

**Black Cat Fireworks Limited**

**Annual report and financial statements  
for the year ended 31 December 2007**

Registered number 1900841

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# **Black Cat Fireworks Limited**

## **Annual report and financial statements for the year ended 31 December 2007**

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# **Black Cat Fireworks Limited**

## **Officers and professional advisors**

### **Board of directors**

Sir Anthony Hayward  
Andrew Fowlds  
Harry Chang  
Henry Chan  
Linda Ng

### **Company secretary**

Rupert L H Wright

### **Registered office**

Network Law Ltd  
Asmec Centre  
Eagle House  
The Ring  
Bracknell  
Berkshire  
RG12 1HB

### **Independent auditors**

PricewaterhouseCoopers LLP  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

### **Bankers**

HSBC Bank plc  
2 Cloth Hall Street  
Huddersfield  
West Yorkshire  
HD1 2ES

### **Solicitors**

Marcus J O'Leary Solicitors  
Anvil Court  
Denmark Street  
Wokingham  
Berkshire  
RG40 2BB

### **Actuaries**

Barnett Waddington LLP  
West Riding House  
67 Albion Street  
Leeds  
LS1 5AA

# **Black Cat Fireworks Limited**

## **Directors' report for the year ended 31 December 2007**

The directors present their report and the audited financial statements for the year ended 31 December 2007

### **Principal activity**

The principal activity is that of importing, marketing and distribution of consumer products, predominantly fireworks and other seasonal products, although the directors are exploring opportunities to widen the product base

### **Review of business and future developments**

The profit and loss account for the year is set out on page 6

The level of business has marginally declined, following significant growth in the prior year, producing satisfactory results. Working capital and other committed payments are adequately financed by cash balances and borrowings

The company has successfully reduced operating losses and the directors expect this level of activity to be sustained for the foreseeable future. The directors believe that because of the straightforward nature of the business, using KPIs is not necessary for an understanding of its development, performance or position

### **Financial risk management**

The company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate risk. In conjunction with its parent group, the company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs

In order to manage interest rate risk, the company has a policy of maintaining 100 per cent of its debt (2006 100 per cent) at a variable rate. Given the size and nature of operations, the company's policy is to operate with 100 per cent of its debt being repayable within one year. At the year end, 100 per cent (2006 100 per cent) of debt was repayable within one year. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these

### **Price risk**

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments

### **Credit risk**

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Where debt finance is utilised, this is subject to pre-approval by the board of directors and such approval is limited to financial institutions with an AA rating or better. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board

# **Black Cat Fireworks Limited**

## **Directors' report for the year ended 31 December 2007 (continued)**

### **Financial risk management (continued)**

#### **Liquidity risk**

The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions

#### **Interest rate cash flow risk**

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, all of which earn interest at variable rate. The company utilises loan finance that is designed to ensure the company has sufficient available funds for its operations and its required level of working capital. Floating rate interest rates apply to this and the directors reassess these in the context of longer term interest rate trends.

#### **Dividends**

The directors do not recommend the payment of a dividend (2006 £nil)

#### **Directors**

The directors of the company during the year ended 31 December 2007, all of whom had been directors for the whole of the year ended on that date, unless otherwise noted, were

Sir Anthony Hayward	(Chairman)
Andrew Fowlds	
Mark Tyldsley	(Resigned 1 April 2008)
Harry Chang	
Henry Chan	
Linda Ng	

#### **Statement of directors' responsibilities in respect of the Annual Report and the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 UK 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 confirm that they have complied with the above requirements in preparing the financial statements.

# **Black Cat Fireworks Limited**

## **Directors' report for the period ended 31 December 2007 (continued)**

### **Statement of directors' responsibilities in respect of the Annual Report and the financial statements (continued)**

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

### **Statement of disclosure of information to auditors**

In the case of each of the persons who are directors, at the time when the report is approved under section 234ZA, the following applies:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) he or she has taken all the steps that he ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Reappointment of Auditors**

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

On behalf of the board



Andrew Fowlds  
Director

## **Independent auditors' report to the members of Black Cat Fireworks Limited**

We have audited the financial statements of Black Cat Fireworks Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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**

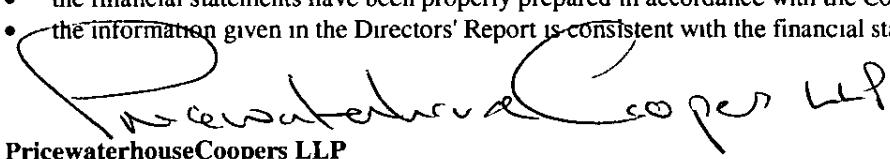
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

  
**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Birmingham

12 November 2008

## Black Cat Fireworks Limited

### Profit and loss account for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
<b>Turnover</b>	2	<b>8,535</b>	8,908
Cost of sales		(4,184)	(3,665)
<b>Gross profit</b>		<b>4,351</b>	5,243
Net operating expenses	3	(4,892)	(5,934)
<b>Operating loss</b>		<b>(541)</b>	(691)
Interest payable and similar charges	6	(1,498)	(1,281)
Interest receivable and similar charges	7	411	336
<b>Loss on ordinary activities before taxation</b>	8	<b>(1,628)</b>	(1,636)
Tax credit on loss on ordinary activities	9	100	170
<b>Loss for the financial year</b>	18	<b>(1,528)</b>	(1,466)

All activities are in respect of continuing operations

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year, and their historical cost equivalents

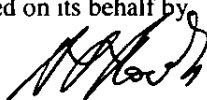


# Black Cat Fireworks Limited

## Balance sheet as at 31 December 2007

	Note	2007 £'000	2006 £'000
<b>Fixed assets</b>			
Intangible assets	10	25	172
Tangible assets	11	675	737
Investments	12	1,035	1,035
		<b>1,735</b>	<b>1,944</b>
<b>Current assets</b>			
Stocks	13	1,946	3,817
Debtors amounts falling due within one year	14	2,720	4,150
Cash at bank and in hand		3,163	2,020
		<b>7,829</b>	<b>9,987</b>
<b>Creditors: amounts falling due within one year</b>	15	<b>(19,921)</b>	<b>(20,722)</b>
<b>Net current liabilities</b>		<b>(12,092)</b>	<b>(10,735)</b>
<b>Total assets less current liabilities</b>		<b>(10,357)</b>	<b>(8,791)</b>
Pension liability	22	(1,112)	(2,028)
<b>Net liabilities including pension scheme</b>		<b>(11,469)</b>	<b>(10,819)</b>
<b>Capital and reserves</b>			
Called up share capital	17	1,200	1,200
Profit and loss account	18	(12,669)	(12,019)
<b>Total shareholders' deficit</b>	19	<b>(11,469)</b>	<b>(10,819)</b>

The financial statements on pages 6 to 24 were approved by the board of directors on 29/10/08 and were signed on its behalf by



Andrew Fowlds  
Director

## **Black Cat Fireworks Limited**

### **Statement of total recognised gains and losses for the year ended 31 December 2007**

	Note	2007	2006
		£'000	£'000
Loss for the financial year		(1,528)	(1,466)
Actuarial gain on pension scheme for the year	22	878	137
<b>Total recognised losses relating to the year</b>		<b>(650)</b>	<b>(1,329)</b>

# **Black Cat Fireworks Limited**

## **Notes to the financial statements for the year ended 31 December 2007**

### **1 Principal accounting policies**

These financial statements have been prepared under the historical cost convention, and in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

The accounts are prepared on a going concern basis which assumes the continuing financial support from Li & Fung Limited, the ultimate parent company. Li & Fung Limited has confirmed to the directors of the company its intention to make available to the company any funds required to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements.

#### **Group accounts**

The financial statements contain information about Black Cat Fireworks Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228A (for non-EEA parents) of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it, and its subsidiary undertakings, are included by full consolidation in the consolidated financial statements of its parent, Li & Fung Limited, a company incorporated in Bermuda.

#### **Cash flow statement**

The company has taken advantage of the exemptions under FRS1, not to produce a cash flow statement, as the company's results are included in the consolidated financial statements of the ultimate parent company, which are publicly available.

#### **Tangible fixed assets**

Fixed assets are stated at cost less accumulated depreciation. The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Computer equipment	25
Fixtures and fittings	20-33 3
Plant and machinery	10-50
Motor vehicles	25

#### **Intangible fixed assets**

Intangible fixed assets are stated at cost. Goodwill arising on the acquisition of businesses represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired.

Amortisation is calculated to write off the cost of intangible fixed assets on a straight line basis over their estimated useful economic life at the following annual rates:

Goodwill	10%
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Where potential impairment events have occurred, the directors make an assessment of the carrying value of the asset and make impairments to that value as appropriate.

# **Black Cat Fireworks Limited**

## **Notes to the financial statements for the year ended 31 December 2007 (continued)**

### **1 Principal accounting policies (continued)**

#### **Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a weighted average price method. Provision is made where necessary for obsolete, slow moving and defective stocks

#### **Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated into sterling at rates of exchange ruling at the date of the transactions. All foreign exchange differences are taken to the profit and loss account in the year in which they arise

#### **Turnover**

Turnover, which excludes Value Added Tax and trade discounts, represents the invoiced value of goods and services supplied

#### **Deferred taxation**

Provision is made for deferred tax liabilities on all material differences resulting from the different treatment for accounting and taxation purposes using currently enacted tax rates. No discounting is applied to the deferred tax timing differences. Deferred tax assets arising from timing differences are only recognised to the extent their recovery is considered more likely than not in the light of available information

#### **Pension costs**

Pension scheme assets are measured in accordance with FRS 17 at fair value and liabilities are measured on an actuarial basis using the projected unit method and are discounted at the rate of return of a high quality corporate bond of equivalent term to the scheme liabilities. The current service costs and gains and losses on settlement and curtailments are charged to operating profit. Past service costs are recognised in the profit and loss account if the benefits have vested or, if they have not vested, over the period until vesting occurs. The interest cost and the expected return on assets are included as other financing income or interest payable. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. The surplus, to the extent that it is considered recoverable, or deficit is recognised in full and presented on the face of the balance sheet net of the related deferred tax. The company also makes contributions to employees' private pension schemes on a defined contribution basis. The costs of such schemes are charged to the profit and loss account as they fall due

#### **Investments**

Investments are included at cost less any provision for impairment

# Black Cat Fireworks Limited

## Notes to the financial statements for the year ended 31 December 2007 (continued)

### 2 Turnover

The turnover for the year is generated entirely from the company's principal activity and arises from sales made in the United Kingdom

### 3 Net operating expenses

	2007	2006
	£'000	£'000
Distribution costs	2,918	3,439
Administrative expenses	1,974	2,495
Net operating expenses	4,892	5,934

### 4 Directors' emoluments

	2007	2006
	£'000	£'000
Aggregate emoluments	217	207
Company contributions to personal pension plans	5	4

Retirement benefits are accruing to three directors (2006 three) under a defined benefit scheme

	2007	2006
	£'000	£'000
<b>Highest paid director</b>		
Total emoluments	111	124
Contributions to money purchase pension scheme	5	5

# **Black Cat Fireworks Limited**

## **Notes to the financial statements for the year ended 31 December 2007 (continued)**

### **5 Employee information**

The average monthly number of persons (including directors) employed by the company during the year was

	<b>2007</b>	<b>2006</b>
	<b>Number</b>	<b>Number</b>
Selling and distribution	<b>24</b>	<b>32</b>
Administration	<b>13</b>	<b>8</b>
	<b>37</b>	<b>40</b>

<b>Staff costs (for the above persons)</b>	<b>2007</b>	<b>2006</b>
		(restated)
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	<b>1,148</b>	<b>1,332</b>
Social security costs	<b>99</b>	<b>111</b>
Pension costs (see note 22)	<b>56</b>	<b>85</b>
	<b>1,303</b>	<b>1,528</b>

### **6 Interest payable and similar charges**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans and overdrafts	<b>1,085</b>	<b>890</b>
Net interest costs relating to pensions (note 22)	<b>413</b>	<b>391</b>
	<b>1,498</b>	<b>1,281</b>

# Black Cat Fireworks Limited

## Notes to the financial statements for the year ended 31 December 2007 (continued)

### 7 Interest receivable and similar income

	2007	2006
	£'000	£'000
Bank interest	34	8
Expected returns related to pensions (note 22)	377	328
	411	336

### 8 Loss on ordinary activities before taxation

	2007	2006
	£'000	£'000
<b>Loss on ordinary activities before taxation is stated after charging:</b>		
Depreciation of tangible fixed assets	335	319
Amortisation of intangible fixed assets	147	147
Auditors' remuneration		
Audit services	30	27
Non audit services	7	10
Operating lease charges		
- plant and machinery	73	75
- other	120	120

# Black Cat Fireworks Limited

## Notes to the financial statements for the year ended 31 December 2007 (continued)

### 9 Tax on loss on ordinary activities

	2007	2006
	£'000	£'000
<b>Current tax:</b>		
UK corporation tax on losses of the year	-	(31)
Adjustment in respect of previous years	(100)	(139)
<b>Total current tax</b>	<b>(100)</b>	<b>(170)</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	-	-
<b>Total deferred tax (Note 16)</b>	<b>-</b>	<b>-</b>
<b>Tax credit</b>	<b>(100)</b>	<b>(170)</b>

The tax assessed for the period is lower (2006 lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below

	2007	2006
	£'000	£'000
<b>Loss on ordinary activities before tax</b>	<b>(1,628)</b>	<b>(1,636)</b>
Loss on ordinary activities multiplied by standard rate in the UK 30% (2006 30%)	(488)	(491)
Effects of		
Expenses not deductible for tax purposes	201	275
Decelerated capital allowances and other timing differences	47	97
Other timing differences	240	88
Adjustments to tax charge in respect of previous period	(100)	(139)
<b>Current tax credit for the period</b>	<b>(100)</b>	<b>(170)</b>

The company has tax losses amounting to approximately £10,192,417 (2006 £8,996,000) for carry forward against future taxable profits from the same trade. The standard rate of tax in the UK changed to 28% with effect from 1 April 2008.



## **Black Cat Fireworks Limited**

### **Notes to the financial statements for the year ended 31 December 2007 (continued)**

#### **10 Intangible fixed assets**

	<b>Goodwill</b>	<b>Business know-how</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
At 1 January 2007 and 31 December 2007	<b>1,471</b>	<b>950</b>	<b>2,421</b>
<b>Amortisation</b>			
At 1 January 2007	1,299	950	2,249
Charge for the year	147	-	147
<b>At 31 December 2007</b>	<b>1,446</b>	<b>950</b>	<b>2,396</b>
<b>Net book amount</b>			
<b>At 31 December 2007</b>	<b>25</b>	<b>-</b>	<b>25</b>
At 31 December 2006	172	-	172

# Black Cat Fireworks Limited

## Notes to the financial statements for the year ended 31 December 2007 (continued)

### 11 Tangible fixed assets

	Plant and machinery	Motor vehicles	Fixtures, fittings & office equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 January 2007	1,253	42	423	1,718
Additions	258	4	11	273
Disposals	(322)	(14)	(63)	(399)
<b>At 31 December 2007</b>	<b>1,189</b>	<b>32</b>	<b>371</b>	<b>1,592</b>
<b>Depreciation</b>				
At 1 January 2007	616	36	329	981
Charge for the year	280	4	51	335
Disposals	(322)	(14)	(63)	(399)
<b>At 31 December 2007</b>	<b>574</b>	<b>26</b>	<b>317</b>	<b>917</b>
<b>Net book value</b>				
<b>At 31 December 2007</b>	<b>615</b>	<b>6</b>	<b>54</b>	<b>675</b>
At 31 December 2006	637	6	94	737

# Black Cat Fireworks Limited

## Notes to the financial statements for the year ended 31 December 2007 (continued)

### 12 Investments

	£'000
Cost at 1 January 2007 and 31 December 2007	1,035
The investment relates to 100% of the issued share capital of Comet Fireworks GmbH, a company incorporated in Germany. Their principal activity is the distribution of pyrotechnics. Black Cat Fireworks Limited is not actively involved in or influential over the management and direction of Comet Fireworks GmbH.	

#### Comet Fireworks GmbH

	2007	2006
	£'000	£'000
Capital and reserves	(1,040)	(829)
(Loss) for the year	(211)	(565)

### 13 Stocks

	2007	2006
	£'000	£'000
Raw materials and packaging	208	140
Finished goods and goods for resale	1,738	3,677
	1,946	3,817

### 14 Debtors

	2007	2006
	£'000	£'000
<b>Amounts falling due within one year</b>		
Trade debtors	2,326	3,895
Amounts owed by group undertakings	320	170
Prepayments and accrued income	74	85
	2,720	4,150

## **Black Cat Fireworks Limited**

### **Notes to the financial statements for the year ended 31 December 2007 (continued)**

#### **15 Creditors: amounts falling due within one year**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Bank overdraft and loans	<b>17,000</b>	17,000
Trade creditors	<b>248</b>	424
Amounts owed to group undertakings	<b>1,447</b>	1,951
Taxation and social security costs	<b>798</b>	889
Accruals and deferred income	<b>428</b>	458
	<b>19,921</b>	20,722

There is a guarantee in favour of HMRC for £100,000 as security over the VAT liability

The bank loan is repayable in December 2008 and is secured upon the assets and liabilities of the company as well as a corporate guarantee from Li & Fung Limited (the ultimate parent company) The interest rate on the bank loan is LIBOR plus 0.7%

# Black Cat Fireworks Limited

## Notes to the financial statements for the year ended 31 December 2007 (continued)

### 16 Deferred tax

In accordance with its accounting policy the company has not recognised a deferred tax asset due to the uncertainty around being able to utilise the amounts in future years

The deferred taxation asset position can be analysed as follows

	Amount unrecognised		Amount recognised	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
<b>Tax effect of timing differences because of:</b>				
Excess of capital allowances over depreciation	(334)	(332)	-	-
Other timing differences	(1)	(57)	-	-
Unutilised losses carried forward	(2,854)	(2,699)	-	-
Asset relating to pension liability	(311)	(571)	-	-
	(3,500)	(3,659)	-	-

### 17 Called up share capital

	2007	2006
	£'000	£'000
<b>Authorised</b>		
1,200,000 ordinary shares of £1 each	1,200	1,200
<b>Allotted, called up and fully paid</b>		
1,200,000 ordinary shares of £1 each	1,200	1,200

### 18 Profit and loss account

	£'000
<b>At 1 January 2007</b>	(12,019)
Actuarial gain in respect of pension scheme	878
Loss for the year	(1,528)
<b>At 31 December 2007</b>	(12,669)

# Black Cat Fireworks Limited

## Notes to the financial statements for the year ended 31 December 2007 (continued)

### 19 Reconciliation of movements in total shareholders' deficit

	2007	2006
	£'000	£'000
Opening total shareholders' deficit	(10,819)	(9,490)
Loss for the financial year	(1,528)	(1,466)
Actuarial gain on pension scheme	878	137
Closing total shareholders' deficit	(11,469)	(10,819)

### 20 Financial commitments

At 31 December 2007 the company had annual commitments under non-cancellable operating leases, expiring as follows

	Other		Land and buildings	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Within one year	-	11	-	-
Within two to five years	66	34	120	-
More than five years	-	-	-	120
	66	45	120	120

### 21 Capital commitments

The company had no capital commitments contracted but not provided for as at 31 December 2007 (2006 £nil)

# Black Cat Fireworks Limited

## Notes to the financial statements for the year ended 31 December 2007 (continued)

### 22 Pension commitments

#### *Defined contribution scheme*

The company made contributions amounting to £14,450 (2006 £14,720) to a defined contribution scheme in the year. At the year end a pension creditor existed amounting to £nil (2006 £4,266)

#### *Defined benefit scheme*

The company makes contributions to the Standard Fireworks 1992 Pension Scheme which is a defined benefits scheme and which is closed to new employees

The total net pension costs of the defined benefits scheme was £42,000 (2006 £70,000). The cost is assessed in accordance with the advice of Barnett Waddingham LLP, consulting actuaries. The latest actuarial valuation of the scheme was performed as at 31 March 2004 using the attained age method. The principal assumptions adopted in the valuation were that, over the long term, the investment return would be 7.25% per annum to retirement and 5.2% per annum thereafter, the rate of salary increase would be 2.75% per annum and the rate of pension increase would be 2.9%. The assumed rate of earnings increases was 5% per annum.

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £4,869,000 and the actuarial value of these assets was sufficient to cover 76% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company are 12.5% for ordinary members and 19.5% for executive members and members contributions will remain at 5% and 7% respectively.

An amount of £nil (2006 £3,934) is included in creditors which represents the excess of the accumulated pension costs over the payment of contributions to the scheme.

#### *Financial Reporting Standard 17*

The company accounts for its pension scheme in accordance with Financial Reporting Standard 17. The pension liability detailed below is calculated using the value of the scheme assets as at 31 December 2007 and using scheme liabilities that have been updated from those at 31 March 2004 by a qualified actuary using the attained age method.

Assumptions used for the valuation	2007	2006	2005
Discount rate pre retirement	7.25%	7.25%	7.25%
post retirement	5.9%	5.20%	5.50%
Inflation assumption	3.25%	3.00%	2.75%
Rate of increase of salaries	5.25%	5.00%	4.75%
Rate of increase of pensions in payment	3.10%	2.90%	2.75%

# Black Cat Fireworks Limited

## Notes to the financial statements for the year ended 31 December 2007 (continued)

### 22 Pension commitments (continued)

The assets in the scheme and their expected rates of return were

	Expected long-term rate of return on net assets at 31 December 2007	Value at 31 December 2007	Expected long-term rate of return on net assets at 31 December 2006	Value at 31 December 2006	Expected long-term rate of return on net assets at 31 December 2005	Value at 31 December 2005
		£'000		£'000		£'000
Equities	7.50%	3,463	7.50%	3,236	7.00%	2,882
Bonds	5.25%	2,763	5.00%	2,728	4.50%	2,714
Other	4.50%	45	4.50%	66	4.50%	175
Total market value of assets		6,271		6,030		5,771
Present value of scheme liabilities		(7,383)		(8,058)		(7,896)
Deficit in the scheme		(1,112)		(2,028)		(2,125)
Related deferred tax asset		-		-		-
Net pension liability		(1,112)		(2,028)		(2,125)

No related deferred tax asset has been recognised given the uncertainty over its realisation, in accordance with the company accounting policy (see note 16)



# Black Cat Fireworks Limited

## Notes to the financial statements for the year ended 31 December 2007 (continued)

### 22 Pension commitments (continued)

The amounts charged to operating profit and other financial income comprise

	2007	2006
Profit and loss account	£'000	£'000
Operating profit		
Current service cost	42	70
Past service cost	-	-
	42	70
Other finance expenditure		
Expected return on pension scheme assets (note 7)	377	328
Interest on pension scheme liabilities (note 6)	(413)	(391)
Net charge	(36)	(63)

The actuarial gain recognised in the statement of total recognised gains and losses comprises

	2007	2006
	£'000	£'000
<b>Statement of total recognised gains and losses</b>		
Actual return less expected return on pension scheme assets	13	55
Experience gains and (losses) arising on scheme liabilities	485	(30)
Changes in assumptions underlying the present value of scheme liabilities	380	112
Actuarial gain recognised in statement of total recognised gains and losses	878	137
<b>Movements in the liability during the year</b>		
Deficit in scheme at beginning of year	(2,028)	(2,125)
Movement in year		
Current service cost	(42)	(70)
Past service costs	-	-
Contributions	116	93
Other finance expenditure	(36)	(63)
Actuarial gain	878	137
Deficit in scheme at end of year (before deferred tax)	(1,112)	(2,028)

# Black Cat Fireworks Limited

## Notes to the financial statements for the year ended 31 December 2007 (continued)

### 22 Pension commitments (continued)

#### History of experience gains and losses:

	2007	2006	2005	2004	2003
Difference between the expected and actual return on Scheme assets					
Amount (£'000)	13	55	534	36	225
Percentage of Scheme assets	0.2%	0.9%	9.2%	0.7%	4.7%
Experience gains and losses on Scheme liabilities					
Amount (£'000)	485	(30)	441	(116)	277
Percentage of the present value of the Scheme liabilities	6.6%	(0.4%)	5.6%	(1.6%)	4.0%
Total amount recognised in statement of total recognised gains and losses					
Amount (£'000)	878	137	240	19	176
Percentage of the present value of the Scheme liabilities	11.9%	1.7%	3.0%	0.3%	2.5%

### 23 Related party transactions

The company has taken advantage of the exemptions in FRS 8 not to report transactions with group companies which are at least 90% owned

### 24 Ultimate and immediate parent companies and controlling party

The directors regard Golden Horn NV, a company incorporated in the Netherlands Antilles, as the company's immediate parent company and Li & Fung Limited, a company incorporated in Bermuda, as the ultimate parent company and controlling party. Li & Fung Limited is registered on the Hong Kong stock exchange and copies of the financial statements may be obtained from its website ([www.lifunggroup.com](http://www.lifunggroup.com)) or from the principal place of business, 11<sup>th</sup> floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong. Li & Fung Limited heads the smallest and largest group to consolidate these financial statements.