

2881662

Addis Housewares Limited

Report and Financial Statements

31 December 2004

 ERNST & YOUNG



Addis Housewares Limited

Registered No: 2881663

Directors

R J Tucker
F Schepers

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 2004.

Principal activities

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

Business review

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

In the year, the company sold the trade and assets of its commercial business. Total consideration of £1,000,000 was received realising a profit on sale of £600,000. In addition, deferred consideration, a maximum of £150,000 will become receivable should the necessary criteria be met.

Dividends and transfers to reserves

The directors do not propose the payment of a dividend for the year (2003: £nil). The loss for the year of £838,000 (2003: £1,473,000) was transferred to reserves.

Directors' and their interests

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

R Andreas	(resigned 26 November 2004)
A Messink	(resigned 31 March 2005)
J Newcomb	(resigned 27 September 2004)
F Schepers	
R Tucker	(appointed 16 March 2005)

No directors had any interests in the share capital of the company at the year end.

Post balance sheet events

The company has renegotiated an extension (to at least August 2006) of the present lease at Riverbank in Swansea. This timescale provides plenty of time for the company to complete its relocation plans.

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.

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.



R J Tucker

Secretary

Date

31 OCT 2005

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 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 21. 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.

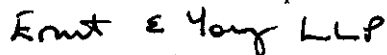
Basis of audit opinion

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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor

Bristol

Date 31 OCT 2005

Profit and loss account

for the year ended 31 December 2004

	Notes	2004 £000	2003 £000
Turnover	2	20,283	27,041
Continuing operations		19,859	25,299
Discontinued operations		424	1,742
Cost of sales	3	(15,887)	(21,061)
Gross profit		4,396	5,980
Distribution costs	3	(5,168)	(6,415)
Administration expenses	3	(1,809)	(1,999)
Operating loss	4	(2,581)	(2,434)
Continuing operations		(2,664)	(2,793)
Discontinued operations		83	359
Profit on disposal of fixed assets	5	1,574	-
Continuing operations		974	-
Discontinued operations		600	-
Interest receivable and similar income		210	76
Interest payable and similar charges	6	(4)	(21)
Loss on ordinary activities before taxation		(801)	(2,379)
Tax on loss on ordinary activities	9	(37)	906
Loss for the year	16	(838)	(1,473)

Statement of total recognised gains and losses

for the year ended 31 December 2004

The company has no recognised gains and losses other than the loss of £838,000 for the year ended 31 December 2004 and the loss of £1,473,000 for the year ended 31 December 2003.

Balance sheet

at 31 December 2004

	Notes	2004 £000	2003 £000
Fixed assets			
Tangible assets	10	1,123	7,210
Current assets			
Stocks	11	1,728	2,304
Debtors	12	3,205	4,617
Cash at bank and in hand		6,156	2,076
		<u>11,089</u>	<u>8,997</u>
Creditors: amounts falling due within one year	13	(8,923)	(11,587)
Net current assets/(liabilities)		<u>2,166</u>	<u>(2,590)</u>
Total assets less current liabilities		<u>3,289</u>	<u>4,620</u>
Creditors: amounts falling due after more than one year	14	(22)	(515)
Net assets		<u>3,267</u>	<u>4,105</u>
Capital and reserves			
Called up share capital	15	6,000	6,000
Profit and loss account	16	(2,733)	(1,895)
Equity shareholders' funds	16	<u>3,267</u>	<u>4,105</u>

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

31 OCT 2005 2005 and



R J Tucker

Director



Director

Notes to the financial statements

at 31 December 2004

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.

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	-	3 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.

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.

Notes to the financial statements

at 31 December 2004

1. Accounting policies (continued)

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 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 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 substantively enacted at the balance sheet date.

Turnover

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

Notes to the financial statements

at 31 December 2004

1. Accounting policies (continued)

Related parties

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

2. Turnover

Turnover arises 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. Cost of sales and operating expenses

	<i>Continuing operations</i>	<i>Discontinued operations</i>	<i>2004 Total</i>	<i>Continuing operations</i>	<i>Discontinued operations</i>	<i>2003 Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost of sales	15,608	279	15,887	19,921	1,140	21,061
Distribution costs	5,127	41	5,168	6,252	163	6,415
Administration expenses	1,788	21	1,809	1,919	80	1,999

4. Operating loss

The operating loss is stated after charging/(crediting):

	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Auditors' remuneration:		
Audit	39	35
Non-audit services	15	11
Depreciation of tangible fixed assets:		
Owned	781	981
Under finance lease	108	340
Redundancy costs	437	-
Amount payable under operating leases in respect of:		
Plant and machinery	212	279
Government grants	(25)	(44)

5. Profit on disposal of fixed assets

	<i>Continuing operations</i>	<i>Discontinued operations</i>	<i>2004 Total</i>	<i>2003 Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Profit on disposal of fixed assets	974	600	1,574	-

Notes to the financial statements

at 31 December 2004

5. Profit on disposal of fixed assets (continued)

The exceptional profit of £974,000 arises from the disposal of the company's land and buildings at River Bank, Swansea, and includes an additional release of deferred government grant income amounting to £273,000.

The land was sold in December 2004 for gross consideration totalling £6,000,000. A 'retention' of £200,000 contingent consideration exists in relation to a CADW listed building which forms part of the site. These monies will be released if the CADW listed building is delisted during 2005 or 2006 as the new landlord seeks planning permission for redevelopment of the site. This contingent asset has not been recognised in these accounts.

The £600,000 exceptional profit in discontinued operations relates to the sale of trade and assets of the Commercial Business. Additionally, there is a deferred consideration to a maximum of £150,000 payable within two years of the sale should the performance criteria of the business be met over that period. This contingent asset has not been recognised in these accounts.

There is no tax effect in the profit and loss account relating to these exceptional non-operating items due to the availability of current year tax losses.

6. Interest payable and similar charges

	2004 £000	2003 £000
On finance lease agreements	4	16
Bank interest	-	5
	<u>4</u>	<u>21</u>

7. 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>	
	2004	2003
Manufacturing	105	144
Distribution	66	89
Administration	12	15
	<u>183</u>	<u>248</u>

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

	2004 £000	2003 £000
Wages and salaries	4,277	6,660
Redundancy costs	437	-
Social security costs	421	633
Pension costs	396	526
	<u>5,531</u>	<u>7,819</u>

Notes to the financial statements

at 31 December 2004

8. Remuneration of directors

	2004 £000	2003 £000
Directors' emoluments	50	146
Company contributions paid to defined benefit schemes	-	-

Number of directors
2004 2003

Retirement benefits are accruing to the following number of directors under:

Defined benefit schemes	-	1
-------------------------	---	---

9. Taxation

a) Tax on loss on ordinary activities

The tax charge/(credit) is made up as follows:

	2004 £000	2003 £000
Current taxation:		
Group relief receivable	(46)	(167)
Adjustments in respect of previous periods	5	(8)
Total current tax (note 9b)	(41)	(175)
Deferred taxation (note 9c):		
Origination and reversal of timing differences	78	(731)
Taxation on loss on ordinary activities	37	(906)

Notes to the financial statements

at 31 December 2004

9. Taxation (continued)

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% (2003: 30%)

The differences are explained below:

	2004 £000	2003 £000
Loss on ordinary activities before tax	(801)	(2,379)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2003: 30%)	(240)	(713)
Effect of:		
Disallowed expenses and non taxable income	23	16
Capital allowance/depreciation timing difference	860	284
Other timing differences	(210)	(122)
Adjustments in respect of prior periods	5	(8)
Unrelieved tax losses	435	368
Capital gains (indexation relief)	(914)	-
	(41)	(175)

c) Factors that may affect future tax charges

There is an unrecognised deferred tax asset of £1,266,000 (2003 - £78,000 recognised) that consists mainly of tax trading losses in the main Addis Houseware's trade of £3,323,000 (2003 - £1,435,000) and tax losses in the Emsa trade of £323,000 (2003 - £581,000). The related deferred tax asset has not been recognised (2003 - recognised) as the directors consider that the recognition criteria as set out in FRS 19 have not been met.

The movement on the deferred tax account is as follows:

	2004 £000	2003 £000
Deferred tax (asset)/liability:		
At 1 January	(78)	653
Charge/(credit) for the year	78	(731)
At 31 December	-	(78)

Notes to the financial statements

at 31 December 2004

9. Taxation (continued)

The major components of deferred tax are as follows:

	2004 £000	2003 £000
Accelerated capital allowances	-	583
Other timing differences	-	(56)
Tax losses - trading	-	(605)
Deferred tax asset	-	(78)

10. Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost:					
At 1 January 2004	5,387	23,484	233	1,215	30,319
Additions	3	48	6	38	95
Disposals	(5,390)	(1,396)	(33)	(292)	(7,111)
At 31 December 2004	-	22,136	206	961	23,303
Depreciation:					
At 1 January 2004	652	21,392	105	960	23,109
Charge for year	89	655	45	100	889
On disposals	(741)	(873)	(17)	(187)	(1,818)
At 31 December 2004	-	21,174	133	873	22,180
Net book value:					
At 31 December 2004	-	962	73	88	1,123
At 1 January 2004	4,735	2,092	128	255	7,210

The total net book value above includes £46,000 (2003: £170,000) 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 £ Nil (2003: £4,000) relating to leasehold land and buildings, the remainder being freehold. Freehold land and buildings includes land at cost of £Nil (2003: £1,150,000) which is not depreciated.

Notes to the financial statements

at 31 December 2004

11. Stocks

	2004	2003
	£000	£000
Raw materials and consumables	238	553
Work in progress	92	184
Finished goods and goods for resale	1,398	1,567
	<u>1,728</u>	<u>2,304</u>

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

12. Debtors

	2004	2003
	£000	£000
Trade debtors	2,344	4,144
Corporation tax	30	24
Group relief receivable	41	-
Deferred taxation (note 9c)	-	78
Other debtors	83	27
Prepayments and accrued income	707	344
	<u>3,205</u>	<u>4,617</u>

Included within prepayments and accrued income is £623,000 (2003: £239,000) in respect of pension contribution payments made in advance of their recognition in the profit and loss account.

13. Creditors: amounts falling due within one year

	2004	2003
	£000	£000
Trade creditors	2,745	2,831
Amounts owed to group undertakings	3,892	5,691
Other taxes and social security	385	697
Other creditors	17	16
Accruals	1,841	2,163
Obligations under finance leases and hire purchase contracts (note 14)	27	145
Deferred government grants	16	44
	<u>8,923</u>	<u>11,587</u>

Notes to the financial statements

at 31 December 2004

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

	2004 £000	2003 £000
Obligations under finance leases and hire purchase contracts	3	26
Deferred government grants	19	489
	<u>22</u>	<u>515</u>

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

	2004 £000	2003 £000
Within one year (note 13)	27	145
Within one to two years	3	26
	<u>30</u>	<u>171</u>

15. Called up share capital

	2004 £000	2003 £000
Authorised, allotted, called up and fully paid: 6,000,000 Ordinary shares of £1 each	6,000	6,000

16. Reconciliation of movements in shareholders' funds

	Share capital £000	Profit and loss account £000	Total £000
At 1 January 2003	6,000	(422)	5,578
Loss for the year	-	(1,473)	(1,473)
At 1 January 2004	6,000	(1,895)	4,105
Loss for the year	-	(838)	(838)
At 31 December 2004	6,000	(2,733)	3,267

Notes to the financial statements

at 31 December 2004

17. Commitments

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

	<i>Land and buildings</i>		<i>Plant and machinery</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£00</i>
Operating leases which expire:				
Within one year	162	-	12	27
In the second to fifth years inclusive	-	-	146	187
	<u>162</u>	<u>-</u>	<u>158</u>	<u>214</u>

18. 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 £7m (2003: £2.5m).

19. 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.

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 before retirement; 6% after retirement
Pension increases	:	3% per annum for pre April 1997 entitlement in excess of the guaranteed minimum pension, 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 £396,000 (2003: £526,000), the balance sheet prepayment at the end of the year was £623,000 (2003: £239,000).

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 defined benefit scheme in the UK called the Addis Housewares Limited Pension Scheme.

Notes to the financial statements

at 31 December 2004

19. Pension scheme (continued)

The Company has contributed to the scheme at the rates set out below.

Period

1 January – 31 December 2004 £65,000 per month

The latest actuarial valuation of the Scheme took place on 1 July 2002 and has been updated to 31 December 2004. 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 2004	31 December 2003
	(% p.a.)	(% p.a.)
Inflation	2.8	2.8
Rate of increase to pensions in payment	3.0 and 3.6	3.0 and 3.6
Discount rate for scheme liabilities	5.3	5.4
Rate of increase in salaries	-	-

The Scheme's net pension liabilities and expected rate of return on its investments at 31 December 2004 and 31 December 2003 were analysed as follows:

	Long term rate of return expected at 31 December 2004 (% p.a.)	Value at 31 December 2004 £000	Long term rate of return expected at 31 December 2003 (% p.a.)	Value at 31 December 2003 £000
Equities	7.5	12,980	7.8	11,970
Bonds	4.8	1,450	5.1	1,650
Other	5.0	560	5.3	490
Total market value assets		14,990		14,110
Present value of scheme liabilities		(22,410)		(22,050)
Deficit in scheme		(7,420)		(7,940)

There would be a deferred tax asset arising in relation to the above deficit of £2,230,000 (2003 - £2,380,000) should the recognition criteria of FRS19 be met.

Notes to the financial statements

at 31 December 2004

19. Pension scheme (continued)

Analysis of amount charged to operating profits:

	2004	2003
	£000	£000
Current service cost	60	90

Analysis of amount charged to other finance charges:

	2004	2003
	£000	£000
Expected return on pension scheme assets	1,030	820
Interest on pension scheme liabilities	(1,160)	(1,070)
Net expense	(130)	(250)

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

	2004	2003
	£000	£000
Actual return less expected return on pension scheme assets	340	1,290
Experience gains and losses arising on the scheme liabilities	-	10
Changes in assumptions underlying the present value of the scheme liabilities	(410)	(1,740)
Actuarial loss recognised in STRGL	(70)	(440)

Analysis of movement in deficit during the year:

	2004	2003
	£000	£000
Deficit in scheme at the beginning of the year	(7,940)	(7,920)
Current service cost	(60)	(90)
Contributions	780	760
Other finance expense	(130)	(250)
Actuarial loss	(70)	(440)
Deficit in scheme at the end of the year	(7,420)	(7,940)

Notes to the financial statements

at 31 December 2004

19. Pension scheme (continued)

History of experience gains and losses:

	2004	2003
Actual return less expected return on scheme assets:		
Amount (£000)	340	1,290
Percentage of scheme assets	2.3%	9.1%
Experience gains on scheme liabilities:		
Amount (£000)	0	10
Percentage of the present value of the scheme liabilities	0.0%	0.0%
Total amount recognised in STRGL:		
Amount (£000)	(70)	(440)
Percentage of the present value of the scheme liabilities	0.03%	2.0%

Reconciliation of net assets and reserves under FRS 17:

	<i>Net assets</i>	<i>Net assets</i>	<i>Profit and</i>	<i>Profit and</i>
	<i>2004</i>	<i>2003</i>	<i>loss reserve</i>	<i>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	3,267	4,105	(2,733)	(1,895)
Eliminate SSAP 24 prepayment	(623)	(239)	(623)	(239)
FRS 17 pension liability	(7,420)	(7,940)	(7,420)	(7,940)
Net liabilities/profit and loss reserve including amount relating to defined benefit liabilities	(4,776)	(4,074)	(10,776)	(10,094)

20. Related party transactions

During the year, the company purchased goods in the normal course of business from Emsa Holding GmbH, for £1,000,000. In addition, the company sold goods to Emsa Holding GmbH in the normal course of business for £84,000. All transactions were undertaken at normal market prices. At the balance sheet date, the amount due to Emsa Holding GmbH was £536,000 (2003 - £325,000). Emsa Holding GmbH owns a 24.9% interest in Addis Group Limited and is itself controlled by Herr Wulf together with his family interests.

In addition, in 2003, there were stocks held on consignment from Emsa Holding GmbH that were not been recognised on the balance sheet. These stocks amounted to £283,000 at 31 December 2003. There were no such items at 31 December 2004.

21. Ultimate parent company and controlling party

In the opinion of the directors the ultimate controlling party is Herr Wulf, who together with his family interests, holds a 75.1% controlling interest in the company's immediate parent undertaking, Addis Group Limited.

The smallest and largest groups into which the results of the company are consolidated are Addis Group Limited. Copies of the group financial statements which include the company are available from Addis Group Limited, Riverbank, Swansea, SA1 7DD.