

S. Black Limited

**Directors' report and consolidated
financial statements**

Registered number 00934139

30 June 2004



Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the independent auditors to the members of S. Black Limited	4
Consolidated profit and loss account	5
Consolidated balance sheet	6
Company balance sheet	7
Consolidated cash flow statement	8
Consolidated statement of total recognised gains and losses	9
Notes	10

Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2004.

Principal activities

The principal activities of the group continue to be the sale and distribution of speciality ingredients for the personal care, food, healthcare, household and aroma chemicals sectors.

Business review

The results of the group are set out on page 5.

The directors are confident that the group will continue to make satisfactory progress during the next financial year.

Dividends

Information regarding dividends is set out in note 8 to the financial statements.

Directors and directors' interests

The directors who held office during the year and their interests and rights to subscribe to shares of the company were as follows:

	At 30 June 2004			At 30 June 2003		
	Ordinary £1 Shares	Options		Ordinary £1 Shares	Options	
		Executive Share Option Scheme	Employee Share Trust Share Option Scheme		Executive Share Option Scheme	Employee Share Trust Share Option Scheme
S Black	74,500	-	-	74,500	-	-
G Ewart	1,000	-	-	1,000	-	-
NL Berry	5,530	-	-	5,530	-	-
AG Raybould	5,020	-	-	5,020	-	-
JB Lowten	-	544	56	-	544	56
JR Tass	200	-	-	200	-	-
PD Hardman	-	-	-	-	-	-

The directors who held office at the end of the financial year had no other disclosable interest in the shares of group companies.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Political and charitable donations

The group made no political contributions during the year (2003: £nil). Donations to UK charities amounted to £5,000 (2003: £2,000).

Employees

It is the group's policy to provide disabled persons with the opportunities of employment equal to those which are available to all other employees.

The group recognises the benefits of keeping employees informed on matters which are of specific concern to them as employees and it is its policy to provide them with such information on a regular basis whenever appropriate.

Directors' report *(continued)*

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'JB Lowten', written over a horizontal line.

JB Lowten
Director

Foxholes Business Park
John Tate Road
Hertford
Herts
SG13 7YH

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 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 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 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 group and to prevent and detect fraud and other irregularities.



KPMG LLP
Aquis Court
31 Fishpool Street
St Albans
AL3 4RF
United Kingdom

Report of the independent auditors to the members of S. Black Limited

We have audited the financial statements on pages 5 to 25.

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 company 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 company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 June 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

21 OCT 2004

Consolidated profit and loss account
for the year ended 30 June 2004

	<i>Note</i>	2004 £000	2003 £000
Turnover	2	31,285	30,116
Cost of sales		(23,577)	(22,660)
Gross profit		7,708	7,456
Distribution costs		(347)	(373)
Administration expenses		(5,009)	(4,516)
Operating profit	3-5	2,352	2,567
Interest receivable and similar income	6	97	110
Profit on ordinary activities before taxation		2,449	2,677
Tax on profit on ordinary activities	7	(744)	(848)
Profit on ordinary activities after taxation		1,705	1,829
Equity minority interests	19	(19)	(25)
Profit for the financial year		1,686	1,804
Dividends on equity and non-equity shares	8	(1,089)	(1,089)
Retained profit for the financial year transferred to reserves	17	597	715

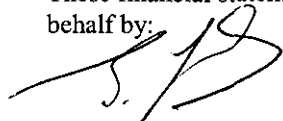
There are no differences between reported profits and historical cost profits in either the current or the preceding year.

All of the 2004 results are derived from continuing activities.

Consolidated balance sheet
at 30 June 2004

	Note	2004		2003	
		£000	£000	(Restated: see note 24)	
				£000	£000
Fixed assets					
Intangible assets	10		366		476
Tangible assets	11		4,301		4,337
Investments	12		17		14
			<u>4,684</u>		<u>4,827</u>
Current assets					
Stocks of goods for resale		4,330		4,950	
Debtors	13	6,278		5,302	
Cash at bank and in hand		2,915		2,760	
		<u>13,523</u>		<u>13,012</u>	
Creditors: amounts falling due within one year	14	<u>(4,207)</u>		<u>(4,400)</u>	
Net current assets			<u>9,316</u>		<u>8,612</u>
Total assets less current liabilities			<u>14,000</u>		<u>13,439</u>
Provisions for liabilities and charges	15		-		(19)
Net assets			<u>14,000</u>		<u>13,420</u>
Capital and reserves					
Called up share capital	16		114		114
Share premium account	17		375		375
Own shares	24		(467)		(467)
Profit and loss account	17		13,861		13,297
Shareholders' funds					
Equity interests		13,865		13,301	
Non-equity interests		<u>18</u>		<u>18</u>	
			<u>13,883</u>		<u>13,319</u>
Equity minority interests	18 19		<u>117</u>		<u>101</u>
			<u>14,000</u>		<u>13,420</u>

These financial statements were approved by the board of directors on 20 October 2004 and were signed on its behalf by:



JB Lowten
Director

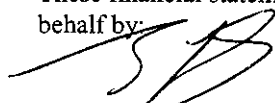


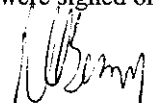
NL Berry
Director

Company balance sheet
at 30 June 2004

	Note	2004	2003
		£000	(Restated: see note 24) £000
Fixed assets			
Intangible assets	10	366	476
Tangible assets	11	4,181	4,260
Investments	12	779	776
		<u>5,326</u>	<u>5,512</u>
Current assets			
Stocks of goods for resale		3,832	4,461
Debtors	13	5,656	4,789
Cash at bank and in hand		2,244	2,369
		<u>11,732</u>	<u>11,619</u>
Creditors: amounts falling due within one year	14	<u>(3,461)</u>	<u>(3,940)</u>
Net current assets		<u>8,271</u>	<u>7,679</u>
Total assets less current liabilities		<u>13,597</u>	<u>13,191</u>
Provisions against liabilities and charges	15	<u>-</u>	<u>(19)</u>
Net assets		<u>13,597</u>	<u>13,172</u>
Capital and reserves			
Called up share capital	16	114	114
Share premium account	17	375	375
Own shares	24	(467)	(467)
Profit and loss account	17	13,575	13,150
		<u>13,597</u>	<u>13,172</u>
Shareholders' funds			
Equity		13,579	13,154
Non-equity		18	18
		<u>13,597</u>	<u>13,172</u>
	18	<u>13,597</u>	<u>13,172</u>

These financial statements were approved by the board of directors on 20 October 2004 and were signed on its behalf by:


JB Lowten
Director


NL Berry
Director

Consolidated cash flow statement for the year ended 30 June 2004

	Note	2004 £000	2003 £000
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit		2,352	2,567
Depreciation, amortisation and impairment charges		569	513
Profit on sale of fixed assets		(6)	(1)
Decrease/(increase) in stocks		602	(959)
Increase in debtors		(967)	(445)
(Decrease)/increase in creditors		(258)	659
Exchange (gain)/loss		(22)	17
		<hr/>	<hr/>
Net cash inflow from operating activities		2,270	2,351
		<hr/> <hr/>	<hr/> <hr/>

Cash flow statement

Cash flow from operating activities		2,270	2,351
Returns on investments and servicing of finance	22	(76)	(67)
Taxation		(656)	(808)
Capital expenditure and financial investment	22	(423)	(275)
Acquisitions and disposals		-	(549)
Equity dividends paid	8	(915)	(915)
		<hr/>	<hr/>
Cash inflow/(outflow) before financing		200	(263)
Financing	22	-	(475)
		<hr/>	<hr/>
Increase/(decrease) in cash in the year		200	(738)
		<hr/> <hr/>	<hr/> <hr/>

Reconciliation of net cash flow to movement in net funds

Increase/(decrease) in cash in the year	23	200	(738)
Cash used to repay bank loan		-	500
		<hr/>	<hr/>
Change in net funds resulting from cash flows		200	(238)
Translation differences		(45)	-
		<hr/>	<hr/>
Movement in net funds in the year		155	(238)
Net funds at the start of the year		2,760	2,998
		<hr/>	<hr/>
Net funds at the end of the year		2,915	2,760
		<hr/> <hr/>	<hr/> <hr/>

Consolidated statement of total recognised gains and losses
for the year ended 30 June 2004

	2004 £000	2003 £000
Profit for the financial year	1,686	1,804
Gross exchange differences on the retranslation of net investments	(33)	46
Total recognised gains and losses relating to the year	1,653	1,850
Prior year adjustment (as explained in note 24)	21	-
Total gains and losses recognised since last financial statements	1,674	1,850

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 group's financial statements. The company has adopted UITF Abstract 38 'Accounting for ESOP trusts' in these financial statements. The comparative figures have been restated accordingly. The effect of this is shown in note 24.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules modified to include the revaluation of listed investments.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 June 2004 using the acquisition method of accounting. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

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

The company's financial statements include the assets, liabilities and result of the S. Black (Import & Export) Limited Employee Share Trust.

Goodwill and amortisation

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions is capitalised at cost. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

Tangible fixed assets and depreciation

Depreciation is provided 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 buildings	-	50 years
Computer equipment	-	3-5 years
Fixtures, fittings and equipment	-	5-10 years
Motor vehicles	-	4 years

No depreciation is provided on freehold land.

Investments

Fixed asset investments are stated at cost less provision for impairment in value.

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

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 or, if hedged forward, at the rate of exchange under the related forward currency contract. 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 and profit and loss accounts of overseas subsidiary undertakings are translated at closing exchange rates. Gains and losses arising on these translations are taken to reserves.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers. Turnover is recognised on despatch of goods.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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.

Post retirement benefits

The group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

The group operates a pension scheme providing benefits based on final pensionable pay for one employee. The assets of the scheme are held separately from those of the company, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of the pension over the employee's working life with the group.

Notes (continued)

2 Analysis of turnover and segmental information

All turnover and profits before taxation are derived from the technical sale and distribution of speciality ingredients. A geographical analysis of turnover is as follows:

	2004 £000	2003 £000
United Kingdom	22,773	21,928
Rest of the World	8,512	8,188
	<u>31,285</u>	<u>30,116</u>

3 Profit on ordinary activities before taxation

	2004 £000	2003 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration:		
Group - audit	31	30
- other services	25	24
Company - audit	26	25
- other services	11	13
Depreciation and other amounts written off tangible fixed assets	462	439
Amortisation of goodwill	110	73
Hire of plant and machinery – rentals payable under operating leases	22	17
Hire of other assets – operating leases	23	23
Profit on sale of fixed assets	(6)	(1)
Exchange losses	75	17
	<u> </u>	<u> </u>

4 Remuneration of directors

	2004 £000	2003 £000
Directors' emoluments	682	674
Company contributions to money purchase pension schemes	25	25
	<u>707</u>	<u>699</u>

The aggregate of emoluments of the highest paid director was £167,000 (2003: £160,000), and company pension contributions of £7,000 (2003: £7,000) were made to a money purchase scheme on his behalf.

	Number of directors 2004	2003
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>5</u>	<u>5</u>
The number of directors who exercised share options was	<u>-</u>	<u>1</u>

Notes *(continued)*

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 2004	2003
Sales and support	83	73
	<u>83</u>	<u>73</u>

The aggregate payroll costs of these persons were as follows:

	2004 £000	2003 £000
Wages and salaries	2,753	2,524
Social security costs	332	268
Other pension costs	91	82
	<u>3,176</u>	<u>2,874</u>

6 Interest receivable and similar income

	2004 £000	2003 £000
Bank interest receivable	97	110
	<u>97</u>	<u>110</u>

Notes (continued)

7 Taxation

	2004 £000	2003 £000
Analysis of charge in year:		
<i>UK corporation tax</i>		
Current tax on income for the year	669	742
Adjustments in respect of prior years	-	(15)
	<hr/> 669	<hr/> 727
<i>Foreign tax</i>		
Current tax on income for the year	138	91
Adjustments in respect of prior years	7	(2)
	<hr/> 814	<hr/> 816
Total current tax		
Deferred tax (see note 15)	(70)	32
	<hr/> 744	<hr/> 848

Factors affecting the current tax charge

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

	2004 £000	2003 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,449	2,677
	<hr/> 735	<hr/> 803
Current tax at 30% (2003: 30%)		
<i>Effects of:</i>		
Differences between German and UK tax rates	37	40
Expenses not deductible for tax purposes	15	21
Capital allowances for year less than depreciation	13	18
Utilisation of tax losses	-	(49)
Adjustments to tax charge in respect of prior years	7	(17)
Other short term timing differences	7	-
	<hr/> 814	<hr/> 816
Total current tax charge (see above)		

Notes *(continued)*

8 Dividends and other appropriations

	2004	2003
	£000	£000
Equity shares:		
Interim dividend paid	915	915
Non-equity shares:		
Dividend paid in respect of current year	102	102
Dividend accrued	72	72
	<hr/> 1,089	<hr/> 1,089
	<hr/> <hr/>	<hr/> <hr/>

A dividend of £9.80 per share per annum is payable from 1 August 2000 on 17,850 'A' ordinary shares in perpetuity (see note 16).

9 Profit and loss account

The profit for the financial year for the company, S. Black Limited, was £1,514,000 (2003: £1,577,000).

10 Intangible fixed assets

Group and company	Goodwill
	£000
<i>Cost</i>	
At beginning and end of year	549
	<hr/>
<i>Amortisation</i>	
At beginning of year	73
Charged in year	110
	<hr/>
At end of year	183
	<hr/>
<i>Net book value</i>	
At 30 June 2004	366
	<hr/> <hr/>
At 30 June 2003	476
	<hr/> <hr/>

In the opinion of the directors the estimated useful life of the goodwill is 5 years and this is the period over which it is being amortised.

Notes *(continued)*

11 Tangible fixed assets

	Freehold land and buildings £000	Computer equipment £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Group					
<i>Cost</i>					
At beginning of year	3,666	1,053	804	489	6,012
Additions	71	133	52	208	464
Disposals	-	(2)	(2)	(160)	(164)
Exchange rate difference	-	(3)	(3)	(2)	(8)
At end of year	3,737	1,181	851	535	6,304
<i>Depreciation</i>					
At beginning of year	260	674	458	283	1,675
Charge for year	53	203	83	123	462
On disposals	-	(2)	(2)	(125)	(129)
Exchange rate difference	-	(2)	(1)	(2)	(5)
At end of year	313	873	538	279	2,003
<i>Net book value</i>					
At 30 June 2004	3,424	308	313	256	4,301
At 30 June 2003	3,406	379	346	206	4,337

Included in the gross book value of freehold land and buildings is land of £1,073,000 (2003:£1,073,000) that is not depreciated.

Notes *(continued)*

11 Tangible fixed assets *(continued)*

	Freehold land and buildings £000	Computer equipment £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Company					
Cost					
At beginning of year	3,666	980	729	429	5,804
Additions	71	125	47	140	383
Disposals	-	-	-	(118)	(118)
At end of year	3,737	1,105	776	451	6,069
Depreciation					
At beginning of year	260	628	421	235	1,544
Charge for year	53	194	75	106	428
On disposals	-	-	-	(84)	(84)
At end of year	313	822	496	257	1,888
Net book value					
At 30 June 2004	3,424	283	280	194	4,181
At 30 June 2003	3,406	352	308	194	4,260

Included in the gross book value of freehold land and buildings is land of £1,073,000 (2003: £1,073,000) that is not depreciated.

Notes (continued)

12 Fixed asset investments

Group	Own shares £000	Listed investments £000	Total £000
Cost			
At beginning of year – as previously reported	467	17	484
Transfer to own shares reserve - prior year adjustment (see note 24)	(467)	-	(467)
	<hr/>	<hr/>	<hr/>
At beginning of year – as restated, and at end of year	-	17	17
	<hr/>	<hr/>	<hr/>
Provisions			
At beginning of year – as previously reported	21	3	24
Transfer to own shares reserve - prior year adjustment (see note 24)	(21)	-	(21)
Reversal of past impairments	-	(3)	(3)
	<hr/>	<hr/>	<hr/>
At end of year	-	-	-
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 June 2004	-	17	17
	<hr/>	<hr/>	<hr/>
At 30 June 2003 – as restated	-	14	14
	<hr/>	<hr/>	<hr/>

At 30 June 2004 the market value of the listed investments was £23,000 (2003: £16,000).

Investment in own shares

The S. Black (Import & Export) Limited Employee Share Trust was established by the company on 14 June 1996. Its purpose is to facilitate the recruitment, retention and motivation of employees of the group. The Trust is administered by S. Black (Import & Export) Trustee Limited, a wholly owned subsidiary of S. Black Limited.

'Own shares' relate to 3,336 £1 Ordinary shares of S. Black Limited acquired by the S. Black (Import & Export) Limited Employee Share Trust. The dividends on these shares have been waived. The accounts of the Trust have been included in these financial statements in accordance with Financial Reporting Standard 5 - Reporting the Substance of Transactions.

Following the adoption by the group of UITF 38 (see note 24), own shares are no longer recognised as an asset on the balance sheet but are deducted from equity.

Notes (continued)

12 Fixed asset investments (continued)

Company	Own shares £000	Shares in group undertakings £000	Listed investments £000	Total £000
Cost				
At beginning of year – as previously reported	467	762	17	1,246
Transfer to own shares reserve - prior year adjustment (see note 24)	(467)	-	-	(467)
At beginning of year – as restated, and at end of year	-	762	17	779
Provisions				
At beginning of year – as previously reported	21	-	3	24
Transfer to own shares reserve - prior year adjustment (see note 24)	(21)	-	-	(21)
Reversal of past impairments	-	-	(3)	(3)
At end of year	-	-	-	-
Net book value				
At 30 June 2004	-	762	17	779
At 30 June 2003 – as restated	-	762	14	776

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

	Country of incorporation	Principal activity	Percentage of ordinary shares held
Subsidiary undertakings			
S. Black GmbH	Germany	Sale and distribution of speciality chemicals and pigments	90%
S. Black (Import & Export) Trustee Limited	England & Wales	Trustee	100%
S. Black (Import & Export) Limited	England & Wales	Dormant	100%

All subsidiary undertakings are included in the consolidated financial statements.

The directors are of the opinion that there has been no impairment in the carrying value of the company's and group's investments.

Notes (continued)

13 Debtors

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Trade debtors	5,932	5,086	5,308	4,583
Amounts owed by group undertakings	-	-	44	21
Other debtors	69	37	49	20
Deferred tax asset (see note 15)	51	-	51	-
Prepayments and accrued income	226	179	204	165
	<u>6,278</u>	<u>5,302</u>	<u>5,656</u>	<u>4,789</u>

14 Creditors: amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Trade creditors	2,628	3,102	2,290	2,885
Taxation and social security	1,034	711	755	581
Other creditors	20	30	18	28
Accruals and deferred income	453	485	326	374
Dividend accrued	72	72	72	72
	<u>4,207</u>	<u>4,400</u>	<u>3,461</u>	<u>3,940</u>

15 Deferred taxation

Group and company

	Deferred tax (asset)/liability
	£000
At beginning of year	19
Credit to the profit and loss account for the year	(70)
At end of year	(51)

Group and company

The elements of deferred taxation are as follows:

	2004	2003
	£000	£000
Difference between accumulated depreciation and amortisation and capital allowances	(26)	37
Other timing differences	(25)	(18)
Undiscounted deferred tax (asset)/liability	(51)	19

Notes (continued)

16 Called up share capital

	2004		2003	
	Number	£000	Number	£000
<i>Authorised</i>				
Equity: Ordinary shares of £1 each	182,150	182	182,150	182
Non equity: 'A' Ordinary shares of £1 each	17,850	18	17,850	18
	<hr/>	<hr/>	<hr/>	<hr/>
	200,000	200	200,000	200
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>				
Equity: Ordinary shares of £1 each	96,606	96	96,606	96
Non equity: 'A' Ordinary shares of £1 each	17,850	18	17,850	18
	<hr/>	<hr/>	<hr/>	<hr/>
	114,456	114	114,456	114
	<hr/>	<hr/>	<hr/>	<hr/>

Each 'A' Ordinary share is entitled to a cumulative preference net dividend of £9.80 per annum. If the dividend payable on Ordinary shares exceeds this amount, the 'A' Ordinary shares shall be entitled to receive the higher amount. At the option of 75% of the shareholders of this class of share the 'A' Ordinary shares may, at any time, be converted to a like number of Ordinary shares at no additional cost. In the event of a capital reduction or winding up, the 'A' Ordinary shares have preferential rights compared with the Ordinary shares up to a value of £140.06 per share plus accrued dividends.

Executive Share Option Plan

Details of options outstanding are as follows:

Price per share	Normal dates of exercise	Number of ordinary shares	
		2004	2003
£55	2002 – 2009	544	544
		<hr/>	<hr/>

Employee Share Option Scheme

Details of options outstanding are as follows:

Price per share	Normal dates of exercise	Number of ordinary shares	
		2004	2003
£55	1999 – 2006	56	56
£100	2000 – 2007	400	400
		<hr/>	<hr/>
		456	456
		<hr/>	<hr/>

Notes (continued)

17 Share premium and reserves

	Group		Company	
	Share premium account £000	Profit and loss account £000	Share premium account £000	Profit and loss account £000
At beginning of year – as restated (see note 24)	375	13,297	375	13,150
Retained profit for the year	-	597	-	425
Exchange adjustments	-	(33)	-	-
At end of year	375	13,861	375	13,575

18 Reconciliation of movements in shareholders' funds

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Profit for the financial year	1,686	1,804	1,514	1,577
Dividends	(1,089)	(1,089)	(1,089)	(1,089)
	597	715	425	488
Other recognised gains relating to the year	(33)	46	-	-
New share capital subscribed	-	25	-	25
Net addition to shareholders' funds	564	786	425	513
Opening shareholders' funds – as previously reported	13,765	12,979	13,618	13,105
Prior year adjustment - see note 24	(446)	(446)	(446)	(446)
Opening shareholders' funds – as restated	13,319	12,533	13,172	12,659
Closing shareholders' funds	13,883	13,319	13,597	13,172

Notes (continued)

19 Equity minority interests

	Group	
	2004	2003
	£000	£000
At beginning of year	101	71
Retained profit for year	19	25
Exchange differences	(3)	5
	<hr/>	<hr/>
At end of year	117	101
	<hr/>	<hr/>

20 Commitments

- (a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Contracted	98	49	98	49
	<hr/>	<hr/>	<hr/>	<hr/>

- (b) Annual commitments under non-cancellable operating leases are as follows:

	2004		2003	
Group	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	21	6	22	6
In the second to fifth years inclusive	-	6	-	9
	<hr/>	<hr/>	<hr/>	<hr/>
	21	12	22	15
	<hr/>	<hr/>	<hr/>	<hr/>
Company	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	-	6	-	6
In the second to fifth years inclusive	-	-	-	5
	<hr/>	<hr/>	<hr/>	<hr/>
	-	6	-	11
	<hr/>	<hr/>	<hr/>	<hr/>

Notes *(continued)*

20 Commitments *(continued)*

- (c) The group enters into forward exchange contracts to hedge foreign currency transactions. At 30 June 2004 the group had contracts to exchange the equivalent of £845,000 (2003: £730,000) into various international currencies, all of which were accounted for as hedges. At the year end the potential exchange loss was £nil (2003: £8,000).

21 Pension scheme

The group operates a defined contribution pension scheme.

There is also a single member defined benefits scheme which has back to back insurance. The actuarial liability at 30 June 2004 was £23,000 (2003: £21,000) which was included in the balance sheet. The discontinuance value of the insurance policy at 30 June 2004 was £18,000 (2003: £16,000) and this has been included in the balance sheet.

The pension cost charge for the year represents contributions payable by the group to the group pension schemes and amounted to £91,000 (2003: £82,000). There were no outstanding pension contributions at the year end (2003: £nil).

22 Analysis of cash flows

	2004		2003	
	£000	£000	£000	£000
Returns on investments and servicing of finance				
Interest received	98		118	
Interest paid	-		(11)	
Non-equity dividend paid	(174)		(174)	
		(76)		(67)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(464)		(288)	
Sale of tangible fixed assets	41		2	
Sale of investments	-		11	
		(423)		(275)
Financing				
Issue of ordinary share capital	-		25	
Repayment of bank loan	-		(500)	
		-		(475)

Notes (continued)

23 Analysis of net funds

	At beginning of year £000	Cash flow £000	Translation differences £000	At end of year £000
Cash at bank and in hand	2,760	200	(45)	2,915
Total	2,760	200	(45)	2,915

24 Prior year adjustment

The directors have implemented UITF Abstract 38 'Accounting for ESOP trusts' in these financial statements. This standard (effective for periods ending on or after 22 June 2004) requires the assets and liabilities of the group's ESOP trust to be recognised in the group's financial statements where there is de facto control of those assets and liabilities. The company's own shares held by the ESOP trust should be deducted from shareholders' funds until they vest unconditionally with employees. Prior to the adoption of UITF 38, the company's own shares held by the ESOP trust were recognised as an asset on the balance sheet at the lower of cost and estimated net realisable value. All primary statements and notes relating to the accounts have been restated accordingly.

The implementation of UITF Abstract 38 'Accounting for ESOP trusts' has been effected by way of a prior year adjustment which has resulted in the recognition of a debit reserve at 30 June 2004 of £467,000 (2003: £467,000). A prior year adjustment of £21,000 has been made to the consolidated statement of total recognised gains and losses to show the reversal of any provisions made in previous periods. The new standard has no impact on cash flows.

25 Related party disclosures

Mr S. Black was a director and shareholder of SBS Worldwide Limited which invoiced the group £394,000 (2003: £362,000) in respect of freight charges on imported materials during the year. All transactions were conducted at an arm's length basis on normal trading terms. At 30 June 2004 the net amount due to SBS Worldwide Limited was £26,000 (2003: £26,000) and is included in creditors.

The company is controlled by Mr S. Black, a director and majority shareholder.