BARKERS ENGINEERING LIMITED

Registered number 00597466

Directors' Report and Financial Statements

For the year ended 31 December 2008

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Contents

Directors' report

The directors present their report and Financial Statements and auditors' report for the year ended 31 December 2008.

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 selective acquisitions. Turnover for the year is up 4.7% to £19,794,000 and operating profit is up 36.7% to £1,297,000.

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

Overview - Turnover for the year was £19,794,000 *(2007: £18,912,000),* while profit on ordinary activities before taxation amounted to £1,220,000 *(2007: £882,000).* The underlying profit benefitted from greater volumes of higher margin mesh sales which offset the competitive nature of the lower margin palisade market.

Strategy - During the year, the Company continued to improve its corporate image through brochures and exhibitions. Customer profiles have been widen to suit the extended product range resulting in export orders and enquiries which will strengthen the business going forward.

Risk Management - The Board continues to develop polices 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

No dividend payments have been made in the year ended 31 December 2008 *(2007: £Nil).* 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 79 days *(2007: 75 days).*

Directors' report *(continued)*

Directors

The directors serving during the period were as follows:

D W Muir
G Dale
J K Downs
R Ridgeway
M Pegler (appointed 11 March 2008)
C J Burr (resigned 11 March 2008)

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 re-appointed and KPMG Audit Plc will therefore continue in office.

By order of the Board

J C Humphreys
Secretary

21 May 2009

Westhaven House
Arleston Way
Shirley
Solihull
West Midlands
B90 4LH

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 2008 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the 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 3.

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 2008 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

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

21 May 2009

Profit and loss account

for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Turnover	2	**19,794**	18,912
Cost of sales		**(15,912)**	(15,458)
Gross profit		**3,882**	3,454
Distribution costs		**(858)**	(873)
Administrative expenses		**(1,727)**	(1,632)
Operating profit		**1,297**	949
Interest receivable	6	**22**	3
Interest payable and similar charges	7	**(99)**	(70)
Profit on ordinary activities before taxation	3	**1,220**	882
Tax on profit on ordinary activities	8	**(533)**	(266)
Profit for the financial year		**687**	616

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 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Fixed assets					
Intangible assets	9		**75**		85
Tangible assets	10		**1,938**		1,876
			2,013		1,961
Current assets					
Stocks	11	**2,920**		2,420	
Debtors	12	**5,022**		4,995	
Cash at bank and in hand		**2,095**		845	
		10,037		8,260	
Creditors: Amounts falling due within one year	13	**(6,214)**		(5,270)	
Net current assets			**3,823**		2,990
Total assets less current liabilities			**5,836**		4,951
Provisions for liabilities and charges	14		**(198)**		-
Net assets			**5,638**		4,951
Capital and reserves					
Called up share capital	15		**1,840**		1,840
Profit and loss account	16		**3,798**		3,111
Equity shareholder's funds			**5,638**		4,951

These Financial Statements were approved by the board of directors and signed on their behalf by:

G Dale
Director

J K Downs
Director

Date 21st May 2009

Reconciliation of movements in shareholder's funds

for the year ended 31 December 2008

	2008	2007
	£'000	£'000
Profit for the financial year	**687**	616
Opening shareholder's funds	**4,951**	4,335
Closing shareholder's funds	**5,638**	4,951

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.

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

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 into Sterling at closing rates at the balance sheet date and the gains or losses on translation included in 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 19.

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.

Where the Company's parent grants rights to its equity instruments to the Group's or the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Group or the Company as the case may be account for these share-based payments as equity settled.

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 payable are accounted in the Financial Statements when the Company is committed to the payment of the dividend. Dividends receivable are accounted for on a cash accounting basis.

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:

	2008	2007
	£'000	£'000
United Kingdom	**17,953**	16,965
Rest of Europe	**1,614**	1,773
Rest of the world	**227**	174
	19,794	18,912

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

3 Profit on ordinary activities before taxation

	2008	2007
Profit on ordinary activities before taxation is stated	**£'000**	£'000
after charging:		
Depreciation:		
Owned assets	**262**	228
Leased assets	**66**	65
Amortisation of intangible assets	**14**	11
Operating leases		
Plant and machinery	**61**	61
Other assets	**218**	209
Auditors' remuneration	**15**	10
Loss on sale of fixed assets	**13**	-

Fees paid to KPMG Audit Plc and its associates for non-audit services to the company itself are not disclosed because Hill & Smith Holdings PLC Group 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:

	2008 £'000	2007 £'000
Emoluments	**277**	273
Company contributions to money purchase pension schemes	**10**	11
	287	284

	Number	Number
Directors who are members of defined benefit pension schemes	**2**	2

The remuneration of the highest paid director excluding pension contributions was £135,000 *(2007: £125,000)*. His accrued pension entitlement per annum at the year end was £47,000 *(2007: £40,000)*.

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:

	2008 Number	2007 Number
Production	**121**	122
Administration	**23**	19
Sales and distribution	**10**	9
	154	150

The aggregate payroll costs of these persons were:	£'000	£'000
Wages and salaries	**3,131**	2,816
Share-based payment (see note 20)	**27**	15
Social security costs	**290**	262
Other pension costs	**99**	90
	3,547	3,183

6 Interest receivable

	2008 £'000	2007 £'000
Bank interest receivable	**22**	3

Notes (continued)

7 Interest payable and similar charges

	2008	2007
	£'000	£'000
Bank interest payable	**21**	50
Finance charges payable in respect of finance leases and hire purchase contracts	**4**	8
On loans from group undertakings	**74**	12
	99	70

8 Tax on profit on ordinary activities

Analysis of charge in year

	2008	2007
	£'000	£'000
UK corporation tax		
Current tax on income for the year	**354**	249
Relating to the prior year	**(22)**	-
Current tax charge	**332**	249
Deferred tax (see note 14)		
Origination/reversal of timing differences	**4**	24
Relating to the prior year	**197**	(6)
Effect of tax rate change	**-**	(1)
Total tax charge	**533**	266

Factors affecting tax charge for the year

The effective current tax charge for the year is lower *(2007: lower)* than the standard rate of corporation tax in the UK. The differences are explained below:

	2008	2007
	£'000	£'000
Current tax reconciliation		
Profit on ordinary activities before taxation	**1,220**	882
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% *(2007: 30%)*	**348**	265
Effects of:		
Expenses not deductible for tax purposes	**10**	10
Difference between capital allowances for year and depreciation	**(2)**	(28)
Income and expenditure timing differences	**(2)**	4
Deductible items not charged against profit	**-**	(2)
Relating to the prior year	**(22)**	-
Current tax charge	**332**	249

Notes (continued)

9 Intangible assets

	Capitalised R&D £'000
Cost	
At 1 January 2008	97
Additions	4
At 31 December 2008	**101**
Amortisation	
At 1 January 2008	12
Charge for the year	14
At 31 December 2008	**26**
Net book value	
At 31 December 2008	**75**
At 31 December 2007	85

10 Tangible fixed assets

	Plant and equipment £'000
Cost	
At 1 January 2008	4,161
Additions	450
Disposals	(258)
At 31 December 2008	**4,353**
Depreciation	
At 1 January 2008	2,285
Charge for the year	328
Disposals	(198)
At 31 December 2008	**2,415**
Net book value	
At 31 December 2008	**1,938**
At 31 December 2007	1,876

Included in the total net book value of plant, equipment and vehicles is £197,000 *(2007: £263,000)* in respect of assets held under finance leases and similar hire purchase contracts.

Notes (continued)

11 Stocks

	2008	2007
	£'000	£'000
Raw materials and consumables	730	605
Work in progress	2,190	1,815
	2,920	2,420

12 Debtors

	2008	2007
	£'000	£'000
Trade debtors	4,265	3,824
Amounts owed by group undertakings	569	818
Deferred tax (see note 14)	-	3
Prepayments and accrued income	175	170
Other debtors	13	180
	5,022	4,995

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

	2008	2007
	£'000	£'000
Bank loans and overdrafts	218	467
Obligations under finance leases and similar hire purchase contracts	-	31
Trade creditors	3,166	2,779
Amounts owed to group undertakings	1,718	1,348
Other creditors	65	69
Corporation tax	354	269
Other tax and social security	418	133
Accruals and deferred income	275	174
	6,214	5,270

Notes (continued)

14 Deferred tax

Details of amounts of deferred taxation provided and movements in the year are set out below:	£'000
At 1 January 2008	(3)
Profit and loss account	201
At 31 December 2008	**198**

	2008	2007
	£'000	£'000
Difference between accumulated depreciation, amortisation and capital allowances	**217**	9
Other timing differences	**(19)**	(12)
	198	(3)

15 Called up share capital

	2008	2007
	£'000	£'000
Authorised		
1,850,000 ordinary shares of £1 each	**1,850**	1,850
Allotted called up and fully paid		
1,840,000 ordinary shares of £1 each	**1,840**	1,840

16 Profit and loss account

	£'000
At 1 January 2008	3,111
Profit on ordinary activities after tax	687
At 31 December 2008	**3,798**

Notes (continued)

17 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 £176,036,000 *(2007: £157,298,000)* which are secured on the assets of the Group.

The company has no other guarantees *(2007: £Nil)*.

18 Commitments

At 31 December 2008 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
Operating leases which expire:				
Within one year	-	-	**10**	8
Within two to five years	-	-	**107**	92
After five years	**177**	177	-	-
At 31 December 2008	**177**	177	**117**	100

The company had capital expenditure contracted but not provided in the Financial Statements at 31 December 2008 of £6,000 *(2007: £158,000)*.

19 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 £99,000 *(2007: £90,000)*.

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.

Notes (continued)

20 Share-based payments

Employees of the company have been granted various options in the ultimate parent company, which have given rise to charges related to the implied share-based payments, the details of which follow:

Under Executive Share Option Schemes, options may be awarded at the discretion of the Committee to acquire Ordinary Shares at an exercise price no lower than the market value of a share at the date of grant. The options can only be exercised between three and ten years after the date of grant. Additionally options may only be exercised if the growth in underlying earnings per share of the Company over a three year period is not less than the increase in the Retail Price Index plus nine per cent, over the same period.

The ShareSave Schemes are open to all employees who have completed at least six months' continuous service. Under this scheme the Company can, if it thinks fit, grant options at a price up to twenty per cent below the market price.

Options outstanding relating to the Company's employees over the Ultimate parent company's shares

	2008		2007			
	Number of shares	**Option price (p)**	Number of shares	Option price (p)	Date first exercisable	Expiry date
2005 Executive Share Option Scheme (granted October 2005)	**59,938**	**205**	59,938	205	4 Oct 2008	4 Oct 2015
2007 Executive Share Option Scheme (granted April 2007)	**48,000**	**350**	48,000	350	13 Apr 2010	13 Apr 2017
2008 grant of 2005 Savings Related Share Option Scheme (granted January 2008)#	**4,999**	**318**	-	-	1 Jan 2011	1 Jul 2011
2008 grant of 2005 Savings Related Share Option Scheme (granted January 2008)#	**10,015**	**318**	-	-	1 Jan 2013	1 Jul 2013
2005 grant of 1995 Savings Related Share Option Scheme (granted January 2005)#	**48,512**	**100**	49,701	100	1 Jan 2010	1 Jul 2010
Outstanding at the end of the year	**171,464**		157,639			
Exercisable at the year end	**59,938**		-			
Not exercisable at the year end	**111,526**		157,639			
Outstanding at the end of the year	**171,464**		157,639			

Options may be exercised early under the terms of this scheme if employees meet the criteria of 'good leaver', which encompasses circumstances such as retirement or redundancy.

Notes (continued)

20 Share-based payments continued

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. The contractual life is the life of the option in question and the growth in dividend yield is based on the best current estimate of future yields over the contractual period.

	2008 LTIP Award	2007 LTIP Award	2008 grant of 2005 Savings Related Share Option Scheme	2005 grant of 1995 Savings Related Share Option Scheme	2007 grant of 2005 Share Option Schemes	2005 grant of 2005 Share Option Schemes
Fair value at measurement date	318p	328p	51p/49p	37p	59p	34p
Share price at grant date	330p	367p	394p	120p	351p	208p
Exercise price	0p	0p	318p	100p	350p	205p
Expected volatility	29%	22%	29%/27%	36%	22%	36%
Option life (years)	3	3	3/5	5	3	3
Dividend yield	4.6%	3.7%	4.6%	3.7%	3.7%	3.7%
Risk free interest rate	4.0%	5.1%	4.0%	4.5%	5.1%	4.5%

The expected volatility is wholly based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

The total expense recognised for the period arising from share based payments is as follows:

	2008 £'000	2007 £000
Expensed during the year	27	15

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 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:

Westhaven House
Arleston Way
Shirley
Solihull
B90 4LH