

Registered No: 2378070

Alderley plc

Report and Financial Statements

30 September 2014

FRIDAY



A442TGBT

A26

27/03/2015

#62

COMPANIES HOUSE

	Page
Strategic report	2
Directors' report	6
Directors' responsibilities statement	9
Independent auditor's report	10
Group profit and loss account	12
Group statement of total recognised gains and losses	12
Group balance sheet	13
Company balance sheet	14
Group cash flow statement	15
Notes to the financial statements	16
Officers and advisors	45

Strategic report

Executive summary

The Alderley Group accounts for 2013/2014 report a pre-tax profit of £2.1m, on a turnover of £66.8m. Both figures are substantially lower than expected with the operating profit shown being less than 50% of that in the previous year. The major reason for the reduced profit was a result of worse than anticipated performance on two contracts within Alderley Systems Limited due to poor future cost assessment at the time of last year's report. Had more accurate and up to date information been available at that time, a more accurate future cost assessment would have been made and the ASL profit for 2012/2013 would have been reduced by as much as £1.6m with an improvement of the same order in 2013/2014. On this basis the group results for 2013/2014 would show a pre-tax profit of over £3.7m, which would have been in line with expectations, and regarded as satisfactory.

In the year under review 66% of Alderley's turnover derived from outside the UK. This compared with 70% in 2012/2013 which continues to demonstrate the international spread of Alderley's oil and gas business.

Principal activities and review of the business

The core business remains the supply of bespoke systems for the upstream oil and gas industry. Alderley specialises in flow measurement, produced water treatment and wellhead control systems.

The group continues to operate, mainly, from its own substantial engineering offices and assembly workshops in Wickwar and Great Yarmouth in the UK and in the Middle East in both Jebel Ali Free Zone in Dubai and Dammam in the Kingdom of Saudi Arabia.

The principal activities of the group are:

- Design, supply, commissioning of systems for fiscal and custody transfer metering, produced water treatment, chemical injection and wellhead control.
- Provision of consultancy and auditing services, and related software, for the measurement of flow in the upstream oil and gas industry.
- The operation of a commercial farm.

The key financial and other performance indicators during the year for Alderley plc and its subsidiaries were:

	2014 £000	2013 £000	Change
Group turnover	66,757	75,613	(12%)
Operating profit	2,144	4,405	(51%)
Profit before tax	2,116	4,376	(52%)
Profit after tax and minority interests	2,068	3,387	(39%)
Shareholders' funds	25,962	24,335	7%
Cash outflow	(317)	(614)	48%
Net bank funds	5,749	6,034	(5%)
Number of employees	427	388	10%

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

The group's tangible fixed asset expenditure in 2014 was £968,000 (2013: £2,782,000).

Strategic report

Principal activities and review of the business (continued)

Systems division

Alderley Free Zone Establishment (AFZE)

AFZE is Alderley's biggest company on a turnover basis. Located in Dubai it serves the Middle East and Saudi Arabian market. Concentrating on flow measurement systems it had a good year with a turnover of £28.8m and a pre-tax profit of £2.1m.

AFZE's subsidiary in Saudi Arabia was unable to trade with Aramco as a result of actions taken by its minority Saudi partner. The minority interest has been bought out and the rights to trade with Aramco re-established through a newly formed AFZE branch office. It is expected that this branch will be able to expand business and turnover substantially in 2014/2015.

Specialised Management Services Limited (SMS)

SMS was the success story of the group in 2014. Although turnover was unchanged, pre-tax profit increased from £1.1m to £1.7m. SMS currently has a strong order book which will carry it into the second half of the year ending 30 September 2015. This, combined with its maintenance and international work, will enable it to develop its business in the current economic climate within the oil and gas industry.

Specialised Management Services Limited (SMS) is expanding its business. To accommodate this, the Alderley plc Group Board has agreed to the building of a new custom built facility, comprising 1,000 sq. m of office and 1,800 sq. m workshop space on the Beacon Park development close to its existing facility in Great Yarmouth.

Alderley Process Technologies Limited (APT)

The past year was APT's first full year of trading and the development of the business has not occurred as planned. However, the order book going forward is more promising and, as the water and solids' product rates continue to rise and discharge specifications become more stringent, APT is now well placed to benefit.

Alderley Systems Limited (ASL)

Like AFZE, ASL supplies metering systems but concentrates on the European and African market. The ASL accounts in 2013/2014 show a substantial loss but this result does not represent a realistic measure of its performance in that year as detailed in the Executive Summary. Poor future cost assessments were made at the time of reporting its 2012/2013 accounts. Had these been accurate ASL's loss would have reduced from the £2.2m reported in 2013/2014 to £0.6m.

That said, ASL's performance remains a problem for the group. To rectify the situation, management changes have been made and a thorough review of working practices and markets is being undertaken.

Consultancy division

Kelton Engineering Limited (Kelton)

Kelton, the group's consultancy business, specialises in auditing fiscal and custody transfer metering systems and other general metering consultancy work. It also supplies software. Turnover was up 3% on the previous year at £6.2m but pre-tax profit slipped by 10% to £0.4m.

To take advantage of the current circumstances of the oil and gas industry the board intends to increase its consultancy business. Plans are being prepared for expansion both in the UK and overseas.

Strategic report

Principal activities and review of the business (continued)

Farming

Alderley Farms Limited

Alderley owns and manages a substantial agricultural business. Whilst trading results have been poor, the capital value of the land and buildings continues to rise. This represents a significant part of the security available to cover the group's ever increasing bond requirements within its systems division.

Current and future developments

The group has continued to invest in innovative technology to ensure that it continues to differentiate itself from its competitors.

Going concern

The group's strong cash position, and its continuing contract opportunities, mean that the Directors have confidence that they can continue using the going concern basis in preparing the annual financial statements. The recent reductions in oil price will have an effect on the market but Alderley is confident that it can adapt to any foreseeable changes and continue to trade profitably.

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 on-going basis. Credit evaluations are carried out on all customers requiring credit and, where appropriate, the group endeavours to minimise 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 facility and bank loans. The risk is moderated by ensuring cash is appropriately managed to reduce the requirement for an overdraft and loans are currently being repaid 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.

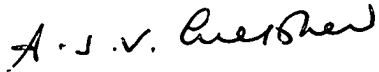
Strategic report

Principal activities and review of the business (continued)

General market risk

The principal market risk faced by the group is its exposure to fluctuations within the oil and gas market. The group comprises of a number of different entities which operate within different geographical locations and markets. The group's geographical diversification and focus on gas as well as oil projects partially mitigates the risk associated with these fluctuations. The current reduction in the oil price is likely to lead to increased levels of production and capital investment in low cost production areas such as Saudi Arabia and the Gulf states. These are Alderley's principal markets and where additional opportunities should more than compensate for the possible loss of markets in the North Sea. The group is also looking at further market diversification.

Approved by the Board and signed on its behalf by



A J V Shepherd
Chairman

4 March 2015

Directors' report

The directors present their report and financial statements for the year ended 30 September 2014.

Results and dividends

The consolidated profit for the year, after taxation and minority interests, amounted to £2,068,000 (2013: profit of £3,387,000).

A dividend of £543,000 was declared and paid in full during the year ended 30 September 2014 (2013: £720,000). A further dividend of £200,000 was declared and authorised by the board in September 2014 and remained unpaid at the year-end (2013: £336,000).

Events since the balance sheet date

There have been no significant events since the balance sheet date except the commitment to the new facilities in Great Yarmouth as detailed in the Strategic Report.

Directors of the company

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

A J V Shepherd	
M Colebrook	(appointed 3 November 2014)
I Hewitt	
A Mansfield	(appointed 15 April 2014)
C McGeehan	(resigned 6 December 2013)
J R Medcraft	(resigned 24 June 2014)
L M Rose	
P A Slatter	
A Wilson	

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 2014, the year-end creditor days was 65 days (2013: 93 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' 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 a qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

The bribery act

Alderley's zero tolerance towards bribery sends a strong message to our customers, suppliers and other stakeholder groups that Alderley is committed to uphold these laws. Alderley invests considerable time and effort reviewing and updating our internal policies and procedures in order that we are able to confidently assert that we are operating in a bribery and corruption free environment.

Directors' report

Health, safety and environment

Given the nature and demands of our business, ensuring a high level of performance in Health and Safety is absolutely essential, and Alderley has a strong track record in these areas. We are very conscious that there is no room for complacency when it comes to employee welfare and sustainability. We seek to improve our performance year-on-year.

Alderley will make proper provision for the health, safety and welfare of its people, visitors and contractors and those in the community who may be affected by its activities. Alderley will care for the environment through a commitment to good environmental practices. Continual improvement will be achieved by implementing the Alderley Group Health, Safety & Environment (HS&E) Management System and related standards, which will include the setting of objectives and targets. As a minimum, Alderley will meet relevant legal, industry, business and other requirements.

Alderley plc aims to reduce the health, safety and environmental impacts of its products and processes and prevent pollution by utilising a structured risk management approach, taking into account the needs of our customers and society. All new activities will be assessed for environmental impact and appropriate health and safety arrangements.

People

Attracting, developing and retaining talented staff is a major challenge for the oil and gas industry and at Alderley we are fortunate to have high quality people across the whole range of our services. It is therefore vital for our continued success that we support and encourage personal development and career progression, and treat our people with respect, maturity and openness. We also invest significantly in enhancing and widening their skill sets. We are confident that this approach is the one most likely to enable us to achieve our business objectives by providing quality, continuity and growth. In addition, with a diverse range of nationalities working within the group, we also respect and recognise the value of different cultures.

Equal opportunities

Alderley is committed to the principle of equal opportunity in employment. Accordingly, our employment policies for recruitment, selection, training, development and promotion are designed to ensure that no job applicant or employee receives less favourable treatment on the grounds of age, disability, race, colour, nationality, ethnic or national origin, religion, beliefs, trade union membership or non-membership, sex, sexual orientation or marital status. The objective of this policy is to ensure that individuals are selected, promoted and otherwise treated solely on the basis of their relevant aptitudes, skills, abilities, performance and achievements.

Disabled employees

As an equal opportunities employer we give full consideration to applications for employment from disabled persons (as set out by the Equality Act) where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is our 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.

Directors' report

Disclosure of information to the auditor

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

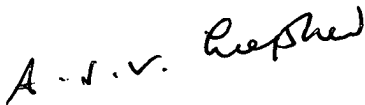
- So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all steps that he/she ought to have taken to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware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

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

Auditor

A resolution to reappoint Deloitte LLP as auditor 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
Chairman

4 March 2015

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 the 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 applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

to the members of Alderley plc

We have audited the financial statements of Alderley plc for the year ended 30 September 2014 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 37. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 the parent company's affairs as at 30 September 2014 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 auditor's report

to the members of Alderley plc (continued)

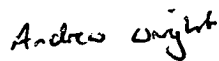
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and 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 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.



Andrew Wright FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Bristol, United Kingdom

4 March 2015

Group profit and loss account

for the year ended 30 September 2014

	Notes	2014 £000	2013 £000
Turnover	2	66,757	75,613
Operating costs	3	(64,725)	(71,291)
Other operating income		112	83
Group operating profit	4	2,144	4,405
Interest receivable	7	4	-
Interest payable and similar charges	8	(32)	(29)
Profit on ordinary activities before taxation		2,116	4,376
Tax on profit on ordinary activities	9	(48)	(944)
Profit on ordinary activities after taxation		2,068	3,432
Minority interests	30	-	(45)
Profit for the financial year	28	2,068	3,387

All of the activities of the group are classed as continuing.

Group statement of total recognised gains and losses

for the year ended 30 September 2014

	2014 £000	2013 £000
Profit for the financial year	2,068	3,387
Revaluation of tangible fixed assets (note 13)	-	900
Exchange differences on retranslation of net assets of subsidiary undertakings	20	73
Gain on purchase of minority interests (note 14)	282	-
Total gains and losses recognised in the year	2,370	4,360

Group balance sheet

at 30 September 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Intangible assets	12	1,848	2,154
Tangible assets	13	11,548	11,298
		<u>13,396</u>	<u>13,452</u>
Current assets			
Stocks	15	656	1,407
Debtors: amounts receivable within one year	16	29,214	32,928
Cash at bank and in hand		7,149	7,434
Total current assets		<u>37,019</u>	<u>41,769</u>
Creditors: amounts falling due within one year	17	(23,053)	(28,549)
Net current assets		<u>13,966</u>	<u>13,220</u>
Total assets less current liabilities		<u>27,362</u>	<u>26,672</u>
Creditors: amounts falling due after more than one year	18	(1,400)	(1,400)
Provisions for liabilities	20	-	(351)
Net assets		<u>25,962</u>	<u>24,921</u>
Capital and reserves			
Called up share capital	27	377	377
Share premium account	28	474	474
Revaluation reserve	28	3,529	3,539
Profit and loss account	28	21,582	19,945
Shareholders' funds	29	<u>25,962</u>	<u>24,335</u>
Minority interests	30	-	586
		<u>25,962</u>	<u>24,921</u>

The group financial statements of Alderley plc, registered no. 2378070 were approved by the board of directors and authorised for issue on 4 March 2015.



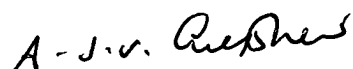
A J V Shepherd
Director

Company balance sheet

at 30 September 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Tangible assets	13	4,202	3,922
Investments	14	4,538	4,538
		<u>8,740</u>	<u>8,460</u>
Current assets			
Debtors: amounts receivable within one year	16	3,533	3,733
Cash at bank and in hand		5,111	4,113
		<u>8,644</u>	<u>7,846</u>
Creditors: amounts falling due within one year	17	(3,101)	(3,747)
Net current assets		<u>5,543</u>	<u>4,099</u>
Total assets less current liabilities		<u>14,283</u>	<u>12,559</u>
Creditors: amounts falling due after more than one year	18	(1,000)	(1,000)
Provisions for liabilities	20	-	(351)
Net assets		<u>13,283</u>	<u>11,208</u>
Capital and reserves			
Called up share capital	27	377	377
Share premium account	28	474	474
Revaluation reserve	28	361	371
Profit and loss account	28	12,071	9,986
Shareholders' funds		<u>13,283</u>	<u>11,208</u>

The company financial statements of Alderley plc, registered no. 2378070 were approved by the board of directors and authorised for issue on 4 March 2015.



A J V Shepherd
Director

Group cash flow statement

for the year ended 30 September 2014

	<i>Notes</i>	<i>2014 £000</i>	<i>2013 £000</i>
Net cash inflow from operating activities	32	2,378	4,144
Returns on investments and servicing of finance	33	(28)	(29)
Taxation	34	(538)	(894)
Capital expenditure and financial investment	35	(946)	(2,779)
Acquisitions	36	(304)	-
Dividends paid		(879)	(1,056)
Decrease in cash		<u>(317)</u>	<u>(614)</u>

Notes to the financial statements

for the year ended 30 September 2014

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

The directors of the company have prepared consolidated trading projections through to the period ending September 2017 which forecast growth in business activities and continuing profitability for the group. These forecasts take account of certain sensitivities, including possible changes in trading performance, and show that the group will be able to successfully operate at and within the level of the facilities currently extended by the bank.

On 5 February 2015 the group entered into a new facility agreement in the UK for a period through to the end of October 2015. At 30 September 2014 the group had significant positive net bank funds of £5,749,000 (2013: £6,034,000).

Details of the security related to the existing borrowing facilities are set out in notes 18 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 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.

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

Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an intangible 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.

Notes to the financial statements

for the year ended 30 September 2014

1. Accounting policies (continued)

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 classified as an intangible asset and 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 2014

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 despatch 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 as revenue within turnover 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 & Custom's 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 accordance with Statement of Standard Accounting Practice Number 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 HMRC's Business Economic Note 19)
- Market Value
- Net Realisable Value (see HMRC's Business Economic Note 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 2014

1. Accounting policies (continued)

Leases

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 and laws 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 2014

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.

For a forward foreign exchange contract to be treated as a hedge the instrument must be related to the actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the group's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account or as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the group's financial statements.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

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 2014

2. Segment analysis

The segments by class of business below are consistent with the group's principal activities.

	<i>2014 Systems £000</i>	<i>2014 Consultancy £000</i>	<i>2014 Farming £000</i>	<i>2014 Unallocated £000</i>	<i>Total £000</i>
Turnover	60,389	6,130	238	-	66,757
Operating profit/(loss)	1,241	425	(187)	665	2,144
Net assets	8,981	2,292	1,993	12,696	25,962

	<i>2013 Systems £000</i>	<i>2013 Consultancy £000</i>	<i>2013 Farming £000</i>	<i>2013 Unallocated £000</i>	<i>2013 Total £000</i>
Turnover	69,443	5,926	244	-	75,613
Operating profit/(loss)	4,204	474	(126)	(147)	4,405
Net assets	9,322	1,905	2,167	11,527	24,921

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

Unallocated amounts relate to centralised group assets owned by the parent company which cannot be readily allocated between segments.

Notes to the financial statements

for the year ended 30 September 2014

2. Segment analysis (continued)

An analysis of turnover by destination is given below:

	2014 £000	2013 £000
United Kingdom	22,927	22,632
Europe	4,574	9,452
Rest of World	39,256	43,529
	<u>66,757</u>	<u>75,613</u>

An analysis of turnover by origin is given below:

	2014 £000	2013 £000
United Kingdom	38,320	46,032
Rest of World	28,437	29,581
	<u>66,757</u>	<u>75,613</u>

3. Operating costs

	2014 £000	2013 £000
Raw materials and consumables	38,972	45,781
Staff costs (note 5)	19,338	18,636
Depreciation and amortisation of fixed assets	953	772
Other operating charges	5,462	6,102
	<u>64,725</u>	<u>71,291</u>

Notes to the financial statements

for the year ended 30 September 2014

4. Operating profit

Operating profit is stated after charging:

	2014 £000	2013 £000
Amortisation of development costs	135	135
Amortisation of goodwill	171	172
Depreciation of owned fixed assets	647	465
Loss on disposal of fixed assets	37	7
Auditor's remuneration	169	164
Operating lease costs - land and buildings	883	665
- other	247	187
Net loss on foreign currency translation	98	56

The analysis of the auditor's remuneration is as follows:

	2014 £000	2013 £000
Fees payable to the company's auditor for the audit of the company's annual accounts	20	20
Fees payable to the company's auditor and its associates for other services to the group		
-the audit of the company's subsidiaries pursuant to legislation	90	98
	110	118
Audit related services	7	9
Total audit fees	117	127
Non-audit fees payable to the company's auditor and its associates for other services to the group		
- compliance related taxation services	38	33
- non-compliance related taxation services	8	1
Total non-audit fees	46	34

The above fees were payable to Deloitte LLP.

The above amounts do not include audit fees of £6,000 (2013: £3,000) paid to Abdullah M. Al Basri and Co., Certified Public Accountant in connection with the local statutory audit of the Saudi Branch of Alderley plc for the year ended 30 September 2014.

Notes to the financial statements

for the year ended 30 September 2014

5. Staff costs

	2014 £000	2013 £000
Wages and salaries	17,617	16,995
Social security costs	1,318	1,317
Other pension costs	403	324
	<u>19,338</u>	<u>18,636</u>

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

	2014 No.	2013 No.
Administration and management	86	84
Sales and production	341	304
	<u>427</u>	<u>388</u>

6. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2014 £000	2013 £000
Aggregate emoluments	633	766
Value of company pension contributions to money purchase schemes	41	33
	<u>674</u>	<u>799</u>

Emoluments of highest paid director:

	2014 £000	2013 £000
Aggregate emoluments	250	279
Value of company pension contributions to money purchase schemes	16	15
	<u>266</u>	<u>294</u>

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

	2014 No.	2013 No.
Money purchase schemes	4	3

Notes to the financial statements

for the year ended 30 September 2014

7. Interest receivable

	2014 £000	2013 £000
Bank interest receivable	4	-

8. Interest payable and similar charges

	2014 £000	2013 £000
Interest payable on bank borrowings	22	21
Other similar charges payable	10	8
	32	29

9. Tax

(a) Tax on profit on ordinary activities:

	2014 £000	2013 £000
<i>Current tax:</i>		
UK corporation tax based on the results for the year at 22.0% (2013: 23.5%)	(46)	545
Adjustments in respect of prior periods	1	(22)
Double tax relief	(14)	(24)
	(59)	499
<i>Foreign tax:</i>		
Foreign tax suffered	180	200
Adjustments in respect of prior year foreign tax	36	-
	216	200
<i>Deferred tax:</i>		
Origination and reversal of timing differences (note 24)	63	266
Adjustments in respect of prior year deferred tax	(172)	(21)
	(109)	245
Tax on profit on ordinary activities	48	944

Notes to the financial statements

for the year ended 30 September 2014

9. Tax (continued)

(b) Factors affecting current tax charges:

The tax assessed on the profit on ordinary activities for the year is different to the blended rate of corporation tax in the UK of 22.0% (2013: 23.5%) and the reasons for this are set out in the following reconciliation:

	2014 £000	2013 £000
Profit on ordinary activities before taxation	2,116	4,376
Profit on ordinary activities by blended rate of tax	465	1,028
<i>Effects of:</i>		
Expenses not deductible for tax purposes	293	365
Non-taxable income	(186)	(159)
Accelerated capital allowances	(61)	(64)
Short term timing differences	(19)	40
Higher rates on foreign income	163	122
Different tax rates for foreign subsidiaries	(576)	(469)
Adjustments in respect of prior years	1	(22)
Adjustments in respect of prior years' foreign tax	36	-
Sundry tax adjusting items	(17)	(1)
Tax losses generated/(utilised)	58	(141)
Total current tax (note 9(a))	157	699

It was substantively enacted at the reporting date that the standard rate of corporation tax in the UK will change to 21% with effect from 1 April 2014. In the budget announcement on 20 March 2013 the chancellor announced a planned reduction in the standard rate of corporation tax to 20% by 1 April 2015.

Notes to the financial statements

for the year ended 30 September 2014

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 £2,818,000 (2013: profit of £4,744,000).

11. Dividends

Amounts recognised as distributions to shareholders in the period:

	2014 £000	2013 £000
Dividend for the year ended 30 September 2014 of 144.0p (2013: 191.0p) per ordinary share	543	720
Dividend for the year ended 30 September 2014 of 53.0p (2013: 89.0p) per ordinary share	200	336

12. Intangible fixed assets

Group

	Development costs £000	Goodwill £000	Total £000
<i>Cost:</i>			
At 1 October 2013 and 30 September 2014	675	3,302	3,977
<i>Amortisation:</i>			
At 1 October 2013	405	1,418	1,823
Charge for the year	135	171	306
At 30 September 2014	540	1,589	2,129
<i>Net book value:</i>			
At 30 September 2014	135	1,713	1,848
At 30 September 2013	270	1,884	2,154

Development costs have been capitalised in accordance with SSAP 13 *Accounting for research and development*. The costs related to the development of FM²P.net which is new software associated with the management of flow measurement for the oil and gas sector. In October 2010 this new software was launched for commercial retail, from which date the related costs are being amortised over a period of five years.

Notes to the financial statements

for the year ended 30 September 2014

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 2013	7,598	2,630	2,422	331	2,406	15,387
Additions	426	72	225	18	227	968
Disposals	-	-	(410)	(13)	(775)	(1,198)
Exchange variance	-	(9)	(2)	(1)	-	(12)
Reclassification	-	43	(74)	-	31	-
At 30 September 2014	8,024	2,736	2,161	335	1,889	15,145
<i>Depreciation:</i>						
At 1 October 2013	-	317	1,963	176	1,633	4,089
Charge for the year	58	154	102	46	287	647
Disposals	-	-	(354)	(10)	(775)	(1,139)
Reclassification	-	15	(39)	-	24	-
At 30 September 2014	58	486	1,672	212	1,169	3,597
<i>Net book value:</i>						
At 30 September 2014	7,966	2,250	489	123	720	11,548
At 30 September 2013	7,598	2,313	459	155	773	11,298

Notes to the financial statements

for the year ended 30 September 2014

13. Tangible fixed assets (continued)

Revaluation of fixed assets

The freehold property which constitutes the farm was valued as at 30 September 2013, for the purposes of the financial statements, by Smiths Gore Chartered Surveyors who are members of the Royal Institute of Chartered Surveyors on an open market value basis at £5,000,000.

The freehold property also includes the factory and office premises in Wickwar that were valued as at 30 September 2013, for the purposes of the financial statements, by BNP Paribas Real Estate Advisory & Property Management UK Limited who are members of the Royal Institute of Chartered Surveyors on the existing use basis at £2,500,000.

The value of freehold land that is not depreciated is £5,165,000 (2013: £5,165,000).

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:

	2014 £000	2013 £000
<i>Net book value:</i>		
At 30 September	7,966	7,598
<i>Historical cost:</i>		
At 30 September	5,752	5,326
<i>Depreciation:</i>		
At 1 October	632	590
Charge for year	48	42
At 30 September	680	632
<i>Net historical book value:</i>		
At 30 September	5,072	4,694
At 1 October	4,694	4,590

Notes to the financial statements

for the year ended 30 September 2014

13. Tangible fixed assets (continued)

Company

	<i>Freehold property £000</i>	<i>Leasehold property £000</i>	<i>Plant and machinery £000</i>	<i>IT equipment £000</i>	<i>Fixtures and fittings £000</i>	<i>Total £000</i>
<i>Cost or valuation:</i>						
At 1 October 2013	2,599	823	335	1,452	24	5,233
Additions	426	3	-	75	-	504
Disposals	-	-	(253)	(722)	-	(975)
At 30 September 2014	3,025	826	82	805	24	4,762
<i>Depreciation:</i>						
At 1 October 2013	-	4	303	1,000	4	1,311
Charge for the year	49	17	7	122	4	199
Disposals	-	-	(228)	(722)	-	(950)
At 30 September 2014	49	21	82	400	8	560
<i>Net book value:</i>						
At 30 September 2014	2,976	805	-	405	16	4,202
At 30 September 2013	2,599	819	32	452	20	3,922

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

	<i>2014 £000</i>	<i>2013 £000</i>
<i>Net book value:</i>		
At 30 September	2,976	2,599
<i>Historical cost:</i>		
At 30 September	3,214	2,788
<i>Depreciation:</i>		
At 1 October	532	499
Charge for year	39	33
At 30 September	571	532
<i>Net historical book value:</i>		
At 30 September	2,643	2,256
At 1 October	2,256	2,143

Notes to the financial statements

for the year ended 30 September 2014

14. Investments

Company

	<i>Investments</i> £000
<i>Cost:</i>	
At 1 October 2013 and 30 September 2014	4,904
<i>Amounts written off:</i>	
At 1 October 2013 and 30 September 2014	366
<i>Net book value:</i>	
At 30 September 2013 and 30 September 2014	4,538

Principal subsidiary undertakings

	<i>Country of incorporation</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Held by the company:				
Alderley Systems Limited	England	Ordinary shares	100%	Metering 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 systems
Specialised Management Services Limited	England	Ordinary shares	100%	Wellhead controls & hydraulic maintenance
Kelton Engineering Limited	Scotland	Ordinary shares	100%	Metering consultancy
Alderley Process Technologies Limited	England	Ordinary shares	100%	Produced water treatment

Notes to the financial statements

for the year ended 30 September 2014

14. Investments (continued)

Principal subsidiary undertakings (continued)

	<i>Country of incorporation</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Held by the group:				
Alderley Industrial Company Limited	Saudi Arabia	Ordinary shares	100%	Metering systems

During the year ended 30 September 2014, the group, via Alderley FZE (AFZE), purchased the shares of the minority interest (25%) of Alderley Industrial Company Limited (AICL) and then converted AICL into a branch of AFZE from a subsidiary. Due to the value at which the minority interest was carried in the consolidated financial statements, a book gain of £282,000 has been recognised. As a non trading item directly related to equity, this has been shown in the group statement of total recognised gains and losses.

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 2014.

Other investments

	<i>Country of incorporation</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
<i>All held by the company:</i>				
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 2014

15. Stocks

	<i>Group</i>		<i>Company</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Raw materials	460	447	-	-
Work in progress	196	960	-	-
	<u>656</u>	<u>1,407</u>	<u>-</u>	<u>-</u>

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

16. Debtors: amounts receivable within one year

	<i>Group</i>		<i>Company</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	16,186	12,386	89	102
Amounts owed by group undertakings	-	-	2,880	2,920
Amounts recoverable on contracts	7,623	14,494	-	-
Corporation tax recoverable	169	3	-	3
Deferred taxation (note 24)	366	257	289	243
VAT recoverable	-	1,086	11	230
Other debtors	24	24	208	152
Prepayments and accrued income	4,846	4,678	56	83
	<u>29,214</u>	<u>32,928</u>	<u>3,533</u>	<u>3,733</u>

Notes to the financial statements

for the year ended 30 September 2014

17. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Payments received on account	5,735	3,196	-	-
Trade creditors	9,283	14,626	115	181
Amounts owed to group undertakings	-	-	1,413	901
Directors' loan accounts (note 26)	187	398	633	398
Corporation tax	100	315	72	-
Other taxes and social security	581	478	63	51
Other creditors	72	836	4	734
Accruals and deferred income	7,095	8,700	801	1,482
	<u>23,053</u>	<u>28,549</u>	<u>3,101</u>	<u>3,747</u>

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

The overdrafts and other facilities in the UK held with Lloyds Bank plc are secured by:

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

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

	<i>Group</i>		<i>Company</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans	1,400	1,400	-	-
Amounts owed to group undertakings	-	-	1,000	1,000
	<u>1,400</u>	<u>1,400</u>	<u>1,000</u>	<u>1,000</u>

Notes to the financial statements

for the year ended 30 September 2014

19. Borrowings

Repayable bank loans and overdrafts included within creditors are analysed as follows:

	<i>Group</i>		<i>Company</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Amounts repayable:</i>				
In more than five years	1,400	1,400	-	-
	<u>1,400</u>	<u>1,400</u>	<u>-</u>	<u>-</u>
	<u><u>1,400</u></u>	<u><u>1,400</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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 the freehold land and property owned by Alderley Farms Limited at Tresham, at Park Farm, Alderley and at Day House Farm, Hillesley.

20. Provisions for liabilities

The company and group made the following provisions during the year.

	<i>Group</i>		<i>Company</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 October	351	-	351	-
Provided	-	351	-	351
Credited to the profit and loss account	(351)	-	(351)	-
At 30 September	<u>-</u>	<u>351</u>	<u>-</u>	<u>351</u>
	<u><u>-</u></u>	<u><u>351</u></u>	<u><u>-</u></u>	<u><u>351</u></u>

The amounts disclosed in 2013 are in respect of an onerous lease for a property in Aberdeen, which is surplus to the group's requirements. An undiscounted provision was therefore provided to account for all the future lease payments up until the expiration of the lease on 28 February 2018. In 2014, the property was successfully sub-let for the remainder of its lease term, and therefore the previous provision has been released in the year.

Notes to the financial statements

for the year ended 30 September 2014

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 £403,000 (2013: £324,000). There were £60,000 outstanding contributions at the year-end (2013: £59,000).

22. Financial commitments

Group

At 30 September 2014 and 2013 the group had annual commitments under non-cancellable operating leases as set out below:

	2014		2013	
	<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 one year	142	52	159	26
Within two to five years	296	76	286	82
After more than five years	-	-	-	-
	<u>438</u>	<u>128</u>	<u>445</u>	<u>108</u>

Company

At 30 September 2014 and 2013 the company had annual commitments under non-cancellable operating leases as set out below:

	2014		2013	
	<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 one year	-	-	-	9
Within two to five years	-	23	-	17
	<u>-</u>	<u>23</u>	<u>-</u>	<u>26</u>

Capital commitments are as follows:

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Contracted for but not provided:	80	285	3	282

Notes to the financial statements

for the year ended 30 September 2014

23. Derivatives not included at fair value

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

	<i>Contract value</i>		<i>Fair value</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Forward foreign exchange contracts	2,160	5,568	(81)	104

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 as follows:

	<i>Contract value</i>		<i>Fair value</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Forward foreign exchange contracts	-	1,538	-	(11)

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.

24. Deferred taxation

The movement in the deferred taxation asset during the year was:

	<i>Group</i>		<i>Company</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Asset brought forward	(257)	(502)	(243)	(470)
Movement in year	(109)	245	(46)	227
Asset carried forward	(366)	(257)	(289)	(243)

Notes to the financial statements

for the year ended 30 September 2014

24. Deferred taxation (continued)

Group

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

	2014		2013	
	<i>Provided</i>	<i>Unprovided</i>	<i>Provided</i>	<i>Unprovided</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Amounts receivable within one year:</i>				
Accelerated/(decelerated) capital allowances	(59)	26	(98)	1
Short term timing differences	(190)	-	(11)	-
Tax losses	(117)	(161)	(148)	(95)
	<u>(366)</u>	<u>(135)</u>	<u>(257)</u>	<u>(94)</u>

Company

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

	2014		2013	
	<i>Provided</i>	<i>Unprovided</i>	<i>Provided</i>	<i>Unprovided</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Amounts receivable within one year:</i>				
Decelerated capital allowances	(66)	-	(91)	-
Short term timing differences	(106)	-	(4)	-
Tax losses	(117)	-	(148)	-
	<u>(289)</u>	<u>-</u>	<u>(243)</u>	<u>-</u>

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 should any such disposal be made.

Notes to the financial statements

for the year ended 30 September 2014

25. Contingencies

Group

Five (2013: four) of the company's subsidiaries have given performance bond guarantees, bid bonds and advance payment guarantees totalling £10,239,000 (2013: £12,119,000).

Company

The company did not enter into bond guarantees, bid bonds or advance payment guarantees (2013: £nil).

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 related parties. Transactions entered into and trading balances at 30 September are as follows:

	2014 Sales £000	2014 Purchases £000	2014 Amounts Owed £000	2014 Amounts Owing £000
Suhayl Abdul Mohsin Al Shoaibi & Sons Holding Company Limited	-	-	-	-
	2013 Sales £000	2013 Purchases £000	2013 Amounts Owed £000	2013 Amounts Owing £000
Suhayl Abdul Mohsin Al Shoaibi & Sons Holding Company Limited	-	249	-	-

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

The company did not enter into any other transactions, in the ordinary course of business, with related parties in either the year ended 30 September 2014 or the year ended 30 September 2013.

Notes to the financial statements

for the year ended 30 September 2014

26. Related party transactions (continued)

During the year the company entered into the following transactions with the directors and their close family members, since not all of these individuals decided to receive their dividends in full. Transactions entered into and trading balances at 30 September are as follows:

	<i>2014</i>	<i>2014</i>	<i>2014</i>	<i>2014</i>	<i>2014</i>	<i>2014</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>
	<i>(Dr)/Cr</i>	<i>(Dr)/Cr</i>	<i>(Dr)/Cr</i>	<i>(Dr)/Cr</i>	<i>(Dr)/Cr</i>	<i>(Dr)/Cr</i>
A J V Shepherd	87	397	(6)	549	-	(732)
L M Rose	23	23	2	103	-	(83)
P A Slatter	77	140	56	103	1	(152)
	<u>187</u>	<u>560</u>	<u>52</u>	<u>755</u>	<u>1</u>	<u>(967)</u>
Close family members*	<u>446</u>	<u>446</u>	<u>365</u>	<u>324</u>	<u>4</u>	<u>(259)</u>

	<i>2013</i>	<i>2013</i>	<i>2013</i>	<i>2013</i>	<i>2013</i>	<i>2013</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>
	<i>(Dr)/Cr</i>	<i>(Dr)/Cr</i>	<i>(Dr)/Cr</i>	<i>(Dr)/Cr</i>	<i>(Dr)/Cr</i>	<i>(Dr)/Cr</i>
A J V Shepherd	270	540	199	537	-	(604)
L M Rose	3	71	2	101	-	(100)
P A Slatter	125	192	82	101	2	(138)
	<u>398</u>	<u>803</u>	<u>283</u>	<u>739</u>	<u>2</u>	<u>(842)</u>
Close family members*	<u>377</u>	<u>408</u>	<u>343</u>	<u>317</u>	<u>5</u>	<u>(295)</u>

*Transactions with close family members of A J V Shepherd have been amalgamated. The amounts due to these individuals are included within other creditors.

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 2014

27. Share capital

	2014 £000	2013 £000
<i>Authorised:</i> 500,000 Ordinary shares of £1 each	500	500

	2014 No.	2014 £000	2013 No.	2013 £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 2013	474	3,539	19,945
Profit for the year	-	-	2,068
Dividends	-	-	(743)
Foreign currency retranslation	-	-	20
Transfer	-	(10)	10
Gain on purchase of minority interests	-	-	282
At 30 September 2014	474	3,529	21,582

Company

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
At 1 October 2013	474	371	9,986
Profit for the year	-	-	2,818
Dividends	-	-	(743)
Transfer	-	(10)	10
At 30 September 2014	474	361	12,071

The company has non-distributable reserves of £636,000 (2013: £636,000).

Notes to the financial statements

for the year ended 30 September 2014

29. Reconciliation of movements in shareholders' funds

Group

	2014 £000	2013 £000
Profit for the financial year	2,068	3,387
Dividends	(743)	(1,056)
Foreign currency retranslation	20	73
Revaluation	-	900
Gain on purchase of minority interests	282	-
Net addition to shareholders' funds	1,627	3,304
Opening shareholders' funds	24,335	21,031
Closing shareholders' funds	25,962	24,335

30. Minority interests

	2014 £000	2013 £000
At 1 October	586	541
Profit on ordinary activities after taxation	-	45
Buy-out of minority interests	(586)	-
At 30 September	-	586

31. Reconciliation of net cash flow to movement in net funds

	2014 £000	2013 £000
<i>Decrease in cash in the year</i>	(317)	(614)
Exchange adjustment	32	94
<i>Change in net funds (note 37)</i>	(285)	(520)
<i>Net funds at 1 October (note 37)</i>	6,034	6,554
<i>Net funds at 30 September (note 37)</i>	5,749	6,034

Notes to the financial statements

for the year ended 30 September 2014

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

	2014 £000	2013 £000
Group operating profit	2,144	4,405
Amortisation	306	307
Depreciation	647	465
Loss on disposal of fixed assets	37	7
Decrease/(increase) in stocks	751	(473)
Decrease/(increase) in debtors	3,989	(10,471)
(Decrease)/increase in creditors	(5,145)	9,553
(Decrease)/increase in provisions	(351)	351
Net cash inflow from operating activities	<u>2,378</u>	<u>4,144</u>

33. Returns on investments and servicing of finance

	2014 £000	2013 £000
Interest received	4	-
Interest paid	(32)	(29)
Net cash outflow from returns on investments and servicing of finance	<u>(28)</u>	<u>(29)</u>

34. Taxation

	2014 £000	2013 £000
Taxation paid	(538)	(894)

35. Capital expenditure

	2014 £000	2013 £000
Payments to acquire tangible fixed assets	(968)	(2,782)
Receipts from sale of fixed assets	22	3
Net cash outflow from capital expenditure	<u>(946)</u>	<u>(2,779)</u>

Notes to the financial statements

for the year ended 30 September 2014

36. Acquisitions

	2014 £000	2013 £000
Purchase of minority interest	(304)	-

37. Analysis of changes in net funds

	At 1 October 2013 £000	Cash flows £000	Non cash movement £000	At 30 September 2014 £000
<i>Net cash:</i>				
Cash in hand and at bank	7,434	(285)	-	7,149
Exchange rate adjustments	-	(32)	32	-
	<u>7,434</u>	<u>(317)</u>	<u>32</u>	<u>7,149</u>
<i>Debt:</i>				
Debt due after more than one year	(1,400)	-	-	(1,400)
	<u>6,034</u>	<u>(317)</u>	<u>32</u>	<u>5,749</u>

Officers and advisors

Directors

A J V Shepherd
L M Rose
P A Slatter
M Colebrook
I Hewitt
A Mansfield
A Wilson

Secretary

K Coggins

Independent Auditor

Deloitte LLP
3 Rivergate
Temple Quay
Bristol
BS1 6GD

Bankers

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

Abu Dhabi Commercial Bank
PO Box 939
Abu Dhabi
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