

reserves for inventory obsolescence and shrinkage based on its judgment of future realization. Inventories at January 1, 2005 and January 3, 2004 are as follows:

(dollars in thousands)	2004	2003
Raw materials and parts	\$ 7,091	\$ 3,798
Work in process	5,492	5,288
Finished goods	19,971	15,667
	32,554	24,753
LIFO reserve	218	629
Total	\$ 32,772	\$ 25,382

(E) PROPERTY, PLANT AND EQUIPMENT Property, plant and equipment are carried at cost as follows:

(dollars in thousands)	2004	2003
Land	\$ 4,925	\$ 4,925
Building and improvements	18,277	18,409
Furniture and fixtures	8,765	8,604
Machinery and equipment	22,204	22,129
	54,171	54,067
Less accumulated depreciation	(31,191)	(29,146)
	\$ 22,980	\$ 24,921

Property and equipment are depreciated or amortized on a straight-line basis over their useful lives based on management's estimates of the period over which the assets will be utilized to benefit the operations of the company. The useful lives are estimated based on historical experience with similar assets, taking into account anticipated technological or other changes. The company periodically reviews these lives relative to physical factors, economic factors and industry trends. If there are changes in the planned use of property and equipment or if technological changes were to occur more rapidly than anticipated, the useful lives assigned to these assets may need to be shortened, resulting in the recognition of increased depreciation and amortization expense in future periods.

Following is a summary of the estimated useful lives:

Description	Life
Building and improvements	20 to 40 years
Furniture and fixtures	5 to 7 years
Machinery and equipment	3 to 10 years

Depreciation expense is provided for using the straight-line method and amounted to \$3,150,000, \$3,583,000 and \$3,967,000 in fiscal 2004, 2003 and 2002, respectively.

Expenditures which significantly extend useful lives are capitalized. Maintenance and repairs are charged to expense as incurred. Asset impairments are recorded whenever events or changes in circumstances indicate that the recorded value of an asset is less than the sum of its expected future undiscounted cash flows.

(F) GOODWILL AND OTHER INTANGIBLES Goodwill and other intangibles are reviewed for impairment annually or whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. For long-lived assets held for use, an impairment loss is recognized when the estimated undiscounted cash flows produced by an asset are less than the asset's carrying value. Estimates of future cash flows are judgments based on the company's experience and knowledge of operations. These estimates can be significantly impacted by many factors including changes in global and local business and economic conditions, operating costs, inflation, competition, and consumer and demographic trends. If the company's estimates or the underlying assumptions change in the future, the company may be required to record impairment charges.

(G) ACCRUED EXPENSES Accrued expenses consist of the following at January 1, 2005 and January 3, 2004, respectively:

(dollars in thousands)	2004	2003
Accrued payroll and related expenses	\$ 12,493	\$ 7,094
Accrued warranty	10,563	11,563
Accrued customer rebates	9,350	6,935
Accrued pension settlement	3,637	—
Accrued product liability and workers comp	1,828	3,398
Other accrued expenses	13,440	8,086
	\$ 51,311	\$ 37,076

(H) LITIGATION MATTERS From time to time, the company is subject to proceedings, lawsuits and other claims related to products, suppliers, employees, customers and competitors. The company maintains insurance to cover product liability, workers compensation, property and casualty, and general liability matters. The company is required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of accrual required, if any, for these contingencies is made after assessment of each matter and the related insurance coverage. The required accrual may change in the future due to new developments or changes in approach such as a change in settlement strategy in dealing with these matters. The company does not believe that any such matter will have a material adverse effect on its financial condition, results of operations or cash flows of the company.