

Carver PLC

Report and Financial Statements

Year Ended

31 July 2010

Company Number 509127

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Carver PLC

Report and financial statements for the year ended 31 July 2010

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Directors

DL Carver
D Morrison
DA Jones
Mrs NM Carver
PJ Hall
TJ Carver
AT Forrest

Secretary and registered office

DA Jones, 15 Northgate, Aldridge, Walsall, West Midlands, WS9 8QD

Company number

509127

Auditors

BDO LLP, 125 Colmore Row, Birmingham, B3 3SD

Bankers

Barclays Bank PLC, The Bridge, Walsall, West Midlands, WS1 1RN

Fortis Bank SA, Camomile Street, London, EC3A 7PP

Carver PLC

Report of the directors for the year ended 31 July 2010

The directors present their report together with the audited financial statements for the year ended 31 July 2010

Results and dividends

The profit and loss account is set out on page 9 and shows the profit for the year

A dividend totalling £133,134 was paid to the preference shareholders during the year, of which £121,827 had been accrued in the previous year's financial statements. The preference shareholders' entitlement to a further dividend amounting to £112,051 in respect of the current financial year has been accrued in these financial statements and has been paid since the balance sheet date.

A dividend totalling £214,527 was paid to the ordinary shareholders during the year, the directors do not recommend the payment of a final dividend to ordinary shareholders.

Principal activities

The group's principal activities during the year were as follows:

Carver PLC	Holding company
Carver Climate Systems Limited and Carver Climate Systems GmbH	Intermediary holding companies
Biddle Air Systems Limited (UK) and Biddle BV	Development and manufacture of heating and cooling equipment
Biddle NV, Biddle GmbH, Thermoscreens GmbH, Biddle Air Systems Limited (Canada) and Biddle EURL	Distribution of heating and cooling equipment
Thermoscreens Limited	Development and manufacture of air curtains
Carver & Co (Engineers) Limited	Development and manufacture of engineering clamping and workholding devices
Widney Leisure Limited	Development, manufacture and marketing of gas and electric heating appliances for domestic dwellings and caravan holiday homes

Carver PLC

Report of the directors for the year ended 31 July 2010 (continued)

Review of business and future developments

The directors are pleased to be able to report that the group traded ahead of expectations during the last year. The profit and loss account is set out on page 9 and shows turnover for the year of £25,259,000 (2009 - £25,150,000) and an operating profit before goodwill amortisation and provision against loan and deferred consideration of £2,064,000 (2009 - £1,693,000).

Carver Climate Systems Limited

Biddle BV (Netherlands)

The difficult economic environment continued to affect the Netherlands domestic market particularly on new build offices and hotels severely impacting the supply of Fan Coils. Encouragingly for the future Door Flow Air Curtain sales increased by 60% many of which were supplied to new customers. Building on this success a new Cassette model will be launched to enhance the range on offer.

With a large number of countries remaining in deep recession the sales efforts focused on export markets (countries or markets without a dedicated Biddle presence), particular emphasis having been placed on supporting the existing loyal distribution network and customers. Next year emphasis will be placed on developing new business in the Middle East particularly for Ambient Air Curtains.

The manufacturing plant enjoyed better than expected demand from across the group companies. The on going efforts under the Lean Manufacturing programme continue to generate improvements in efficiency and material savings and there are still more to come.

Biddle Air Systems Limited (UK)

Turnover was ahead of expectations particularly benefiting from strong Fan Convectors sales to Local Authorities under the Government's "Building Schools for the Future" programme. There is a concern that this business will reduce considerably next year under the Government's announced austerity measures so emphasis is being focused on developing new opportunities to replace this income.

Within its Air Curtain business the energy efficient heat pump derivatives developed with Daikin performed well including a significant order for Tesco. The market reacted well to the introduction of the Style range architectural Air Curtain with sales approaching £0.2 million.

Biddle EURL (France)

The company happily has returned to something closer to normality with a good performance and stability in its sales team. Retail installations continue to be the strongest part of the market but some welcome signs of growth in the industrial and cold store sectors and a new ability to sell maintenance contracts and offer installation services mean the business is reasonably well placed for the coming year.

Biddle GmbH (Germany)

With the economic environment in Germany being stronger than most of the other countries the group operates within the company again produced a solid performance with turnover at €4.5 million which with a positive product mix generated a profit in line with the prior year that had been its most successful to date.

To a large extent this was achieved with the benefit of one of its key customers Netto carrying out its extensive expansion programme. New energy saving concepts have been supplied and the company is focused on remaining one step ahead by refreshing concepts and solutions in partnership with Daikin Heat Pumps and other Biddle products.

Carver PLC

Report of the directors for the year ended 31 July 2010 (continued)

Review of business and future developments (continued)

Biddle NV (Belgium)

The business has made steady progress in difficult market conditions with enquiry levels improving towards the end of the year. The sales team remains focused and with the introduction of automatic control CHIPS for the CA Air Curtain the company remains optimistic of an improvement in the coming year.

Biddle Air Systems Limited (Canada)

It has been a positive year of consolidation in Canada with a great deal of groundwork being done to cement the Thermoscreens brand via key distributors throughout the country. As with Belgium the CHIPS technology with the CA Air Curtain has been well received and this together with the recent appointment of a French speaking distributor in the province of Quebec means the business is well placed for the year ahead.

Thermoscreens Limited (UK)

Thermoscreens which has traditionally sold standard products through wholesalers has this year additionally started selling to designers and specifiers and this has generated significant additional business. With greater emphasis being placed on pre and post sales support the business has increased its ability to supply customers in an almost immediate fashion.

Sales and marketing efforts continue to be focused on developing the opportunities from the Heat Pump Air Curtain range with a number of models launched to augment the offering with Mitsubishi Electric.

A lot of effort has been put into customer focused, new product development, for customers outside the UK. The partnership with Mitsubishi Heat Pumps continued to flourish and there are now 17 countries with active joint partnerships and more than 650 systems have now been supplied since the cooperation began in 2008.

Thermoscreens GmbH (Germany)

The internet continues to be an important source for new contacts throughout Germany significantly helping to reintroduce the Thermoscreens brand in the market. Disappointingly whilst no turnover growth was achieved in the last year additional sales resource will be provided next year to help stimulate demand for its products.

Widney Leisure Limited and Carver & Co (Engineers) Limited

Sales of product in to the Caravan Holiday Homes manufacturers surged to meet the demand from UK park operators for letting fleet caravans. These improved sales resulting from holiday makers deciding to stay in the UK instead of travelling to Europe. This encouraged the park operators not only to increase their fleet sizes but also to replace older holiday homes.

The sales of Electric Fires to the retail market remained poor throughout the year. A main distributor was acquired by a competitor but despite this by actively promoting additional products through the remaining distributors the year ended with this sector close to initial expectations.

At Carver & Co, home market clamp sales remained resilient during the year. Unfortunately this was not the case for exports where the general economic conditions in the key markets the business operates in continued to struggle.

Carver PLC

Report of the directors for the year ended 31 July 2010 (continued)

Review of business and future developments (continued)

Carver PLC

The year ended well ahead of expectation under very difficult circumstances. This is not just welcome news but a testament to the management right across the Group that has made the best of opportunities as they have presented themselves.

The economic outlook still varies, depending upon expert opinions ranging, from a "double dip" recession to a bumpy, slow recovery. Group targets for next year reflect a position somewhere in the middle but with the management skills previously mentioned it is a reasonable expectation that the business can continue to make the best of difficult times.

Preference Share Redemptions

Mr A G Biddle the only preference shareholder who still holds preference shares with an aggregate redemption value of more than £2 million has given notice to the company to redeem any remaining shareholding on 31 December 2011 or earlier at the company's discretion.

This is a complicated issue following the introduction of the Pensions Act 2004 which requires the company to consider the current and future funding status of its two UK defined benefit pension scheme arrangements prior to dealing with the preference share redemption.

The company is currently discussing the funding positions with the respective scheme trustees and is offering a first charge over the Group's UK freehold properties to improve this position. The Pensions Regulator and trustees could accept this as a contingent asset and if they do so this would be sufficient to cover the current estimated deficits on the schemes on their respective scheme specific funding bases.

Assuming the pensions schemes funding status are agreed, a company owned by Mr A G Biddle has indicated it is prepared to offer a commercial loan for up to £3.5 million to the Group to help fund the preference share redemption. The terms and security for such a loan are still being negotiated but are expected to be in line with those that might be expected from any major UK high street bank.

Principal risks and uncertainties

All of the markets in which the company and its subsidiaries operate for heating and ventilating products, within commerce, retail and industry remain highly competitive. The group seeks to manage the risk of losing customers to key competitors by the continued support and services provided to end users, distributors, wholesalers and installers throughout both the UK and the rest of the world.

Sales are made in Pounds Sterling, Euros and Canadian Dollars and the exposure to movements in exchange rates is primarily managed by controlling working capital denominated in each currency. The group's credit risk is principally attributable to its trade debtors. Credit risk is managed by insuring such debts whenever possible and by regularly performing credit checks on existing and new customers.

The company monitors cash flow as part of its day to day control procedures. Appropriate facilities are managed and agreed with respective subsidiary boards of directors with performance measured against budgeted projections.

Financial Instruments

The group holds financial instruments to finance its operations, being trade debtors and trade creditors arising directly from the group's operations, together with cumulative redeemable preference shares arising from the acquisition of Carver Climate Systems Limited and its subsidiaries. Operations and working capital requirements are funded principally out of retained profits.

Carver PLC

Report of the directors for the year ended 31 July 2010 (continued)

Employment of disabled persons

The group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the company. Particular attention is given to the training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the group.

Employee involvement

The flow of information to staff has been maintained by the Group Newsletter 'Update'. Members of the management team regularly visit branches and discuss matters of current interest and concern to the business with members of staff.

Policy and practice on the payment of creditors

It is the company's policy to agree the terms of business with all suppliers and to abide by those terms.

Quality Assurance

The main group trading activities operate under BS EN ISO 9002 accreditation for Quality Management systems. All companies have achieved acceptance to accreditation under BS EN ISO 9001:2000. Additionally, group companies embrace a wider ethic of continuous improvement.

Share Capital

On 31 December 2009, the company redeemed 600,225 preference shares of £1 each, being 10.1% of the called up preference share capital, of which 150,000 were in respect of the Biddle ESOP holding. The gross consideration was £765,887.

The changes to the company's share capital and the changes to the shares held by the Biddle ESOP are detailed in note 22 to the financial statements.

Directors

The directors of the company during the year were

DL Carver #
D Morrison
DA Jones
Mrs NM Carver #
PJ Hall #
TJ Carver #
AT Forrest #

- non executive

Carver PLC

Report of the directors for the year ended 31 July 2010 (continued)

Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

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.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board



D A Jones
Secretary

Date 9 November 2010

Carver PLC

Independent auditor's report

TO THE MEMBERS OF CARVER PLC

We have audited the financial statements of Carver PLC for the year ended 31 July 2010 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 July 2010 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Carver PLC

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

BDO LLP

Graham Whittaker (*senior statutory auditor*)
For and on behalf of BDO LLP, statutory auditor
Birmingham
United Kingdom

Date 9 November 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Carver PLC

Consolidated profit and loss account for the year ended 31 July 2010

	Note	2010 £'000	2009 £'000
Turnover	2	25,259	25,150
Cost of sales		<u>13,165</u>	<u>12,534</u>
Gross profit		12,094	12,616
Distribution costs		<u>3,764</u>	4,278
Administrative expenses - other		<u>6,266</u>	6,645
Goodwill amortisation		<u>685</u>	685
Provision against loan and deferred consideration		<u>250</u>	550
Administrative expenses		<u>7,201</u>	7,880
Group operating profit	3	1,129	458
Profit on disposal of fixed assets	4	<u>396</u>	-
Profit on ordinary activities before interest and other income		1,525	458
Other interest receivable and similar income		<u>16</u>	63
Interest payable and similar charges	7	<u>(309)</u>	(332)
Other finance income	8	<u>68</u>	61
Profit on ordinary activities before taxation		1,300	250
Taxation on profit on ordinary activities	9	<u>517</u>	542
Profit/(loss) on ordinary activities after taxation		<u>783</u>	<u>(292)</u>

All amounts relate to continuing activities

The notes on pages 16 to 43 form part of these financial statements

Carver PLC

Consolidated statement of total recognised gains and losses for the year ended 31 July 2010

	Note	2010 £'000	2009 £'000
Consolidated statement of total recognised gains and losses			
Profit/(loss) for the financial year		783	(292)
Actuarial gain/(loss) on pension schemes	21	6	(2,982)
Taxation in respect of gain/loss on pension schemes		(1)	835
		<hr/>	<hr/>
Total gains and losses for the year before currency adjustments		788	(2,439)
Exchange translation differences on consolidation	23	(44)	330
		<hr/>	<hr/>
Total recognised gains and losses for the financial year		744	(2,109)
		<hr/>	<hr/>

The notes on pages 16 to 43 form part of these financial statements

Carver PLC

Consolidated balance sheet at 31 July 2010

<i>Company number 509127</i>	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Fixed assets					
Intangible assets	12		6,531		7,216
Tangible assets	13		2,412		2,657
			<hr/>		<hr/>
			8,943		9,873
Current assets					
Stocks	15	2,893		3,136	
Debtors - due within one year	16	4,829		4,226	
Debtors - due after more than one year	16	229		573	
		<hr/>		<hr/>	
Total debtors		5,058		4,799	
Cash at bank and in hand	17	4,947		4,130	
		<hr/>		<hr/>	
		12,898		12,065	
Creditors: amounts falling due within one year	18	6,559		5,869	
		<hr/>		<hr/>	
Net current assets			6,339		6,196
			<hr/>		<hr/>
Total assets less current liabilities			15,282		16,069
Creditors: amounts falling due after more than one year	19	5,107		6,021	
Provisions for liabilities	20	260		256	
		<hr/>		<hr/>	
			5,367		6,277
			<hr/>		<hr/>
Net assets excluding pension scheme liabilities			9,915		9,792
Pension scheme liabilities	21		(650)		(1,056)
			<hr/>		<hr/>
Net assets including pension scheme liabilities			9,265		8,736
			<hr/>		<hr/>

The notes on pages 16 to 43 form part of these financial statements

Carver PLC

Consolidated balance sheet at 31 July 2010 (continued)

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Capital and reserves					
Called up share capital	22		400		400
Capital redemption reserve	23		5,554		4,954
Profit and loss account	23		3,311		3,382
Shareholders' funds	24		9,265		8,736

The financial statements were approved by the board of directors and authorised for issue on 9 November 2010

D Morrison
Director



The notes on pages 16 to 43 form part of these financial statements

Carver PLC

Company balance sheet at 31 July 2010

<i>Company number 509127</i>	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Fixed assets					
Tangible assets	13		441		447
Fixed asset investments	14		19,500		19,839
			<u>19,941</u>		<u>20,286</u>
Current assets					
Debtors - due within one year	16	468		398	
Debtors - due after more than one year	16	-		255	
		<u>468</u>		<u>653</u>	
Total debtors					
Cash at bank and in hand	17	168		36	
		<u>636</u>		<u>689</u>	
Creditors: amounts falling due within one year	18	2,865		3,203	
		<u>2,865</u>		<u>3,203</u>	
Net current liabilities			(2,229)		(2,514)
			<u>17,712</u>		<u>17,772</u>
Total assets less current liabilities					
Creditors: amounts falling due after more than one year	19	5,011		5,451	
Provisions for liabilities	20	7		-	
		<u>5,018</u>		<u>5,451</u>	
Net assets excluding pension scheme liabilities			12,694		12,321
Pension scheme liabilities	21		(246)		(351)
Net assets including pension scheme liabilities			<u>12,448</u>		<u>11,970</u>

The notes on pages 16 to 43 form part of these financial statements

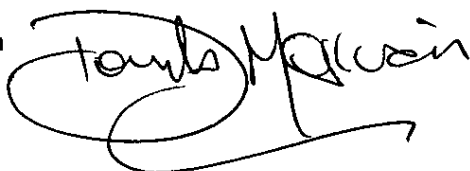
Carver PLC

Company balance sheet at 31 July 2010 (continued)

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Capital and reserves					
Called up share capital	22		400		400
Capital redemption reserve	23		5,554		4,954
Profit and loss account	23		6,494		6,616
Shareholders' funds	24		12,448		11,970

The financial statements were approved by the board of directors and authorised for issue on 9 November 2010

D Morrison
Director



The notes on pages 16 to 43 form part of these financial statements

Carver PLC

Consolidated cashflow statement for the year ended 31 July 2010

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Net cash inflow from operating activities	26		1,475		1,355
Returns on investments and servicing of finance					
Interest received		16		63	
Interest paid other		(3)		(3)	
Interest paid hire purchase		(11)		(11)	
Dividend paid preference shares		(133)		(145)	
Net cash outflow from returns on investments and servicing of finance			(131)		(96)
Taxation					
Corporation tax and overseas tax received/(paid)			9		(354)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(196)		(61)	
Receipts from sale of tangible fixed assets		486		13	
Net cash inflow/(outflow) from capital expenditure and financial investment			290		(48)
Ordinary dividend paid	10		(215)		(215)
Cash inflow before financing			1,428		642
Financing					
Share capital redeemed		(576)		(639)	
Capital element of finance leases repaid		(35)		(41)	
Net cash outflow from financing			(611)		(680)
Increase/(Decrease) in cash	27		817		(38)

The notes on pages 16 to 43 form part of these financial statements

Carver PLC

Notes forming part of the financial statements for the year ended 31 July 2010

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

The following principal accounting policies have been applied

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 2 to 4

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

Basis of consolidation

The consolidated financial statements incorporate the results of Carver PLC and all of its subsidiary undertakings as at 31 July 2010 using the acquisition or merger method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life of 20 years. Impairment tests on the carrying value of goodwill are undertaken

- at the end of the first full financial year following acquisition,
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Depreciation

Tangible fixed assets are stated at cost, less depreciation. Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for freehold land, evenly over their expected useful lives. It is calculated at the following rates

Freehold property	- over 15 to 50 years
Leasehold property	- over 50 years or the period of the lease, if shorter
Plant, machinery, fixtures and fittings	- 10% to 20% per annum
Motor vehicles	- 25% per annum
Tooling	- 20% to 33% per annum
Computer equipment	- 20% to 50% per annum

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment. Investments held as current assets are stated at the lower of cost and net realisable value

Impairment of fixed assets and goodwill

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use

Carver PLC

Notes forming part of the financial statements for the year ended 31 July 2010 (*continued*)

1 Accounting policies (*continued*)

Employee benefit trusts

The Biddle ESOP (Employee Share Ownership Plan) is a Jersey resident trust holding cumulative redeemable preference shares in Carver PLC for the long term benefit of employees of the Carver PLC group of companies. The trust's income and expenditure, together with its assets and liabilities, have been incorporated into the group's accounts.

Stocks

Stocks are valued at the lower of cost and net realisable value. For raw materials, consumables and goods for resale, cost is based on purchase price on either a first-in, first-out basis or an average cost basis, as appropriate. For work in progress and finished goods, cost is based on the purchase price of direct materials and labour, plus attributable overheads based on a normal level of activity. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Foreign currency

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

The results of overseas operations are translated at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

All other differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings which, to the extent that they are used to finance or provide a hedge against foreign equity investments, are taken directly to reserves to the extent of the exchange difference arising on the net investment in these enterprises. Tax charges or credits that are directly and solely attributable to such exchange differences are also taken to reserves.

Financial instruments

Details of the financial risk management objectives, policies and details of the use of financial instruments by the company are provided in note 29 to the financial statements.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Dividends on shares wholly recognised as liabilities are recognised as expenses and classified within interest payable.

Financial liability and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Carver PLC

Notes forming part of the financial statements for the year ended 31 July 2010 (*continued*)

1 Accounting policies (*continued*)

Deferred taxation

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

- the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met

Deferred tax balances are not discounted

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pension costs

Contributions to the group's defined contribution pension schemes 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 group's defined benefit pension schemes and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the group's 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 group 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.

Changes in the defined benefit pension schemes asset or liability arising from factors other than cash contribution by the group are charged to the profit and loss account or the statement of total recognised gains and losses in accordance with FRS17 'Retirement benefits'.

Research and development

Expenditure on pure and applied research and development, including patents, trade marks and copyright, is charged to the profit and loss account in the year in which it is incurred.

Carver PLC

Notes forming part of the financial statements for the year ended 31 July 2010 (continued)

1 Accounting policies (continued)

Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

Warranties

Provision is made for the expected cost of warranty work in respect of products delivered and invoiced.

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax.

Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8, 'Related party disclosures', not to disclose transactions with members or investees of the group headed by Carver PLC on the grounds that at least 100% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

2 Turnover

Turnover is wholly attributable to the principal activity of the group.

The analysis of turnover by geographical market required by paragraph 68 of Schedule 1 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 has not been provided as, in the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the group.

3 Operating profit

	2010 £'000	2009 £'000
This is arrived at after charging/(crediting)		
Depreciation of tangible fixed assets	330	306
Amortisation of positive goodwill	685	685
Hire of plant and machinery - operating leases	101	91
Hire of other assets - operating leases	404	414
Auditors' remuneration		
- fees payable to the group's auditor for the audit of the company's annual accounts	13	14
- audit of company's subsidiaries	73	67
- tax compliance	12	12
- other services	10	9
Exchange differences	(32)	25
Defined benefit pension cost (see below)	(15)	8

The group operating profit includes a provision of £250,000 (2009 - £550,000) against a loan to Robinson Willey Limited in which 80% of the group's interest was sold in October 2006.

Carver PLC

Notes forming part of the financial statements for the year ended 31 July 2010 (continued)

3 Operating profit (continued)

	2010 £'000	2009 £'000
Defined benefit pension costs charged in arriving at the operating loss comprise the following		
Current service cost	(15)	8

4 Profit on disposal of fixed assets

During the year, the group sold a section of unused land at its Nuneaton site. The profit made on this transaction amounted to £396,000.

5 Employees

Staff costs (including directors) consist of

	Group 2010 £'000	Group 2009 £'000
Wages and salaries	7,679	7,691
Social security costs	1,265	1,285
Other pension costs	476	427
	<u>9,420</u>	<u>9,403</u>

The average number of employees (including directors) during the year was as follows

	Group 2010 Number	Group 2009 Number
Production and maintenance	129	134
Sales and service	61	63
Administration	32	34
	<u>222</u>	<u>231</u>

Carver PLC

Notes forming part of the financial statements for the year ended 31 July 2010 (continued)

6 Directors' remuneration

	2010 £'000	2009 £'000
Directors' emoluments	1,026	1,016
Amounts receivable under long-term incentive schemes	(85)	85
Company contributions to money purchase pension schemes	106	77
	<u> </u>	<u> </u>

There were 2 directors in the group's defined contribution pension schemes during the year (2009 - 2)

The total amount payable to the highest paid director in respect of emoluments was £541,152 (2009 - £502,797)

7 Interest payable and similar charges

	2010 £'000	2009 £'000
Bank overdrafts	3	3
Finance leases and hire purchase contracts	11	11
Redemption premium on preference shares	172	184
Dividends on preference shares	123	134
	<u> </u>	<u> </u>
	309	332
	<u> </u>	<u> </u>

8 Other finance income

	2010 £'000	2009 £'000
Expected return on pension schemes assets	951	922
Interest on pension schemes liabilities	(883)	(861)
	<u> </u>	<u> </u>
	68	61
	<u> </u>	<u> </u>

Carver PLC

Notes forming part of the financial statements for the year ended 31 July 2010 (*continued*)

9 Taxation on profit on ordinary activities

	2010 £'000	2009 £'000
<i>UK Corporation tax</i>		
Current tax on profits of the year	26	-
<i>Foreign tax</i>		
Current tax on foreign income for the year	257	301
	<hr/>	<hr/>
Total current tax	283	301
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing differences	220	241
Adjustment in respect of previous periods	14	-
	<hr/>	<hr/>
Movement in deferred tax provision	234	241
	<hr/>	<hr/>
Taxation on profit on ordinary activities	517	542
	<hr/>	<hr/>

The tax assessed for the year is lower than/(2009 - higher than) the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below.

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	1,300	250
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009 - 28%)	364	70
Effect of		
Expenses not deductible for tax purposes	318	372
Capital allowances for period in (excess)/deficit of depreciation	(26)	34
Utilisation of tax losses brought forward	(18)	-
Tax relief on pension contributions	(135)	(228)
Income not taxable	(89)	-
Other short term timing differences	(75)	(148)
Foreign tax rate differences	12	(27)
Tax losses not utilised	42	228
Loss on subsidiary in liquidation	(150)	-
Capital disposal	23	-
Held over gain	17	-
	<hr/>	<hr/>
Current tax charge for the year	283	301
	<hr/>	<hr/>

Carver PLC

Notes forming part of the financial statements for the year ended 31 July 2010 (*continued*)

9 Taxation on profit on ordinary activities (*continued*)

The movement in deferred tax provision is further analysed as follows

	2010 £'000	2009 £'000
Movement in deferred tax on pension schemes liabilities	140	224
Movement in other deferred tax liabilities	94	17
	<u>234</u>	<u>241</u>
Movement in deferred tax provision	<u>234</u>	<u>241</u>

10 Ordinary dividends

	2010 £'000	2009 £'000
Ordinary shares		
Dividend paid during the year of £0 536 (2009 - £0 536) per share	215	215
	<u>215</u>	<u>215</u>
Ordinary shares		
Dividend paid since the year end of £nil (2009 - £0 536) per share	-	215
	<u>-</u>	<u>215</u>

11 Profit for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The group profit for the year includes a profit after tax of £625,000 (2009 - £118,000) which is dealt with in the financial statements of the parent company.

Carver PLC

Notes forming part of the financial statements
for the year ended 31 July 2010 (*continued*)

12 Intangible fixed assets

Group

	Goodwill on consolidation £'000
<i>Cost</i>	
At 1 August 2009	14,226
Disposals	(275)
	<hr/>
At 31 July 2010	13,951
	<hr/>
<i>Amortisation</i>	
At 1 August 2009	7,010
Provided for the year	685
Disposals	(275)
	<hr/>
At 31 July 2010	7,420
	<hr/>
<i>Net book value</i>	
At 31 July 2010	6,531
	<hr/>
At 31 July 2009	7,216
	<hr/>

Carver PLC

Notes forming part of the financial statements
for the year ended 31 July 2010 (*continued*)

13 Tangible fixed assets

Group

	Land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000
<i>Cost</i>			
At 1 August 2009	3,482	5,412	8,894
Additions	-	196	196
Disposals	(90)	(17)	(107)
Exchange adjustments	(39)	(64)	(103)
	<u>3,353</u>	<u>5,527</u>	<u>8,880</u>
At 31 July 2010			
<i>Depreciation</i>			
At 1 August 2009	1,430	4,807	6,237
Provided for the year	90	240	330
Disposals	-	(17)	(17)
Exchange adjustments	(29)	(53)	(82)
	<u>1,491</u>	<u>4,977</u>	<u>6,468</u>
At 31 July 2010			
<i>Net book value</i>			
At 31 July 2010	<u>1,862</u>	<u>550</u>	<u>2,412</u>
At 31 July 2009	<u>2,052</u>	<u>605</u>	<u>2,657</u>

Carver PLC

Notes forming part of the financial statements
for the year ended 31 July 2010 (*continued*)

13 Tangible fixed assets (*continued*)

Company

	Land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000
<i>Cost</i>			
At 1 August 2009	541	87	628
Additions	-	7	7
Disposals	-	(4)	(4)
	<hr/>	<hr/>	<hr/>
At 31 July 2010	541	90	631
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 August 2009	98	83	181
Provided for the year	11	2	13
Disposals	-	(4)	(4)
	<hr/>	<hr/>	<hr/>
At 31 July 2010	109	81	190
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 July 2010	432	9	441
	<hr/>	<hr/>	<hr/>
At 31 July 2009	443	4	447
	<hr/>	<hr/>	<hr/>

The net book value of land and buildings may be further analysed as follows

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Long leasehold	432	443	432	443
Short leasehold	1	1	-	-
Freehold land	624	714	-	-
Freehold buildings	805	894	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,862	2,052	432	443
	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of group tangible fixed assets includes an amount of £174,875 (2009 - £194,133) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £20,985 (2009 - £13,867)

Carver PLC

Notes forming part of the financial statements
for the year ended 31 July 2010 (*continued*)

14 Fixed asset investments

Group

	Other investments £'000
<i>Cost</i>	
At 1 August 2009	951
Disposals	(951)
	<hr/>
At 31 July 2010	-
	<hr/>
<i>Provisions</i>	
At 1 August 2009	951
Disposals	(951)
	<hr/>
At 31 July 2010	-
	<hr/>
<i>Net book value</i>	
At 31 July 2010	-
	<hr/>
At 31 July 2009	-
	<hr/>

Carver PLC

Notes forming part of the financial statements for the year ended 31 July 2010 (continued)

14 Fixed asset investments (continued)

Company

	Group undertakings £'000	Other investments £'000	Total £'000
<i>Cost</i>			
At 1 August 2009	25,567	837	26,404
Disposals	(636)	(837)	(1,473)
	<hr/>	<hr/>	<hr/>
At 31 July 2010	24,931	-	24,931
	<hr/>	<hr/>	<hr/>
<i>Provisions</i>			
At 1 August 2009	5,728	837	6,565
Disposals	(297)	(837)	(1,134)
	<hr/>	<hr/>	<hr/>
At 31 July 2010	5,431	-	5,431
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 July 2010	19,500	-	19,500
	<hr/>	<hr/>	<hr/>
At 31 July 2009	19,839	-	19,839
	<hr/>	<hr/>	<hr/>

During the year, Zig Electronics Ltd and MMS Ltd, both being group undertakings, were placed in to Members Voluntary Liquidation

The other investment represented the group's 20% non controlling interest in Robinson Willey Holdings Ltd and Robinson Willey Ltd. Both of these entities have been placed into liquidation

Carver PLC

Notes forming part of the financial statements
for the year ended 31 July 2010 *(continued)*

14 Fixed asset investments *(continued)*

Subsidiary undertakings

The principal undertakings in which the company's interest at the year end is 20% or more are as follows

	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held
<i>Subsidiary undertakings</i>		
Carver Climate Systems Limited *	England	100%
Biddle Air Systems Limited **	England	100%
Biddle BV **	Netherlands	100%
Biddle NV **	Belgium	100%
Biddle EURL **	France	100%
Carver Climate Systems GmbH **	Germany	100%
Biddle GmbH **	Germany	100%
Thermoscreens GmbH **	Germany	100%
Thermoscreens Limited **	England	100%
Biddle Air Systems Limited **	Canada	100%
Carver & Co (Engineers) Limited *	England	100%
Widney Leisure Limited *	England	100%

* - interest held by company

** - interest held by the group

The nature of business of each undertaking is shown in the Directors' Report

Carver PLC

Notes forming part of the financial statements
for the year ended 31 July 2010 (continued)

15 Stocks

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Raw materials and consumables	1,873	2,044	-	-
Work in progress	117	107	-	-
Finished goods and goods for resale	903	985	-	-
	<u>2,893</u>	<u>3,136</u>	<u>-</u>	<u>-</u>

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

16 Debtors

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Amounts receivable within one year				
Trade debtors	4,424	3,615	-	-
Corporation tax recoverable	-	156	444	373
Prepayments and accrued income	370	403	24	25
Other debtors	35	52	-	-
	<u>4,829</u>	<u>4,226</u>	<u>468</u>	<u>398</u>
Amounts receivable after more than one year				
Other debtors	-	250	-	250
Deferred taxation (see note 20)	229	323	-	5
	<u>229</u>	<u>573</u>	<u>-</u>	<u>255</u>
Total debtors	<u>5,058</u>	<u>4,799</u>	<u>468</u>	<u>653</u>

The other debtors due after more than one year in the previous period were in respect of a loan of £250,000 due from Robinson Willey Limited (see note 3)

Carver PLC

Notes forming part of the financial statements for the year ended 31 July 2010 (continued)

16 Debtors (continued)

	Group Deferred taxation £'000
At 1 August 2009	323
Charged to profit and loss account	(94)
	<hr/>
At 31 July 2010	229
	<hr/>

17 Cash at bank and in hand

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
UK	2,977	2,080	168	36
Overseas	1,936	1,993	-	-
Biddle ESOP	34	57	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	4,947	4,130	168	36
	<hr/>	<hr/>	<hr/>	<hr/>

18 Creditors: amounts falling due within one year

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Preference shares - Biddle ESOP	-	-	1,298	1,450
Preference shares - external	634	598	634	598
Trade creditors	2,560	2,235	41	51
Amounts owed to group undertakings	-	-	-	338
Corporation tax	83	-	-	-
Other taxation and social security	664	607	135	117
Obligations under finance lease and hire purchase contracts	36	34	-	-
Other creditors	190	187	112	122
Accruals and deferred income	2,392	2,208	645	527
	<hr/>	<hr/>	<hr/>	<hr/>
	6,559	5,869	2,865	3,203
	<hr/>	<hr/>	<hr/>	<hr/>

Details in respect of the preference share liabilities are shown in note 22 to the financial statements

Carver PLC

Notes forming part of the financial statements for the year ended 31 July 2010 (continued)

19 Creditors: amounts falling due after more than one year

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Obligations under finance lease and hire purchase contracts	96	133	-	-
Preference shares - external	5,011	5,451	5,011	5,451
Accruals and deferred income	-	437	-	-
	<u>5,107</u>	<u>6,021</u>	<u>5,011</u>	<u>5,451</u>

Maturity of debt

Group

	Finance leases 2010 £'000	Finance leases 2009 £'000	Non - equity shares 2010 £'000	Non - equity shares 2009 £'000
In one year or less, or on demand	<u>36</u>	<u>34</u>	<u>634</u>	<u>598</u>
In more than one year but not more than two years	39	37	5,011	555
In more than two years but not more than five years	<u>57</u>	<u>96</u>	<u>-</u>	<u>4,896</u>
	<u>96</u>	<u>133</u>	<u>5,011</u>	<u>5,451</u>

Company

	Non - equity shares 2010 £'000	Non - equity shares 2009 £'000
In one year or less, or on demand	<u>1,932</u>	<u>2,048</u>
In more than one year but not more than two years	5,011	555
In more than two years but not more than five years	<u>-</u>	<u>4,896</u>
	<u>5,011</u>	<u>5,451</u>

Carver PLC

Notes forming part of the financial statements for the year ended 31 July 2010 (continued)

20 Provisions for liabilities

Group

	Warranty provision £'000
At 1 August 2009	256
Charged to profit and loss account	221
Utilised in year	(212)
Exchange adjustments	(5)
	<hr/>
At 31 July 2010	260
	<hr/>

Warranty provisions are created where the group has given a guarantee to cover the reliability and performance of products over an extended period. The balance at the year end matures within five years of the balance sheet date.

Company

	Deferred taxation £'000
Transferred from debtors	(5)
Charged to profit and loss account	12
	<hr/>
At 31 July 2010	7
	<hr/>

Deferred taxation

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Accelerated capital allowances	(168)	(204)	36	37
Revaluation surplus	-	(148)	-	-
Capital gains held over	20	39	-	-
Tax losses	-	(10)	-	-
Sundry timing differences	(81)	-	(29)	(42)
	<hr/>	<hr/>	<hr/>	<hr/>
	(229)	(323)	7	(5)
	<hr/>	<hr/>	<hr/>	<hr/>

Carver PLC

Notes forming part of the financial statements for the year ended 31 July 2010 (*continued*)

21 Pensions

The group operates three principal pension schemes for the benefit of its United Kingdom based employees and contributes to various defined contribution schemes for employees based in its other European businesses

The first principal UK scheme is known as the Carver PLC Pension Scheme and is a defined contribution scheme, but with a final salary guarantee provided for pre 1992 service. The scheme has been closed to new members with effect from 31 July 2007. The scheme's assets are held separately from those of any group company, being invested in unitised pooled funds.

The second principal UK scheme is known as the Biddle Pension and Life Assurance Plan and is a defined benefit scheme. The scheme has been closed to new members with effect from 6 April 2000. The scheme's assets are held separately from those of any group company, being invested in unitised pooled funds.

Full actuarial valuations of the above two schemes have been carried out at 5 April 2008 by a qualified independent actuary and the results have been updated at 31 July 2010 by the actuary on an FRS 17 basis.

From 1 August 2007 the group has operated a defined contribution Group Personal Pension (GPP) plan managed by Standard Life plc for the benefit of its United Kingdom based new or existing employees who were not members of the two above schemes.

Pension benefits generally depend upon age, length of service and salary level. The group also provides other pension related benefits to scheme members which include life insurance.

	2010 £'000	2009 £'000
<i>Reconciliation of present value of schemes liabilities</i>		
At the beginning of the year	15,067	13,642
Current service cost	68	61
Interest cost	883	861
Actuarial losses	310	894
Transfers from defined contribution section of schemes	379	354
Benefits paid	(1,025)	(745)
	<hr/>	<hr/>
At the end of the year	15,682	15,067
	<hr/>	<hr/>
	2010 £'000	2009 £'000
<i>Composition of schemes liabilities</i>		
Schemes wholly or partly funded	(15,682)	(15,067)
	<hr/>	<hr/>

Carver PLC

Notes forming part of the financial statements for the year ended 31 July 2010 (continued)

21 Pensions (continued)

	2010 £'000	2009 £'000
<i>Reconciliation of fair value of schemes assets</i>		
At the beginning of the year	13,601	14,359
Expected rate of return on schemes assets	951	922
Actuarial gains/(losses)	316	(2,088)
Transfers from defined contribution section of schemes	379	354
Contributions by employer	516	745
Contributions by employees	53	54
Benefits paid	(1,025)	(745)
	<hr/>	<hr/>
At the end of the year	14,791	13,601
	<hr/>	<hr/>
	2010 £'000	2009 £'000
<i>Reconciliation to balance sheet</i>		
Present value of funded obligations	(15,682)	(15,067)
Fair value of schemes assets	14,791	13,601
	<hr/>	<hr/>
Schemes deficits	(891)	(1,466)
Related deferred tax asset	241	410
	<hr/>	<hr/>
Net pension schemes liabilities	(650)	(1,056)
	<hr/>	<hr/>
	2010 £'000	2009 £'000
<i>The amounts recognised in profit and loss are as follows</i>		
<i>Included in administrative expenses</i>		
Current service cost	(15)	8
	<hr/>	<hr/>
<i>Included in other finance (income)/expense:</i>		
Interest on schemes liabilities	(883)	(861)
Expected return of schemes assets	951	922
	<hr/>	<hr/>
	53	69
	<hr/>	<hr/>

Carver PLC

Notes forming part of the financial statements for the year ended 31 July 2010 (continued)

21 Pensions (continued)

	2010 £'000	2009 £'000
<i>Analysis of amount recognised in statement of total recognised gains and losses</i>		
Actual return less expected return on pension schemes assets	316	(2,088)
Experience gains and losses arising on the schemes liabilities	317	127
Changes in assumptions underlying the present value of the schemes liabilities	(627)	(1,021)
	<hr/>	<hr/>
Actuarial gains/(losses) recognised in the statement of total recognised gains and losses	6	(2,982)
	<hr/>	<hr/>
	2010 £'000	2009 £'000
<i>Cumulative amount of losses recognised in the statement of total recognised gains and losses</i>	(4,556)	(4,562)
	<hr/>	<hr/>
	2010 £'000	2009 £'000
<i>Composition of schemes assets</i>		
UK equities	2,481	2,271
Overseas equities	2,728	2,362
UK bonds	285	153
Insurance policy annuities	8,914	9,168
Cash	383	(353)
	<hr/>	<hr/>
Total schemes assets	14,791	13,601
	<hr/>	<hr/>
<i>Narrative description of the basis used to determine the overall expected rate of return of assets</i>		
Overall expected rate of return on schemes assets is based upon historical returns of the investment performance adjusted to reflect expectations of future long-term returns by asset class		
	2010 £'000	2009 £'000
<i>Actual return on schemes assets</i>	1,267	(1,166)
	<hr/>	<hr/>

Carver PLC

Notes forming part of the financial statements for the year ended 31 July 2010 (continued)

21 Pensions (continued)

				2010 %	2009 %
<i>Principal actuarial assumptions used at the balance sheet date</i>					
Discount rates				5.60	6.60
Expected rates of return on schemes assets					
Equities				8.25	9.00
Bonds				5.35	6.00
Cash				0.50	0.50
Future salary increases				4.00	3.50
Future pension increases				2.50	2.80
	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
<i>Five year history</i>					
Present value of the schemes liabilities	(21,314)	(20,176)	(19,789)	(19,865)	(21,486)
Fair value of the schemes assets	20,423	18,710	20,506	21,624	19,823
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
(Deficit)/surplus on the pension schemes	(891)	(1,466)	717	1,759	(1,663)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Experience adjustments arising on:</i>					
Schemes liabilities	317	127	(146)	178	576
Schemes assets	316	(2,088)	(1,630)	(68)	176
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The net pension deficit at the year end of £650,000 (2009 - £1,056,000) relates to a deficit in the Carver PLC Pension Scheme of £246,000 (2009 - £351,000) and a deficit in the Biddle Pension and Life Assurance Plan of £404,000 (2009 - £705,000)

Carver PLC

Notes forming part of the financial statements for the year ended 31 July 2010 (continued)

22 Share capital

	2010 £'000	2009 £'000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	400	400
Preference shares of £1 each	5,348	5,948

The allotted, called up and fully paid preference shares of £1 each are presented as a liability in the group and company balance sheets in accordance with FRS 25 as disclosed in notes 18 and 19 to the financial statements. The total number of shares allotted, called up and fully paid amounts to 5,348,083 (2009 - 5,948,308), of which 1,000,000 (2009 - 1,150,000) are held by the Biddle ESOP. At the balance sheet date the redemption value of the group's and company's shares amounted to £5,645,116 (2009 - £6,048,267) and £6,943,416 (2009 - £7,497,842) respectively.

During the year, 600,225 (2009 - 666,341) preference shares were redeemed at a premium of 27.60% (2009 - 23.88%) of which 150,000 (2009 - 150,000) were in respect of the Biddle ESOP holding. The rights attached to the preference shares are set out in the company's Articles of Association and a summary is provided below.

Dividends

Each preference share is entitled to a cumulative preferential dividend, currently 2.8162% pa of its nominal value, payable on 31 August each year. The dividend increases each year by 1.5% of the monetary value of the previous dividend.

Capital

On a return of capital, the company's available assets will be applied in priority in paying to the preference shareholders any arrears or accruals of preference dividends, together with a sum equal to the redemption value referred to below.

Redemption

Subject to certain rights and restrictions set out in the company's Articles of Association, preference shares are redeemable at the preference shareholders' options on 31 December each year, by giving the company 14 days' written notice. Any one preference shareholder can request the redemption of preference shares up to a maximum redemption value in any one calendar year of £500,000 (less any dividends paid to such preference shareholder in that year). From 1 January 2003, the said sum of £500,000 shall increase by an amount of £25,000 per annum thereafter. The only preference shareholder who still holds preference shares with an aggregate redemption value of more than £2,000,000 has given notice to the company to redeem any remaining shareholding on 31 December 2011.

The redemption value of any preference share is a minimum of £1 plus a premium. The premium is calculated by reference to the higher of (1) the percentage increase in the value of the group determined by reference to a formula set out in the company's Articles of Association and (2) a percentage of the nominal value equal to 3% pa compounded for the period from the date of issue of the preference share to the date of its redemption.

Carver PLC

Notes forming part of the financial statements for the year ended 31 July 2010 (continued)

22 Share capital (continued)

Votes

The preference shares do not generally confer on the holder any right to attend, vote or speak at any general meeting of the company unless a resolution is to be proposed thereat (1) varying the rights attached to the preference shares, or (2) for the winding up of the company, unless the company is in default in paying any preferential dividend on the preference shares, or in redeeming any preference shares, on the due date

Miscellaneous rights

There are a number of miscellaneous rights attached to the preference shares, as set out in the company's Articles of Association

23 Reserves

Group

	Capital redemption reserve £'000	Profit and loss account £'000
At 1 August 2009	4,954	3,382
Translation differences on foreign currency net investments in subsidiary undertakings	-	(44)
Profit for the year	-	783
Ordinary dividends (note 9)	-	(215)
Purchase of own shares	600	(600)
Actuarial gain on pension schemes assets/liabilities net of related taxation	-	5
	<u>5,554</u>	<u>3,311</u>
At 31 July 2010	<u>5,554</u>	<u>3,311</u>

Company

	Capital redemption reserve £'000	Profit and loss account £'000
At 1 August 2009	4,954	6,616
Profit for the year	-	625
Ordinary dividends (note 9)	-	(215)
Purchase of own shares	600	(600)
Actuarial gain on pension schemes assets/liabilities net of related taxation	-	68
	<u>5,554</u>	<u>6,494</u>
At 31 July 2010	<u>5,554</u>	<u>6,494</u>

Carver PLC

Notes forming part of the financial statements for the year ended 31 July 2010 (continued)

24 Reconciliation of movements in shareholders' funds

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Profit/(loss) for the year	783	(292)	625	(118)
Ordinary dividends (note 9)	(215)	(215)	(215)	(215)
	<u>568</u>	<u>(507)</u>	<u>410</u>	<u>(333)</u>
Other net recognised gains and losses relating to the year				
- Actuarial profit/loss on pension schemes	6	(2,982)	82	(1,737)
- Taxation in respect of profit/loss on pension schemes	(1)	835	(14)	237
- Exchange translation differences on consolidation	(44)	330	-	-
	<u>529</u>	<u>(2,324)</u>	<u>478</u>	<u>(1,833)</u>
Net additions to/(deductions from) shareholders' funds				
	<u>8,736</u>	<u>11,060</u>	<u>11,970</u>	<u>13,803</u>
Opening shareholders' funds				
	<u>9,265</u>	<u>8,736</u>	<u>12,448</u>	<u>11,970</u>
Closing shareholders' funds				

25 Commitments under operating leases

The group had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2010 £'000	Other 2010 £'000	Land and buildings 2009 £'000	Other 2009 £'000
Operating leases which expire				
Within one year	42	57	-	54
In two to five years	36	221	219	284
After five years	119	-	11	-
	<u>197</u>	<u>278</u>	<u>230</u>	<u>338</u>

Carver PLC

Notes forming part of the financial statements for the year ended 31 July 2010 *(continued)*

25 Commitments under operating leases *(continued)*

The company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2010 £'000	Other 2010 £'000	Land and buildings 2009 £'000	Other 2009 £'000
Operating leases which expire				
Within one year	-	3	-	3
In two to five years	-	13	-	13
After five years	1	-	1	-
	<u>1</u>	<u>16</u>	<u>1</u>	<u>16</u>

Carver PLC

Notes forming part of the financial statements for the year ended 31 July 2010 (continued)

26 Reconciliation of operating profit to net cash inflow from operating activities

	2010 £'000	2009 £'000
Operating profit	1,129	458
Amortisation and impairment of intangible fixed assets	685	685
Depreciation of tangible fixed assets	330	306
Profit on sale of tangible fixed assets	-	(13)
Decrease in stocks	243	242
(Increase)/decrease in debtors	(509)	1,213
Increase/(decrease) in creditors	142	(860)
Movement in provisions for liabilities	9	(211)
Exchange gain	(23)	272
Difference between pension charge and cash contribution	(531)	(737)
	<hr/>	<hr/>
Net cash inflow from operating activities	1,475	1,355
	<hr/>	<hr/>

27 Reconciliation of net cash flow to movement in net debt

	2010 £'000	2009 £'000
Increase/(decrease) in cash	817	(38)
Cash inflow from changes in debt	611	680
	<hr/>	<hr/>
Movement in net debt resulting from cash flows	1,428	642
Inception of finance leases	-	(208)
Redemption premium on preference shares	(172)	(184)
	<hr/>	<hr/>
Movement in net debt	1,256	250
Opening net debt	(2,086)	(2,336)
	<hr/>	<hr/>
Closing net debt	(830)	(2,086)
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Carver PLC

Notes forming part of the financial statements for the year ended 31 July 2010 (*continued*)

28 Analysis of net debt

	At 1 August 2009 £'000	Cashflow £'000	Non cash movements £'000	At 31 July 2010 £'000
Cash at bank and in hand	4,130	817	-	4,947
Debt due within one year	(598)	576	(612)	(634)
Debt due after one year	(5,451)	-	440	(5,011)
Finance leases	(167)	35	-	(132)
Cash inflow from changes in net debt		611		
Total	(2,086)	1,428	(172)	(830)

29 Financial Instruments

The group's financial instruments comprise cumulative redeemable preference shares, cash and liquid resources, and various items, such as trade debtors and trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations.

Operations and working capital requirements are funded principally out of cash, liquid resources and retained profits.