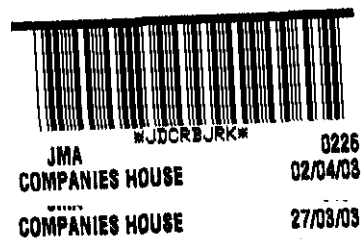


Company registration number 1190834

CANDLELIGHT PRODUCTS LIMITED

ACCOUNTS

For the year ended 31 May 2002



CLB 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
R Vale

Company Secretary

C Maxfield

Bankers

National Westminster Bank PLC
Sheffield

Auditors

CLB
Manchester

Company Registration Number

1190834

Registered Office

Ustun House
Waddington Way
Aldwarke
Rotherham
S65 3SH

CANDLELIGHT PRODUCTS LIMITED

Report of the Directors

The directors submit their report to the shareholders, together with the Group's audited accounts, for the year ended 31 May 2002.

Principal Activity and Review of the Business

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

The Group's development and growth continued during 2001/2002 reflecting the focus on product development and customer services. All wholesale operations now take place under one roof.

Substantial efficiencies continue to be achieved following the transfer of all the Group's sales, design, product development and administrative personnel into new offices which are integral to the new 120,000 square foot purpose-built warehouse facility.

Future Development

The directors are confident in the future development 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

	2002 £000	2001 £000
A summary of the results for the year is given below :		
Turnover	18,047	16,849
Profit on ordinary activities before taxation	1,412	251
Dividends (see below)	229	29
Transfer to reserves	770	84

Dividends paid or proposed are as follows :

'A' Ordinary shares	158	13
'B' Ordinary shares	11	11
'B' Redeemable preference shares	3	5
'C' Ordinary shares	57	-
	229	29

CANDLELIGHT PRODUCTS LIMITED

Report of the Directors

(continued)

Directors

The directors who served during the year, and their beneficial interest in the Ordinary shares of the Company at 31 May 2002 and 31 May 2001 were as follows :

	2002	2001
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 (resigned 26 February 2002)	5,449	5,449
R Vale	-	-

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

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 Group at the end of the year and of the profit or loss of the Group for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on pages 9 and 10, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

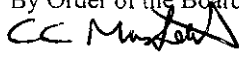
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Charitable Donations

The Group made charitable donations during the year totalling £1,700 (2001 - £200).

Auditors

CLB 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

C MAXFIELD
Company Secretary

7th August 2002

CANDLELIGHT PRODUCTS LIMITED

Independent Auditors' Report to the Members of Candlelight Products Limited

For the year ended 31 May 2002

We have audited the financial statements on pages 5 to 22 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective responsibilities of the directors and the auditors

As described on page 3, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility 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 Group and Company have 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 Group and 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 circumstances of the Company and of the Group, 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 affairs of the Company and the Group as at 31st May 2002 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

CLB.

CLB

Manchester
7th August 2002

Chartered Accountants
Registered Auditors

CANDLELIGHT PRODUCTS LIMITED

Consolidated Profit and Loss Account For the year ended 31 May 2002

	Note	2002 £000	2001 £000
Turnover - continuing operations	1	18,047	16,849
Change in stocks of finished goods and work in progress		(112)	418
Raw materials and consumables		9,996	8,563
Other external charges		818	1,145
Staff costs	3	2,368	2,296
Depreciation		217	296
Other operating charges		3,025	3,161
Operating profit - continuing operations	2	1,735	970
Loss on disposal of fixed assets		(55)	(256)
Interest payable and similar charges	4	(268)	(463)
Profit on ordinary activities before taxation		1,412	251
Taxation on profit on ordinary activities	5	(413)	(138)
Profit on ordinary activities after taxation		999	113
Dividends (including non-equity interests)	6	(229)	(29)
Transfer to reserves	15	770	84

Statement of Total Recognised Gains and Losses

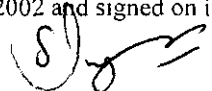
There were no recognised gains or losses for the current or previous periods other than those included in the profit and loss accounts above.

CANDLELIGHT PRODUCTS LIMITED

Consolidated Balance Sheet At 31 May 2002

	Note	2002 £000	2001 £000
Fixed assets			
Tangible assets	8	725	781
		725	781
Current assets			
Property held for resale		-	450
Stock	10	3,619	3,507
Debtors	11	3,269	3,148
Cash at bank and in hand		270	297
		7,158	7,402
Creditors due within one year	12	(4,318)	(4,593)
Net current assets		2,840	2,809
Total assets less current liabilities		3,565	3,590
Creditors due after one year	12	(528)	(1,292)
Net assets		3,037	2,298
Capital and reserves			
Called up share capital	14	122	122
Share premium account	15	360	360
Capital redemption reserve	15	162	162
Profit and loss account	15	2,393	1,654
Shareholders' funds (including non - equity interests)	16	3,037	2,298

The financial statements on pages 5 to 22 were approved by the Board on 7th August 2002 and signed on its behalf by:


S INGRAM

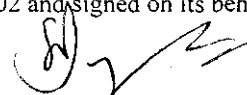
Director

CANDLELIGHT PRODUCTS LIMITED

Company Balance Sheet At 31 May 2002

	Note	2002 £000	2001 £000
Fixed assets			
Tangible assets	8	725	781
Fixed asset investments	9	283	310
		1,008	1,091
Current assets			
Property held for resale		-	450
Stock	10	3,619	3,507
Debtors	11	3,269	3,148
Cash at bank and in hand		4	5
		6,892	7,110
Creditors due within one year	12	(4,335)	(4,611)
Net current assets		2,557	2,499
Total assets less current liabilities		3,565	3,590
Creditors due after one year	12	(528)	(1,292)
Net assets		3,037	2,298
Capital and reserves			
Called up share capital	14	122	122
Share premium account	15	360	360
Capital redemption reserve	15	162	162
Profit and loss account	15	2,393	1,654
Shareholders' funds (including non - equity interests)	16	3,037	2,298

The financial statements on pages 5 to 22 were approved by the Board on 7th August 2002 and signed on its behalf by:


S INGRAM

Director

CANDLELIGHT PRODUCTS LIMITED

Consolidated Cash Flow Statement
For the year ended 31 May 2002

	Note	2002 £000	2001 £000
Cash inflow from operating activities	17a	767	2,648
Returns on investments and servicing of finance	17b	(296)	(492)
Taxation		(134)	24
Capital expenditure and financial investment	17b	364	59
Equity dividends paid		(24)	-
Cash inflow before financing		677	2,239
Financing :			
Decrease in net debt	17b	(831)	(592)
Redemption of preference shares		(31)	(11)
(Decrease) / increase in cash		(185)	1,636
Reconciliation of net cash flow to movement in net debt			
(Decrease) / increase in cash		(185)	1,636
Cash outflow from decrease in debt		831	592
Change in net debt resulting from cash flows		646	2,228
New finance leases		(126)	(115)
Loan interest accrued into net debt		-	(12)
Movement in net debt in the year		520	2,101
Net debt at 1 June 2001		(2,383)	(4,484)
Net debt at 31 May 2002	17c	(1,863)	(2,383)

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 incorporate the financial statements of the Company and all subsidiary undertakings. The results of companies acquired or disposed are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the company is omitted from the group accounts by virtue of section 230 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 :

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 year.

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

Deferred taxation has been calculated on the full provision method as required by FRS 19. Deferred taxation is provided on timing differences which have originated but not reversed at the balance sheet date, at the rates of tax likely to be in force at the time of the reversal. Timing differences arise due to including gains and losses in tax assessments in periods different to those in the financial statements.

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 year 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 2002

	2002 £000	2001 £000
1 Turnover from continuing operations:		
UK	17,003	16,389
Europe	958	330
Others	86	130
	18,047	16,849
2 Operating profit		
The operating profit is stated after charging :		
Depreciation	217	296
Auditors' remuneration - audit fees	12	8
Auditors' remuneration - other	8	6
Operating leases - land and buildings	325	308
Operating leases - other	34	30
3 Directors and employees		
Staff costs include the following remuneration in respect of Directors :		
Aggregate emoluments	882	437
Pension contributions	3	5
	885	442
Included within directors emoluments above is an amount of £55,500 in relation to compensation for loss of office, which was paid subsequent to the year end.		
Highest paid Director :		
Aggregate emoluments	350	158
Pension contributions	1	1
	351	159

CANDLELIGHT PRODUCTS LIMITED

Notes to the Accounts
At 31 May 2002

(continued)

3 Directors and employees (continued)

Staff costs :

	2002 £000	2001 £000
Wages and salaries	2,174	2,112
Social security costs	190	179
Other pension costs	4	5
	2,368	2,296

	2002 Number	2001 Number
The average monthly number of employees during the year was :		
Distribution	46	66
Sales and administration	64	74
	110	140

Pension scheme contributions

During the year ended 31 May 2002, the Company operated two defined contribution pension schemes for the benefit of certain employees. As of the 1 June 2002 the company ceased to operate one of these schemes. The assets of the schemes are administered by trustees in funds independent from those of the Company. During the year ended 31 May 2002, retirement benefits were accruing to two directors under two defined contribution schemes. As of the 1 June 2002 retirement benefits are accruing to one director under a defined contribution scheme.

4 Interest payable and similar charges

	2002 £000	2001 £000
On bank loans and overdrafts	239	427
Hire purchase interest	29	36
	268	463

CANDLELIGHT PRODUCTS LIMITED

Notes to the Accounts
At 31 May 2002

(continued)

	2002 £000	2001 £000
5 Taxation		
UK corporation tax at 30% (2001 25%)		
Current	424	145
Prior years	(11)	(7)
	<u>413</u>	<u>138</u>

6 Dividends

Dividends paid

Attributable to equity interests :

'A' ordinary dividend

-

-

'C' ordinary dividend

10

-

Attributable to non-equity interests :

'B' ordinary dividend

11

-

'B' preference dividend

3

3

Dividends proposed

Attributable to equity interests :

'A' ordinary dividend

158

13

'C' ordinary dividend

47

-

Attributable to non equity interests :

'B' ordinary dividend

-

11

'B' preference dividend

-

2

229

29

7 Profit attributable to members of the parent company

The profit dealt with in the accounts of the parent company was £770,000 (2001 : £84,000).

CANDLELIGHT PRODUCTS LIMITED

Notes to the Accounts
At 31 May 2002

(continued)

	Short leasehold land and buildings £000	Plant equipment & vehicles £000	Total £000
8 Tangible fixed assets			
Group and Company			
Cost			
At 1 June 2001	38	1,366	1,404
Additions	5	197	202
Disposals	-	(168)	(168)
At 31 May 2002	43	1,395	1,438
Depreciation			
At 1 June 2001	5	618	623
Charge for the year	5	212	217
Disposals	-	(127)	(127)
At 31 May 2002	10	703	713
Net book value			
At 31 May 2002	33	692	725
At 31 May 2001	33	748	781

Included in tangible fixed assets are assets acquired under finance leases and hire purchase contracts at a cost of £708,000 (2001 - £746,000) and a net book value of £514,000 (2001 - £563,000).

The depreciation charge for the year on assets held under finance leases and hire purchase contracts amounted to £91,000 (2001 - £112,000).

CANDLELIGHT PRODUCTS LIMITED

Notes to the Accounts
At 31 May 2002

(continued)

	Shares £000	Formation Costs £000	Loan £000	Total £000
9 Fixed asset investments - Investment in subsidiary undertakings :				
At 1 June 2001	16	2	292	310
Loan movement	-	-	(27)	(27)
At 31 May 2002	16	2	265	283

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

All the other subsidiaries are wholly owned, registered in England and Wales and are dormant. The authorised and issued share capital of each is 100 Ordinary shares of £1 each.

All subsidiary companies act as undisclosed agents for Candlelight Products Limited.

	2002 £000	2001 £000
10 Stock		
Group and Company		
Finished goods	3,619	3,507
	3,619	3,507

11 Debtors		
Group and Company		
Trade debtors	2,990	2,818
Other debtors	24	36
Prepayments and accrued income	255	294
	3,269	3,148

CANDLELIGHT PRODUCTS LIMITED

Notes to the Accounts
At 31 May 2002

(continued)

	Group		Company	
	2002	2001	2002	2001
	£000	£000	£000	£000
12 Creditors due within one year				
Bank loans (see below)	342	320	342	320
Bank overdrafts	1,064	906	1,064	906
Trade creditors	1,287	2,146	1,287	2,146
Hire purchase loans and finance leases	198	162	198	162
Social security and other taxes	204	219	204	219
Corporation tax payable	424	145	424	145
Other creditors	20	10	37	27
Accruals and deferred income	575	659	575	660
Proposed dividends	204	26	204	26
	4,318	4,593	4,335	4,611

Creditors due after one year

Bank loans	381	1,078	381	1,078
Hire purchase loans and finance leases	147	214	147	214
	528	1,292	528	1,292

Borrowings excluding overdrafts are repayable as follows:

Within one year	540	482	540	482
1 - 2 years	460	527	460	527
2 - 5 years	68	765	68	765
Over 5 years	-	-	-	-
	1,068	1,774	1,068	1,774

The bank loans and overdrafts were secured by a fixed charge over the freehold premises and a floating charge over the other assets of the Group. The interest rates applicable to the loans were fixed rates of 9.5% to 11.5% and are currently variable rates from 1.75% to 4% over the base rate.

At the balance sheet date the freehold property had been sold and the associated loan fully paid off. The remaining loan is secured by way of a floating charge over the other assets of the Group with interest at the variable rates of 1.75% to 4% over the base rate.

CANDLELIGHT PRODUCTS LIMITED

Notes to the Accounts
At 31 May 2002

(continued)

13 Deferred taxation

Group and Company

The potential asset in respect of deferred taxation consists of the tax effect of timing differences in respect of:

Deficit of taxation allowances over depreciation	-	-	-	33
--	---	---	---	----

14 Called up share capital

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
'C' ordinary shares of 1p each	13,529	-	-	-
	148,209	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
	622,642	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
'C' ordinary shares of 1p each	13,529	-	-	-
	129,358	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	10,250	-	41,000	-
	145,541	122	162,762	122

CANDLELIGHT PRODUCTS LIMITED

Notes to the Accounts
At 31 May 2002

(continued)

14 Called up share capital (continued)

Redemption is written into the agreements under which the shares were issued and is not at the option of the Company.

The 'A', 'B' and 'C' 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.

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

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

The 'C' Ordinary shares carry rights to receive dividends of 28.73% of the total dividend paid to the 'A' and 'B' Ordinary shares. The 'C' Ordinary shares were subscribed during the year at par.

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

- 1) 'A' Ordinary shares - £3.00 per share plus any arrears of dividends.
- 2) 'B' Ordinary shares - £16.85 per share plus any arrears of dividends.
- 3) 'C' Ordinary shares - £0.01 per share plus any arrears of dividends.
- 4) Ordinary shares - £5.09 per share.
- 5) Any remaining balances are distributable, pari passu, between the 'A', 'B' and 'C' Ordinary shares.

All Ordinary shares carry one vote. The 1p 'B' cumulative redeemable preference shares which carry no voting rights were redeemed on 1 July 2002.

CANDLELIGHT PRODUCTS LIMITED

Notes to the Accounts
At 31 May 2002

(continued)

	Share Premium Account £000	Capital Redemption Reserve £000	Profit and Loss Account £000	Total £000
15 Reserves				
Group and Company				
At 1 June 2001	360	162	1,654	2,176
Retained profit	-	-	770	770
Redemption of preference shares	-	-	(31)	(31)
At 31 May 2002	360	162	2,393	2,915
		2002 £000		2001 £000

16 Reconciliation of movement in shareholders' funds

Profit for the financial year	999	113
Dividends	(229)	(29)
Retained profit	770	84
Redemption of preference shares	(31)	(11)
Net additions to shareholders' funds	739	73
At 1 June 2001	2,298	2,225
At 31 May 2002	3,037	2,298
Attributable to equity interests	2,927	2,157
Attributable to non-equity interests	110	141
	3,037	2,298

CANDLELIGHT PRODUCTS LIMITED

Notes to the Accounts
At 31 May 2002

(continued)

17 Notes to the consolidated cash flow statement

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

	2002 £000	2001 £000
Operating profit	1,735	970
Depreciation charges	217	296
(Profit) on sale of tangible fixed assets	(4)	(7)
(Increase) / decrease in stock	(112)	418
(Increase) / decrease in debtors	(121)	193
(Decrease) / increase in creditors	(948)	778

Net cash inflow from operating activities	767	2,648
---	-----	-------

b Analysis of net cash flows

Returns on investments and servicing of finance

Interest paid	(239)	(453)
Non-equity dividends paid	(28)	(3)
Interest element of finance lease rentals	(29)	(36)

Cash outflow	(296)	(492)
--------------	-------	-------

Capital expenditure and financial investment

Purchase of tangible fixed assets	(45)	(45)
Sale of tangible fixed assets	409	104

Net cash inflow before financing	364	59
----------------------------------	-----	----

Decrease in net debt

Repayment of secured loans	(675)	(318)
Capital elements of finance lease rentals	(156)	(274)

Net cash outflow	(831)	(592)
------------------	-------	-------

CANDLELIGHT PRODUCTS LIMITED

Notes to the Accounts
At 31 May 2002

(continued)

17 Notes to the consolidated cash flow statement (continued)

c Analysis of net debt

	At 1 June 2001 £000	Cash flow £000	Other changes £000	At 31 May 2002 £000
Cash at bank and in hand	297	(27)	-	270
Bank overdrafts	(906)	(158)	-	(1,064)
	(609)	(185)	-	(794)
Bank loans	(1,398)	675	-	(723)
Finance leases	(376)	156	(126)	(346)
	(2,383)	646	(126)	(1,863)

2002	2001
£000	£000

18 Capital commitments

Contracted but not provided for in these accounts	53	30
---	----	----

19 Contingent Liabilities

Letters of credit	194	149
-------------------	-----	-----

20 Leasing commitments

At 31 May 2002, the Group had annual commitments under non-cancellable operating leases as follows :

	Land and buildings		Other assets	
	2002	2001	2002	2001
	£000	£000	£000	£000
Operating leases which expire				
Within 1 year	-	-	-	-
In 2 - 5 years	-	-	34	34
After more than five years	325	325	-	-