

Black Cat Fireworks Limited

Annual report and financial statements for the year ended 31 December 2008

Registered number: 1900841



Black Cat Fireworks Limited

Annual report and financial statements for the year ended 31 December 2008

	Page
Officers and professional advisors	1
Directors' report for the year ended 31 December 2008.....	2
Independent auditors' report to the members of Black Cat Fireworks Limited	5
Profit and loss account for the year ended 31 December 2008.....	7
Balance sheet as at 31 December 2008	8
Statement of total recognised gains and losses for the year ended 31 December 2008	9
Notes to the financial statements for the year ended 31 December 2008.....	10

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

Aire Valley Business Centre
Lawkholme Lane
Keighley
West Yorkshire
BD21 3BB

Independent auditors

PricewaterhouseCoopers LLP
Benson House
33 Wellington Street
Leeds
LS1 4JP

Bankers

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

Solicitors

Lovegroves LLP
Fountain Court
32 Frances Road
Windsor
Berkshire
SL4 3AA

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 2008

The directors present their report and the audited financial statements for the year ended 31 December 2008.

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 7.

Trading in 2008 proved to be very tough. However the company has now turned the corner with very robust business processes in place. Early indicators are that 2009 will be a better trading year and consequently we expect improved results.

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

Operating costs have marginally increased 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 (2007: 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 (2007: 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.

Black Cat Fireworks Limited

Directors' report for the year ended 31 December 2008 (continued)

Financial risk management (continued)

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.

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 (2007: £nil).

Directors

The directors of the company during the year ended 31 December 2008, 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.

Black Cat Fireworks Limited

Directors' report for the period ended 31 December 2008 (continued)

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

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; 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.

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



30 October 2009

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 2008 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 other information contained in the annual report, and consider whether it is consistent with the audited financial statements. The other information comprises only the directors report and the officers and professional advisors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements. Our responsibilities do not extend to any other information.

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.

Independent auditors' report to the members of Black Cat Fireworks Limited (continued)

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 2008 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

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds

30 October 2009

Black Cat Fireworks Limited

Profit and loss account for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Turnover	2	7,390	8,535
Cost of sales		(4,663)	(4,184)
Gross profit		2,727	4,351
Net operating expenses	3	(4,883)	(4,892)
Other operating income		568	-
Operating loss		(1,588)	(541)
Interest payable and similar charges	6	(1,549)	(1,498)
Interest receivable and similar charges	7	444	411
Loss on ordinary activities before taxation	8	(2,693)	(1,628)
Tax credit on loss on ordinary activities	9	706	100
Loss for the financial year	18	(1,987)	(1,528)

All activities are in respect of continuing operations.

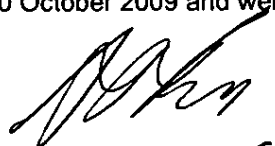
There is no difference between the loss on ordinary activities before taxation and the loss for the financial year, and their historical cost equivalents.

Black Cat Fireworks Limited

Balance sheet as at 31 December 2008

	Note	2008 £'000	2007 £'000
Fixed assets			
Intangible assets	10	-	25
Tangible assets	11	592	675
Investments	12	1,035	1,035
		1,627	1,735
Current assets			
Stocks	13	1,051	1,946
Debtors: amounts falling due within one year	14	2,965	2,720
Cash at bank and in hand		1,434	3,163
		5,450	7,829
Creditors: amounts falling due within one year	15	(19,435)	(19,921)
Net current liabilities		(13,985)	(12,092)
Total assets less current liabilities		(12,358)	(10,357)
Pension liability	22	(1,415)	(1,112)
Net liabilities including pension scheme		(13,773)	(11,469)
Capital and reserves			
Called up share capital	17	1,200	1,200
Profit and loss account	18	(14,973)	(12,669)
Total shareholders' deficit	19	(13,773)	(11,469)

The financial statements on pages 7 to 25 were approved by the board of directors on 30 October 2009 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 2008

	Note	2008	2007
		£'000	£'000
Loss for the financial year		(1,987)	(1,528)
Actuarial (loss) / gain on pension scheme for the year	22	(317)	878
Total recognised losses relating to the year		(2,304)	(650)

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2008

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:

	%
Fixtures, fittings and office equipment	15 – 33.5%
Plant and machinery	10-50
Motor vehicles	20

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.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

1 Principal accounting policies (continued)

Intangible fixed assets (continued)

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%
----------	-----

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.

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.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

1 Principal accounting policies (continued)

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.

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

	2008	2007
	£'000	£'000
Distribution costs	2,872	2,918
Administrative expenses	2,011	1,974
Net operating expenses	4,883	4,892

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

4 Directors' emoluments

	2008	2007
	£'000	£'000
Aggregate emoluments	141	217
Company contributions to personal pension plans	3	5

Retirement benefits are accruing to three directors (2007: three) under a defined benefit scheme.

	2008	2007
	£'000	£'000
Highest paid director		
Total emoluments	118	111
Contributions to money purchase pension scheme	3	5

5 Employee information

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

	2008	2007
	Number	Number
Selling and distribution	27	24
Administration	9	13
	36	37

Staff costs (for the above persons)	2008	2007
	£'000	£'000
Wages and salaries	1,099	1,148
Social security costs	86	99
Pension costs (see note 22)	42	56
	1,227	1,303

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

6 Interest payable and similar charges

	2008	2007
	£'000	£'000
On bank loans and overdrafts	1,120	1,085
Net interest costs relating to pensions (note 22)	429	413
	1,549	1,498

7 Interest receivable and similar income

	2008	2007
	£'000	£'000
Bank interest	43	34
Expected returns related to pensions (note 22)	401	377
	444	411

8 Loss on ordinary activities before taxation

	2008	2007
	£'000	£'000
Loss on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	258	335
Amortisation of intangible fixed assets	25	147
Auditors' remuneration:		
Audit services	21	30
Non audit services	7	7
Operating lease charges:		
- plant and machinery	68	73
- other	120	120

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

9 Tax on loss on ordinary activities

	2008	2007
	£'000	£'000
Current tax:		
UK corporation tax on losses of the year at 28.5% (2007:30%)	(485)	-
Adjustment in respect of previous years	(221)	(100)
Total current tax	(706)	(100)
Deferred tax:		
Origination and reversal of timing differences	-	-
Total deferred tax (Note 16)	-	-
Tax credit	(706)	(100)

The standard rate of tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the company's losses for this year are taxed at an effective rate of 28.5% and will be taxed at 28% in the future.

The tax assessed for the period is higher (2007: higher) than the standard rate of corporation tax in the UK of 28.5% (2007:30%). The differences are explained below:

	2008	2007
	£'000	£'000
Loss on ordinary activities before taxation	(2,693)	(1,628)
Loss on ordinary activities multiplied by standard rate in the UK of 28.5% (2007: 30%)	(768)	(488)
Effects of:		
Expenses not deductible for tax purposes	175	201
Decelerated capital allowances and other timing differences	70	47
Other timing differences	38	240
Adjustments to tax charge in respect of previous period	(221)	(100)
Current tax credit for the period	(706)	(100)

The company has tax losses amounting to approximately £9,575,000 (2007: £10,192,000) for carry forward against future taxable profits from the same trade. There are no other factors that are expected to impact the tax charge in the future.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

10 Intangible fixed assets

	Goodwill	Business know-how	Total
	£'000	£'000	£'000
Cost			
At 1 January 2008 and 31 December 2008	1,471	950	2,421
Amortisation			
At 1 January 2008	1,446	950	2,396
Charge for the year	25	-	25
At 31 December 2008	1,471	950	2,421
Net book amount			
At 31 December 2008	-	-	-
At 31 December 2007	25	-	25

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

11 Tangible fixed assets

	Plant and machinery	Motor vehicles	Fixtures, fittings & office equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2008	1,189	32	371	1,592
Additions	171	3	7	181
Disposals	(411)	(19)	(40)	(470)
At 31 December 2008	949	16	338	1,303
Depreciation				
At 1 January 2008	574	26	317	917
Charge for the year	228	-	30	258
Disposals	(405)	(18)	(41)	(464)
At 31 December 2008	397	8	306	711
Net book value				
At 31 December 2008	552	8	32	592
At 31 December 2007	615	6	54	675

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

12 Investments

	£'000
Cost at 1 January 2008 and 31 December 2008	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. The directors do not believe the investment is impaired.

Comet Fireworks GmbH

	2008 £'000	Restated 2007 £'000
Capital and reserves	(1,358)	(1,886)
Profit/(loss) for the financial year	528	(211)

13 Stocks

	2008 £'000	2007 £'000
Raw materials and packaging	-	208
Finished goods and goods for resale	1,051	1,738
	1,051	1,946

14 Debtors

	2008 £'000	2007 £'000
Amounts falling due within one year		
Trade debtors	1,021	2,326
Amounts owed by group undertakings	1,859	320
Prepayments and accrued income	85	74
	2,965	2,720

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

15 Creditors: amounts falling due within one year

	2008	2007
	£'000	£'000
Bank overdraft and loans	-	17,000
Trade creditors	152	248
Amounts owed to group undertakings	17,570	1,447
Taxation and social security costs	608	798
Accruals and deferred income	1,105	428
	19,435	19,921

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

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

The bank loan was repayable in December 2008 and was 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%.

16 Deferred tax

In accordance with its accounting policy the company has not recognised any deferred tax assets 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	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	(403)	(334)	-	-
Other timing differences	-	(1)	-	-
Unutilised losses carried forward	(2,681)	(2,854)	-	-
Asset relating to pension liability	(396)	(311)	-	-
	(3,480)	(3,500)	-	-

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

17 Called up share capital

	2008	2007
	£'000	£'000
Authorised		
1,200,000 ordinary shares of £1 each	1,200	1,200
Allotted, called up and fully paid		
1,200,000 ordinary shares of £1 each	1,200	1,200

18 Profit and loss account

	£'000
At 1 January 2008	(12,669)
Actuarial loss in respect of pension scheme	(317)
Loss for the financial year	(1,987)
At 31 December 2008	(14,973)

19 Reconciliation of movements in total shareholders' deficit

	2008	2007
	£'000	£'000
Opening total shareholders' deficit	(11,469)	(10,819)
Loss for the financial year	(1,987)	(1,528)
Actuarial (loss)/gain on pension scheme	(317)	878
Closing total shareholders' deficit	(13,773)	(11,469)

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

20 Financial commitments

At 31 December 2008 the company had annual commitments under non-cancellable operating leases, expiring as follows:

	Other		Land and buildings	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Within one year	-	-	-	-
Within two to five years	17	66	120	120
More than five years	-	-	-	-
	17	66	120	120

21 Capital commitments

The company had no capital commitments contracted but not provided for as at 31 December 2008 (2007: £nil).

22 Pension commitments

Defined contribution scheme

The company made contributions amounting to £9,204 (2007: £14,450) to a defined contribution scheme in the year. At the year end a pension creditor existed amounting to £nil (2007: £nil).

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 £32,524 (2007: £42,000). 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 (2007: £nil) is included in creditors which represents the excess of the accumulated pension costs over the payment of contributions to the scheme.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

22 Pension commitments (continued)

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 2008 and using scheme liabilities that have been updated from those at 31 March 2004 by a qualified actuary using the attained age method.

The equity investments and bonds which are held in plan assets are quoted and are valued at the current bid price following adoption of the amendment to FRS17. Previously these were valued at mid price. The effect of this change on the value of assets as at 31 December 2007 is immaterial and therefore the value of assets have not been restated.

Assumptions used for the valuation	2008	2007	2006
Discount rate: pre retirement	6.4%	7.25%	7.25%
post retirement	6.4%	5.9%	5.20%
Inflation assumption	2.75%	3.25%	3.00%
Rate of increase of salaries	4.75%	5.25%	5.00%
Rate of increase of pensions in payment	2.75%	3.10%	2.90%

The mortality assumptions used were as follows:

	2008	2007
	Years	Years
Longevity at age 65 for current pensioners		
- Men	20	20
- Women	22	23
Longevity at age 65 for future pensioners		
- Men	22	21
- Women	24	24

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

22 Pension commitments (continued)

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

	Expected long-term rate of return on assets at December 2008	Value at 31 December 2008 £'000	Expected long-term rate of return on assets at 31 December 2007	Value at 31 December 2007 £'000
Equities		2,484		3,463
Bonds		2,861		2,763
Other		43		45
Total market value of assets		5,388		6,271
Present value of scheme liabilities		(6,803)		(7,383)
Deficit in the scheme		(1,415)		(1,112)
Related deferred tax asset		-		-
Net pension liability		(1,415)		(1,112)

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

Reconciliation of fair value of plan assets

	2009 £'000	2008 £'000
Plan assets at beginning of year	6,271	6,030
Expected return on assets	401	377
Actuarial losses on assets	(1,112)	13
Employer contributions	78	116
Employee contributions	10	11
Benefits paid	(260)	(276)
Fair value of plan assets at year end	5,388	6,271

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

22 Pension commitments (continued)

The actual return on scheme assets was a loss of £711,000 (2007:£390,000 gain)

Reconciliation of fair value of plan liabilities

	2009	2008
	£'000	£'000
Plan liabilities at beginning of year	(7,383)	(8,058)
Interest costs	(429)	(413)
Actuarial gain	(36)	(42)
Contributions paid by employees	(10)	(11)
Benefits paid from plan assets	260	276
Actuarial gain	795	865
Plan liabilities at year end	(6,803)	(7,383)

The amounts charged to operating profit and other financial income comprise:

	2008	2007
	£'000	£'000
Profit and loss account		
Operating profit		
Current service cost	36	42
	36	42
Other finance expenditure		
Expected return on pension scheme assets (note 7)	401	377
Interest on pension scheme liabilities (note 6)	(429)	(413)
Net charge	(28)	(36)

Actuarial gains and losses

The cumulative amount of actuarial gains recognised in the statement of recognised gains and losses is £113,000 (2007:£430,000)

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

22 Pension commitments (continued)

History of experience gains and losses:

	2008	2007	2006	2005	2004
Difference between the expected and actual return on Scheme assets					
Amount (£'000)	(1,112)	13	55	534	36
Percentage of Scheme assets	(20.6%)	0.2%	0.9%	9.2%	0.7%
Experience gains and losses on Scheme liabilities					
Amount (£'000)	9	485	(30)	441	(116)
Percentage of the present value of the Scheme liabilities	0.1%	6.6%	(0.4%)	5.6%	(1.6%)
Total amount recognised in statement of total recognised gains and losses					
Amount (£'000)	(317)	878	137	240	19
Percentage of the present value of the Scheme liabilities	(4.7%)	11.9%	1.7%	3.0%	0.3%

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) or from the principal place of business, 11th 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.