Erco Lighting Limited

Directors' report and financial statements

Registered number 1408064

31 December 2008

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

Objectives and Strategy for the Company

ERCO Lighting Limited are producers of architectural lighting for the building industry providing technical solutions to many sectors for both indoor and outdoor applications. ERCO Lighting Limited provide a direct service to Architects, Lighting Designers, M&E Consultants, Interior designers and end users assisting with all aspects of lighting technology to provide suitable sustainable high quality lighting solutions.

ERCO Lighting is aiming to provide organic growth across all its current sectors and achieving the following main objectives;

- Account focus and management of product application;
- Project portfolio analysis and maintenance; and
- Sustained pricing policy and partner distribution channels

Risks and uncertainties

Changes in cost of materials can produce uncertainty in terms of gross margins on various projects. These costs cannot always be passed on through a contract to the end user or Wholesaler. ERCO Lighting sources around 90% of its product from ERCO GMBH (formally ERCO Leutchen GMBH) the ultimate parent company, under a pre-agreed sterling exchange rate. These rates are currently reviewed on a six monthly basis. This has in effect reduced the UK's exposure to some of the short term volatility that we have experienced this past year in the exchange rate markets. There is, however, the continuing issue of the weak Pound versus the Euro and the price impact that this is having on all UK businesses that import product from abroad. This exchange issue is being managed on an ongoing basis by the directors.

ERCO Lighting, along with all other companies around the world, will be impacted by the ongoing global recession in 2009. The directors do however believe that ERCO Lighting does have sufficient reserves and the correct business strategy going forward to maintain both its presence and its aspiration for market growth.

Results and KPI's

Turnover in the year was up 12.6% on the prior year. The increase in turnover was as a direct result of our improved sales performance in both our core day to day projects and also across our larger projects business in all sales territories in the UK.

Gross profit increased by 4.97% on the prior year. This was a direct result of the higher turnover and also the balance of core projects compared with fewer large projects, generating better margins. Administration costs, excluding Salaries and bonus provisions, were again kept under the budgeted level. Personnel costs were up around 7.5% versus the prior year owing mainly to investment in additional selling personnel.

Outstanding debtor balances decreased in the year by 54.4% to £541,429 (2007 £1,188,598) with trade debtor days currently standing at 18 days (2007: 45 Days). Cash at bank currently reflects an increase of 63 % to £2,883,045 (2007: £1,762,496) compared to the prior year, due mainly to better cash collection in the year. Stock levels, whilst still extremely low, have increased to £26,951 (2007:£10,484).

Directors' report *(continued)*

Proposed dividend and transfer to reserves

The profit for the year was £505,658 (2007: £365,310). The directors do not recommend the payment of a dividend (2007: nil).

Directors and directors' interests

The directors who held office during the year were as follows:

CJ Tiernan
MO Schreiter
D Stahlschmidt

None of the directors who held office at the end of the financial year had any disclosable interest in the issued share capital of any group company.

Political and charitable contributions

The company made no political contributions during the year.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

2 June 2009

CJ Tiernan
Director

38 Dover Street
London
W1S 4NL

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 company and to prevent and detect fraud and other irregularities.

KPMG LLP

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Erco Lighting Limited

We have audited the financial statements of Erco Lighting Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. 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 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 auditor's 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Independent auditors' report to the members of Erco Lighting Limited *(continued)*

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

11 June 2009

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

Profit and Loss Account
for the year ended 31 December 2008

	Note	2008 £	2007 £
Turnover	*1,2*	**9,480,612**	8,415,894
Cost of sales		**(6,041,511)**	(5,139,681)
Gross profit		**3,439,101**	3,276,213
Distribution costs		**(61,757)**	(140,249)
Administrative expenses		**(2,733,733)**	(2,664,850)
Operating profit		**643,611**	471,114
Other interest receivable and similar income	*6*	**88,118**	71,098
Interest payable and similar charges	*7*	**(5,276)**	(4,590)
Profit on ordinary activities before taxation	*3-7*	**726,453**	537,622
Tax on profit on ordinary activities	*8*	**(220,795)**	(172,312)
Profit for the financial year		**505,658**	365,310

The results arise wholly from continuing operations.

There is no difference between the result as disclosed in the profit and loss account and the result on an historic cost basis.

The company has no recognised gains or losses other than those reported in the profit and loss account. Accordingly a statement of total recognised gains and losses has not been prepared.

A statement of movements in shareholders' funds is given in note 16 to these financial statements.

Balance Sheet
at 31 December 2008

	Note	2008		2007	
		£	£	£	£
Fixed assets					
Tangible assets	9		103,720		170,462
Current assets					
Stocks	10	26,951		10,484	
Debtors	11	541,429		1,188,598	
Cash at bank and in hand		2,883,045		1,762,496	
		3,451,425		2,961,578	
Creditors: amounts falling due within one year	12	(1,234,543)		(1,317,096)	
Net current assets			2,216,882		1,644,482
Net assets			2,320,602		1,814,944
Capital and reserves					
Called up share capital	15		550,000		550,000
Profit and loss account	16		1,770,602		1,264,944
Shareholders' funds			2,320,602		1,814,944

The notes on pages 9 to 16 form part of the financial statements.

These financial statements were approved by the board of directors on 2 June 2009 and were signed on its behalf by:

CJ Tiernan
Director

Cash Flow Statement

for the year ended 31 December 2008

	Note	2008		2007	
		£	£	£	£
Reconciliation of operating profit to net cash flow from operating activities					
Operating profit			643,611		471,114
Depreciation charges		82,047		91,737	
Profit on sale of fixed assets		(12,786)		(20,081)	
(Increase)/decrease in stocks		(16,467)		11,770	
Decrease/(increase) in debtors		646,129		(193,543)	
(Decrease)/increase in creditors		(82,553)		279,849	
			616,370		169,732
Net cash inflow from operating activities			1,259,981		640,846

Cash flow statement

Net cash inflow from operating activities			1,259,981		640,846
Returns on investments and servicing of finance					
Interest Received		88,118		71,097	
Interest Paid		(5,276)		(4,590)	
			82,842		66,507
Taxation			(219,755)		(202,658)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(34,481)		(65,953)	
Sale of tangible fixed assets		31,962		28,316	
			(2,519)		(37,637)
Cash (outflow)/inflow before management of liquid resources and financing			1,120,549		467,058
Management of liquid resources			(126,281)		(23,973)
Increase/(decrease) in cash in the period			994,268		443,085

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

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

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	-	over remaining period of lease (or economic life where shorter)
Plant and machinery	-	3 years
Fixtures, fittings, tools and equipment	-	5 years
Motor vehicles	-	3 years

Foreign currencies

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Expenditure on operating leases is charged to the profit and loss account on a basis representative of the benefit derived from the asset.

Post-retirement benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes *(continued)*

1 Accounting policies *(continued)*

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of lighting equipment and associated services to customers during the year.

Turnover from the provision of services is recognised on delivery of those services.

Provisions

A provision is recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation. In accordance with these principles, a provision has been recognised under the WEEE (Waste, Electrical and Electronic Equipment) Directive in these financial statements. This provision is shown in note 12, and represents a best estimate of the anticipated future costs to dispose of equipment falling under the WEEE Directive.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds.

2 Analysis of turnover and profit on ordinary activities before taxation

Of total turnover of £9,480,612 *(2007: £8,415,894)*, £8,610,441 *(2007:£7,840,953)* represents sales in the UK and the remaining £870,171 *(2007: £574,941)* overseas sales.

All of the company's profit before interest and tax arises in the UK. All of the company's net assets are located in the UK.

Notes *(continued)*

3 Notes to the profit and loss account

	2008 £	2007 £
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets	**82,047**	91,737
(Profit)/loss on disposal of tangible fixed assets	**(12,786)**	(20,081)
Hire of other assets - operating leases	**168,605**	157,618
Foreign exchange (gains)/losses	**(114,896)**	(12,626)

Auditors' remuneration:

	2008 £	2007 £
Audit of these financial statements	**20,600**	20,430

4 Remuneration of directors

	2008 £	2007 £
Directors' emoluments	**161,282**	155,680
Company contributions to money purchase pension schemes	**19,451**	17,233
	180,733	172,913

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was 34 *(2007: 32)*.

The aggregate payroll costs of these persons were as follows:

	2008 £	2007 £
Wages and salaries	**1,387,357**	1,305,846
Social security costs	**197,811**	180,432
Other pension costs	**118,053**	98,096
	1,703,221	1,584,374

Notes *(continued)*

6 Other interest receivable and similar income

	2008 £	2007 £
Bank interest received	**88,118**	71,098

7 Interest payable and similar charges

	2008 £	2007 £
Bank charges	**5,276**	4,590

8 Taxation

Analysis of charge in period

	2008 £	2007 £
UK corporation tax		
Current tax on income for the period	**217,300**	171,453
Adjustments in respect of prior periods	**2,455**	-
Total current tax	**219,755**	171,453
Deferred tax (see note 13)	**1,040**	859
Tax on profit on ordinary activities	**220,795**	172,312

Factors affecting the tax charge for the current period

The current tax charge for the period is higher *(2007: higher)* than the standard rate of corporation tax in the UK 28.5% *(2007: 30 %)*. The differences are explained below.

	2008 £	2007 £
Current tax reconciliation		
Profit on ordinary activities before tax	**726,453**	537,621
Current tax at 28.5% *(2007: 30%)*	**207,039**	161,286
Effects of:		
Expenses not deductible for tax purposes	**11,301**	14,028
Capital allowances for period in excess of depreciation	**(141)**	(2,360)
Other timing differences	**(899)**	(1,501)
Adjustments to tax charge in respect of previous periods	**2,455**	-
Total current tax charge (see above)	**219,755**	171,453

Notes *(continued)*

9 Tangible fixed assets

	Leasehold improvements	Plant and machinery	Fixtures, Fittings, tools and equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At beginning of year	581,404	116,178	853,600	109,351	1,660,533
Additions	-	11,481	-	23,000	34,481
Disposals	-	(28,781)	(17,438)	(74,352)	(120,571)
At end of year	581,404	98,878	836,162	57,999	1,574,443
Depreciation					
At beginning of year	(581,404)	(101,858)	(751,467)	(55,342)	(1,490,071)
Charge for year	-	(10,841)	(48,807)	(22,399)	(82,047)
On disposals	-	27,854	17,438	56,103	101,395
At end of year	(581,404)	(84,845)	(782,836)	(21,638)	(1,470,723)
Net book value					
At 31 December 2008	**-**	**14,033**	**53,326**	**36,361**	**103,720**
At 31 December 2007	-	14,320	102,133	54,009	170,462

10 Stocks

	2008	2007
	£	£
Finished goods and goods for resale	**26,951**	10,484

11 Debtors

	2008	2007
	£	£
Trade debtors	**458,451**	1,052,275
Amounts owed by group undertakings	**39,218**	61,345
Other debtors	**9,652**	8,266
Deferred tax (see note 13)	**24,820**	25,860
Prepayments and accrued income	**9,288**	40,852
	541,429	1,188,598

All debts fall due within one year *(2007: within one year).*

Notes *(continued)*

12 Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	**137,191**	52,013
Amounts owed to group undertakings	**37,812**	254,003
Taxation and social security	**390,313**	412,815
Other creditors	**16,450**	14,030
Accruals and deferred income	**622,777**	554,235
Provision under WEEE Directive	**30,000**	30,000
	1,234,543	1,317,096

13 Deferred tax

The elements of deferred taxation are as follows:

	2008 £	2007 £
Difference between accumulated depreciation and amortisation and capital allowances	**24,820**	25,860

The reduction in the deferred tax asset balance of £1,040 *(2007:£859)* represents the amount relieved against tax in the period (see note 8).

14 Analysis of net funds

	2007 £	Cash flows £	2008 £
Cash in hand and at bank	636,878	994,268	**1,631,146**
Cash on deposit	1,125,618	126,281	**1,251,899**
Net funds	1,762,496	1,120,549	**2,883,045**

15 Called up share capital

	2008 £	2007 £
Authorised		
Ordinary shares of £1 each	**1,000,000**	1,000,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	**550,000**	550,000

Notes *(continued)*

16 Reconciliation of movement in shareholders' funds

	Share capital £	Profit and Loss account £	Shareholders' Funds £
At the beginning of the year	550,000	1,264,944	1,814,944
Profit for the financial year	-	505,658	505,658
At the end of the year	**550,000**	**1,770,602**	**2,320,602**

17 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2008		2007	
	Land and buildings £	**Other £**	Land and buildings £	Other £
Operating leases which expire:				
Within one year	**62,500**	**22,487**	-	981
In the second to fifth years inclusive	**-**	**94,498**	125,000	50,859
	62,500	**116,985**	125,000	51,840

There were no material capital commitments undertaken as at the year end.

18 Pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £118,053 *(2007: £98,096)*.

At the year end contributions amounting to £12,934 *(2007: £16,705)* were payable to the funds and included in creditors.

Notes *(continued)*

19 Related party disclosures

The company purchases goods for resale from its immediate parent company and is charged freight and handling fees on these goods. The company earns commission on sales income from export projects undertaken by its immediate parent company and in addition charges its parent company with costs incurred in the UK on its behalf. It had the following transactions with this related party during the year:

	2008	2007
	£	£
Revenue transactions:		
Purchases of goods for resale	**4,546,940**	4,258,232
Freight and handling fees	**90,939**	85,164
Expenses chargeable to parent company	**427,359**	415,861
Balances outstanding at the year end were:		
Amounts owed to parent undertaking	**(37,812)**	(254,003)
Amounts due from parent undertaking	**39,218**	61,345

Premises occupied by the company are owned by Maack Gbr. The entity of Maack Gbr is wholly constituted by close family members of Tim Maack who was a director of the parent company during the year. Accordingly, Maack Gbr falls within the definition of related party as laid down by Financial Reporting Standard 8. The company had the following transactions with Maack Gbr during the year:

	2008	2007
	£	£
Revenue transactions:		
Service charges and rental for the year	**100,044**	109,182
Amounts included in creditors:	**25,000**	30,000
Amounts included in debtors:	**-**	(31,250)

All of the above transactions were carried out at arm's length.

20 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of ERCO GMBH (formally ERCO Leutchen GMBH) which is the ultimate parent company incorporated in Germany. The consolidated financial statements of this group are not available to the public.