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**REPORT OF THE DIRECTORS AND**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**  
**FOR**  
**SOUTH MIDLAND COMMUNICATIONS LIMITED**

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**SOUTH MIDLAND COMMUNICATIONS LIMITED**

**CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

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	<b>Page</b>
<b>Company Information</b>	<b>1</b>
<b>Report of the Directors</b>	<b>2</b>
<b>Report of the Independent Auditors</b>	<b>4</b>
<b>Consolidated Profit and Loss Account</b>	<b>6</b>
<b>Consolidated Balance Sheet</b>	<b>7</b>
<b>Company Balance Sheet</b>	<b>8</b>
<b>Consolidated Cash Flow Statement</b>	<b>9</b>
<b>Notes to the Consolidated Cash Flow Statement</b>	<b>10</b>
<b>Notes to the Consolidated Financial Statements</b>	<b>11</b>
<b>Consolidated Trading and Profit and Loss Account</b>	<b>22</b>

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**SOUTH MIDLAND COMMUNICATIONS LIMITED**

**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 30 JUNE 2011**

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**DIRECTORS:**

B D Gardner  
J Lightfoot  
Mrs S Brown  
G Griffin  
M D Gardner  
Mrs J Y Diamond  
Mrs S Nutbrown

**SECRETARY:**

Mrs D B Gardner

**REGISTERED OFFICE:**

S M House  
School Close  
Chandlers Ford Industrial Estate  
Eastleigh  
Hampshire  
SO53 4BY

**REGISTERED NUMBER:**

603500 (England and Wales)

**AUDITORS:**

Martin and Company  
Chartered Accountants  
and Statutory Auditors  
25 St Thomas Street  
Winchester  
Hampshire  
SO23 9HJ

**BANKERS:**

National Westminster Bank Plc  
123 Winchester Road  
Chandlers Ford  
Eastleigh  
Hampshire  
SO53 2UA

## **SOUTH MIDLAND COMMUNICATIONS LIMITED**

### **REPORT OF THE DIRECTORS** **FOR THE YEAR ENDED 30 JUNE 2011**

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The directors present their report with the financial statements of the company and the group for the year ended 30 June 2011

#### **PRINCIPAL ACTIVITIES**

The principal activities of the group in the year under review were that of manufacturing and marketing commercial radio communications equipment and systems and property development

#### **REVIEW OF BUSINESS**

The results for the year and financial position of the group are as shown in the annexed financial statements

The directors are pleased to report that the group has continued to maintain a solid turnover and healthy profit, with a net addition to shareholders funds of £174,758

The turnover and profit are both down on the previous year, reflecting the absence of any of the high value contracts undertaken in earlier years and as projected. The balance sheet continues to show a very healthy state of affairs

This more traditional level of turnover and profitability is forecast for the new financial year

A continued commitment to investment in product and market development, together with a high percentage of export sales gives a positive outlook for the future export sales, should sustain the business into the future

#### **DIVIDENDS**

No dividends will be distributed for the year ended 30 June 2011

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 July 2010 to the date of this report

B D Gardner  
J Lightfoot  
Mrs S Brown  
G Griffin  
M D Gardner  
Mrs J Y Diamond  
Mrs S Nutbrown

#### **GROUP'S POLICY ON PAYMENT OF CREDITORS**

The group makes purchases from suppliers according to the terms and conditions agreed in advance between the two parties. Payments are made to suppliers when goods or services have been received and the terms and conditions of the agreement have been met

#### **FINANCIAL INSTRUMENTS**

The group's principal financial instruments including loans, cash and various items, such as trade debtors and trade creditors, arise directly from its operations. The main purpose of these financial instruments is to manage the cash flow. The group does not enter into derivative transactions

It is, and has been throughout the period under review, the group's policy that no trading in financial instruments should be undertaken. The main risk arising from the group's financial instruments is liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably

## **SOUTH MIDLAND COMMUNICATIONS LIMITED**

### **REPORT OF THE DIRECTORS** **FOR THE YEAR ENDED 30 JUNE 2011**

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

The directors are responsible for preparing the Report of the Directors 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 the group 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,
- 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

#### **AUDITORS**

The auditors, Martin and Company, will be proposed for re-appointment at the forthcoming Annual General Meeting.

#### **ON BEHALF OF THE BOARD.**



J Lightfoot - Director

Date 28 03 2012

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
SOUTH MIDLAND COMMUNICATIONS LIMITED**

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We have audited the financial statements of South Midland Communications Limited for the year ended 30 June 2011 on pages six to twenty one. 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 a Report of the Auditors 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 set out on page three, 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 and express an opinion on 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 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. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2011 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 matter prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**  
**SOUTH MIDLAND COMMUNICATIONS LIMITED**

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**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



D J C Barr (Senior Statutory Auditor)  
for and on behalf of Martin and Company  
Chartered Accountants  
and Statutory Auditors  
25 St Thomas Street  
Winchester  
Hampshire  
SO23 9HJ

Date 28 March 2012

**SOUTH MIDLAND COMMUNICATIONS LIMITED****CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	Notes	30.6.11 £	£	30.6.10 £	£
<b>TURNOVER</b>	2		<b>5,413,715</b>		10,651,563
Cost of sales			<b>3,648,748</b>		7,725,427
<b>GROSS PROFIT</b>			<b>1,764,967</b>		2,926,136
Distribution costs		349,276		892,156	
Administrative expenses		<b>1,234,334</b>		<b>1,739,470</b>	
			<b>1,583,610</b>		2,631,626
			<b>181,357</b>		294,510
Other operating income			-		4,904
<b>OPERATING PROFIT</b>	4		<b>181,357</b>		299,414
Interest receivable and similar income			<b>7,912</b>		7,186
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			<b>189,269</b>		306,600
Tax on profit on ordinary activities	5		<b>14,511</b>		63,724
<b>PROFIT FOR THE FINANCIAL YEAR FOR THE GROUP</b>			<b>174,758</b>		242,876

**CONTINUING OPERATIONS**

None of the group's activities were acquired or discontinued during the current year or previous year

**TOTAL RECOGNISED GAINS AND LOSSES**

The group has no recognised gains or losses other than the profits for the current year or previous year

The notes form part of these financial statements



**SOUTH MIDLAND COMMUNICATIONS LIMITED****CONSOLIDATED BALANCE SHEET**  
**30 JUNE 2011**

		30.6.11	30.6.10
	Notes	£	£
<b>FIXED ASSETS</b>			
Intangible assets	7	-	-
Tangible assets	8	2,750,021	2,817,428
Investments	9	-	-
		<u>2,750,021</u>	<u>2,817,428</u>
<b>CURRENT ASSETS</b>			
Stocks	10	3,007,656	2,174,976
Debtors	11	1,918,984	828,322
Cash at bank and in hand		627,799	2,295,568
		<u>5,554,439</u>	<u>5,298,866</u>
<b>CREDITORS</b>			
Amounts falling due within one year	12	2,209,471	2,193,521
<b>NET CURRENT ASSETS</b>		<u>3,344,968</u>	<u>3,105,345</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>6,094,989</u>	<u>5,922,773</u>
<b>PROVISIONS FOR LIABILITIES</b>	13	19,489	22,031
<b>NET ASSETS</b>		<u><u>6,075,500</u></u>	<u><u>5,900,742</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	1,150,000	1,150,000
Revaluation reserve	15	2,090,145	2,090,145
Other reserves	15	13,821	13,821
Profit and loss account	15	2,821,534	2,646,776
<b>SHAREHOLDERS' FUNDS</b>	19	<u><u>6,075,500</u></u>	<u><u>5,900,742</u></u>

The financial statements were approved by the Board of Directors on its behalf by

28 03 2012 and were signed on

  
J Lightfoot - Director

The notes form part of these financial statements

**SOUTH MIDLAND COMMUNICATIONS LIMITED****COMPANY BALANCE SHEET****30 JUNE 2011**

	Notes	30.6.11 £	£	30.6.10 £	£
<b>FIXED ASSETS</b>					
Intangible assets	7		-		-
Tangible assets	8		2,732,502		2,788,617
Investments	9		16,441		12,441
			<u>2,748,943</u>		<u>2,801,058</u>
<b>CURRENT ASSETS</b>					
Stocks	10	1,417,299		1,010,364	
Debtors	11	3,063,325		2,102,253	
Cash at bank and in hand		482,418		2,184,746	
		<u>4,963,042</u>		<u>5,297,363</u>	
<b>CREDITORS</b>					
Amounts falling due within one year	12	1,773,888		2,265,884	
<b>NET CURRENT ASSETS</b>			<u>3,189,154</u>		<u>3,031,479</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>5,938,097</u>		<u>5,832,537</u>
<b>PROVISIONS FOR LIABILITIES</b>	13		<u>19,489</u>		<u>22,031</u>
<b>NET ASSETS</b>			<u><u>5,918,608</u></u>		<u><u>5,810,506</u></u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14		1,150,000		1,150,000
Revaluation reserve	15		1,927,349		1,927,349
Profit and loss account	15		2,841,259		2,733,157
<b>SHAREHOLDERS' FUNDS</b>	19		<u><u>5,918,608</u></u>		<u><u>5,810,506</u></u>

The financial statements were approved by the Board of Directors on 28 03 2012 and were signed on its behalf by

  
J Lightfoot - Director

The notes form part of these financial statements

**SOUTH MIDLAND COMMUNICATIONS LIMITED****CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

		<b>30.6.11</b>	<b>30.6.10</b>
	Notes	<b>£</b>	<b>£</b>
Net cash (outflow)/inflow from operating activities	1	(1,360,833)	100,527
Returns on investments and servicing of finance	2	7,912	7,186
Taxation		(69,460)	(70,876)
Capital expenditure	2	(9,891)	(16,924)
		(1,432,272)	19,913
Financing	2	(235,497)	540,543
(Decrease)/Increase in cash in the period		(1,667,769)	560,456
Reconciliation of net cash flow to movement in net funds	3		
(Decrease)/Increase in cash in the period		(1,667,769)	560,456
Change in net funds resulting from cash flows		(1,667,769)	560,456
Movement in net funds in the period		(1,667,769)	560,456
Net funds at 1 July		2,295,568	1,735,112
Net funds at 30 June		627,799	2,295,568

The notes form part of these financial statements

**SOUTH MIDLAND COMMUNICATIONS LIMITED****NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2011****1 RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES**

	30.6.11	30 6 10
	£	£
Operating profit	181,357	299,414
Depreciation charges	77,547	83,151
Profit on disposal of fixed assets	(248)	-
(Increase)/Decrease in stocks	(832,680)	183,331
(Increase)/Decrease in debtors	(1,089,456)	245,415
Increase/(Decrease) in creditors	302,647	(710,784)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(1,360,833)</b>	<b>100,527</b>

**2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	30.6.11	30 6 10
	£	£
<b>Returns on investments and servicing of finance</b>		
Interest received	7,912	7,186
<b>Net cash inflow for returns on investments and servicing of finance</b>	<b>7,912</b>	<b>7,186</b>
 <b>Capital expenditure</b>		
Purchase of tangible fixed assets	(10,391)	(16,924)
Sale of tangible fixed assets	500	-
<b>Net cash outflow for capital expenditure</b>	<b>(9,891)</b>	<b>(16,924)</b>
 <b>Financing</b>		
Amount introduced by directors	-	540,543
Amount withdrawn by directors	(235,497)	-
<b>Net cash (outflow)/inflow from financing</b>	<b>(235,497)</b>	<b>540,543</b>

**3 ANALYSIS OF CHANGES IN NET FUNDS**

	At 1.7.10	Cash flow	At
	£	£	30 6.11
			£
Net cash			
Cash at bank and in hand	2,295,568	(1,667,769)	627,799
	<u>2,295,568</u>	<u>(1,667,769)</u>	<u>627,799</u>
 Total	<u>2,295,568</u>	<u>(1,667,769)</u>	<u>627,799</u>

The notes form part of these financial statements

## **SOUTH MIDLAND COMMUNICATIONS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2011**

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#### **1 ACCOUNTING POLICIES**

##### **Accounting convention**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets

##### **Turnover**

Turnover represents net invoiced sales of goods, excluding value added tax. The group has two main sources of income which comprise the sale of commercial radio communications equipment and systems and property development

##### **Goodwill**

Goodwill, being the amount paid in connection with the acquisition of a business in 2005, is being amortised evenly over its estimated useful life of three years

##### **Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Freehold property	- 2% on cost
Plant and machinery	- 15% on reducing balance
Fixtures and fittings	- 15-25% on reducing balance
Motor vehicles	- 25% on reducing balance

##### **Stocks**

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads

##### **Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

##### **Research and development**

Expenditure on research and development is written off in the year in which it is incurred

##### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result

##### **Pension costs and other post-retirement benefits**

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to the profit and loss account in the period to which they relate

## **SOUTH MIDLAND COMMUNICATIONS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued** **FOR THE YEAR ENDED 30 JUNE 2011**

#### **1 ACCOUNTING POLICIES - continued**

##### **Financial Instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities. Financial liabilities are presented as such in the balance sheet. Financial costs and gains or losses relating to financial liabilities are included in the profit and loss account. Financial costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

#### **2 TURNOVER**

The turnover and profit before taxation are attributable to the principal activities of the group.

An analysis of turnover by geographical market is given below.

	<b>30.6.11</b>	<b>30.6.10</b>
	<b>£</b>	<b>£</b>
Rest of World	<b>4,426,227</b>	<b>9,497,214</b>
United Kingdom	<b>471,366</b>	<b>452,414</b>
Europe	<b>516,122</b>	<b>701,935</b>
	<b>5,413,715</b>	<b>10,651,563</b>

#### **3 STAFF COSTS**

	<b>30.6.11</b>	<b>30.6.10</b>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>1,833,926</b>	<b>2,476,875</b>
Social security costs	<b>127,447</b>	<b>270,238</b>
Other pension costs	<b>47,973</b>	<b>253,436</b>
	<b>2,009,346</b>	<b>3,000,549</b>

The average monthly number of employees during the year was as follows.

	<b>30.6.11</b>	<b>30.6.10</b>
Selling and distribution	<b>14</b>	<b>15</b>
Production and design	<b>32</b>	<b>34</b>
Administration	<b>10</b>	<b>11</b>
	<b>56</b>	<b>60</b>

**SOUTH MIDLAND COMMUNICATIONS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2011****4 OPERATING PROFIT**

The operating profit is stated after charging/(crediting)

	30 6 11	30 6 10
	£	£
Depreciation - owned assets	77,546	74,485
Profit on disposal of fixed assets	(248)	-
Auditors' remuneration	10,400	9,500
Auditors' remuneration for non audit work	3,500	3,500
	<u>498,191</u>	<u>757,498</u>
Directors' remuneration	20,567	227,803
Directors' pension contributions to money purchase schemes	<u>20,567</u>	<u>227,803</u>

The number of directors to whom retirement benefits were accruing was as follows

Money purchase schemes	<u>5</u>	<u>6</u>
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Information regarding the highest paid director is as follows

	30.6.11	30 6 10
	£	£
Emoluments etc	<u>98,800</u>	<u>390,415</u>

**5 TAXATION****Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows

	30.6.11	30 6 10
	£	£
Current tax		
UK corporation tax	18,260	63,169
Deferred tax	(3,749)	555
Tax on profit on ordinary activities	<u>14,511</u>	<u>63,724</u>

**6 PROFIT OF PARENT COMPANY**

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £108,102 (2010 - £191,074)

**SOUTH MIDLAND COMMUNICATIONS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**7 INTANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Goodwill £</b>
<b>COST</b>	
At 1 July 2010 and 30 June 2011	<u>180,500</u>
<b>AMORTISATION</b>	
At 1 July 2010 and 30 June 2011	<u>180,500</u>
<b>NET BOOK VALUE</b>	
At 30 June 2011	<u>-</u>
At 30 June 2010	<u>-</u>
<b>Company</b>	<b>Goodwill £</b>
<b>COST</b>	
At 1 July 2010 and 30 June 2011	<u>180,500</u>
<b>AMORTISATION</b>	
At 1 July 2010 and 30 June 2011	<u>180,500</u>
<b>NET BOOK VALUE</b>	
At 30 June 2011	<u>-</u>
At 30 June 2010	<u>-</u>



**SOUTH MIDLAND COMMUNICATIONS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2011****8 TANGIBLE FIXED ASSETS****Group**

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
<b>COST</b>					
At 1 July 2010	2,757,259	534,956	140,343	16,100	3,448,658
Additions	-	7,290	3,101	-	10,391
Disposals	-	(3,400)	-	-	(3,400)
At 30 June 2011	2,757,259	538,846	143,444	16,100	3,455,649
<b>DEPRECIATION</b>					
At 1 July 2010	100,864	411,905	106,181	12,280	631,230
Charge for year	41,288	26,274	9,029	955	77,546
Eliminated on disposal	-	(3,148)	-	-	(3,148)
At 30 June 2011	142,152	435,031	115,210	13,235	705,628
<b>NET BOOK VALUE</b>					
At 30 June 2011	2,615,107	103,815	28,234	2,865	2,750,021
At 30 June 2010	2,656,395	123,051	34,162	3,820	2,817,428

Included in cost of land and buildings is freehold land of £950,000 (2010 - £950,000) which is not depreciated

**Company**

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
<b>COST OR VALUATION</b>					
At 1 July 2010	2,757,259	477,286	139,527	16,100	3,390,172
Additions	-	7,290	3,101	-	10,391
Disposals	-	(3,400)	-	-	(3,400)
At 30 June 2011	2,757,259	481,176	142,628	16,100	3,397,163
<b>DEPRECIATION</b>					
At 1 July 2010	100,864	382,800	105,611	12,280	601,555
Charge for year	41,288	15,228	8,783	955	66,254
Eliminated on disposal	-	(3,148)	-	-	(3,148)
At 30 June 2011	142,152	394,880	114,394	13,235	664,661
<b>NET BOOK VALUE</b>					
At 30 June 2011	2,615,107	86,296	28,234	2,865	2,732,502
At 30 June 2010	2,656,395	94,486	33,916	3,820	2,788,617

**SOUTH MIDLAND COMMUNICATIONS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2011****8 TANGIBLE FIXED ASSETS - continued****Group**

Included in cost or valuation of land and buildings is freehold land of £950,000 (2010 - £950,000) which is not depreciated

Cost or valuation at 30 June 2011 is represented by

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
Valuation in 2007	1,676,460	-	-	-	1,676,460
Cost	1,080,799	481,176	142,628	16,100	1,720,703
	<u>2,757,259</u>	<u>481,176</u>	<u>142,628</u>	<u>16,100</u>	<u>3,397,163</u>

If freehold land and buildings had not been revalued they would have been included at the following historical cost

	30.6.11 £	30.6.10 £
Cost	<u>1,080,800</u>	<u>1,080,800</u>
Aggregate depreciation	<u>249,134</u>	<u>230,618</u>
Value of land in freehold land and buildings	<u>155,000</u>	<u>155,000</u>

Freehold land and buildings were valued on an open market basis on 7 February 2007 by Vail Williams, which has been reflected

**9 FIXED ASSET INVESTMENTS****Company**

	Shares in group undertakings £
<b>COST</b>	
At 1 July 2010	12,441
Additions	4,000
At 30 June 2011	<u>16,441</u>
<b>NET BOOK VALUE</b>	
At 30 June 2011	<u>16,441</u>
At 30 June 2010	<u>12,441</u>

**SOUTH MIDLAND COMMUNICATIONS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2011****9 FIXED ASSET INVESTMENTS - continued**

The group or the company's investments at the balance sheet date in the share capital of companies include the following

**Subsidiaries****Communication Technical Services Limited**

Nature of business Dormant

	% holding		
Class of shares	100 00		
Ordinary		30.6.11	30 6 10
		£	£
Aggregate capital and reserves		<u>300</u>	<u>300</u>

**Hilomast Limited**

Nature of business Dormant

	% holding		
Class of shares	100 00		
Ordinary		30.6.11	30 6 10
		£	£
Aggregate capital and reserves		<u>7,400</u>	<u>7,400</u>

**Minns Baluns Limited**

Nature of business Dormant

	% holding		
Class of shares	100 00		
Ordinary		30.6.11	30 6 10
		£	£
Aggregate capital and reserves		<u>10</u>	<u>10</u>

**AEL Communications Limited**

Nature of business Dormant

	% holding		
Class of shares	100 00		
Ordinary		30.6.11	30 6 10
		£	£
Aggregate capital and reserves		<u>2</u>	<u>2</u>

**SOUTH MIDLAND COMMUNICATIONS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2011****9 FIXED ASSET INVESTMENTS - continued****Astel Communications**

Country of incorporation France

Nature of business Radio Communications

	% holding		
Class of shares	100 00		
Ordinary		<b>30.6.11</b>	<b>30 6 10</b>
		<b>£</b>	<b>£</b>
Aggregate capital and reserves		<b>252,243</b>	<b>230,390</b>
Profit for the year		<b>21,853</b>	<b>24,870</b>

**Hilomast LLC**

Country of incorporation United States

Nature of business Mast manufacture and sales

	% holding		
Class of shares	100 00		
Ordinary		<b>30.6.11</b>	<b>30 6 10</b>
		<b>£</b>	<b>£</b>
Aggregate capital and reserves		<b>(82,087)</b>	<b>(137,777)</b>
Profit for the year		<b>55,690</b>	<b>26,935</b>

**South Midlands Communications SL**

Country of incorporation Spain

Nature of business Property development

	% holding		
Class of shares	100 00		
Ordinary		<b>30.6.11</b>	<b>30 6 10</b>
		<b>£</b>	<b>£</b>
Aggregate capital and reserves		<b>(8,218)</b>	<b>2,667</b>
Loss for the year		<b>(10,885)</b>	<b>-</b>

**10 STOCKS**

	<b>Group</b>		<b>Company</b>	
	<b>30.6.11</b>	<b>30 6 10</b>	<b>30.6.11</b>	<b>30 6 10</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Raw materials	<b>646,194</b>	<b>568,347</b>	<b>646,194</b>	<b>568,347</b>
Work-in-progress	<b>1,979,942</b>	<b>1,014,928</b>	<b>587,245</b>	<b>88,047</b>
Finished goods	<b>381,520</b>	<b>591,701</b>	<b>183,860</b>	<b>353,970</b>
	<b>3,007,656</b>	<b>2,174,976</b>	<b>1,417,299</b>	<b>1,010,364</b>

**SOUTH MIDLAND COMMUNICATIONS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2011****11 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>30.6.11</b>	<b>30.6.10</b>	<b>30.6.11</b>	<b>30.6.10</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	1,673,431	688,774	910,182	572,212
Amounts owed by group undertakings	-	-	1,970,392	1,390,493
Other debtors	192,866	81,420	130,064	81,420
Prepayments and accrued income	52,687	58,128	52,687	58,128
	<u>1,918,984</u>	<u>828,322</u>	<u>3,063,325</u>	<u>2,102,253</u>

**12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>30.6.11</b>	<b>30.6.10</b>	<b>30.6.11</b>	<b>30.6.10</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade creditors	1,181,720	401,787	556,277	358,151
Amounts owed to group undertakings	-	-	266,418	183,616
Tax	11,969	63,169	11,969	63,169
Social security and other taxes	112,819	145,501	36,261	77,884
Directors' loan accounts	316,918	552,415	316,918	552,415
Accruals and deferred income	586,045	1,030,649	586,045	1,030,649
	<u>2,209,471</u>	<u>2,193,521</u>	<u>1,773,888</u>	<u>2,265,884</u>

**13 PROVISIONS FOR LIABILITIES**

	<b>Group</b>		<b>Company</b>	
	<b>30.6.11</b>	<b>30.6.10</b>	<b>30.6.11</b>	<b>30.6.10</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Deferred tax	<u>19,489</u>	<u>22,031</u>	<u>19,489</u>	<u>22,031</u>
<b>Group</b>				
				<b>Deferred tax</b>
				<b>£</b>
Balance at 1 July 2010				22,031
Movement				(2,542)
Balance at 30 June 2011				<u>19,489</u>
<b>Company</b>				
				<b>Deferred tax</b>
				<b>£</b>
Balance at 1 July 2010				22,031
Accelerated capital allowances				(2,542)
Balance at 30 June 2011				<u>19,489</u>

**SOUTH MIDLAND COMMUNICATIONS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2011****14 CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid Number	Class	Nominal value £1	30.6.11 £ <u>1,150,000</u>	30.6.10 £ <u>1,150,000</u>
1,150,000	Ordinary Class A			

**15 RESERVES****Group**

	Profit and loss account £	Revaluation reserve £	Other reserves £	Totals £
At 1 July 2010	2,646,776	2,090,145	13,821	4,750,742
Profit for the year	174,758			174,758
Bonus share issue	-	-	4,000	4,000
No description	-	-	(4,000)	(4,000)
At 30 June 2011	<u>2,821,534</u>	<u>2,090,145</u>	<u>13,821</u>	<u>4,925,500</u>

**Company**

	Profit and loss account £	Revaluation reserve £	Totals £
At 1 July 2010	2,733,157	1,927,349	4,660,506
Profit for the year	108,102		108,102
At 30 June 2011	<u>2,841,259</u>	<u>1,927,349</u>	<u>4,768,608</u>

**16 CONTINGENT LIABILITIES**

The group had contingent liabilities in respect of letters of credit drawn by National Westminster Bank Plc. At 30th June 2011 there were outstanding liabilities under bonds and guarantees of £122,819 (2010 £134,417)

**17 RELATED PARTY DISCLOSURES**

Included within creditors amounts due within one year is £30,489 (2010 £16,944) which is owed to J Lightfoot (Director) and £286,429 (2010 £318,256) to B Gardner (Director)

**18 ULTIMATE CONTROLLING PARTY**

The ultimate controlling party is B D Gardner (Director)

**SOUTH MIDLAND COMMUNICATIONS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 30 JUNE 2011**

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**19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

**Group**

	<b>30.6 11</b>	<b>30 6 10</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	<b>174,758</b>	<b>242,876</b>
	<hr/>	<hr/>
Net addition to shareholders' funds	<b>174,758</b>	<b>242,876</b>
Opening shareholders' funds	<b>5,900,742</b>	<b>5,657,866</b>
	<hr/>	<hr/>
Closing shareholders' funds	<b>6,075,500</b>	<b>5,900,742</b>
	<hr/>	<hr/>

**Company**

	<b>30.6.11</b>	<b>30 6 10</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	<b>108,102</b>	<b>191,074</b>
	<hr/>	<hr/>
Net addition to shareholders' funds	<b>108,102</b>	<b>191,074</b>
Opening shareholders' funds	<b>5,810,506</b>	<b>5,619,432</b>
	<hr/>	<hr/>
Closing shareholders' funds	<b>5,918,608</b>	<b>5,810,506</b>
	<hr/>	<hr/>

**SOUTH MIDLAND COMMUNICATIONS LIMITED****CONSOLIDATED TRADING AND PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	30.6.11		30 6 10	
	£	£	£	£
<b>Sales</b>		<b>5,413,715</b>		<b>10,651,563</b>
<b>Cost of sales</b>				
Opening raw materials	1,010,364		2,103,475	
Opening work in progress	926,881		-	
Costs of manufacture	3,174,244		5,770,992	
Freight and duty	8,854		7,003	
Workshop expenses	15,343		15,335	
Wages	1,172,382		1,555,930	
Social security	108,290		167,630	
Pensions	27,406		25,633	
Depreciation of tangible fixed assets	15,228		16,674	
Profit/loss on sale of tangible fixed assets	(248)		-	
	<u>6,458,744</u>		<u>9,662,672</u>	
Closing raw materials	(1,417,299)		(1,010,364)	
Closing work in progress	(1,392,697)		(926,881)	
	<u>3,648,748</u>		<u>7,725,427</u>	
<b>GROSS PROFIT</b>		<b>1,764,967</b>		<b>2,926,136</b>
<b>Other income</b>				
Rents received	-		4,904	
Deposit account interest	7,912		7,186	
	<u>7,912</u>	<u>7,912</u>	<u>12,090</u>	
		<b>1,772,879</b>		<b>2,938,226</b>
<b>Expenditure</b>				
Carriage	105,560		206,993	
Motor and travel	104,928		95,985	
Exhibition expenses	21,718		37,451	
Promotion and publicity	1,122		56,027	
Research and development	23,548		8,827	
Agents commission	91,445		485,599	
Depreciation of tangible fixed assets	955		1,274	
Directors' salaries	498,191		753,578	
Directors' social security	19,157		102,608	
Directors' pension contributions	20,567		227,803	
Wages	163,353		167,367	
Rates and water	60,141		57,971	
Insurance	37,715		51,094	
Light and heat	24,530		26,308	
Repairs to property	11,653		31,858	
Depreciation of tangible fixed assets	61,364		65,203	
Telephone	6,540		5,985	
Office expenses	10,463		10,021	
Repairs and renewals	178,072		133,653	
	<u>1,441,022</u>	<u>1,772,879</u>	<u>2,525,605</u>	<u>2,938,226</u>
<b>Carried forward</b>	<b>1,441,022</b>	<b>1,772,879</b>	<b>2,525,605</b>	<b>2,938,226</b>

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**SOUTH MIDLAND COMMUNICATIONS LIMITED**

**CONSOLIDATED TRADING AND PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	30.6.11		30 6 10	
	£	£	£	£
Brought forward	1,441,022	1,772,879	2,525,605	2,938,226
Household and cleaning	23,348		25,999	
Sundry expenses	31,823		27,325	
Professional fees	23,192		40,159	
Employment, education and training	1,914		1,416	
Auditors' remuneration	10,400		9,500	
Auditors' remuneration for non audit work	3,500		3,500	
Donations	2,048		3,363	
Bad debts	11,903		(62,063)	
		1,549,150		2,574,804
		223,729		363,422
<b>Finance costs</b>				
Bank charges		34,460		56,822
<b>NET PROFIT</b>		<b>189,269</b>		<b>306,600</b>

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