

# Ralph Martindale (England) Limited

## FINANCIAL STATEMENTS

for the year ended

31 December 2005



# Ralph Martindale (England) Limited

## DIRECTORS AND OFFICERS

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### DIRECTORS

Mr P A Hartley  
Mr J Whitehouse  
Mr R V Legiewicz  
Mr I Marshall  
Mr G Owen  
Mr N W Ensor

### SECRETARY

Mr M Kearney

### COMPANY NUMBER

3398001

### REGISTERED OFFICE

Crocodile House  
Strawberry Lane  
Willenhall  
West Midlands  
WV13 3RS

### AUDITORS

Baker Tilly  
Chartered Accountants  
City Plaza  
Temple Row  
Birmingham  
B2 5AF

# Ralph Martindale (England) Limited

## DIRECTORS' REPORT

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The directors submit their report and the financial statements of Ralph Martindale (England) Limited for the year ended 31 December 2005.

### PRINCIPAL ACTIVITIES

The company's principal activity is the manufacture of matchets and edge tools and the company will continue to develop this activity.

### REVIEW OF THE BUSINESS

Substantial increases in steel and energy costs had an adverse affect on the business. Cost-down measures have been implemented together with price increases.

### RESULTS FOR THE YEAR AND DIVIDENDS

The profit for the year after taxation amounted to £429,285 (31 December 2004: £408,887). The directors do not recommend a dividend.

### CHARITABLE DONATIONS

During the year to 31<sup>st</sup> December 2005, the Company donated products with a value of £12,592 to assist with the relief work in respect of the Tsunami disaster.

### DIRECTORS

The directors who served during the year were as follows:

Mr P A Hartley  
Mr I Marshall  
Mr R V Legiewicz  
Mr N W Ensor  
Mr G Owen  
Mr J Whitehouse

### DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

No director had any interest in the shares of the company at any time during the year.

The following directors who are not directors of the parent company held ordinary shares in the parent company at 31 December 2005 as follows:

	<i>Number</i>
Mr RV Legiewicz	1,420
Mr G Owen	-
Mr N W Ensor	-
Mr J Whitehouse	-

The interests of Mr P A Hartley and Mr I Marshall in the share capital of the parent company are disclosed in the group accounts.

# Ralph Martindale (England) Limited

## DIRECTORS' REPORT (continued)

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### AUDITORS

The company has elected to dispense with the annual appointment of auditors.

In the absence of a specific resolution to the contrary, Baker Tilly will continue in office.

By order of the board

A handwritten signature in black ink, appearing to be 'M. Kearney', with a long horizontal stroke extending to the right.

Mr M Kearney  
Secretary

28 April 2006

# Ralph Martindale (England) Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- d. 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RALPH MARTINDALE (ENGLAND) LIMITED

We have audited the financial statements on pages 6 to 15.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report (if applicable, the Chairman's Statement, the Operating and Financial Review, specify any other). We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BAKER TILLY

Registered Auditor  
Chartered Accountants  
City Plaza  
Temple Row  
Birmingham  
B2 5AF  
28 April 2006

**Ralph Martindale (England) Limited**  
**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2005

	<i>Notes</i>	2005 £	2004 £
TURNOVER	1	8,933,902	7,610,802
Cost of sales		(7,263,703)	(6,157,504)
GROSS PROFIT		1,670,199	1,453,298
Distribution costs		(448,199)	(483,641)
Administrative expenses		(718,417)	(560,372)
Other operating income	2	126,747	113,905
OPERATING PROFIT	3	630,330	523,190
Interest payable	5	(28,884)	(16,890)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		601,446	506,300
Taxation	6	(172,161)	(97,413)
RETAINED PROFIT FOR THE YEAR	14	429,285	408,887

The operating profit for the year arises from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

# Ralph Martindale (England) Limited

## BALANCE SHEET

31 December 2005

	Notes	2005 £	2004 £
<b>FIXED ASSETS</b>			
Tangible assets	7	1,210,802	1,433,214
<b>CURRENT ASSETS</b>			
Stocks	8	2,520,810	2,442,930
Debtors	9	3,490,334	2,505,950
Cash at bank and in hand		63,743	158,776
		6,074,887	5,107,656
<b>CREDITORS: Amounts falling due within one year</b>	10	(6,006,490)	(5,666,222)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		68,397	(558,566)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,279,199	874,648
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	11	(270,176)	(294,910)
		1,009,023	579,738
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	250,000	250,000
Profit and loss account	14	759,023	329,738
<b>SHAREHOLDER'S FUNDS</b>	12	1,009,023	579,738

The financial statements on pages 6 to 15 were approved by the board of directors and authorised for issue on 28 April 2006 and signed on its behalf by:

P A Hartley

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)

)Directors

)

I Marshall

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# Ralph Martindale (England) Limited

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING

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

### TANGIBLE FIXED ASSETS

Fixed assets are stated at cost. Depreciation is being charged from the year in which the asset is first available for use so as to reduce each asset's cost or valuation less any residual value over its anticipated useful economic life.

The following rates of depreciation have been used:

Plant and equipment, computer equipment and motor vehicles	25% reducing balance
New mill equipment	5 - 10% straight line

### STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost of finished goods and work in progress includes overheads appropriate to the stage of manufacture. Net realisable value is based upon estimated selling prices less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow moving items.

### DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are recognised to the extent that they are recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, 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.

### FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rate ruling at the date of transactions. Assets and liabilities denominated in foreign currencies are translated into sterling at the closing rate of exchange. Significant differences arising due to exchange fluctuations have been reflected in the profit and loss account.

### PENSIONS CONTRIBUTIONS

The cost of providing retirement pensions is charged to the profit and loss account over the years benefiting from the employees' services.

### TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

### OPERATING LEASES

Rentals paid under operating leases are charged to the profit and loss account as incurred.

# Ralph Martindale (England) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

### 1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and profit before taxation were all derived from its principal activity. Sales were made in the following geographical markets:

	2005 £	2004 £
United Kingdom	2,097,576	1,837,825
Other European countries	457,280	228,046
Rest of the world	6,379,046	5,544,931
	<u>8,933,902</u>	<u>7,610,802</u>

### 2 OTHER OPERATING INCOME

Other operating income relates to royalties received from fellow subsidiaries.

### 3 OPERATING PROFIT

	2005 £	2004 £
Operating profit is stated after charging:		
Depreciation and amounts written off tangible fixed assets:		
Charge for the year		
owned assets	187,620	273,890
Auditors' remuneration	10,000	10,000
Operating lease rentals	6,591	-
	<u>194,211</u>	<u>283,890</u>

# Ralph Martindale (England) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

4	EMPLOYEES	2005 No.	2004 No.
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The average monthly number of persons (including directors) employed by the company during the year was:

Manufacturing	65	62
Sales and service	5	5
Administration	6	6

76	73
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£	£
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Staff costs for above persons:

Wages and salaries	1,446,287	1,389,794
Social security costs	127,940	126,537
Other pension costs	54,777	50,205

1,629,004	1,566,536
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### DIRECTORS' REMUNERATION

Emoluments	119,500	113,415
Amounts paid to pension schemes	16,446	15,652

Total emoluments	135,946	129,067
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Number	Number
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The number of directors to whom relevant benefits are accruing under:

Defined benefit pension schemes was	3	3
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Directors' emoluments included above relate to directors involved in the day to day management of the business. The remaining directors' emoluments were paid by the parent company Ralph Martindale and Company Limited.

5	INTEREST PAYABLE	2005 £	2004 £
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Group interest payable	28,884	16,890
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# Ralph Martindale (England) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

6	TAXATION	2005 £	2004 £
	Current tax charges:		
	Corporation tax charge	5,400	-
	Adjustments in respect of previous periods	-	(32,540)
	Group relief received	191,495	141,312
		<u>196,895</u>	<u>108,772</u>
	Deferred tax:		
	Origination and reversal of timing differences	(24,734)	(11,359)
		<u>172,161</u>	<u>97,413</u>
	Reconciliation of UK corporation tax charge to the tax charge if the standard rate is applied to the profit before tax		
	Profit before tax at 30%	180,434	151,890
	Depreciation in excess of capital allowances	24,753	37,149
	Expenses not deductible for tax purposes	438	410
	Deductible items	(3,784)	(34,328)
	Adjustment in respect of previous periods	-	(32,540)
	Utilisation of tax losses brought forward	-	(13,381)
	Small companies rate relief	(4,946)	(428)
		<u>196,895</u>	<u>108,772</u>

# Ralph Martindale (England) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

### 7 TANGIBLE FIXED ASSETS

	<i>Plant and equipment</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
Cost			
1 January 2005	6,690,801	47,217	6,738,018
Additions	17,016	-	17,016
Disposals	(273,391)	(35,643)	(309,034)
	<hr/>	<hr/>	<hr/>
31 December 2005	6,434,426	11,574	6,446,000
	<hr/>	<hr/>	<hr/>
Depreciation			
1 January 2005	5,269,604	35,200	5,304,804
Charged in the year	185,212	2,408	187,620
Disposals	(226,513)	(30,713)	(257,226)
	<hr/>	<hr/>	<hr/>
31 December 2005	5,228,303	6,895	5,235,198
	<hr/>	<hr/>	<hr/>
Net book value			
31 December 2005	1,206,123	4,679	1,210,802
	<hr/>	<hr/>	<hr/>
31 December 2004	1,421,197	12,017	1,433,214
	<hr/>	<hr/>	<hr/>

### 8 STOCKS

	2005 £	2004 £
Raw materials and consumables	279,526	341,925
Work in progress	198,502	267,446
Finished goods	1,458,191	1,365,533
Sundry stocks	584,591	468,026
	<hr/>	<hr/>
	2,520,810	2,442,930
	<hr/>	<hr/>

# Ralph Martindale (England) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

9	DEBTORS	2005 £	2004 £
	Trade debtors	986,888	897,480
	Amount owed by fellow subsidiary undertakings	2,434,832	1,562,082
	VAT recoverable	26,535	-
	Prepayments and accrued income	42,079	46,388
		<u>3,490,334</u>	<u>2,505,950</u>
10	CREDITORS: Amounts falling due within one year	2005 £	2004 £
	Bank overdraft	26,805	630,406
	Trade creditors	1,187,631	919,327
	Amount owed to parent undertaking	2,281,742	2,110,018
	Amount owed to fellow subsidiary undertakings	2,412,790	1,902,718
	Corporation tax	5,400	-
	Other taxation and social security	30,896	29,268
	Other creditors and accruals	61,226	74,485
		<u>6,006,490</u>	<u>5,666,222</u>
11	PROVISIONS FOR LIABILITIES AND CHARGES		<i>Deferred tax £</i>
	1 January 2005		294,910
	Profit and loss account		(24,734)
			<u>270,176</u>
	31 December 2005		<u>270,176</u>
	The provision for deferred tax at 30% relates to the following:		
			£
	Excess capital allowances over depreciation		<u>270,176</u>

# Ralph Martindale (England) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

12	RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS	2005 £	2004 £
	Profit for the year	429,285	408,887
	Opening shareholder's funds	579,738	170,851
		<u>1,009,023</u>	<u>579,738</u>
13	CALLED UP SHARE CAPITAL (2005 AND 2004)	<i>Number of shares</i>	£
	Authorised, issued and fully paid Ordinary shares of £1 each	250,000	250,000
14	PROFIT AND LOSS ACCOUNT	2005 £	2004 £
	1 January 2005	329,738	(79,149)
	Retained profit for the financial year	429,285	408,887
		<u>759,023</u>	<u>329,738</u>
15	PENSION COMMITMENTS		
	The company contributes to a group pension scheme of the defined benefit type. The total pension cost for the company was £54,777 (2004: £50,205). The assets of the scheme are held in separate trustee administered funds managed by Legal & General Assurance Society Limited. Details of the scheme can be found in the consolidated financial statements of the parent company.		
16	CASH FLOW STATEMENT		
	Under Financial Reporting Standard No. 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.		
17	PARENT COMPANY		
	The parent company is Ralph Martindale and Company Limited which is incorporated in Great Britain and registered in England and Wales.		

# Ralph Martindale (England) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

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### 18 CONTINGENT LIABILITIES

There is a composite banking agreement between the company, Ralph Martindale and Company Limited, its U.K. subsidiaries and Barclays Bank plc.

There is a cross guarantee between the bank account of the company and Ralph Martindale and Company Limited and its U.K. subsidiaries.

At 31 December 2005 the group had a liability of £1,047,011 on its UK Sterling bank balances.

### 19 OPERATING LEASE COMMITMENTS

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31 December 2006.

	2005 £	2004 £
Expiring:		
Within two to five years	9,821	-
	<u>          </u>	<u>          </u>

### 20 RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of the parent company, the company claims exemption under Financial Reporting Standard No. 8 from disclosing related party transactions with other group companies.