

3480229

David Halsall International Holdings Limited

Report and Financial Statements

31 March 2005



David Halsall International Holdings Limited

Registered No: 3480229

Directors

P. Ackroyd
A.F.D. Coplestone
A. J. Hales
G.W. Halsall
D. A. Halsall
J.R. Hutt
W. J. Lockwood
J.R. Wrenn

Secretary

W.J. Lockwood

Auditor

Ernst & Young LLP
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Bankers

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Director's report

The directors present their annual report on the affairs of the group, together with the accounts and auditors' report, for the year ended 31 March 2005.

Principal activity and business review

The principal activity of the group remained that of the manufacture and distribution of toys and related products. The principal activity of the company remained that of a holding company.

Group turnover for the year, at over £73m, is slightly improved compared to the previous year (2004: £68m). This market generally continues to be challenging although the group remains cautiously optimistic about future trading. Our policy continues to be that of providing good quality products at keen prices.

The turnover of our Hong Kong subsidiary has continued to grow, reflecting our customers' demand for FOB product.

Results and dividends

	£000
Retained profit at 1 April 2004	2,981
Retained profit for the financial year	1,600
Exchange loss on retranslation of overseas subsidiary	(98)
Repurchase of own shares	(29)
Retained profit at 31 March 2005	<u>4,454</u>

Fixed assets

The changes in fixed assets are set out in notes 9, 10, and 11 to the accounts.

Directors' Report (continued)

Directors and their interests

The directors who served during the year are shown on page 1. Their interests in the ordinary shares of the company, are as shown below:

	2005 <i>Beneficial</i>	2004 <i>Beneficial</i>
<i>B Ordinary shares of £1 each:</i>		
David Halsall Employee Benefit trust No.2	-	710
<i>C Ordinary shares of £1 each:</i>		
D A Halsall	26,861	26,861
<i>D Ordinary shares of £1 each:</i>		
G W Halsall	11,230	11,230
G W Halsall 2000 Life Interest Settlement	21,600	21,600

The interests of the directors were unchanged.

The Graham Wilson Halsall 2000 Life Interest Settlement owns 21,600 £1 ordinary shares in David Halsall International Holdings Limited. The trustees of this settlement are D.A. Halsall plus another unrelated party.

The beneficiaries of this settlement are as follows:

G.W. Halsall

D.A. Halsall

Certain close family members of G.W. Halsall

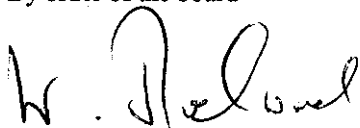
Other persons as consented by either G.W. Halsall or the beneficiaries

The directors had no other interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Auditor

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the board



W. J. Lockwood

Secretary

Date:

27th July 2005

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of David Halsall International Holdings Limited

We have audited the group's financial statements for the year ended 31 March 2005 which comprise Consolidated Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, Consolidated Reconciliation of Cash Flows to Movement in Net Debt and the related notes 1 to 24. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.



Independent auditors' report

to the members of David Halsall International Holdings Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 March 2005 and of the result of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to be 'EY e Z W', located above the printed name of the auditor.

Ernst & Young LLP
Registered Auditor
Manchester

Date: 27/7/05

Consolidated Profit and Loss Account

for the year ended 31 March 2005

	<i>Notes</i>	<i>2005</i> <i>£000</i>	<i>2004</i> <i>£000</i>
Turnover	1,2	73,579	67,812
Cost of sales		(53,890)	(49,326)
Gross profit		19,689	18,486
Other net operating expenses	3	(16,994)	(17,695)
Operating profit	5	2,695	791
Finance charges	4	(346)	(489)
Profit on ordinary activities before taxation		2,349	302
Tax on profit on ordinary activities	7	(605)	31
Profit for the financial year		1,744	333
Retained profit for the year	18		

The accompanying notes are an integral part of this consolidated profit and loss account.

Consolidated Statement of Recognised Gains and Losses

for the year ended 31 March 2005

	<i>2005</i> <i>£000</i>	<i>2004</i> <i>£000</i>
Profit for the financial year	1,744	333
Exchange differences on retranslation of the net assets of subsidiary undertakings	(98)	(128)
Repurchase of own shares	(29)	-
Total gains and losses recognised since last annual report	1,617	205

Consolidated Balance Sheet

at 31 March 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Goodwill	9	4,525	4,900
Intangible assets	9	-	401
Tangible fixed assets	10	2,710	2,835
		<u>7,235</u>	<u>8,136</u>
Investments	11	8	8
		<u>7,243</u>	<u>8,144</u>
Current assets			
Stocks	12	4,906	6,107
Debtors	13	11,497	11,561
Cash at bank and in hand		215	653
		<u>16,618</u>	<u>18,321</u>
Creditors: amounts falling due within one year	14	(9,540)	(8,729)
		<u>7,078</u>	<u>9,592</u>
Net current assets			
		<u>14,321</u>	<u>17,736</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	15	(13)	(4,981)
Provisions for liabilities and charges	16	(245)	(338)
		<u>14,063</u>	<u>12,417</u>
Net assets			
		<u>14,063</u>	<u>12,417</u>
Capital and reserves			
Called-up share capital	17	60	61
Capital Redemption reserve	18	1,340	1,340
Merger reserve	18	8,065	8,065
Profit and loss account	18	4,598	2,981
Other reserve	18	-	(30)
		<u>14,063</u>	<u>12,417</u>
Equity shareholders' funds	18	<u>14,063</u>	<u>12,417</u>

The accounts were approved by the board of directors on 27/03/05 and signed on its behalf by:

D. A. Halsall
Director

Company Balance Sheet

at 31 March 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Investments	11	3,936	3,937
Current assets			
Debtors	13	53	30
Creditors: amounts falling due within one year	14	(1,564)	(943)
Net current liabilities		(1,511)	(913)
Total assets less current liabilities		2,425	3,024
Creditors: amounts falling due after one year	15	-	(581)
Net assets		2,425	2,443
Capital and reserves			
Called up share capital	17	60	61
Capital Redemption reserve	18	10	10
Profit and loss account	18	2,355	2,372
Equity shareholders' funds	18	2,425	2,443

The accounts were approved by the board of directors on 27/07/05 and signed on its behalf by:

D.A. Halsall
Director



Consolidated Cash Flow Statement

for the year ended 31 March 2005

	Notes	2005 £000	2004 £000
Net cash inflow from operating activities	19	5,044	2,532
Returns on investments and servicing of finance	20	(346)	(489)
Taxation	20	(462)	(680)
Capital expenditure and financial investment	20	(210)	(711)
Equity dividends paid		-	-
Cash inflow before financing		4,026	652
Financing	20	(6,091)	2,926
(Decrease)/increase in cash in the year	21	(2,065)	3,578

Consolidated Reconciliation of cash flows to movement in net debt

for the year ended 31 March 2005

		2005 £000	2004 £000
Increase/(decrease) in cash in the year		(2,065)	3,578
Cash (inflow)/outflow from increase in debt and lease financing		6,091	(2,926)
Change in net debt resulting from cash flows		4,026	652
Inception of finance leases		-	-
Exchange differences		-	-
Total movement in net debt		4,026	652
Net debt at 1 April 2004	21	(5,468)	(6,120)
Net debt at 31 March 2005	21	(1,442)	(5,468)

The accompanying notes are an integral part of this consolidated cash flow statement.

Notes to the Financial Statements

for the year ended 31 March 2005

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently through the year and the preceding year, is set out below.

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Basis of consolidation

The group accounts consolidate the accounts of David Halsall International Holdings Limited and its subsidiary undertakings drawn up to 31 March each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method of accounting.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and business, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is either five or twenty years. Provision is made for any impairment.

Intangible fixed assets

Customer lists are included at cost and amortised in equal annual instalments over a period of five years, which is their estimated useful economic life. Trademarks are stated at cost and are written off over their expected useful economic lives or over the period of five years, whichever is the shorter. The carrying values of intangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Tangible fixed assets

Tangible fixed assets are shown at cost, net of depreciation and provision for impairment in value. Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful life as follows:

Freehold and short leasehold buildings	50 years
Motor vehicles	4 years
Plant and machinery	3 to 10 years

Residual value is calculated on prices prevailing at the date of acquisition.

Freehold land is not depreciated.

Investments

Fixed asset investments are shown at cost less any provision for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. For work-in-progress and finished goods, the cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Notes to the Financial Statements

for the year ended 31 March 2005

1. Accounting policies (continued)

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation of fixed assets and gains on disposals of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned;

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pension costs

The company makes provision for pensions to certain directors through defined contribution schemes. The amount charged to the profit and loss account is the contributions payable in the year. Any difference between amounts charged to the profit and loss account and contributions actually paid in the year is shown as a separately identified liability or asset in the balance sheet.

Further information on pension costs is provided in note 22.

Foreign currency

Transactions denominated in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rate of exchange prevailing at the year end (or, where appropriate, at the forward contract rate). Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the year and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets are dealt with through reserves. All other exchange differences are included in the profit and loss account.

Notes to the Financial Statements

for the year ended 31 March 2005

1. Accounting policies (continued)

Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are spread on a straight line basis over the lease term, or, if shorter than the full lease term, over the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate.

Turnover

Turnover comprises the value of sales (excluding VAT and similar taxes and trade discounts) of goods and services in the normal course of business.

Finance costs

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

2. Segmental information

Segmental information has not been disclosed on the grounds that the directors believe such disclosure would be seriously prejudicial to the interests of the group.

3. Other net operating expenses

	2005 £000	2004 £000
Distribution costs	2,560	3,712
Administration expenses	14,460	14,014
Other operating income	(26)	(31)
	<u>16,994</u>	<u>17,695</u>

Notes to the Financial Statements

for the year ended 31 March 2005

4. Finance charges

	2005 £000	2004 £000
Bank loan and overdraft interest	346	489

5. Operating profit

Operating profit is stated after charging:

	Notes	2005 £000	2004 £000
Depreciation and amounts written off tangible fixed assets			
- owned		706	690
- held under finance leases and hire purchase contract		41	9
Amortisation of goodwill		375	354
Amortisation of trademarks		-	24
Operating lease rentals:			
- property		495	544
- motor vehicles		173	193
Auditors' remuneration:			
- audit		28	28
- non-audit		43	4
Staff costs	6	5,114	4,521

Notes to the Financial Statements

for the year ended 31 March 2005

6. Staff costs

Employee costs

Particulars of employees (including executive directors) are as shown below:

	<i>Notes</i>	<i>2005</i> <i>£000</i>	<i>2004</i> <i>£000</i>
Employee costs during the year amounted to:			
Wages and salaries		4,624	4,108
Social security costs		471	394
Other pension costs		19	19
	5	<u>5,114</u>	<u>4,521</u>

The average monthly number of employees (including executive directors) employed by the Group was:

	<i>2005</i> <i>No.</i>	<i>2004</i> <i>No.</i>
Production	23	26
Distribution	48	48
Sales	38	35
Administration	73	84
	<u>182</u>	<u>193</u>

Directors' remuneration

The total amounts of directors' remuneration and other benefits were as follows:

	<i>2005</i> <i>£000</i>	<i>2004</i> <i>£000</i>
Emoluments	1,380	1,038
Contributions to money purchase schemes	17	16
	<u>1,397</u>	<u>1,054</u>

Notes to the Financial Statements

for the year ended 31 March 2005

6. Staff costs (continued)

The directors remuneration shown above included the following in respect of the highest paid director:

	2005 £000	2004 £000
Emoluments	448	271
Contributions to money purchase schemes	-	1
	<u>448</u>	<u>272</u>
	2005 No.	2004 No.
Number of directors to whom benefits are accruing under money purchase schemes	4	4

7. Tax on profit on ordinary activities

The tax charge is based on the profit for the year and comprises:

	2005 £000	2004 £000
<i>UK corporation tax:</i>		
Current tax on income for the year	265	-
Corporation tax over provided in previous years	(107)	(507)
<i>Overseas tax:</i>		
Current tax on income for the year	433	436
Tax over provided in previous years	-	-
Current tax charge for the year	<u>591</u>	<u>(71)</u>
Deferred taxation (note 16):	14	40
Total tax charge for the year	<u>605</u>	<u>(31)</u>

Notes to the Financial Statements

for the year ended 31 March 2005

7. Tax on profit on ordinary activities (continued)

Factors affecting the tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of UK corporation tax (30%). The differences are explained below:

	2005 £000	2004 £000
Profit on ordinary activities before tax	2,349	302
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	705	91
Effect of:		
Disallowed expenses	241	278
Capital allowances in excess of depreciation (Depreciation in excess of capital allowances)	97	11
Short term timing differences	(36)	(56)
Lower tax rates on overseas earnings	(309)	(312)
Adjustments in respect of previous periods	(107)	(507)
Tax losses carried back to previous period	-	424
Current tax charge for the year	591	(71)

Factors affecting future tax charges

Details of deferred tax can be seen at note 16.

The land and buildings have been revalued (see note 10). There is no binding agreement to sell these buildings at present and so no deferred tax in respect of the revaluations has been recognised. If the assets were to be sold at these valuations a taxable gain may arise.

8. Profit attributable to David Halsall International Holdings Limited

The profit for the financial year before dividends in the accounts of the parent company, David Halsall International Holdings Limited was £12,000 (2004: loss of £41,000). As permitted by Section 230 of the Companies Act 1985, a separate profit and loss account is not presented in respect of the parent company.

Notes to the Financial Statements

for the year ended 31 March 2005

9. Intangible fixed assets

	<i>Goodwill</i> £'000	<i>Trade marks</i> £'000	<i>Total</i> £'000
Cost			
At 1 April 2004	6,950	447	7,397
Exchange differences	-	(37)	(37)
Disposals	-	(410)	(410)
At 31 March 2005	6,950	-	6,950
Amortisation			
At 1 April 2004	2,050	46	2,096
Exchange differences	-	(2)	(2)
Disposals	-	(44)	(44)
Charge for the year	375	-	375
At 31 March 2005	2,425	-	2,425
Net book value			
At 31 March 2005	4,525	-	4,525
At 31 March 2004	4,900	401	5,301

On 30 October 2004 the group sold moulds, tools and trademarks with aggregate net book value of £468,000 to a related party, Silver Cross (UK) Limited, for consideration of £630,000.

Notes to the Financial Statements

for the year ended 31 March 2005

10. Tangible fixed assets

The movements in the year were as follows:

<i>Group</i>	<i>Freehold land and buildings £000</i>	<i>Short leasehold land and buildings £000</i>	<i>Motor vehicles £000</i>	<i>Plant and machinery £000</i>	<i>Total £000</i>
Cost					
At 1 April 2004	2,190	49	226	4,050	6,515
Exchange differences	-	-	(10)	(62)	(72)
Additions	15	6	100	633	754
Disposals	-	-	(53)	(632)	(685)
At 31 March 2005	2,205	55	263	3,989	6,512
Depreciation					
At 1 April 2004	455	10	113	3,102	3,680
Exchange differences	-	-	(5)	(36)	(41)
Charge for the year	63	19	53	571	706
Disposals	-	-	(15)	(528)	(543)
At 31 March 2005	518	29	146	3,109	3,802
Net book value					
At 31 March 2005	1,687	26	117	880	2,710
At 31 March 2004	1,735	39	113	948	2,835

The net book values of finance lease and hire purchase assets included in the above at 31 March 2005 was £67,000 (2004: £19,000).

Freehold land amounting to £100,000 (2004: £100,000) has not been depreciated.

Company

The company has no tangible fixed assets.

Notes to the Financial Statements

for the year ended 31 March 2005

11. Fixed asset investments

	<i>Group</i>		<i>Company</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Other investments	8	8	-	-
Subsidiary undertakings	-	-	3,936	3,937
	<u>8</u>	<u>8</u>	<u>3,936</u>	<u>3,937</u>

Subsidiary undertakings

During the year, the company sold 100% of the £1 ordinary share capital of Silver Cross (UK) Limited, with a carrying value of £1,000 to a related party Silver Cross Holdings Limited. The consideration of £53,000 remains unpaid. The activities of Silver Cross (UK) Limited in the period prior to disposal contributed a loss of £70,000 to the profit of the group.

The parent company and the group have investments in the following significant subsidiary undertakings. The principal activity of David Halsall International Limited and David Halsall (HK) Limited relates to the distribution of toys and other similar products.

<i>Subsidiary undertakings</i>	<i>Country of incorporation</i>	<i>Proportion of ordinary share capital held by the company</i>
David Halsall International Limited	Great Britain	100%
David Halsall (HK) Limited	Hong Kong	100%

David Halsall (HK) Limited is held indirectly through the subsidiary undertaking David Halsall International Limited.

The aggregate share capital and reserves and profit after taxation of the two significant subsidiaries were:

	<i>(Loss)/profit after taxation</i>		<i>Share capital and reserves</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
David Halsall International Limited	518	(1,099)	5,690	5,172
David Halsall (HK) Limited	1,807	1,786	5,530	3,983

Other investments

	<i>£000</i>
At 1 April 2004 and 31 March 2005	8

The company owns debentures issued by a quoted company with a cost of £8,000 (2004: £8,000).

Notes to the Financial Statements

for the year ended 31 March 2005

12. Stocks

	2005	2004
<i>Group</i>	£000	£000
Finished goods and goods for resale	4,906	6,107
<i>Company</i>		

The company has no stocks.

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

13. Debtors

	<i>Group</i>		<i>Company</i>	
	2005	2004	2005	2004
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	10,675	10,292	-	-
Amount owed by group undertakings	-	-	-	-
Other debtors	95	73	53	30
Prepayments and accrued income	583	916	-	-
UK corporation tax recoverable	144	280	-	-
	11,497	11,561	53	30

14. Creditors: amounts falling due within one year

		<i>Group</i>		<i>Company</i>	
		2005	2004	2005	2004
	<i>Notes</i>	£000	£000	£000	£000
Obligations under finance leases and hire purchase contracts	15	16	15	-	-
Bank loan	15	-	1,000	-	-
Bank overdraft		1,627	-	4	-
Mortgage loans:					
- Eastham House	15	-	125	-	125
Trade creditors		5,935	4,775		
Amounts owed to subsidiary undertakings		-	-	1,522	775
Other creditors:					
- Corporation tax payable		-	-	-	-
- Other taxation and social security		116	392	-	-
- Directors' loan accounts	23	-	12	-	-
Accruals and deferred income		1,846	2,410	38	43
		9,540	8,729	1,564	943

The directors' loan accounts are interest free and have no fixed repayment dates. All directors loans are subordinated to the bank overdraft owed by the company.

Notes to the Financial Statements

for the year ended 31 March 2005

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

	<i>Group</i>		<i>Company</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loan	-	4,400	-	-
Mortgage loans:				
- Eastham House	-	581	-	581
Obligations under finance lease	13	-	-	-
	<u>13</u>	<u>4,981</u>	<u>-</u>	<u>581</u>

Details relating to the bank loan and mortgage loan classified within creditors falling due within one year and after more than one year are as follows:

	<i>Group</i>		<i>Company</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loan	-	5,400	-	-
Mortgage loan - Eastham House	-	706	-	706
	<u>-</u>	<u>6,106</u>	<u>-</u>	<u>706</u>

During the year the mortgage loan on Eastham House was repaid (2004: £706,000)

Notes to the Financial Statements

for the year ended 31 March 2005

15. Creditors: amounts falling due after more than one year (continued)

Obligations under finance leases and hire purchase contracts:

Group

	Notes	2005 £000	2004 £000
Amount payable:			
- within one year	14	16	15
- within two to five years		13	-
		<u>29</u>	<u>15</u>

Company

The company has no finance leases.

16. Provisions for liabilities and charges

Group

	Product liability £'000	Deferred taxation £'000	Total £'000
At 1 April 2004	200	138	338
Arising during the year	(100)	(23)	(123)
Foreign exchange movement	-	(7)	(7)
Adjustments in respect of prior periods	-	37	37
At 31 March 2005	<u>100</u>	<u>145</u>	<u>245</u>

A provision is made for product liability claims notified and for claims incurred but which have not yet been notified against the company for products developed or sold in previous years.

	2005 £000	Provided 2004 £000
Excess of capital allowances over depreciation of fixed assets	167	158
Other timing differences related to current assets and liabilities	(22)	(20)
	<u>145</u>	<u>138</u>

Notes to the Financial Statements

for the year ended 31 March 2005

17. Called up share capital

	2005 £000	2004 £000
<i>Authorised</i>		
B ordinary shares of £1 each	-	1
C ordinary shares of £1 each	27	27
D ordinary shares of £1 each	33	33
	<u>60</u>	<u>61</u>
<i>Allotted, called up and fully paid</i>		
B ordinary shares of £1 each	-	1
C ordinary shares of £1 each	27	27
D ordinary shares of £1 each	33	33
	<u>60</u>	<u>61</u>

The holders of the B ordinary shares are not entitled to receive notice of nor attend nor vote at General Meetings of the company.

The holders of the C ordinary shares and D ordinary shares shall be entitled to receive notice of and attend and vote at General Meetings of the company.

During the year the company repurchased and cancelled the B ordinary shares from the David Halsall Employee Benefit Trust No. 2 for consideration of £30,000 which was made by settlement of a loan.

18. Reconciliation of Shareholders' Funds and Movement on Reserves

	Share capital £'000	Capital Merger reserve £'000	Redemption reserve £'000	Profit & loss £'000	Other reserve £'000	Total £'000
At 1 April 2003	61	8,065	1,340	2,776	(30)	12,212
Exchange difference on retranslation of the net assets of the subsidiary undertakings	-	-	-	(128)	-	(128)
Retained profit for the year	-	-	-	333	-	333
At 31 March 2004	<u>61</u>	<u>8,065</u>	<u>1,340</u>	<u>2,981</u>	<u>(30)</u>	<u>12,417</u>
Exchange difference on retranslation of the net assets of the subsidiary undertakings	-	-	-	(98)	-	(98)
Repurchase of own shares	(1)	-	-	(29)	30	-
Retained profit for the year	-	-	-	1,744	-	1,744
At 31 March 2005	<u>60</u>	<u>8,065</u>	<u>1,340</u>	<u>4,598</u>	<u>-</u>	<u>14,063</u>

Notes to the Financial Statements

for the year ended 31 March 2005

18. Reconciliation of Shareholders' Funds and Movement on Reserves (continued)

<i>Company</i>	<i>Share Capital £'000</i>	<i>Capital redemption reserve £'000</i>	<i>Profit & loss £'000</i>	<i>Total £'000</i>
At 1 April 2003	61	10	2,413	2,484
Loss for the year	-	-	(41)	(41)
At 31 March 2004	61	10	2,372	2,443
Profit for the year			12	12
Repurchase of own shares	(1)		(29)	(30)
At 31 March 2005	60	10	2,355	2,425

19. Reconciliation of operating profit to net cash inflow from operating activities

	<i>2005 £000</i>	<i>2004 £000</i>
Operating profit	2,695	791
Depreciation charges	706	699
Amortisation of goodwill and intangible assets	373	378
Decrease in stocks	1,201	1,474
(Increase)/Decrease in debtors	(72)	951
Increase/(decrease) in creditors	241	(1,761)
Decrease in provisions	(100)	-
Net cash inflow from operating activities	5,044	2,532

Notes to the Financial Statements

for the year ended 31 March 2005

20. Analysis of cash flows

	2005 £000	2004 £000
<i>Returns on investments and servicing of finance</i>		
Interest paid	(346)	(489)
Net cash outflow	(346)	(489)
	2005 £000	2004 £000
<i>Taxation</i>		
Corporation tax paid	(462)	(680)
Net cash outflow	(462)	(680)
	2005 £000	2004 £000
<i>Capital expenditure and financial investment</i>		
Purchase of tangible fixed assets	(755)	(552)
Purchase of intangible fixed assets	-	(178)
Purchase of investments	-	(12)
Sale of intangible fixed assets	403	-
Sale of tangible fixed assets	142	31
Sale of fixed asset investments	-	-
Net cash outflow	(210)	(711)
	2005 £000	2004 £000
<i>Financing</i>		
New loans/ (repayment of loans)	(6,105)	2,937
Capital element of finance lease rentals	15	(11)
Payments to reacquire share capital	(1)	-
Net cash (outflow)/inflow	(6,091)	2,926

Notes to the Financial Statements

for the year ended 31 March 2005

21. Analysis and reconciliation of net debt

	<i>At 1 April</i>	<i>Cash flow</i>	<i>31 March</i>
	<i>2004</i>		<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cash at bank and in hand	653	(438)	215
Bank overdraft	-	(1,627)	(1,627)
	<u>653</u>	<u>(2,065)</u>	<u>(1,412)</u>
Bank loans	(5,400)	5,400	-
Mortgage loans	(706)	706	-
Finance leases	(15)	(15)	(30)
	<u>(5,468)</u>	<u>4,026</u>	<u>(1,442)</u>

22. Financial commitments

Operating lease commitments

Annual commitments for the group under non-cancellable operating leases are as follows (company commitments - nil):

	<i>Land and</i>	<i>Motor</i>		<i>Land and</i>	<i>Motor</i>	
	<i>Buildings</i>	<i>vehicles</i>	<i>Other</i>	<i>Buildings</i>	<i>vehicles</i>	<i>Other</i>
	<i>2005</i>	<i>2005</i>	<i>2005</i>	<i>2004</i>	<i>2004</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases						
expiring						
- within one year	-	30	-	104	35	205
- between two and						
five years	314	82	-	352	134	-
- over five years	-	-	-	205	-	-
	<u>314</u>	<u>112</u>	<u>-</u>	<u>661</u>	<u>169</u>	<u>205</u>

Pension schemes

The group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the group in self administered or insured funds. Consequently, the liabilities of the group are restricted to the amount of contributions payable in each year.

The pension charge for the year was £19,000 (2004: £19,000). There were no outstanding contributions at year end.

Notes to the Financial Statements

for the year ended 31 March 2005

23. Related party transactions

The company has taken advantage of the exemption conferred in Financial Reporting Standard No.8 "Related Party Transactions" and has not disclosed details of transactions with relevant group undertakings.

The group had various loans due from directors, included in creditors (note 15). The details of these loans are as follows:

	31 March 2005 £	31 March 2004 £
Mr G W Halsall	(288)	(9,638)
Mr D A Halsall	(3)	(1,802)
Mr J R Hutt	(74)	(74)
	<u>(365)</u>	<u>(11,514)</u>

All loans are unsecured and interest free and aside from the loan discussed above, the loans have arisen principally as a result of expenses incurred by the directors on behalf of the group.

Other related party transactions

During the year, the group entered into transactions, in the ordinary course of business, with Heritage Prams Ltd, a supplier of prams. Transactions entered into, and trading balances outstanding at 31 March 2005, are as follows:

	<i>Purchases from related party £000</i>	<i>Loans to related party £000</i>
Heritage Prams Ltd	916	768

The group has a limited guarantee of £25,000 in respect of the overdraft and £129,000 in respect of a lease of Heritage Prams Ltd.

The group has no holding in Heritage Prams Ltd although the nature of the relationship gives rise to influence to an extent that Heritage Prams Ltd might be inhibited from pursuing at all times its own interests.

Silver Cross Holdings Ltd

Silver Cross Holdings Limited (SCHL) is a company owned by the shareholders of David Halsall International Holdings Ltd (DHIHL).

In October 2004 David Halsall (Hong Kong) Ltd (DHHK) sold the intellectual property rights to the trademarks associated with the Silver Cross brand, plus some tooling related to Silver Cross products, for a consideration of £630,000. David Halsall International Ltd (DHIL) has assumed this debt which remains outstanding at the balance sheet date.

Also in October 2004 DHIHL sold its 100% shareholding in Silver Cross (UK) Ltd (SCUK) to SCHL for a consideration of £53,000. The balance of £53,000 remains unpaid at the balance sheet date.

Notes to the Financial Statements

for the year ended 31 March 2005

23. Related party transactions (continued)

Silver Cross (UK) Ltd

SCUK is a 100% owned subsidiary of SCHL following the sale of shares referred to above.

DHIL sold prams at cost to SCUK, totalling £1,260,000. It also provided warehouse and distribution services, and credit control and accounting services, for which it received a consideration of £233,000.

DHIL sold toys branded Silver Cross under a licensing agreement with SCUK. The total licence fees paid were £45,000. DHHK also sold toys branded Silver Cross under the same licensing agreement. Total licence fees paid by DHHK were £241,000.

The total balance owed by SCUK to DHIL at the balance sheet date is £1,101,000, which includes £630,000 in settlement for the trademarks and tooling disclosed above.

24. Ultimate controlling party

The Graham Wilson Halsall 2000 Life Interest Settlement owns 21,600 £1 ordinary shares in David Halsall International Holdings Limited. By virtue of the holding of the trustees and beneficiaries of shares in David Halsall International Holdings Limited, in the opinion of the directors the ultimate controlling party is G W Halsall, a director.