

**WEARWELL (UK) LIMITED**

**ABBREVIATED ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2005**



**WEARWELL (UK) LIMITED**

**COMPANY INFORMATION**

**DIRECTORS**

B Greasley  
G Clayton  
C Rooney

**SECRETARY**

B Greasley

**COMPANY NUMBER**

02993093

**REGISTERED OFFICE**

Gagarin, Lichfield Road  
Tamworth  
Staffordshire  
B79 7TR

**AUDITORS**

Smith Cooper  
Chartered Accountants & Registered Auditors  
Wilmot House  
St James Court  
Friar Gate  
Derby  
DE1 1BT

**WEARWELL (UK) LIMITED**

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## **WEARWELL (UK) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005**

The directors present their report and the financial statements for the year ended 31 December 2005.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the annual report and the 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 that disclose with reasonable accuracy at any time the financial position of the company and 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.

#### **PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS**

The company's principal activity, which has remained unchanged throughout the year, is the manufacture and marketing of work wear within the United Kingdom.

The directors are satisfied with the results for the year and the year-end financial position and consider that the current level of trading will continue during the current year.

#### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £65,554 (2004 - £59,332).

The directors do not recommend the payment of a dividend.

#### **DIRECTORS**

The directors who served during the year were:

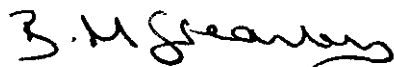
B Greasley  
G Clayton  
C Rooney

The directors have no interest in the share capital of the company. The directors' interests in the share capital of the ultimate holding company are disclosed in the financial statements of that company.

#### **AUDITORS**

The auditors, Smith Cooper, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 9 August 2006 and signed on its behalf.



**B Greasley**  
Secretary

## **WEARWELL (UK) LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO WEARWELL (UK) LIMITED UNDER SECTION 247B OF THE COMPANIES ACT 1985**

We have examined the abbreviated accounts of Wearwell (UK) Limited for the year ended 31 December 2005 set out on page 3, together with the financial statements of the company for the year ended 31 December 2005 prepared under section 226 of the Companies Act 1985.

This report is made solely to the company, in accordance with section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special 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, for our work, for this report, or for the opinions we have formed.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with those provisions and to report our opinion to you.

### **BASIS OF OPINION**

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

### **OPINION**

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246 A(3) of the Companies Act 1985, and the abbreviated accounts on pages 3 to 18 have been properly prepared in accordance with those provisions.



**SMITH COOPER**

Chartered Accountants  
Registered Auditors

Wilmot House  
St James Court  
Friar Gate  
Derby  
DE1 1BT

Date: 9 August 2006

**WEARWELL (UK) LIMITED**

**ABBREVIATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Note	2005 £	2004 £
<b>GROSS PROFIT</b>		<b>1,225,280</b>	<b>1,286,261</b>
Administrative expenses		<u>(1,052,100)</u>	<u>(1,133,910)</u>
<b>OPERATING PROFIT</b>	2	<b>173,180</b>	<b>152,351</b>
Interest receivable		44	-
Interest payable	4	(67,512)	(55,761)
Other finance income	5	<u>(13,000)</u>	<u>-</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>92,712</b>	<b>96,590</b>
<b>TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	6	<u>(27,158)</u>	<u>(37,258)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	14	<u><b>65,554</b></u>	<u><b>59,332</b></u>

All amounts relate to continuing operations.

The notes on pages 7 to 18 form part of these financial statements.

**WEARWELL (UK) LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2005**

	2005 £	2004 £
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>65,554</b>	<b>59,332</b>
Actuarial gain related to pension scheme	(150,200)	-
Deferred tax attributable to actuarial gain	44,280	-
	<hr/>	<hr/>
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>	<b>(40,366)</b>	<b>59,332</b>
		<hr/>
Prior year adjustment	(189,630)	
	<hr/>	
<b>TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST FINANCIAL STATEMENTS</b>	<b>(229,996)</b>	
	<hr/>	

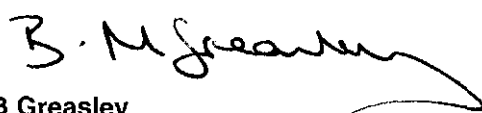
The notes on pages 7 to 18 form part of these financial statements.

**WEARWELL (UK) LIMITED**

**ABBREVIATED BALANCE SHEET  
AS AT 31 DECEMBER 2005**

	Note	£	2005 £	£	2004 £
Tangible fixed assets	7		402,256		436,318
<b>CURRENT ASSETS</b>					
Stocks	8	1,297,714		1,433,478	
Debtors	9	1,961,080		2,463,129	
Cash at bank		230,452		25,976	
		<u>3,489,246</u>		<u>3,922,583</u>	
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(1,253,232)</u>		<u>(1,766,608)</u>	
<b>NET CURRENT ASSETS</b>			<u>2,236,014</u>		<u>2,155,975</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>2,638,270</u>		<u>2,592,293</u>
<b>CREDITORS: amounts falling due after more than one year</b>	11		<u>(308,734)</u>		<u>(325,711)</u>
<b>NET ASSETS EXCLUDING PENSION SCHEME ASSETS/(LIABILITIES)</b>			<u>2,329,536</u>		<u>2,266,582</u>
Defined benefit pensions scheme liability	21	(292,950)		(189,630)	
<b>NET ASSETS INCLUDING PENSION SCHEME ASSETS/(LIABILITIES)</b>			<u><u>2,036,586</u></u>		<u><u>2,076,952</u></u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	13		146,178		146,178
Share premium account	14		132,943		132,943
Capital redemption reserve	14		71,463		71,463
Other reserves	14		692,696		692,696
Profit and loss account	14		993,306		1,033,672
<b>SHAREHOLDERS' FUNDS - All equity</b>	16		<u><u>2,036,586</u></u>		<u><u>2,076,952</u></u>

The abbreviated accounts, which have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to medium-sized companies, were approved and authorised for issue by the board and were signed on its behalf on 9 August 2006.

  
**B Greasley**  
 Director

The notes on pages 7 to 18 form part of these financial statements.



**WEARWELL (UK) LIMITED**

**ABBREVIATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2005**

	<b>Note</b>	<b>2005 £</b>	<b>2004 £</b>
Net cash flow from operating activities	17	<b>670,741</b>	470,066
Returns on investments and servicing of finance	18	<b>(67,468)</b>	(55,761)
Taxation		<b>(36,194)</b>	(94,898)
Capital expenditure and financial investment	18	<b>(23,138)</b>	(49,375)
<b>CASH INFLOW BEFORE FINANCING</b>		<b>543,941</b>	270,032
<i>Financing</i>	18	<b>(16,977)</b>	(15,784)
<b>INCREASE IN CASH IN THE YEAR</b>		<b>526,964</b>	254,248

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT  
FOR THE YEAR ENDED 31 DECEMBER 2005**

	<b>2005 £</b>	<b>2004 £</b>
Increase in cash in the year	<b>526,964</b>	254,248
Cash outflow from decrease in debt and lease financing	<b>16,977</b>	15,784
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<b>543,941</b>	270,032
Net debt at 1 January 2005	<b>(639,887)</b>	(909,919)
<b>NET DEBT AT 31 DECEMBER 2005</b>	<b>(95,946)</b>	(639,887)

The notes on pages 7 to 18 form part of these financial statements.

## **WEARWELL (UK) LIMITED**

### **NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005**

#### **1. ACCOUNTING POLICIES**

##### **1.1 Basis of preparation of financial statements**

The full financial statements, from which these abbreviated accounts have been extracted, have been prepared under the historical cost convention and in accordance with applicable accounting standards.

##### **1.2 Turnover**

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

##### **1.3 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold Buildings	-	4% straight line
Plant & Machinery	-	10-20% straight line
Motor Vehicles	-	25% straight line
Office Equipment	-	10-33% straight line

##### **1.4 Operating leases**

Rentals under operating leases are charged on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

##### **1.5 Stocks and work in progress**

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

##### **1.6 Deferred taxation**

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

*A net deferred tax asset is recognised only if it can be regarded as 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are discounted.

## WEARWELL (UK) LIMITED

### NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005

#### 1. ACCOUNTING POLICIES (continued)

##### 1.7 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

*Exchange gains and losses are recognised in the profit and loss account.*

##### 1.8 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

*The company operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 1 January 2003.*

##### 1.9 Changes in accounting policy

In presenting the financial statements for the current year, the company has adopted Financial Reporting Standard 17 "Retirement Benefits" (FRS17). The adoption of FRS 17 has required a change to the accounting treatment of defined benefit pension arrangements, such that the company includes the assets and liabilities of these arrangements in the company's balance sheet. Current service costs, curtailment and settlement gains and losses, and net financial returns are included in the profit and loss account in the period to which they relate. Actuarial gains and losses are recognised in the statement of recognised gains and losses.

This change in accounting policy has resulted in a prior year adjustment for the company and the prior year figures have restated accordingly. Shareholders funds at 1 January 2004 have been decreased by £189,630. For the year ended 31 December 2004, the change in accounting policy has resulted in a net decrease in retained profit for the year of £37,100. For the year ended 31 December 2005, the change in accounting policy has resulted in a net increase in retained profit for the year of £2,600.

#### 2. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2005 £	2004 £
Depreciation of tangible fixed assets:		
- owned by the company	57,200	51,702
Accountancy and audit	115	1,440
(Profit)/Loss on disposal on exchange	(4,975)	(3,931)
Loss on disposal of fixed assets	-	391
Rental income	(9,195)	(7,262)
Operating lease charges - property	58,500	58,500
- other	-	1,414
	<hr/>	<hr/>

During the year, no director received any emoluments (2004 - £NIL).

# WEARWELL (UK) LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005

### 3. STAFF COSTS

Staff costs were as follows:

	2005 £	2004 £
Wages and salaries	1,225,380	1,161,489
Social security costs	50,757	86,828
Other pension costs (Note 21)	41,005	48,682
	<u>1,317,142</u>	<u>1,296,999</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2005 No.	2004 No.
Production and sales	100	107
Management and administration	14	14
	<u>114</u>	<u>121</u>

### 4. INTEREST PAYABLE

	2005 £	2004 £
On bank loans and overdrafts	65,073	53,982
On other loans	2,439	1,779
	<u>67,512</u>	<u>55,761</u>

### 5. OTHER FINANCE INCOME

	2005 £	2004 £
Expected return on pension scheme assets	13,900	13,900
Interest on pension scheme liabilities	(26,900)	(13,900)
	<u>(13,000)</u>	<u>-</u>

# WEARWELL (UK) LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005

### 6. TAXATION

	2005 £	2004 £
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profits of the year	4,600	25,500
Adjustments in respect of prior periods	(219)	9,811
<b>Total current tax</b>	<u>4,381</u>	<u>35,311</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	22,777	1,947
<b>Tax on profit on ordinary activities</b>	<u>27,158</u>	<u>37,258</u>

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (19%). The differences are explained below:

	2005 £	2004 £
Profit on ordinary activities before tax	<u>92,712</u>	<u>96,590</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2004 - 23%)	17,121	30,701
<b>Effects of:</b>		
Expenses not deductible for tax purposes	10,256	(3,254)
Capital allowances for year in excess of depreciation	(22,777)	(1,947)
Adjustments to tax charge in respect of prior periods	(219)	9,811
<b>Current tax charge for the year</b> (see note above)	<u>4,381</u>	<u>35,311</u>

#### Factors that may affect future tax charges

There were no factors that may affect future tax charges.

# WEARWELL (UK) LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005

### 7. TANGIBLE FIXED ASSETS

	Land and buildings £	Plant and machinery £	Motor vehicles £	Furniture, fittings and equipment £	Total £
<b>Cost</b>					
At 1 January 2005	435,000	202,772	57,545	165,283	860,600
Additions	-	8,151	-	17,887	26,038
Disposals	-	(17,290)	(1,700)	(56,605)	(75,595)
At 31 December 2005	435,000	193,633	55,845	126,565	811,043
<b>Depreciation</b>					
At 1 January 2005	123,913	144,202	25,831	130,336	424,282
Charge for the year	13,044	17,601	11,350	15,205	57,200
On disposals	-	(17,290)	-	(55,405)	(72,695)
At 31 December 2005	136,957	144,513	37,181	90,136	408,787
<b>Net book value</b>					
At 31 December 2005	298,043	49,120	18,664	36,429	402,256
At 31 December 2004	311,087	58,570	31,714	34,947	436,318

### 8. STOCKS

	2005 £	2004 £
Raw materials	122,778	187,991
Work in progress	357,075	333,775
Finished goods and goods for resale	817,861	911,712
	<u>1,297,714</u>	<u>1,433,478</u>

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

### 9. DEBTORS

	2005 £	2004 £
Trade debtors	1,600,225	1,610,919
Amounts owed by group undertakings	308,005	763,414
Prepayments and accrued income	48,467	61,636
Deferred tax asset (see note 12)	4,383	27,160
	<u>1,961,080</u>	<u>2,463,129</u>

Included within amounts due from group undertakings is £308,005 which was a loan made by the company to Wearwell Group Limited to provide financial assistance to purchase the shares of the company.

# WEARWELL (UK) LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005

### 10. CREDITORS: Amounts falling due within one year

	2005 £	2004 £
Bank loans and overdrafts (note 12)	17,664	340,152
Trade creditors	1,071,828	1,151,550
Corporation tax	4,600	36,413
Social security and other taxes	96,268	61,464
Other creditors	-	30,667
Accruals and deferred income	62,872	146,362
	<u>1,253,232</u>	<u>1,766,608</u>

### 11. CREDITORS: Amounts falling due after more than one year

	2005 £	2004 £
Bank loans	<u>308,734</u>	<u>325,711</u>

Creditors include amounts not wholly repayable within 5 years as follows:

	2005 £	2004 £
Repayable by instalments	<u>238,078</u>	<u>255,055</u>

The bank loan and overdraft is secured by a mortgage over the freehold property and by a fixed and floating charge over the assets of the company.

### 12. DEFERRED TAX ASSET

	2005 £	2004 £
At 1 January 2005	27,160	29,107
Charged for the year	(22,777)	(1,947)
	<u>4,383</u>	<u>27,160</u>

The deferred tax asset is made up as follows:

	2005 £	2004 £
Depreciation in advance of capital allowances	933	(890)
Other timing differences	3,450	28,050
	<u>4,383</u>	<u>27,160</u>

# WEARWELL (UK) LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005

### 13. SHARE CAPITAL

	2005 £	2004 £
<b>Authorised, allotted, called up and fully paid</b>		
146,178 Ordinary shares shares of £1 each	<u>146,178</u>	<u>146,178</u>

### 14. RESERVES

	Share premium account £	Capital redempt'n reserve £	Other reserves £	Profit and loss account £
At 1 January 2005				1,223,302
Pension reserve prior year adjustment (note 21)				(189,630)
At 1 January 2005 (P & L as restated)	132,943	71,463	692,696	1,033,672
Profit retained for the year				65,554
Pension reserve movement				(105,920)
At 31 December 2005	<u>132,943</u>	<u>71,463</u>	<u>692,696</u>	<u>993,306</u>

The closing balance on the profit and loss account includes a £(292,950) (2004 - £(189,630)) debit, stated after deferred taxation of £(125,550) (2004 - £NIL), in respect of pension scheme liabilities of the company pension scheme.

### 15. PRIOR YEAR ADJUSTMENT

The adoption of FRS 17 "Retirement Benefits" has resulted in a change in accounting policy in respect of pension costs. Full details of the effects of this change are disclosed in the principal accounting policies.

### 16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Opening shareholders' funds (as previously stated)	2,266,582	2,170,150
Prior year adjustment relating to pension scheme	<u>(189,630)</u>	<u>(152,530)</u>
Opening shareholders' funds (as restated)	2,076,952	2,017,620
Profit for the year	65,554	59,332
Other recognised gains and losses during the year	<u>(105,920)</u>	<u>-</u>
Closing shareholders' funds	<u>2,036,586</u>	<u>2,076,952</u>



**WEARWELL (UK) LIMITED**

**NOTES TO THE ABBREVIATED ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2005**

**17. NET CASH FLOW FROM OPERATING ACTIVITIES**

	2005 £	2004 £
Operating profit	173,180	152,351
Depreciation of tangible fixed assets	57,200	51,702
Loss on disposal of tangible fixed assets	-	391
Decrease/(increase) in stocks	135,764	(288,932)
Decrease/(increase) in debtors	23,863	(44,467)
Decrease in amounts owed by group undertakings	455,409	356,614
(Decrease)/increase in creditors	(159,075)	205,307
(Decrease)/increase in net pension assets/liabilities	(15,600)	37,100
<b>Net cash inflow from operations</b>	<b>670,741</b>	<b>470,066</b>

**18. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT**

	2005 £	2004 £
<b>Returns on investments and servicing of finance</b>		
Interest received	44	-
Interest paid	(67,512)	(55,761)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(67,468)</b>	<b>(55,761)</b>
	2005 £	2004 £
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(26,038)	(79,698)
Sale of tangible fixed assets	2,900	30,323
<b>Net cash outflow from capital expenditure</b>	<b>(23,138)</b>	<b>(49,375)</b>
	2005 £	2004 £
<b>Financing</b>		
Repayment of loans	(16,977)	(15,784)

**WEARWELL (UK) LIMITED**

**NOTES TO THE ABBREVIATED ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2005**

**19. ANALYSIS OF CHANGES IN NET DEBT**

	1 January 2005 £	Cash flow £	Other non-cash changes £	31 December 2005 £
Cash at bank and in hand:	25,976	204,476	-	230,452
Bank overdraft	(322,488)	322,488	-	-
	<u>(296,512)</u>	<u>526,964</u>	<u>-</u>	<u>230,452</u>
<b>Debt:</b>				
Debts due within one year	(17,664)	16,977	(16,977)	(17,664)
Debts falling due after more than one year	(325,711)	-	16,977	(308,734)
	<u>(639,887)</u>	<u>543,941</u>	<u>-</u>	<u>(95,946)</u>
<b>Net debt</b>	<u>(639,887)</u>	<u>543,941</u>	<u>-</u>	<u>(95,946)</u>

**20. CONTINGENT LIABILITIES**

The company has given an unlimited guarantee to secure the banks borrowings of other companies in the group. At 31 December 2005 group borrowings amounted to £1,553,060 (2004: £1,370,667).

**NOTES TO THE ABBREVIATED ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2005**
**21. PENSION COMMITMENTS**

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

The company operates a pension scheme providing benefits based on final pensionable pay. 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 pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The most recent valuation was at 1 January 2003.

In accordance with the transitional arrangements, the company has fully adopted Financial Reporting Standard 17 "Retirement Benefits" (FRS 17). The adoption of FRS 17 has required a change to the accounting treatment of defined benefit pension arrangements, such that the company includes the assets and liabilities of these arrangements in the company's balance sheet. Current service costs, curtailment and settlement gains and losses, and net financial returns are included in the profit and loss account in the period to which they relate. Actuarial gains and losses are recognised in the statement of recognised gains and losses.

The company's total pension cost included within operating profit was £41,005 (2004 - £48,682, as restated), being £27,200 (2004 - £27,200, as restated) in respect of its defined benefit pension arrangements and £13,805 (2004 - £21,482, as restated) in respect of its defined contribution pension arrangements.

The amounts in the financial statements for the year ended 31 December 2005, relating to pensions, are based on a full actuarial valuation dated 1 January 2003.

**The main financial assumptions used in the actuarial valuation were:**

	2005 %	2004 %
Inflation	2.5	2.5
Rate of increase in salaries	3.0	3.0
Rate of increase for pensions	5.0	5.0
Discount rate for liabilities	4.6	5.2

**The assets in the scheme and the expected rates of return were:**

	Long-term rate of return expected at 2005 %	Value at 2005 £	Long-term rate of return expected at 2004 %	Value at 2004 £
Bonds	4.5	221,600	4.5	241,920
Property	7.0	55,400	7.0	60,480
Total market value of assets		277,000		302,400
Present value of scheme liabilities		(695,500)		(573,300)
Deficit in the scheme		(418,500)		(270,900)
Related deferred tax liability		125,550		81,270
Net pension liability		(292,950)		(189,630)

# WEARWELL (UK) LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005

### 21. PENSION COMMITMENTS (continued)

The adoption of FRS 17 has the following impact on the company's net assets and profit and loss reserve at 31 December 2005 and 31 December 2004:

	2005 £	2004 £
Net assets excluding pension scheme assets/(liabilities)	2,329,536	2,266,582
Defined benefit pensions scheme liability	(292,950)	(189,630)
Net assets including pension scheme assets/(liabilities)	<u>2,036,586</u>	<u>2,076,952</u>
Profit and loss reserve excluding pension scheme assets/(liabilities)	1,286,256	1,223,302
Pension reserve	(292,950)	(189,630)
Profit and loss reserve	<u>993,306</u>	<u>1,033,672</u>

The following amounts have been recognised in the financial statements in the year to 31 December 2005 and 31 December 2004 under the requirements of FRS17:

	2005 £	2004 £
<b>Operating profit</b>		
Current service cost	37,100	37,100
Employee contributions	(9,900)	(9,900)
Total operating charge	<u>27,200</u>	<u>27,200</u>
<b>Analysis of amount recognised in the Statement of total recognised gains and losses (STRGL)</b>		
Actual return less expected return on pension scheme assets	(16,500)	-
Experience gains and losses arising on the scheme liabilities	(25,100)	-
Changes in assumptions underlying the present value of the scheme liabilities	(108,600)	-
Actuarial loss recognised in STRGL	<u>(150,200)</u>	<u>-</u>

	2005 £
<b>Movements in deficit during the year:</b>	
Surplus in scheme at beginning of year	(270,900)
Current year service cost	(37,100)
Contributions	52,700
Other finance income	(13,000)
Actuarial loss	(150,200)
Deficit in scheme at end of year	<u>(418,500)</u>

## WEARWELL (UK) LIMITED

### NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005

#### 21. PENSION COMMITMENTS (continued)

##### History of experience gains and losses in the scheme

	2005
Difference between the expected and actual return on scheme assets:	
Amount (£)	(16,500)
Percentage of scheme assets	(6.0)%
Experience gains and losses on scheme liabilities:	
Amount (£)	(25,100)
Percentage of the present value of the scheme liabilities	(3.6)%
Total amount recognised in statement of total recognised gains and losses:	
Amount (£)	(150,200)
Percentage of the present value of the scheme liabilities	(21.6)%

#### 22. OPERATING LEASE COMMITMENTS

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2005	2004	2005	2004
	£	£	£	£
<b>Expiry date:</b>				
Within 1 year	14,625	-	1,665	1,414
Between 2 and 5 years	-	58,500	-	-

#### 23. RELATED PARTY TRANSACTIONS

During the year the company purchased goods with a value of £75,044 (2004: £78,593) from Cuskit Limited, a company in which B M Greasley is a director and shareholder. At 31 December 2005 there was an amount of £15,628 (2004: £25,515) due from the company to Cuskit Limited.

During the year the company paid management charges of £450,000 (2004: £398,000) to Wearwell Group Limited, the parent undertaking. At 31 December 2005 there was a loan from the company to Wearwell Group Limited of £308,005 (2004: £803,521). This loan is unsecured, interest free and has no fixed repayment date.

At 31 December 2005 there was an amount of £Nil (2004: £30,667) due from the company to B Greasley, a director. This loan is unsecured, carries interest at a rate of 2% over base rate and has no fixed repayment date. Interest charged on the loan during the year amounted to £2,439 (2004: £1,571).

#### 24. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

At 31 December 2005, the immediate and ultimate parent undertaking was Wearwell Group Limited, a company registered in England.

At 31 December 2005, the ultimate controlling party was by Mrs B Greasley by virtue of her 50.25% interest in the equity capital of Wearwell Group Limited.