

Company Number 80715

CUXSON GERRARD & COMPANY LIMITED

**FINANCIAL STATEMENTS
YEAR ENDED
31ST MARCH 2004**

**BLOOMER HEAVEN
Chartered Accountants
BIRMINGHAM
B3 1AB**



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Annual Report

for the year ended 31st March 2004

Board of Directors Dr John Gerrard, M.A., B.M., B.Ch.
 (Chairman)
 Michael J. Kingston, C.Chem., M.R.S.C., C.Dip.A.F.
 (Managing Director)
 Charles Mullen, C.A.
 David R. Wain, B.A.

*Secretary and
Registered Office* Elaine G. Grubb, B.Sc.
 125 Broadwell Road, Oldbury,
 West Midlands, B69 4BF.
 Registered Number 80715

Auditors Bloomer Heaven, Chartered Accountants,
 33 Lionel Street, Birmingham, B3 1AB.

Bankers HSBC Bank plc,
 Smethwick, West Midlands, B66 3AN.

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The directors submit their annual report and the audited financial statements of the company and its subsidiaries for the year ended 31st March 2004.

Review of Activities

The principal activities of the group and the company are the development, manufacture and distribution of products for the healthcare market. In addition, Bowling Finishing Services Limited (BFS), a subsidiary undertaking, provides fabric finishing services.

The profit before taxation was £1,489,000 (2003: £1,332,000) including interest receivable of £256,000 (2003: £250,000).

Operating profit was £1,233,000 (2003: £1,082,000). This improvement was due to the continued growth in sales of footcare products. Capital expenditure includes additional packing facilities to increase our flexibility and improve production efficiency. The general nature and level of the group's activities remains unchanged and satisfactory.

The full results for the year are shown in the financial statements on pages 5 to 13 inclusive.

Dividends

Two interim dividends each of 4p per share were paid on 26th January and 6th April 2004. The directors recommend a final dividend of 14p per share which, subject to approval at the annual general meeting, will be paid on 18th October 2004 and which, together with the interim dividends already paid, will give a total distribution per share of 22p (2003: 17p).

Charitable Donations

During the year the group made charitable donations amounting to £1,008.

Directors and Directors' Interests

The following directors held office throughout the year and their interests, including those of their wives, in the shares of the company at the year end together with changes up to the date of this report are as follows:

	ordinary shares of 10p each		
	Current	2004	2003
Dr J. Gerrard	92,063	92,055	91,449
M. J. Kingston	170,048	170,007	177,231
C. Mullen	271,434	271,398	253,927
D. R. Wain	46,968	46,946	39,395

In addition, at the year end directors held the following options to subscribe for ordinary shares of 10p each:

	Exercise price of 10p each		
	Exercise price	2004	2003
M. J. Kingston	150p	40,000	40,000
	225p	32,500	32,500
C. Mullen	225p	—	15,000
D. R. Wain	170p	10,000	10,000
	225p	31,000	37,000

Options priced at 150p are exercisable by March 2009, those priced at 170p are exercisable by December 2009 and those priced at 225p are exercisable by March 2012.

In accordance with the articles of association, Mr C. Mullen retires by rotation and, being eligible, offers himself for re-election

None of the directors had a beneficial interest in any material contract to which the group was a party, other than their personal service agreements.

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 the group and of the profit or loss of the group 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;
- comply with applicable accounting standards, subject where appropriate to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the 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 the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors and Annual General Meeting

Bloomer Heaven have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the forthcoming annual general meeting to be held at the company's offices, Broadwell Road, Oldbury on 15th October 2004 at 12 noon.

By order of the Board

Elaine G. Grubb

Secretary

Elaine Grubb

10th August 2004

Independent Auditors' Report

To the Shareholders of Cuxson Gerrard & Company Limited

We have audited the financial statements of Cuxson Gerrard & Company Limited for the year ended 31st March 2004 on pages 5 to 13. These financial statements have been prepared under the historic cost convention, as modified by the revaluation of certain fixed assets and 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 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.

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 the other information contained in the annual 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 group's circumstances, consistently applied and adequately disclosed.

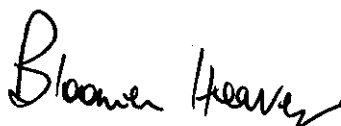
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 and group's affairs as at 31st March 2004, and of the group's profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Bloomer Heaven
Chartered Accountants
and Registered Auditors
Birmingham

10th August 2004



Accounting Policies

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

Consolidation

The group financial statements consolidate the financial statements of the company and all its subsidiaries which are made up to a coterminous date. The company has taken advantage of the exemptions contained in section 230 of the Companies Act 1985 and accordingly has not published its own profit and loss account.

Turnover

Turnover represents sales of goods and services exclusive of value added tax to customers outside the group.

Depreciation

Depreciation is provided on a straight-line basis on all tangible fixed assets at rates estimated to write off the cost or valuation of each asset over its expected useful life as follows:

land	— Nil
buildings	— 2%
plant and machinery	— varying between 10% and 25%

Stocks

Stocks are valued at the lower of cost and estimated net realisable value. Cost represents the cost of materials and, in the case of products manufactured by the group, also includes the cost of direct labour and appropriate overheads.

Deferred taxation

Deferred taxation is provided using the liability method in respect of the tax effects arising from all timing differences.

Finance leases

The capital element of tangible fixed assets which are financed by leasing arrangements is included with other tangible fixed assets and the obligation relating thereto is included in creditors. The rentals payable are apportioned between interest, which is charged to the profit and loss account, and capital, which reduces the outstanding obligation.

Employee Share Ownership Plan

In accordance with the Accounting Standards Board guidelines, own shares held by the employee benefit trust which have not been vested unconditionally in employees by the balance sheet date have been included at cost in these financial statements as a deduction from shareholders' funds.

Consolidated Profit and Loss Account

for the year ended 31st March 2004

	Note	2004 £'000	2003 £'000
Turnover	1	6,824	6,540
Change in stocks of finished goods and work in progress		172	124
Raw materials and consumables		(2,365)	(2,211)
Staff costs	2	(2,075)	(1,989)
Depreciation		(235)	(233)
Other operating charges		(1,088)	(1,149)
Operating profit	4	1,233	1,082
Interest receivable	5	256	250
Profit on ordinary activities before taxation		1,489	1,332
Taxation	6	(467)	(402)
Profit on ordinary activities after taxation		1,022	930
Dividends	7	(679)	(519)
Retained profit for the financial year transferred to reserves	16	343	411

All gains and losses have been recognised in the above profit and loss account. Accordingly, a separate statement of total recognised gains and losses has not been prepared.

There is no material difference between the profit on ordinary activities and the transfer to reserves stated above and their historical cost equivalents.

All of the activities of the group are classed as continuing.

Balance Sheets

as at 31st March 2004

	Note	Group		Company	
		2004	2003 (Restated)	2004	2003 (Restated)
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	8	2,051	2,206	2,051	2,206
Investments	9	-	-	2	2
		2,051	2,206	2,053	2,208
Current assets					
Stocks	10	967	911	885	821
Debtors	11	1,458	1,328	1,451	1,328
Cash at bank and in hand		7,331	6,855	7,331	6,855
		9,756	9,094	9,667	9,004
Current liabilities					
Creditors falling due within one year	12	(1,727)	(1,589)	(1,696)	(1,546)
Net current assets		8,029	7,505	7,971	7,458
Total assets less current liabilities		10,080	9,711	10,024	9,666
Provisions for liabilities and charges	13	(400)	(400)	(400)	(400)
		9,680	9,311	9,624	9,266
Capital and reserves					
Called up share capital	14	313	307	313	307
Share premium account	15	697	561	697	561
Revaluation reserve		98	98	98	98
Profit and loss account	16	8,706	8,363	8,650	8,318
		9,814	9,329	9,758	9,284
Shares held by employee benefit trust	17	(134)	(18)	(134)	(18)
	18	9,680	9,311	9,624	9,266

The financial statements on pages 5 to 13 were approved by the board of directors on 10th August 2004 and were signed on its behalf by:

John Gerrard

Michael J. Kingston

Consolidated Cash Flow Statement

for the year ended 31st March 2004

	Note	2004 £'000	2003 £'000
Cash flow from operating activities	19	1,300	1,034
Returns on investment and servicing of finance			
Bank deposit interest received		258	277
Finance lease interest paid		—	(1)
		258	276
Taxation		(390)	(430)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(80)	(85)
Sale of plant and machinery		4	3
Increase in own shares held by employee benefit trust		(116)	(1)
		(192)	(83)
Equity dividends paid		(642)	(414)
Management of liquid resources			
Increase in short-term deposits maturing within one year		(594)	(444)
Financing			
Issue of ordinary share capital		142	194
Repayment of principal under finance leases		—	(4)
		142	190
Decrease in cash		(118)	129

Reconciliation and analysis of net funds

	Cash £'000	Short- term deposits £'000	Cash per balance sheet £'000	Finance leases due within one year £'000	Net funds £'000
At 31st March 2002	55	6,227	6,282	(4)	6,278
Cash flows	129	444	573	4	577
At 31st March 2003	184	6,671	6,855	—	6,855
Cash flows	(118)	594	476	—	476
At 31st March 2004	66	7,265	7,331	—	7,331

Notes to the Financial Statements

1 Turnover

The geographical analysis of turnover, all of which derives from continuing operations, was as follows:

	2004 £'000	2003 £'000
United Kingdom	5,435	5,283
Rest of World	1,389	1,257
	6,824	6,540

2 Staff costs

The average number of employees during the year including directors was made up as follows:

	2004 Number	2003 Number
Manufacturing	75	74
Administration and sales	24	25
	99	99

The gross employment costs were as follows:

	£'000	£'000
Wages and salaries	1,765	1,687
Social security costs	141	141
Other pension costs	169	161
	2,075	1,989

Up to 28th September 2001 the group operated a defined benefit pension scheme, the assets of which are held in a trustee administered fund by an independent insurance company separate from the finances of the group. Following notice from the insurance company that it was winding up its pension trust and that the group's scheme had to cease by 31st December 2001, the group's defined benefit scheme was closed with effect from 28th September 2001 and current employee members transferred to the existing Group Personal Pension scheme for pension benefits accruing after that date. The discontinuance process is expected to be completed by the end of this year. The current estimate by the scheme's actuary is that the scheme assets are sufficient to meet any statutory liabilities. There is therefore no debt on the employer as a consequence of winding up the scheme and no provision is required in these financial statements.

Prior to commencing discontinuance, actuarial valuations were carried out triennially and the most recent as at 29th September 2000 showed that the market value of the scheme's assets was £4,099,000 and that these assets represented 94% of the scheme's liabilities valued using the projected unit method. The valuation assumes that investment yields would be 7.5% per annum and earnings increases 5.5% per annum. This valuation applied to an ongoing scheme and different values now apply as the scheme has discontinued.

The group continues to contribute to a Group Personal Pension scheme. This is open to all employees after a qualifying period of service.

3 Directors' emoluments

	2004 £'000	2003 £'000
Remuneration	326	297
Pension contributions	58	52
	384	349

The emoluments of the highest paid director amounted to £141,000 (2003: £131,000), including pension contributions of £24,000 (2003: £23,000). Contributions were made to the personal pension schemes of three directors and two directors exercised share options during the year.

Notes to the Financial Statements

4 Operating profit

Operating profit is stated after charging:

	2004	2003
	£'000	£'000
Directors' emoluments (note 3)	384	349
Auditors' remuneration	15	14

5 Interest receivable

	2004	2003
	£'000	£'000
Bank deposit interest receivable	256	251
Finance lease interest payable	—	(1)
	256	250

6 Taxation

	2004	2003
	£'000	£'000
Corporation tax at standard rate of 30% (2003: 30%) on profit on ordinary activities	447	400
Timing differences	28	2
UK corporation tax payable on the result for the year	475	402
Overprovision in respect of prior years	(8)	—
	467	402

7 Dividends

Dividends paid and proposed on 10p ordinary shares:

	2004	2003
	£'000	£'000
Interim: 4p (2003: nil) per share paid 26th January 2004	123	—
Interim: 4p (2003: 5p) per share paid 6th April 2004	122	152
Final: 14p (2003: 12p) per share proposed	434	367
	679	519

In accordance with the rules of the employee benefit trust, dividends are waived on own shares held thus reducing the dividends paid and proposed by £10,000 (2003: £2,000).

Notes to the Financial Statements

8 Tangible fixed assets

	Freehold land and buildings Group and Company £'000	Plant and machinery Group and Company £'000	Total Group and Company £'000
Cost or valuation			
At 31st March 2003	1,746	2,431	4,177
Additions	—	80	80
Disposals	—	(30)	(30)
At 31st March 2004	1,746	2,481	4,227
Comprising:			
Cost	1,543	2,481	4,024
Valuation 1988	203	—	203
	1,746	2,481	4,227
Depreciation			
At 31st March 2003	189	1,782	1,971
Charge for the year	21	214	235
Disposals	—	(30)	(30)
At 31st March 2004	210	1,966	2,176
Net Book Value			
At 31st March 2004	1,536	515	2,051
At 31st March 2003	1,557	649	2,206

The group has adopted the transitional rules of FRS 15 and has not updated the valuation of freehold land and buildings stated at their last valuation carried out in 1988.

The original cost/1964 value of freehold land and buildings at 31st March 2004 is £1,648,000 and the notional net book value on that basis is £1,441,000.

The cost or valuation of freehold land and buildings for both group and company comprises:

	2004 £'000	2003 £'000
Land on which depreciation was not charged	668	668
Buildings on which depreciation was charged	1,078	1,078
	1,746	1,746

At 31st March 2004 the group and company had capital expenditure commitments of nil (2003: £14,000).

9 Investments

Investments comprise £2,000 (2003: £2,000) cost of investment in subsidiary undertakings.

The principal subsidiary is Bowling Finishing Services Limited which is registered in the United Kingdom, wholly owned and in the business of fabric finishing.

10 Stocks

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Raw materials	346	462	293	390
Work in progress and finished goods	621	449	592	431
	967	911	885	821

11 Debtors

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Trade debtors	1,374	1,249	1,374	1,249
Prepayments and accrued income	84	79	77	79
	1,458	1,328	1,451	1,328

12 Creditors falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Trade creditors	184	235	184	235
Amounts owed to group undertakings	—	—	51	28
Dividends payable	556	519	556	519
Corporation tax	248	171	233	151
Taxes and social security costs	187	164	187	164
Accruals and deferred income	552	500	485	449
	1,727	1,589	1,696	1,546

13 Provisions for liabilities and charges

This represents the full potential deferred taxation liability relating to accelerated capital allowances. There was no movement in the year.

14 Called up share capital

	2004	2003
	£'000	£'000
Authorised: 5,000,000 ordinary shares of 10p each	500	500
Allotted and fully paid: 3,125,500 ordinary shares of 10p each	313	307

During the year, 27,000 shares were issued for 225p cash pursuant to the exercise of options under the discretionary share option schemes. In addition, 30,000 shares were issued for 270p to satisfy the requirements of the Share Incentive Plan.

At 31st March 2004 directors and employees held options to subscribe for 58,000 shares at a price of 150p per share exercisable by March 2009; 10,000 shares at a price of 170p per share exercisable by December 2009; and 87,500 shares at a price of 225p per share exercisable by March 2012.

Notes to the Financial Statements

15 Share premium account

	Group and Company £'000
At 31st March 2003	561
Premium on share capital issued during the year	136
At 31st March 2004	697

16 Profit and loss account

	Group £'000	Company £'000
Profit for the year	1,022	961
Dividend received from group undertakings	—	50
Dividend payable	(679)	(679)
Retained profit for the year	343	332
At 31st March 2003	8,363	8,318
At 31st March 2004	8,706	8,650

17 Prior year adjustment

The company has adopted the requirements of UITF abstract 38 requiring the cost of own shares held by the employee benefit trust to be shown as a deduction from shareholders' funds rather than as investments. This represents a change in accounting policy and comparative figures on the face of the balance sheet and in the reconciliation of movement in shareholders' funds (note 18 below) have been changed accordingly.

18 Reconciliation of movement in shareholders' funds

	2004 £'000	2003 (Restated) £'000
Profit for the year	1,022	930
Dividends	(679)	(519)
Share capital issued	142	194
Movement in cost of own shares held by employee benefit trust	(116)	(1)
Net addition to shareholders' funds	369	604
Opening shareholders' funds	9,329	8,707
Prior year adjustment (note 17)	(18)	—
Closing shareholders' funds	9,680	9,311

19 Cash flow from operating activities

	2004 £'000	2003 £'000
Operating profit	1,233	1,082
Depreciation on tangible fixed assets	235	233
Profit on sale of tangible fixed assets	(4)	(3)
Increase in stocks	(56)	(214)
Increase in debtors	(132)	5
Increase in creditors	24	(69)
Net cash inflow	1,300	1,034