

Registered Number 894638

**GRASEBY LIMITED**

**REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED 31 JULY 2010**

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# **GRASEBY LIMITED**

## **REPORT AND ACCOUNTS 2010**

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## **GRASEBY LIMITED**

### **DIRECTORS' REPORT**

The directors present their report and the audited accounts for the year ended 31 July 2010

#### **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The Company's principal activity in the year is that of an investment holding Company. There has been no significant change in this activity during the year.

The Company's principal source of income is interest from group undertakings.

The Company has investments of £0.2 million (2009: £26.5 million). During the year, the Group rationalised its holding company structure, including dissolving some of the Company's dormant subsidiaries. As a result, the Company wrote off investments in subsidiaries of £26.3 million (2009: £13.3m), and wrote back a number of intercompany advances payable to dissolved subsidiaries totaling £23.8 million (2009: £36.5m).

The Company's profit for the year is £0.8 million (2009: £26.4 million).

#### **FUTURE OUTLOOK**

It is not envisaged that the Company will initiate any plans to restructure its principal activity in the forthcoming period. It is expected that the Company will maintain its current level of performance in the forthcoming period.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of Smiths Group plc and are not managed separately. Accordingly, the principal risks and uncertainties of Smiths Group plc, which include those of the Company, are discussed on pages 52 to 54 of the group's Annual report which does not form part of this report.

#### **FINANCIAL RISK MANAGEMENT**

The Company complies with the Smiths Group plc financial risk management policies. These policies are explained in the Treasury section of the Business review and the financial instruments note included in the Group's Annual report which does not form part of this report.

#### **KEY PERFORMANCE INDICATORS**

The directors of Smiths Group plc manage the Group's operations on a consolidated basis using key performance indicators. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate. The development, performance and position of Smiths Group plc is discussed in the Business Review section of the Group's Annual report which does not form part of this report.

#### **DIRECTORS**

The directors who held office during the year (except as noted) are given below:

S. L. Cameron  
D. A. R. Broad

## **GRASEBY LIMITED**

### **DIRECTORS' REPORT**

#### **INDEPENDENT AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS**

Each person who is a director at the date of approval of this report confirms that

(a) so far as the directors are aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and

(b) the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

#### **AUDITORS**

PricewaterhouseCoopers LLP will remain as auditors by virtue of an elective resolution to dispense with the holding of annual general meetings and the appointment of auditors, passed on 5 June 1998

By order of the Board

A handwritten signature in black ink, appearing to read 'D. A. R. Broad', with a horizontal line underneath it.

**D. A. R. Broad**  
Director

14 December 2010

## **GRASEBY LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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 company will continue in business.

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

# **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRASEBY LIMITED**

We have audited the financial statements of Graseby Limited for the year ended 31 July 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

## **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 July 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

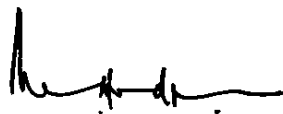
## **Opinion on other matter prescribed by the Companies Act 2006**

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

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



**Martin Hodgson (Senior Statutory Auditor)**

For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

14 December 2010

## GRASEBY LIMITED

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JULY 2010

	Notes	Year ended 31 July 2010 £'000	Year ended 31 July 2009 £'000
<b>Operating result and result on ordinary activities before interest and taxation</b>	2	-	-
Amounts written back on intercompany advances	9	23,877	36,484
Income from shares in group undertakings		2,478	-
Interest receivable and similar income	5	1,063	4,488
Amounts written off investments	7	(26,308)	(13,302)
Other finance income and expenses	14	(24)	(26)
<b>Profit on ordinary activities before taxation</b>		1,086	27,644
Tax on profit on ordinary activities	6	(295)	(1,258)
<b>Profit for the financial year</b>	12	791	26,386

The profit for the financial year arose from continuing operations

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the years stated above and their historical cost equivalents

## GRASEBY LIMITED

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 JULY 2010

	Notes	Year ended 31 July 2010 £'000	Year ended 31 July 2009 £'000
Profit for the financial year		791	26,386
Actuarial (loss)/gain relating to the pension scheme	14	(30)	(1)
Taxation recognised on actuarial gain/(loss) - deferred		<u>9</u>	<u>-</u>
<b>Total recognised gains and losses relating to the year</b>		<u>770</u>	<u>26,385</u>



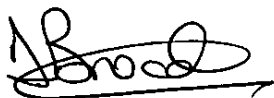
**GRASEBY LIMITED**

Registered Number 894638

**BALANCE SHEET AS AT 31 JULY 2010**

	Notes	31 July 2010 £'000	31 July 2009 £'000
<b>Fixed assets</b>			
Investments	7	<u>175</u>	<u>26,483</u>
<b>Current assets</b>			
Debtors			
- falling due within one year	8	81,037	79,986
Cash at bank		<u>2</u>	<u>-</u>
		81,039	79,986
<b>Creditors (amounts falling due within one year)</b>	9	<u>(4,874)</u>	<u>(30,903)</u>
<b>Net current assets</b>		<u>76,165</u>	<u>49,083</u>
<b>Total assets less current liabilities and net assets excluding post retirement healthcare liability</b>		<u>76,340</u>	<u>75,566</u>
Post retirement healthcare liability	14	<u>(292)</u>	<u>(288)</u>
<b>Net assets including post retirement healthcare liability</b>		<u>76,048</u>	<u>75,278</u>
<b>Capital and reserves</b>			
Called up equity share capital	11	16,509	16,509
Share premium account	12	13,850	13,850
Other reserves	12	2,479	2,479
Profit and loss account	12	<u>43,210</u>	<u>42,440</u>
<b>Total shareholders' funds</b>	13	<u>76,048</u>	<u>75,278</u>

The financial statements on pages 5 to 15 were approved by the board of directors on 14 December 2010 and were signed on its behalf by



**D. A. R. Broad**  
Director

# **GRASEBY LIMITED**

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2010**

### **1 ACCOUNTING POLICIES**

#### **Basis of preparation**

The accounts have been prepared in accordance with the Companies Act 2006 and all applicable accounting standards in the United Kingdom (UK GAAP)

These accounts have been prepared on a going concern basis and under the historical cost convention modified to include revaluation of pension assets and liabilities held at fair value

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates

#### **Consolidation**

As the Company is a wholly owned subsidiary of Smiths Group plc which prepares publicly available consolidated group accounts, the Company has not prepared consolidated accounts as permitted by Section 400 of the Companies Act 2006

#### **Financial assets**

Financial assets are initially recognised at transaction price when the Company becomes party to contractual obligations. The transaction price used includes transaction costs unless the asset is being fair valued through the profit and loss account.

The classification of financial assets depends on the purpose for which the assets were acquired. Management determines the classification of an asset at initial recognition and re-evaluates their designation at each reporting date. Assets are classified as loans and receivables, held to maturity investments, available-for-sale financial assets, or financial assets where changes in fair value are charged (or credited) to the profit and loss account.

The subsequent measurement of financial assets depends on their classification. Loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets where changes in fair value are charged (or credited) to the profit and loss account are subsequently measured at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category are included in the profit and loss account in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously taken to reserves are included in the profit and loss account.

Financial assets are derecognised when the right to receive cash-flows from the assets has expired or has been transferred, and the Company has transferred substantially all of the risks and rewards of ownership.

#### **Financial liabilities**

Borrowings are initially recognised at the fair value of the proceeds, net of related transaction costs. These transaction costs and any discount or premium on issue are subsequently amortised under the effective yield method through the profit and loss account as interest over the life of the loan, and added to the liability disclosed in the balance sheet. Related accrued interest is included in the borrowings figure.

Borrowings are classified due within one year unless the Company has an unconditional right to defer settlement of the liability for at least one year after the balance sheet date.

# **GRASEBY LIMITED**

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2010**

### **1 ACCOUNTING POLICIES (continued)**

#### **Post-retirement healthcare obligations**

The company has provided in full for the actuarially-assessed future cost of making regular monthly payments to a number of retired employees who agreed to waive their entitlement to post-retirement medical benefits

#### **Investments**

Investments in subsidiary undertakings and other participating interests are stated at cost less provision for impairment. Any impairment is charged to the profit and loss account as it arises

#### **Current taxation**

The tax on ordinary activities represents the amount received/paid for group relief in respect of tax losses surrendered/claimed in the current year. All current tax liabilities have been assumed by Smiths Group plc, the ultimate parent Company

#### **Deferred taxation**

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date. Timing differences are the difference between the Company's taxable profits and its results as disclosed in the financial statements, arising from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

Deferred assets are recognised only when their recovery is considered probable

Deferred tax is not discounted

### **2 OPERATING RESULT**

The audit fee in respect of this Company has been borne by another Smiths Group Company. Auditors' remuneration for non-audit services was £nil (2009 £nil)

### **3 DIRECTORS' REMUNERATION**

None of the directors of the Company received any remuneration in respect of their services as directors of the Company (2009 £nil)

### **4 EMPLOYEES**

The Company has no active employees (2009 none). Employees of other Smiths Group companies perform all administration of the Company's affairs. No charge for these services has been levied upon the Company in the current year or the previous year

### **5 INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>Year ended 31 July 2010 £'000</b>	<b>Year ended 31 July 2009 £'000</b>
Interest receivable from group undertakings	1,063	4,487
Bank interest receivable	-	1
	<u>1,063</u>	<u>4,488</u>

# **GRASEBY LIMITED**

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2010**

### **6 TAX ON PROFIT ON ORDINARY ACTIVITIES**

	Year ended 31 July 2010 £'000	Year ended 31 July 2009 £'000
<b>Analysis of tax charge on ordinary activities</b>		
<b>United Kingdom</b>		
Current tax - group relief payment	(282)	(1,258)
<b>Deferred tax</b>		
Origination and reversal of timing differences	(9)	-
Changes to effective tax rates	(4)	-
Total deferred tax	(13)	-
Tax on profit on ordinary activities	(295)	(1,258)

The tax for the year is different from the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 July 2010 £'000	Year ended 31 July 2009 £'000
Profit on ordinary activities before taxation	1,086	27,644
UK corporation tax at 28% (2009: 28%)	(304)	(7,740)
Effects of:		
Difference between pension contribution relief and net pension cost charge	8	(9)
Impairment of investment not tax deductible	(7,366)	(3,725)
Write back of intercompany advances payable not taxable	6,686	10,216
Income from shares in group undertakings not taxable	694	-
	(282)	(1,258)
Group relief surrendered from fellow subsidiary		
Current year	282	1,258
Group relief payment	(282)	(1,258)
Total current tax	(282)	(1,258)

A deferred tax asset of £108,000 (2009: £112,000) has been recognised relating to the expected future tax relief on post-retirement healthcare contributions.

	Year ended 31 July 2010 £'000	Year ended 31 July 2009 £'000
Opening balance	112	112
Deferred tax charged/(credited) in the profit and loss account	(13)	-
Deferred tax charged/(credited) directly to reserves	9	-
Closing balance	108	112

# **GRASEBY LIMITED**

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2010**

### **7 FIXED ASSET INVESTMENTS**

	Shares in subsidiary undertakings £'000	Shares in other undertakings £'000	Total £'000
<b>Cost</b>			
At 1 August 2009	38,698	175	38,873
Disposals	(38,698)	-	(38,698)
At 31 July 2010	-	175	175
<b>Provision for permanent diminution in value</b>			
At 1 August 2009	12,390	-	12,390
Charged for the year	(12,390)	-	(12,390)
At 31 July 2010	-	-	-
<b>Net book value</b>			
At 31 July 2010	-	175	175
At 31 July 2009	26,308	175	26,483

During the year, the Group rationalised its holding company structure, including liquidating some of the Company's dormant subsidiaries. As a result, the Company wrote off its £12,399,281 investment in Graseby Overseas Holdings Limited and £26,298,000 investment in Pye of Cambridge Limited. There was also a £12,389,890 impairment write back on its investment in Graseby Overseas Holdings Limited.

In the opinion of the Directors the value of investments in subsidiary undertakings is not less than the aggregate amount at which they are shown in the Company's balance sheet.

#### **Shares in other undertakings**

	Country of incorporation	Interest directly held	Class of capital	Principal activity
<b>Domestic other undertakings</b>				
Flexible Technology Limited	Scotland	100%	Cumulative redeemable preference	Manufacture of electronic components

## GRASEBY LIMITED

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2010

#### 8 DEBTORS

	31 July 2010 £'000	31 July 2009 £'000
<b>Amounts falling due within one year</b>		
Trade debtors	20	14
Amounts owed by group undertakings	81,000	79,955
Other debtors	17	17
<b>Total debtors</b>	<b>81,037</b>	<b>79,986</b>

The amount owed by the immediate parent undertaking is unsecured, carries interest at 12 month sterling LIBID rates, has no fixed repayment date and is redeemable on demand. The amount owed by the other group undertaking, falling due within one year, is repayable on demand and is interest free. The Directors regard these as debtors due within one year.

#### 9 CREDITORS – amounts falling due within one year

	31 July 2010 £'000	31 July 2009 £'000
Bank overdraft	-	4
Amounts due to group undertakings	4,751	30,788
Other creditors	123	111
	<b>4,874</b>	<b>30,903</b>

The amounts due to group undertakings are unsecured, interest free, have no fixed repayment date and are redeemable on demand. The Directors regard these as creditors due within one year.

During the year, a Group re-organisation took place to eliminate transactions relating to the Company's dissolved subsidiaries. As a result, the Company wrote back a number of the intercompany advances payable to dissolved subsidiaries of £23,876,922 (2009 £36,483,763).

# **GRASEBY LIMITED**

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2010**

### **10 FINANCIAL INSTRUMENTS**

#### **Maturity profile of financial instruments**

	Investments in non-equity shares	Amounts owed by group undertakings	Amounts owed to group undertakings
<b>At 31 July 2010</b>			
<b>Maturity of financial assets/(liabilities)</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
No contractual maturity date	175	-	-
On demand	-	79,360	-
	<u>175</u>	<u>79,360</u>	<u>-</u>
<b>At 31 July 2009</b>			
<b>Maturity of financial assets/(liabilities)</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
No contractual maturity date	175	-	-
On demand	-	79,672	(26,345)
	<u>175</u>	<u>79,672</u>	<u>(26,345)</u>

The maturity analysis of amounts owed by and due to group undertakings excludes debtors and creditors arising from trading activities. A credit period of 30 days is given for intra-group trading invoices.

### **11 CALLED UP SHARE CAPITAL**

	31 July 2010 £'000	31 July 2009 £'000
<b>Authorised</b>		
83,000,000 ordinary shares of £0.25 each	<u>20,750</u>	<u>20,750</u>
<b>Issued and fully paid</b>		
66,034,995 ordinary shares of £0.25 each	<u>16,509</u>	<u>16,509</u>

# **GRASEBY LIMITED**

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2010**

### **12 RESERVES**

	Share premium account £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 August 2009	13,850	2,479	42,440	58,769
Profit for the financial year			791	791
Actuarial loss on pension scheme			(30)	(30)
Taxation recognised on actuarial loss - deferred			9	9
At 31 July 2010	<u>13,850</u>	<u>2,479</u>	43,210	59,539
Post retirement healthcare reserve (PRHC)			<u>(292)</u>	<u>(292)</u>
Profit and loss account reserve excluding PRHC			<u>42,918</u>	<u>59,247</u>

The Company's profit and loss reserve of £43,210,000 includes £23,947,000 not available for distribution

### **13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	31 July 2010 £'000	31 July 2009 £'000
Profit for the financial year	791	26,386
Other recognised gains and losses relating to the year	<u>(21)</u>	<u>(1)</u>
Net addition to shareholders' funds	770	26,385
Opening shareholders' funds	<u>75,278</u>	<u>48,893</u>
Closing shareholders' funds	<u>76,048</u>	<u>75,278</u>

### **14 POST RETIREMENT HEALTHCARE LIABILITY**

The Company operates a post-retirement benefit scheme in respect of some past employees. Medical insurance cover is provided for a small number of retirees and another group is in receipt of small monthly payments in lieu of the insurance cover. The scheme is unfunded and is accounted for on a defined benefit basis.

For the purposes of FRS17, independent actuaries updated the latest full actuarial valuation of the Scheme as at 31 March 2009 in order to assess the liabilities at 31 July 2010, using the following principal assumptions:

	2010	2009
Discount rate	5.40%	5.90%
Healthcare cost increases	5.00%	5.00%

Interest charges of £24,000 on the liability (2009: £26,000) have been recognised in other finance income and expenses.



## GRASEBY LIMITED

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2010

#### 14 POST RETIREMENT HEALTHCARE LIABILITY (continued)

The scheme is unfunded and has no assets (2009 £nil) The liabilities of the scheme as at 31 July 2010 are

	31 July 2010 £'000	31 July 2009 £'000
Post retirement medical scheme	(400)	(400)
Related deferred tax asset	108	112
Net post retirement medical liability	(292)	(288)

#### Changes in present value of scheme obligations:

	31 July 2010 £'000	31 July 2009 £'000
At beginning of the year	(400)	(400)
Movement in the year		
Interest on obligations	(24)	(26)
Actuarial (loss)/gain on liabilities	(30)	(1)
Benefits paid	54	27
At the end of the year	(400)	(400)

The actuarial gains and losses on liabilities arise from changes in the assumptions underlying the present value of the scheme liabilities

#### Changes in present value of scheme assets:

	31 July 2010 £'000	31 July 2009 £'000
At beginning of the year	-	-
Movement in the year		
Employer contributions	54	27
Benefits paid	(54)	(27)
At the end of the year	-	-

#### 15 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption provided by Paragraph 3(c) of Financial Reporting Standard 8 not to disclose transactions with entities that are part of Smiths Group plc

#### 16 ULTIMATE PARENT UNDERTAKING

For the year ended 31 July 2010, Graseby Limited was a wholly owned subsidiary of Smiths Group plc

The ultimate parent undertaking and controlling party is Smiths Group plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements Smiths Group plc is incorporated in the United Kingdom and registered in England and Wales

The annual report and accounts of Smiths Group plc may be obtained from the Company Secretary, Smiths Group plc, 2<sup>nd</sup> Floor, Cardinal Place, 80 Victoria Street, London, SW1E 5JL