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Registered No 3763419

Specialised Management Services Limited

Report and Financial Statements

30 September 2010

Registered No 3763419

Directors
A J V Shepherd
A Mansfield

Secretary
A Mansfield

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

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 profit for the year, after taxation, amounted to £224,252 (2009 loss of £159,100) The directors do not recommend the payment of a final dividend (2009 a final dividend of £350,000 was declared and paid during the year ended 30 September 2009)

Principal activities, business review and future developments

Specialised Management Services Limited's principal activities are

a) The design, assembly, testing, maintenance and installation of hydraulic and pneumatic control systems for oil and gas industry applications both on and off-shore,

b) The flushing and pressure testing of hydraulic systems,

c) The manufacture, testing and supply of hydraulic hose assemblies, and

d) The refurbishment and calibration of pressure gauges and temperature and pressure operated valves

Turnover of the company increased by 13% to £5 8m reflecting the up turn in overseas work Operating profit also increased from a loss of £131,966 in the previous financial year to a profit of £247,617 The profit before tax was £236,302 in the year compared with loss before tax of £156,329 in 2009

Shareholder's funds increased from £273,038 at 30 September 2009 to £977,391 at 30 September 2010 as a result of the conversion of £480,101 preference shares to ordinary shares together with the increase in retained profit of £224,252

The company's main office is in Great Yarmouth and it has now established facilities in Aberdeen but has yet to see the growth in this location as anticipated The company still expects to see growth in this area over the next two years following its initial success in securing a contract for maintenance of Subsea Wellhead Control Modules

The company currently has a good order backlog which will carry it into the second half of the financial year This, combined with its maintenance and international work, will enable the company to develop the business in the improving economic climate

The company has regained its accreditation to Investors In People in the year It has also maintained its ISO 9001, ISO 14001, OHSAS 18001 accreditations and FPAL registration

Directors' report

Going concern

The company's banking facilities are operated through a group wide facility led by the ultimate parent company, Alderley plc and provided by Lloyds TSB Bank plc ("Lloyds") Under this facility the company's assets are collateralised as security for the group wide bank facility (refer to note 16)

Alderley plc has business operations structured and located in the United Kingdom and across a number of overseas locations, including the Middle East The banking facilities provided by Lloyds over the borrowing requirements of Alderley plc and its United Kingdom based entities including the company, (collectively "the UK Entities") were renewed for 12 months through to the end of August 2011 Alderley plc will open renewal negotiations with Lloyds in due course and has, at this stage, not sought any written commitment that the facility will be renewed However, the company has held discussion with Lloyds about the UK Entities future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms

The UK Entities have entered into cross guarantee undertakings with the bank such that their assets are collateralised against the banking facility provided by Lloyds as described above Consequently the ability of the company to continue as a going concern is dependant on the overall UK Entities and group's financial condition and performance and compliance with its ongoing banking terms and conditions

The directors of the company have prepared trading projections through to the period ended December 2012 which indicate ongoing growth in business activities and continuing profitability for the company The company's trading projections have been aggregated with those of the other group entities to establish a combined projected funding requirement through the going concern foresight period These forecasts, take account of certain sensitivities identified by the other group entities, including reasonably possible changes in trading performance, show that the UK Entities should be able to operate within the level of current banking facilities extended by Lloyds

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

Principal risks and uncertainties

The principal financial risks to which the company 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 company 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 company 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 company endeavours to minimise risk by the use of trade finance instruments such as letters of credit and insurance At the balance sheet date there were no significant concentrations of credit risk.

Interest rate risk

The company is exposed to a moderate level of interest risk as a result of its overdraft and finance lease facilities The risk is moderated by ensuring cash is appropriately managed to reduce the requirement for both finance leases and overdraft In negotiating for such facilities the company also seeks to receive competitive interest rates The company does not undertake any hedging activity in this area

Directors' report

Principal risks and uncertainties (continued)

Operational risk

The principal operational risk faced by the company is the company's exposure to the contingent liabilities as disclosed in note 20. The company has implemented appropriate quality control procedures to mitigate the risk that these amounts will become payable The company has also entered into insurance arrangements which ensure that insurance claims can be made for unsupported bond calls by customers

Directors

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

A J V Shepherd
A Mansfield

Directors' qualifying third party indemnity provisions

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

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 ought to have taken to make himself 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

On behalf of the Board

A. J. V. Shepherd

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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

Independent auditors' report

to the members of Specialised Management Services Limited

We have audited the financial statements of Specialised Management Services Limited for the year ended 30 September 2010 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 26 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 company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Independent auditors' report

to the members of Specialised Management Services Limited (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, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

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

16 February 2011

Profit and loss account

for the year ended 30 September 2010

	Notes	2010 £	2009 £
Turnover	2	5,806,593	5,122,220
Operating costs	3	(5,558,976)	(5,254,186)
Operating profit/(loss)	4	247,617	(131,966)
Interest receivable	7	2,730	17,181
Interest payable and similar charges	8	(14,045)	(41,544)
Profit/(loss) on ordinary activities before taxation		236,302	(156,329)
Tax on profit/(loss) on ordinary activities	9	(12,050)	(2,771)
Profit/(loss) for the financial year	24	224,252	(159,100)

All of the activities of the company are classed as continuing

Statement of total recognised gains and losses

for the year ended 30 September 2010

There were no recognised gains or losses other than the profit attributable to shareholders of the company of £224,252 in the year ended 30 September 2010 and the loss of £159,100 in the year ended 30 September 2009

Balance sheet

at 30 September 2010

	Notes	2010 £	2009 £
Fixed assets			
Tangible assets	10	230,789	280,145
Investments	11	65,000	65,000
		295,789	345,145
Current assets			
Stocks	12	157,437	140,793
Debtors amounts receivable within one year	13	1,228,135	1,448,373
Debtors amounts receivable after more than one year	14	14,000	344,000
Cash in hand		63,030	-
		1,462,602	1,933,166
Creditors: amounts falling due within one year	16	(781,000)	(1,525,172)
Net current assets		681,602	407,994
Total assets less current liabilities		977,391	753,139
Creditors: amounts falling due after more than one year	17	-	(480,101)
Net assets		977,391	273,038
Capital and reserves			
Called up equity share capital	23	480,201	100
Profit and loss account	24	497,190	272,938
Shareholder's funds	24	977,391	273,038

The financial statements of Specialised Management Services Limited, registered no 3763419 were approved by the board of directors and authorised for issue on 15 February 2011

A. J. V Shepherd

A J V Shepherd
Director

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 year and the preceding year

Basis of accounting

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

Going concern

The company's banking facilities are operated through a group wide facility led by the ultimate parent company, Alderley plc and provided by Lloyds TSB Bank plc ("Lloyds") Under this facility the company's assets are collateralised as security for the group wide bank facility (refer to note 16)

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

Consolidation

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of Alderley plc, which prepares consolidated financial statements that are publicly available Accordingly, group financial statements have not been prepared and information in the financial statements is presented for the individual company rather than for the group

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

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 company 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

Revenue 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

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses Depreciation is provided on all 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

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

Investments

All investments are carried at cost less provision for impairment

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

Amounts recoverable on contract

Revenue 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 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 An 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 Where payments are received from customers in advance of services provided the amounts are recorded as deferred income and included as part of creditors due within one year

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 company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over 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 are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments

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 annual contributions payable are charged to the profit and loss account in the period in which they become payable

Taxation

Current tax, including UK corporation 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 receive more tax, with the following exception

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

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction 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

Notes to the financial statements

for the year ended 30 September 2010

2. Turnover

The turnover is attributable to the continuing principal activities of the company An analysis of geographical turnover is given below

	2010	2009
	£	£
United Kingdom	2,932,899	3,668,647
Overseas sales - Europe	1,696,757	1,190,662
Overseas sales - Rest of the World	1,176,937	262,911
	5,806,593	5,122,220

3. Operating costs

	2010	2009
	£	£
Raw materials and consumables	2,594,234	2,073,653
Staff costs (note 5)	2,275,110	2,246,313
Depreciation of fixed assets	67,193	50,251
Other operating charges	622,439	883,969
	5,558,976	5,254,186

4. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting)

	2010	2009
	£	£
Depreciation of owned fixed assets	67,193	46,019
Depreciation of assets held under hire purchase and finance lease agreements	-	4,232
Auditors' remuneration	12,500	12,500
Operating lease costs – land and buildings	135,500	135,500
– other	28,441	27,300
Net loss/(profit) on foreign currency translation	1,218	(2,069)

The remuneration of the auditors is further analysed below

	2010	2009
	£	£
Audit of the financial statements	9,500	9,500
Other fees to auditors – taxation services	3,000	3,000
	12,500	12,500

Notes to the financial statements

for the year ended 30 September 2010

5. Staff costs

	2010	2009
	£	£
Wages and salaries	2,037,718	2,009,981
Social security costs	215,343	212,099
Other pension costs	22,049	24,233
	2,275,110	2,246,313

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

	2010	2009
	No	No
Administration and management	10	11
Sales and production	54	56
	64	67

6. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were

	2010	2009
	£	£
Aggregate emoluments	-	64,199
Value of company pension contributions to money purchase schemes	-	2,917
	-	67,116

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

	2010	2009
	No	No
Money purchase schemes	-	1

The disclosures above also relate to the company's highest paid director

A management charge, included in other operating charges, was paid to the parent company to cover the services of A J V Shepherd and A Mansfield (and for the year ended 30 September 2009 the management charge also included services of S Young, who resigned 13 July 2009), as well as centralised overhead costs incurred by the holding company

The combined remuneration of these directors was £268,343 (2009 – £236,117) and one of these directors (2009 – one) accrued benefits under company money purchase pension schemes The group cannot allocate the costs of these directors amongst its various subsidiary companies

Notes to the financial statements

for the year ended 30 September 2010

7. Interest receivable

	2010	*2009*
	£	*£*
Interest from group undertakings	2,730	8,659
Other interest receivable	-	8,522
	2,730	17,181

8. Interest payable and similar charges

	2010	*2009*
	£	*£*
Interest payable on bank borrowing	14,029	40,351
Finance charges	-	1,130
Other interest	16	63
	14,045	41,544

Notes to the financial statements

for the year ended 30 September 2010

9. Tax

(a) Tax on profit/(loss) on ordinary activities:

	2010	2009
	£	£
Current tax		
UK corporation tax based on the results for the year at 28% (2009 28%)	-	1
Under provision in prior year	(2,660)	5,320
Prior year adjustment in respect of foreign tax relief	-	3,560
Total current tax	-	8,881
Deferred tax		
Origination and reversal of timing differences (note 15)	2,567	12,991
Adjustment in respect of previous periods	12,143	(19,101)
	14,710	(6,110)
Tax on profit/(loss) on ordinary activities	12,050	2,771

(b) Factors affecting current tax charges

The tax assessed on the profit/(loss) 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	2009
	£	£
Profit/(loss) on ordinary activities before taxation	236,302	(156,266)
Profit/(loss) on ordinary activities by standard rate of tax	66,165	(43,772)
Effects of		
Expenses not deductible for tax purposes	2,023	4,774
Accelerated capital allowances	(2,095)	(11,154)
Adjustments in respect of prior periods	(2,660)	5,320
Group relief (received)/surrendered for nil payment	(66,081)	51,991
Movement in short term timing differences	(12)	(1,838)
Adjustments in respect of prior year foreign tax	-	3,560
Total current tax (note 9(a))	(2,660)	8,881

Notes to the financial statements

for the year ended 30 September 2010

10. Tangible fixed assets

	Plant and machinery	*Fixtures and fittings*	*IT equipment*	*Motor vehicles*	*Total*
	£	£	£	£	£
Cost					
At 1 October 2009	510,401	72,109	-	9,290	591,800
Additions	11,979	-	5,858	-	17,837
Reclassifications	(24,581)	-	24,581	-	-
At 30 September 2010	497,799	72,109	30,439	9,290	609,637
Depreciation					
At 1 October 2009	250,199	53,470	-	7,986	311,655
Charge for the year	62,177	4,147	588	281	67,193
Reclassifications	(24,581)	-	24,581	-	-
At 30 September 2010	287,795	57,617	25,169	8,267	378,848
Net book value					
At 30 September 2010	210,004	14,492	5,270	1,023	230,789
At 30 September 2009	260,202	18,639	-	1,304	280,145

Notes to the financial statements

for the year ended 30 September 2010

11. Investments

Interest in group undertakings

	£
Cost	
At 1 October 2009 and 30 September 2010	315,568
Amounts written off	
At 1 October 2009 and 30 September 2010	250,568
Net book value	
At 30 September 2009 and 30 September 2010	65,000

The company owns 100% of the ordinary issued equity share capital of a non-trading company, C & M Hydraulics Limited, a company incorporated in England and Wales

12. Stocks

	2010 £	*2009* £
Raw materials	39,270	36,545
Work in progress	118,167	104,248
	157,437	140,793

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

13. Debtors: amounts receivable within one year

	2010 £	*2009* £
Trade debtors	814,908	787,782
Amounts owed by group undertakings	11,646	184,201
Amounts recoverable on contracts	297,237	263,297
Other debtors	4,664	-
Corporation tax	2,660	-
Prepayments and accrued income	84,607	185,970
Deferred tax (note 15)	12,413	27,123
	1,228,135	1,448,373

Notes to the financial statements

for the year ended 30 September 2010

14. Debtors: amounts receivable after more than one year

	2010	2009
	£	£
Amounts owed by group undertakings	-	330,000
Prepayments and accrued income	14,000	14,000
	14,000	344,000

15. Deferred taxation

The deferred taxation asset included in the balance sheet is as follows.

	2010	2009
	£	£
Included in debtors (note 13)	(12,413)	(27,123)

The movement in the deferred taxation asset during the year was

	2010	2009
	£	£
Asset brought forward	(27,123)	(21,014)
Profit and loss account movement arising during the year	2,567	12,992
Adjustments in respect of prior periods	12,143	(19,101)
Asset carried forward	(12,413)	(27,123)

The deferred taxation asset consists of the tax effect of timing differences in respect of

	2010	2009
	£	£
Decelerated capital allowances	(9,762)	(24,362)
Other timing differences	(2,651)	(2,761)
	(12,413)	(27,123)

Notes to the financial statements

for the year ended 30 September 2010

16. Creditors: amounts falling due within one year

	2010	*2009*
	£	*£*
Bank overdraft	-	296,885
Payments received on account	141,218	321,726
Trade creditors	318,731	630,228
Amounts owed to group undertakings	69,983	65,957
Other taxes and social security	92,362	57,871
Accruals and deferred income	158,706	152,505
	781,000	1,525,172

Amounts owed to group undertakings are trading balances and do not bear interest

Bank overdrafts are secured by a fixed and floating charge on the assets of Alderley plc and its subsidiary undertakings ("Alderley group") in favour of Lloyds TSB Bank plc The group's bank overdraft amounted to £1,020,000 at 30 September 2010 (2009 £4,755,000)

Bank overdrafts form part of the wider Alderley group banking facilities which comprise export financing facility and related overdrafts held with Lloyds TSB Bank plc 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

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

	2010	*2009*
	£	*£*
Preference shares classed as financial liabilities (note 23)	-	480,101

Notes to the financial statements

for the year ended 30 September 2010

18. Pensions

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The pension cost charge represents contributions payable by the company to the fund and amounted to £22,049 (2009 £24,233)

There were £nil of contributions unpaid at the year end (2009 £3,486)

19. Commitments under operating lease arrangements

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

	2010		*2009*	
	Land and buildings	*Other items*	*Land and buildings*	*Other items*
	£	*£*	*£*	*£*
Operating leases which expire				
Within 1 year	-	4,429	6,714	-
Within 2 to 5 years	135,500	17,650	135,500	21,519
	135,000	22,079	142,214	21,519

20. Contingencies

Details of bank guarantees are set out in note 16 to the financial statements These are contingent liabilities for the company

The company has also given advance payment guarantees totalling £92,833 (2009 £196,291)

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

21. Derivatives not included at fair value

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

	Contract value		*Fair value*	
	2010	*2009*	*2010*	*2009*
	£	*£*	*£*	*£*
Forward foreign exchange contracts	191,961	-	(4,798)	-

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

22 Related party transactions

The company is a wholly owned subsidiary of Alderley plc, a company incorporated in the United Kingdom The company's results are therefore consolidated within the group accounts of Alderley plc Accordingly transactions with other Alderley plc group companies have not been disclosed due to advantage being taken of exemptions granted under Financial Reporting Standard No 8

Notes to the financial statements

for the year ended 30 September 2010

23. Share capital

	2010 No	2010 £	2009 No	2009 £
Authorised				
Ordinary shares of £1 each	481,101	481,101	1,000	1,000
Redeemable preference 'A' shares of £1 each	-	-	200	200
Redeemable preference 'B' shares of £1 each	-	-	500,000	500,000
Redeemable preference 'C' shares of £1 each	-	-	330,000	330,000
	481,101	481,101	831,200	831,200

	2010 No	2010 £	2009 No	2009 £
Allotted, called up and fully paid				
Ordinary shares of £1 each	480,201	480,201	100	100
Redeemable preference 'A' shares of £1 each	-	-	101	101
Redeemable preference 'B' shares of £1 each	-	-	150,000	150,000
Redeemable preference 'C' shares of £1 each	-	-	330,000	330,000
	480,201	480,201	480,201	480,201

	2010 £	2009 £
Amounts presented in equity		
Ordinary shares of £1 each	480,201	100
Amounts presented in liabilities		
Redeemable preference 'A' shares of £1 each	-	101
Redeemable preference 'B' shares of £1 each	-	150,000
Redeemable preference 'C' shares of £1 each	-	330,000
	-	480,101

On 10 February 2010 a resolution was passed whereby

- 101 redeemable preference 'A' shares of £1 each were re-designated as 101 ordinary shares of £1 each
- 150,000 redeemable preference 'B' shares of £1 each were re-designated as 150,000 ordinary shares of £1 each
- 330,000 redeemable preference 'C' shares of £1 each were re-designated as 330,000 ordinary shares of £1 each

The re-designated ordinary shares all rank pari passu with the existing ordinary share capital

The company's Memorandum of Association was also changed to reflect the fact that only ordinary share capital has been authorised

Notes to the financial statements

for the year ended 30 September 2010

24. Reconciliation of movements in shareholder's funds

	Share capital	*Profit and loss account*	*Total*
	£	£	£
At 1 October 2008	100	782,038	782,138
Loss for the year	-	(159,100)	(159,100)
Equity dividend paid	-	(350,000)	(350,000)
At 1 October 2009	100	272,938	273,038
Profit for the year	-	224,252	224,252
Re-designation of share capital	480,101	-	480,101
At 30 September 2010	480,201	497,190	977,391

25. Dividends

	2010	*2009*
	£	£
Final equity dividend for the year ended 30 September 2010 of £nil (2009 £3,500) per ordinary share	-	350,000

In the prior year, the holders of the redeemable preference shares A, B & C waived their entitlement to receive any preferential dividends for the year ended 30 September 2009 Therefore, the dividend declared and paid during the year ended 30 September 2009 was in respect of the ordinary shares only

26. Ultimate parent company and controlling party

In the opinion of the directors the company's ultimate parent company is Alderley plc, a company incorporated in Great Britain, and registered in England and Wales Alderley plc prepares group financial statements and copies can be obtained from Alderley House, Arnolds Field Estate, The Downs, Wickwar, Wotton-under-Edge, Gloucestershire, GL12 8JD

The ultimate controlling party of the company and Alderley plc is considered to be A J V Shepherd