

2003-2004

Addis Housewares Limited

Report and Financial Statements

31 December 2003

 **ERNST & YOUNG**



Addis Housewares Limited

Registered No: 2881663

Directors

R Andreas
A Messink
J Newcomb
F Scheppers

Secretary

R J Tucker

Auditors

Ernst & Young LLP
One Bridewell Street
Bristol
BS1 2AA

Bankers

Halifax Bank of Scotland
New Uberior House
11 Earl Grey Street
Edinburgh
EH3 9BN

Solicitors

Eversheds LLP
1 Callaghan Square
Cardiff
CF10 5BT

Registered Office

River Bank
Swansea
SA1 7DD

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The principal activity of the company is the manufacture and sale of household and light commercial products and commercial cleaning equipment.

Business review

Details of the trading activities and financial position of the company are shown on pages 5 and 6.

Dividends and transfers to reserves

The directors do not propose the payment of a dividend for the year (2002: £nil). The loss for the year of £1,473,000 (2002: £271,000) was transferred to reserves.

Directors' and their interests

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

C S Alexander	(resigned 2 May 2003)
R Andreas	(appointed 22 December 2003)
A Messink	
J Newcomb	
F Schepers	(appointed 22 December 2003)
F-J Wulf	(resigned 30 January 2004)

The interests of Mr F-J Wulf, A Messink, F Schepers and R Andreas in the share capital of group companies are shown in the financial statements Addis Group Limited. Mr F-J Wulf's interest in the share capital of EMSA AG is disclosed in the financial statements of that company.

On 22 December 2003, Mr F-J Wulf and his family acquired a 50% share of Addis Group Limited, this company's immediate parent undertaking. No other directors had any interests in the share capital of any group company at the year end.

Post balance sheet events

On 3 March 2004, the Commercial export and manufacturing business was sold to Crisp Clean Services Limited.

The Addis premises are situated on the east side of the River Tawe, north of Swansea City centre. This area has been developed by Swansea City and County Council during 2003 and continues to be developed in 2004. In September of 2004 a new retail park opens opposite our premises. In September 2005 the White Rock soccer and rugby stadium will open. It is the intention of the board of directors to redevelop the Addis premises for alternative uses in order to maximise the value of this asset. The company intends to rent an alternative site in the Swansea area once the sale of the current site is complete.

Employee information

The company continued its procedures for communicating and consulting with employees during the year, including involving them in matters which affect their interest as employees.

The policy of the company is to achieve a high standard of health, safety and welfare at work for all employees.

Directors' report

The engagement and continuing employment of disabled persons remained part of the company's policy. Where such individuals have the appropriate experience, ability and qualifications to do the job, they are offered equal opportunities for training, career development and promotion as are offered to those who are not disabled.

Secretary

R. F. Tucker

Date

11 October 2004

Statement of directors' responsibilities in respect of the financial statements

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; 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 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.

Independent auditors' report

to the members of Addis Housewares Limited

We have audited the company's financial statements for the year ended 31 December 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 19. These financial statements have been prepared on the basis of 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 auditors' 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is 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 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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with 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 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 affairs of the company as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Registered Auditor

Bristol

Date **28 OCT 2004**

Profit and Loss Account

for the year ended 31 December 2003

	Notes	2003 £000	2002 £000
Turnover	2	27,041	29,799
Cost of sales		(21,061)	(20,520)
Gross profit		5,980	9,279
Distribution costs:			
royalties payable		(805)	(945)
other		(5,610)	(5,772)
		(6,415)	(6,717)
Administration expenses		(1,999)	(3,010)
Operating loss		(2,434)	(448)
Interest receivable and similar income		76	83
Interest payable and similar charges	3	(21)	(83)
Loss on ordinary activities before taxation	4	(2,379)	(448)
Tax credit on ordinary activities	7	906	177
Loss for the year	15	(1,473)	(271)

Statement of total recognised gains and losses

for the year ended 31 December 2003

The company has no recognised gains and losses other than the loss of £1,473,000 for the year ended 31 December 2003 and the loss of £271,000 for the year ended 31 December 2002.

Balance Sheet

at 31 December 2003

	Notes	2003 £000	2002 £000
Fixed assets			
Tangible assets	8	7,210	8,248
Current assets			
Stocks	9	2,304	2,880
Debtors	10	4,617	5,050
Cash at bank and in hand		2,076	1,601
		<u>8,997</u>	<u>9,531</u>
Creditors: amounts falling due within one year	11	(11,587)	(10,892)
Net current liabilities		<u>(2,590)</u>	<u>(1,361)</u>
Total assets less current liabilities		<u>4,620</u>	<u>6,887</u>
Creditors: amounts falling due after more than one year	12	(515)	(656)
Provision for liabilities and charges	7,13	-	(653)
Net assets		<u>4,105</u>	<u>5,578</u>
Capital and reserves			
Called up share capital	14,15	6,000	6,000
Profit and loss account	15	(1,895)	(422)
Equity shareholders' funds	15	<u>4,105</u>	<u>5,578</u>

These financial statements were approved by the board of directors on 21.10.2004 2004 and were signed on its behalf by:

Director



Notes to the financial statements

at 31 December 2003

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. Under Financial Reporting Standard 1 (Revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary.

Going concern

The financial statements have been prepared on a going concern basis. The company is dependent upon the continuing financial support of its immediate parent company, Addis Group Limited. The company is also dependent upon the continuing financial support of the bankers of the immediate parent company with whom all loans and overdrafts are held. These banking facilities have been extended until 31 March 2005.

The directors have received assurances from Addis Group Limited that it will endeavour to provide continuing financial support pending of the sale of the Swansea site and subsequent relocation of the business and have therefore concluded that the going concern basis is appropriate.

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:

Freehold buildings	-	50 years
Fixtures and fittings	-	5 to 10 years
Plant and machinery	-	3 to 7 years
Motor vehicles	-	4 years

No depreciation is provided on freehold land.

The carrying values of the fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using 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.

Leased assets

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Notes to the financial statements

at 31 December 2003

1. Accounting policies (continued)

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

Revenue grants receivable are credited to the profit and loss account in the period in which they become receivable.

Pension costs

The company operates a defined benefit pension scheme, the Addis Housewares Limited Pension Scheme, covering the majority of its permanent employees. The scheme funds are administered by trustees and are independent of the company's finances. The scheme is fully funded and contributions are paid to the scheme in accordance with the recommendations of independent actuaries. The company's contributions are charged against profits so as to give a constant periodic rate of charge over the period during which the company derives benefit from the employees' services, except where to do so would result in an irrecoverable asset.

The company also operates a stakeholder pension scheme. Contributions to such a scheme are charged to the profit and loss account when incurred.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the period in which it is incurred. Upon completion of a formal launch plan, development costs on the project are capitalised within plant and machinery and depreciated on the basis set out above.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Stocks held on consignment from the parent company are those where the risks and rewards are not passed on to the company. These stocks are not included in the balance sheet and are expensed in the profit and loss account in the period in which they are consumed.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.
- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or subsequently enacted at the balance sheet date.

Notes to the financial statements

at 31 December 2003

1. Accounting policies (continued)

Turnover

Turnover represents the amounts derived from the provision of goods and services to customers, excluding value added tax and trade discounts.

Related parties

The company has taken advantage of the exemption under Financial Reporting Standard 8 from the requirement to disclose transactions with group companies.

2. Analysis of turnover and loss on ordinary activities before taxation

Turnover and profit on ordinary activities before taxation arise solely from the principal activities of the company.

The company has not disclosed an analysis of turnover by market as the directors consider that this will be seriously prejudicial to the company.

3. Interest payable and similar charges

	2003 £000	2002 £000
On finance lease agreements	16	31
Bank interest	5	52
	<u>21</u>	<u>83</u>

4. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging/(crediting):

	2003 £000	2002 £000
Auditors' remuneration:		
Audit	35	16
Non-audit	11	3
Depreciation of tangible fixed assets:		
Owned	981	818
Under finance lease	340	398
Amount payable under operating leases in respect of:		
Plant and Machinery	279	290
Government grants	(44)	(91)

Notes to the financial statements

at 31 December 2003

5. Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	<i>Number of employees</i>	
	<i>2003</i>	<i>2002</i>
Manufacturing	144	144
Distribution	89	91
Administration	15	39
	<u>248</u>	<u>274</u>

The aggregate payroll costs in respect of the above was as follows:

	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	6,660	6,720
Social security costs	633	595
Pension costs	526	739
	<u>7,819</u>	<u>8,054</u>

6. Remuneration of directors

	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Directors' emoluments	146	159
Company contributions paid to defined benefit schemes	-	11

The aggregate of emoluments of the highest paid director were £119,069 (2002 - £119,630). At 31 December 2003 his accrued pension entitlement under a defined benefit scheme was £10,883 (2002 - £10,692).

	<i>Number of directors</i>	
	<i>2003</i>	<i>2002</i>
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	<u>1</u>	<u>3</u>

Notes to the financial statements

at 31 December 2003

7. Taxation

a) Tax on loss on ordinary activities

	2003 £000	2002 £000
The tax credit is made up as follows:		
Current taxation:		
Group relief receivable	(167)	(290)
Adjustments in respect of previous periods	(8)	(37)
Total current tax (note 7b)	(175)	(327)
Deferred taxation (note 13):		
Origination and reversal of timing differences	(731)	150
Taxation on loss on ordinary activities	(906)	(177)

b) Factors affecting the current tax credit for the year

The tax assessed on the loss on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 30% (2002: 30%)

The differences are explained below:

	2003 £000	2002 £000
Loss on ordinary activities before tax	(2,379)	(448)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2002: 30%)	(713)	(135)
Effect of:		
Disallowed expenses and non taxable income	16	9
Capital allowance/depreciation timing difference	284	(82)
Other timing differences	(122)	(66)
Adjustments in respect of prior periods	(8)	(37)
Utilisation of tax losses	-	(25)
Unrelieved tax losses	368	-
Other	-	9
	(175)	(327)

c) Factors that may affect future tax charges

Included within tax losses is an amount of £581,000 (2002 - £800,000) relating to trading losses arising from the Emsa trade. The related deferred tax asset has been recognised (2002 - not recognised) as the directors consider that there will be suitable future, taxable profits against which the deferred tax asset will reverse. There are also capital losses amounting to £193,000 (2002 - £193,000) for which the deferred tax asset has not been recognised at the date of signing of these accounts.

Notes to the financial statements

at 31 December 2003

8. Tangible fixed assets

	<i>Land and buildings £000</i>	<i>Plant and machinery £000</i>	<i>Motor vehicles £000</i>	<i>Fixtures and fittings £000</i>	<i>Construction in progress £000</i>	<i>Total £000</i>
Cost:						
At 1 January 2003	5,369	22,395	232	1,358	715	30,069
Additions	-	-	-	-	315	315
Reclassification	18	852	66	94	(1,030)	-
Transfer	-	237	-	(237)	-	-
Disposals	-	-	(65)	-	-	(65)
At 31 December 2003	5,387	23,484	233	1,215	-	30,319
Depreciation:						
At 1 January 2003	564	20,084	94	1,079	-	21,821
Charge for year	88	1,089	44	100	-	1,321
Transfer	-	219	-	(219)	-	-
On disposals	-	-	(33)	-	-	(33)
At 31 December 2003	652	21,392	105	960	-	23,109
Net book value:						
At 31 December 2003	4,735	2,092	128	255	-	7,210
At 1 January 2003	4,805	2,311	138	279	715	8,248

The total net book value above includes £170,000 (2002: £480,000) in respect of plant and machinery and motor vehicles acquired under finance leases.

Included within the cost of land and buildings is an amount of £4,000 (2002: £4,000) relating to leasehold land and buildings, the remainder being freehold. Freehold land and buildings includes land at cost of £1,150,000 (2002: £1,150,000) which is not depreciated.

9. Stocks

	<i>2003 £000</i>	<i>2002 £000</i>
Raw materials and consumables	553	566
Work in progress	184	294
Finished goods and goods for resale	1,567	2,020
	<u>2,304</u>	<u>2,880</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

There are stocks held on consignment from the ultimate parent company that have not been recognised on the balance sheet (note 1). These stocks amounted to £283,000 at 31 December 2003 (2002: £nil).

Notes to the financial statements

at 31 December 2003

10. Debtors

	2003 £000	2002 £000
Trade debtors	4,144	4,009
Corporation tax	24	26
Group relief receivable	-	377
Deferred taxation (note 13)	78	-
Other debtors	27	514
Prepayments and accrued income	344	124
	<u>4,617</u>	<u>5,050</u>

Included within prepayments and accrued income is £239,000 (2002: £nil) in respect of pension contribution payments made in advance of their recognition in the profit and loss account.

The deferred taxation debtor of £78,000 (2002: £nil) is expected to be recoverable after more than one year.

11. Creditors: amounts falling due within one year

	2003 £000	2002 £000
Trade creditors	2,831	2,742
Amounts owed to group undertakings	5,691	3,504
Other taxes and social security	697	746
Other creditors	16	80
Accruals	2,163	3,465
Obligations under finance leases and hire purchase contracts (note 12)	145	311
Deferred government grants	44	44
	<u>11,587</u>	<u>10,892</u>

12. Creditors: amounts falling due after more than one year

	2003 £000	2002 £000
Obligations under finance leases and hire purchase contracts	26	123
Deferred government grants	489	533
	<u>515</u>	<u>656</u>

Obligations under finance leases and hire purchase contracts are repayable as follows:

Within one year (note 11)	145	311
Within one to two years	26	106
Within two to five years	-	17
	<u>171</u>	<u>434</u>

Notes to the financial statements

at 31 December 2003

13. Provision for liabilities and charges

	2003 £000	2002 £000
Deferred tax liability:		
At 1 January	653	503
(Credit)/charge for the year	(731)	150
At 31 December	(78)	653

The deferred tax asset at 31 December 2003 is included in debtors (note 10).

The major components of deferred tax are as follows:

	2003 £000	2002 £000
Accelerated capital allowances	583	845
Other timing differences	(56)	(192)
Tax losses - trading	(605)	-
Deferred tax (asset)/liability	(78)	653

14. Called up share capital

	2003 £000	2002 £000
Authorised, allotted, called up and fully paid: 6,000,000 Ordinary shares of £1 each	6,000	6,000

15. Reconciliation of movements in shareholders' funds

	Share capital £000	Profit and loss account £000	Total £000
At 1 January 2002	6,000	(151)	5,849
Loss for the year	-	(271)	(271)
At 1 January 2003	6,000	(422)	5,578
Loss for the year	-	(1,473)	(1,473)
At 31 December 2003	6,000	(1,895)	4,105

Notes to the financial statements

at 31 December 2003

16. Commitments

Annual commitments under non-cancellable operating leases for plant and machinery are as follows:

	2003 £000	2002 £000
Operating leases which expire:		
within one year	27	45
in the second to fifth years inclusive	187	161
	<u>214</u>	<u>206</u>

17. Contingent liabilities

The company is contingently liable for an unlimited joint and several guarantee in respect of certain bank loans and overdrafts of other group companies amounting to a maximum of £2.5m (2002: £2.5m). The company has pledged its assets as security for group borrowings amounting to £3.7m.

18. Pension scheme

SSAP 24 Disclosures

The company operates a funded defined benefit pension scheme, the Addis Housewares Limited Pension Scheme. Accrual of further benefits under this arrangement ceased from 1 May 2002. All active members effectively became deferred pensioner members of the Scheme from that date. The cost for the year was £526,000.

Contributions and pension costs are assessed in accordance with the advice of a professionally qualified actuary. The method adopted is the "projected unit credit" method. The principal assumptions adopted by the actuary in providing this advice are as follows:

Investment returns	:	7% per annum after retirement; 6% after retirement
Pension increases		3% per annum for pre April 1997 entitlement in excess of the 3.6% for post April entitlements
Price inflation	:	2.6% per annum

The market value of the scheme's assets at 30 June 2002 was £13.6 million. Using the assumptions above the funding level at 30 June 2002 was 84%. The company continues to make contributions to the scheme, designed to eliminate the deficit at 30 June 2002, and also satisfy the requirements of the MFR legislation. Contributions have increased from £25,000 per month to £53,000 per month from December 2002, and to £65,000 per month from June 2003.

The Company also operates a stakeholder (defined contribution), scheme, insured with Legal & General.

The total charge in the profit and loss account for the year was £526,000 (2002: £739,000), the balance sheet prepayment at the end of the year was £239,000 (2002: £nil).

FRS 17 disclosures

Financial Reporting Standard 17 – Retirement Benefits will change fundamentally the calculation and reporting of the cost of retirement benefits. The disclosures below relate to the Addis Housewares Limited Pension Scheme.

Notes to the financial statements

at 31 December 2003

18. Pension scheme (continued)

The latest actuarial valuation of the Scheme took place on 1 July 2002 and has been updated to 31 December 2003. The principal assumptions used by the independent qualified actuaries in updating this valuation for FRS 17 purposes are set out below:

Main financial assumptions

	31 December 2003 (% p.a.)	31 December 2002 (% p.a.)
Inflation	2.8	2.5
Rate of increase to pensions in payment	3.0 and 3.6	3.0 and 3.5
Discount rate for scheme liabilities	5.4	5.8
Rate of increase in salaries	-	4

The Scheme's net pension liabilities and expected rate of return on its investments at 31 December 2003 and 31 December 2002 were analysed as follows:

	Long term rate of return expected at 31 December 2003 (% p.a.)	Value at 31 December 2003 £000	Long term rate of return expected at 31 December 2002 (% p.a.)	Value at 31 December 2002 £000
Equities	7.8	11,970	7.5	9,380
Bonds	5.1	1,650	4.8	1,880
Other	5.3	490	4.4	570
Total market value assets		14,110		11,830
Present value of scheme liabilities		(22,050)		(19,750)
Deficit in scheme		(7,940)		(7,920)
Related deferred tax asset		2,380		2,380
Net pension liability		(5,560)		(5,540)

Analysis of amount charged to operating profits:

	2003 £000	2002 £000
Current service cost	90	400
Past service costs	-	-
Curtailment gain	-	(900)
Total operating charge/(credit)	90	(500)

Notes to the financial statements

at 31 December 2003

8. Pension scheme (continued)

Analysis of amount charged to other finance charges/(income):

	2003 £000	2002 £000
Expected return on pension scheme assets	820	1,120
Interest on pension scheme liabilities	(1,070)	(1,030)
Net (charge)/credit	(250)	90

Analysis of amount recognised in statement of total recognised gains and losses (STRGL):

	2003 £000	2002 £000
Actual return less expected return on pension scheme assets	1,290	(3,450)
Experience gains and losses arising on the scheme liabilities	10	-
Changes in assumptions underlying the present value of the scheme liabilities	(1,740)	(1,320)
Actuarial loss recognised in STRGL	(440)	(4,770)

Analysis of movement in deficit during the period:

	2003 £000	2002 £000
Deficit in scheme at the beginning of the year	(7,920)	(4,220)
Current service cost	(90)	(400)
Contributions	760	480
Past service costs	-	-
Other finance (expense)/income	(250)	90
Actuarial loss	(440)	(4,770)
Curtailement gain	-	900
Deficit in scheme at the end of the year	(7,940)	(7,920)

History of experience gains and losses:

	2003	2002
Actual return less expected return on scheme assets:		
Amount (£,000)	1,290	(3,450)
Percentage of scheme assets	9.1%	(29.2%)
Experience gains on scheme liabilities:		
Amount (£,000)	10	-
Percentage of the present value of the scheme liabilities	0.0%	0.0%
Total amount recognised in STRGL:		
Amount (£,000)	(440)	(4,770)
Percentage of the present value of the scheme liabilities	2.0%	24.2%

Notes to the financial statements

at 31 December 2003

18. Pension scheme continued

Reconciliation of net assets and reserves under FRS 17

	2003	2002	2003	2002
	<i>Net assets</i>	<i>Net assets</i>	<i>Profit and loss reserve</i>	<i>Profit and loss reserve</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Net assets/profit and loss reserve as stated in balance sheet	4,105	5,578	(1,895)	(422)
Eliminate SSAP 24 prepayment	(239)	-	(239)	-
FRS 17 net pension liability	(5,560)	(5,540)	(5,560)	(5,540)
Net liabilities/profit and loss reserve including amount relating to defined benefit liabilities	(1,694)	38	(7,694)	(5,962)

19. Ultimate parent company

In the opinion of the directors the ultimate controlling party is, Emsa-Holding AG, a company incorporated in Germany.

The smallest and largest groups into which the results of the company are consolidated are Addis Group Limited and Emsa-Holding AG. Copies of the group financial statements which include the company are available from Addis Group Limited, Riverbank, Swansea, SA1 7DD and Emsa-Holding AG Grevenor Damm 215-225, D-48282, Emsdetten, Germany respectively.