

Erco Lighting Limited

**Directors' report and financial
statements**

Registered number 1408064

31 December 2000



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activities

The principal activity of the company is the sale of lighting equipment.

Business review

The company increased its turnover during 2000 by 2.0%. Administrative expenses were significantly reduced resulting in an increase in operating profit from 2.35% to 7.05%.

Proposed dividend and transfer to reserves

The profit before dividends for the year was £330,229 (1999: £48,234).

No dividend was paid during the year (1999: £1,000,000).

Directors and directors' interests

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


KJ Maack
POS Schwarzfischer
M Rowling (resigned 29 June 2000)
GW Teichert

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

Auditors

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

By order of the board



GW Teichert
Director

38 Dover Street
London W1X 3RB

8 March 2001

Statement of directors' responsibilities

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

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



PO Box 695
8 Salisbury square
London
EC4Y 8BB

Auditors' report to the members of Erco Lighting Limited

We have audited the financial statements on pages 4 to 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by 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 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 with the company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

8 March 2001

Profit and loss account

for the year ended 31 December 2000

	Note	2000 £	1999 £
Turnover	2	8,464,431	8,295,129
Cost of sales		(5,030,602)	(5,013,165)
Gross profit		3,433,829	3,281,964
Distribution costs		(149,781)	(142,777)
Administrative expenses		(2,687,572)	(2,944,234)
Operating profit		596,476	194,953
Interest receivable and similar income		8,682	16,158
Interest payable and similar charges	4	(6,213)	(7,964)
Profit on ordinary activities before taxation	2-6	598,945	203,147
Tax on profit on ordinary activities	7	(268,716)	(154,913)
Profit for the financial year		330,229	48,234
Retained profit brought forward		761,796	1,713,562
Dividend paid		-	(1,000,000)
Retained profit carried forward		1,092,025	761,796

The results arise wholly from continuing operations.

All recognised gains and losses are included in the above profit and loss account.

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

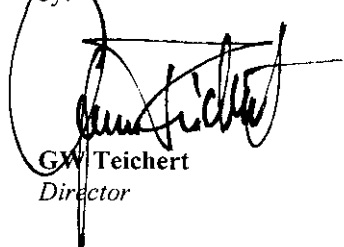
A statement of movements in shareholders' funds is given in note 17 to these financial statements.

Balance sheet

at 31 December 2000

	Note	2000	1999
		£	£
Fixed assets			
Tangible assets	8	578,020	859,652
Current assets			
Stocks	9	214,040	281,782
Debtors	10	1,407,479	1,115,767
Cash at bank and in hand		905,285	301,478
		<u>2,526,804</u>	<u>1,699,027</u>
Creditors: amounts falling due within one year	11	<u>(1,405,465)</u>	<u>(1,215,692)</u>
Net current assets		<u>1,121,339</u>	<u>483,335</u>
Total assets less current liabilities		<u>1,699,359</u>	<u>1,342,987</u>
Provisions for liabilities and charges	12	(57,334)	(31,191)
Net assets		<u>1,642,025</u>	<u>1,311,796</u>
Capital and reserves			
Called up share capital	16	550,000	550,000
Profit and loss account	17	1,092,025	761,796
Equity shareholders' funds		<u>1,642,025</u>	<u>1,311,796</u>

These financial statements were approved by the board of directors on 8 March 2001 and were signed on its behalf by:


G.W. Teichert
Director

Cash flow statement

for the year ended 31 December 2000

	Note	2000	1999
		£	£
Net cash inflow from operating activities	<i>13</i>	745,813	304,274
Return on investments and servicing of finance			
Interest received		8,682	16,158
Interest paid		(6,214)	(7,964)
		<hr/>	<hr/>
Net cash inflow from return on investment and servicing of finance		2,468	8,194
Taxation		(92,572)	(224,263)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(141,737)	(176,859)
Sale of tangible fixed assets		89,835	28,823
		<hr/>	<hr/>
Net cash outflow from investing activities		(51,902)	(148,036)
Equity dividends paid		-	(1,000,000)
Management of liquid resources		(503,653)	-
		<hr/>	<hr/>
increase/(Decrease) in cash	<i>14</i>	100,154	(1,059,831)

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 company's 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 by the company 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	-	33 1/3% per annum
Fixtures, fittings, tools and equipment	-	20% per annum
Motor vehicles	-	33 1/3% per annum

Foreign exchange

Transactions denominated in foreign currencies are translated at average exchange rates. Assets and liabilities denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date.

Stock

Stock is valued at the lower of cost or net realisable value.

Leased assets

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 amounts charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual asset or liability will crystallise.

Notes (continued)

2 Turnover

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

£8,025,242 (1999: £8,039,454) represents sales in the UK and the remaining £439,189 (1999: £255,675) overseas sales.

3 Profit on ordinary activities before taxation

	2000 £	1999 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit	18,500	17,650
Depreciation of tangible fixed assets	374,131	386,079
Rentals payable under operating leases:		
Other assets	217,120	187,944

4 Interest payable and similar charges

	2000 £	1999 £
On bank loans and overdrafts	6,213	7,964

5 Remuneration of directors

The remuneration of the directors, part of which was paid by Erco Leuchten GmbH and then recharged to the company in respect of management services, is as follows:

	2000 £	1999 £
Directors' emoluments	180,644	320,650
Pension contributions	25,028	56,182
	<hr/> 205,672	<hr/> 376,832

The aggregate emoluments of the highest paid director was £107,368 (1999: £138,771), and pension contributions of £14,078 (1999: £26,145) were made to a defined contribution scheme on his behalf.

Notes (continued)

6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was 43 (1999: 43).

The aggregate payroll costs of these persons were as follows:

	2000 £	1999 £
Wages and salaries	1,344,045	1,329,805
Social security costs	158,042	141,776
Company pension contributions	104,768	115,970
	<hr/> 1,606,855	<hr/> 1,587,551

7 Taxation

Taxation based on the profit for the year is as follows:

	2000 £	1999 £
UK corporation tax at 30% (1999: 30.25%) on the profit for the year on ordinary activities	230,750	127,675
Adjustment relating to prior years	11,823	(3,953)
Deferred tax	26,143	31,191
	<hr/> 268,716	<hr/> 154,913

Notes (continued)

8 Tangible fixed assets

	Leasehold improvements	Plant and machinery	Fixtures fittings tools and equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At beginning of year	581,404	129,847	727,786	425,613	1,864,650
Additions	-	39,745	45,152	56,840	141,737
Disposals	-	-	45,279	208,378	253,657
At end of year	581,404	169,592	727,659	274,075	1,752,730
Depreciation and diminution in value					
At beginning of year	240,584	92,021	467,800	204,593	1,004,998
Charge for year	80,194	37,791	133,559	122,587	374,131
On disposals	-	-	43,343	161,075	204,418
At end of year	320,778	129,812	558,016	166,105	1,174,711
Net book value					
At 31 December 2000	260,626	39,780	169,643	107,970	578,019
At 31 December 1999	340,820	37,826	259,986	221,020	859,652

9 Stocks

	2000 £	1999 £
Finished goods and goods for resale	214,040	281,782

Notes *(continued)*

10 Debtors

	2000 £	1999 £
Trade debtors	1,218,972	1,054,340
Amounts owed by parent undertaking	111,070	1,996
Other debtors	25,986	8,773
Prepayments	51,451	50,658
	<hr/>	<hr/>
	1,407,479	1,115,767

11 Creditors: amounts falling due within one year

	2000 £	1999 £
Trade creditors	225,453	227,789
Amounts owed to parent undertaking	285,172	169,607
Other creditors including taxation and social security:		
Corporation tax	278,235	128,235
Other taxes and social security	338,633	378,872
	<hr/>	<hr/>
	616,868	507,107
Accruals	277,972	311,189
	<hr/>	<hr/>
	1,405,465	1,215,692

Notes (continued)

12 Provisions for liabilities and charges

	Deferred taxation £
At beginning of year	31,191
Amount provided	26,143
At end of year	57,334

The amounts provided for deferred taxation and the amounts of the full potential liability are set out below:

	Amount provided		Full potential liability	
	2000	1999	2000	1999
	£	£	£	£
Excess of tax allowances received over the related depreciation	57,334	31,191	57,334	31,191

13 Reconciliation of operating profit to net cash inflow from operating activities

	2000 £	1999 £
Operating profit	596,476	194,953
Depreciation charge	374,131	386,079
Profit on sale of tangible fixed assets	(40,596)	(4,621)
Decrease/(increase) in stocks	67,742	(81,938)
Increase in debtors	(291,712)	(38,826)
Increase/(decrease) in creditors	39,772	(151,373)
Net cash inflow from operating activities	745,813	304,274

Notes (continued)

14 Reconciliation of net cash flow to movement in net funds

	2000 £	1999 £
Increase/(decrease) in cash in the year	100,154	(1,059,831)
Cash used to increase liquid resources	503,653	-
Change in net funds	603,807	(1,059,831)
Net funds at beginning of year	301,478	1,361,309
Net funds at end of year	905,285	301,478

15 Analysis of net funds

	1999 £	Cash flows £	2000 £
Cash in hand and at bank	301,478	100,154	401,632
Cash on deposit	-	503,653	503,653
Net funds	301,478	603,807	905,285

16 Called up share capital

	2000 £	1999 £
<i>Authorised</i>		
Ordinary shares of £1 each	1,000,000	1,000,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	550,000	550,000

Notes (continued)

17 Movement in shareholder's funds

	Share capital £	Profit and loss account £	Shareholder's funds £
At the beginning of the year	550,000	761,796	1,311,796
Profit for the financial year	-	330,229	330,229
At the end of the year	550,000	1,092,025	1,642,025

18 Commitments

(i) Financial commitments

Annual commitments under operating leases are as follows:

	2000 £	1999 £
Land and building:		
Operating lease expiring in next year	15,700	-
Operating lease expiring after fifth year	125,000	187,000
Other:		
Operating leases expiring in second to fifth year inclusive	48,126	-
	235,926	187,000

(ii) Capital commitments

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

19 Pension scheme

The company operates a defined contribution scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £104,768 (1999: £115,970).

Contributions amounting to £6,666 (1999: £19,231) were payable to the fund and included in creditors.

Notes (continued)

20 Related party transactions

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.

	£
Revenue transactions:	
Sales of finished goods	5,997
Purchases of goods for resale	4,234,958
Freight and handling fees	84,699
Expenses chargeable to parent company	251,290
Balances outstanding at the year end were:	
Amounts owed to parent undertaking	285,172
Amounts owed by parent undertaking	111,070

Premises occupied by the company are owned by Maack Gbr. The entity of Maack Gbr is wholly constituted by close family members of Klaus Jurgen Maack who is a director of both the company and its parent company. 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.

	£
Revenue transactions:	
Service charges and rental for the year to 31 December 2000	138,193
Amounts included in debtors:	
Prepayment rental	28,846

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

Notes *(continued)*

21 Ultimate parent company

The ultimate parent company is Erco Leuchten GmbH, a company incorporated in Germany. The accounts of this company are not publicly available.

This is also the company which heads the smallest higher group of undertakings for which group accounts are drawn up and of which the company is a member.