

COMPANY REGISTRATION NUMBER 4868103

Blue Machinery (Group) plc

Financial Statements

31 January 2012

MHA MACINTYRE HUDSON

Chartered Accountants & Statutory Auditor
Lyndale House
Ervington Court
Meridian Business Park
Leicester
LE19 1WL

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Blue Machinery (Group) plc

Financial Statements

Year ended 31 January 2012

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Blue Machinery (Group) plc

Officers and Professional Advisers

The Board of Directors

Mr A Carey
Mr B V Maxwell
Mr E J Donnelly
Mr P O McGeary

Company Secretary

Mr E J Donnelly

Registered Office

Blue Machinery (Group) Plc
Appleton Thorn Trading Estate
Appleton
Warrington
Cheshire
WA4 4SN

Auditor

MHA MacIntyre Hudson
Chartered Accountants
& Statutory Auditor
Lyndale House
Ervington Court
Meridian Business Park
Leicester
LE19 1WL

Bankers

Bank of Scotland
Chester Business Centre
Douglas House
117 Foregate Street
Chester
CH1 1HE

Solicitors

Brindley Twist Tafft & James
Lowick Gate
Siskin Drive
Coventry
CV3 4FJ

Blue Machinery (Group) plc

The Directors' Report

Year ended 31 January 2012

The directors have pleasure in presenting their report and the financial statements of the group for the year ended 31 January 2012

Principal activities and business review

The principal activity of the company during the year was the sales and marketing of plant, machinery and spares for the quarrying and waste recycling industries

The company continues to operate in a market in which global political and economic pressures are increasing the need for environmental protection and waste reduction. Many of the products distributed by "Blue" are in legislation driven sectors particularly in relation to waste recycling

The company is constantly assessing its present strategy as a marketing company and is continually seeking new sectors to develop further as a group

The directors consider the following to be the key performance indicators of the company

Year on year turnover increases in excess of 10%

Gross profit percentage consistently exceeding 20%

Net profit, after taxation, consistently exceeding 5% of turnover

Future developments

The current product distribution range now comprises of twelve world leading brands manufactured in the UK, Europe and USA

The company is continually looking for new distribution lines and partnerships in the quarrying and waste recycling sectors and many world leading manufacturers are seeking access to the "Blue" distribution network

All brands distributed by the Blue Group are aimed at Quarrying and Waste Recycling Industries throughout mainland UK

Payment of creditors

It is the company's policy to comply with the terms of payment agreed with its suppliers. Where payment terms are not negotiated, the company endeavours to adhere to suppliers' standard terms

The number of days credit taken by the group for trade purposes at 31 January 2012 was 62 (2011 77)

Results and dividends

The profit for the year, after taxation, amounted to £560,492. Particulars of dividends paid are detailed in note 8 to the financial statements

Financial instruments

Details of the group's financial risk management objectives and policies are included in note 18 to the accounts

Blue Machinery (Group) plc

The Directors' Report *(continued)*

Year ended 31 January 2012

Directors

The directors who served the company during the year were as follows

Mr A Carey
Mr B V Maxwell
Mr E J Donnelly
Mr P O McGeary

Directors' responsibilities

The directors are responsible for preparing the Directors' 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 the group and of the profit or loss of the group for that year. In preparing those 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

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

In so far as the directors are aware

- there is no relevant audit information of which the group's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Blue Machinery (Group) plc

The Directors' Report *(continued)*

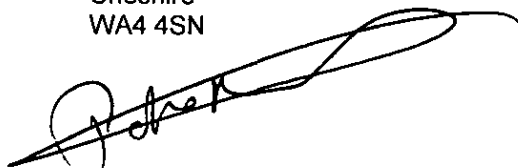
Year ended 31 January 2012

Auditor

On 21 November 2011, our auditors adopted the trading name MHA MacIntyre Hudson. MHA MacIntyre Hudson is deemed to be re-appointed under section 487(2) of Companies Act 2006.

Registered office
Blue Machinery (Group) Plc
Appleton Thorn Trading Estate
Appleton
Warrington
Cheshire
WA4 4SN

Signed on behalf of the directors



P O McGeary
Director

Approved by the directors on 11 July 2012

Blue Machinery (Group) plc

Independent Auditor's Report to the Shareholders of Blue Machinery (Group) plc

Year ended 31 January 2012

We have audited the group and parent company financial statements ("the financial statements") of Blue Machinery (Group) plc for the year ended 31 January 2012 which comprise the Group Profit and Loss Account, Group Balance Sheet and Company Company Balance Sheet, Group Cash Flow Statement, Accounting Policies and the related notes. 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 shareholders, 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 shareholders 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 shareholders 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 set out on page 3, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by 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. 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 parent company's affairs as at 31 January 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Blue Machinery (Group) plc

Independent Auditor's Report to the Shareholders of Blue Machinery (Group) plc *(continued)*

Year ended 31 January 2012

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



ROBERT NELSON BA FCA (Senior
Statutory Auditor)
For and on behalf of
MHA MACINTYRE HUDSON
Chartered Accountants
& Statutory Auditor

Lyndale House
Ervington Court
Meridian Business Park
Leicester
LE19 1WL

30 July 2012

Blue Machinery (Group) plc

Group Profit and Loss Account

Year ended 31 January 2012

	Note	2012 £	2011 £
Group turnover	1	9,617,370	6,747,448
Cost of sales		<u>7,334,056</u>	<u>4,986,107</u>
Gross profit		2,283,314	1,761,341
Distribution costs		6,249	65,282
Administrative expenses		1,727,388	1,158,069
Other operating income	2	<u>(203,000)</u>	<u>(147,776)</u>
Operating profit	3	752,677	685,766
Interest payable and similar charges	5	10,058	7,582
Profit on ordinary activities before taxation		<u>742,619</u>	<u>678,184</u>
Tax on profit on ordinary activities	6	182,127	170,204
Profit on ordinary activities after taxation, being profit for the financial year	7	<u>560,492</u>	<u>507,980</u>

All of the activities of the group are classed as continuing

The group has no recognised gains or losses other than the results for the year as set out above

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own Profit and Loss Account

The accounting policies and notes on pages 11 to 28 form part of these financial statements.

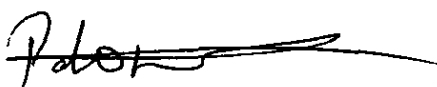
Blue Machinery (Group) plc

Group Balance Sheet

31 January 2012

	Note	£	2012 £	2011 £
Fixed assets				
Intangible assets	9		(8,227)	(44,078)
Tangible assets	10		<u>721,523</u>	<u>396,886</u>
			713,296	352,808
Current assets				
Stocks	12	3,345,901		1,152,170
Debtors	13	2,852,131		1,204,702
Cash at bank and in hand		<u>225,727</u>		<u>146,545</u>
			6,423,759	2,503,417
Creditors. amounts falling due within one year	14	<u>5,239,302</u>		<u>1,428,538</u>
Net current assets			1,184,457	1,074,879
Total assets less current liabilities			1,897,753	1,427,687
Creditors: amounts falling due after more than one year	15		156,767	55,205
Provisions for liabilities				
Deferred taxation	17		<u>52,331</u>	<u>44,319</u>
			1,688,655	1,328,163
Capital and reserves				
Called-up equity share capital	22		100,000	100,000
Share premium account	23		1,221,878	1,221,878
Profit and loss account	23		<u>366,777</u>	<u>6,285</u>
Shareholders' funds	24		1,688,655	1,328,163

These financial statements were approved by the directors and authorised for issue on 11 July 2012 and are signed on their behalf by



Mr P O McGeary

The accounting policies and notes on pages 11 to 28 form part of these financial statements.

Blue Machinery (Group) plc

Company Balance Sheet

31 January 2012

	Note	£	2012 £	2011 £
Fixed assets				
Investments	11		<u>1,271,879</u>	<u>1,271,879</u>
Current assets				
Debtors	13	170,435		157,148
Cash at bank		<u>10,641</u>		<u>23,928</u>
			181,076	181,076
Total assets			<u>1,452,955</u>	<u>1,452,955</u>
Capital and reserves				
Called-up equity share capital	22		100,000	100,000
Share premium account	23		1,221,878	1,221,878
Profit and loss account	23		131,077	131,077
Shareholders' funds			<u>1,452,955</u>	<u>1,452,955</u>

These financial statements were approved by the directors and authorised for issue on 11 July 2012, and are signed on their behalf by



Mr P O McGeary

Company Registration Number 4868103

The accounting policies and notes on pages 11 to 28 form part of these financial statements.

Blue Machinery (Group) plc

Group Cash Flow Statement

Year ended 31 January 2012

	Note	£	2012 £	2011 £
Net cash inflow from operating activities	25		827,593	353,530
Returns on investments and servicing of finance	25		(15,541)	(12,568)
Taxation	25		(146,241)	(61,118)
Capital expenditure and financial investment	25		(184,209)	(161,466)
Equity dividends paid			(200,000)	(200,000)
Cash inflow/(outflow) before financing			<u>281,602</u>	<u>(81,622)</u>
Financing	25		(183,970)	(35,927)
Increase/(decrease) in cash	25		<u>97,632</u>	<u>(117,549)</u>

The accounting policies and notes on pages 11 to 28 form part of these financial statements.

Blue Machinery (Group) plc

Accounting Policies

Year ended 31 January 2012

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of financial instruments and in accordance with applicable accounting standards

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over five years from the year of acquisition. The results of companies acquired or disposed of are included in the group profit and loss account after or up to the date that control passes respectively. As a consolidated group profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

Turnover

The turnover shown in the profit and loss account represents amounts due during the year, exclusive of Value Added Tax.

Negative goodwill

Negative goodwill in relation to non-monetary assets acquired has been amortised over the useful economic life of the assets to which it relates.

Negative goodwill in excess of the fair value of non-monetary assets of £119,964 has been amortised in the profit and loss account over 4 years. This has arisen because the price paid for Blue Machinery (Fuchs) Ltd recognised anticipated future losses.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Other intangibles	- 50% per annum straight line
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Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Short leasehold property	- straight line over the life of the lease
Plant and machinery	- 25% - 50% per annum straight line method
Motor vehicles	- 25% per annum straight line method
Equipment	- 25% - 100% per annum straight line method

Stocks

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

Blue Machinery (Group) plc

Accounting Policies *(continued)*

Year ended 31 January 2012

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the group profit and loss account at a constant rate of charge on the balance of capital repayments outstanding.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

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 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.

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 translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are taken to the profit and loss account. Exchange differences arising on non-monetary items, carried at fair value, are included in the profit and loss account, except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recorded in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Blue Machinery (Group) plc

Accounting Policies *(continued)*

Year ended 31 January 2012

Financial instruments

Financial liabilities and equity instruments are classified and accounted for, according to the substance of contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its financial liabilities. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability. Dividends and distributions relating to equity instrument are debited direct to equity.

Investments

All investments are initially recorded at cost less provision for impairment in value.

Blue Machinery (Group) plc

Notes to the Financial Statements

Year ended 31 January 2012

1. Turnover

The turnover and profit before tax are attributable to the one principal activity of the group

An analysis of turnover is given below

	2012 £	2011 £
United Kingdom	9,164,498	6,583,906
Europe	368,613	84,024
Rest of world	84,259	79,518
	<u>9,617,370</u>	<u>6,747,448</u>
	£	£
Class of business		
Sales of plant and machinery	<u>9,617,370</u>	<u>6,747,448</u>

2 Other operating income

	2012 £	2011 £
Rent receivable	15,000	12,500
Other operating income	188,000	135,276
	<u>203,000</u>	<u>147,776</u>

3 Operating profit

Operating profit is stated after charging/(crediting)

	2012 £	2011 £
Directors' remuneration	—	—
Amortisation of intangible assets	(26,951)	(31,401)
Depreciation of owned fixed assets	70,197	58,388
Depreciation of assets held under hire purchase agreements	32,459	2,515
Auditor's remuneration		
- as auditor	14,000	16,500
- for other services	3,300	1,155
Operating lease costs		
- Other	95,875	79,000
Net profit on foreign currency translation	<u>(170,870)</u>	<u>(208,185)</u>

Blue Machinery (Group) plc

Notes to the Financial Statements

Year ended 31 January 2012

Auditor's fees

The fees charged by the auditor can be further analysed under the following headings for services rendered

	2012 £	2011 £
Audit	14,000	16,500
Accountancy	1,716	–
Taxation	1,584	1,155
	<u>17,300</u>	<u>17,655</u>

4. Particulars of employees

The average number of staff employed by the group during the financial year amounted to

	2012 No	2011 No
Number of administrative staff	21	15
Number of management staff	5	4
	<u>26</u>	<u>19</u>

The aggregate payroll costs of the above were

	2012 £	2011 £
Wages and salaries	991,175	663,827
Social security costs	110,094	74,740
	<u>1,101,269</u>	<u>738,567</u>

5. Interest payable and similar charges

	2012 £	2011 £
Interest payable on bank borrowing	6,806	6,956
Finance charges	3,252	623
Other similar charges payable	–	3
	<u>10,058</u>	<u>7,582</u>

Blue Machinery (Group) plc

Notes to the Financial Statements

Year ended 31 January 2012

6. Taxation on ordinary activities (a) Analysis of charge in the year

	2012 £	2011 £
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year at 26 32% (2011 - 28%)	174,123	146,249
(Over)/under provision in prior year	(8)	1,917
Total current tax	174,115	148,166
Deferred tax		
Origination and reversal of timing differences (note 17)		
Capital allowances	8,012	22,038
Tax on profit on ordinary activities	182,127	170,204

Blue Machinery (Fuchs) Limited has tax losses of £53,246 (2011 £53,246) to use against future trading profits of that company

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 26 32% (2011 - 28%)

	2012 £	2011 £
Profit on ordinary activities before taxation	742,619	678,184
Profit on ordinary activities by rate of tax	187,221	177,822
Expenses not deductible for tax purposes	8,901	2,439
Capital allowances for period in (excess) of depreciation	(21,999)	(23,843)
Utilisation of tax losses	-	(9,833)
Adjustments to tax charge in respect of previous periods	(8)	1,917
Allowable lease premium	-	(336)
Total current tax (note 6(a))	174,115	148,166

7. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company was £200,000 (2011 - £200,000)

Blue Machinery (Group) plc

Notes to the Financial Statements

Year ended 31 January 2012

8. Dividends Equity dividends

	2012 £	2011 £
Paid		
Equity dividends on ordinary shares	<u>200,000</u>	<u>200,000</u>

9. Intangible fixed assets Group

	Goodwill £	Other intangibles £	Total £
Cost			
At 1 February 2011	(119,964)	–	(119,964)
Additions	–	<u>8,900</u>	<u>8,900</u>
At 31 January 2012	<u>(119,964)</u>	<u>8,900</u>	<u>(111,064)</u>
Amortisation			
At 1 February 2011	(75,886)	–	(75,886)
Charge for the year	<u>(31,401)</u>	<u>4,450</u>	<u>(26,951)</u>
At 31 January 2012	<u>(107,287)</u>	<u>4,450</u>	<u>(102,837)</u>
Net book value			
At 31 January 2012	<u>(12,677)</u>	<u>4,450</u>	<u>(8,227)</u>
At 31 January 2011	<u>(44,078)</u>	–	<u>(44,078)</u>

Blue Machinery (Group) plc

Notes to the Financial Statements

Year ended 31 January 2012

10. Tangible fixed assets Group

	Short leasehold property £	Plant and machinery £	Motor vehicles £	Equipment £	Total £
Cost					
At 1 February 2011	138,763	270,091	67,370	134,652	610,876
Additions	270	97,501	283,126	46,396	427,293
At 31 January 2012	139,033	367,592	350,496	181,048	1,038,169
Depreciation					
At 1 February 2011	19,464	131,103	18,577	44,846	213,990
Charge for the year	13,412	42,637	24,839	21,768	102,656
At 31 January 2012	32,876	173,740	43,416	66,614	316,646
Net book value					
At 31 January 2012	106,157	193,852	307,080	114,434	721,523
At 31 January 2011	119,299	138,988	48,793	89,806	396,886

Hire purchase agreements

Included within the net book value of £721,523 is £338,199 (2011 - £98,924) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £32,459 (2011 - £2,515).

Capital commitments

	2012 £	2011 £
Contracted but not provided for in the financial statements	-	5,000

11. Investments Company

	Group companies £
Cost	
At 1 February 2011 and 31 January 2012	1,271,879
Net book value	
At 31 January 2012 and 31 January 2011	1,271,879

Blue Machinery (Group) plc

Notes to the Financial Statements

Year ended 31 January 2012

	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Subsidiary undertakings				
All held by the company				
Blue Machinery (Spares) Limited	England	Ordinary shares	100%	Spares to quarrying and waste recycling and washing industries
Blue Machinery (Fuchs) Limited	England	Ordinary shares	100%	Specialist waste handling equipment
Blue Machinery (Equipment) Limited	England	Ordinary shares	100%	Dormant

The acquisition method was used to account for Blue Machinery (Spares) Limited and Blue Machinery (Fuchs) Limited

Negative goodwill arising on the acquisition has been included in note 10

12. Stocks

	2012 £	Group 2011 £	2012 £	Company 2011 £
Stock				
Finished goods and goods for resale	<u>3,345,901</u>	<u>1,152,170</u>	<u>—</u>	<u>—</u>

13. Debtors

	2012 £	Group 2011 £	2012 £	Company 2011 £
Trade debtors	2,080,899	1,037,462	—	—
Amounts owed by group undertakings	—	—	120,435	107,108
VAT recoverable	—	—	—	40
Other debtors	410,251	106,000	50,000	50,000
Prepayments and accrued income	360,981	61,240	—	—
	<u>2,852,131</u>	<u>1,204,702</u>	<u>170,435</u>	<u>157,148</u>

Blue Machinery (Group) plc

Notes to the Financial Statements

Year ended 31 January 2012

14. Creditors: amounts falling due within one year

	2012	Group	2012	Company
	£	2011	£	2011
		£		£
Other loans	–	120,000	–	–
Overdrafts	206,368	224,818	–	–
Trade creditors	3,494,676	682,509	–	–
Hire purchase agreements	104,782	18,330	–	–
Other creditors including taxation and social security				
Corporation tax	174,123	146,249	–	–
PAYE and social security	50,897	18,814	–	–
VAT	499,418	111,468	–	–
Other creditors	270,262	813	–	–
Accruals and deferred income	438,776	105,537	–	–
	<u>5,239,302</u>	<u>1,428,538</u>	<u>–</u>	<u>–</u>

The bank overdrafts are secured by a debenture over the whole of the assets of Blue Machinery (Spares) Limited, together with a cross corporate guarantee given by Londel Limited in respect of Blue Machinery (Spares) Limited. The hire purchase agreements creditors are secured on the assets to which they relate.

Blue Machinery (Fuchs) Limited has a debenture created on 4 June 2010 which consists of a fixed and floating charge over the undertaking and all property and assets present and future, including goodwill, uncalled capital, buildings, fixtures, fixed plant & machinery.

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

	2012	Group	2012	Company
	£	2011	£	2011
		£		£
Overdrafts	206,368	224,818	–	–
Hire purchase agreements	104,782	18,330	–	–
	<u>311,150</u>	<u>243,148</u>	<u>–</u>	<u>–</u>

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

	2012	Group	2012	Company
	£	2011	£	2011
		£		£
Hire purchase agreements	156,767	55,205	–	–

The following liabilities disclosed under creditors falling due after more than one year are secured by the company.

	2012	Group	2012	Company
	£	2011	£	2011
		£		£
Hire purchase agreements	156,767	55,205	–	–

Blue Machinery (Group) plc

Notes to the Financial Statements

Year ended 31 January 2012

16 Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Amounts payable within 1 year	104,782	18,330	-	-
Amounts payable between 1 and 2 years	104,589	55,205	-	-
Amounts payable between 3 and 5 years	52,178	-	-	-
	<u>261,549</u>	<u>73,535</u>	<u>-</u>	<u>-</u>

17 Deferred taxation

The movement in the deferred taxation provision during the year was

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Provision brought forward	44,319	22,281	-	-
Increase in provision	8,012	22,038	-	-
Provision carried forward	<u>52,331</u>	<u>44,319</u>	<u>-</u>	<u>-</u>

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

Group	2012		2011	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	<u>52,331</u>	<u>-</u>	<u>44,319</u>	<u>-</u>

18. Financial risk management objectives and policies

The company uses financial instruments, other than derivatives, comprising borrowings, cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The main risks arising from the company's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from previous periods.

Interest rate risk

The company finances its operations through a mixture of retained profits and borrowings. The company's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

Blue Machinery (Group) plc

Notes to the Financial Statements

Year ended 31 January 2012

18 Financial risk management objectives and policies

(continued)

Credit risk

The company monitors credit risk closely and considers that its current policies of credit checks and debt insurance meet its objectives of managing exposure to credit risk

The company has no significant concentrations of credit risk. Amounts shown in the balance sheet best represent the maximum credit risk exposure in the event of other parties failing to perform their obligations under financial instruments

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Primarily this is achieved through company bank accounts and borrowings facilities

Currency risk

The group is exposed to transaction and translation foreign exchange risk. The group purchases spare parts in Euro's and US Dollars. Due to the volatility of the Euro all purchases are calculated on £1 to 1 Euro basis and the company receive a daily commentary from the bank to decide if a change to this policy is required. US Dollar purchases are very infrequent and again the company acts to market conditions. The directors are satisfied with this policy and carry out regular reviews as per market conditions

19 Commitments under operating leases

At 31 January 2012 the group had annual commitments under non-cancellable operating leases as set out below

Group	2012		2011	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Operating leases which expire				
Within 1 year	-	-	-	896
Within 2 to 5 years	-	6,704	-	6,704
After more than 5 years	72,000	-	54,000	-
	<u>72,000</u>	<u>6,704</u>	<u>54,000</u>	<u>7,600</u>

Blue Machinery (Group) plc

Notes to the Financial Statements

Year ended 31 January 2012

20. Related party transactions

The following transactions occurred during the year in which one or more directors had a material interest

	2012 £	2011 £
Blue Machinery (Central) Limited - Director. Mr P O McGeary		
Goods and services sold to Blue Machinery (Central) Limited	1,312,377	495,891
Rent received from Blue Machinery (Central) Limited	15,000	12,500
Goods and services purchased from Blue Machinery (Central) Limited	43,374	30,592

At 31 January 2012 the amount owed by Blue Machinery (Central) Limited amounted to £166,325 (2011 £100,390) included in trade debtors

At 31 January 2012 the amount owed to Blue Machinery (Central) Limited amounted to £4,672 (2011 £4,074) included in trade creditors

The group has received an interest free loan from Blue Machinery (Central) Limited. The balance on this loan at 31 January 2012 was £30,000 (2011 £30,000) included in other creditors

	2012 £	2011 £
Blue Machinery (London) Limited - Director: Mr E J Donnelly		
Goods and services sold to Blue Machinery (London) Limited	596,905	245,512
Goods and services purchased from Blue Machinery (London) Limited	13,844	—

At 31 January 2012 the amount owed by Blue Machinery (London) Limited amounted to £205,341 (2011 £77,190) included in trade debtors

At 31 January 2012 the amount owed to Blue Machinery (London) Limited amounted to £13,885 (2011 £Nil) included in trade creditors

The group has received an additional £50,000 from Blue Machinery (London) Limited in the form of an interest free loan. The balance on this loan at 31 January 2012 was £80,000 (2011 £30,000) included in other creditors

Blue Machinery (Group) plc

Notes to the Financial Statements

Year ended 31 January 2012

20. Related party transactions (continued)

	2012 £	2011 £
Blue Machinery (Southern) Limited - Director: Mr B V Maxwell		
Goods and services sold to Blue Machinery (Southern) Limited	589,906	293,266
Goods and services purchased from Blue Machinery (Southern) Limited	161,271	1,125

At 31 January 2012 the amount owed by Blue Machinery (Southern) Limited amounted to £183,503 (2011 £117,193) included in trade debtors

At 31 January 2012 the amount owed to Blue Machinery (Southern) Limited amounted to £4,287 (2011 £534) included in trade creditors

The group has received an additional £50,000 from Blue Machinery (Southern) Limited in the form of an interest free loan. The balance on this loan at 31 January 2012 was £80,000 (2011 £30,000) included in other creditors

	2012 £	2011 £
Blue Machinery (Scotland) Limited - Director: Mr A Carey		
Goods and services sold to Blue Machinery (Scotland) Limited	425,075	332,167
Rent paid to Blue Machinery (Scotland) Limited	25,000	25,000
Goods and services purchased from Blue Machinery (Scotland) Limited	39,899	55,171

At 31 January 2012 the amount owed by Blue Machinery (Scotland) Limited amounted to £72,610 (2011 £79,970) included in trade debtors

At 31 January 2012 the amount owed to Blue Machinery (Scotland) Limited amounted to £15,245 (2011 £14,933) included in trade creditors

The group has received an additional £50,000 from Blue Machinery (Scotland) Limited in the form of an interest free loan. The balance on this loan at 31 January 2012 was £80,000 (2011 £30,000) included in other creditors

Blue Machinery (Group) plc

Notes to the Financial Statements

Year ended 31 January 2012

20 Related party transactions (continued)

	2012 £	2011 £
Wear and Spare Parts Limited - All common shareholders		
Goods and services sold to Wear and Spare Parts Limited	33,279	–
Goods and services purchased from Wear and Spare Parts Limited	25,668	10,218

At 31 January 2012 the amount owed by Wear and Spare Parts Limited amounted to £27,461 (2011 £Nil) included in trade debtors

At 31 January 2012 the amount owed to Wear and Spare Parts Limited amounted to £3,394 (2011 £9,069) included in trade creditors

During the year ended 31 January 2012 the group supplied an additional £226,906 to Wear and Spare Parts Limited in the form of an interest free loan. The balance on this loan at 31 January 2012 was £332,906 (2011 £106,000)

	2012 £	2011 £
Londel Limited - All common shareholders		
Goods and services sold to Londel Limited	35,847	–
Rent paid to Londel Limited	54,000	54,000

At 31 January 2012 the amount owed by Londel Limited amounted to £35,847 (2011 £Nil) included in trade debtors

Transactions with directors

During the year ended 31 January 2012 the directors A Carey, B V Maxwell, E J Donnelly and P O McGeary owned 100% of the issued share capital of the company. Dividends were paid by the company and received in a beneficial capacity by

	2012 £	2011 £
Directors	<u>200,000</u>	<u>200,000</u>

21 Controlling interest

The company was controlled throughout the current and previous period by Mr P O McGeary, Mr E J Donnelly, Mr B V Maxwell and Mr A Carey the directors of the company and by virtue of them holding all of the issued ordinary share capital of the company

Blue Machinery (Group) plc

Notes to the Financial Statements

Year ended 31 January 2012

25. Notes to the cash flow statement (continued)

22. Share capital

Authorised share capital:

	2012 £	2011 £
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

Allotted, called up and fully paid:

	2012 No	£	2011 No	£
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

23 Reserves Group

	Share premium account £	Profit and loss account £
Balance brought forward	1,221,878	6,285
Profit for the year	–	560,492
Equity dividends	–	(200,000)
Balance carried forward	<u>1,221,878</u>	<u>366,777</u>

Company

	Share premium account £	Profit and loss account £
Balance brought forward	1,221,878	131,077
Profit for the year	–	200,000
Equity dividends	–	(200,000)
Balance carried forward	<u>1,221,878</u>	<u>131,077</u>

24 Reconciliation of movements in shareholders' funds

	2012 £	2011 £
Profit for the financial year	560,492	507,980
Equity dividends	(200,000)	(200,000)
Net addition to shareholders' funds	360,492	307,980
Opening shareholders' funds	<u>1,328,163</u>	<u>1,020,183</u>
Closing shareholders' funds	<u>1,688,655</u>	<u>1,328,163</u>

Blue Machinery (Group) plc

Notes to the Financial Statements

Year ended 31 January 2012

25. Notes to the cash flow statement *(continued)*

25. Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

	2012	2011
	£	£
Operating profit	752,677	685,766
Interest payable	5,483	4,986
Amortisation	(26,951)	(31,401)
Depreciation	102,656	60,903
Increase in stocks	(2,193,731)	(114,853)
Increase in debtors	(1,647,429)	(245,663)
Increase/(decrease) in creditors	3,834,888	(6,208)
Net cash inflow from operating activities	<u>827,593</u>	<u>353,530</u>

Returns on investments and servicing of finance

	2012	2011
	£	£
Interest paid	(12,289)	(11,945)
Interest element of hire purchase	(3,252)	(623)
Net cash outflow from returns on investments and servicing of finance	<u>(15,541)</u>	<u>(12,568)</u>

Taxation

	2012	2011
	£	£
Taxation	<u>(146,241)</u>	<u>(61,118)</u>

Capital expenditure

	2012	2011
	£	£
Payments to acquire intangible fixed assets	(8,900)	—
Payments to acquire tangible fixed assets	<u>(175,309)</u>	<u>(161,466)</u>
Net cash outflow from capital expenditure	<u>(184,209)</u>	<u>(161,466)</u>

Financing

	2012	2011
	£	£
Other loans	(120,000)	—
Capital element of hire purchase	<u>(63,970)</u>	<u>(35,927)</u>
Net cash outflow from financing	<u>(183,970)</u>	<u>(35,927)</u>

Blue Machinery (Group) plc

Notes to the Financial Statements

Year ended 31 January 2012

25. Notes to the cash flow statement (continued)

Reconciliation of net cash flow to movement in net debt

	£	2012 £	2011 £
Increase/(decrease) in cash in the period	97,632		(117,549)
Other loans	120,000		—
Cash outflow in respect of hire purchase	63,970		35,927
Change in net debt resulting from cash flows		281,602	(81,622)
New finance leases		(251,984)	(101,439)
Movement in net debt in the period		29,618	(183,061)
Net debt at 1 February 2011		(271,808)	(88,747)
Net debt at 31 January 2012		(242,190)	(271,808)

Analysis of changes in net debt

	At 1 Feb 2011 £	Cash flows £	Other changes £	At 31 Jan 2012 £
Net cash				
Cash in hand and at bank	146,545	79,182	—	225,727
Overdrafts	(224,818)	18,450	—	(206,368)
	(78,273)	97,632	—	19,359
Debt				
Debt due within 1 year	(120,000)	120,000	—	—
Hire purchase agreements	(73,535)	63,970	(251,984)	(261,549)
	(193,535)	183,970	(251,984)	(261,549)
Net debt	(271,808)	281,602	(251,984)	(242,190)