8	2,388,437	956,238
Tax on profit on ordinary activities	9	(807,000)	(323,000)
<b>Retained profit for the financial year</b>		1,581,437	633,238
<b>Profit and loss account</b>			
At 1 January		505,203	(128,035)
Retained profit for the financial year		1,581,437	633,238
<b>At 31 December</b>		2,086,640	505,203

All amounts relate to continuing operations.

The company has no recognised gains and losses other than those included in the result above, and therefore no separate statement of total recognised gains and losses has been presented.

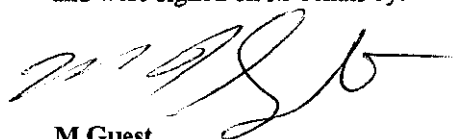
There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

# Black Cat Fireworks Limited

## Balance sheet as at 31 December 1999

	Note	1999 £	1998 £
<b>Fixed assets</b>			
Intangible assets	10	1,756,566	2,164,111
Tangible assets	11	1,927,014	1,618,923
		<b>3,683,580</b>	<b>3,783,034</b>
<b>Current assets</b>			
Stocks	12	2,871,064	2,304,001
Debtors: amounts falling due within one year	13	7,689,905	1,669,455
Debtors: amounts falling due after one year	13	328,000	586,600
Cash at bank and in hand		2,666,105	293,162
		<b>13,555,074</b>	<b>4,853,218</b>
Creditors: amounts falling due within one year	14	(11,625,290)	(3,908,034)
<b>Net current assets</b>		<b>1,929,784</b>	<b>945,184</b>
<b>Total assets less current liabilities</b>		<b>5,613,364</b>	<b>4,728,218</b>
Creditors: amounts falling due after more than one year	15	(2,250,324)	(3,923,015)
Provisions for liabilities and charges	16	(76,400)	-
<b>Net assets</b>		<b>3,286,640</b>	<b>805,203</b>
<b>Capital and reserves</b>			
Called up share capital	17	1,200,000	300,000
Profit and loss account		2,086,640	505,203
<b>Equity shareholders' funds</b>	18	<b>3,286,640</b>	<b>805,203</b>

The financial statements on pages 4 to 17 were approved by the board of directors on 4 December 2000 and were signed on its behalf by:



M Guest  
Director

# Black Cat Fireworks Limited

## Cash flow statement for the year ended 31 December 1999

	Note	1999 £	1998 £
Net cash (outflow)/inflow from continuing operating activities	19	(1,321,895)	1,784,960
<b>Returns on investments and servicing of finance</b>			
Interest received		6,762	-
Interest paid		(672,683)	(699,773)
Interest paid on finance leases		(1,206)	(1,493)
		(667,127)	(701,266)
<b>Capital expenditure and financial investment</b>			
Sale of tangible fixed assets		302,706	31,721
Purchase of tangible fixed assets		(671,799)	(191,967)
		(369,093)	(160,246)
<b>Acquisitions</b>			
Purchase of business		-	(5,955,223)
<b>Cash outflow before financing</b>		<b>(2,358,115)</b>	<b>(5,031,775)</b>
<b>Financing</b>			
Payment of principal under finance leases	20	(9,855)	(8,114)
Increase in borrowings	20	3,840,913	5,233,046
Issue of ordinary share capital		900,000	-
<b>Increase in cash in the period</b>	<b>20</b>	<b>2,372,943</b>	<b>193,157</b>
<b>Reconciliation to net debt</b>			
Net debt at 1 January		(5,797,430)	(752,560)
Increase in net cash		2,372,943	193,157
Movement in borrowings		(3,831,058)	(5,224,932)
Other non-cash changes		-	(13,095)
<b>Net debt at 31 December</b>		<b>(7,255,545)</b>	<b>(5,797,430)</b>



# **Black Cat Fireworks Limited**

## **Notes to the financial statements for the year ended 31 December 1999**

### **1 Principal accounting policies**

These financial statements have been prepared under the historical cost convention, and in accordance with applicable Accounting Standard in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

#### **Tangible fixed assets**

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of fixed assets less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Computer equipment	25
Fixtures and fittings	20-50
Plant and machinery	25-50
Buildings	2

Freehold land is not depreciated.

#### **Intangible fixed assets**

Intangible fixed assets are stated at cost. Goodwill arising on the acquisition of businesses represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired.

Amortisation is calculated to write off the cost of intangible fixed assets on a straight line basis over their estimated useful economic life at the following annual rates:

	%
Business know-how	20
Goodwill	10

#### **Finance and operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term. Where fixed assets are financed by leasing agreements which transfer to the company substantially all the benefits and risks of ownership, the assets are treated as if they had been purchased outright and are included in tangible fixed assets. The capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

# Black Cat Fireworks Limited

## Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis. Provision is made where necessary for obsolescent, slow moving and defective stocks.

## Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated into sterling at rates of exchange ruling at the date of the transactions. All foreign exchange differences are taken to the profit and loss account in the year in which they arise.

## Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

## Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

## Pension costs

The company makes contributions to personal pension plans in respect of certain employees. Contributions are charged to the profit and loss account when paid.

Since April 1998 the company has also made contributions to a defined benefit scheme in respect of certain employees. Pension costs are accounted for in accordance with SSAP 24 so as to spread the cost of pensions over the average working lives of the members of the scheme.

The company provides no other post retirement benefits.

## 2 Turnover

The turnover for the year is generated entirely from the company's principal activity and arises from sales made in the United Kingdom.

## 3 Net operating expenses

	1999 £	1998 £
Distribution costs	2,838,939	1,901,037
Administrative expenses	2,593,306	1,972,453
Net operating expenses	5,432,245	3,873,490

# Black Cat Fireworks Limited

## 4 Amortisation of intangible assets

	1999 £	1998 £
Business know-how	237,504	158,336
Goodwill	170,041	98,361
	407,545	256,697

## 5 Directors' emoluments

	1999 £	1998 £
Aggregate emoluments	142,720	120,799
Company contributions to personal pension plans	3,094	8,236

Retirement benefits are accruing to one director (1998: two) under personal pension plans and to one director (1998: none) under a defined benefit scheme.

## 6 Employee information

The average weekly number of persons (including executive directors) employed by the company during the year was:

	1999 Number	1998 Number
By activity		
Selling and distribution	46	50
Administration	26	28
	72	78
	1999 £	1998 £
Staff costs (for the above persons)		
Wages and salaries	1,353,164	1,030,515
Social security costs	102,878	84,051
Pension costs	106,094	71,401
	1,562,136	1,185,967

# Black Cat Fireworks Limited

## 7 Interest payable and similar charges

	1999	1998
	£	£
On bank loans and overdrafts	654,553	642,803
On finance leases	1,206	1,493
On borrowings from group companies	18,130	56,970
	673,889	701,266

## 8 Profit on ordinary activities before taxation

	1999	1998
	£	£
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets – owned	160,728	91,317
Depreciation of tangible fixed assets – held under finance leases	-	4,295
Auditors' remuneration	18,000	18,000
Hire of plant and machinery	24,881	64,344
Other operating lease rentals	52,417	178,288

## 9 Taxation

	1999	1998
	£	£
UK corporation tax at 30%	472,000	-
Deferred taxation	335,000	323,000
	807,000	323,000

# Black Cat Fireworks Limited

## 10 Intangible fixed assets

	Goodwill £	Business know-how £	Total £
<b>Cost</b>			
At 1 January 1999 and 31 December 1999	1,470,808	950,000	2,420,808
<b>Amortisation</b>			
At 1 January 1999	98,361	158,336	256,697
Charge for year	170,041	237,504	407,545
At 31 December 1999	268,402	395,840	664,242
<b>Net book amount</b>			
At 31 December 1999	1,202,406	554,160	1,756,566
At 31 December 1998	1,372,447	791,664	2,164,111

The goodwill arising on the acquisition of the trade and assets of Standard Fireworks Limited is being amortised on a straight line basis over 10 years and the business know-how acquired from Standard Fireworks Limited over 5 years. These are the periods over which the directors estimate that the company will obtain benefits from these assets.

# Black Cat Fireworks Limited

## 11 Tangible fixed assets

	Land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures, fittings & office equipment £	Total £
<b>Cost</b>					
At 1 January 1999	1,300,000	312,780	34,845	136,084	1,783,709
Additions	340,506	303,362	-	27,931	671,799
Disposals	-	(252,499)	-	-	(252,499)
<b>At 31 December 1999</b>	<b>1,640,506</b>	<b>363,643</b>	<b>34,845</b>	<b>164,015</b>	<b>2,203,009</b>
<b>Depreciation</b>					
At 1 January 1999	10,664	72,303	11,546	70,273	164,786
Charge for the year	22,746	83,045	21,215	33,722	160,728
Disposals	-	(49,519)	-	-	(49,519)
<b>At 31 December 1999</b>	<b>33,410</b>	<b>105,829</b>	<b>32,761</b>	<b>103,995</b>	<b>275,995</b>
<b>Net book value</b>					
<b>At 31 December 1999</b>	<b>1,607,096</b>	<b>257,814</b>	<b>2,084</b>	<b>60,020</b>	<b>1,927,014</b>
At 31 December 1998	1,289,336	240,477	23,299	65,811	1,618,923

## 12 Stocks

	1999 £	1998 £
Raw materials and packaging	196,373	337,000
Finished goods and goods for resale	2,674,691	1,967,001
	<b>2,871,064</b>	<b>2,304,001</b>

# Black Cat Fireworks Limited

## 13 Debtors

	1999 £	1998 £
<b>Amounts falling due within one year</b>		
Trade debtors	7,603,699	1,527,597
Other debtors	-	3,334
Prepayments and accrued income	86,206	129,302
Amounts owed by group undertakings	-	9,222
	<b>7,689,905</b>	<b>1,669,455</b>
<b>Amounts falling due after one year</b>		
Deferred tax asset (note 16)	-	258,600
Pension prepayment	328,000	328,000
	<b>328,000</b>	<b>586,600</b>

## 14 Creditors: amounts falling due within one year

	1999 £	1998 £
Bank overdraft and loans (note 15)	7,671,326	2,157,722
Obligations under finance leases	-	9,855
Trade creditors	389,599	156,117
Amounts owed to group undertakings	23,729	157,967
Taxation and social security costs	1,808,601	1,065,937
Accruals and deferred income	1,260,035	360,436
Corporation tax	472,000	-
	<b>11,625,290</b>	<b>3,908,034</b>

The bank loan and overdraft are secured by a fixed and floating charge over the assets of the company.

# Black Cat Fireworks Limited

## 15 Creditors: amounts falling due after more than one year

	1999	1998
	£	£
Bank loan	2,250,324	3,075,324
Amounts owed to parent company	-	847,691
	2,250,324	3,923,015
Maturity of debt:		
Within one year or on demand	7,671,326	2,157,722
Between one and two years	825,000	825,000
Between two and five years	1,425,324	2,250,324
Over five years	-	-
	9,921,650	5,233,046

The bank loan is repayable in annual instalments of £825,000 each commencing in July 2000. The loan is secured by a fixed and floating charge over the assets of the company and bears interest at a rate of 1% above LIBOR.

## 16 Deferred taxation

	£
At 1 January 1999	(258,600)
Transfer to profit and loss account	335,000
At 31 December 1999	76,400

Deferred taxation provided in the financial statements and the amounts unprovided are as follows:

	Amount provided		Amount unprovided	
	1999	1998	1999	1998
	£	£	£	£
Accelerated capital allowances	(10,000)	(104,000)	-	-
Losses	-	(253,000)	-	-
Others	86,400	98,400	-	-
Deferred tax liability/(asset)	76,400	(258,600)	-	-



# Black Cat Fireworks Limited

## 17 Called up share capital

	1999 £	1998 £
<b>Authorised</b>		
1,200,000 (1998: 300,000) ordinary shares of £1 each	1,200,000	300,000
<b>Allotted, called up and fully paid</b>		
1,200,000 (1998: 300,000) ordinary shares of £1 each	1,200,000	300,000

During the year on 14 January 1999 the authorised share capital of the company was increased to £1,200,000 by the creation of a further 900,000 ordinary shares of £1 each. On the same day, 900,000 shares of £1 each were issued at par by way of capitalisation of amounts owed to the parent company.

## 18 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Retained profit for the financial year	1,581,437	633,238
Net proceeds of issue of ordinary share capital	900,000	-
Opening shareholders' funds	805,203	171,965
<b>Closing shareholders' funds</b>	<b>3,286,640</b>	<b>805,203</b>

## 19 Cash flow from operating activities

	1999 £	1998 £
<b>Continuing activities</b>		
Operating profit	3,055,564	1,657,504
Depreciation of tangible fixed assets	160,728	95,612
Amortisation of intangible fixed assets	407,545	256,697
(Profit)/loss on sale of fixed assets	(99,726)	12,894
(Increase)/decrease in stocks	(567,063)	317,205
(Increase) in debtors	(6,020,450)	(1,024,830)
Increase in creditors	1,741,507	469,878
<b>Net cash (outflow)/inflow from continuing activities</b>	<b>(1,321,895)</b>	<b>1,784,960</b>

# Black Cat Fireworks Limited

## 20 Analysis of net debt

	At 1 January 1999 £	Cash flow £	At 31 December 1999 £
Cash in hand and at bank	293,162	2,372,943	2,666,105
Debt due within one year	(2,157,722)	(5,513,604)	(7,671,326)
Debt due after one year	(3,923,015)	1,672,691	(2,250,324)
Finance leases	(9,855)	9,855	-
		(3,831,058)	
	(5,797,430)	(1,458,115)	(7,255,545)

## 21 Financial commitments

At 31 December 1999 the company had annual commitments under non-cancellable operating leases as follows:

	1999		1998	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiring within one year	-	-	-	7,770
Expiring between two and five years inclusive	-	-	-	23,608
	-	-	-	31,378

## 22 Capital commitments

The company had capital commitments of £Nil as at 31 December 1999 (1998: £337,000).

# **Black Cat Fireworks Limited**

## **23 Pension commitments**

The company makes contributions to personal pension plans and also to the Standard Fireworks 1992 Pension Scheme which is a defined benefits scheme.

The costs of contributions to personal pension plans was £3,094 (1998: £8,236).

The total net pension costs of the defined benefits scheme was £104,800 (1998: £63,880). The cost is assessed in accordance with the advice of Barnett Waddingham, consulting actuaries. The latest draft actuarial valuation of the scheme was performed as at 5 April 1998 using the projected unit method for Ordinary Member and the attained age method for Executive members. The principal assumptions adopted in the valuation were that, over the long term, the investment return would be 9% per annum to retirement and 8% per annum thereafter, the rate of salary increase would be 7% per annum and the rate of pension increase would be 3% for GMP and 3.5% for the excess over GMP. The assumed rate of dividend growth was 5%.

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £4,506,000 and the actuarial value of these assets was sufficient to cover 107% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company will remain at 11.5% for ordinary members and 18.5% for executive members and members contributions at 4% and 6% respectively.

At 31 December 1999, the pension prepayment arising from the surplus in the scheme, held in the company's balance sheet, is £328,000 (1998 £328,000). The surplus is being spread on a straight-line basis over the average expected remaining service life of current employees.

An amount of £12,272 (1998: £10,585) is included in creditors which represents the excess of the accumulated pension costs over the payment of contributions to the scheme.

## **24 Related party transactions**

The company had taken advantage of the exemptions in FRS 8 not to report transactions with group companies which are at least 90% owned.

## **25 Ultimate and immediate parent companies**

The directors regard Golden Horn NV, a company incorporated in the Netherlands Antilles, as the company's immediate parent company and King Lun Holdings Ltd, a company incorporated in the British Virgin Islands, as the ultimate parent company.