Horstman Defence Systems Limited

Report and Financial Statements

31 March 2010

Registered No 1511975

Registered No 1511975

Director
J G Harris

Secretary
Waterlinks Investments Limited

Auditors
Ernst & Young LLP
No 1 Colmore Square
Birmingham
B4 6HQ

Bankers
Allied Irish Bank (GB)
61-63 Temple Row
Birmingham
B2 5LT

Registered Office
Locksbrook Road
Bath
Avon
BA1 3EX

Director's report

Regıstered No 1511975

The dırector presents hıs report together wıth financıal statements for the year ended 31 March 2010

Principal activities

The prıncıpal actıvıty of the company contınues to be the desıgn, manufacture, refurbıshment and sale of suspensıon systems, gearboxes, auxılıary power unıts and components, hıgh precısıon torpedo parts and naval ınstrumentatıon equıpment

Review of the business and future developments

The profitabılıty of the company was affected by the cancellatıon of a sıgnıficant suspensıon contract, whıch had an ımpact on sales There was a good level of underlyıng orders to replace thıs lost work and so the ımpact on profitabılıty was reduced The order book for the busıness has strengthened and turnover ıs lıkely to ıncrease ın the next financıal perıod

Results and dıvidends

The profit for the year after taxatıon amounted to £858,112 (2009 £1,559,977) An ınterım dıvıdend of £560,100 was paıd durıng the year (2009 £855,112) The dırector does not propose the payment of a final dıvıdend (2009 £nıl)

The maın performance measures used by the company are sales, profits and cash generatıon

Sales reduced by 6 5% to £13 3m (2009 £14 2m) prımarıly due to the cancellatıon of a sıgnıficant contract for the US Armed Forces Thıs dıd ımpact gross profit but the busıness benefitted from a hıgher than expected level of hıgher margın, short lead tıme orders, whıch substantıally offset the reductıon ın margıns, whıch fell by 1 5% overall Dıstrıbutıon and admınıstratıon costs ıncreased to £1 9m (2009 £1 4m) as a result of the combıned effect of exchange losses on currency transactıons durıng the year, hıgher costs ın relatıon to growth ın overseas sales actıvıtıes and ıncreases ın management charges from the Parent Company Operatıng profit was lower than the prıor year at £1 1m (2009 £2 0m)

Interest costs fell to £29k (2009 £70k) as a result of the elımınatıon of short term bank borrowıngs Interest receıvable (from Group) fell to £95k (2009 £215k) due to the sıgnıficant fall ın ınterest rates that has occurred sınce October 2008

Profit before tax was £1,187,310 (2009 £2,138,403) A tax charge of £329,198 (2009 £578,426) was recorded resultıng ın profit after tax of £858,112 (2009 £1,559,977)

The operatıng actıvıtıes of the busıness were agaın cash generatıve over the year as a result of the profitabılıty and tıght control over workıng capıtal Surplus cash resources generated were remıtted to the parent company through dıvıdend payments and management charges, leavıng the company wıth a bank balance of £1,239,044 at 31 March 2010 (31 March 2009 £1,002,308)

Financial risk management policy

The company's prıncıpal financıal ınstruments comprıse cash, cash equıvalents, bank overdraft, finance leases, hıre purchase oblıgatıons and property mortgage The maın purpose of these financıal ınstruments ıs to raıse finance for the company's operatıons The company has varıous other financıal assets and lıabılıtıes, ıncludıng trade debtors and credıtors and amounts owed by group undertakıngs that arıse dırectly from ıts operatıons

The company enters ınto forward foreıgn currency contracts when approprıate, whose purpose ıs to manage the foreıgn currency rısks arısıng from the company's operatıons

It ıs, and has been throughout the perıod under revıew, the company's polıcy that no tradıng ın financıal ınstruments of a speculatıve nature shall be undertaken

Director's report

Registered No 1511975

Financial risk management policy (continued)

The principal risks associated with the company's financial assets and liabilities are set out below

• Interest rate risk

The company's borrowings are principally its bank overdraft and property mortgage which attract interest at variable rates Therefore, financial liabilities, interest charges and cash flows can be affected by movements in interest rates Surplus cash is transferred to the parent company

• Price risk

There is no significant exposure to changes in the carrying value of financial instruments, assets and liabilities, except as a result of foreign currency exchange rate fluctuations, as described below

• Credit risk

The company makes appropriate credit checks on its customers and maintains strict credit limits to minimise its exposure to external credit risk

• Liquidity risk

The company aims to mitigate liquidity risk by managing cash generated by its operations The principal form of financing is through an overdraft facility, shared with certain fellow subsidiary companies, which is repayable on demand and a property mortgage repayable by 2016 The company is party to a cross-guarantee securing the overdraft and certain other financing facilities of other group companies

• Foreign currency risk

The company has exposure to a number of foreign currencies through its purchases and sales of products Exposure is principally to US dollars and Euros The company takes out forward foreign currency contracts to mitigate this risk, consistent with the group's policy of hedging against known and highly probable exposures for a 6-12 month forward period

Director

The director who served during the year was

J G Harris

Research and development

The company is committed to a policy of investment in the future both by acquisition of new capital equipment and by expenditure on innovative research and product development and improvement

Payment policy

It is the company's payment policy to negotiate terms with its suppliers in all sectors to ensure that they know the terms on which payment will take place when the business is agreed It is our policy to abide by these terms The number of days purchases outstanding at the year end was 54 days (2009 46 days)

Director's statement as to disclosure of information to auditors

Having made enquiries of the company's auditors, the director confirms that

- to the best of the director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and

- the director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

Director's report

Registered No 1511975

Going concern

The director considers that the company has adequate resources to continue in operation for the foreseeable future In forming this view, the director has reviewed budgets and other financial information For this reason he continues to adopt the going concern basis in preparing the accounts

Auditors

A resolution to re-appoint Ernst & Young LLP as the company's auditors will be put to the forthcoming Annual General Meeting

Approved by the Board of Directors and signed by order of the Board

Waterlinks Investments Limited
Company Secretary

4 August 2010

Statement of directors' responsibilities in respect of the financial statements

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 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 company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HORSTMAN DEFENCE SYSTEMS LIMITED

We have audited the financial statements of Horstman Defence Systems Limited for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 24 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 Directors' Responsibilities Statement set out on page 5, 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 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 company's affairs as at 31 March 2010 and of its 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

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

Ernst & Young LLP

Bruce Morton (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Registered Auditor
Birmingham

Date 5 August 2010.

Profit and loss account

for the year ended 31 March 2010

	Notes	2010 £	2009 £
Turnover	2	13,319,657	14,240,066
Cost of sales		(10,449,585)	(10,958,416)
Gross profit		2,870,072	3,281,650
Distribution costs		(702,590)	(559,695)
Administrative expenses		(1,242,392)	(844,859)
Other operating income	4	196,455	116,444
Operating profit	3	1,121,545	1,993,540
Interest payable	7	(29,515)	(70,223)
Interest receivable	8	95,280	215,086
Profit on ordinary activities before taxation		1,187,310	2,138,403
Tax on profit on ordinary activities	9	(329,198)	(578,426)
Profit transferred to reserves	18	858,112	1,559,977

All amounts relate to continuing activities

Statement of total recognised gains and losses

There are no recognised gains and losses other than the profit attributable to shareholders of the company of £858,112 for the year ended 31 March 2010 and the profit of £1,559,977 for the year ended 31 March 2009

Note of historical cost profits and losses

	2010 £	2009 £
Reported profit on ordinary activities before taxation	1,187,310	2,138,403
Difference between depreciation based on historical cost and on revalued amounts	7,915	7,915
Historical cost profit on ordinary activities before taxation	1,195,225	2,146,318
Historical cost profit for the year, retained after taxation	866,027	1,567,892

Balance sheet

at 31 March 2010

	Notes	2010 £	2009 £
Fixed assets			
Tangible assets	10	1,273,640	1,380,690
Current assets			
Stocks	11	764,116	1,210,473
Debtors			
- amounts falling due after one year	12	3,040,000	3,800,000
- amounts falling due within one year	12	2,763,191	2,083,198
Cash at bank and in hand		1,239,044	1,002,308
		7,806,351	8,095,979
Creditors amounts falling due within one year	13	(3,331,741)	(3,848,604)
Net current assets		4,474,610	4,247,375
Total assets less current liabilities		5,748,250	5,628,065
Creditors amounts falling due after more than one year	14	(486,587)	(592,040)
Provisions for liabilities and charges	16	(426,639)	(499,013)
Net assets		4,835,024	4,537,012
Capital and reserves			
Called up share capital	17	50,000	50,000
Share premium account	18	207	207
Revaluation reserve	18	25,644	33,559
Profit and loss account	18	4,759,173	4,453,246
Equity shareholders' funds	18	4,835,024	4,537,012

The financial statements were approved by the Board of Directors and issued to the shareholders on 4 August 2010

J. G. Harris

J G Harris
Director

Notes to the financial statements

at 31 March 2010

1. Accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards

Royalty income

Income relating to royalties is accounted for on a receipts basis

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life as follows

Plant and machinery	7% to 25%
Freehold buildings	2% to 4%

No depreciation is charged on freehold land

Stocks and work-in-progress

Stocks and work-in-progress are stated at the lower of cost and net realisable value Cost is calculated to include an appropriate proportion of manufacturing overhead

Research and development

Research and development expenditure is written off against profit in the year in which the expenditure arises

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- provision is made for tax on gains arising from the revaluation of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction Balances denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date or where there are matching forward contracts in respect of trading transactions, the rates of exchange specified in the contracts are used All realised differences are taken to the profit and loss account and unrealised differences on forward contracts are taken to the balance sheet

Notes to the financial statements

at 31 March 2010

1. Accounting policies (contınued)

Cash flow statement

In accordance wıth Fınancıal Reportıng Standard 1 (Revısed), the company ıs exempt from the requırement to prepare a cash flow statement on the grounds that the company ıs ıncluded ın the consolıdated fınancıal statements of ıts ultımate parent company, Harrıs Watson Holdıngs plc

Pensıons

The company operates a defined contrıbutıon pensıon scheme Contrıbutıons are charged ın the profit and loss account as they become payable ın accordance wıth the rules of the scheme

Leased assets

Assets acquıred under finance leases, whıch are leases where substantıally all the rısks and rewards of ownershıp have passed to the company, and hıre purchase contracts are capıtalısed ın the balance sheet and deprecıated over theır useful lıves The capıtal elements of future oblıgatıons under the leases and hıre purchase contracts are ıncluded as lıabılıtıes ın the balance sheet

The ınterest elements of the rental oblıgatıons are charged ın the profit and loss account over the perıods of the leases and hıre purchase contracts and represent a constant proportıon of the balance of capıtal repayments outstandıng

Rentals payable under operatıng leases are charged ın the profit and loss account on a straıght lıne basıs over the lease term

2. Turnover

Turnover, whıch ıs stated net of value added tax, represents the total amount receıvable by the company for goods and servıces provıded All turnover ıs attrıbutable to the company's prıncıpal actıvıty

An analysıs of turnover by geographıcal market ıs gıven below

	2010	*2009*
	£	*£*
Unıted Kıngdom	1,585,333	4,300,108
Rest of Europe	1,450,836	3,218,030
Asıa Pacıfic	3,783,112	1,850,460
Amerıcas	6,500,376	4,871,468
	13,319,657	14,240,066

3. Operating profit

Thıs ıs stated after chargıng/(credıtıng)

	2010	*2009*
	£	*£*
Audıtors' remuneratıon - audıt servıces	15,150	18,000
Deprecıatıon – owned assets	111,029	117,737
Deprecıatıon – assets held under finance lease and hıre purchase contracts	156,743	175,796
Research and development expendıture	573,070	332,154
Exchange loss/ (profit) on foreıgn currencıes	47,223	(100,845)

Notes to the financial statements

at 31 March 2010

4. Other operating income

	2010	2009
	£	£
Royalties receivable	166,089	97,321
Rents receivable	30,366	19,123
	196,455	116,444

5. Directors' emoluments

No emoluments were paid by the company to the director in the year (2009 £nil) The director is remunerated through another group company

6. Employees

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

	2010	2009
	No	No
Sales, administration and distribution	13	13
Manufacturing	59	53
	72	66

The aggregate payroll costs of these persons were as follows

	2010	2009
	£	£
Wages and salaries	2,364,378	2,213,088
Social security costs	244,014	254,645
Other pension costs	58,851	55,124
	2,667,243	2,522,857

7 Interest payable

	2010	2009
	£	£
Finance leases and hire purchase	5,302	18,752
Mortgage	24,213	39,341
Bank overdraft	-	5,854
Other interest	-	6,276
	29,515	70,223

Notes to the financial statements

at 31 March 2010

8. Interest receivable

	2010	*2009*
	£	*£*
Bank interest	75	1,167
Interest receivable – inter-company	95,205	213,919
	95,280	215,086

9. Tax on profit on ordinary activities

(a) The taxation charge is made up as follows

	2010	*2009*
	£	*£*
UK Corporation tax at 28% (2009 28%)	(349,923)	(614,684)
Double taxation relief	24,927	9,732
Adjustments in respect of previous periods	14,846	(39)
	(310,150)	(604,991)
Foreign tax		
Overseas withholding tax	(24,927)	(9,732)
Total current tax	(335,077)	(614,723)
Deferred taxation		
Origination and reversal of timing differences	5,879	36,297
	5,879	36,297
Tax on profit on ordinary activities	(329,198)	(578,426)

Notes to the financial statements

at 31 March 2010

9. Tax on profit on ordinary activities (continued)

(b) Factors affecting current tax charge

The current tax assessed on the profit on ordinary activities for the year is higher (2009 higher) than the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are reconciled below

	2010 £	*2009* £
Profit on ordinary activities before taxation	1,187,310	2,138,403
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	332,447	598,753
Expenditure not deductible for tax purposes	-	9,038
Other permanent differences	(2,796)	(29,406)
Decelerated capital allowances	21,028	36,409
Other timing differences	(756)	(110)
Tax (over)/underprovided in previous years	(14,846)	39
Total current tax (note 9(a))	335,077	614,723

(c) Factors that may affect future tax charges

No provision has been made for deferred tax on gains recognised on revaluing property to its market value Such tax would become payable only if the property were sold without it being possible to claim rollover relief The total amount not provided for is £37,200 (2009 £37,200) At present, it is not envisaged that any tax will become payable in the foreseeable future

Announcements were made after the balance sheet to changes in tax rates that will have an effect on future tax charges of the company The change in the corporation tax rate from 28% to24% reducing by 1% per annum has been announced but not substantively enacted The company has not quantified the impact of this change on the deferred tax balance at this stage

Notes to the financial statements

at 31 March 2010

10 Tangible fixed assets

	Freehold land and buildings	*Plant and machinery*	*Total*
	£	£	£
Cost/Valuation			
At 1 April 2009	1,002,251	4,765,700	5,767,951
Additions	12,246	148,481	160,727
Disposals	-	(34,116)	(34,116)
At 31 March 2010	1,014,497	4,880,065	5,894,562
Depreciation			
At 1 April 2009	485,948	3,901,313	4,387,261
Charge for the year	27,012	240,760	267,772
Disposals	-	(34,111)	(34,111)
At 31 March 2010	512,960	4,107,962	4,620,922
Net book value			
At 31 March 2010	501,537	772,103	1,273,640
At 31 March 2009	516,303	864,387	1,380,690

Assets held under finance leases and hire purchase contracts and capitalised in plant and machinery

	2010	*2009*
	£	£
Cost	3,536,199	3,548,988
Aggregate depreciation	(3,064,979)	(2,921,026)
Net book value	471,220	627,962

The freehold land and buildings includes assets valued in 1980 at £386,848 (2009 £386,848) The company has taken advantage of the transitional arrangements of Financial Reporting Standard 15 and consequently, the valuation has not been updated If stated under the historical cost convention the comparable amounts for freehold land and buildings would be

	2010	*2009*
	£	£
Cost	805,687	805,687
Aggregate depreciation	(387,591)	(368,494)
Net book value	418,096	437,193

Notes to the financial statements

at 31 March 2010

11. Stocks

	2010	2009
	£	£
Raw materials	87,864	65,162
Work-in-progress	1,708,125	2,051,318
	1,795,989	2,116,480
Payments received on account	(1,031,873)	(906,007)
	746,116	1,210,473

The stock value is not materially different from the replacement cost

12. Debtors

	2010	2009
	£	£
Trade debtors	2,171,547	1,821,686
Amounts owed by group undertakings	3,469,684	3,871,994
Other debtors	161,960	189,518
	5,803,191	5,883,198

Amounts falling due after more than one year included above are

	2010	2009
	£	£
Amounts owed by group undertakings	3,040,000	3,800,000

The amounts owed by group undertakings earn interest at 2% over base rate

13. Creditors. amounts falling due within one year

	2010	2009
	£	£
Mortgage (note 14)	75,866	73,373
Obligations under finance leases and hire purchase agreements (note 15)	32,853	57,143
Trade creditors	1,361,014	1,324,408
Due to parent company in respect of UK corporation tax	215,599	534,593
Other taxes and social security costs	89,357	140,208
Amounts owing to group undertakings	8,298	356,161
Accruals and deferred income	1,548,754	1,362,718
	3,331,741	3,848,604

Notes to the financial statements

at 31 March 2010

14. Creditors: amounts falling due after more than one year

	2010	2009
	£	£
Obligations under finance leases and hire purchase contracts (note 15)	657	33,510
Mortgage	485,930	558,530
	486,587	592,040

The mortgage is secured by a charge over the freehold property included in fixed assets as disclosed in note 10 and also by a guarantee given by the holding company

	2010	2009
	£	£
Repayable within one year	75,866	73,373
Repayable between one and two years	78,565	75,983
Repayable between two and five years	252,862	244,550
Repayable after five years	154,503	237,997
	561,796	631,903

The original amount of the mortgage was £1,000,000 repayable by October 2016 and interest is charged at base rate plus 2 25% per annum

15. Obligations under finance leases and hire purchase contracts

	2010	2009
	£	£
Finance leases and hire purchase contracts	33,510	90,653

Future minimum payments under finance leases and hire purchase contracts are as follows

	2010	2009
Within one year	34,930	62,552
In more than one year but not more than five years	735	35,665
Total gross payments	35,665	98,217
Less finance charges included above	(2,155)	(7,564)
	33,510	90,653

Finance leases and hire purchase obligations are analysed as follows

	2010	2009
Current obligations (note 13)	32,853	57,143
Non current obligations (note 14)	657	33,510
	33,510	90,653

Notes to the financial statements

at 31 March 2010

16. Provisions for liabilities and charges

	Provision for warranties £	*Deferred taxation* £	*Total* £
At 31 March 2009	419,579	79,434	499,013
Released to profit and loss account in the year	(66,495)	-	(66,495)
Provided during the year	-	(5,879)	(5,879)
At 31 March 2010	353,084	73,555	426,639

The warranty provision represents the best estimate of the potential exposure to the company on customer claims against work carried out It is expected that any transfer of economic benefits will occur within one year

Deferred taxation in the financial statements and the amounts not provided are as follows

	Amount provided		*Not provided*	
	2010 £	*2009* £	*2010* £	*2009* £
Accelerated capital allowances	76,047	82,682	-	-
Other timing differences	(2,492)	(3,248)	-	-
Deferred tax liability	73,555	79,434	-	-

17. Share capital

	2010 £	*2009* £
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	50,000	50,000

Notes to the financial statements

at 31 March 2010

18. Reconciliation of shareholders' funds and movement on reserves

	Share capital	*Share premium account*	*Revaluation reserve*	*Profit and loss account*	*Total*
	£	*£*	*£*	*£*	*£*
At 1 April 2008	50,000	207	41,474	3,740,466	3,832,147
Profit for the year	-	-	-	1,559,977	1,559,977
Dividends paid	-	-	-	(855,112)	(855,112)
Transfer of difference between depreciation based on historical cost and on revalued amounts	-	-	(7,915)	7,915	-
At 31 March 2009	50,000	207	33,559	4,453,246	4,537,012
Profit for the year	-	-	-	858,112	858,112
Dividends paid	-	-	-	(560,100)	(560,100)
Transfer of difference between depreciation based on historical cost and on revalued amounts	-	-	(7,915)	7,915	-
At 31 March 2010	50,000	207	25,644	4,759,173	4,835,024

19. Contingent liabilities

	2010	*2009*
	£	*£*
Guarantees in respect of third party indebtedness	1,000	1,000

The company is party to a cross-guarantee securing the overdraft and certain other financing facilities of other group companies

20. Financial commitments

Capital commitments

Capital commitments contracted for but not provided in the accounts amounted to £3,708 at 31 March 2010 (2009 £16,926)

21. Pension commitments

The company operates a defined contribution pension scheme for its employees The assets of the scheme are held separately from those of the company in an independently administered fund There were no unpaid contributions outstanding at the year end (2009 £nil)

22. Related parties

As permitted by FRS 8 "Related Party Disclosures" the financial statements do not disclose transactions with the parent company and fellow subsidiaries where 90% of the voting rights are controlled within the group

Notes to the financial statements

at 31 March 2010

23. Derivatives

The company has entered into forward foreign exchange contracts in the normal course of business in order to hedge against fluctuations in future exchange rates As at 31 March 2010, the sterling equivalent of total amounts outstanding on such contracts was £ 52,038 (2009 £nil)

24. Parent undertaking and controlling party

The company's ultimate parent undertaking and controlling party at 31 March 2010 is Harris Watson Holdings plc, a company incorporated in Great Britain and registered in England and Wales Copies of its group financial statements which include the company are available from the company's registered office, Unit 3 Ashted Lock, Dartmouth Middleway, Aston Science Park, Birmingham, West Midlands, B7 4AZ