

# *C o n t e n t s*

The Company	3
Chairman's Statement	4
Notice of Meeting	5
Directors' Report	6–9
Independent Auditors' Report	10
Profit and Loss Account and Note of Historic Cost Profit and Loss	11
Balance Sheet	12
Cash Flow Statement	13
Notes to the Financial Statements	14–24
Financial Summary and Financial Calendar	25

# *The Company (Registered Number 565383)*

## **DIRECTORS**

P.M. Cassidy (Chairman and Managing Director)

T.D. Cassidy MBE (President)

P.C. Cassidy

S. Wilkinson FCA \*

(\* Non-executive)

## **SECRETARY**

S. Wilkinson FCA

## **REGISTERED OFFICE**

Mitcham Road,

Off Clifton Road, Marton

Blackpool FY4 4QW

## **STOCKBROKERS AND NOMINATED ADVISORS**

Charles Stanley Securities

25 Luke Street

London

EC2A 4AR

## **AUDITORS**

Bowmans,

Chartered Accountants and Registered Auditors,

88–96 Market Street West,

Preston PR1 2EU

## **SOLICITORS**

Cuddy, Woods & Cochrane,

41 Springfield Road,

Blackpool FY1 1QE

## **BANKERS**

Royal Bank of Scotland plc,

Talbot Square,

Blackpool FY1 1LE

## **REGISTRARS**

Stanley Wilkinson & Co,

134 Red Bank Road,

Bispham,

Blackpool FY2 9HZ

# Chairman's Statement

I am pleased to report that the operational changes that we have implemented over the last two years has seen the Company return to profitability with profits before tax of £50,143 (2005 – loss £466,617), and this is despite revenues falling by 5.4% to £3.25m (2005 – £3.43m). The Company has focused on staffing levels, stock control, new product development and increasing FOB sales into other territories. We have seen the departure of a number of long serving staff and we now employ a total of 15 on the Company's payroll (2005 – 22). The last twelve months has seen the total wage cost cut by 44.5%.

## **Current Trading**

Significant improvements in stock control have been achieved during the year, by negotiating with our suppliers a better schedule of phased deliveries, and through the consolidation of several products per container. Stock, which we were holding for the now closed Index catalogue shops, has been sold off, albeit at a reduced margin. As a consequence of these measures the stock levels at year-end are down by 41.3%.

This year's increase in income has come from the U.S.A., Russia and Japan. It is our experience that our U.S.A. customers like the U.K. independents, want products that are different, that are not on television and that command a good margin. Our Japanese customers have similar requirements, and require products with zero defects, for which I am pleased to say that generally they are prepared to pay a premium to ensure they receive goods to their exacting standards.

## **Future Prospects**

A full UK patent has been granted to the Arts and Crafts PegSculpture process, and further products will be added for the 2007 season. Most of the PegSculpture sales for 2005–06 emanated from outside the U.K. but I am pleased to report that since the year end orders from our U.K. customers have shown a marked increase, encouraged by Argos selecting two products for their Autumn/Winter 2006 catalogue.

Some shareholders will have heard of the canister vacuum cleaner called 'Henry', with the cheeky face printed on it. It is to get the Casdon treatment by being reproduced in miniature. The original Henry is made by Numatic International Ltd ("Numatic") based in Chard, Somerset, a maker of industrial vacuum cleaners. We are pleased to have secured this license after discussions, which have progressed over the last three years. Numatic have distributors all over Europe and have a particular presence in France.

## **Premises – Change of Registered Office address**

The Company's 6,000 sq. ft. freehold office building, built in 1969 to accommodate fifteen personnel, is to be vacated in the next few weeks and we intend to lease the property to a local 'call centre' company. All office administration will move to new accommodation built within the current warehouse on Cornford Road, which is on the existing factory site. All contact telephone and fax numbers will remain the same. In consequence the address of the Company's Registered Office will be changing to Cornford Road, Blackpool FY4 4QQ with effect from 12th August 2006.

## **Final Dividend**

The Directors' are of the opinion that notwithstanding the difficult trading conditions in the U.K. the Company is now on track for improved performance, and recommend a final dividend of 0.05 pence per share (2005 – Nil) payable on 19th September 2006 to shareholders on the register on 18th August 2006.

**PAUL CASSIDY**

Chairman

# *Notice of Meeting*

Notice is given that the Annual General Meeting of the Company will be held at Bowmans, on 4 September 2006 at 3 p.m. for the following purposes:-

- 1 To consider and adopt the Directors' report and the financial statements for the year ended 30 April 2006.
- 2 To declare a final dividend for the year ended 30 April 2006, which the directors recommend should be 0.05p per ordinary share.
- 3 To re-appoint Bowmans, Chartered Accountants, as Auditors of the Company and to authorise the Directors to determine their remuneration.

As special business to consider and, if thought fit, pass the following resolutions:

4 Ordinary resolution:

That the authority contained in Article 6 of the Company's Articles of Association be renewed save that the authority be limited to the maximum nominal amount of shares equal to the amount of unissued share capital of the Company immediately before the passing of this resolution and that in sub-paragraph (b) of Article 6 the date of the passing of this resolution shall be substituted for the date of the resolution adopting those Articles.

5 Special resolution:

That in accordance with Section 95 (3) of the Companies Act 1985 the authority to allot equity securities contained in Article 6(c) of the Company's Articles of Association be renewed for a period expiring at the next Annual General Meeting of the Company (or any adjournment thereof) or, if earlier, 15 months from the date of this resolution.

- 6 To transact any other ordinary business of the Company.

By order of the board  
Stanley Wilkinson  
Secretary  
1 August 2006

The register of Directors' interests in shares will, together with Directors' service agreements, be available for inspection during usual business hours on any weekday (Saturday and public holidays excluded) at the registered office from this date until the date of the Annual General Meeting and at the place of the meeting for fifteen minutes prior to and until the termination of the meeting.

A holder of ordinary shares is entitled to attend and vote at the meeting and may appoint one or more proxies to attend and, on a poll, to vote instead of the shareholder. The proxy need not be a shareholder of the Company and the appointment of such proxy does not preclude the appointer from subsequently attending. A form of proxy for the use of shareholders is enclosed, and, to be effective, must be completed, signed and lodged with the Registrars, not less than 48 hours before the time appointed for the meeting.

# **Directors' Report**

## **Accounts**

The Directors present their report and financial statements for the year ended 30 April 2006.

## **Results and Dividend**

The profit before taxation amounted to £50,143. The profit for the year, after deduction of dividends, amounts to £56,242 and has been transferred to reserves.

## **Principal Activities and Business Review**

The principal activities of the Company remained that of toy and nursery goods manufacturers. A review of the business and an indication of future prospects is given in the Chairman's statement on page 4.

## **Future Developments**

The Board seeks to maximize profitability from existing activities and to acquire businesses whenever suitable occasions present themselves.

## **Research and Development**

The Company pursues a research and development programme in support of its activities.

## **Special Business at the Annual General Meeting**

Resolution 4 in the Notice of Annual General Meeting, which will be proposed as an ordinary resolution, renews the authority contained in the Articles of Association given to the Directors to issue shares limited to the existing authorised but unissued share capital. No issue will be made which will effectively alter control of the Company without the consent of shareholders in general meeting.

Resolution 5 extends for a maximum period of 15 months the Directors' authority to issue shares for cash but limited in accordance with the Articles of Association of the Company. The Board also confirms that it is their intention to comply with the guidelines issued from time to time by the Investors Protection Committee.

## **Tangible Fixed Assets**

Movements in the fixed assets are detailed in note 11 to the financial statements.

## **Directors**

The names of the present Directors, are listed on page 3.

All the Directors have service contracts with the Company which are terminable by either party giving to the other not less than 12 months written notice.

## **Non-executive Directors**

S. Wilkinson is the non-executive Group Financial Director and Company Secretary and the principal of Stanley Wilkinson & Co., Chartered Accountants.

# Directors' Report continued

## Directors' Share Interests and Interests in Contracts

According to the register maintained as required by the Companies Act 1985, the beneficial interests of the Directors who served during the year to 30 April 2006 and their immediate families (where appropriate) in the share capital of the Company were as follows:

	Ordinary shares of 10p each	
	At 30 April	
	2006	2005
T.D. Cassidy	462,500	462,500
P.M. Cassidy	2,658,000	2,658,000
P.C. Cassidy (appointed 19.8.05)	333	–
S. Wilkinson	26,300	26,300
S.M. Cassidy (resigned 24.6.05)	–	77,591
K. Hopkinson (resigned 24.6.05)	–	31,110

Details of Directors' share options are shown in note 7.

Stanley Wilkinson & Co. act as Registrars and as Taxation Consultants to the Company.

At 30 April 2006 a loan by T.D. Cassidy to the Company of £81,937 (2005: £100,277) was outstanding. This loan is repayable on demand and attracts interest at 1.25% above bank base rate.

Apart from these interests no Director had a material interest in any contract of significance to which the Company was party.

## Substantial Shareholdings

Save for the interest shown above, and Mrs E.G. Cassidy who holds 245,250 shares (4.44%), Mr D. Cassidy who holds 176,291 (3.19%) and Mr B.M. Cassidy who holds 176,291 (3.19%), the Directors are not aware of any person, company or group of companies who directly or indirectly, are interested in 3% or more of the ordinary share capital of the Company.

## Personnel

It is the policy of the Company to give full and fair consideration to applications made by disabled persons for job vacancies where particular job requirements are within their ability. Wherever possible, arrangements are made for continuing employment of employees who have become disabled.

## Payment terms

The Company's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of the terms of payment, and to abide by the terms of payment. The number of days' purchases represented by creditors at the end of the year was as follows:-

	2006	2005
Number of days' purchases	28	28

## Employee Consultation

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company.

## Political and Charitable Contributions

During the year, the Company made charitable contributions of £60 (2005: £415). There were no political contributions.

# Directors' Report continued

## Statement of Directors' Responsibilities in Relation to the Financial Statements

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

So far as each of the Directors is aware at the time the report is approved:

- there is no relevant audit information of which the company's auditors are unaware, and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

## Financial Instruments

The Company's trading operations are primarily financed by bank overdraft and profit retention. Additionally, the Company's liquidity continues to be further supported by a director's loan of £81,937 which the director intends to make available to the Company for the foreseeable future.

At the year end, the Company had on demand bank borrowing facilities of £1.5 million which the board monitors and considers are appropriate to the business. The Company has no long term bank borrowing requirement.

Due to the seasonal nature of the business the Company's liquidity is supported by the use of these funds.

The majority of the Company's purchases are now made in foreign currencies. Where transactions are undertaken in foreign currency, the directors will mitigate currency risk by the use of foreign currency bank accounts.

The directors anticipate the level of currency required in the future and purchase currency at the spot rate when the exchange rates are favourable to enable the Company to pay in foreign currency liabilities when they fall due.

## Key Performance Indicators

For the year ended 30 April 2006

	2006	2005
	£	£
1) <b>TURNOVER</b>	3,245,965	3,430,092

The decline in sales turnover is largely due to the closure of the Index stores and also the Peg Sculpture items have not yet impacted on turnover in the volumes expected.

2) <b>GROSS PROFIT</b>	1,324,398	1,291,303
------------------------	-----------	-----------

The large increase in our FOB commission (sales direct from the Far East) 2006 – £209K (2005 – £75K) has largely contributed to the improvement in our Gross Profit.

	<b>2006</b>	2005
	<b>£</b>	£
<b>3) PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	50,143	(466,617)

The turnaround in our Profit before taxation is due to improved gross profit and also a reduction in our overheads, in particular in reduced staffing costs.

**Auditors**

In accordance with Section 385(2) of the Companies Act 1985, a resolution proposing that Bowmans be re-appointed as auditors of the Company will be put to the Annual General Meeting.

This report was approved by the Board on 1 August 2006.

Stanley Wilkinson  
Secretary

# *Independent Auditors' Report to the Members of Cassidy Brothers plc*

---

## **Independent auditor's report to the shareholders of Cassidy Brothers Plc**

We have audited the financial statements of Cassidy Brothers Plc for the year ended 30 April 2006 on pages 11 to 24, which have been prepared under the accounting policies set out on pages 14 and 15.

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' responsibility for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Directors' Report.

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 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.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement and the Financial Summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **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 disclosure 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 consider 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 April 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.
- the information given in the Directors' report is consistent with the Financial Statements.

## **Bowmans**

*Chartered Accountants and Registered Auditors*

Preston

1 August 2006

# *Profit and Loss Account*

*For the year ended 30 April 2006*

	Notes	2006 £	2005 £
Turnover	2	3,245,965	3,430,092
Cost of Sales		(1,921,567)	(2,138,789)
<b>GROSS PROFIT</b>		<b>1,324,398</b>	<b>1,291,303</b>
Warehouse & Distribution costs		(922,426)	(1,027,247)
Administrative expenses		(443,284)	(783,233)
Other operating income		87,476	61,319
<b>OPERATING PROFIT/(LOSS)</b>	3	<b>46,164</b>	<b>(457,858)</b>
Interest receivable and similar income	4	11,988	10,132
Interest payable and similar charges	5	(8,009)	(18,891)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>50,143</b>	<b>(466,617)</b>
Tax on profit/(loss) on ordinary activities	9	6,099	75,694
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		<b>56,242</b>	<b>(390,923)</b>
<b>EARNINGS PER SHARE – BASIC AND DILUTED</b>	10	<b>1.02p</b>	<b>(7.07)p</b>

All the above results derive from continuing activities.

There are no recognised gains or losses other than the result disclosed for the year.

## **NOTE OF HISTORIC COST PROFITS AND LOSSES**

Reported profit/(loss) on ordinary activities before taxation  
Difference between a historical cost depreciation charge  
and the actual depreciation charge for the year  
calculated on the revalued amount

## **HISTORICAL COST PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION**

## **HISTORICAL COST PROFIT/(LOSS) RETAINED FOR THE YEAR**

	2006 £	2005 £
Reported profit/(loss) on ordinary activities before taxation	50,143	(466,617)
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	15,018	14,888
<b>HISTORICAL COST PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>65,161</b>	<b>(451,729)</b>
<b>HISTORICAL COST PROFIT/(LOSS) RETAINED FOR THE YEAR</b>	<b>71,260</b>	<b>(389,846)</b>

The notes on pages 14 to 24 form part of these Financial Statements

# Balance Sheet

At 30 April 2006

	Notes	2006		2005	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	11		<b>1,873,011</b>		1,960,588
			<b>1,873,011</b>		1,960,588
<b>CURRENT ASSETS</b>					
Stocks	12	<b>291,246</b>		496,339	
Debtors	13	<b>422,425</b>		469,833	
Cash at bank and in hand		<b>1,031,266</b>		793,957	
			<b>1,744,937</b>	1,760,129	
<b>CREDITORS</b> (amounts falling due within one year)	14		<b>(352,790)</b>		(501,943)
<b>NET CURRENT ASSETS</b>			<b>1,392,147</b>		1,258,186
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>3,265,158</b>		3,218,774
<b>CREDITORS</b> (amounts falling due after more than one year)	15		–		(11,858)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16		<b>(60,000)</b>		(58,000)
<b>NET ASSETS</b>			<b>3,205,158</b>		3,148,916
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		<b>552,435</b>		552,435
Share premium account	18		<b>43,522</b>		43,522
Revaluation reserve	18		<b>553,399</b>		568,417
Profit and loss account	18		<b>2,055,802</b>		1,984,542
<b>EQUITY SHAREHOLDERS' FUNDS</b>	20		<b>3,205,158</b>		3,148,916

The financial statements on pages 11 to 24 were approved by the Board of Directors on 1 August 2006

Paul Cassidy  
Director

The notes on pages 14 to 24 form part of these Financial Statements

# Cash Flow Statement

For the year ended 30 April 2006

	Notes	2006		2005	
		£	£	£	£
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	21		<b>268,364</b>		421,735
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>					
Interest received		<b>11,988</b>		10,132	
Interest paid		<b>(8,009)</b>		(14,649)	
Interest element of finance lease rental payments		–		(4,242)	
			<b>3,979</b>		(8,759)
<b>TAXATION</b>					
Corporation tax			<b>68,649</b>		35,598
<b>CAPITAL EXPENDITURE</b>					
Payments to acquire tangible fixed assets		<b>(109,074)</b>		(39,428)	
Receipts from sales of tangible fixed assets		<b>57,500</b>		–	
			<b>(51,574)</b>		(39,428)
<b>EQUITY DIVIDENDS PAID</b>			–		(27,622)
<b>NET CASH INFLOW</b>			<b>289,418</b>		381,524
<b>FINANCING</b>					
Unsecured loan repayments	21	<b>(18,340)</b>		(80,850)	
Capital element of finance lease rental payments	21	<b>(32,958)</b>		(50,449)	
<b>NET CASH OUTFLOW FROM FINANCING</b>			<b>(51,298)</b>		(131,299)
<b>INCREASE IN CASH</b>	21		<b>238,120</b>		250,225

The notes on pages 14 to 24 form part of these Financial Statements.

# Notes to the Financial Statements

## 1 ACCOUNTING POLICIES

### Accounting Convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain tangible fixed assets. The financial statements have been prepared in accordance with applicable accounting standards.

### Turnover

Turnover comprises revenue recognised by the Company in respect of goods supplied in the UK and overseas, net of trade discounts, VAT and other sales retail taxes.

### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life as follows:

Buildings	over 100 years
Plant and machinery	over 10 years
Moulds and tools	over 3 years
Fixtures and fittings	over 10 years
Computer equipment	over 5 years
Motor vehicles	over 5 years

The company took advantage of the arrangements under FRS15 which allow the retention of the carrying value of revalued assets acquired prior to 30th April 2000. All additions since this date are stated at cost. Where an asset that was previously revalued is disposed of, its book value is eliminated and an appropriate transfer made from the revaluation reserve to the profit and loss reserve.

### Leases

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

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

# *Notes to the Financial Statements*

## **Stocks and Work in Progress**

Stocks are stated at the lower of cost and net realisable value. Cost is arrived at as follows:-

Raw materials – purchase cost, on the first in, first out basis.

Work in progress and finished goods – cost of direct materials and labour plus attributable overheads based on normal levels of activity.

Net realisable value is based on estimated selling price less further costs expected to be incurred on completion and disposal.

## **Research and Development**

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

## **Pension Costs**

Pension costs for the Company's defined contribution schemes are charged to the profit and loss account in the year in which they are payable.

## **Deferred Taxation**

Deferred Tax is recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date except for:

- timing differences arising on revalued properties unless the company has entered into a binding sale agreement at the year end and is intending to take advantage of rollover relief; and
- deferred tax assets which are only recognised to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of underlying timing differences.

Deferred tax balances are not discounted.

## **Foreign Currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction.

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences are taken into account in arriving at the operating profit or loss.

## **Impairment of Fixed Assets**

The need for any fixed asset impairment writedown is assessed by comparison of the underlying value of the asset against the higher of realisable value and value in use.

# Notes to the Financial Statements

## 2 SEGMENTAL INFORMATION

The directors regard the Company as conducting a single class of business, being the manufacture of an integrated range of toys and nursery goods. All turnover and operating profit arose in the United Kingdom.

An analysis of turnover by geographical destination is as follows:

	<b>2006</b> £	2005 £
United Kingdom	<b>2,997,006</b>	3,195,167
Europe	<b>68,656</b>	92,803
U.S.A.	<b>180,303</b>	142,122
	<hr/> <b>3,245,965</b> <hr/>	<hr/> 3,430,092 <hr/>

## 3 OPERATING PROFIT/LOSS

Is arrived at after charging:  
 Auditors' remuneration – audit fees  
 Research and development  
 Redundancy payments  
 Depreciation – owned fixed assets  
     – fixed assets held under finance leases  
 Loss on sale of fixed assets

	<b>2006</b> £	2005 £
Auditors' remuneration – audit fees	<b>9,500</b>	10,000
Research and development	<b>194,288</b>	298,025
Redundancy payments	<b>29,380</b>	222,721
Depreciation – owned fixed assets	<b>106,799</b>	179,041
– fixed assets held under finance leases	–	19,263
Loss on sale of fixed assets	<b>32,352</b>	–
	<hr/> <b>32,352</b> <hr/>	<hr/> – <hr/>

## 4 INTEREST RECEIVABLE AND SIMILAR INCOME

Bank deposits

	<b>2006</b> £	2005 £
Bank deposits	<b>11,988</b>	10,132
	<hr/> <b>11,988</b> <hr/>	<hr/> 10,132 <hr/>

The Company earned an interest rate of 3% on cash balances held.

## 5 INTEREST PAYABLE AND SIMILAR CHARGES

Bank loans, overdrafts, and other loans repayable within five years  
 Finance leases terminating within five years

	<b>2006</b> £	2005 £
Bank loans, overdrafts, and other loans repayable within five years	<b>8,009</b>	14,649
Finance leases terminating within five years	–	4,242
	<hr/> <b>8,009</b> <hr/>	<hr/> 18,891 <hr/>

Included in other loan interest is an amount of £5,637 (2005: £8,978) relating to interest paid to T.D. Cassidy on his loan to the Company.

# Notes to the Financial Statements

## 6 EMPLOYEES

### Number of Employees

The average number of employees employed by the Company (including directors) during the year was as follows:

	<b>2006</b>	2005
	<b>Number</b>	Number
Production / Warehousing	<b>10</b>	15
Sales	<b>3</b>	2
Administration	<b>4</b>	5
	<hr/> <b>17</b> <hr/>	<hr/> 22 <hr/>

### Employment costs

	<b>2006</b>	2005
	£	£
Wages and salaries	<b>376,298</b>	704,890
Social security costs	<b>43,379</b>	72,600
Other pension costs	<b>47,763</b>	71,547
	<hr/> <b>467,440</b> <hr/>	<hr/> 849,037 <hr/>

## 7 DIRECTORS

### Emoluments

	<b>2006</b>	2005
	£	£
The remuneration of the directors of the Company were:		
Emoluments	<b>105,397</b>	259,046
Money purchase pension scheme contributions	<b>23,321</b>	35,071
Compensation for loss of office	–	200,000
	<hr/> <b>128,718</b> <hr/>	<hr/> 494,117 <hr/>

The emoluments disclosed above include £57,326 in respect of the highest paid director (2005: £126,042). The highest paid director received pension scheme contributions during the year of £13,046 (2005: £16,439). Two directors accrued benefits under the Company's money purchase pension schemes (2005: Three). The emoluments of executive director are determined by the Remuneration Committee, and do not include any performance related elements.

Additionally, £12,022 (2005: £12,015) was paid to Stanley Wilkinson & Co. for registrar and taxation consultancy services.

### Directors' Share Options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors.

Details of the options are as follows:

	1 May 2005	Granted	Exercised	30 April 2006	Exercise	Date of
	Number	Number	Number	Number	Price	Grant
P.M. Cassidy	120,000	–	–	120,000	32p	10 February 2000
S. Wilkinson	10,000	–	–	10,000	32p	10 February 2000

The options, if not exercised by 27 March 2010, will lapse.

# Notes to the Financial Statements

## 8 PENSION ARRANGEMENTS

The Company operates three contributory defined contribution pension schemes, the assets of which are held separately from those of the Company in an independently administered fund. Contributions payable by the Company to these schemes amounted to £47,763 (2005: £71,547). Contributions of £10,793 were outstanding at 30 April 2006 (2005: £19,732).

## 9 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006 £	2005 £
Current tax:		
UK Corporation tax	8,099	(67,694)
Adjustments relating to prior years	—	—
	<u>(8,099)</u>	<u>(67,694)</u>
Deferred tax (Note 16)	2,000	8,000
	<u>(6,099)</u>	<u>(75,694)</u>

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:-

	2006 £	2005 £
Profit/(Loss) on ordinary activities before tax	<u>50,143</u>	<u>(466,617)</u>
Profit/(Loss) on ordinary activities at the standard rate of corporation tax in the UK of 19% (2005: 19%)	9,527	(88,657)
Effect of:		
Expenses not deductible for tax purposes	1,004	16,084
Capital allowances for year in excess of depreciation	(3,596)	15,494
Utilisation of tax losses	(6,935)	53,591
Research and Development claim	(8,099)	(67,694)
Losses carried forward	—	3,488
Current tax charge for the year	<u>(8,099)</u>	<u>(67,694)</u>

The standard rate of tax represents the effective rate of corporation tax applicable to the company in the year under review.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total unprovided amount is £122,500 (2005: £122,500). At present, it is not envisaged that any tax will become payable in the foreseeable future.

## 10 EARNINGS PER SHARE

Earnings per share are calculated on profit for the financial year of £56,242 (2005: £(390,923)) and on the weighted average number of shares in issue during the year of 5,524,350 (2005: 5,524,350).

# Notes to the Financial Statements

## 11 TANGIBLE FIXED ASSETS

	Freehold land and Buildings	Plant and Machinery	Motor Vehicles	Total
<b>Cost or valuation</b>	£	£	£	£
At 1 May 2005	1,838,832	2,051,430	233,370	4,123,632
Additions	41,651	67,423	–	109,074
Disposals	–	–	(185,626)	(185,626)
At 30 April 2006	1,880,483	2,118,853	47,744	4,047,080
<b>Depreciation</b>	£	£	£	£
At 1 May 2005	95,677	1,926,477	140,890	2,163,044
Charge for the year	15,018	89,153	2,628	106,799
Disposals	–	–	(95,774)	(95,774)
At 30 April 2006	110,695	2,015,630	47,744	2,174,069
<b>Net book value</b>				
At 1 May 2005	1,743,155	124,953	92,480	1,960,588
At 30 April 2006	1,769,788	103,223	–	1,873,011
Leased assets included in the above:-				
At 1 May 2005	–	–	57,508	57,508
At 30 April 2006	–	–	–	–

The revaluation of freehold land and buildings and plant and machinery was carried out on 11 May 1998 by Messrs Henry Butcher, International Asset Consultants at existing use value. The valuations were undertaken in accordance with the Royal Institute of Chartered Surveyors' Appraisal and Valuation Manual.

Analysis of cost or valuation:

	2006		2005	
	Land and Buildings £	Plant and Machinery £	Land and Buildings £	Plant and Machinery £
Valuation made in 1998	1,600,000	514,350	1,600,000	514,350
Cost	280,483	1,604,503	238,832	1,537,080
	1,880,483	2,118,853	1,838,832	2,051,430

# Notes to the Financial Statements

If the freehold land and buildings and plant and machinery had not been revalued, they would have been included at the following amounts at 30 April 2006

	Freehold Land and Buildings	Plant and Machinery	Motor Vehicles	Total
	£	£	£	£
Cost	1,579,278	1,856,241	47,744	3,483,263
Depreciation	(222,127)	(1,455,542)	(47,744)	(1,725,413)
Net book value	<u>1,357,151</u>	<u>400,699</u>	<u>–</u>	<u>1,757,850</u>

In the directors' opinion, the estimated cost of freehold land included in the cost of freehold land and buildings amounts to £150,000 (2005: £150,000).

The directors' consider that the book value of the revalued assets does not exceed the net realisable value.

## 12 STOCKS

Raw materials  
Work in progress  
Finished goods

2006	2005
£	£
<b>21,323</b>	42,845
–	1,175
<b>269,923</b>	452,319
<b>291,246</b>	496,339

## 13 DEBTORS

Trade debtors  
Other debtors  
Prepayments and accrued income

2006	2005
£	£
<b>267,898</b>	312,102
<b>13,299</b>	70,951
<b>141,228</b>	86,780
<b>422,425</b>	469,833

All amounts shown under Debtors fall due within 1 year.

# Notes to the Financial Statements

## 14 CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

	2006 £	2005 £
Bank Overdraft	–	811
Obligations under finance leases and hire purchase contracts	–	21,100
Trade creditors	<b>25,406</b>	44,069
Other taxes and social security	<b>52,384</b>	38,066
Other loan	<b>81,937</b>	100,277
Other creditors	<b>34,176</b>	200,022
Accruals and deferred income	<b>158,887</b>	97,598
	<b>352,790</b>	501,943

The bank overdraft is secured by fixed charges over the freehold land and buildings and the book debts of the Company, and a floating charge over the plant and machinery.

The other loan included above is a loan made to the Company by T.D. Cassidy. This loan is repayable on demand.

The loan attracts interest at 1.25% above bank base rate.

## 15 CREDITORS (AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR)

	2006 £	2005 £
Obligations under finance leases and hire purchase contracts	–	11,858

Financial liabilities are due:	Loans		Finance		Leases		Total	Total
	2006	2005	2006	2005	2006	2005	2006	2005
	£	£	£	£	£	£	£	£
– in one year or less	<b>81,937</b>	100,277	–	21,100	<b>81,937</b>		<b>81,937</b>	121,377
– in more than one year but not more than two years	–	–	–	11,858	–	11,858	–	11,858
– in more than two years but not more than five years	–	–	–	–	–	–	–	–
	<b>81,937</b>	100,277	–	32,958	<b>81,937</b>		<b>81,937</b>	133,235

## 16 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 1 May 2005	58,000
Transfer to profit and loss account	2,000
	60,000
At 30 April 2006	60,000

# Notes to the Financial Statements

## Deferred Taxation

The balance at 30 April 2006 is made up as follows:

	2006	2005
	£	£
Timing differences:		
Accelerated capital allowances	60,000	58,000
	60,000	58,000
	60,000	58,000

There is no intention to dispose of the property or the moulds and tools in the foreseeable future. Deferred taxation liabilities are stated at an effective tax rate of 30%.

## 17 CALLED UP SHARE CAPITAL

	Number	£
<b>Authorised</b>		
10p ordinary shares:		
At 1 May 2005 and 30 April 2006	7,500,000	750,000
	7,500,000	750,000
<b>Allotted, called up and fully paid</b>		
10p ordinary shares:		
At 1 May 2005 and 30 April 2006	5,524,350	552,435
	5,524,350	552,435
	5,524,350	552,435

## Controlling interest

P.M. Cassidy is the Company's controlling party.

Options have been granted under the Approved Share Option Plan 2000 to subscribe for ordinary shares of the company as follows:

Number of share under option	Subscription price per share	Exercise period
3,300	32p	10 years

60,000 options lapsed during the year.

Options have been granted under the Unapproved Share Option Plan 2000 to subscribe for ordinary shares of the company as follows:

Number of share under option	Subscription price per share	Exercise period
130,000	32p	10 years

## RESERVES

	Share Premium account	Revaluation reserve	Profit and loss account
	£	£	£
At 1 May 2005	43,522	568,417	1,984,542
Profit for the year	–	–	56,242
Transfer for depreciation	–	(15,018)	15,018
	43,522	553,399	2,055,802
At 30 April 2006	43,522	553,399	2,055,802

# Notes to the Financial Statements

<b>19</b>	<b>DIVIDENDS</b>	<b>2006</b>	2005
		£	£
	Equity dividends paid	–	13,811
		–	13,811

Since the year end a Final dividend of 0.05p per share is proposed

<b>20</b>	<b>MOVEMENT IN SHAREHOLDERS' FUNDS</b>	<b>2006</b>	2005
		£	£
	Profit/(Loss) for the financial year	<b>56,242</b>	(390,923)
	Dividends	–	(13,811)
		<b>56,242</b>	(404,734)
	Opening shareholders' funds	<b>3,148,916</b>	3,553,650
		<b>3,205,158</b>	3,148,916

## **21 NOTES TO THE CASH FLOW STATEMENT**

### **Reconciliation of operating profit/(loss) to net cash inflow from operating activities**

	<b>2006</b>	2005
	£	£
Operating profit/(loss)	<b>46,164</b>	(457,858)
Depreciation charges	<b>106,799</b>	198,304
Loss on sale of tangible fixed assets	<b>32,352</b>	–
Decrease in stocks	<b>205,093</b>	456,691
(Increase) in debtors	<b>(13,142)</b>	(49,666)
(Decrease)/Increase in creditors	<b>(108,902)</b>	274,264
<b>Net cash inflow from operating activities</b>	<b>268,364</b>	421,735

### **Analysis of net funds**

	2005	Cash flows	Other non-cash changes	2006
	£	£	£	£
Cash	793,957	237,309	–	<b>1,031,266</b>
Overdraft	(811)	811	–	–
	793,146	238,120	–	<b>1,031,266</b>
Debt due within 1 year:				
Finance leases	(21,100)	21,100	–	–
Other loan	(100,277)	18,340	–	<b>(81,937)</b>
Debt due after 1 year:				
Finance leases	(11,858)	11,858	–	–
	659,911	289,418	–	<b>949,329</b>

# Notes to the Financial Statements

<b>Reconciliation of net cash inflow to movement in net funds</b>	<b>2006</b>	2005
	<b>£</b>	£
Increase in cash	<b>238,120</b>	250,225
Cash inflow from decrease in debt and lease financing	<b>51,298</b>	131,299
	<hr/>	<hr/>
Change in net debt resulting from cash flows	<b>289,418</b>	381,524
	<hr/>	<hr/>
Movement in net funds in the year	<b>289,418</b>	381,524
Net funds at beginning of year	<b>659,911</b>	278,387
	<hr/>	<hr/>
Net funds at end of year	<b>949,329</b>	659,911
	<hr/> <hr/>	<hr/> <hr/>

## 22 FINANCIAL INSTRUMENTS

An explanation of the objectives and policies for holding or issuing financial instruments are disclosed on page 8 in the Director's Report.

Except for the purposes of currency disclosure the Company does not treat its short term debtors and creditors as financial instruments.

The Company does not enter into derivative financial instruments.

The book value of financial instruments is not materially different to their fair value.

### **Currency of cash balances**

Included within the Company cash balances is a bank account denominated in Hong Kong Dollars amounting to £144,954 (2005: £138,467) and also a bank account denominated in United States Dollars amounting to £217,696 (2005: nil).

## Financial Summary

	Year ended 30 April				
	2006	2005	2004	2003	2002
	£'000	£'000	£'000	£'000	£'000
<b>RESULTS</b>					
Turnover	3,246	3,430	3,951	5,343	6,302
Profit/(Loss) before taxation	<u>50</u>	<u>(467)</u>	<u>(84)</u>	<u>194</u>	<u>662</u>
<b>BALANCE SHEETS</b>					
Fixed assets	1,873	1,961	2,119	2,174	2,089
Net current assets	1,392	1,258	1,533	1,583	1,670
Deferred liabilities and provisions	<u>(60)</u>	<u>(70)</u>	<u>(98)</u>	<u>(100)</u>	<u>(122)</u>
Net assets employed	<u>3,205</u>	<u>3,149</u>	<u>3,554</u>	<u>3,657</u>	<u>3,637</u>
Share capital	552	552	552	552	552
Reserves	<u>2,653</u>	<u>2,597</u>	<u>3,002</u>	<u>3,105</u>	<u>3,085</u>
Shareholders' funds	<u>3,205</u>	<u>3,149</u>	<u>3,554</u>	<u>3,657</u>	<u>3,637</u>
<b>STATISTICS</b>					
Earnings/(Loss) per share	1.02p	(7.07)p	(0.86)p	3.36p	10.52p
Dividends per ordinary 10p share	0.05p	0.25p	1.0p	3.0p	3.125p
Borrowing ratio	0.0%	0.7%	6.6%	6.9%	8.6%

## Financial Calendar

4 September 2006	Annual General Meeting
19 September 2006	Final dividend paid to shareholders registered at 14 August 2006
January 2007	Interim results announced