

# **BARKERS ENGINEERING LIMITED**

Registered number 00597466

Directors' Report and Financial Statements

For the year ended 31 December 2006



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## Directors' report

The directors present their report and Financial Statements and auditors' report for the year ended 31 December 2006

### Principal activity

The principal activities of the company are the manufacture and supply of fencing and related products, galvanizing and powder coating

### Key performance indicators

KPI's are expanded upon in the business review, but in summary

*Financial KPI's* – The company's aim is to grow revenue and profitability through a combination of price and volume growth, organic expansion and acquisitions. Turnover is up 1.0% to £16,834,000, operating profit is down 18.3% to £1,249,000

*Non-financial KPI's* – The company's aim is to keep monitoring other areas such as health and safety, energy efficiency, emissions, using recycled products and waste management

### Business review and future developments

*Structure* - During the year the Group made a further investment of £1,800,000 in the company's share capital. This investment replaces intercompany balances included in current liabilities and serves to show a more accurate representation of the company's finances

*Overview* - The profit on ordinary activities before taxation amounted to £1,249,000 (2005 £2,158,000). This reduction was primarily due to an exceptional gain on the sale of property of £804,000 in 2005. The underlying profit was £105,000 lower than the prior year. Turnover was £16,834,000 (2005 £16,667,000). This increase in turnover and the underlying reduction in profit was a result of a significant increase in the price of zinc and a generally more competitive trading environment.

*Strategy* - During the year, the Company endeavoured to improve its corporate image through updating its brochures and website. The targeted customer profiles have been widened and product range extended, resulting in a gradual change in product mix through the year strengthening the business going forward.

*Risk Management* - The Board continues to develop policies and procedures that reflect the nature and scale of the Company's business. These are designed to identify, mitigate and manage risk. The Board has identified the following key areas of risk to the business: Failure of key equipment, dependence on key suppliers and the increasing number of competitors in the market.

*Corporate Social Responsibility* - The Company recognises the importance of balancing the interest of key stakeholders – employees, customers, shareholders, suppliers and the wider community in which it operates. The Company remains committed to a continuous improvement in its environmental performance to ensure that its activities comply with environmental standards and legislation.

*Health and Safety* - Health and safety remains core to the Company's business. The Company is committed to a continuous improvement in its health and safety performance and its activities comply with health and safety standards and legislation. Further details of the Group's health and safety activities can be found in the Hill & Smith Holdings PLC annual report.

*Outlook* - The Directors expect the marketing initiatives to create a greater demand for our existing product range. In addition, the Company has ambitions to become a major player in the total perimeter security market in particular vehicle threat solutions.

### Dividends

Dividend payments of £500,000 have been made in the year ended 31 December 2006 (2005 £1,450,000). There are no proposed dividends.

### Creditor payment terms

It is the company's normal practice to agree in advance the terms of transactions with suppliers, including payment terms. Provided suppliers perform in accordance with the agreed terms, it is the company's policy that payment is made accordingly. Creditor days at the end of the year were 90 days (2005 85 days).

## Directors' report (continued)

### Directors and their interests

The directors serving during the period, none of whom has any beneficial interest in the shares of the company, were as follows

D L Grove  
 C J Burr  
 D W Muir  
 G Dale  
 J K Downs  
 R Ridgeway  
 A Fairhurst (appointed 1 March 2006)

D L Grove, D W Muir and C J Burr are directors of the ultimate holding company, Hill & Smith Holdings PLC. All of these directors' interests in the shares and share options of that company are shown in its Financial Statements

The interests of the other directors in office at the end of the year in the shares and share options of Hill & Smith Holdings PLC, are as follows

#### Ordinary shares of 25p each

	2006	2005
G Dale	<u>2,266</u>	<u>2,500</u>

#### Share options over ordinary shares of 25p each

	At beginning of year or date of appointment	Exercised	Granted	At end of year	Exercise price p	Date first exercisable	Expiry date	Note no
G Dale	12,360	-	-	12,360	100 00	01 01 10	01 07 10	1
	10,801	-	-	10,801	204 83	04 10 08	04 10 15	2
	19,845	-	-	19,845	204 83	04 10 08	04 10 15	3
	<u>43,006</u>	-	-	<u>43,006</u>				
J K Downs	2,445	-	-	2,445	100 00	01 01 10	01 07 10	1
	14,646	-	-	14,646	204 83	04 10 08	04 10 15	2
	17,091	-	-	17,091				
	<u>17,091</u>	-	-	<u>17,091</u>				
R Ridgeway	7,403	-	-	7,403	100 00	01 01 10	01 07 10	1
	14,646	-	-	14,646	204 83	04 10 08	04 10 15	2
	22,049	-	-	22,049				
	<u>22,049</u>	-	-	<u>22,049</u>				
A Fairhurst	14,646	-	-	14,646	204 83	04 10 08	04 10 15	2

Note 1 These options were granted under the 1995 Savings Related Share Option Scheme

Note 2 These options were granted under the 2005 Executive Share Option Scheme – Approved Section

Note 3 These options were granted under the 2005 Executive Share Option Scheme – Unapproved Section

#### 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

**Directors' report** *(continued)*

**Auditor**

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the company is to be proposed at the forthcoming annual general meeting

By order of the Board



**J.C. Humphreys**  
Secretary

2 Highlands Court  
Cranmore Avenue  
Shirley  
Solihull  
West Midlands  
B90 4LE

6 March 2007

## **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 Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The Financial Statements are required by law to 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 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, 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its Financial Statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

## Independent auditors' report to the members of Barkers Engineering Limited

We have audited the Financial Statements of Barkers Engineering Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of movements in shareholder's funds and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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

The directors' responsibilities for preparing the Financial Statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

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

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

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

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

### Opinion

In our opinion:

- the Financial Statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the Financial Statements.

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor  
2 Cornwall Street  
Birmingham  
B3 2DL

*KPMG Audit Plc*

6 March 2007

**Profit and loss account**  
 for the year ended 31 December 2006

	<i>Note</i>	<b>2006</b> £'000	2005 £'000
Turnover	2	16,834	16,667
Cost of sales		(13,192)	(13,153)
<b>Gross profit</b>		<hr/> 3,642	<hr/> 3,514
Distribution costs		(837)	(703)
Administrative expenses		(1,557)	(1,283)
<b>Operating profit</b>		<hr/> 1,248	<hr/> 1,528
Profit on sale of freehold property		-	804
<b>Profit on ordinary activities before interest</b>		<hr/> 1,248	<hr/> 2,332
Interest receivable	6	28	58
Interest payable and similar charges	7	(27)	(232)
<b>Profit on ordinary activities before taxation</b>	3, 8	<hr/> 1,249	<hr/> 2,158
Tax on profit on ordinary activities	8	(388)	(46)
<b>Profit for the financial year</b>		<hr/> <hr/> 861	<hr/> <hr/> 2,112

All operations are continuing

There were no recognised gains or losses during the current or preceding year apart from the profit for the financial year shown above




**Balance sheet**  
*as at 31 December 2006*

	<i>Note</i>	2006		2005	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	9		49		-
Tangible assets	10		1,815		1,471
			1,864		1,471
<b>Current assets</b>					
Stocks	11	1,957		1,643	
Debtors	12	4,521		4,216	
Cash at bank and in hand		556		1,070	
			7,034		6,929
<b>Creditors</b> Amounts falling due within one year	13	(4,532)		(6,134)	
			2,502		795
<b>Net current assets</b>			2,502		795
<b>Total assets less current liabilities</b>			4,366		2,266
<b>Creditors</b> Amounts falling due after more than one year	14		(31)		(92)
			4,335		2,174
<b>Net assets</b>			4,335		2,174
<b>Capital and reserves</b>					
Called up share capital	16		1,840		40
Profit and loss account	17		2,495		2,134
			4,335		2,174
<b>Equity shareholder's funds</b>			4,335		2,174

These Financial Statements were approved by the board of directors on 6 March 2007 and signed on their behalf by

  
**G Dale**  
 Director

  
**J K Downs**  
 Director

**Reconciliation of movements in shareholder's funds**  
*for the year ended 31 December 2006*

	<i>Note</i>	<b>2006</b> <b>£'000</b>	2005 <b>£'000</b>
<b>Profit for the financial year</b>		<b>861</b>	2,112
Dividends paid	22	<b>(500)</b>	(1,450)
		<hr/>	<hr/>
Retained profit		<b>361</b>	662
Share capital issued during the year		<b>1,800</b>	-
		<hr/>	<hr/>
Increase in shareholder's funds		<b>2,161</b>	662
Opening shareholder's funds		<b>2,174</b>	1,512
		<hr/>	<hr/>
<b>Closing shareholder's funds</b>		<b>4,335</b>	2,174
		<hr/> <hr/>	<hr/> <hr/>

## Notes

(forming part of the Financial Statements)

### 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 accounting**

The Financial Statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards

#### **Cash flow statement**

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated Financial Statements

#### **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

Plant, equipment and vehicles	-	4 to 20 years
Land and buildings	-	50 years

#### **Stocks and work in progress**

These are valued on a "first-in, first-out" basis at the lower of cost and net realisable value. In respect of work in progress and finished goods, cost includes all production overheads and the attributable proportion of indirect overhead expenses

#### **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 at the balance sheet date, except as otherwise required by FRS 19

#### **Foreign currency**

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date

All exchange differences are taken to the profit and loss account

#### **Turnover**

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied

#### **Goodwill**

Goodwill arising on acquisitions (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised as a fixed asset and amortised on a straight line basis over its estimated useful economic life up to a maximum of 20 years

#### **Other intangible assets**

Other intangible assets identified, such as customer lists, are valued at their fair value at the time of acquisitions and are capitalised as a fixed asset which is amortised on a straight line basis over its estimated useful economic life up to a maximum of 20 years

## Notes (continued)

### 1 Accounting policies (continued)

#### **Pension scheme arrangements**

The company participates in the Hill & Smith Executive Pension Scheme and the Hill & Smith Pension Scheme, as described in note 20

As the company is unable to identify its share of the Group pension scheme assets in respect of the defined benefit sections on a consistent and reasonable basis, as permitted by FRS 17 the schemes are accounted for as if they are defined contribution schemes

Contributions in respect of defined contribution schemes are charged to the profit and loss account in the period to which they relate

#### **Leased assets**

Assets held under leases which confer rights and obligations similar to those attaching to owned assets are capitalised as tangible fixed assets and the corresponding liability to pay rentals is shown net of interest in the accounts as obligations under finance leases. Interest is calculated on the reducing balance basis and is charged over the period of the lease

All other leases are regarded as operating leases and the total payments made under them are charged to the profit and loss account on a straight-line basis over the lease term

#### **Share based payments**

The share option programme allows employees to acquire shares of the ultimate parent company Hill & Smith Holdings PLC. The fair value of options granted after 7 November 2002 and those not yet vested by 31 December 2004 are not recognised as an employee expense, those vested 1 January 2005 onwards are expensed with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting

For cash settled share based payment transactions, with the exception of those awards settled before 1 January 2005, the fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is measured based on an option pricing model taking in to account the terms and conditions upon which the instruments were granted. The liability is revalued at each Balance Sheet date and settlement date with any changes to fair value being recognised in the Profit and Loss Account

Share-based payments are recharged by the ultimate parent company to participating subsidiary undertakings on an annual basis

#### **Research and development**

Expenditure on development activities is capitalised if the product or process is considered to be technically and commercially viable and the Company has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Income Statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation is provided equally over the estimated useful economic life of the assets concerned currently up to 7 years

## Notes (continued)

### 1 Accounting policies (continued)

#### **Dividends on shares presented within shareholder's funds**

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.

#### **Classification of financial instruments issued by the Company**

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholder's funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these Financial Statements for called up share capital and share premium account exclude amounts in relation to those shares.

## Notes (continued)

### 2 Turnover

The turnover of the company is derived from the following geographical markets

	2006	2005
	£'000	£'000
United Kingdom	15,038	14,202
Rest of Europe	1,778	2,454
Asia	18	11
	16,834	16,667

In the opinion of the directors, there is only one class of business

### 3 Profit on ordinary activities before taxation

	2006	2005
	£'000	£'000
<b>Profit on ordinary activities before taxation is stated</b>	<b>£'000</b>	<b>£'000</b>
<i>after charging</i>		
Depreciation		
Owned assets	197	168
Leased assets	65	75
Amortisation of intangible assets	1	-
Operating leases		
Plant and machinery	43	47
Other leases	215	22
Auditors' remuneration	9	9
Loss on sale of fixed assets	10	5
	10	5

Fees paid to KPMG Audit Plc and its associates for non-audit services to the company itself are not disclosed in the individual accounts of Hill & Smith Holdings Plc because the company's consolidated accounts are required to disclose such fees on a consolidated basis

## Notes (continued)

### 4 Remuneration of directors

Aggregate directors' remuneration for the year was as follows

	2006 £'000	2005 £'000
Emoluments	319	226
Company contributions to money purchase pension schemes	11	5
	330	231
	Number	Number
Directors exercising share options	-	4
Directors who are members of defined benefit pension schemes	2	2
	2	2

Directors' interests in shares and share options in the ultimate parent company are disclosed in the directors' report

The remuneration of the highest paid director excluding pension contributions was £119,000 (2005 £96,000) His accrued pension entitlement per annum at the year end was £32,000 (2005 £26,000)

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) all of whom were involved in the principal activity was

	2006 Number	2005 Number
Production	123	120
Administration	18	16
Sales and distribution	10	9
	151	145
	£'000	£'000
The aggregate payroll costs of these persons were		
Wages and salaries	2,706	2,572
Share-based payment	13	4
Social security costs	251	243
Other pension costs	73	62
	3,043	2,881
	3,043	2,881

**Notes (continued)**

**6 Interest receivable**

	2006	2005
	£'000	£'000
Bank interest receivable	28	58
	28	58

**7 Interest payable and similar charges**

	2006	2005
	£'000	£'000
Finance charges payable in respect of finance leases and hire purchase contracts	13	24
On loans from group undertakings	14	208
	27	232

**8 Tax on profit on ordinary activities**

<i>Analysis of charge in year</i>	2006	2005
	£'000	£'000
<i>UK corporation tax</i>		
Current tax on income for the year	327	397
<i>Deferred tax (see note 15)</i>		
Origination/reversal of timing differences	57	(365)
Relating to the prior year	4	14
	388	46

*Factors affecting tax charge for the year* - The effective current tax charge for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below

<i>Current tax reconciliation</i>	2006	2005
	£'000	£'000
Profit on ordinary activities before taxation	1,249	2,158
	1,249	2,158
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	375	647
<i>Effects of</i>		
Expenses not deductible for tax purposes	14	16
Difference between capital allowances for year and depreciation	(33)	(14)
Income and expenditure timing differences	(24)	31
Capital profits not taxable	-	(270)
Deductible items not charged against profit	(5)	(13)
	327	397



**Notes (continued)**

**9 Intangible assets**

	<b>Capitalised R&amp;D £'000</b>
<b>Cost</b>	
Additions	50
<b>At 31 December 2006</b>	<b>50</b>
<b>Amortisation</b>	
Charge for the year	1
<b>At 31 December 2006</b>	<b>1</b>
<b>Net book value</b>	
<b>At 31 December 2006</b>	<b>49</b>

**10 Tangible fixed assets**

	<b>Plant equipment and vehicles £'000</b>
<b>Cost</b>	
At 1 January 2006	3,285
Additions	676
Disposals	(132)
<b>At 31 December 2006</b>	<b>3,829</b>
<b>Depreciation</b>	
At 1 January 2006	1,814
Charge for the year	262
Disposals	(62)
<b>At 31 December 2006</b>	<b>2,014</b>
<b>Net book value</b>	
<b>At 31 December 2006</b>	<b>1,815</b>
At 31 December 2005	1,471

Included in the total net book value of plant, equipment and vehicles is £327,000 (2005 £450,000) in respect of assets held under finance leases and similar hire purchase contracts

## Notes (continued)

### 11 Stocks

	2006	2005
	£'000	£'000
Raw materials and consumables	489	411
Work in progress	1,468	1,232
	1,957	1,643
	1,957	1,643

### 12 Debtors

	2006	2005
	£'000	£'000
Trade debtors	3,543	3,558
Amounts owed by group undertakings	809	438
Deferred tax (see note 15)	20	81
Prepayments and accrued income	146	133
Other debtors	3	6
	4,521	4,216
	4,521	4,216

Intercompany loans are unsecured and with no fixed repayment date. Interest is charged at a rate equivalent to the Group's average borrowing rate for the year.

### 13 Creditors amounts falling due within one year

	2006	2005
	£'000	£'000
Bank loans and overdrafts	177	-
Obligations under finance leases and similar hire purchase contracts	62	83
Trade creditors	3,000	2,857
Bills of exchange	-	45
Amounts owed to group undertakings	472	1,757
Other creditors	38	41
Corporation tax	347	417
Other tax and social security	242	573
Accruals and deferred income	194	361
	4,532	6,134
	4,532	6,134

During the year the Group made a further investment of £1,800,000 in the company's share capital. This investment replaces intercompany balances included in current liabilities and serves to show a more accurate representation of the company's finances.

Intercompany loans are unsecured and with no fixed repayment date. Interest is charged at a rate equivalent to the Group's average borrowing rate for the year.

**Notes (continued)**

**14 Creditors: amounts falling due in more than one year**

	2006	2005
	£'000	£'000
Obligations under finance leases and similar hire purchase contracts	31	92
<hr/>		
Obligations under finance leases are payable as follows		
Within one year	62	83
In the second to fifth year	31	92
	<hr/>	<hr/>
	93	175
	<hr/>	<hr/>

**15 Deferred tax**

		£'000
below		
At 1 January 2006		(81)
Profit and loss account		61
		<hr/>
At 31 December 2006		(20)
		<hr/>
	2006	2005
	£'000	£'000
Difference between accumulated depreciation, amortisation and capital allowances	(13)	(48)
Other timing differences	(7)	(33)
	<hr/>	<hr/>
	(20)	(81)
	<hr/>	<hr/>

**16 Called up share capital**

	2006	2005
	£'000	£'000
<b>Authorised</b>		
1,850,000 (2005 50,000) ordinary shares of £1 each	1,850	40
	<hr/>	<hr/>
<b>Authorised, allotted called up and fully paid</b>		
1,840,000 (2005 40,000) ordinary shares of £1 each	1,840	40
	<hr/>	<hr/>

During the year the Group made a further investment of £1,800,000 in the company's share capital. This investment replaces intercompany balances included in current liabilities and serves to show a more accurate representation of the company's finances.

The charge for the share-based payment in the company for the year ending 31 December 2006 was £13,000 (2005 £4,000). Details of the assumptions and methodology used in calculating this charge can be seen in the ultimate parent company Hill & Smith Holdings PLC group accounts.

## Notes (continued)

### 16 Called up share capital (continued)

The options over the ultimate parent company shares outstanding at 31 December 2006 had option prices of 205p\* and 100p\*\* The average share price for the year ending 31 December 2006 was 245p (2005 177p)  
 The total movement across the group is as follows

	* 2005 Executive Share Option Scheme		** 1995 Savings Related Share Option Scheme	
	2006	2005	2006	2005
	Number of shares	Number of shares	Number of shares	Number of shares
As at 1 January	583,012	-	1,344,627	1,458,759
Issued	-	583,012	-	-
Lapsed	-	-	(167,559)	(110,982)
Exercised	-	-	(13,554)	(3,150)
<b>As at 31 December</b>	<b>583,012</b>	<b>583,012</b>	<b>1,163,514</b>	<b>1,344,627</b>

### 17 Profit and loss account

	£'000
At 1 January 2006	2,134
Profit on ordinary activities after tax	861
Dividends	(500)
<b>At 31 December 2006</b>	<b>2,495</b>

### 18 Contingent liabilities

The company is a party to cross guarantees given for bank loans and overdrafts of the ultimate parent company and certain fellow subsidiaries amounting to £62,049,000 (2005 £79,151,000) which are secured on the assets of the Group

The company has no other guarantees (2005 £Nil)

### 19 Commitments

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Operating leases which expire				
Within one year	-	-	14	26
Within two to five years	-	-	33	48
After five years	177	178	-	-
<b>At 31 December 2006</b>	<b>177</b>	<b>178</b>	<b>47</b>	<b>74</b>

The company had capital expenditure contracted but not provided in the Financial Statements at 31 December 2006 of £21,000 (2005 £240,000)

## Notes (continued)

### 20 Pension scheme

The company is a subsidiary of Hill & Smith Holdings PLC and participates in the Hill & Smith Executive Pension Scheme and the Hill & Smith Pension Scheme, the former provides benefits on a defined benefit basis and the second scheme providing benefits that are on a defined benefit and a defined contribution basis. Details of the schemes and their most recent actuarial valuation are contained in the Financial Statements of Hill & Smith Holdings PLC.

The pension cost for the year represents contributions payable by the company to the fund and amounted to £73,000 (2005 £62,000)

As the company is unable to identify its share of the schemes' assets and liabilities in respect of the defined benefit sections on a consistent and reasonable basis, as permitted by FRS 17 *Retirement Benefits*, the schemes are accounted for by the company as defined contribution schemes.

### 21 Related party transactions

The company has taken advantage of the exemption available under FRS 8 *Related party transactions* not to disclose transactions that have been made between the company and other fellow subsidiaries of Hill & Smith Holdings PLC.

### 22 Dividends

The aggregate amount of dividends comprises

	2006	2005
	£'000	£'000
Final dividends paid in respect of prior year but not recognised as liabilities in that year	-	500
Interim dividends paid in respect of the current year	500	950
	500	1,450
Aggregate amount of dividends paid in the financial year	500	1,450

### 21 Ultimate parent company

The company is a wholly owned subsidiary of Hill & Smith Holdings PLC, a company registered in England. Copies of the Group Financial Statements may be obtained from Group headquarters.

2 Highlands Court  
 Cranmore Avenue  
 Shirley, Solihull  
 B90 4LE