


David Halsall International Holdings Limited

Report and Financial Statements

31 March 2003

 ERNST & YOUNG



David Halsall International Holdings Limited

Registered No: 3480229

Directors

P. Ackroyd
A.F.D. Coplestone (Appointed 19 June 2003)
A. J. Hales
G.W. Halsall
D. A. Halsall
J.R. Hutt
W. J. Lockwood
J.R. Wrenn

Secretary

W.J. Lockwood

Auditor

Ernst and Young LLP
100 Barbirolli Square
Manchester
M2 3EY

Bankers

Barclays Bank plc
Corporate Banking Centre
PO Box 232
4 Water Street
Liverpool
L69 2RT

National Westminster Bank plc
PO Box 54
Fishergate
Preston
Lancashire
PR1 2BY

Registered Office

Eastham House
Copse Road
Fleetwood
Lancashire
FY7 7NY

Directors' 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 2003.

Principal activity and business review

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

Group turnover for the year, at just over £70m, is improved from the previous year (£61m). This was achieved in what is generally agreed to have been (and continues to be) a very difficult market. Our policy of providing good quality products at keen prices must make us less vulnerable to an economic downturn.

The turnover of our Hong Kong subsidiary has continued to grow, reflecting our customers' demand for FOB product. To cater for that demand Graham Halsall is now based permanently in Hong Kong. Graham's proximity to the source will ensure we maintain that all-important competitive edge.

I am pleased to report that our balance sheet remains strong, largely due to our good management of inventory and receivables. Again this helps our ability to weather any forthcoming economic storm.

Results and dividends

	£000
Retained profit at 1 April 2002	5,028
Retained profit for the financial year	1,963
Equity dividends paid (A ordinary shares)	(3,410)
Repurchase of own shares	(690)
Exchange loss on retranslation of overseas subsidiary	(115)
Retained profit at 31 March 2003	<u>2,776</u>

Fixed assets

The changes in fixed assets are set out in notes 10, 11 and 12 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:

	2003 Beneficial	2002 Beneficial
<i>A Ordinary shares of £1 each:</i>		
G W Halsall	-	11,230
D A Halsall	-	29,386
G W Halsall 2000 Life Interest Settlement	-	21,600
<i>B Ordinary shares of £1 each:</i>		
David Halsall Employee Benefit trust No.2	710	710
<i>C Ordinary shares of £1 each:</i>		
D A Halsall	26,681	-
<i>D Ordinary shares of £1 each:</i>		
G W Halsall	11,230	-
G W Halsall 2000 Life Interest Settlement	21,600	-

On 26 March 2003 D.A. Halsall disposed of 2,525 A ordinary shares. These shares were repurchased by the company and were duly cancelled. In all other respects the interests of the directors were unchanged.

On 27 March 2003 26,861 A ordinary shares of £1 each held by D A Halsall were redesignated as 26,861 C ordinary shares of £1 each, the 11,230 issued A ordinary shares held by G Halsall were redesignated as 11,230 D ordinary shares of £1 each, and the 21,600 issued A ordinary shares held by A ordinary shares of £1 each held by Paul MacIntosh and D A Halsall, as trustees of G W Halsall 2000 Life Interest Settlement were redesignated as 21,600 D ordinary shares of £1 each.

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.

Directors' Report (continued)

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: 30 July 2003

Statement of Directors' Responsibilities in Respect of the Accounts

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 of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 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 2003 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 25. 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 2003 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 M'.

Ernst & Young LLP
Registered Auditor
Manchester

Date: 31/7/03

Consolidated Profit and Loss Account

for the year ended 31 March 2003

	Notes	2003	2002
Turnover	1,2	71,962	61,376
Cost of sales		(50,764)	(42,914)
Gross profit		21,198	18,462
Other net operating expenses	3	(18,308)	(16,177)
Operating profit	6	2,890	2,285
Exceptional items	4	233	455
Finance charges	5	(381)	(514)
Profit on ordinary activities before taxation		2,742	2,226
Tax on profit on ordinary activities	8	(779)	(605)
Profit after taxation		1,963	1,621
Equity dividends paid		(3,410)	-
Retained (loss)/profit for the year	19	(1,447)	1,621

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 2003

	2003	2002
(Loss)/profit attributable to members of the group	(1,447)	1,621
Exchange differences on retranslation of the net assets of subsidiary undertakings	(115)	64
Total gains and losses recognised since last annual report	(1,562)	1,685

Consolidated Balance Sheet

at 31 March 2003

	Notes	2003 £000	2002 £000
Fixed assets			
Goodwill	10	5,543	5,415
Tangible fixed assets	11	3,047	2,927
		<u>8,590</u>	<u>8,342</u>
Investments	12	98	299
		<u>8,688</u>	<u>8,641</u>
Current assets			
Stocks	13	7,581	9,232
Debtors	14	12,160	10,311
Cash at bank and in hand		-	1,318
		<u>19,741</u>	<u>20,861</u>
Creditors: amounts falling due within one year	15	(13,819)	(11,715)
		<u>5,922</u>	<u>9,146</u>
Net current assets			
		<u>14,610</u>	<u>17,787</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	16	(2,060)	(3,169)
Provisions for liabilities and charges	17	(308)	(124)
		<u>12,242</u>	<u>14,494</u>
Net assets			
		<u><u>12,242</u></u>	<u><u>14,494</u></u>
Capital and reserves			
Called-up share capital	19	61	64
Capital Redemption reserve	19	1,340	996
Merger reserve	19	8,065	8,406
Profit and loss account	19	2,776	5,028
		<u>12,242</u>	<u>14,494</u>
Equity shareholders' funds	19	<u><u>12,242</u></u>	<u><u>14,494</u></u>

The accounts were approved by the board of directors on 30 July 2003 and signed on its behalf by:



D A Halsall
Director

Company Balance Sheet

at 31 March 2003

	Notes	2003 £000	2002 £000
Fixed assets			
Investments	12	3,936	3,935
Current assets			
Debtors	14	4,280	30
Creditors: amounts falling due within one year	15	(838)	(1,561)
Net current liabilities		3,442	(1,531)
Total assets less current liabilities		7,378	2,404
Creditors: amounts falling due after one year	16	(4,894)	(769)
Net assets		2,484	1,635
Capital and reserves			
Called up share capital	19	61	64
Capital Redemption reserve	19	10	7
Profit and loss account	19	2,413	1,564
Equity shareholders' funds	19	2,484	1,635

The accounts were approved by the board of directors on 30 July 2003 and signed on its behalf by:

D.A. Halsall
Director

Consolidated Cash Flow Statement

for the year ended 31 March 2003

		Year ended 31 March 2003 £000	Year ended 31 March 2002 £000
	Notes		
Net cash inflow from operating activities	20	2,874	3,370
Returns on investments and servicing of finance	21	(381)	(514)
Taxation	21	(599)	(1,108)
Capital expenditure and financial investment	21	(855)	475
Equity dividends paid		(3,410)	-
Cash (outflow)/inflow before financing		(2,371)	2,223
Financing	21	(1,815)	(2,964)
(Decrease)/increase in cash in the year	22	(4,186)	(741)

Consolidated Reconciliation of cash flows to movement in net debt

For the year ended 31 March 2003

		2003 £000	2002 £000
Decrease in cash in the year		(4,186)	(741)
Cash outflow from decrease in debt and lease financing		1,125	1,954
Change in net debt resulting from cash flows		(3,061)	1,213
Inception of finance leases	23	(26)	-
Exchange differences		(57)	-
Total movement in net debt		(3,144)	1,213
Net debt at 1 April	23	(2,976)	(4,189)
Net debt at 31 March	23	(6,120)	(2,976)

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

Notes to the Financial Statements

for the year ended 31 March 2003

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 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 twenty years. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are shown at cost, net of depreciation and provision for permanent diminution 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 long 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 2003

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 provides 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 23.

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 closing 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 2003

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

	2003 £000	2002 £000
Distribution costs	2,925	2,502
Administration expenses	15,424	13,793
Other operating income	(41)	(118)
	<u>18,308</u>	<u>16,177</u>

Notes to the Financial Statements

for the year ended 31 March 2003

4. Exceptional items

	2003 £000	2002 £000
Profit on disposal of fixed assets	-	455
Profit on disposal of investments	233	-
	<u>233</u>	<u>-</u>

5. Finance charges

	2003 £000	2002 £000
Bank loan and overdraft interest	381	514
	<u>381</u>	<u>514</u>

6. Operating profit

Operating profit is stated after charging:

	Notes	2003 £000	2002 £000
Depreciation and amounts written off tangible fixed assets			
- owned		627	616
- held under finance leases and hire purchase contracts		-	6
Amortisation of goodwill		339	339
Amortisation of trademarks		24	-
Operating lease rentals:			
- property		267	505
- motor vehicles		179	156
Auditors' remuneration:			
- audit		29	29
- non-audit		101	68
Staff costs	7	4,217	4,515
		<u>4,217</u>	<u>4,515</u>

Notes to the Financial Statements

for the year ended 31 March 2003

7. Staff costs

Employee costs

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

	2003	2002
Notes	£000	£000
Employee costs during the year amounted to:		
Wages and salaries	3,860	4,043
Social security costs	337	334
Other pension costs	20	138
6	<u>4,217</u>	<u>4,515</u>

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

	2003	2002
	No.	No.
Production	23	20
Distribution	44	41
Sales	25	22
Administration	80	80
	<u>172</u>	<u>163</u>

Directors' remuneration

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

	2003	2002
	£000	£000
Emoluments	1,163	1,308
Contributions to money purchase schemes	15	115
	<u>1,178</u>	<u>1,423</u>

During the year the group contributed £Nil (2002: £100,000) to a retirement benefit fund established for David Alan Halsall, a director.

Notes to the Financial Statements

for the year ended 31 March 2003

7. Staff costs (continued)

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

	2003 £000	2002 £000
Emoluments	374	409
Contributions to money purchase schemes	-	-
	<u>374</u>	<u>409</u>

The amounts for the highest paid director include non cash benefits of £nil (2002: £240,000), that relate to rental and other expenses incurred by the group on behalf of the director.

	2003 No.	2002 No.
Number of directors to whom benefits are accruing under money purchase schemes	3	3

8. Tax on profit on ordinary activities

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

	2003 £000	2002 £000
<i>UK corporation tax:</i>		
Current tax on income for the year	700	737
Corporation tax over provided in previous years	(96)	(115)
<i>Overseas tax:</i>		
Current tax on income for the year	123	32
Tax over provided in previous years	(1)	(123)
Current tax charge for the year	<u>726</u>	<u>531</u>
Deferred taxation (note 17):	53	74
Total tax charge for the year	<u>779</u>	<u>605</u>

Notes to the Financial Statements

for the year ended 31 March 2003

8. 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:

	2003 £000	2002 £000
Profit on ordinary activities before tax	2,628	2,226
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	788	668
Effect of:		
Disallowed expenses	215	194
Depreciation in excess of capital allowances	(12)	(25)
Short term timing differences	99	(13)
Lower tax rates on overseas earnings	(267)	(56)
Adjustments in respect of previous periods	(97)	(238)
Capital gains	-	138
Profit on disposal of land and buildings	-	(137)
Current tax charge for the year	726	531

9. 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 £4,949,000 (2002: £3,616,000). 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 2003

10. Intangible fixed assets

	<i>Goodwill</i>	<i>Trade</i>	
	<i>£'000</i>	<i>marks</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost			
At 1 April 2002	6,772	-	6,772
Additions	-	491	491
At 31 March 2003	6,772	491	7,263
Amortisation			
At 1 April 2002	1,357	-	1,357
Charge for the year	339	24	363
At 31 March 2003	1,696	24	1,720
Net book value			
At 31 March 2003	5,076	467	5,543
At 31 March 2002	5,415	-	5,415

Notes to the Financial Statements

for the year ended 31 March 2003

11. Tangible fixed assets

The movements in the year were as follows:

	<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>
<i>Group</i>					
<i>Cost</i>					
At 1 April 2002	2,165	24	178	3,100	5,467
Exchange differences	-	-	(10)	(73)	(83)
Additions	21	-	220	741	982
Disposals	-	-	(159)	(112)	(271)
At 31 March 2003	2,186	24	229	3,656	6,095
<i>Depreciation</i>					
At 1 April 2002	323	7	48	2,162	2,540
Exchange differences	-	-	-	(6)	(6)
Charge for the year	65	3	56	503	627
Disposals	-	-	(13)	(100)	(113)
At 31 March 2003	388	10	91	2,559	3,048
<i>Net book value</i>					
At 31 March 2003	1,798	14	138	1,097	3,047
At 31 March 2002	1,842	17	130	938	2,927

The net book values of finance lease and hire purchase assets included in the above at 31 March 2003 was £31,286.

Company

The company has no tangible fixed assets.

Notes to the Financial Statements

for the year ended 31 March 2003

12. Fixed asset investments

	<i>Group</i>		<i>Company</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Insurance endowment policies	-	262	-	-
Other investments	68	7	-	-
Subsidiary undertakings	-	-	3,936	3,935
Investment in own shares	30	30	-	-
	<u>98</u>	<u>299</u>	<u>3,936</u>	<u>3,935</u>

Subsidiary undertakings

During the year 100% of the £1 ordinary share capital of Silver Cross (UK) Limited was subscribed for £1,000, which remains unpaid on an intercompany balance.

The parent company and the group have investments in the following significant subsidiary undertakings. The principal activity of all subsidiary undertakings 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	England and Wales	100%
David Halsall (HK) Limited	Hong Kong	100%
Silver Cross (UK) Limited	England and Wales	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>Profit after taxation</i>		<i>Share capital and reserves</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
David Halsall International Limited	1,372	1,821	6,271	9,899
David Halsall (HK) Limited	1,089	301	2,421	1,484

Notes to the Financial Statements

for the year ended 31 March 2003

12. Fixed asset investments (continued)

Insurance Endowment policies comprise:

	31 March 2003 £000	31 March 2002 £000
<i>Cost</i>		
At 1 April	262	243
Premiums paid during the year	10	19
Disposal	(272)	-
At 31 March	-	262

Investments represent premiums paid to date on insurance endowment policies on the lives of D. A. Halsall and G. W. Halsall, both of whom are directors.

Other investments

	£'000
<i>Cost</i>	
At 1 April 2002	8
Additions	60
At 31 March 2003	68

The group owns debentures issued by a quoted company with a cost of £8,000 (2002: £8,000). During the year the group loaned Heritage Prams Limited an amount of £60,000.

Investment in own shares

	£000
<i>Cost</i>	
On 1 April 2002 and 31 March 2003	30

The investments in own shares arose as a result of the acquisition of shares by the David Halsall Employee Benefit Trust No.2 from J.R. Hutt.

13. Stocks

	2003 £000	2002 £000
<i>Group</i>		
Finished goods and goods for resale	7,581	9,232
<i>Company</i>		

The company has no stocks

Notes to the Financial Statements

for the year ended 31 March 2003

14. Debtors

		<i>Group</i>		<i>Company</i>
	2003	2002	2003	2002
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	11,240	9,486	-	-
Amount owed from parent undertaking	-	-	4,250	-
Other debtors	40	32	30	30
Prepayments and accrued income	880	793	-	-
	<u>12,160</u>	<u>10,311</u>	<u>4,280</u>	<u>30</u>

15. Creditors: amounts falling due within one year

		<i>Group</i>		<i>Company</i>
	2003	2002	2003	2002
	£000	£000	£000	£000
Obligations under finance leases and hire purchase contracts	16	10	-	-
Bank loan	16	1,000	-	-
Bank overdraft		2,925	3	-
Mortgage loans:				
- Eastham House	16	125	125	125
Trade creditors		5,328	5,935	-
Amounts owed to subsidiary undertakings		-	670	1,387
Other creditors:				
- Corporation tax payable		470	343	-
- Other taxation and social security		48	266	-
- Directors' loan accounts	24	14	1,011	-
Accruals and deferred income		3,899	3,035	40
	<u>13,819</u>	<u>11,715</u>	<u>838</u>	<u>1,561</u>

The directors' loan accounts are interest free and have no fixed repayment dates. All directors loans are subordinated to the bank loan owed by the company (note 16).

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

	<i>Group</i>		<i>Company</i>
	2003	2002	2002
	£000	£000	£000
Bank loan	1,400	2,400	4,250
Mortgage loans:			
- Eastham House	644	769	644
Obligations under finance lease	16	-	-
	<u>2,060</u>	<u>3,169</u>	<u>4,894</u>

Notes to the Financial Statements

for the year ended 31 March 2003

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

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:

	2003 £000	Group 2002 £000	2003 £000	Company 2002 £000
Bank loan	2,400	3,400	-	-
Mortgage loan - Eastham House	769	894	769	894
	<u>3,169</u>	<u>4,294</u>	<u>769</u>	<u>894</u>

The bank loan and mortgage loans are repayable as follows:

	Notes	2003 £000	Group 2002 £000	2003 £000	Company 2002 £000
Within one year	15	1,125	1,125	125	125
Between two and five years		2,044	2,900	644	500
After five years		-	269	-	269
		<u>2,044</u>	<u>3,169</u>	<u>644</u>	<u>769</u>
		<u>3,169</u>	<u>4,294</u>	<u>769</u>	<u>894</u>

The Eastham House mortgage loan is secured on Eastham House. It is repayable by half yearly instalments of £62,500 which commenced on 30 September 1998. The loan is guaranteed by David Halsall (HK) Limited.

The bank loan is secured by a fixed charge over the land and buildings at Copse Road, Fleetwood. There is also a fixed and floating charge over all of the assets of David Halsall International Limited.

Obligations under finance leases and hire purchase contracts:

Group	Notes	2003 £000	2002 £000
Amount payable:			
- within one year	15	10	-
- within two to five years		16	-
		<u>26</u>	<u>-</u>

Company

The company has no finance leases.

Notes to the Financial Statements

for the year ended 31 March 2003

17. Provisions for liabilities and charges

Group

	<i>Product liability £'000</i>	<i>Deferred taxation £'000</i>	<i>Total £'000</i>
At 1 April 2002	50	74	124
Arising during the year	150	34	184
At 31 March 2003	<u>200</u>	<u>108</u>	<u>308</u>

A provision is recognised for expected product liability claims against the company for products developed or sold in previous years. It is expected that most of these costs will be incurred in the forthcoming financial year.

	<i>2003 £000</i>	<i>Provided 2002 £000</i>
Excess of capital allowances over depreciation of fixed assets	180	172
Other timing differences related to current assets and liabilities	(72)	(98)
	<u>108</u>	<u>74</u>

The movement on deferred taxation comprises:

	<i>2001 £000</i>
At 1 April 2002	74
Provided during the year	53
Foreign exchange movement	(19)
At 31 March 2003	<u>108</u>

Company

The company has no deferred tax liability or product liability claims.

Notes to the Financial Statements

for the year ended 31 March 2003

18. Called-up share capital

	2003 £000	2002 £000
<i>Authorised</i>		
A ordinary shares of £1 each	-	63
B ordinary shares of £1 each	1	1
C ordinary shares of £1 each	27	-
D ordinary shares of £1 each	33	-
	<u>61</u>	<u>64</u>
<i>Allotted, called up and fully paid</i>		
A ordinary shares of £1 each	-	63
B ordinary shares of £1 each	1	1
C ordinary shares of £1 each	27	-
D ordinary shares of £1 each	33	-
	<u>61</u>	<u>64</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.

On 26 March 2003 the company repurchased and subsequently cancelled 2,535 A shares representing 3% of the called up share capital. The total cost of the repurchase was £689,960. The shares were repurchased from director D.A. Halsall. (See note 25).

Notes to the Financial Statements

for the year ended 31 March 2003

19. Reconciliation of Shareholders' Funds and Movement on Reserves

	Share capital £'000	Merger reserve £'000	Capital redemption reserve £'000	Profit & loss £'000	Total £'000
<i>Group</i>					
At 1 April 2002	71	9,395	-	5,353	14,819
Repurchase of own shares	(7)	(989)	996	(2,010)	(2,010)
Exchange difference on retranslation of the net assets of the subsidiary undertakings	-	-	-	64	64
Profit for the year	-	-	-	1,621	1,621
At 31 March 2002	64	8,406	996	5,028	14,494
Repurchase of own shares	(3)	(341)	344	(690)	(690)
Exchange difference on retranslation of the net assets of the subsidiary undertakings	-	-	-	(115)	(115)
Retained loss for the year	-	-	-	1,963	1,963
Dividends paid	-	-	-	(3,410)	(3,410)
At 31 March 2003	61	8,065	1,340	2,776	12,242

	Share Capital £'000	Capital redemption reserve £'000	Profit & loss £'000	Total £'000
<i>Company</i>				
At 1 April 2002	71	-	(42)	29
Repurchase of own shares	(7)	7	(2,010)	(2,010)
Profit for the year	-	-	3,616	3,616
At 31 March 2002	64	7	1,564	1,635
Repurchase of own shares	(3)	3	(690)	(690)
Profit for the year	-	-	4,949	4,949
Dividends paid	-	-	(3,410)	(3,410)
At 31 March 2003	61	10	2,413	2,484

Notes to the Financial Statements

for the year ended 31 March 2003

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

	2003 £000	2002 £000
Operating profit	2,890	2,285
Depreciation charges	627	622
Amortisation of goodwill and trademarks	363	339
Increase/(decrease) in stocks	1,651	(544)
Increase in debtors	(1,849)	(1,753)
(Decrease)/increase in creditors	(958)	2,421
Increase in provisions	150	-
Net cash inflow from operating activities	<u>2,874</u>	<u>3,370</u>

Notes to the Financial Statements

for the year ended 31 March 2003

21. Analysis of cash flows

	2003 £000	2002 £000
<i>Returns on investments and servicing of finance</i>		
Interest paid	(381)	(514)
Net cash outflow	(381)	(514)
	2003 £000	2002 £000
<i>Taxation</i>		
UK Corporation tax paid	(599)	(1,108)
Net cash outflow	(599)	(1,108)
	2003 £000	2002 £000
<i>Capital expenditure and financial investment</i>		
Purchase of tangible fixed assets	(956)	(829)
Purchase of intangible fixed assets	(491)	-
Purchase of investments	(71)	(49)
Sale of tangible fixed assets	158	1,353
Sale of fixed asset investments	505	-
Net cash inflow	(855)	475
	2003 £000	2002 £000
<i>Financing</i>		
Repayment of loans	(1,125)	(1,944)
Capital element of finance lease rentals	-	(10)
Payments to reacquire share capital	(690)	(2,010)
Directors' loans	-	1,000
Net cash outflow	(1,815)	(2,964)

Notes to the Financial Statements

for the year ended 31 March 2003

22. Analysis and reconciliation of net debt

	<i>At 1 April</i>	<i>Cash flow</i>	<i>Other</i>	<i>31 March</i>
	<i>2002</i>		<i>movements</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cash at bank and in hand	1,318	(1,261)	(57)	-
Bank overdraft	-	(2,925)	-	(2,925)
	<u>1,318</u>	<u>(4,186)</u>	<u>(57)</u>	<u>(2,925)</u>
Bank loans	(3,400)	1,000	-	(2,400)
Mortgage loans	(894)	125	-	(769)
Finance leases	-	-	(26)	(26)
	<u>(2,976)</u>	<u>(3,061)</u>	<u>(83)</u>	<u>(6,120)</u>

23. 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>2003</i>	<i>2003</i>	<i>2003</i>	<i>2002</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases expiring					
- within one year	-	20	64	129	13
- between two and five years	86	153	173	177	185
- over five years	156	-	-	156	-
	<u>242</u>	<u>173</u>	<u>237</u>	<u>462</u>	<u>198</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 £20,000 (2002: £138,000). There were no outstanding contributions at year end.

Notes to the Financial Statements

for the year ended 31 March 2003

24. 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 to and from directors, included in creditors (note 15). The details of these loans are as follows:

	31 March 2003 £	31 March 2002 £
Mr G W Halsall	(9,638)	(1,009,798)
Mr D A Halsall	(4,026)	(1,027)
Mr J R Hutt	(74)	-
	<u>(13,738)</u>	<u>(1,010,825)</u>

During the year £1 million was repaid to G W Halsall. 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.

25. Ultimate controlling party

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

On 26 March 2003 director D.A. Halsall disposed of 2,520 ordinary 'A' shares. These were repurchased by David Halsall International Holdings Limited for a consideration of £689,960 including expenses. G W Halsall remains the ultimate controlling party.