Christy Group Limited

Directors' report and consolidated financial statements

Registered number 3338230

Year ended 31 December 2004

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

Principal activity and review of business

The principal activity of the group is the manufacture and distribution of headwear, accessories and costumes for children's role-play dress-up. The principal activity of the company is that of a holding company.

The results for the year for the group are as shown on page 5.

During the period leading up to the year end and subsequently the business has undertaken a review of its trading operations. This has resulted in a greater strategic focus on the dress-up business and the decision to dispose of the Group's interest in Sri Lanka. In March 2004 the Group acquired 30% of the equity share capital in Lanka Felts (PVT) to take its total share to 80%, although this did not have a material effect on the business. Subsequently in 2005, it accepted on an offer to sell all of its share holding in its Sri Lankan subsidiaries for £800,000. This transaction of itself resulted in a post balance sheet loss the quantum of which is dependent on the outcome of ongoing negotiations.

Proposed dividend

The directors do not propose a final dividend.

Directors and directors' interests

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

ME Pinto	
MS Lawson	
DW Astor	
LJ Hydleman	
GC Panons	
AL Lewis	
AD James	(resigned 15 March 2004)
J Sedgwick	(appointed 15 March 2004)

The directors who held office at the end of the financial period had the following beneficial interests in the ordinary shares of the company according to the register of directors' interests:

	Class of share	Interest at end of *period*	Interest at start of *period*
ME Pinto	Ordinary 5p	5,223,031	5,223,031
ME Pinto	Preferred Ordinary 5p	877,000	877,000
MS Lawson	Ordinary 5p	1,410,320	1,410,320
DW Astor	Ordinary 5p	1,609,946	1,609,946

The interest of MS Lawson includes 120,000 shares held in settlement for his family.

Directors' report *(continued)*

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution for reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Gary Panons
Director

Wood Street
Barnsley
South Yorkshire
S70 1NB

13 September 2005

Statement of 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 for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company or 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 of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and of the group and to prevent and detect fraud and other irregularities.

KPMG

1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditors' report to the members of Christy Group Limited

We have audited the financial statements on pages 5 to 23.

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 auditor's 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

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 group is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with 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 affairs of the company and of the group as at 31 December 2004 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

14 September 2005

Consolidated profit and loss account
for the year ended 31 December 2004

	Note	Year ended 31 December 2004	Six months ended 31 December 2003		
				Exceptional items (note 3)	Total
		£000	£000	£000	£000
Turnover: Group and share of joint venture		**26,879**	14,149	-	14,149
Less: Share of joint venture		**(161)**	(321)	-	(321)
Group turnover	2	**26,718**	13,828	-	13,828
Cost of sales		**(19,581)**	(10,246)	(1,505)	(11,751)
Gross profit		**7,137**	3,582	(1,505)	2,077
Selling and distribution costs		**(2,741)**	(1,396)	-	(1,396)
Administrative expenses		**(3,039)**	(1,700)	(238)	(1,938)
Group operating profit/(loss)		**1,357**	486	(1,743)	(1,257)
Share of operating profit/(loss) in joint venture		**3**			(9)
Profit/(loss) before interest and tax		**1,360**			(1,266)
Interest payable and similar charges	6	**(1,031)**			(442)
Share of joint venture interest payable		**(1)**			(1)
Profit/(loss) on ordinary activities before taxation	3-6	**328**			(1,709)
Tax on profit on ordinary activities	7	**80**			88
Profit/(loss) for the financial year		**408**			(1,621)
Minority interest		**(1)**			-
Profit/(loss) for the financial year	15	**407**			(1,621)

There is no difference between the profit for the financial year and the historical cost equivalent.

Consolidated balance sheet
at 31 December 2004

	Note	31 December 2004		30 December 2003	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9		2,888		2,301
Investment in joint venture					
- share of gross assets	8	-		316	
- share of gross liabilities	8	-		(262)	
			-		54
			2,888		2,355
Current assets					
Stocks	10	3,547		2,637	
Debtors	11	6,767		5,451	
Cash at bank and in hand		2,617		2,117	
		12,931		10,205	
Creditors: amounts falling due within one year	12	(12,346)		(9,779)	
Net current assets			585		426
Total assets less current liabilities			3,473		2,781
Creditors: amounts falling due after more than one year	13		(4,391)		(4,136)
Net liabilities			(918)		(1,355)
Capital and reserves					
Called up share capital	14		1,104		1,104
Share premium account	15		3,191		3,191
Merger reserve	15		1,235		1,235
Profit and loss account	15		(6,497)		(6,885)
Shareholders deficit - equity			(967)		(1,355)
Minority interest – non equity	8		49		-
Capital employed			(918)		(1,355)

These financial statements were approved by the board of directors on 13 September 2005 and were signed on its behalf by:

Gary Panons
Director

Company balance sheet
at 31 December 2004

	Note	31 December 2004 £000	31 December 2004 £000	31 December 2003 £000	31 December 2003 £000
Fixed assets					
Investments	8		**1,959**		1,959
Current assets					
Debtors - due after more than one year	11	**6,731**		6,740	
Cash at bank		**-**		141	
		6,731		6,881	
Creditors: amounts falling due within one year	12	**(3,543)**		(3,248)	
Net current assets			**3,188**		3,633
Total assets less current liabilities			**5,147**		5,592
Creditors: amounts falling due after more than one year	13		**(1,271)**		(1,212)
Net assets			**3,876**		4,380
Capital and reserves					
Called up share capital	14		**1,104**		1,104
Share premium account	15		**4,426**		4,426
Profit and loss account	15		**(1,654)**		(1,150)
Equity shareholders' funds			**3,876**		4,380

These financial statements were approved by the board of directors on 13 September 2005 and were signed on its behalf by:

Gary Panons
Director

Consolidated cash flow statement
for the year ended 31 December 2004

		Year ended 31 December 2004 £000	Six month period ended 31 December 2003 £000
Net cash (outflow)/inflow from operating activities	*18*	**(644)**	165
Returns on investments and servicing of finance	*19*	**(804)**	(269)
Capital expenditure and financial investment	*19*	**(728)**	(146)
Taxation		**-**	-
Cash outflow before financing		**(2,176)**	(250)
Acquisitions and disposals	*19*	**(20)**	-
Financing	*19*	**912**	1,185
(Decrease)/increase in cash in the year		**(1,284)**	935

Reconciliation of net cash flow to movement in net debt

(Decrease)/increase in cash in the year	*20*	**(1,284)**	935
Increase in debt financing		**(912)**	(1,185)
Change in net debt resulting from cash flows	*20*	**(2,196)**	(250)
Accrued interest on investor loans		**(229)**	(174)
Movement in net debt in the year		**(2,425)**	(424)
Net debt at the beginning of the year	*20*	**(9,030)**	(8,606)
Net debt at the end of the year	*20*	**(11,455)**	(9,030)

Statement of total recognised gains and losses
for the year ended 31 December 2004

	Group		Company	
	Year ended 31 December 2004 £000	Six month period ended 31 December 2003 £000	**Year ended 31 December 2004 £000**	Six month period ended 31 December 2003 £000
Profit/(loss) for the financial year	**407**	(1,621)	**(504)**	(172)
Currency translation differences on foreign currency net investments	**(19)**	(298)	**-**	-
Total gains and losses relating to year	**388**	(1,919)	**(504)**	(172)

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2004

	Group		Company	
	Year ended 31 December 2004 £000	Six month period ended 31 December 2003 £000	**Year ended 31 December 2004 £000**	Six month period ended 31 December 2003 £000
Profit/(loss) for the financial year	**407**	(1,621)	**(504)**	(172)
Other recognised gains and losses relating to the year	**(19)**	(298)	**-**	-
Net addition/(reduction) to shareholders' funds	**388**	(1,919)	**(504)**	(172)
Opening shareholders' (deficit) funds	**(1,355)**	564	**4,380**	4,552
Closing shareholder (deficit)/funds	**(967)**	(1,355)	**3,876**	4,380

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the consolidated financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

In August 2005 the group agreed revised banking facilities with its bankers which the directors consider provides adequate headroom for the foreseeable future. Consequently the directors consider it appropriate to prepare the accounts on a going concern basis.

Basis of consolidation

The group accounts include the accounts of the company and its subsidiary undertakings made up to 31 December 2004. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

The group's share of the profit or loss of joint venture operations is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Goodwill

Purchased goodwill arising on consolidation in respect of acquisitions before 30 November 1998, when FRS 10 "Goodwill and Intangible assets" was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

In the company's financial statements, investments in subsidiary undertakings are stated at cost less any impairment in value.

Tangible fixed assets and depreciation

Tangible fixed assets are stated either at cost or professional valuation less depreciation. Depreciation is provided by the group to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold, leasehold and land and buildings	-	50 years or life of lease
Plant and machinery and Fixtures fittings and office equipment	-	3 to 10 years
Motor vehicles	-	3 to 5 years

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas joint ventures and subsidiary undertakings are translated at the closing exchange rates and the profit and loss accounts at the closing rate. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs

The group operates a defined contribution pension scheme for a number of employees. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the financial period.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises the direct costs of production and the attributable proportion of all overheads appropriate to location and condition. Net realisable value is the estimated selling price reduced by all costs of completion, marketing, selling and distribution.

Research and development expenditure

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred.

FRS 8 Related party disclosure

The company has taken advantage of the exemption permitted under FRS 8 not to disclose details of related party transactions with entities within the group headed by Christy Group Limited.

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Deferred tax assets are recognised in accordance with FRS 19 to the extent that they are considered to be recoverable.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

Notes *(continued)*

2 Analysis of turnover

	Year ended 31 December 2004 £000	Six month period ended 31 December 2003 £000
By geographical market		
United Kingdom	**20,078**	10,798
Export	**6,640**	3,030
	26,718	13,828

3 Profit/(loss) on ordinary activities before taxation

	Year ended 31 December 2004 £000	Six month period ended 31 December 2003 £000
Profit/loss on ordinary activities before taxation is stated after charging		
Auditors' remuneration:		
Group – Audit	**65**	45
Company – Audit	**5**	3
Depreciation and other amounts written off tangible fixed assets:		
Owned	**141**	75
Leased	**-**	3
Operating lease payments:		
Plant and machinery	**56**	25
Land and buildings	**30**	15

Exceptional items

During the period leading up to the year end and subsequently the business has undertaken a review of its trading operations. This has resulted in a greater strategic focus on the dress-up business and the decision to dispose of the Group's interest in Sri Lanka.

Following the review of trading operations the directors concluded that it was appropriate to revise certain estimates in relation to the recoverability of both stock related and other trading related items. Consequently an exceptional charge of £1,743,000 has been recorded in the period ended 31 December 2003 to reflect this reassessment. These exceptional items generated a tax credit at the Group's standard rate (30%). No material cash flows are associated with the exceptional items.

Notes *(continued)*

4 Remuneration of directors

	Year Ended 31 December 2004 £000	Six month period ended 31 December 2003 £000
Directors' emoluments	**568**	291
Company contribution to money purchase schemes	**30**	14

The emoluments excluding pension contributions of the highest paid director were £141,662 *(31 December 2003: £91,400)* and company contributions of £nil *(31 December 2003: £5,000)* were made to a money purchase scheme on his behalf.

There were 2 directors accruing retirement benefits under the money purchase scheme *(31 December 2003: 2).*

5 Staff numbers and costs

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

	Number of employees	
	Year ended 31 December 2004	Six month period ended 31 December 2003
Production	**13**	15
Sales and administration	**95**	84
	108	99

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2004 £000	Six month period ended 31 December 2003 £000
Wages and salaries	**2,799**	1,192
Social security costs	**256**	133
Other pension costs	**125**	22
	3,180	1,347

Notes *(continued)*

6 Interest payable and similar charges

	Year ended 31 December 2004 £000	Six month period ended 31 December 2003 £000
On bank loans and overdrafts	**615**	230
Other loans	**229**	174
Net exchange loss	**187**	38
	1,031	442

7 Taxation

	Year ended 31 December 2004 £000	Six month period ended 31 December 2003 £000
UK corporation tax		
Adjustments in respect of prior periods	**80**	-
Total current tax	**80**	-
Deferred tax *(see note 11)*	**-**	88
Tax on profit on ordinary activities	**80**	88

Factors affecting the tax charge for the current year

The current tax charge for the year is lower *(31 December 2003: lower)* than the standard rate of corporation tax in the UK (30%). The differences are explained below.

	Year ended 31 December 2004 £000	Six month period ended 31 December 2003 £000
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	**328**	(1,709)
Current tax at 30% *(31 December 2003: 30 %)*	**98**	(513)
Effects of:		
Short term timing differences	**48**	11
Expenses not deductible for tax purposes	**41**	25
Capital allowances for period in excess of depreciation	**(68)**	(32)
Unutilised/(utilised) tax losses	**(18)**	509
Adjustments to tax charge in respect of previous periods	**(80)**	-
Overseas profits not subject to tax	**(101)**	-
Total current tax (credit)/charge (see above)	**(80)**	-

Notes *(continued)*

8 Fixed asset investments

Joint ventures

During the year the group acquired an additional 30% of the share capital of Lanka Felts (PVT) Limited, incorporated in Sri Lanka increasing the share capital held to 80%. Consequently, during the period from 1 January 2004 to 30 March 2004 Lanka Felts (PVT) Limited was treated as a joint venture and during the period 1 April 2004 to 31 December 2004 Lanka Felts (PVT) Limited was treated as a subsidiary undertaking.

The amounts included in respect of joint ventures comprise the following:

Group	**Lanka Felts (PVT) Limited 2004 £000**	Lanka Felts (PVT) Limited 2003 £000
Share of turnover of joint ventures	**161**	321
Share of assets		
Share of fixed assets	-	136
Share of current assets	-	180
	-	316
Share of liabilities		
Due within one year	-	(70)
Due after one year	-	(192)
	-	(262)
Share of net assets	-	54

Company	**Shares in group undertakings £000**
Cost and net book value	
At beginning and end of the year	1,959

Notes *(continued)*

8 Fixed asset investments *(continued)*

The companies in which the company's interest at the year end is more than 20% are as follows:

Subsidiary undertakings	**Country of *incorporation***	**Principal *Activity***	**Class and *percentage* of shares**
Christys By Design Accessories Limited	England	Manufacture of hats and associated accessories	Ordinary 100%
CW Headdress Limited	England	Manufacture and distribution of headwear products	Ordinary 100%
Christy and Co Limited	England	Manufacture and distribution of headwear products, accessories and garments	Ordinary 100%
Christy Asia Limited	*Hong Kong*	*Dormant*	*Ordinary 100%*
Christy Overseas Limited	Sri Lanka	Procurement of accessories and garments	Ordinary 100%
Christy of London Inc	USA	Sale and distribution	Ordinary 100%

Notes*(continued)*

9 Tangible fixed assets

	Freehold and leasehold land and buildings	Plant and machinery	Fixtures, fittings and office *equipments*	Motor Vehicles	Total
	£000	£000	£000	£000	£000
Group					
Cost or revaluation					
At beginning of year	1,670	755	952	37	3,414
Additions	-	470	258	-	728
At end of year	1,670	1,225	1,210	37	4,142
Depreciation					
At beginning of year	93	486	497	37	1,113
Charge for year	11	68	62	-	141
At end of year	104	554	559	37	1,254
Net book value					
At 31 December 2004	**1,566**	**671**	**651**	**-**	**2,888**
At 31 December 2003	1,577	269	455	-	2,301

Particulars relating to revalued assets are given below:

	31 December 2004	31 December 2003
	£000	£000
Land and buildings		
At June 1999 open market value	**615**	615
Aggregate depreciation thereon	**(66)**	(54)
Net book value	**549**	561
Historical cost of revalued assets	**488**	488
Aggregate depreciation based on historical cost	**(53)**	(43)
Historical cost net book value	**435**	445

The revaluation of the premises at Upper New Street and Wood Street, Barnsley was performed by Smiths Limited, chartered surveyors, on 28 June 1999. The valuation of £615,000 was arrived at on a continuing use basis.

In accordance with the transitional provisions of FRS 15: Tangible Fixed Assets, the valuation of land and buildings has been retained as the directors' consider this to reflect the fair value of those assets. No further revaluations will be recognised in future accounting periods.

Notes *(continued)*

10 Stocks

	Group		Company	
	31 December 2004 £000	31 December 2003 £000	**31 December 2004 £000**	31 December 2003 £000
Raw materials and consumables	**1,713**	2,043	-	-
Finished goods and goods for resale	**1,834**	594	-	-
	3,547	2,637	-	-

11 Debtors

	Group		Company	
	31 December 2004 £000	31 December 2003 £000	**31 December 2004 £000**	31 December 2003 £000
Amounts recoverable within one year				
Trade debtors	**4,797**	3,795	-	-
Other debtors	**942**	950	-	-
Prepayments and accrued income	**690**	368	-	-
Deferred tax	**318**	318	-	-
	6,747	5,431	-	-
Amounts recoverable after more than one year				
Amounts owed by group undertakings	-	-	**6,731**	6,740
Deferred tax	**20**	20	-	-
Total debtors	**6,767**	5,541	**6,731**	6,740

Deferred tax assets have recognised in accordance with FRS 19 to the extent that they are considered to be recoverable.

	***Deferred Tax* £000**
At beginning and end of year	**338**

The elements of deferred tax is as follows:

	31 December 2004 Provided £000	31 December 2003 Provided £000
Losses	**130**	130
Accelerated capital allowances	**64**	64
Other timing differences	**144**	144
Undiscounted provision	**338**	338
Deferred tax asset	**338**	338

Notes *(continued)*

12 Creditors: amounts falling due within one year

	Group		Company	
	31 December 2004 £000	31 December 2003 £000	**31 December 2004 £000**	31 December 2003 £000
Bank loans and overdrafts	**8,931**	6,261	**2,793**	2,498
Trade creditors	**2,142**	2,303	-	-
Corporation tax	-	79	-	-
Other taxation and social security costs	**120**	205	-	-
Other creditors	**29**	-	-	-
Accruals and deferred income	**374**	181	-	-
Investor loans	**750**	750	**750**	750
	12,346	9,779	**3,543**	3,248

The group bank borrowings are secured by a first legal charge over the entire freehold land and buildings of the group headed by Christy Group Limited, and by a floating charge over the assets of the group. In addition the bank holds Keyman life insurance policies on the lives of J Hydleman (£1,000,000), and G Panons (£250,000). Borrowings accrue interest at base rate plus 2.5% per annum.

13 Creditors: amounts falling due after more than one year

	Group		Company	
	31 December 2004 £000	31 December 2003 £000	**31 December 2004 £000**	31 December 2003 £000
Bank loans	**1,125**	1,043	-	-
Investor loans	**3,266**	3,093	**1,271**	1,212
	4,391	4,136	**1,271**	1,212

The amounts owed to investors within creditors falling due after more than one year form part of the long term funding of the group. These amounts carry interest at 7.5% or 9% per annum and do not have a specific repayment date. These loans are subordinated in favour of the bank.

Analysis of debt:

	Group		Company	
	31 December 2004 £000	31 December 2003 £000	**31 December 2004 £000**	31 December 2003 £000
Debt can be analysed as falling due:				
In one year or less, or on demand	**9,681**	7,011	**3,543**	3,248
In two to five years	**920**	666	-	-
In five years or more	**3,471**	3,470	**1,271**	1,212
	14,072	11,147	**4,814**	4,460

Notes *(continued)*

14 Called up share capital

	31 December 2004 Number	31 December 2003 Number
Authorised		
Equity: Ordinary shares of 5p each	**45,125,000**	45,125,000
Equity: Preferred ordinary shares of 5p each	**2,975,000**	2,975,000
	48,100,000	48,100,000
	£000	£000
Allotted, called up and fully paid		
Equity: Ordinary shares of 5p each	**960**	960
Equity: Preferred ordinary shares of 5p each	**144**	144
	1,104	1,104

15 Share premium and reserves

Group	**Share premium account** £000	**Merger reserve** £000	**Profit and loss account** £000
At beginning of year	3,191	1,235	(6,885)
Retained profit for the year	-	-	407
Exchange adjustments	-	-	(19)
At end of year	**3,191**	**1,235**	**(6,497)**

Company	**Share premium account** £000	**Profit and loss account** £000
At beginning of year	4,426	(1,150)
Retained loss for the year	-	(504)
At end of year	**4,426**	**(1,654)**

Notes *(continued)*

16 *Contingent liabilities*

The company has guaranteed the overdrafts of its subsidiaries; the amount outstanding at the year end was £6,147,000 *(31 December 2003: £3,763,000)*.

17 Commitments

At the end of the financial year the Group had entered into commitments amounting to £nil *(31 December 2003: £3,400,000)* in respect of foreign currency forward exchange contracts the inception of which occurs after the year end.

18 Analysis of cashflows

	31 December 2004 £000	31 December 2003 £000
Reconciliation of operating profit to net cash (outflow)/inflow from operating activities		
Operating profit/(loss)	**1,357**	(1,257)
Depreciation charge	**141**	78
(Increase)/decrease in stocks	**(859)**	1,037
(Increase)/decrease in debtors	**(1,294)**	1,142
Decrease in creditors	**11**	(835)
Net cash (outflow)/inflow from operating activities	**(644)**	165

Notes *(continued)*

19 Analysis of cash flows

	31 December 2004		31 December 2003	
	£000	£000	£000	£000
Returns on investment and servicing of finance				
Interest paid	(804)		(269)	
		(804)		(269)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(728)		(146)	
		(728)		(146)
Acquisition and disposals				
Purchase of subsidiary undertaking	(20)		-	
		(20)		-
Financing				
Repayment of loans	-		(43)	
New bank loans	912		1,228	
		912		1,185

20 Analysis of net debt

	At beginning of period	Cash flow	Non cash changes	At end of period
	£000	£000	£000	£000
Cash in hand, at bank	2,117	500	-	2,617
Overdrafts	(3,548)	(1,784)	-	(5,332)
	(1,431)	(1,284)	-	(2,715)
Debt due within one year	(3,463)	(886)	-	(4,349)
Debt due after one year	(4,136)	(26)	(229)	(4,391)
Total	**(9,030)**	**(2,196)**	**(229)**	**(11,455)**

Notes *(continued)*

21 Related party disclosures

The directors of the company have taken advantage of the exemption available to them under FRS8 not to disclose information regarding transactions and balances with other companies within the group where they are more than 90% owned by the group. The following transactions are with Lanka Felts (Pvt) Limited (a joint venture of CW Headdress Limited)

	Sales in *the year*	**Purchases *in the year***	**Debtor at *31 December* 2004**	**Creditor at *31 December* 2004**
	£000	**£000**	**£000**	**£000**
CW Headress Limited	-	577	297	(79)
Christy & Co Limited	-	227	-	(27)

22 Pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the group to the fund and amounted to £nil *(31 December 2003: £nil)*. This scheme was discontinued on 30 September 2000.

The group operated a defined benefit pension scheme until 28 February 2001. On this date, the scheme was discontinued and, in accordance with Part III of the Pensions Scheme Act 1993, the group surrendered its contracting out certificate.

The defined benefit pension scheme provided benefits based on final pensionable pay, with contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions were determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 15 February 1998. The assumptions which have the most significant effect on the results of the valuation are that the rate of return on gilts would be 8% and equity investments would be 9.0% per annum, present and future pensions would increase at the rate of 3.5% per annum and that inflation would be 4.0% per annum.

The most recent actuarial valuation showed that the market value of the scheme's assets was £1,421,000 at 15 February 2001 and that the actuarial value of those assets represented 98% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The remaining members of the scheme have been offered membership of the Group Personal Pension Plan for the provision of future retirement benefits and, whilst the deferred members of the final salary and money purchase schemes who remain actively employed by Christy & Co (or participating employers) have not transferred their benefits to the GPPP, they are eligible to join it and some have joined.

The winding up of the scheme is not yet complete and the final shortfall on the scheme at the balance sheet date, if any, is not known. Consequently no provision has been made in these accounts. In addition, the information is not available to adopt the transitional rules under FRS 17.

23 Post balance sheet events

In August 2005 the group agreed revised banking facilities with its bankers which the directors consider provides adequate headroom for the foreseeable future.

During 2005 the group accepted on an offer to sell all of its Group interest in Sri Lanka for £800,000. This transaction of itself resulted in a post balance sheet loss the quantum of which is dependant on the outcome of ongoing negiations.