

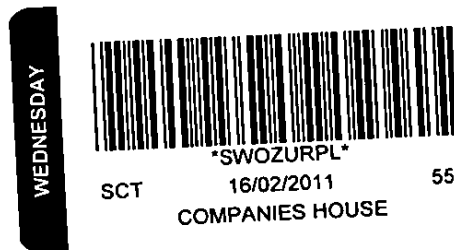
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Registered No 2378070

## Alderley plc

### Report and Financial Statements

30 September 2010



## **Alderley plc**

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Registered No 2378070

### **Directors**

A J V Shepherd  
L M Rose  
P A Slatter  
J R Medcraft  
J L Doyle

### **Secretary**

K Coggins

### **Independent Auditors**

Deloitte LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2DB

### **Bankers**

Lloyds TSB Bank plc  
40 High Street  
Chipping Sodbury  
Bristol  
BS37 6AW

Lloyds TSB Bank plc  
Al Wasl Road  
Jumeriah  
P O Box 3766  
Dubai  
United Arab Emirates

The Saudi British Bank  
PO Box 394  
Al Khobar 31952  
Kingdom of Saudi Arabia

HSBC Bank ME  
Dubai  
United Arab Emirates

### **Registered Office**

Alderley House  
The Downs  
Wickwar  
Wotton under Edge  
Gloucestershire  
GL12 8JD

## Directors' report

The directors present their report and financial statements for the year ended 30 September 2010

### Results and dividends

The consolidated profit for the year, after taxation, amounted to £3,702,000 (2009 profit of £2,273,000)

A dividend of £422,000 was declared and paid in full on 30 September 2010 (2009 £211,000)

### Principal activities and review of the business

The principal activities of the group are

- design, supply and commissioning of metering, produced water treatment, water injection and control systems for the oil, gas and petrochemical industries (systems division),
- provision of consultancy services and related software products in flow and quality measurement oil and gas industries and supply and maintenance of well-head equipment (consultancy division), and
- the operation of a commercial farm

The group's key financial and other performance indicators during the year were

	2010 £000	2009 £000	Change
Group turnover	43,090	52,521	-18%
Group turnover excluding discontinued operations	43,090	52,445	-18%
Operating profit	3,926	2,232	76%
Operating profit excluding discontinued operation	3,926	2,573	53%
Profit before tax	3,789	1,987	91%
Profit after tax	3,702	2,273	63%
Shareholders' funds	13,287	9,198	44%
Cash inflow	5,986	7,423	-19%
Net funds/(debt)	3,109	(3,448)	190%
Number of employees	324	374	-13%

An analysis of turnover, operating profit and net assets split between systems division, consultancy division and other businesses is included in note 2 of the financial statements

The group's tangible fixed asset expenditure in 2010 was £309,000 (2009 £300,000)

Net funds improved significantly during the year by £6,557,000, from a net debt position of £3,448,000 in 2009 to a net funds position of £3,109,000 in 2010. This improvement is primarily as a result of an improvement within credit control and working capital management across all divisions within the group.

#### Systems division

Systems division operates in the United Kingdom through Alderley Systems Limited based in Wickwar in Gloucestershire, in the United Arab Emirates through Alderley FZE, in Saudi Arabia through Alderley AFZE's subsidiary Alderley Industrial Company Limited and in Russia through Alderley Neftegaz LLC.

Turnover fell from £42,329,000 in 2009 to £32,733,000 in 2010 although operating profit increased to £3,577,000 in 2010 (2009 £1,822,000).

## Directors' report

### Principal activities and review of the business (continued)

#### *Systems division (continued)*

Orders in hand at 31 December 2010 were £31.8m and leaves the division well placed in the current financial year. In addition the group has reviewed the division's structure, management and costs and the changes implemented will assist in the development of its business going forward and its profitability.

#### *Consultancy division*

Consultancy division operates in the United Kingdom through Kelton Engineering Limited based in Aberdeen and Specialised Management Services based in Great Yarmouth and Aberdeen.

Turnover increased from £9,883,000 in 2009 to £10,130,000 in 2010. Operating profit decreased from £759,000 in 2009 to £361,000 in 2010.

The directors expect that the continuing investment in new product development will be reflected in the future trading of the division.

#### *Other operations*

Generally farming in the United Kingdom generates a poor return. Alderley Farm Limited is no different and has historically reported losses, although for the year ended 30 September 2010 a small profit after tax has been reported. This is as a result of the adoption of improved farming techniques in 2008 that are now generating visible improvements in results.

### Future developments

The management teams within the group, particularly in the Systems division, have been strengthened. The group has continued to invest in innovative technology in order to ensure that it continues to differentiate itself from its competitors.

Additionally the group is beginning to experience an increased level of enquiries across the oil and gas sector and is therefore confident that the group will be able to convert these leads into firm orders and subsequent revenues.

### Going concern

In preparing these financial statements on the going concern basis, the directors have determined the group's and company's overdraft, export finance and bonding requirements together with the availability of appropriate borrowing facilities to the group and company through the going concern foresight period.

The group's and company's overdraft, contract finance and bonding requirements have been determined with regard to group profit and cash flow projections prepared by the directors for the period to December 2012.

Borrowing facilities which the directors consider sufficient to meet the group's and company's overdraft, contract finance and bonding requirements have been secured through to the end of August 2011. Alderley plc will open renewal negotiations with the bank in due course and has, at this stage, not sought any written commitment that the facility will be renewed. However, the company has held discussions with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest renewal may not be forthcoming on acceptable terms. In the United Kingdom, these facilities comprise overdraft, contract finance and bonding facilities. In addition the Group has unexpired term loan facilities as detailed in note 19.

Details of the security related to these borrowing facilities are set out in notes 17 and 19.

Consequently the directors have prepared these financial statements on a going concern basis.

## Directors' report

### Principal risks and uncertainties

The principal financial risks to which the group is exposed are those relating to foreign currency, credit risk and interest rates. These risks are managed in accordance with Board approved policies.

#### *Foreign currency risk*

It is group policy that exposures resulting from sales and purchases in foreign currency are matched where possible, and the net exposure may be hedged by the use of forward exchange contracts. The group does not undertake speculative foreign exchange dealings for which there is no underlying exposure.

#### *Credit risk*

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are carried out on all customers requiring credit and, where appropriate, the group endeavours to minimize risk by the use of trade finance instruments such as letters of credit and credit insurance. At the balance sheet date, there were no significant concentrations of credit risk.

#### *Interest rate risk*

The group is exposed to a certain level of interest risk as a result of its overdraft, bank loans and contract finance facility. The risk is moderated by ensuring cash is appropriately managed to reduce the requirement for both contract finance and overdraft and loans are currently being repaid in within term. In negotiating for such facilities the group also seeks to receive competitive interest rates. The group does not undertake any hedging activity in this area.

#### *Operational risk*

The principal operational risk faced by the group is the group's exposure to the contingent liabilities as disclosed in note 25. The group has implemented appropriate quality control procedures to mitigate the risk that these amounts will become payable. The group has also entered into insurance arrangements which ensure that insurance claims can be made for unsupported bond calls by customers.

### Events since the balance sheet date

There have been no significant events since the balance sheet date.

### Directors of the company

The directors who served the company during the year and to the date of this report were as follows:

A J V Shepherd  
L M Rose  
P A Slatter  
J R Medcraft  
J L Doyle

### Policy on the payment of creditors

It is the group's policy to pay creditors according to the terms and conditions agreed. For the year ended 30 September 2010, the average payment period for trade creditors was 69 days (2009: 47 days).

### Research and development

The group will continue its policy of investment in research and development in order to retain a competitive position in the market.

## Directors' report

### Directors' qualifying third party indemnity provision

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

### Donations

During the year the company made the following contributions

	2010	2009
	£	£
Charitable	1,463	340

### Disabled employees

The group and company give full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the group's and company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

### Employee involvement

During the year, the policy of providing employees with information about the group and company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the group's and company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

### Disclosure of information to the auditors

Each of the persons who is a director at the date of approval of this report confirms that

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all steps that he/she ought to have taken to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

### Auditors

A resolution to reappoint Deloitte LLP as auditors will be put to the members at the Annual General Meeting.

Approved by the Board and signed on its behalf by



A J V Shepherd  
Director

15 February 2011

## Directors' responsibilities statement

The directors are responsible for preparing the annual 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 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 judgments and accounting estimates that are reasonable and prudent;
- state whether 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 group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditors' report**

**to the members of Alderley plc**

We have audited the financial statements of Alderley plc for the year ended 30 September 2010 which comprise the group profit and loss account, the group statement of total recognised gains and losses, the group and company balance sheets, the group cash flow statement and the related notes 1 to 36. 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 auditors' 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, 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 company's affairs as at 30 September 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.



# Independent auditors' report

to the members of Alderley plc (continued)

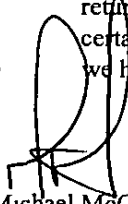
## Opinion on other matter prescribed by the Companies Act 2006

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 by the 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



Michael McGregor ACA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Edinburgh, United Kingdom

16 February 2011

## Group profit and loss account

for the year ended 30 September 2010

	Notes	2010 £000	2009 £000
<b>Turnover</b>			
Continuing operations	2	43,090	52,445
Discontinued operations	2	-	76
		<u>43,090</u>	<u>52,521</u>
Operating costs	3	(39,223)	(50,322)
Other operating income		59	33
		<u></u>	<u></u>
<b>Operating profit/(loss)</b>			
Continuing operations	2	3,926	2,573
Discontinued operations	2	-	(341)
		<u></u>	<u></u>
<b>Group operating profit</b>	4	3,926	2,232
		<u></u>	<u></u>
Share of joint venture operating profit	14	24	1
		<u></u>	<u></u>
<b>Profit on ordinary activities before interest and taxation</b>		3,950	2,233
Income from investments		3	-
Interest receivable	7	19	20
Interest payable and similar charges	8	(183)	(266)
		<u></u>	<u></u>
<b>Profit on ordinary activities before taxation</b>		3,789	1,987
Tax on profit on ordinary activities	9	(87)	286
		<u></u>	<u></u>
<b>Profit on ordinary activities after taxation</b>		3,702	2,273
Equity minority interests		(58)	(86)
		<u></u>	<u></u>
<b>Profit for the financial year</b>	28	3,644	2,187
		<u><u></u></u>	<u><u></u></u>

## Group statement of total recognised gains and losses

for the year ended 30 September 2010

	2010 £000	2009 £000
Profit for the financial year excluding share of profit of joint venture	3,620	2,186
Share of joint venture's profit for the year	24	1
Profit for the financial year	3,644	2,187
Unrealised profit/(loss) on revaluation of certain fixed assets	700	(51)
Exchange differences on retranslation of net assets of subsidiary undertakings	167	(95)
<b>Total gains and losses recognised since last annual report and financial statements</b>	<b>4,511</b>	<b>2,041</b>

## Group balance sheet

at 30 September 2010

	Notes	2010 £000	2009 £000
<b>Fixed assets</b>			
Intangible assets	12	3,011	2,572
Tangible assets	13	8,170	7,620
		<u>11,181</u>	<u>10,192</u>
<b>Investments in joint ventures</b>			
Share of gross assets		2	12
Share of gross liabilities		(145)	(179)
	14	<u>(143)</u>	<u>(167)</u>
		<u>11,038</u>	<u>10,025</u>
<b>Current assets</b>			
Stocks	15	1,084	1,266
Debtors	16	16,952	16,388
Cash at bank and in hand		6,112	3,779
		<u>24,148</u>	<u>21,433</u>
<b>Total current assets</b>			
		<u>24,148</u>	<u>21,433</u>
<b>Creditors</b> amounts falling due within one year	17	(20,116)	(20,133)
		<u>4,032</u>	<u>1,300</u>
<b>Net current assets</b>			
		<u>4,032</u>	<u>1,300</u>
<b>Total assets less current liabilities</b>		<u>15,070</u>	<u>11,325</u>
<b>Creditors</b> amounts falling due after more than one year	18	(1,583)	(1,983)
		<u>13,487</u>	<u>9,342</u>
<b>Net assets</b>		<u>13,487</u>	<u>9,342</u>
<b>Capital and reserves</b>			
Called up equity share capital	27	377	377
Share premium account	28	474	474
Revaluation reserve	28	2,669	1,980
Profit and loss account	28	9,767	6,367
		<u>13,287</u>	<u>9,198</u>
<b>Shareholders' funds</b>	29	<u>13,287</u>	<u>9,198</u>
<b>Minority interests</b>		200	144
		<u>13,487</u>	<u>9,342</u>

The group financial statements of Alderley plc, registered no 2378070 were approved by the board of directors and authorised for issue on 15 February 2011

A J V Shepherd

A J V Shepherd  
Director

## Company balance sheet

at 30 September 2010

	Notes	2010 £000	2009 £000
<b>Fixed assets</b>			
Tangible assets	13	2,609	2,799
Investments	14	3,428	3,428
		<u>6,037</u>	<u>6,227</u>
<b>Current assets</b>			
Stocks	15	-	208
Debtors	16	3,324	5,896
Cash at bank and in hand		241	8
		<u>3,565</u>	<u>6,112</u>
<b>Creditors</b> amounts falling due within one year	17	(2,673)	(7,997)
<b>Net current assets/(liabilities)</b>		<u>892</u>	<u>(1,885)</u>
<b>Total assets less current liabilities</b>		<u>6,929</u>	<u>4,342</u>
<b>Creditors</b> amounts falling due after more than one year	18	(1,183)	(1,913)
<b>Net assets</b>		<u>5,746</u>	<u>2,429</u>
<b>Capital and reserves</b>			
Called up equity share capital	27	377	377
Share premium account	28	474	474
Revaluation reserve	28	356	427
Profit and loss account	28	4,539	1,151
<b>Shareholders' funds</b>		<u>5,746</u>	<u>2,429</u>

The company financial statements of Alderley plc, registered no 2378070 were approved by the board of directors and authorised for issue on 15 February 2011

*A J V Shepherd*

A J V Shepherd  
Director

## Group cash flow statement

for the year ended 30 September 2010

	Notes	2010 £000	2009 £000
<b>Net cash inflow from operating activities</b>	31	7,233	9,140
<b>Returns on investments and servicing of finance</b>	32	(161)	(418)
<b>Taxation</b>	33	651	(338)
<b>Capital expenditure and financial investment</b>	34	(906)	(276)
<b>Equity dividends paid</b>		(422)	(211)
<b>Cash outflow before financing</b>		6,395	7,897
<b>Financing</b>	35	(409)	(474)
<b>Increase in cash</b>		5,986	7,423

## Notes to the financial statements

for the year ended 30 September 2010

### 1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding year.

#### ***Basis of accounting***

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

#### ***Going concern***

In preparing these financial statements on the going concern basis, the directors have determined the group's and company's overdraft, export finance and bonding requirements together with the availability of appropriate borrowing facilities to the group and company through the going concern foresight period.

The group's and company's overdraft, contract finance and bonding requirements have been determined with regard to group profit and cash flow projections prepared by the directors for the period to December 2012.

Borrowing facilities which the directors consider sufficient to meet the group's and company's overdraft, contract finance and bonding requirements have been secured through to the end of August 2011. Alderley plc will open renewal negotiations with the bank in due course and has, at this stage, not sought any written commitment that the facility will be renewed. However, the company has held discussions with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest renewal may not be forthcoming on acceptable terms. In the United Kingdom, these facilities comprise overdraft, contract finance and bonding facilities. In addition the Group has unexpired term loan facilities as detailed in note 19.

Details of the security related to these borrowing facilities are set out in notes 17 and 19.

Consequently the directors have prepared these financial statements on a going concern basis.

#### ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of the company, including foreign branches, and all group undertakings, together with the group's share of the net assets and results of joint ventures, drawn up to 30 September each year. These are adjusted, where appropriate, to conform to group accounting policies. No profit and loss account is presented for Alderley plc as permitted by section 408 of the Companies Act 2006.

Acquisitions have been included in the group financial statements using the acquisition method of accounting.

The comparatives of the group profit and loss account and statement of cash flows also include the results and cash flows of Steel Technic Limited from the period 1 October 2008 to 12 May 2009, the date of the sale of the entity outside the group. Entities in which the group holds an interest on a long term basis and are jointly controlled by the group and one or more other ventures under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the gross equity method.

In the parent company financial statements investments in subsidiaries, joint ventures and associates are accounted for at the lower of cost and net realisable value.

## Notes to the financial statements

for the year ended 30 September 2010

### 1. Accounting policies (continued)

#### **Goodwill**

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### **Intangible fixed assets – research and development**

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the company is expected to benefit. This period is considered to be five years. Provision is made for any impairment.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost or valuation less accumulated depreciation and any provision for impairment. Freehold land is not depreciated. Depreciation is provided on all other tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, on each asset evenly over its expected useful life as follows:

Freehold buildings	-	50 years straight line
Leasehold property	-	over the period of the lease
Plant, machinery and equipment	-	2% per month reducing balance
Fixtures and fittings	-	2% per month reducing balance
Motor vehicles	-	2% per month reducing balance
IT equipment	-	25% per annum straight line

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

#### **Revaluation of tangible fixed assets**

Freehold property is carried at current year value at the balance sheet date. A full valuation is obtained from a qualified valuer for each property every five years, with an interim valuation three years after the previous full valuation, and in any year where it is likely that there has been a material change in value.

Revaluation gains and losses are recognised in the statement of total recognised gains and losses unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the losses are recognised in the profit and loss account.



## Notes to the financial statements

for the year ended 30 September 2010

### 1. Accounting policies (continued)

#### **Revenue recognition**

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

#### *Sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

#### *Long term contracts*

Turnover on long term contracts is recognised by reference to the stage of completion. The stage of completion of a contract is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

#### *Grants and subsidies*

Grants and subsidies received have been included in revenue and are accounted for on an accruals basis.

#### **Stocks and work in progress**

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

#### **Farm stocks**

Stocks have been valued in accordance with the provisions of the HM Revenue and Customs' Business Economic Note (BEN) 19 (1993) entitled "Farming Stock Valuations for Income Tax Purposes", the Central Association of Agricultural Valuers and Royal Institution of Chartered Surveyors published guidance notes entitled "Agricultural Valuations For Income Tax Purposes" and, in respect of valuations undertaken for Limited Companies, is in accordance with Statements of Standard Accounting Practice Numbers 2 and 9.

The following basis has been used, where appropriate, to arrive at the stated values:

- Actual cost of production incurred
- Deemed cost of production incurred (see CIR BEN 19)
- Market Value
- Net Realisable Value (see CIR BEN 19)
- Standard costing calculations prepared by the Central Association of Agricultural Valuers (adjusted as necessary)

#### **Amounts recoverable on contracts**

Turnover on long-term contracts is recognised by reference to the stage of completion. Revenue recognised in advance of being invoiced is held on the balance sheet as amounts recoverable on contracts. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The costs on long-term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in stocks and long-term contract balances. Costs included on long-term contracts include interest which is specifically attributable to those contracts through contract financing.

## Notes to the financial statements

for the year ended 30 September 2010

### 1. Accounting policies (continued)

#### *Leasing and hire purchase commitments*

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the shorter of the lease term and the date of the next rent review.

#### *Pension costs*

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The contributions are charged to the profit and loss account in the period in which they become payable.

#### *Taxation*

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates that have been enacted or substantively enacted by the balance sheet date.

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 (and similar fair value adjustments) 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,
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable, and
- 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.

## Notes to the financial statements

for the year ended 30 September 2010

### 1. Accounting policies (continued)

#### *Foreign currencies*

##### *Company*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if applicable at the forward contract rate. All differences are taken to the profit and loss account.

##### *Group*

The financial statements of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account.

#### *Financial instruments*

The group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The group does not consider that its derivative instruments qualify for hedge accounting, and does not hold derivative instruments for speculative purposes.

#### *Interest-bearing loans and borrowings*

All interest-bearing loans and borrowings are initially recorded at net proceeds. After initial recognition, debt is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debts of the period.

Financial costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

## Notes to the financial statements

for the year ended 30 September 2010

### 2. Segment analysis

The segments by class of business below are consistent with the group's management structure

	2010	2010	2010	2010	2010	2010
	Systems	Consultancy	Other	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000	£000	£000
Turnover	32,733	10,130	227	43,090	-	43,090
Operating profit	3,577	361	(12)	3,926	-	3,926
Net assets	2,208	4,492	1,569	8,269	-	8,269
Unallocated	-	-	-	5,218	-	5,218
	2,208	4,492	1,569	13,487	-	13,487

Turnover relates to revenue generated from sales to external third parties only and there are no inter-segmental sales included within the figures above

	2009	2009	2009	2009	2009	2009
	Systems	Consultancy	Other	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000	£000	£000
Turnover	42,329	9,883	233	52,445	76	52,521
Operating profit	1,822	759	(8)	2,573	(341)	2,232
Net assets	3,225	4,660	812	8,697	-	8,697
Unallocated	-	-	-	645	-	645
	3,225	4,660	812	9,342	-	9,342

Turnover relates to revenue generated from sales to external third parties only and there are no inter-segmental sales included within the figures above

Discontinued operations during the year ended 30 September 2009 were in respect of the liquidation and disposal of Steel Technic Limited on 12 May 2009

## Notes to the financial statements

for the year ended 30 September 2010

### 2. Segment analysis (continued)

An analysis of turnover by destination is given below

	2010	2010	2010	2009	2009	2009
	<i>Continuing</i>	<i>Discontinued</i>		<i>Continuing</i>	<i>Discontinued</i>	
	<i>operations</i>	<i>operations</i>	<i>Total</i>	<i>operations</i>	<i>operations</i>	<i>Total</i>
	£000	£000	£000	£000	£000	£000
United Kingdom	6,596	-	6,596	8,741	76	8,817
Europe	4,613	-	4,613	13,424	-	13,424
Rest of World	31,881	-	31,881	30,280	-	30,280
	<u>43,090</u>	<u>-</u>	<u>43,090</u>	<u>52,445</u>	<u>76</u>	<u>52,521</u>

An analysis of turnover by origin is given below

	2010	2010	2010	2009	2009	2009
	<i>Continuing</i>	<i>Discontinued</i>		<i>Continuing</i>	<i>Discontinued</i>	
	<i>operations</i>	<i>operations</i>	<i>Total</i>	<i>operations</i>	<i>operations</i>	<i>Total</i>
	£000	£000	£000	£000	£000	£000
United Kingdom	16,893	-	16,893	21,936	76	22,012
Europe	710	-	710	6,530	-	6,530
Rest of World	25,487	-	25,487	23,979	-	23,979
	<u>43,090</u>	<u>-</u>	<u>43,090</u>	<u>52,445</u>	<u>76</u>	<u>52,521</u>

## Notes to the financial statements

for the year ended 30 September 2010

### 3. Operating costs

	2010	2010	2010	2009	2009	2009
	<i>Continuing</i>	<i>Discontinued</i>		<i>Continuing</i>	<i>Discontinued</i>	
	<i>operations</i>	<i>operations</i>	<i>Total</i>	<i>operations</i>	<i>operations</i>	<i>Total</i>
	£000	£000	£000	£000	£000	£000
Raw materials and consumables	20,972	-	20,972	28,942	109	29,051
Staff costs (note 5)	12,473	-	12,473	13,697	394	14,091
Depreciation / amortisation of fixed assets	619	-	619	862	20	882
Interest charged to cost of sales	-	-	-	172	-	172
Other operating charges	5,159	-	5,159	6,051	75	6,126
	<u>39,223</u>	<u>-</u>	<u>39,223</u>	<u>49,724</u>	<u>598</u>	<u>50,322</u>

### 4. Operating profit

Operating profit is stated after charging

	2010	2009
	£000	£000
Amortisation	172	172
Depreciation of owned fixed assets	383	634
Depreciation of assets held under hire purchase and finance lease agreements	64	76
Loss on disposal of fixed assets	3	46
Auditors' remuneration	264	329
Operating lease costs - land and buildings	589	725
- other	176	214
Net loss on foreign currency translation	176	58

Auditors' remuneration is further analysed as

	2010	2009
	£000	£000
Audit of the financial statements	119	119
Other fees to auditors - other services	25	33
- corporate finance services	82	-
- taxation services	35	20
Prior year overruns - statutory audits	1	142
- taxation services	2	15
	<u>264</u>	<u>329</u>

## Notes to the financial statements

for the year ended 30 September 2010

### 4. Operating profit (continued)

Audit fees were payable to Deloitte LLP with the following exceptions

Audit fee overruns disclosed in 2009 were payable to Ernst & Young LLP, other than audit fees of £6,000 that were paid to Deloitte LLP in connection with the audit of Kelton Engineering Limited for the year ended 29 February 2008

Included within other fees to auditors are audit fees of £21,500 (2009- £18,820) paid to Veta Mazars in connection with the local statutory audit of Alderley Neftegaz LLC for the year ended 31 December 2009. In addition, Veta Mazars also received £nil (2009- £11,416) for the provision of taxation services

In 2010 audit fees of £3,075 (2009 – £2,512) were also paid to Abdullah M. Al Basri, Certified Public Accountant in connection with the audit of Alderley Industrial Company Limited and these have also been disclosed within other fees to auditors

### 5. Staff costs

	2010 £000	2009 £000
Wages and salaries	11,348	12,910
Social security costs	905	933
Other pension costs	220	248
	<u>12,473</u>	<u>14,091</u>

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

	2010 No	2009 No
Administration and management	79	80
Sales and production	245	294
	<u>324</u>	<u>374</u>

### 6. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were

	2010 £000	2009 £000
Aggregate emoluments	412	307
Value of company pension contributions to money purchase schemes	14	1
	<u>426</u>	<u>308</u>

## Notes to the financial statements

for the year ended 30 September 2010

### 6. Director's emoluments (continued)

Emoluments of highest paid director

	2010 £000	2009 £000
Aggregate emoluments	252	155
Value of company pension contributions to money purchase schemes	14	-
	<u>266</u>	<u>155</u>

The number of directors who accrued benefits under company pension schemes was as follows

	2010 No	2009 No
Money purchase schemes	<u>1</u>	<u>1</u>

### 7. Interest receivable

	2010 £000	2009 £000
Bank interest receivable	-	11
Other interest receivable	19	9
	<u>19</u>	<u>20</u>

### 8. Interest payable and similar charges

	2010 £000	2009 £000
Interest payable on bank borrowing	171	227
Finance charges on hire purchase and finance lease agreements	5	28
Other similar charges payable	7	11
	<u>183</u>	<u>266</u>

In accordance with SSAP 9 *Stocks and long-term contracts*, interest of £nil (2009 £172,000) has been charged to operating costs as the interest arose from finance agreements attributable to specific long term projects



## Notes to the financial statements

for the year ended 30 September 2010

### 9. Tax

#### (a) Tax on profit on ordinary activities:

	2010 £000	2009 £000
<i>Current tax</i>		
UK corporation tax based on the results for the year at 28% (2009 28%)	10	1
Over provision in prior year	(2)	(7)
	<u>8</u>	<u>(6)</u>
<i>Foreign tax</i>		
Foreign tax suffered	114	79
Adjustments in respect of prior year foreign tax	44	25
Foreign tax relief	(10)	(2)
	<u>156</u>	<u>96</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 24)	(1)	(353)
Adjustments in respect of prior year deferred tax	(68)	(29)
	<u>87</u>	<u>(286)</u>
Tax on profit on ordinary activities		

#### (b) Factors affecting current tax charges:

The tax assessed on the profit on ordinary activities for the year is different to the standard rate of corporation tax in the UK of 28% (2009 28%) and the reasons for this are set out in the following reconciliation

	2010 £000	2009 £000
Profit on ordinary activities before taxation	3,789	1,987
Profit on ordinary activities by standard rate of tax	<u>1,061</u>	<u>556</u>
<i>Effects of</i>		
Expenses not deductible for tax purposes	73	236
Non-taxable income	(7)	(82)
Decelerated capital allowances	14	17
Goodwill amortisation	48	48
Timing difference on foreign profits	671	332
Different tax rates for foreign subsidiaries	(1,957)	(1,002)
Adjustments in respect of prior years	(2)	(7)
Adjustments in respect of prior foreign tax	44	(6)
Sundry tax adjusting items	(2)	4
Tax losses generated	213	-
Total current tax (note 9(a))	<u>156</u>	<u>96</u>

## Notes to the financial statements

for the year ended 30 September 2010

### 10. Profit attributable to members of the parent company

The profit attributable to the members reported in the individual financial statements of the parent company was £3,788,000 (2009 profit of £1,694,000)

### 11. Dividends

Amounts recognised as distributions to equity shareholders in the period

	2010	2009
	£000	£000
Dividend for the year ended 30 September 2010 of 111 93p (2009 55 97p) per ordinary share	422	211

### 12. Intangible fixed assets

#### Group

	Development costs £000	Goodwill £000	Total £000
<i>Cost</i>			
At 1 October 2009	-	3,302	3,302
Additions	611	-	611
At 30 September 2010	611	3,302	3,913
<i>Amortisation</i>			
At 1 October 2009	-	730	730
Charge for the year	-	172	172
At 30 September 2010	-	902	902
<i>Net book value</i>			
At 30 September 2010	611	2,400	3,011
At 30 September 2009	-	2,572	2,572

Development costs have been capitalised in accordance with SSAP 13 *Accounting for research and development*. The costs related to the development of FM<sup>2</sup>P net which is new software associated with the management of flow measurement for the oil and gas sector. Retail of this new software commenced in October 2010, from which date the related costs will be written off over a period of five years.

## Notes to the financial statements

for the year ended 30 September 2010

### 13. Tangible fixed assets

#### Group

	<i>Freehold property £000</i>	<i>Leasehold property £000</i>	<i>Plant and machinery £000</i>	<i>Fixtures and fittings £000</i>	<i>Other assets £000</i>	<i>Total £000</i>
<i>Cost or valuation</i>						
At 1 October 2009	5,950	1,228	2,386	69	1,451	11,084
Additions	-	74	41	3	191	309
Disposals	-	-	(73)	(3)	(49)	(125)
Revaluation	650	-	-	-	-	650
Exchange variance	-	8	3	-	-	11
Reclassifications	-	-	(24)	-	24	-
At 30 September 2010	6,600	1,310	2,333	69	1,617	11,929
<i>Depreciation</i>						
At 1 October 2009	-	407	1,789	45	1,223	3,464
Charge for the year	50	94	141	5	157	447
Disposals	-	-	(64)	(1)	(43)	(108)
Exchange variance	-	4	1	-	1	6
Reclassifications	-	-	(24)	-	24	-
Revaluation	(50)	-	-	-	-	(50)
At 30 September 2010	-	505	1,843	49	1,362	3,759
<i>Net book value</i>						
At 30 September 2010	6,600	805	490	20	255	8,170
At 30 September 2009	5,950	821	597	24	228	7,620

## Notes to the financial statements

for the year ended 30 September 2010

### 13. Tangible fixed assets (continued)

#### *Revaluation of fixed assets*

The freehold property which constitutes the farm was valued, for the purposes of these financial statements, by Smiths Gore Chartered Surveyors as at 30 September 2010 who are members of the Royal Institute of Chartered Surveyors on an open market value basis

The freehold property which largely constitutes the factory and office premises in Wickwar was valued, for the purposes of these financial statements, by Atisreal Limited as at 30 September 2010 who are members of the Royal Institute of Chartered Surveyors on the existing use basis

The value of freehold land that is not depreciated is £4,520,000 (2009 £3,770,000)

There is no material difference between depreciation on a revalued or historic cost net book value of freehold property

In respect of certain fixed assets stated at valuation, the comparable historical cost and depreciation values are as follows

	2010 £000	2009 £000
<i>Net book value</i>		
At 30 September	6,600	5,950
<i>Historic cost</i>		
At 30 September	5,076	5,076
<i>Depreciation</i>		
At 1 October	472	433
Charge for year	39	39
At 30 September	511	472
<i>Net historic book value</i>		
At 30 September	4,565	4,604
At 1 October	4,604	4,643

#### *Hire purchase and finance lease agreements*

Included within the net book value of £8,170,000 is £62,000 (2009 £120,000) relating to assets held under hire purchase and finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £64,000 (2009 £76,000)

## Notes to the financial statements

for the year ended 30 September 2010

### 13. Tangible fixed assets (continued)

#### Company

	<i>Freehold property</i> £000	<i>Plant and machinery</i> £000	<i>IT equipment</i> £000	<i>Total</i> £000
<i>Cost or valuation</i>				
At 1 October 2009	2,550	359	952	3,861
Additions	-	2	39	41
Disposals	-	(22)	(35)	(57)
Revaluation	(100)	-	-	(100)
At 30 September 2010	2,450	339	956	3,745
<i>Depreciation</i>				
At 1 October 2009	-	264	798	1,062
Charge for the year	40	22	93	155
Disposals	-	(14)	(27)	(41)
Adjustment for revaluation	(40)	-	-	(40)
At 30 September 2010	-	272	864	1,136
<i>Net book value</i>				
At 30 September 2010	2,450	67	92	2,609
At 30 September 2009	2,550	95	154	2,799

In respect of certain freehold property stated at valuation, the comparable historic cost and depreciation values are as follows

	<i>2010</i> £000	<i>2009</i> £000
<i>Net book value</i>		
At 30 September	2,450	2,550
<i>Historic cost</i>		
At 30 September	2,560	2,560
<i>Depreciation</i>		
At 1 October	408	378
Charge for year	30	30
At 30 September	438	408
<i>Net historic book value</i>		
At 30 September	2,122	2,152
At 1 October	2,152	2,182

## Notes to the financial statements

for the year ended 30 September 2010

### 13. Tangible fixed assets (continued)

#### *Hire purchase and finance lease agreements*

Included within the net book value of £2,609,000 is £62,000 (2009 £120,000) relating to assets held under hire purchase and finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £64,000 (2009 £72,000).

### 14. Investments

#### *Group share of net liabilities of joint ventures*

	2010 £000	2009 £000
Share of joint venture net liabilities as at 1 October	(167)	(168)
Share of joint ventures retained profit for the year	24	1
Share of joint ventures net liabilities as at 30 September	<u>(143)</u>	<u>(167)</u>

This is a joint venture between the Balfour Beatty group and the Alderley group. The company's registered office is Alderley House, Arnolds Field Estate, The Downs, Wickwar, Wotton-Under-Edge, Gloucestershire, GL12 8JD. The accounting period of the joint venture ends on 31 December.

#### *Company*

	<i>Investments</i> £000
<i>Cost</i>	
At 1 October 2009 and 30 September 2010	<u>4,276</u>
<i>Amounts written off</i>	
At 1 October 2009 and 30 September 2010	<u>848</u>
<i>Net book value</i>	
At 30 September 2010	<u>3,428</u>
At 30 September 2009	<u>3,428</u>

## Notes to the financial statements

for the year ended 30 September 2010

### 14. Investments (continued)

#### Principal subsidiary undertakings

	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
<b>Held by the company:</b>				
Alderley Systems Limited	England	Ordinary shares	100%	Metering and pollution control systems
Alderley Farms Limited	England	Ordinary shares	100%	Farming
Alderley Neftegas LLC	Russia	Ordinary shares	100%	Metering and pollution control systems
Alderley FZE	United Arab Emirates	Ordinary shares	100%	Metering and pollution control systems
Specialised Management Services Limited	England	Ordinary shares	100%	Maintenance and spare parts
		Preference shares	100%	
Kelton Engineering Limited	Scotland	Ordinary shares	100%	Metering consultancy
<b>Held by the group:</b>				
Alderley Industrial Company Limited	Saudi Arabia	Ordinary shares	75%	Metering skids

All the principal subsidiaries are included within the consolidated financial statements. All have the same accounting period as the parent company, with the exception of Alderley Neftegas LLC. In accordance with Russian statute Alderley Neftegas LLC has a 31 December year end. The consolidated accounts include the results of Alderley Neftegas LLC for the year ended 30 September 2010.

#### Joint ventures

##### Held by the group

Alderley Birse Alliance Limited	England	Ordinary shares	50%	Odour control solutions
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#### Other investments

	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
<b>All held by the company</b>				
Rigestate Limited	England	Ordinary shares	30%	Property

Rigestate Limited is excluded from these consolidated financial statements because Alderley plc does not exert significant influence over its activities.

## Notes to the financial statements

for the year ended 30 September 2010

### 15. Stocks

	<i>Group</i>		<i>Company</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Raw materials	649	551	-	-
Work in progress	435	715	-	208
	<u>1,084</u>	<u>1,266</u>	<u>-</u>	<u>208</u>

There is no material difference between the balance sheet date value of raw materials and their replacement cost

### 16. Debtors

	<i>Group</i>		<i>Company</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	9,381	11,738	14	6
Amounts owed by group undertakings	-	-	2,719	5,592
Amounts recoverable on contracts	3,415	1,830	-	-
Corporation tax recoverable	82	841	-	-
VAT recoverable	60	55	14	14
Other debtors	349	738	270	124
Prepayments and accrued income	3,438	1,028	138	78
Deferred taxation (note 24)	227	158	169	82
	<u>16,952</u>	<u>16,388</u>	<u>3,324</u>	<u>5,896</u>

All amounts are recoverable in one year

### 17. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank overdrafts	1,020	4,835	-	3,455
Bank loan	362	362	362	362
Payments received on account	6,786	5,100	-	-
Trade creditors	5,813	4,995	406	422
Amounts owed to group undertakings	-	-	695	2,640
Hire purchase and finance lease agreements	38	47	38	47
Directors' loan accounts (note 26)	274	166	274	166
Corporation tax	49	-	-	-
Other taxes and social security	273	324	42	56
Other creditors	598	337	395	333
Accruals and deferred income	4,903	3,967	461	516
	<u>20,116</u>	<u>20,133</u>	<u>2,673</u>	<u>7,997</u>



## Notes to the financial statements

for the year ended 30 September 2010

### 17. Creditors: amounts falling due within one year (continued)

The following liabilities disclosed under creditors falling due within one year are secured by the company

	<i>Group</i>		<i>Company</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank overdrafts	1,020	4,835	-	3,455
Bank loan	362	362	362	362
Hire purchase and finance lease agreements	38	47	38	47
	<u>1,420</u>	<u>5,244</u>	<u>400</u>	<u>3,864</u>

Bank overdrafts in the UK are secured by a fixed and floating charge on the assets of the group in favour of Lloyds TSB Bank plc

The contract financing facility and related overdrafts in the UK held with Lloyds TSB Bank plc are secured by

- An omnibus guarantee and set-off agreement covering Alderley Farms Limited, Alderley plc, Alderley Systems Limited, C&M Hydraulics Limited, Specialised Management Services Limited and Kelton Engineering Limited
- Unlimited debentures from Alderley plc, Specialised Management Services Limited, Alderley Systems Limited, Kelton Engineering Limited and C&M Hydraulics Limited
- A first legal charge over Alderley plc's freehold land and buildings

The contract financing facility and related overdrafts in the United Arab Emirates held with Lloyds TSB Bank plc ("the Bank") are secured through the assignment of

- Proceeds of all letters of credit in favour of the Bank
- Credit insurance policies and insurance policies in respect of goods in favour of the Bank
- Contract proceeds and / or receivables related to contracts financed by and in favour of the Bank

Bank loans are secured as described at note 19 and obligations under hire purchase and finance lease agreements are secured by the assets to which they relate

## Notes to the financial statements

for the year ended 30 September 2010

### 18. Creditors: amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans	1,582	1,944	182	544
Amounts owed to group undertakings	-	-	1,000	1,330
Hire purchase and finance lease agreements	1	39	1	39
	<u>1,583</u>	<u>1,983</u>	<u>1,183</u>	<u>1,913</u>

### 19. Loans

Loans repayable included within creditors are analysed as follows

	<i>Group</i>		<i>Company</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Amounts repayable</i>				
In one year or less or on demand	362	362	362	362
In more than one year but not more than two years	182	362	182	362
In more than two years but not more than five years	-	182	-	182
In more than five years	1,400	1,400	-	-
	<u>1,944</u>	<u>2,306</u>	<u>544</u>	<u>906</u>

The bank loans are secured by a fixed and floating charge on the assets of the group (refer to note 17)

Bank loans repayable in more than five years relate to a mortgage that Alderley Farms Limited obtained from The Agricultural Mortgage Corporation plc (AMC) on 28 February 2006. The term of this mortgage is thirty years, and the interest rate is 1.0% per annum over AMC's variable base rate. The interest is payable quarterly, and the principal amount is payable either in quarterly instalments or in a single amount on the final repayment date.

The AMC mortgage is secured by way of a legal mortgage on property owned by Alderley Farms Limited at Tresham Valley, land at Park Farm, Hillesley and land at Day House Farm.

### 20. Commitments under hire purchase agreements and finance lease agreements

Future commitments under hire purchase and finance lease agreements are as follows

	<i>Group</i>		<i>Company</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts payable within 1 year	38	47	38	47
Amounts payable between 2 to 5 years	1	39	1	39
	<u>39</u>	<u>86</u>	<u>39</u>	<u>86</u>

## Notes to the financial statements

for the year ended 30 September 2010

### 21. Pensions

The group contributes to individual defined contribution pension schemes for certain employees. The assets of the schemes are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the funds and amounted to £220,000 (2009: £248,000). There were no outstanding contributions at the year end (2009: £14,222).

### 22. Commitments under operating lease arrangements

#### Group

At 30 September 2010 the group had annual commitments under non-cancellable operating leases as set out below

	2010		2009	
	<i>Land and buildings</i>	<i>Other items</i>	<i>Land and buildings</i>	<i>Other items</i>
	£000	£000	£000	£000
<i>Operating leases which expire</i>				
Within 1 year	86	22	156	34
Within 2 to 5 years	271	103	250	79
	<u>357</u>	<u>125</u>	<u>406</u>	<u>113</u>

#### Company

At 30 September 2010 the company had annual commitments under non-cancellable operating leases as set out below

	2010		2009	
	<i>Land and buildings</i>	<i>Other items</i>	<i>Land and buildings</i>	<i>Other items</i>
	£000	£000	£000	£000
<i>Operating leases which expire</i>				
Within 1 year	-	6	2	17
Within 2 to 5 years	-	24	-	11
	<u>-</u>	<u>30</u>	<u>2</u>	<u>28</u>

## Notes to the financial statements

for the year ended 30 September 2010

### 23. Derivatives not included at fair value

The group has derivatives which are not included at fair value in the accounts

	<i>Contract value</i>		<i>Fair value</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Forward foreign exchange contracts	7,326	-	48	-

The group uses the derivatives to hedge its exposure to changes in foreign currency exchange rates. The fair values are based on market values of equivalent instruments at the balance sheet date.

The company has derivatives which are not included at fair value in the accounts

	<i>Contract value</i>		<i>Fair value</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Forward foreign exchange contracts	725	-	1	-

The company uses the derivatives to hedge its exposure to changes in foreign currency exchange rates. The fair values are based on market values of equivalent instruments at the balance sheet date.

## Notes to the financial statements

for the year ended 30 September 2010

### 24. Deferred taxation

The movement in the deferred taxation provision during the year was

	<i>Group</i>		<i>Company</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
(Asset)/provision brought forward	(158)	187	(82)	(70)
Movement in year	(69)	(345)	(87)	(12)
Asset carried forward	<u>(227)</u>	<u>(158)</u>	<u>(169)</u>	<u>(82)</u>

#### **Group**

The group's deferred taxation balance consists of the tax effect of timing differences in respect of

	<i>2010</i>		<i>2009</i>	
	<i>Provided</i>	<i>Unprovided</i>	<i>Provided</i>	<i>Unprovided</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Decelerated capital allowances	(222)	-	(150)	-
Short term timing differences	(5)	-	(8)	-
Tax losses	-	(502)	-	(163)
	<u>(227)</u>	<u>(502)</u>	<u>(158)</u>	<u>(163)</u>

No deferred tax asset has been recognised in respect of the tax losses owing to uncertainties surrounding future taxable profits being generated in the short term

#### **Company**

The company's deferred taxation balance consists of the tax effect of timing differences in respect of

	<i>2010</i>		<i>2009</i>	
	<i>Provided</i>	<i>Unprovided</i>	<i>Provided</i>	<i>Unprovided</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Decelerated capital allowances	(169)	-	(79)	-
Short term timing differences	-	-	(3)	-
Tax losses	-	(325)	-	(163)
	<u>(169)</u>	<u>(325)</u>	<u>(82)</u>	<u>(163)</u>

No deferred tax asset has been recognised in respect of the tax losses owing to uncertainties surrounding future taxable profits being generated in the short term

No deferred tax has been recognised on the revaluation of property assets. There is no current intention of disposing of any of the revalued assets and no estimate of any potential tax liability that may arise on any such disposal has been made.

## Notes to the financial statements

for the year ended 30 September 2010

### 25. Contingencies

#### Group

Three (2009 three) of the company's subsidiaries have given performance bond guarantees, bid bonds and advance payment guarantees totalling £12,458,849 (2009 £9,745,000)

#### Company

The company entered into bond guarantees, bid bonds or advance payment guarantees of £nil (2009 £499,000)

Bonds become payable if the company does not meet its contractual obligations, at the request of the customer with whom the bond was issued. The company therefore seeks to ensure that such contractual obligations are met and historically no bonds have had to be paid.

### 26. Related party transactions

During the year the group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into and trading balances at 30 September are as follows:

	2010 Sales	2010 Purchases	2010 Amounts Owed	2010 Amounts Owing
	£000	£000	£000	£000
Suhayl Abdul Mohsin Al Shoaibi & Sons Holding Company Limited	-	179	-	254
Advanced Systems plc group	6	-	1	-
	<u>6</u>	<u>179</u>	<u>1</u>	<u>254</u>
	2009 Sales	2009 Purchases	2009 Amounts Owed	2009 Amounts Owing
	£000	£000	£000	£000
Suhayl Abdul Mohsin Al Shoaibi & Sons Holding Company Limited	-	316	-	376
Advanced Systems plc group	51	-	7	-
	<u>51</u>	<u>316</u>	<u>7</u>	<u>376</u>

Rigestate Limited is considered to be a related party owing to common directorship of A J V Shepherd.

Alderley Birse Alliance Limited is considered to be a related party owing to common directorship of A J V Shepherd.

Suhayl Abdulk Mohsin Al Shoaibi & Sons Holdings Company Limited is considered to be related owing to its interests in Alderley Industrial Company Limited.

Advanced Systems plc group is considered to be related owing to the directorship and ownership by a close family member of A J V Shepherd.

## Notes to the financial statements

for the year ended 30 September 2010

### 26. Related party transactions (continued)

During the year the company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into and trading balances at 30 September are as follows:

	<i>2010</i>	<i>2010</i>	<i>2010</i>	<i>2010</i>
	<i>Sales</i>	<i>Purchases</i>	<i>Amounts</i>	<i>Amounts</i>
			<i>Owed</i>	<i>Owing</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Suhayl Abdul Mohsin Al Shoaibi & Sons Holding Company Limited	-	100	-	119
Advanced Insulation plc group	6	-	1	-
	<u>6</u>	<u>100</u>	<u>1</u>	<u>119</u>
	<i>2009</i>	<i>2009</i>	<i>2009</i>	<i>2009</i>
	<i>Sales</i>	<i>Purchases</i>	<i>Amounts</i>	<i>Amounts</i>
			<i>Owed</i>	<i>Owing</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Suhayl Abdul Mohsin Al Shoaibi & Sons Holding Company Limited	-	218	-	218
Advanced Insulation plc group	47	-	3	-
	<u>47</u>	<u>218</u>	<u>3</u>	<u>218</u>

## Notes to the financial statements

for the year ended 30 September 2010

### 26. Related party transactions (continued)

	<i>2010</i>	<i>2010</i>	<i>2010</i>	<i>2010</i>	<i>2010</i>	<i>2010</i>
	<i>Year end</i>	<i>Maximum</i>	<i>Minimum</i>	<i>Dividends</i>	<i>Interest</i>	<i>Expenditure</i>
	<i>Balance</i>	<i>Balance</i>	<i>Balance</i>	<i>Credited</i>	<i>Credited</i>	<i>/Drawings</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
A J V Shepherd*	(195)	(195)	(9)	(215)	-	114
L M Rose*	(40)	(40)	-	(40)	-	31
P A Slatter*	(39)	(41)	2	(40)	-	42
S Shepherd #	(40)	(40)	-	(40)	-	20
N Scott-Bowden #	(38)	(38)	2	(40)	-	20
Dr A Shepherd #	(83)	(83)	(78)	(5)	-	5
E Shepherd #	(217)	(218)	(177)	(40)	(2)	34

\* Directors

# Close family members

	<i>2009</i>	<i>2009</i>	<i>2009</i>	<i>2009</i>	<i>2009</i>	<i>2009</i>
	<i>Year end</i>	<i>Maximum</i>	<i>Minimum</i>	<i>Dividends</i>	<i>Interest</i>	<i>Expenditure</i>
	<i>Balance</i>	<i>Balance</i>	<i>Balance</i>	<i>Credited</i>	<i>Credited</i>	<i>/Drawings</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
A J V Shepherd*	(94)	(98)	62	(107)	-	34
L M Rose*	(31)	(31)	(10)	(20)	-	(1)
P A Slatter*	(41)	(41)	(22)	(20)	-	1
S Shepherd #	(20)	(20)	-	(20)	-	-
N Scott-Bowden #	(18)	(18)	2	(20)	-	1
Dr A Shepherd #	(83)	(88)	(83)	-	-	5
E Shepherd #	(209)	(301)	(192)	(20)	(5)	118

\* Directors

# Close family members

The company considers A J V Shepherd to be the ultimate controlling party by virtue of his majority shareholding



## Notes to the financial statements

for the year ended 30 September 2010

### 27. Share capital

	2010 £000	2009 £000
<i>Authorised</i>		
500,000 Ordinary shares of £1 each	500	500

	2010 No	2010 £000	2009 No	2009 £000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	377,006	377	377,006	377

### 28. Reserves

#### Group

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
At 1 October 2009	474	1,980	6,367
Profit for the year	-	-	3,644
Equity dividends	-	-	(422)
Foreign currency retranslation	-	-	167
Other gains and losses - revaluation of fixed assets	-	700	-
Transfer	-	(11)	11
At 30 September 2010	474	2,669	9,767

#### Company

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
Balance at 1 October 2009	474	427	1,151
Profit for the year	-	-	3,788
Equity dividends	-	-	(422)
Foreign currency retranslation	-	-	11
Other gains and losses - revaluation of fixed assets	-	(60)	-
Transfer	-	(11)	11
Balance at 30 September 2010	474	356	4,539

The company has non-distributable reserves of £636,000 (2009 £636,000)

## Notes to the financial statements

for the year ended 30 September 2010

### 29. Reconciliation of movements in shareholders' funds

#### Group

	2010	2009
	£000	£000
Profit for the financial year	3,644	2,187
Revaluation gains and losses	700	(51)
Equity dividends paid	(422)	(211)
Foreign currency retranslation	167	(95)
Net addition to shareholders' funds	4,089	1,830
Opening shareholders' funds	9,198	7,368
Closing shareholders' funds	13,287	9,198

### 30. Reconciliation of net cash flow to movement in net funds/(debt)

	2010	2009
	£000	£000
<i>Increase in cash in the year</i>	5,986	7,423
Net cash outflow from loans	362	362
Cash outflow in respect of hire purchase and finance lease obligations	47	112
<i>Movement arising from cash flows</i>	6,395	7,897
Exchange adjustment	162	(209)
<i>Change in net funds/(debt)</i> (note 36)	6,557	7,688
<i>Net debt at 1 October</i> (note 36)	(3,448)	(11,136)
<i>Net funds/(debt) at 30 September</i> (note 36)	3,109	(3,448)

## Notes to the financial statements

for the year ended 30 September 2010

### 31. Reconciliation of group operating profit to net cash inflow from operating activities

	2010 £000	2009 £000
Group operating profit	3,926	2,232
Amortisation	172	172
Depreciation	447	710
Loss on disposal of fixed assets	3	46
Decrease in stocks	182	233
(Increase)/decrease in debtors	(1,254)	7,402
Increase/(decrease) in creditors	3,757	(1,828)
Interest charged to cost of sales	-	173
Net cash inflow from operating activities	7,233	9,140

### 32. Returns on investments and servicing of finance

	2010 £000	2009 £000
Interest received	19	20
Interest paid	(178)	(410)
Interest element of hire purchase and finance lease	(5)	(28)
Income from investments	3	-
Net cash outflow from returns on investments and servicing of finance	(161)	(418)

### 33. Taxation

	2010 £000	2009 £000
Taxation received/(paid)	651	(338)

### 34. Capital expenditure

	2010 £000	2009 £000
Payments to acquire intangible fixed assets	(611)	-
Payments to acquire tangible fixed assets	(309)	(301)
Receipts from sale of fixed assets	14	25
Net cash outflow from capital expenditure	(906)	(276)

## Notes to the financial statements

for the year ended 30 September 2010

### 35. Financing

	2010 £000	2009 £000
Repayment of loans	(362)	(362)
Capital element of hire purchase and finance lease	(47)	(112)
Net cash outflow from financing	(409)	(474)

### 36. Analysis of changes in net funds/(debt)

	At 30 September 2009 £000	Cash flows £000	Non cash movement £000	At 30 September 2010 £000
<i>Net cash</i>				
Cash in hand and at bank	3,779	2,333	-	6,112
Overdrafts	(4,835)	3,815	-	(1,020)
Exchange rate adjustments	-	(162)	162	-
	(1,056)	5,986	162	5,092
<i>Debt</i>				
Debt due within 1 year	(362)	362	(362)	(362)
Debt due after 1 year	(1,944)	-	362	(1,582)
Hire purchase and finance lease agreements	(86)	47	-	(39)
	(2,392)	409	-	(1,983)
Net funds/(debt)	(3,448)	6,395	162	3,109