

Company registration number 1190834

CANDLELIGHT PRODUCTS LIMITED

ACCOUNTS

For the period ended 31 May 2000

COOPER LANCASTER BREWERS

Chartered Accountants
MANCHESTER



CANDLELIGHT PRODUCTS LIMITED

Report and Accounts - Index

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CANDLELIGHT PRODUCTS LIMITED

Company Details

Directors	S Ingram	(Chairman)
	M Winch	(Managing Director)
	M Crosthwaite	
	S Mayo	
	S Oxley	

Secretary	S Oxley
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Bankers	National Westminster Bank PLC
	Sheffield

Auditors	Cooper Lancaster Brewers
	Manchester

Company Registration Number	1190834
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Registered Office	3 / 4 Parkhouse Lane
	Tinsley
	Sheffield
	S9 1XA

CANDLELIGHT PRODUCTS LIMITED

Report of the Directors

The Directors submit their report to the shareholders, together with the audited accounts, for the period from 1 January 1999 to 31 May 2000.

Principal Activity and Review of the Business

The principal activity of the Company is the design and distribution of housewares, giftware and lighting.

The Company's development and growth continued during 1999/2000 reflecting the focus on product development and customer service. However, the combination of poor trading in summer 1999, together with the disruption caused by operating from seven warehouses, had an adverse impact on trading performance.

During early 2000 all the operational activities of the business were transferred to a 120,000 square foot purpose-built warehouse. Whilst this move proceeded smoothly it nevertheless involved exceptional costs of £163,000.

The company is now beginning to experience substantial consequent operational and efficiency improvements and is very well positioned for the next phase of its development.

Future Development

The Directors are confident in the continuing growth of the business based on its innovative and professional approach to product development, its sales and operational effectiveness, its financial capacity and its strong management team.

Results and Dividends

	2000	1998
	£000	£000
A summary of the results for the year is given below :		
Turnover	21,203	13,737
(Loss) / profit after exceptional items before taxation	(126)	689
Dividends (see below)	24	111
Transfer (from) / to reserves	(135)	382

Dividends paid or proposed are as follows :

'B' Redeemable preference shares	7	9
'B' Ordinary shares	17	11
'A' Ordinary shares	-	91

24	111
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CANDLELIGHT PRODUCTS LIMITED

Report of the Directors

(continued)

Directors

The Directors holding office during the year, and their beneficial interests in the ordinary share capital at 31 May 2000 and 31 December 1998 were as follows:

	2000	1998
S Ingram	18,913	18,913
M Winch	32,117	32,117
M Crosthwaite	2,434	2,434
S Mayo	2,434	2,434
S Oxley	5,449	5,449
C Ustun (deceased 24.11.99)	-	13,333

The Directors do not have any beneficial interests in any of the other classes of share of the Company.

Year 2000 Compliance

The changeover to the Year 2000 was accomplished successfully and all systems are operating as expected. However, the Directors remain vigilant and will continue to monitor all computer systems for any anomalies that could arise. The cost of implementing the Year 2000 action plan was not significant.

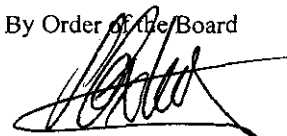
Charitable Donations

The Company made charitable donations during the period totalling £800.

Auditors

Cooper Lancaster Brewers have expressed their willingness to continue in office as auditors and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



S OXLEY
Secretary

13 September 2000

CANDLELIGHT PRODUCTS LIMITED

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
- * 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.

AUDITORS REPORT

To the Shareholders of Candlelight Products Limited

We have audited the financial statements on pages 6 to 20.

Respective responsibilities of Directors and Auditors

As described on page 4, the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 at 31 May 2000, and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Cooper Lancaster Brewers

Manchester

COOPER LANCASTER BREWERS

13 September 2000

Chartered Accountants
Registered Auditors

CANDLELIGHT PRODUCTS LIMITED

Profit and Loss Account

For the period ended 31 May 2000

	Note	17 months to 31 May 2000 £000	12 months to 31 December 1998 £000
Turnover - continuing operations	1	21,203	13,737
Change in stocks of finished goods and work in progress		(210)	(352)
Raw materials and consumables		11,367	7,410
Other external charges		1,524	810
Staff costs	3	3,402	2,311
Depreciation		384	194
Other operating charges		3,963	2,224
Operating profit - continuing operations	2	773	1,140
Interest payable and similar charges	4	(736)	(451)
Profit on ordinary activities before exceptional items		37	689
Exceptional costs relating to warehouse move		(163)	-
(Loss) / profit on ordinary activities before taxation		(126)	689
Taxation on profit on ordinary activities	5	15	(196)
(Loss) / profit on ordinary activities after taxation		(111)	493
Dividends (including non-equity interests)	6	(24)	(111)
Transfer (from) / to reserves	13	(135)	382

Statement of Total Recognised Gains and Losses

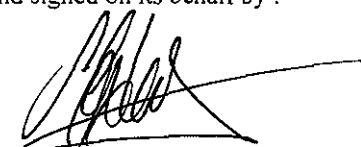
There were no recognised gains or losses for the current or previous periods other than those included in the profit and loss accounts above.

CANDLELIGHT PRODUCTS LIMITED

Balance Sheet At 31 May 2000

	Note	2000 £000	1998 £000
Fixed assets			
Tangible assets	7	1,721	1,308
Fixed asset investments	8	190	43
		1,911	1,351
Current assets			
Stock	9	3,542	3,332
Debtors	10	3,360	2,241
Cash at bank and in hand		4	4
		6,906	5,577
Creditors due within one year	11	(4,669)	(2,525)
Net current assets		2,237	3,052
Total assets less current liabilities		4,148	4,403
Creditors due after one year	11	(1,923)	(2,023)
Net assets		2,225	2,380
Capital and reserves			
Called up share capital	12	123	123
Share premium account	13	360	360
Capital redemption reserve	13	161	161
Profit and loss account	13	1,581	1,736
Shareholders' funds (including non - equity interests)	14	2,225	2,380

The financial statements on pages 6 to 20 were approved by the Board on 13 September 2000 and signed on its behalf by :


S OXLEY Director

CANDLELIGHT PRODUCTS LIMITED

Cash Flow Statement

For the period ended 31 May 2000

	Note	17 months to 31 May 2000 £000	12 months to 31 December 1998 £000
Cash inflow from operating activities	15 a	276	580
Returns on investments and servicing of finance	15 b	(568)	(395)
Taxation		(170)	(265)
Capital expenditure and financial investment	15 b	(208)	(54)
Equity dividends paid		(91)	(108)
Cash outflow before financing		(761)	(242)
Financing :			
(Decrease) in net debt	15 b	(596)	(239)
Redemption of preference shares		(20)	(20)
(Decrease) in cash		(1,377)	(501)
Reconciliation of net cash flow to movement in net debt			
(Decrease) in cash		(1,377)	(501)
Cash outflow from decrease in debt		596	239
Change in net debt resulting from cash flows		(781)	(262)
New finance leases		(743)	(176)
Loan interest accrued into net debt		(110)	(80)
Movement in net debt in the year		(1,634)	(518)
Net debt at 1 January 1999		(3,259)	(2,741)
Net debt at 31 May 2000	15 c	(4,893)	(3,259)

CANDLELIGHT PRODUCTS LIMITED

Statement of Accounting Policies

Accounting convention

The accounts have been prepared under the historical cost convention, and in accordance with applicable Accounting Standards.

Consolidation

The financial statements contain information about Candlelight Products Limited as an individual company and do not contain consolidated financial information as the parent of a group, as the Company is exempt from such disclosure under section 229(5) of the Companies Act 1985.

Turnover

Turnover is the net amount receivable in the ordinary course of business with third parties, for goods sold and services provided, excluding value added tax.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairments.

Depreciation is provided at the following rates in order to write off each asset over its estimated useful life less their estimated residual values :

Freehold land	Nil
Freehold buildings	2% pa
Leasehold buildings	10% pa
Plant and equipment	10% to 50% pa
Motor vehicles	25% pa

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost represents purchase price calculated on a first in first out basis. Net realisable value represents estimated selling price less all costs anticipated to be incurred in marketing, selling and distribution.

Contributions to pension fund

The pension costs charged against profits represent the amount of the contributions payable to a defined contribution scheme in respect of the accounting period.

CANDLELIGHT PRODUCTS LIMITED

Statement of Accounting Policies

(continued)

Leases

Where assets are financed by leasing agreements that give risks and rewards approximating to ownership (finance leases), they are treated as if they had been purchased outright on credit. They are, therefore, initially recorded as a fixed asset and a liability at a sum equal to the fair value of the asset. Leasing payments on such assets are regarded as consisting of a capital element which reduces the outstanding liability and an interest charge to profit and loss account. All other leases are regarded as operating leases and the total payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Deferred taxation

The amount provided for deferred taxation is that which, in the opinion of the Directors, is expected to be payable in the foreseeable future.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the time. Monetary assets and liabilities at the balance sheet date are translated into sterling at the rate of exchange ruling at that date. Stocks are valued at the average rate applying throughout the period over which the stocks were purchased. Exchange differences are taken into account in arriving at the operating profit.

CANDLELIGHT PRODUCTS LIMITED

Notes to the Accounts

At 31 May 2000

	17 months to 31 May 2000 £000	12 months to 31 December 1998 £000
1 Turnover from continuing operations:		
UK	20,664	13,322
Europe	345	236
Others	194	179
	21,203	13,737
2 Operating profit		
The operating profit is stated after charging :		
Depreciation	384	194
Auditors' remuneration - audit fees	9	7
Auditors' remuneration - other	15	8
Operating leases - land and buildings	311	128
Operating leases - other	49	39
3 Directors and employees		
Staff costs include the following remuneration in respect of Directors :		
Aggregate emoluments	647	709
Pension contributions	15	11
	662	720
Highest paid Director :		
Aggregate emoluments	171	212
Pension contributions	1	1
	172	213
Staff costs :		
Wages and salaries	3,113	2,117
Social security costs	268	183
Other pension costs	21	11
	3,402	2,311

CANDLELIGHT PRODUCTS LIMITED

Notes to the Accounts
At 31 May 2000

(continued)

	2000 Number	1998 Number
3 Directors and employees (continued)		
The average monthly number of employees during the year was :		
Distribution	78	64
Sales and administration	81	73
	159	137

Pension scheme contributions

The Company operates two defined contribution pension schemes for the benefit of certain employees. The assets of the schemes are administered by trustees in funds independent from those of the Company. Retirement benefits are accruing to two Directors under two defined contribution schemes.

	17 months to 31 May 2000 £000	12 months to 31 December 1998 £000
4 Interest payable and similar charges		
On bank loans and overdrafts	697	433
Hire purchase interest	39	18
	736	451

5 Taxation

UK corporation tax at 30% (1998 31.0%)

Current	(17)	199
Prior years	2	(3)
	(15)	196

6 Dividends

Dividends paid

Attributable to non-equity interests :

'B' preference dividend	7	9
'B' ordinary dividend	17	11

Dividends proposed

Attributable to equity interests : 'A' ordinary shares	-	91
	24	111

CANDLELIGHT PRODUCTS LIMITED

Notes to the Accounts
At 31 May 2000

(continued)

	Short leasehold land and buildings £000	Freehold land and buildings £000	Plant equipment & vehicles £000	Total £000
7 Tangible fixed assets				
Cost				
At 1 January 1999	-	714	1,390	2,104
Additions	36	-	881	917
Disposals	-	-	(241)	(241)
At 31 May 2000	36	714	2,030	2,780
Depreciation				
At 1 January 1999	-	-	796	796
Charge for the period	2	4	378	384
Disposals	-	-	(121)	(121)
At 31 May 2000	2	4	1,053	1,059
Net book value				
At 31 May 2000	34	710	977	1,721
At 31 December 1998	-	714	594	1,308

Included in tangible fixed assets are assets acquired under finance leases and hire purchase contracts at a cost of £887,000 (1998 - £331,000) and a net book value of £727,000 (1998 - £272,000).

The depreciation charge for the period on assets held under finance leases and hire purchase contracts amounted to £146,000 (1998 - £55,000).

CANDLELIGHT PRODUCTS LIMITED

Notes to the Accounts
At 31 May 2000

(continued)

	Shares £000	Formation Costs £000	Loan £000	Total £000
8 Fixed asset investments - Investment in subsidiary undertakings :				
At 1 January 1999	1	2	40	43
Additions	15	-	-	15
Loan movement	-	-	132	132
At 31 May 2000	16	2	172	190

Candlelight Far East Limited is a wholly owned subsidiary company incorporated in Hong Kong. The company did not trade during the period. The issued share capital is HK\$2 and the authorised share capital is HK\$10,000.

All the other subsidiaries are wholly owned, incorporated in England and are dormant. The authorised and issued share capital of each is £100.

The Directors are of the opinion that none of the subsidiaries are sufficiently material to require inclusion in any group accounts in order for the financial statements of Candlelight Products Limited to give a true and fair view.

	2000 £000	1998 £000
9 Stock		
Work in progress	14	36
Finished goods	3,528	3,296
	3,542	3,332

10 Debtors

Trade debtors	3,043	1,996
Other debtors	13	13
Prepayments and accrued income	284	200
Corporation tax recoverable	20	-
Advance corporation tax recoverable	-	32
	3,360	2,241

CANDLELIGHT PRODUCTS LIMITED

Notes to the Accounts
At 31 May 2000

(continued)

	2000 £000	1998 £000
11 Creditors due within one year		
Bank loans	320	80
Bank overdrafts	2,421	1,044
Trade creditors	1,118	368
Hire purchase loans and finance leases	233	117
Social security and other taxes	166	274
Corporation tax payable	3	201
Other creditors	41	12
Accruals and deferred income	367	338
Proposed dividends	-	91
	4,669	2,525
Creditors due after one year		
Bank loans	1,621	1,936
Hire purchase loans and finance leases	302	87
	1,923	2,023
Loans repayable :		
Within one year	761	395
1 - 2 years	648	507
2 - 5 years	1,814	1,924
Over 5 years	18	464
	3,241	3,290
Less interest allocated to future periods	(765)	(1,070)
	2,476	2,220

The bank loans and overdrafts are secured by a fixed charge over the freehold premises and a floating charge over the other assets of the Company. The interest rates applicable to the loans vary from 9.5% to 17.5%.

CANDLELIGHT PRODUCTS LIMITED

Notes to the Accounts
At 31 May 2000

(continued)

12 Called up share capital	2000 Number	2000 £000	1998 Number	1998 £000
Authorised				
Attributable to equity interests :				
Ordinary shares of £1 each	101,347	101	101,347	101
'A' ordinary shares of £1 each	33,333	33	33,333	33
	134,680	134	134,680	134
Attributable to non-equity interests :				
'B' ordinary shares of £1 each	5,933	6	5,933	6
11% 'A' cumulative redeemable preference shares of £1 each	100,000	100	100,000	100
11% 'B' cumulative redeemable preference shares of £1 each	205,000	205	205,000	205
11% 'A' cumulative redeemable preference shares of 1p each	20,000	-	20,000	-
11% 'B' cumulative redeemable preference shares of 1p each	143,500	1	143,500	1
	609,113	446	609,113	446
Allotted and fully paid				
Attributable to equity interests :				
Ordinary shares of £1 each	82,496	83	82,496	83
'A' ordinary shares of £1 each	33,333	33	33,333	33
	115,829	116	115,829	116
Attributable to non-equity interests :				
'B' ordinary shares of £1 each	5,933	6	5,933	6
11% 'B' cumulative redeemable preference shares of 1p each	51,250	1	71,750	1
	173,012	123	193,512	123

Redemption is written into the agreements under which the shares were issued and is not at the option of the Company, except that the Company may redeem any or all of the 1p 'B' preference shares in advance of the due date in multiples of 10,000 shares.

The 'A' and 'B' ordinary shares can be converted, one for one, into ordinary shares at the option of the holder of the majority of the class. The ordinary shares resulting from conversion rank pari passu in all respects with the other ordinary shares of the Company.

CANDLELIGHT PRODUCTS LIMITED

Notes to the Accounts
At 31 May 2000

(continued)

12 Called up share capital

(continued)

The 1p 'B' cumulative redeemable preference shares carry rights, pari passu, to receive dividends of 11 pence per share, payable half yearly.

The 'B' ordinary shares carry rights to receive dividends of £1.854 per share, payable half yearly.

The 'A' ordinary shares carry rights, pari passu, to receive a dividend based on 10% of adjusted net profit, less the total 'B' ordinary dividend paid in the year.

The 1p 'B' cumulative redeemable preference shares have no voting rights.

On a return of assets on liquidation the payment of liabilities would be applied in the following order :

- 1) 1p 'B' cumulative redeemable preference shares - £1.30 per share plus any arrears of dividends.
- 2) 'A' ordinary shares - £3 per share plus any arrears of dividends.
- 3) 'B' ordinary shares - £16.85 per share plus any arrears of dividends.
- 4) Ordinary shares - £5.09 per share.
- 5) Any remaining balances are distributable, pari passu, between the ordinary, 'A' ordinary, and 'B' ordinary shares.

13 Reserves

	Share Premium Account £000	Capital Redemption Reserve £000	Profit and Loss Account £000	Total £000
At 1 January 1999	360	161	1,736	2,257
	-	-	-	-
Retained (loss)	-	-	(135)	(135)
Redemption of preference shares	-	-	(20)	(20)
At 31 May 2000	360	161	1,581	2,102

CANDLELIGHT PRODUCTS LIMITED

Notes to the Accounts
At 31 May 2000

(continued)

	17 months to 31 May 2000 £000	12 months to 31 December 1998 £000
14 Reconciliation of movement in shareholders funds		
(Loss) / profit for the financial period	(111)	493
Dividends	(24)	(111)
Retained (loss) / profit	(135)	382
Redemption of preference shares	(20)	(20)
Net (deductions from) / additions to shareholders' funds	(155)	362
At 1 January 1999	2,380	2,018
At 31 May 2000	2,225	2,380
Attributable to equity interests	2,074	2,208
Attributable to non-equity interests	151	172
	2,225	2,380

CANDLELIGHT PRODUCTS LIMITED

Notes to the Accounts
At 31 May 2000

(continued)

	17 months to 31 May 2000 £000	12 months to 31 December 1998 £000
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15 Notes to the cash flow statement

a Reconciliation of operating profit to net cash inflow from operating activities :

Operating profit	773	1,140
Exceptional charge	(163)	-
Depreciation charges	384	194
Loss / (profit) on sale of tangible fixed assets	14	(34)
(Increase) in stock	(210)	(352)
(Increase) / decrease in debtors	(1,131)	5
Increase / (decrease) in creditors	609	(373)

Net cash inflow from operating activities

276

580

b Analysis of net cash flows

Returns on investments and servicing of finance

Interest paid	(505)	(357)
Non-equity dividends paid	(24)	(20)
Interest element of finance lease rentals	(39)	(18)

Cash (outflow)

(568)

(395)

Capital expenditure and financial investment

Purchase of tangible fixed assets	(182)	(193)
Sale of tangible fixed assets	106	132
Movement on loan to subsidiary undertaking	(132)	7

Net cash (outflow) before financing

(208)

(54)

(Decrease) in net debt

Repayment of secured loans	(185)	(47)
Capital elements of finance lease rentals	(411)	(192)

Net cash (outflow)

(596)

(239)

CANDLELIGHT PRODUCTS LIMITED

Notes to the Accounts
At 31 May 2000

(continued)

15 Notes to the cash flow statement (continued)

c Analysis of net debt	At 1 January 2000 £000	Cash flow £000	Other changes £000	At 31 May 2000 £000
Cash at bank and in hand	4	-	-	4
Bank overdrafts	(1,044)	(1,377)	-	(2,421)
	(1,040)	(1,377)	-	(2,417)
Bank Loans	(2,016)	185	(110)	(1,941)
Finance leases	(203)	411	(743)	(535)
	(3,259)	(781)	(853)	(4,893)
		2000 £000		1998 £000

16 Capital commitments

Contracted but not provided for in these accounts	30	Nil
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17 Contingent liabilities

Letters of credit	247	268
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18 Leasing commitments

At 31 May 2000, the Company had annual commitments under non-cancellable operating leases as follows :

	Land and buildings		Other assets	
	2000 £000	1998 £000	2000 £000	1998 £000
Operating leases which expire				
Within 1 year	-	128	27	-
In 2 - 5 years	-	-	6	39
After more than five years	306	-	-	-