

H Bronnley & Company Limited

Report and Financial Statements

Year Ended

31 December 2007



BDO Stoy Hayward
Chartered Accountants

H Bronnley & Company Limited

**Annual report and financial statements
for the year ended 31 December 2007**

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Directors

D S Dougan
L C Barber

Secretary and registered office

Pitsec Limited, 47 Castle Street, Reading, RG1 7SR.

Company number

00046883

Auditors

BDO Sloy Hayward LLP, 55 Baker Street, London, W1U 7EU.

H Bronnley & Company Limited

Report of the directors for the year ended 31 December 2007

The directors hereby submit their report and the accounts for the year ended 31 December 2007.

Results and dividends

The loss of the company for the year after taxation amounted to £159,380 (2006, as restated, - £177,952)

The directors recommend that no dividend be declared on the ordinary shares (2006 - Nil).

Preference dividends of £Nil (2006 - £1,983) have been included in the profit and loss account for the year ended 31 December 2007.

Charitable donations

There were charitable donations in the year of £Nil (2006 - £355).

Principal activities and future developments

The company is engaged in the manufacture and distribution of high quality soaps and toiletries in the UK, Europe and the major countries of the world. It sells its products through a diverse selection of outlets depending on the retail opportunities available in each country.

Review of the business

In July 2007 the company was acquired through a Management Buy-In. Following this Buy-In the Board broadened its product offering through the acquisition of 2 licences and strengthened its management team with important new appointments. As a consequence the business is well placed to achieve strong growth in the future.

The profit and loss account is set out on page 6 and shows turnover for the year at £5,742,742 and a loss for the period of £159,380.

Turnover is up 2.3% showing the continued strength in the broad distribution base of the business and the commencement of a turnaround in the business following the Buy-In.

The operating loss is significantly lower prior years entirely due to the restructuring of the cost base following the Buy-In. A key element of the strategy post acquisition has been to ensure the proper level of resource in the appropriate functions to enable the business to grow going forward.

Future developments

The company will look to expand its core business both Domestically and Internationally whilst further enhancing the strength of the business base through the launch of its newly acquired licences.

Risks and uncertainties

The Board recognise the fact that the current market is sensitive to consumer confidence. The board will look to mitigate this factor through innovative product development meeting the need for new and old customers.

Employment policy

The company has extensive employment policies that promotes safety and fairness in the workplace without reference to or discrimination of race, ethnicity, sex, marital status, age, disability or political belief.

Policy on payment of suppliers

It is the company's policy to agree payment and service terms as part of any contract with a supplier and to endeavour to abide by the agreed terms insofar as the supplier has supplied the goods and services in accordance with the agreed terms.

H Bronnley & Company Limited

Report of the directors for the year ended 31 December 2007 (Continued)

Key performance indicators

The Management drives performance of the company through well defined and easily measured KPI's ensuring that results of such KPI s are communicated throughout the business. Areas of management focus are:

- 1 Turnover by product group
- 2 Profitability by product group
- 3 Delivery to Customers on Time and In Full
- 4 Levels of Stock Holding
- 5 Efficiency of Cost Base
- 6 Debtor and Creditor days outstanding

Financial instruments

The main financial risk arising from the company's activities is credit risk. This is managed by the application of appropriate credit checks before sales are made to potential customers.

Any surplus funds are held on deposit which earn interest at a floating rate.

Directors' responsibilities

The directors are responsible for preparing the report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Directors

The directors during the year were:

Miss A Rossiter OBE	(resigned 12 July 2007)
A R Smith	(resigned 12 July 2007)
H G Blank	(resigned 12 July 2007)
F J Sheppard	(resigned 12 July 2007)
D S Dougan	(appointed 12 July 2007)
L C Barber	(appointed 12 July 2007)

Directors' insurance

An insurance policy is maintained for the directors of the company to be indemnified in respect of liabilities incurred in the execution of their duties.

H Bronnley & Company Limited

Report of the directors for the year ended 31 December 2007 (*Continued*)

Environmental report

The company continues to monitor the environmental impact of its factory and we are pleased to report that there were no incidents in 2007 that could have impacted on the environment. All staff will maintain this level of vigilance to ensure that this excellent record remains unblemished.

There have been further improvements in the reporting and collection systems used to generate the data required to calculate the Companies obligation under the Producer Responsibility Obligations (Packaging Waste) Regulations 1997, such that in excess of 90% of data supplied is now specific without the need to make assumptions. We discharge our obligations under the above regulations through our continuing membership of Valpak, reporting our data in a timely and accurate manner.

We continue to develop products and the associated packaging in accordance with the Packaging (Essential Requirements) Regulations 2003, ensuring product packaging is as minimal as possible within the constraints imposed by the customer for a premium quality product. We additionally explore the avenues available to us in respect of using materials that are reusable/recoverable.

We continue as a part of the process of refurbishment/acquisition of machinery to improve on the Companies energy efficiency by retro-fitting or specifying more efficient electric motors as and when necessary.

Web-site development costs

The Company maintains its own web-site with the address www.bronnley.co.uk. The costs of developing and maintaining the site are being met from within our own resources and are charged to the profit and loss account as and when they arise.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next Annual General Meeting.

Staff

The Directors thank the staff for their loyalty and co-operation during the year.

On behalf of the Board

D S Dougan

Director

Date 8-04-09

H Bronnley & Company Limited

Report of the independent auditors

To the shareholders of H Bronnley & Company Limited

We have audited the financial statements of H Bronnley & Company Limited for the year ended 31 December 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

H Bronnley & Company Limited

Report of the independent auditors (*Continued*)

Opinion

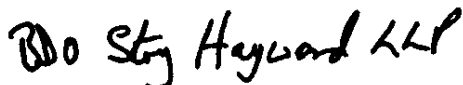
In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company is reliant upon the continued support of its immediate parent company, Pitco Limited ("Pitco") who in turn is dependent upon the support of its main shareholders and its bankers. The directors are confident that the shareholders will continue to support Pitco, but we note that there is no binding agreement in this regard beyond the arrangements made on 8 April 2009. Pitco is currently in breach of certain banking covenants. Its bankers, HSBC, has waived the breaches until 30 June 2009. Although the directors expect the bank to continue to support the company despite this breach, they have no binding agreement from the bank.

Should satisfactory agreement not be achieved in relation to the banking covenants or if the company requires additional funding and is unable to secure this from Pitco via its bankers or shareholders then the company's ability to remain a going concern would be adversely impacted. These conditions, disclosed in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.



BDO STOY HAYWARD LLP
*Chartered Accountants
and Registered Auditors*
London

8 April 2009

H Bronnley & Company Limited

Profit and loss account for the year ended 31 December 2007

	Note	2007 £	2006 As restated £
Turnover	3	5,742,742	5,613,913
Cost of sales		(3,410,357)	(3,425,704)
Gross profit		2,332,385	2,188,209
Selling and distribution costs		(1,176,614)	(1,149,139)
Administrative expenses		(1,465,850)	(1,393,984)
Other operating income	6	140,192	109,992
Operating loss		(169,887)	(244,922)
Interest payable	7	(16)	(1,983)
Interest receivable		10,523	11,433
Loss on ordinary activities before taxation		(159,380)	(235,472)
Tax credit on loss on ordinary activities	8	-	57,520
Loss on ordinary activities after taxation		(159,380)	(177,952)

All amounts relate to continuing activities.

The notes on pages 10 to 22 form part of these financial statements.

H Bronnley & Company Limited

Statement of total recognised gains and losses for the year ended 31 December 2007

	Note	2007 £	2006 As restated £
Loss for the year		(159,380)	(177,952)
Surplus on revaluation		-	3,278,520
Actuarial gains and losses on defined benefit pension scheme		1,579,000	(75,000)
Total recognised gains and losses for the financial year		1,419,620	3,025,568
Prior year adjustment - Pension scheme	2	(2,399,000)	(2,364,000)
- Reversal of SSAP 24 provision		487,105	364,825
Total gains and losses recognised since last financial statements		(492,275)	(1,026,393)

The notes on pages 10 to 22 form part of these financial statements.

H Bronnley & Company Limited

Balance sheet at 31 December 2007

	Note	2007 £	2007 £	2006 As restated £	2006 As restated £
Fixed assets					
Tangible assets	9		4,458,001		4,570,345
Investments	10		101		101
			<u>4,458,102</u>		<u>4,570,446</u>
Current assets					
Stocks	11	1,348,501		1,427,730	
Debtors	12	2,576,989		1,022,343	
Cash at bank and in hand		109,866		898,592	
		<u>4,035,356</u>		<u>3,348,665</u>	
Creditors: amounts falling due within one year	13	(1,836,207)		(691,480)	
Net current assets			<u>2,199,149</u>		<u>2,657,185</u>
Total assets less current liabilities			<u>6,657,251</u>		<u>7,227,631</u>
Creditors: amounts falling after more than one year	14		(33,859)		(33,859)
Total net assets excluding pension liability			<u>6,623,392</u>		<u>7,193,772</u>
Pension liability			(409,000)		(2,399,000)
Net assets including pension liability			<u>6,214,392</u>		<u>4,794,772</u>
Capital and reserves					
Called up share capital	16		417,132		417,132
Other distributable reserves	17		1,905,000		1,905,000
Revaluation reserve	17		3,278,520		3,278,520
Profit and loss account	17		613,740		(805,880)
Shareholders' funds	18		<u>6,214,392</u>		<u>4,794,772</u>

The financial statements were approved by the Board of Directors and authorised for issue on 8-4-09

D S Dougan
Director

The notes on pages 10 to 22 form part of these financial statements.

H Bronnley & Company Limited

Cash flow statement for the year ended 31 December 2007

	Note	2007 £	2006 £
Net cash (outflow)/inflow from operating activities	19	(778,748)	100,555
Servicing of finance	20	11,563	9,662
Investing activities	20	(21,541)	(26,766)
		<hr/>	<hr/>
Net cash (outflow)/inflow before financing		(788,726)	83,451
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net funds			
Change in net funds resulting from cash flows		(788,726)	83,451
		<hr/>	<hr/>
Movement in net funds in the year		(788,726)	83,451
Net funds as at 1 January	21	898,592	815,141
		<hr/>	<hr/>
Net funds as at 31 December	21	109,866	898,592
		<hr/>	<hr/>

The notes on pages 10 to 22 form part of these financial statements.

H Bronnley & Company Limited

Notes to the financial statements for the year ended 31 December 2007

1 Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and are in accordance with applicable accounting standards.

Going concern

The financial statements have been prepared on a going concern basis.

The company's ability to continue as a going concern is reliant upon the continued support of its immediate parent undertaking, Pitco Limited ("Pitco"). The ability of Pitco to give such support is dependent upon the continued support of its bankers and its controlling shareholder, Kaye Enterprises Limited ("Kaye").

Pitco is currently in breach of certain banking covenants. Its bankers, HSBC, has waived the breaches until 30 June 2009 and discussions will take place over the next two months to reset the covenants. The directors are confident given the support provided by Kaye which is explained below that these discussions will be resolved satisfactorily.

A shortfall in the company's working capital facilities has arisen in the first quarter of 2009 and has been addressed by Kaye and its directors, subscribing for £600,000 of new ordinary shares on 8 April 2009. The effect of this share issue is to raise Kaye's stake in the ordinary share capital of Pitco from 26% to 69%. At the same time Kaye has also provided Pitco with a £600,000 revolving loan facility. The adequacy over the next twelve months of this new finance will depend on the successful trading of the company. However, having regard to the prospects for the business in 2009 and Kaye's demonstrable support to date, the directors believe that the shareholders will continue to support the over the next twelve months as and when necessary.

Turnover

Company turnover comprises amounts invoiced, excluding value-added tax, in respect of goods supplied by the company.

Depreciation of tangible fixed assets

Freehold land and buildings are shown at their current value at the balance sheet date. They are subject to a full valuation every five years with an interim valuation carried out in the third year of this cycle.

Depreciation is provided on tangible fixed assets, other than freehold land and buildings, to write them off over their anticipated useful lives at the following annual rates and methods:

Plant and machinery	- plant and fixtures	10% - 20% straight line
	- computers and vehicles	20% - 33% straight line

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment in their value.

Stocks

Stocks are valued at the lower of cost, including appropriate overheads, and estimated net realisable value.

Operating lease contracts

Rentals under operating leases are charged to the profit and loss account as incurred.

H Bronnley & Company Limited

Notes to the financial statements for the year ended 31 December 2007 (Continued)

1 Accounting policies (Continued)

Foreign currencies

In the accounts of the individual companies, assets and liabilities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the rate ruling at the date of the transaction and ensuing differences are taken to profit and loss account.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax balances are not discounted.

Factored debts

When the seller has retained significant benefits and risks relating to the debts and conditions for a limited presentation are not met, a separate presentation is adopted.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

The difference between the fair value of the assets held in the company's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the company balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the company is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance with the recognition of any deferred tax asset following the principles described in the deferred tax accounting policy above to the extent that any deferred tax asset is recognised.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the company are charged to the profit and loss account or the statement of total recognised gains and losses in accordance with FRS 17 'Retirement benefits'.

FRS 25 'Financial Instruments: Disclosure and Presentation'

In accordance with FRS 25, cumulative preference shares are classified as a liability. Dividends on these shares are recognised as expenses and classified as interest.

2 Prior year adjustment

The company has adopted FRS 17 'Retirement benefits' in place of SSAP 24 'Accounting for pensions' for the first time in the year. Contributions to the company's defined benefit pension scheme was charged to the profit and loss account so as to spread the cost of pensions over employees expected working lives with the company. FRS 17 requires that the pension scheme surplus on deficit is recognised in full.

The effect of this accounting policy change on the comparatives is that net assets have been reduced by £1,911,895 and operating loss has been reduced by £114,531. Had this accounting policy not been changed, current year net assets would have been £396,363 higher and the operating loss £63,468 lower.

H Bronnley & Company Limited

Notes to the financial statements for the year ended 31 December 2007 (Continued)

3 Turnover

	2007 £	2006 £
Turnover by geographical area		
United Kingdom	3,400,825	3,267,154
Rest of Europe	1,718,903	1,637,792
North and South America	221,414	391,879
Rest of the World	401,600	317,088
	<hr/>	<hr/>
	5,742,742	5,613,913
	<hr/>	<hr/>

4 Employees and directors

	2007 £	2006 £
Staff costs comprise:		
Wages and salaries	2,247,499	2,130,627
Social Security costs	209,304	186,250
Other pension costs	236,923	382,558
	<hr/>	<hr/>
	2,693,726	2,699,435
	<hr/>	<hr/>

Average number of persons employed by the company:

	Number	Number
Production	62	59
Selling and distribution	26	26
Administration	25	26
	<hr/>	<hr/>
	113	111
	<hr/>	<hr/>

	£	£
Emoluments of the directors:		
For services as executives	443,902	241,651
For services as directors	7,650	16,695
	<hr/>	<hr/>
	451,552	258,346
	<hr/>	<hr/>
Number of directors	6	4
	<hr/>	<hr/>

One director has benefits accruing under a defined benefit pension scheme (2006 - two directors).

H Bronnley & Company Limited

Notes to the financial statements for the year ended 31 December 2007 (Continued)

4 Employees and directors (Continued)

The remuneration of the highest paid director was as follows:

	2007 £	2006 £
Emoluments	203,819	88,653
Pension contributions	58,921	26,540
	<u>262,740</u>	<u>115,193</u>

At the balance sheet date, the highest paid director had accrued pension rights amounting to £Nil per annum (2006 - £45,222).

5 Operating loss

	2007 £	2006 £
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of fixed assets	136,387	109,752
Auditors' remuneration: Audit fee	19,000	27,500
Non-audit services	2,500	17,095
Hire of equipment - operating leases	48,456	63,547
Profit on disposal of fixed assets	(2,502)	(268)
	<u></u>	<u></u>

6 Other operating income

	2007 £	2006 £
Commission receivable	112,876	118,987
Profit/(loss) on exchange	27,316	(8,995)
	<u>140,192</u>	<u>109,992</u>

7 Interest payable

	2007 £	2006 £
Bank interest payable	16	-
Preference share dividend	-	1,983
	<u>16</u>	<u>1,983</u>

H Bronnley & Company Limited

Notes to the financial statements for the year ended 31 December 2007 (*Continued*)

8 Taxation

	2007 £	2006 As restated £
<i>UK corporation tax:</i>		
Current tax for the year	-	-
Adjustment in respect of previous periods	-	(271)
	<u>-</u>	<u>(271)</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	-	(57,249)
	<u>-</u>	<u>(57,249)</u>
Movement in deferred tax provision	-	(57,249)
	<u>-</u>	<u>(57,249)</u>
Tax credit on loss on ordinary activities	-	(57,520)
	<u>-</u>	<u>(57,520)</u>
<i>Tax reconciliation:</i>		
Loss on ordinary activities before tax	(159,380)	(235,472)
	<u>(159,380)</u>	<u>(235,472)</u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 20% (2006 - 19%)	(31,876)	(44,740)
Effect of:		
Expenses not deductible for tax purposes	20,121	17,764
Tax relief on pension contributions	(4,718)	17,413
Capital allowances in excess of depreciation	(4,967)	838
Unutilised tax losses	3,706	37,228
Adjustment in respect of previous periods	-	(271)
Short term timing differences	17,734	(28,503)
	<u>17,734</u>	<u>(28,503)</u>
Current tax for the year	-	(271)
	<u>-</u>	<u>(271)</u>

H Bronnley & Company Limited

Notes to the financial statements for the year ended 31 December 2007 (*Continued*)

9 Tangible fixed assets

Company	Freehold land and buildings £	Plant and machinery £	Total £
<i>Cost or valuation</i>			
At 1 January 2007	4,400,000	1,229,251	5,629,251
Additions	-	31,759	31,759
Disposals	-	(23,380)	(23,380)
	<hr/>	<hr/>	<hr/>
At 31 December 2007	4,400,000	1,237,630	5,637,630
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2007	-	1,058,906	1,058,906
Charge for year	78,691	57,696	136,387
Disposals	-	(15,664)	(15,664)
	<hr/>	<hr/>	<hr/>
At 31 December 2007	78,691	1,100,938	1,179,629
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2007	4,321,309	136,692	4,458,001
	<hr/>	<hr/>	<hr/>
At 31 December 2006	4,400,000	170,345	4,570,345
	<hr/>	<hr/>	<hr/>

The freehold land and buildings were revalued by VSL and Partners on the basis of existing use value as at 31 December 2007.

The historical cost of freehold land and buildings is:

	2007 £	2006 £
Cost	2,043,781	2,043,781
Accumulated depreciation based on historical cost	(973,067)	(922,301)
	<hr/>	<hr/>
	1,070,714	1,121,480
	<hr/>	<hr/>

H Bronnley & Company Limited

Notes to the financial statements for the year ended 31 December 2007 (Continued)

10 Fixed asset investment

	Subsidiary undertakings £
Cost	
At 1 January 2007 and 31 December 2007	1,548
Provisions	
At 1 January 2007 and 31 December 2007	1,447
Net book value	
At 31 December 2007 and 31 December 2006	101

The company has the following wholly owned subsidiary undertakings at the year end:

	Nature of business	Country of incorporation
Bronnley of London Inc. - USA	Sale of toiletries	USA
Bronnley of London Inc	Dormant	USA
Lakeland Garden Toiletries Limited	Non-trading	Great Britain
Bronnley of London Limited	Dormant	Great Britain

11 Stocks

	2007 £	2006 £
Raw materials	435,285	509,907
Work in progress	342,667	441,315
Finished goods	570,549	476,508
	<u>1,348,501</u>	<u>1,427,730</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

12 Debtors

	2007 £	2006 £
Trade debtors	883,651	776,252
Amounts due from subsidiary undertakings	72,961	74,894
Other debtors	1,478,107	47,638
Deferred taxation (note 15)	45,772	45,772
Prepayments and accrued income	96,498	77,787
	<u>2,576,989</u>	<u>1,022,343</u>

All amounts shown under debtors fall due for payment within one year.

H Bronnley & Company Limited

Notes to the financial statements for the year ended 31 December 2007 (Continued)

13 Creditors: amounts falling due within one year

	2007 £	2006 As restated £
Trade creditors	349,604	212,241
Amounts due to subsidiary undertakings	11,855	4,370
Other taxation and social security	226,420	208,237
Accruals and deferred income	216,946	264,027
Other creditors	19,815	2,605
Amount due to parent undertaking	1,011,567	-
	<u>1,836,207</u>	<u>691,480</u>

This year the company has factored all of its debts. Under the terms of this agreement interest is paid at 2% over the Bank of England base rate on all monies outstanding. Included in other creditors is an amount of £13,309 owed to a debt factoring company. This facility is secured with a charge over the company's trade debtors.

14 Creditors: amounts falling due after more than one year

	2007 £	2006 £
Preference share capital	<u>33,859</u>	<u>33,859</u>

15 Deferred taxation

	2007 £	2006 £
Balance at 1 January	45,772	(11,477)
Transfer to profit and loss account	-	57,249
	<u>45,772</u>	<u>45,772</u>
Balance at 31 December	<u>45,772</u>	<u>45,772</u>
The deferred taxation debtor comprises:		
Accelerated capital allowances	(133,239)	(133,239)
Other short term timing differences	94,183	94,183
Losses and other deductions	84,828	84,828
	<u>45,772</u>	<u>45,772</u>

H Bronnley & Company Limited

Notes to the financial statements for the year ended 31 December 2007 (Continued)

16 Share capital

	2007 £	2006 £
<i>Authorised:</i>		
47,000 ordinary shares of £1 each	47,000	47,000
400,000 ordinary non-voting shares of £1 each	400,000	400,000
5,000 5% preference shares of £1 each	5,000	5,000
68,000 6% "B" preference shares of £1 each	68,000	68,000
	<u>520,000</u>	<u>520,000</u>
<i>Issued allotted, called up and fully paid:</i>		
<i>Equity</i>		
34,761 ordinary shares of £1 each	34,761	34,761
382,371 ordinary non-voting shares of £1 each	382,371	382,371
	<u>417,132</u>	<u>417,132</u>
<i>Non-Equity</i>		
5,000 5% preference shares of £1 each	5,000	5,000
28,859 6% "B" preference shares of £1 each	28,859	28,859
	<u>33,859</u>	<u>33,859</u>

All the shares have voting rights except the non-voting shares. The 5% Preference Shares confer a right to priority in the return of capital and dividends over all other shares. The 6% "B" Preference Shares confer a right to priority in the return of capital and dividends over Ordinary Voting and Ordinary Non-Voting Shares.

17 Reconciliation of movement in shareholders' funds

	2007 £	2006 As restated £
Loss for the year	(159,380)	(177,952)
Surplus on revaluation	-	3,278,520
Actuarial gains and losses on defined benefit pension scheme	1,579,000	(75,000)
	<u>1,419,620</u>	<u>3,025,568</u>
Net addition to shareholders' funds		
Opening shareholders' funds as previously stated	6,706,667	3,768,379
Prior year adjustment - Pension scheme	(2,399,000)	(2,364,000)
- Reversal of SSAP 24 provision	487,105	364,825
	<u>4,794,772</u>	<u>1,769,204</u>
Opening shareholders' funds		
Closing shareholders' funds	<u>6,214,392</u>	<u>4,794,772</u>

H Bronnley & Company Limited

Notes to the financial statements for the year ended 31 December 2007 (Continued)

18 Reserves

	Revaluation reserve £	Other reserve £	Profit and loss account £
At 1 January 2007 as previously stated	3,278,520	1,905,000	1,106,015
Prior year adjustment (note 2)	-	-	(1,911,895)
At 1 January 2007 as restated	3,278,520	1,905,000	(805,880)
Loss for the year	-	-	(159,380)
Actuarial gain for the year net of related taxation	-	-	1,579,000
At 31 December 2007	3,278,520	1,905,000	613,740

19 Reconciliation of operating loss to net flows from operating activities

	2007 £	2006 As restated £
Operating loss	(169,887)	(244,922)
Depreciation of fixed assets	136,387	109,752
Decrease in stocks	79,229	173,228
Increase in debtors	(1,555,702)	(74,958)
Increase in creditors	1,144,727	131,698
Profit on disposal	(2,502)	(286)
Decrease in pension liability	(411,000)	(40,000)
Decrease in deferred tax provision	-	46,043
Net cash (outflow)/inflow from operating activities	(778,748)	100,555

20 Analysis of cash flow during the year

	2007 £	2006 £
Servicing of finance		
Dividend paid on preference shares	-	(1,983)
Interest received	11,579	11,645
Interest payable	(16)	-
Net cash inflow for returns on financing	11,563	9,662
Investing activities		
Purchase of tangible fixed assets	(31,759)	(27,054)
Sale of tangible fixed assets	10,218	288
Net cash outflow from investing activities	(21,541)	(26,766)

H Bronnley & Company Limited

Notes to the financial statements for the year ended 31 December 2007 (Continued)

21 Analysis of net debt

	At 1 January 2007 £	Net Cashflow £	Exchange movements £	At 31 December 2007 £
Cash at bank	898,592	(788,726)	-	109,866

22 Operating lease commitments

	2007 £	2006 £
Annual amounts not provided:		
Expiring within:		
1 year	10,097	20,269
2 to 5 years	31,530	11,990
	41,627	32,259

23 Pensions - defined benefit scheme

The company sponsors the H Bronnley & Company Limited 1976 Retirement Fund which is a funded defined benefit arrangement. The scheme is managed by a trustee accountable to the pension scheme members.

A full actuarial valuation of the defined benefit scheme was carried out at 31 December 2006 and updated to 31 December 2006 and 2007 by a qualified independent actuary on a FRS 17 basis. The major assumptions used by the actuary were:

	2007	2006	2005
Rate of increase in salaries	4.2%	4.1%	3.8%
Rate of increase in pensions in payment	3.2%	3.1%	3.0%
Discount rate	5.9%	5.1%	5.0%
Inflation assumption	3.2%	3.1%	2.8%

H Bronnley & Company Limited

Notes to the financial statements for the year ended 31 December 2007 (Continued)

23 Pensions - defined benefit scheme (Continued)

The fair value of the assets in the scheme and the expected rate of return at 31 December 2007 were:

	Long-term rate of return expected at 2007	Value at 2007 £'000	Long-term rate of return expected at 2006	Value at 2006 £'000	Long-term rate of return expected at 2005	Value at 2005 £'000
Equities	7.4%	5,108	7.0%	4,663	6.5%	4,413
Bonds	5.9%	1,895	5.2%	1,710	5.0%	1,368
Property	N/A	N/A	N/A	N/A	N/A	N/A
Cash	4.3%	574	4.3%	381	4.3%	334
<hr/>						
Total market value of assets		7,577		6,754		6,115
Present value of scheme liabilities		(7,986)		(9,153)		(8,479)
<hr/>						
Deficit in scheme		(409)		(2,399)		(2,364)
<hr/>						

The company has not recognised a deferred tax asset in relation to the pension scheme due to uncertainty over the utilisation of any losses.

	2007 £'000	2006 £'000
<i>Movement in deficit during the year</i>		
Deficit in scheme at beginning of year	(2,399)	(2,364)
Operating cost	(173)	(258)
Other finance costs/income	(23)	(63)
Actuarial gains and losses	1,579	(75)
Contributions paid	652	361
Past service cost	(45)	-
<hr/>		
Deficit in scheme at end of year	(409)	(2,399)
<hr/>		

H Bronnley & Company Limited

Notes to the financial statements for the year ended 31 December 2007 (Continued)

23 Pensions - defined benefit scheme (Continued)

	2007 £'000	2006 £'000			
<i>Analysis of amount recognised in statement of total recognised gains and losses</i>					
Actual return less expected return on pension scheme assets	183	363			
Experience gains and losses arising on the scheme liabilities	382	(2)			
Changes in assumptions underlying the present value of the scheme liabilities	1,014	(436)			
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	1,579	(75)			
	2007	2006	2005	2004	2003
<i>History of experience gains and losses</i>					
Difference between the expected and actual return on scheme assets					
Amount £'000	183	363	535	128	224
Percentage of scheme assets	2.42%	5.37%	8.75%	2.56%	5.06%
Experience gains and losses on scheme liabilities					
Amount £'000	382	(2)	(88)	-	136
Percentage of the present value of the scheme liabilities	4.78%	0.02%	1.04%	0%	2.13%
Total amount recognised in statement of total recognised gains and losses:					
Amount £'000	1,579	(75)	(76)	(374)	706
Percentage of the present value of the scheme liabilities	19.77%	0.82%	0.90%	5.09%	11.08%

24 Capital commitments

The company had capital commitments at the year-end of £Nil (2006 - £1,726)

25 Ultimate controlling and related parties

In the opinion of the directors the immediate parent company is Pitco Limited, 47 Castle Street, Reading, RG1 7SR, incorporated in Great Britain. At the balance sheet date there was no ultimate controlling party.

Since the year end Kaye Enterprises Limited of Hart House High Street, Hook, Hampshire, RG27 8PE has become the ultimate controlling party.

H Bronnley & Company Limited

Manufacturing account for the year ended 31 December 2007 (*Continued*)

	2007 £	2007 £	2006 £	2006 £
Cost of raw materials				
Stock at 1 January	507,818		592,266	
Purchases	1,346,553		1,438,788	
	<u>1,854,371</u>		<u>2,031,054</u>	
Stock at 31 December	(433,373)		(507,818)	
Materials consumed		1,420,998		1,523,236
Direct factory labour		518,661		489,587
		<u>1,939,659</u>		<u>2,012,823</u>
Prime cost				
W I P at 1 January	441,315		468,244	
W I P at 31 December	(342,667)		(441,315)	
		98,648		26,929
		<u>2,038,307</u>		<u>2,039,752</u>
Factory expenses				
General and water rates	71,430		69,932	
Factory expenses	100,925		101,341	
Machinery repairs	32,691		30,022	
Building repairs	13,750		5,327	
Indirect labour	1,011,864		970,252	
Light, heat and power	38,189		34,757	
Van expenses	8,465		11,357	
Hire of equipment	1,232		853	
Depreciation - plant and machinery	25,900		26,341	
Factory premises	59,018		38,075	
		<u>1,363,464</u>		<u>1,288,257</u>
Manufacturing costs carried forward to trading profit and loss account		<u>3,401,771</u>		<u>3,328,009</u>

H Bronnley & Company Limited

Trading profit and loss account for the year ended 31 December 2007 (*Continued*)

	2007	2007	2006	2006
	£	£	As restated £	As restated £
Sales		5,742,742		5,613,913
Manufacturing costs	3,401,771		3,328,009	
Discounts allowed	50,931		35,594	
Finished goods at 1 January	476,509		538,609	
	<hr/>		<hr/>	
Finished goods at 31 December	3,929,211 (518,854)		3,902,212 (476,508)	
	<hr/>		<hr/>	
Cost of sales		3,410,357		3,425,704
		<hr/>		<hr/>
Gross profit		2,332,385		2,188,209
Profit on disposal of fixed assets	2,502		286	
Discounts received	17		1,154	
Commission received	112,876		118,987	
Interest received	10,523		11,433	
	<hr/>	125,918	<hr/>	131,860
		<hr/>		<hr/>
		2,458,303		2,320,069
Administrative expenses				
General and water rates	23,810		23,311	
General insurance	74,073		64,543	
Light, heat and power	12,730		11,586	
Building repairs	267		271	
General expenses	66,232		66,244	
Stationery, postage and telephone	62,282		58,842	
Professional fees	81,059		51,368	
Health insurance	24,232		18,285	
Salaries	610,386		549,879	
Pension costs - Final salary	241,434		292,351	
- G P P scheme	58,957		21,165	
Canteen expenses	3,185		4,593	
Directors' expenses	38,842		34,186	
Office staff expenses	7,934		4,017	
Depreciation of fixtures, fittings and buildings	51,469		45,336	
Provision against inter-company debtors	-		47,749	
	<hr/>		<hr/>	
	1,356,892		1,293,726	
	<hr/>		<hr/>	

H Bronnley & Company Limited

Trading profit and loss account for the year ended 31 December 2007 *(Continued)*

	2007 £	2007 £	2006 £	2006 £
Selling expenses				
Advertising and product development	106,126		124,091	
Salaries, commissions and expenses	513,420		475,137	
Export commissions and expenses	295,921		289,433	
Export carriage costs	141,046		138,373	
UK carriage costs	123,701		120,279	
Bad debts	(3,601)		1,826	
	<u>1,176,613</u>		<u>1,149,139</u>	
Financial expenses				
Discounts allowed	90,015		85,838	
Bank charges	21,462		15,860	
Loss on exchange	(27,315)		8,995	
Preference share dividend	-		1,983	
Interest payable	16		-	
	<u>84,178</u>		<u>112,676</u>	
Total expenses		<u>2,617,683</u>		<u>2,555,541</u>
Net loss		(159,380)		(235,472)
Taxation				
Corporation tax	-		271	
Deferred tax	-		57,249	
		<u>-</u>		<u>57,520</u>
Loss on ordinary activities after taxation		<u>(159,380)</u>		<u>(177,952)</u>