

Accuracy International Limited

**Directors' report and consolidated
financial statements**

Registered number 05375397

For the Year Ended - 31 December 2009

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Directors' report

The directors present their directors' report and financial statements for the year ended 31st December 2009

Principal activities

The principal activity of the company is that of the manufacture and sale of weapons and related products

Business review

The trading performance of the company continues to be strong. Accuracy International Ltd will be introducing a new range of sniper rifles in 2010, the first time in nearly 20 years. These weapons, designated AX Series, will eventually replace the AW Series which has a long standing reputation worldwide. The AX will incorporate features based on market demand which will allow the user to easily mount accessories, primarily night vision, and also provide greater adjustment to personalise the weapon for individuals. The long awaited AS50 will also be in production and available to customers in the latter part of 2010.

It is also the intention to expand the facilities in order that the company can continue to bring work back in house as well as in anticipation of increased business with the introduction of the AX Series and AS50 weapons.

Going Concern

Based on group profit for the year of £935,079 and group net assets of £4,200,077 (Company net assets £4,287,479) the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Research and development

The company continues to develop new and existing products in pursuance of its strategy to remain the world leader in its chosen market. Expenditure on Research and development is written off to the profit and loss account in the year in which it is incurred.

Investments

In the Company's financial statements, the investment in the subsidiary undertaking is stated at cost less amounts written off.

Related party transactions

Under FRS8 (Related party disclosures) the Company is exempt from the requirement to disclose related party transactions with wholly owned subsidiary undertakings which cancel on consolidation. The company has adopted the revisions to FRS 8 in the period. Under this revised standard, a related party is as defined in IAS 24 Related Party Disclosures. No new related parties were identified as a result of adopting this standard.

The Group has a bank loan which is secured by a mortgage debenture and charges over credit balances. The Group does not foresee any future events which would require these to be called upon by the bank.

Market value of land and buildings

In the opinion of the directors, the market value of the land and buildings of the Group exceeds the book values of these assets.

Directors' report *(continued)*

Directors

The directors who held office during the year were as follows

Thomas Irwin
David Walls
Paul Bagshaw (resigned 14th December 2009)

Employees

The company has a stable and loyal workforce who are fully involved in the running of the business and with whom information is shared via regular staff meetings

Political and charitable contributions

Neither the Company nor any of its subsidiaries made any political or charitable donations or incurred any political expenditure during the year (2008 £nil)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006 the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

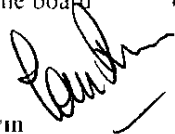
Post Balance Sheet events

On 9th March 2010 the directors proposed an interim ordinary dividend in respect of the year ended 31 December 2010 of £2.50 per share. This has not been included within creditors as it was not approved before the year end. On 9 March 2010 the Group bank facility was rebased to US Dollars. The facility expires in 2019.

On 26th August 2010 Accuracy International Ltd completed on the freehold purchase of the greater part of the land on which its current factory is situated. The land which was previously leased from Portsmouth City Council, encompasses the site of the factory building and a large portion of the car park. The remainder of the car park continues to be leased from Portsmouth City Council at a peppercorn rent.

By order of the board

Thomas Irwin
Director



Belmont House
Station Way
Crawley
West Sussex
RH10 1JA

21/9/10

(Date)

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG LLP

Dukes Keep
Marsh Lane
Southampton
SO14 3EX
United Kingdom

Independent auditors' report to the members of Accuracy International Limited

We have audited the financial statements of Accuracy International Limited for the year ended 31 December 2009 set out on pages 5 to 26. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 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 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

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK 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.

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.



PJ Pateman (Senior Statutory Auditor)
for and on behalf of KPMG LLP Statutory Auditor
Chartered Accountants
Southampton

23/9/10

Consolidated Profit and Loss Account
for the year ended 31st December 2009

	Note	2009 £	2008 £
Turnover	2	7,441,270	9 807 925
Cost of sales		(4,052,399)	(4 995 635)
Gross profit		3,388,871	4,812,290
Administrative expenses		(2,070,573)	(1,597 124)
Operating profit		1,318,298	3,215 166
Loss on sale of fixed assets - continuing operations	3	(41,164)	(273)
Other interest receivable and similar income	6	3,146	145,388
Interest payable and similar charges	7	(51,874)	(137,278)
Profit on ordinary activities before taxation	2-5	1,228,406	3 223,003
Tax on profit on ordinary activities	8	(327,850)	(934,643)
Profit for the financial year		900,556	2 288 360

Consolidated Balance Sheet
at 31st December 2009

	Note	2009 £	2009 £	2008 £	2008 £
Fixed assets					
Intangible assets	11	8,655		34,623	
Tangible assets	12	1,461,402		1,345,276	
			1,470,057		1,379,899
Current assets					
Stocks	14	1,599,196		1,903,030	
Debtors	15	1,042,605		2,468,931	
Cash at bank and in hand		1,681,557		619,141	
		4,323,358		4,991,102	
Creditors amounts falling due within one year	16	(1,020,190)		(1,988,903)	
Net current assets			3,303,168		3,002,199
Total assets less current liabilities			4,773,225		4,382,098
Creditors amounts falling due after more than one year	17		(547,791)		(657,553)
Provisions for liabilities	18		(59,879)		(69,151)
Net assets			4,165,555		3,655,394
Capital and reserves					
Called up share capital	19		60,000		60,000
Capital redemption reserve	20		530,001		530,001
Profit and loss account	20		3,575,554		3,065,393
			4,165,555		3,655,394

These financial statements were approved by the board of directors on 21/9/10 and were signed on its behalf by

Thomas Irwin
Director

Company Balance Sheet
 at 31st December 2009

	Note	2009 £	2009 £	2008 £	2008 £
Fixed assets					
Intangible assets	11	8,655		34,623	
Tangible assets	12	1,395,814		1,343,726	
Investments	13	<u>50,000</u>		<u>50,000</u>	
			1,454,469		1,428,349
Current assets					
Stocks	14	1,289,949		1,581,753	
Debtors	15	1,620,618		2,617,990	
Cash at bank and in hand		<u>1,461,320</u>		<u>548,969</u>	
		4,371,887		4,748,712	
Creditors amounts falling due within one year	16	<u>(965,730)</u>		<u>(1,946,910)</u>	
Net current assets			3,406,157		2,801,802
Total assets less current liabilities			4,860,626		4,230,151
Creditors amounts falling due after more than one year	17		(547,791)		(657,553)
Provisions for liabilities	18		<u>(59,879)</u>		<u>(69,151)</u>
Net assets			4,252,956		3,503,447
Capital and reserves					
Called up share capital	19		60,000		60,000
Capital Redemption Reserve	20		530,001		530,001
Profit and loss account	20		<u>3,662,955</u>		<u>2,913,446</u>
Equity			4,252,956		3,503,447

These financial statements were approved by the board of directors on 21/9/10 and were signed on its behalf by

Thomas Irwin
 Director



Consolidated Cash Flow Statement
for the year ended 31st December 2009

	Note	2009 £	2008 £
Cash flow from operating activities	22	2,883,188	1,329,567
Returns on investments and servicing of finance	23	(48,728)	8,110
Taxation		(949,705)	(672,413)
Capital expenditure and financial investment	23	(339,003)	(246,403)
Dividends paid on shares classified in shareholders' funds		(375,000)	(478,000)
Cash inflow before management of liquid resources and financing		1,170,752	(59,139)
		(92,942)	(720,223)
Financing	23		
Increase/(decrease) in cash in the period		1,077,810	(779,362)
Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash in the period		1,077,810	(779,362)
Cash to repay debt	25	92,942	469,722
Change in net funds resulting from cash flows		1,170,852	(309,640)
Effect of foreign exchange rate changes		(15,395)	97,271
Movement in net funds in the period		1,155,357	(212,369)
Net funds at the start of the period		(112,082)	100,287
Net funds at the end of the period	25	1,043,275	(112,082)

Consolidated Statement of Total Recognised Gains and Losses
for the year ended 31st December 2009

	2009 £	2008 £
Profit for the financial year		
Group	900,556	2 288 360
Net exchange differences on the retranslation of net investments	(15,322)	97 080
Deferred tax arising on other gains/(losses) recognised in this statement	9,272	(5 826)
Purchase of own shares	-	(250,501)
Total recognised gains and losses relating to the financial year	894,506	2 129 113

Reconciliations of Movements in Shareholders' Funds

for the year ended 31st December 2009

	Group 2009 £	2008 £	Company 2009 £	2008 £
Profit for the financial year				
Dividends on shares classified in shareholders' funds	900,556 (375,000)	2 288 360 (478 000)	1,124,509 (375,000)	2 311 921 (478,000)
Retained profit	525,556	1 810,360	749,509	1 833,921
Other recognised gains and losses relating to the year (net)	(15,395)	97,271	-	-
Purchase of own shares	-	(230 501)	-	(230,501)
Net addition to shareholders' funds	510,161	1 677,130	749,509	1,603 420
Opening shareholders' funds	3,595,394	1,918 264	3,443,447	1 840,027
Closing shareholders' funds	4,105,555	3 595,394	4,192,956	3,443 447

Notes

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements except as noted below

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2009. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. The useful life is estimated at 5 years.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	- 50 years (2 % per annum)
Plant and machinery	- 5 years (20% per annum)
Fixtures, Fittings & Equipment	- 5 years (20% per annum)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves net of exchange differences arising on related foreign currency borrowings.

Notes (continued)

Accounting policies (continued)

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors

Post retirement benefits

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 amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. Any outstanding amounts at the period end are presented within creditors.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the standard cost is used, being, the purchase price and an appropriate proportion of attributable overhead.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents amounts receivable for goods and services net of VAT, FET and trade discounts. Turnover is recognised on dispatch of goods.

Dividends on shares presented within equity

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Cash

Cash for the purpose of the cash flow statement comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Notes (continued)

2 Turnover

	2009 £	2008 £
United Kingdom	1,778,722	4,750,264
USA	2,723,966	1,764,271
Rest of the World	2,938,582	3,293,390
	<u>7,441,270</u>	<u>9,807,925</u>

Company

	2009 £	2008 £
United Kingdom	1,778,722	4,750,264
USA	2,094,525	1,531,523
Rest of the World	2,938,582	3,293,390
	<u>6,811,829</u>	<u>9,575,177</u>

There is only one class of business resulting in the revenues shown, being the manufacture and sale of weapons and related products

3. Notes to the profit and loss account

	2009 £	2008 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation and other amounts written off tangible fixed assets		
Owned	152,293	103,895
Leased	29,420	29,420
Amortisation of goodwill	25,968	25,968
Research and development expenditure	83,805	48,585
Loss on sale of fixed assets	41,164	273
	<u></u>	<u></u>

Auditors' remuneration

	2009 £	2008 £
Audit of these financial statements		
Amounts receivable by auditors and their associates in respect of		
Audit of financial statements of subsidiaries pursuant to legislation	23,750	13,850
Other services relating to taxation	5,110	7,266
	<u></u>	<u></u>

Amounts paid to the Accuracy International Ltd's auditor and their associates in respect of services to the Company, other than the audit of the Company's financial statements have not been disclosed as the information is required instead to be disclosed on a consolidated basis

Notes (continued)

3 Remuneration of directors

	2009 £	2008 £
Directors emoluments	<u>419,368</u>	<u>300 796</u>

The aggregate of emoluments of the highest paid director was £180,000 (2008 £98,310) including pension contributions of £nil (2008 £nil)

4 Staff numbers and costs

The average number of persons employed by the Group and Accuracy International Ltd (including directors) during the year, analysed by category was as follows

	Number of employees	
	2009	2008
Overhead	11	8
Direct	31	28
	<u>42</u>	<u>36</u>

The aggregate payroll costs of these persons were as follows

	2009 £	2008 £
Wages and salaries	1,474,345	1 315 902
Social security costs	142,325	136,593
Other pension costs	19,915	13 420
	<u>1,636,585</u>	<u>1 465 915</u>

Notes (continued)

5 Other interest receivable and similar income

	2009 £	2008 £
Net foreign exchange gains	-	111,682
Other interest	3,146	33,706
	<u>3,146</u>	<u>145,388</u>

6 Interest payable and similar charges

	2009 £	2008 £
On bank loans and overdrafts	23,910	57,658
Finance costs on shares classified as liabilities	-	21,464
Finance cost on redemption of shares classified as liabilities	-	41,000
Net foreign exchange losses	18,540	-
Finance charges payable in respect of finance leases and hire purchase contracts	4,970	8,213
Other interest	4,454	8,943
	<u>51,874</u>	<u>137,278</u>

Notes (continued)

7 Taxation

Analysis of charge in period

	2009		2008	
	£	£	£	£
<i>UK corporation tax</i>				
Current tax on income for the period	390,099		940,029	
Adjustments in respect of prior periods	(52,977)		(11,212)	
		337,122		928,817
 Total current tax				
 <i>Deferred tax</i>				
Origination/reversal of timing differences	(13,214)		5,826	
Adjustment in respect of previous years	3,942		-	
Total deferred tax		(9,272)		5,826
Tax on profit on ordinary activities		327,850		934,643

Notes (continued)

9 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2008 higher) than the standard rate of corporation tax in the UK (28 % 2008 28.5 %) The differences are explained below

	2009 £	2008 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,228,406	3,223,003
	<hr/>	<hr/>
Current tax at 28 % (2008 28.5 %)	343,953	918,556
<i>Effects of</i>		
Finance charge on shares classified as liabilities	-	17,801
Expenses not deductible for tax purposes	13,206	950
Capital allowances for period in excess of depreciation	(36,001)	(9,311)
Other timing differences	66,651	3,965
Adjustments to tax charge in respect of previous periods	(52,977)	(11,212)
Unrecognised losses relating to Accuracy International of North America	2,290	8,068
	<hr/>	<hr/>
Total current tax charge (see above)	337,122	928,817
	<hr/>	<hr/>

10 Dividends

The aggregate amount of dividends comprises

	2009 £	2008 £
Final dividends paid in respect of prior year but not recognised as liabilities in that year	75,000	28,000
Interim dividends paid in respect of the current year	300,000	450,000
	<hr/>	<hr/>
Aggregate amount of dividends paid in the financial year	375,000	478,000
	<hr/>	<hr/>

For details of dividends proposed post year end see note 26

Notes (continued)

11 Intangible fixed assets

Group and Company	Goodwill £
<i>Cost</i>	
At beginning of year	129,839
Additions	-
	<hr/>
At end of year	129,839
	<hr/>
<i>Amortisation</i>	
At beginning of year	95,216
Charged in year	25,968
	<hr/>
At end of year	121,184
	<hr/>
<i>Net book value</i>	
At 31st December 2009	8,655
	<hr/>
At 31st December 2008	34,623
	<hr/>

Notes (continued)

12 Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Total
	£	£	£	£
Group				
<i>Cost</i>				
At beginning of year	903 108	572 508	131 682	1 607 298
Additions	100 120	191 321	72,562	364,003
Disposals	-	(29 750)	(62 041)	(91 791)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At end of year	1 003 228	734 079	142 203	1 879 510
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Depreciation</i>				
At beginning of year	65 853	168 291	27 878	262 022
Charge for year	22 263	133 052	26 398	181,713
On disposals	-	(6 446)	(19,181)	(25,627)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At end of year	88 116	294 897	35 095	418 108
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Net book value</i>				
At 31 st December 2009	915,112	439,182	107,108	1,461,402
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 st December 2008	837 255	404 217	103,804	1 345,276
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Included in the total net book value of plant and machinery is £ 31,398 (2008 £60,818) in respect of assets held under finance leases. Depreciation for the year on these assets was £29,420 (2008 £29,420). The finance leases are all relate to the company.

Notes (continued)

12 Tangible fixed assets (continued)

	Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Total
	£	£	£	£
Company				
Cost				
At beginning of year	903 108	572 508	130,083	1,605,699
Additions	37 785	191 321	66 212	295 318
Disposals	-	(29 750)	(62,041)	(91,791)
At end of year	940 893	734 079	134 254	1,809,226
Depreciation				
At beginning of year	(65 853)	(168 291)	(27,829)	(261,973)
Charge for year	(18 178)	(133 052)	(25,835)	(177,065)
On disposals	-	6 446	19 181	25,627
At end of year	(84 031)	(294 897)	(34,483)	(413,411)
Net book value				
At 31 st December 2009	856,862	439,182	99,771	1,395,815
At 31 st December 2008	837 255	404 217	102 254	1,343,726

Included in the total net book value of plant and machinery is £31,398 (2008 £60,818) in respect of assets held under finance leases or hire purchase contracts. Depreciation for the year on these assets was £29,420 (2008 £29,420)

Notes (continued)

13 Fixed asset investments

The undertakings in which the Company's interest at the year end is more than 20% are as follows

	Country of incorporation	Principal Activity	Class and percentage of shares held
<i>Subsidiary undertakings</i>			
Accuracy International of North America	USA	Sale of weapons and related products	100% Ordinary

The carrying cost of this investment was £50,000 (2008: £50,000)

14 Stocks

	Group 2009 £	2008 £	Company 2009 £	2008 £
Work in progress	52,668	114,261	52,668	114,261
Finished goods and raw materials	1,546,528	1,788,769	1,237,281	1,467,492
	<u>1,599,196</u>	<u>1,903,030</u>	<u>1,289,949</u>	<u>1,581,753</u>

15 Debtors

	Group 2009 £	2008 £	Company 2009 £	2008 £
Trade debtors	923,096	2,157,496	765,959	1,977,457
Amounts owed by group undertakings	-	-	765,839	504,668
Deferred tax assets	-	-	-	-
Other debtors	57,792	262,558	56,934	104,815
Prepayments and accrued income	61,717	48,877	31,886	31,050
	<u>1,042,605</u>	<u>2,468,931</u>	<u>1,620,618</u>	<u>2,617,990</u>

Notes (continued)

16 Creditors amounts falling due within one year

	Group 2009 £	2008 £	Company 2009 £	2008 £
Bank loans and overdrafts	63,270	44 070	63,270	44 070
Obligations under finance leases and hire purchase contracts	27,220	29 601	27,220	29 601
Payments received on account	82,346	37 744	82,346	37 744
Trade creditors	436,195	493 556	387,947	459 938
Taxation and social security	194,436	792 690	194,436	790 745
Other creditors	37,649	2 002	37,649	2,002
Accruals and deferred income	179,074	589 240	172,862	582,810
	<u>1,020,190</u>	<u>1 988,903</u>	<u>965,730</u>	<u>1,946 910</u>

17 Creditors amounts falling due after more than one year

	Group 2009 £	2008 £	Company 2009 £	2008 £
Bank loans and overdrafts	539,829	622 408	539,829	622 408
Obligations under finance leases and hire purchase contracts	7,962	35,145	7962	35,145
	<u>547,791</u>	<u>657 553</u>	<u>547,791</u>	<u>657 553</u>

The maturity of obligations under finance leases contracts is as follows

	Group 2009 £	2008 £	Company 2009 £	2008 £
Within one year	15,995	-	15,995	-
In the second to fifth years	19,188	64 746	19,188	64 746
	<u>35,183</u>	<u>64 746</u>	<u>35,183</u>	<u>64 746</u>

The maturity of obligations under the bank loan is as follows

	Group 2009 £	2008 £	Company 2009 £	2008 £
Within one year	63,270	44 070	63,270	44 070
In the second to fifth years	224,280	152 280	224,280	152 280
Over five years	315,549	470 128	315,549	470 128
	<u>603,099</u>	<u>666 478</u>	<u>603,099</u>	<u>666 478</u>

Notes (continued)

18 Provisions for liabilities

	Deferred taxation £
Group	
At beginning of year	69,151
Adjustment in respect of prior periods	3,942
Credit to the profit and loss for the year	(13,214)
	<hr/>
At end of year	59,879
	<hr/>

The deferred tax all relates to the difference between accumulated depreciation and amortisation and capital allowances. All deferred tax is held within Accuracy International Ltd.

19 Called up share capital

Group and Company	2009 £	2008 £
<i>Authorised</i>		
Ordinary shares of £1 each	100,000	100,000
10 % cumulative redeemable preference shares of £1 each	750,000	750,000
	<hr/>	<hr/>
	850,000	850,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	60,000	60,000
	<hr/>	<hr/>
	60,000	60,000
	<hr/>	<hr/>

Notes (continued)

20 Reserves and movement in shareholder funds

Group	Share Capital	Capital Redemption Reserve	Profit & loss account	Total
	£	£	£	£
At beginning of year	60 000	530 001	3 065 393	3 655 394
Profit for the year	-	-	900,556	900 556
Dividends on shares classified in shareholders funds	-	-	(375 000)	(375 000)
Exchange adjustments	-	-	(15 395)	(15 395)
At end of year	60,000	530,001	3,575,554	4,165,555

21 Commitments

- (a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows

	Group 2009 £	2008 £	Company 2009 £	2008 £
Contracted	91,000	145,000	91,000	145,000

The company has an interest rate cap in place over its bank loan providing cover should the prevailing interest rate rise above 6%. The arrangement expires on 29 April 2010.

22 Reconciliation of operating profit to operating cash flows

	2009 Total £	2008 Total £
Operating profit	1,318,298	3 215 166
Depreciation, amortisation and impairment charges	207,681	159,282
Decrease/(Increase) in stocks	303,834	(951 390)
Decrease/(Increase) in debtors	1,426,326	(1 297 229)
(Decrease)/Increase in creditors	(372,951)	203 738
Net cash inflow/outflow from operating activities	2,883,188	1,329,567

Notes (continued)

23 Analysis of cash flows

Notes	2009 £	2009 £	2008 £	2008 £
Returns on investment and servicing of finance				
Interest received	3,146		145,388	
Interest paid	(46,904)		(66,601)	
Dividends paid on shares classified as liabilities	-		(62,464)	
Interest element of finance lease rental payments	(4,970)		(8,213)	
		(48,728)		8,110
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(364,003)		(247,095)	
Sale of tangible fixed assets	66,164		692	
		(297,839)		(246,403)
Financing				
Decrease in debt due within one year	25,200		12,000	
Decrease in debt due after more than one year	(88,579)		(45,402)	
Redemption of preference shares	-		(410,000)	
Purchase of own shares	-		(250,501)	
Capital element of finance lease rental payments	(29,563)		(26,320)	
		(92,942)		(720,223)

24 Pension scheme

Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £19,915 (2008: £13,420).

Contributions amounting to £2,046 (2008: £2,002) were payable to the scheme and are included in creditors.

Notes (continued)

25 Analysis of net funds

	At beginning of year £	Cash flow £	Other non cash changes £	Translation differences £	At end of year £
Cash in hand at bank	619 142	1 062 415	-	-	1,681,557
Debt due after one year	(628 408)	-	88 579	-	(539,829)
Debt due within one year	(38 070)	63 379	(88 579)	-	(63,270)
Finance leases	(64 746)	29 563	-	-	(35,183)
Total	(112 082)	1 155 357	-	-	1,043,275

26 Post Balance Sheet events

On 9th March 2010 the directors proposed an interim ordinary dividend in respect of the year ended 31 December 2010 of £2.50 per share. This has not been included within creditors as it was not approved before the year end. On 9 March 2010 the Group bank facility was rebased to US Dollars. The facility expires in 2019.

On 26th August 2010 Accuracy International Ltd completed on the freehold purchase of the greater part of the land on which its current factory is situated. The land, which was previously leased from Portsmouth City Council, encompasses the site of the factory building and a large portion of the car park. The remainder of the car park continues to be leased from Portsmouth City Council at a peppercorn rent.

On 20th September 2010 the company accepted a contract to extend and refurbish the mezzanine floor at an estimated cost of £250,000.

27 Controlling Party

The company is privately owned and has no overall controlling shareholder.