

Horstman Defence Systems Limited

Report and Financial Statements

31 March 2008

Registered No 1511975

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COMPANIES HOUSE

Horstman Defence Systems Limited

Registered No 1511975

Director

J G Harris

Secretary

Waterlinks Investments Limited

Auditors

Ernst & Young LLP
No 1 Colmore Square
Birmingham
B4 6HQ

Bankers

Allied Irish Bank (GB)
61-63 Temple Row
Birmingham
B2 5LT

Registered Office

Locksbrook Road
Bath
Avon
BA1 3EX

Director's report

The director presents his report together with financial statements for the year ended 31 March 2008

Principal activities and review of the business

The principal activity of the company continues to be the design and manufacture of gearboxes, auxiliary power units and components, hydraulic dampers for military vehicles, high precision aircraft and torpedo parts and naval instrumentation equipment

Review of the business and future developments

The Company was successful in achieving good levels of profitability for new contracts won during the year and continued to ensure that a sustained focus on control of direct costs was maintained for on-going contracts. This focus on cost control on contracts was a major factor in producing a satisfactory performance for the business as a whole.

Order intake levels for the year were encouraging and the business is well placed to achieve an increase in turnover in 2008/09.

Results and dividends

The profit for the year after taxation amounted to £689,962 (2007: loss £8,915). An interim dividend of £150,000 was paid during the year (2007: £250,000). The director does not propose the payment of a final dividend.

The main performance measures used by the company are sales, profits and cash generation.

Sales fell by 7% to £11.4m (2007: £12.2m) due to the integration of new programme work impacting sales as a whole. As a result of changes in product mix the gross profit increased by 5%. Distribution and administration costs increased to £1.5m (2007: £1.4m) as a result of cost increases and investment in additional resources. Operating profit was higher than the prior year at £948,679 (2007: £664,992).

Net interest costs fell to £111,520 (2007: £197,690) as a result of reduced average borrowings.

Profit before tax was £837,159 (2007: £467,302). A tax charge of £147,197 (2007: £476,217) was recorded resulting in profit after tax of £689,962 (2007: loss £8,915).

The operating activities of the business were again cash generative over the year as a result of the profitability and tight control over working capital. Surplus cash resources generated were remitted to the parent company through dividend payments, leaving the company with an overdraft balance of £578,029 at 31 March 2008 (31 March 2007: £728,421).

Financial risk management policy

The company's principal financial instruments comprise cash, cash equivalents, bank overdraft, finance leases, hire purchase obligations and property mortgage. The main purpose of these financial instruments is to raise finance for the company's operations. The company has various other financial assets and liabilities, including trade debtors and creditors and amounts owed by Group undertakings that arise directly from its operations.

The company enters into forward foreign currency contracts when appropriate, whose purpose is to manage the foreign currency risks arising from the company's operations.

It is, and has been throughout the period under review, the company's policy that no trading in financial instruments of a speculative nature shall be undertaken.

The principal risks associated with the company's financial assets and liabilities are set out below.

Director's report

Financial risk management policy (continued)

- Interest rate risk

The company's borrowings are principally its bank overdraft and property mortgage which attract interest at variable rates. Therefore, financial liabilities, interest charges and cash flows can be affected by movements in interest rates. Surplus cash is transferred to the parent company.

- Price risk

There is no significant exposure to changes in the carrying value of financial instruments, assets and liabilities, except as a result of foreign currency exchange rate fluctuations, as described below.

- Credit risk

The company makes appropriate credit checks on its customers and maintains strict credit limits to minimise its exposure to external credit risk.

- Liquidity risk

The company aims to mitigate liquidity risk by managing cash generated by its operations. The principal form of financing is through an overdraft facility, shared with certain fellow subsidiary companies, which is repayable on demand and a property mortgage repayable by 2016. The company is party to a cross-guarantee securing the overdraft and certain other financing facilities of other group companies.

- Foreign currency risk

The company has exposure to a number of foreign currencies through its purchases and sales of products. Exposure is principally to US dollars and Euros. The company takes out forward foreign currency contracts to mitigate this risk, consistent with the Group's policy of hedging against known and highly probable exposures for a 6-12 month forward period.

Director

The director who served during the year was

J G Harris

Research and development

The company is committed to a policy of investment in the future both by acquisition of new capital equipment and by expenditure on innovative research and product development and improvement.

Payment policy

It is the company's payment policy to negotiate terms with its suppliers in all sectors to ensure that they know the terms on which payment will take place when the business is agreed. It is our policy to abide by these terms. The number of days purchases outstanding at the year end was 57 days (2007: 54 days).

Director's report

Director's statement as to disclosure of information to auditors

Having made enquiries of the company's auditors, the director confirms that

- to the best of the director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- the director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

Auditors

A resolution to re-appoint Ernst & Young LLP as the company's auditors will be put to the forthcoming Annual General Meeting

Approved by the Board of Directors and signed by order of the Board



Waterlinks Investments Limited
Company Secretary

28 July 2008

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departure 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 maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HORSTMAN DEFENCE SYSTEMS LIMITED

We have audited the company's financial statements for the year ended 31 March 2008 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 24. These financial statements have been prepared on the basis of 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 are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

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, are properly prepared in accordance with the Companies Act 1985 and whether 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 transactions with the company is not disclosed.

We read the Director's 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 judgements 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of the profit of the company 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 director's report is consistent with the financial statements.


Ernst & Young LLP
Registered Auditor
Birmingham

Date

6 August 2008

Profit and loss account

for the year ended 31 March 2008

	Notes	2008 £	2007 £
Turnover	2	11,372,738	12,249,857
Cost of sales		(9,079,296)	(10,326,995)
Gross profit		<u>2,293,442</u>	<u>1,922,862</u>
Distribution costs		(576,633)	(536,846)
Administrative expenses		(896,733)	(863,473)
Other operating income	4	128,603	142,449
Operating profit	3	<u>948,679</u>	<u>664,992</u>
Interest payable	7	(115,966)	(197,690)
Interest receivable	8	4,446	-
Profit on ordinary activities before taxation		<u>837,159</u>	<u>467,302</u>
Tax on profit on ordinary activities	9	(147,197)	(476,217)
Profit/(loss) transferred to reserves	18	<u><u>689,962</u></u>	<u><u>(8,915)</u></u>

All amounts relate to continuing activities

Statement of total recognised gains and losses

There are no recognised gains and losses other than the profit attributable to shareholders of the company of £689,962 for the year ended 31 March 2008 and the loss of £8,915 for the year ended 31 March 2007

Note of historical cost profits and losses

	2008 £	2007 £
Reported profit on ordinary activities before taxation	837,159	467,302
Difference between depreciation based on historical cost and on revalued amounts	7,915	7,915
Historical cost profit on ordinary activities before taxation	<u>845,074</u>	<u>475,217</u>
Historical cost profit/(loss) for the year, retained after taxation	<u><u>697,877</u></u>	<u><u>(1,000)</u></u>

Balance sheet

at 31 March 2008

	Notes	2008 £	2007 £
Fixed assets			
Tangible assets	10	1,540,262	1,697,581
		<u>1,540,262</u>	<u>1,697,581</u>
Current assets			
Stocks	11	794,701	665,744
Debtors	12		
- amounts falling due after one year		3,800,000	-
- amounts falling due within one year		1,994,289	5,358,139
		<u>5,794,289</u>	<u>5,358,139</u>
		6,588,990	6,023,883
Creditors amounts falling due within one year	13	(3,016,500)	(2,974,237)
Net current assets		<u>3,572,490</u>	<u>3,049,646</u>
Total assets less current liabilities		<u>5,112,752</u>	<u>4,747,227</u>
Creditors amounts falling due after more than one year	14	(714,495)	(839,889)
Provisions for liabilities and charges	16	(566,110)	(615,153)
Net assets		<u><u>3,832,147</u></u>	<u><u>3,292,185</u></u>
Capital and reserves			
Called up share capital	17	50,000	50,000
Share premium account	18	207	207
Revaluation reserve	18	41,474	49,389
Profit and loss account	18	3,740,466	3,192,589
Equity shareholders' funds	18	<u><u>3,832,147</u></u>	<u><u>3,292,185</u></u>

The financial statements were approved by the Board of Directors and issued to the shareholders on 28 July 2008



J G Harris
Director

Notes to the financial statements

at 31 March 2008

1. Accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards

Royalty income

Income relating to royalties is accounted for on a receipts basis

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life as follows

Plant and machinery	7% to 25%
Freehold buildings	2% to 4%

No depreciation is charged on freehold land

Stocks and work-in-progress

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Cost is calculated to include an appropriate proportion of manufacturing overhead

Research and development

Research and development expenditure is written off against profit in the year in which the expenditure arises

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- provision is made for tax on gains arising from the revaluation of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Balances denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date or where there are matching forward contracts in respect of trading transactions, the rates of exchange specified in the contracts are used. All realised differences are taken to the profit and loss account and unrealised differences on forward contracts are taken to the balance sheet

Notes to the financial statements

at 31 March 2008

1. Accounting policies (continued)

Cash flow statement

In accordance with Financial Reporting Standard 1 (Revised), the company is exempt from the requirement to prepare a cash flow statement on the grounds that the company is included in the consolidated financial statements of its ultimate parent company, Harris Watson Holdings plc

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Leased assets

Assets acquired under finance leases, which are leases where substantially all the risks and rewards of ownership have passed to the company, and hire purchase contracts are capitalised in the balance sheet and depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

2. Turnover

Turnover, which is stated net of value added tax, represents the total amount receivable by the company for goods and services provided. All turnover is attributable to the company's principal activity.

An analysis of turnover by geographical market is given below:

	2008 £	2007 £
United Kingdom	3,364,903	3,981,738
Asia, Far East and Australia	1,024,776	2,040,719
North, South and Central America	5,194,665	3,880,059
Rest of Europe	1,788,394	2,347,341
	<u>11,372,738</u>	<u>12,249,857</u>

3. Operating profit

This is stated after charging:

	2008 £	2007 £
Auditors' remuneration - audit services	16,000	18,000
Depreciation - owned assets	93,636	95,554
Depreciation - assets held under finance lease and hire purchase contracts	213,379	223,936
Operating lease rentals - plant and machinery	13,640	1,625
Research and development expenditure	376,723	295,471
Exchange loss on foreign currencies	37,391	23,209
	<u></u>	<u></u>

Notes to the financial statements

at 31 March 2008

4. Other operating income

	2008	2007
	£	£
Royalties received	114,676	124,067
Rents received	13,927	18,382
	<u>128,603</u>	<u>142,449</u>

5. Directors' emoluments

No emoluments were paid by the company to the director in the year (2007 £nil)

6. Employees

The average number of employees, including directors, during the year was as follows

	2008	2007
	No	No
Sales, administration and distribution	13	13
Manufacturing	53	52
	<u>66</u>	<u>65</u>

The aggregate payroll costs of these persons were as follows

	2008	2007
	£	£
Wages and salaries	2,184,998	2,101,579
Social security costs	229,789	221,353
Other pension costs	53,830	57,038
	<u>2,468,617</u>	<u>2,379,970</u>

7. Interest payable

	2008	2007
	£	£
Finance leases and hire purchase	29,350	44,214
Mortgage	54,527	52,532
Bank overdraft	32,079	91,230
Other interest	10	9,714
	<u>115,966</u>	<u>197,690</u>

Notes to the financial statements

at 31 March 2008

8. Interest receivable

	2008	2007
	£	£
Bank interest	4,406	-
Other interest	40	-
	<u>4,446</u>	<u>-</u>

9. Tax on profit on ordinary activities

(a) The taxation charge is made up as follows

	2008	2007
	£	£
UK Corporation tax at 30% (2007 30%)	(255,367)	(125,947)
Double taxation relief	11,467	12,407
Tax (under)/overprovided in previous years	(725)	5,330
	<u>(244,625)</u>	<u>(108,210)</u>
Foreign tax		
Overseas withholding tax	(11,467)	(12,407)
	<u>(256,092)</u>	<u>(120,617)</u>
Deferred taxation		
Origination and reversal of timing differences	29,668	3,827
Effect of withdrawal of industrial building allowances	79,227	-
Effect of decreased tax rate on opening liability	-	16,045
Prior year deferred tax	-	(375,472)
	<u>108,895</u>	<u>(355,600)</u>
	<u>(147,197)</u>	<u>(476,217)</u>

The deferred tax adjustment in respect of prior years at 31 March 2007 resulted from a correction to the values of assets not qualifying for capital allowances

Notes to the financial statements

at 31 March 2008

9. Tax on profit on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher (2007 lower) than the standard rate of corporation tax in the UK of 30%. The differences are reconciled below

	2008 £	2007 £
Profit on ordinary activities before taxation	837,159	467,302
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(251,148)	(140,191)
Other expenditure deductible for tax purposes	(3,274)	21,987
Income not taxable	30,424	22,160
(Decelerated) capital allowances	(31,824)	(28,966)
Other timing differences	455	(937)
Tax (under)/overprovided in previous years	(725)	5,330
Total current tax (note 9(a))	(256,092)	(120,617)

(c) Factors that may affect future tax charges

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount not provided for is £37,200 (2007 £37,200). At present, it is not envisaged that any tax will become payable in the foreseeable future.

The UK corporation tax rate will decrease from 30% to 28% from 1 April 2008. This rate change will affect the amount of future cash tax payments to be made by the company. The deferred tax balance was adjusted in the prior year to reflect this change. Changes to the UK capital allowance regime will also impact the capital allowances the company can claim. The full impact of these changes is still being assessed.

Notes to the financial statements

at 31 March 2008

10. Tangible fixed assets

	<i>Freehold land and buildings</i>	<i>Plant and machinery</i>	<i>Total</i>
	£	£	£
Cost/Valuation			
At 1 April 2007	974,305	4,540,315	5,514,620
Additions	27,946	121,751	149,697
Disposals	-	(15,000)	(15,000)
At 31 March 2008	1,002,251	4,647,066	5,649,317
Depreciation			
At 1 April 2007	433,723	3,383,316	3,817,039
Charge for the year	25,655	281,360	307,015
Disposals	-	(14,999)	(14,999)
At 31 March 2008	459,378	3,649,677	4,109,055
Net book value			
At 31 March 2008	542,873	997,389	1,540,262
At 31 March 2007	540,582	1,156,999	1,697,581

Assets held under finance leases and hire purchase contracts and capitalised in plant and machinery

	2008	2007
	£	£
Cost	3,544,642	3,447,523
Aggregate depreciation	(2,737,805)	(2,538,859)
Net book value	806,837	908,664

The freehold land and buildings includes assets valued in 1980 at £386,848 (2007 £386,848). The company has taken advantage of the transitional arrangements of Financial Reporting Standard 15 and consequently, the valuation has not been updated. If stated under the historical cost convention the comparable amounts for freehold land and buildings would be

	2008	2007
	£	£
Cost	805,687	805,687
Aggregate depreciation	(349,839)	(332,099)
Net book value	455,848	473,588

Notes to the financial statements

at 31 March 2008

11. Stocks

	2008	2007
	£	£
Raw Materials	22,097	64,365
Work-in-progress	1,193,915	1,061,640
	<u>1,216,012</u>	<u>1,126,005</u>
Payments received on account	(421,311)	(460,261)
	<u>794,701</u>	<u>665,744</u>

The stock value is not materially different from the replacement cost

12. Debtors

	2008	2007
	£	£
Trade debtors	1,817,277	1,377,599
Amounts owed by group undertakings	3,871,994	3,871,994
Other debtors	105,018	108,546
	<u>5,794,289</u>	<u>5,358,139</u>

Amounts falling due after more than one year included above are

	2008	2007
	£	£
Amounts owed by group undertakings	3,800,000	-
	<u>3,800,000</u>	<u>-</u>

13. Creditors: amounts falling due within one year

	2008	2007
	£	£
Bank overdraft	578,029	728,421
Mortgage (note 14)	57,242	53,389
Obligations under finance leases and hire purchase agreements (note 15)	176,169	174,621
Trade creditors	1,070,809	1,063,337
Corporation tax	82,134	142,509
Other taxes and social security costs	62,724	56,431
Accruals and deferred income	989,393	755,529
	<u>3,016,500</u>	<u>2,974,237</u>

Notes to the financial statements

at 31 March 2008

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

	2008	2007
	£	£
Obligations under finance leases and hire purchase contracts (note 15)	74,206	144,339
Mortgage	640,289	695,550
	<u>714,495</u>	<u>839,889</u>

The mortgage is secured by a charge over the freehold property included in fixed assets as disclosed in note 10 and also by a guarantee given by the holding company

	2008	2007
	£	£
Repayable within one year	57,242	53,389
Repayable between one and two years	61,533	57,391
Repayable between two and five years	213,683	199,297
Repayable after five years	365,072	438,862
	<u>697,530</u>	<u>748,939</u>

The original amount of the mortgage was £1,000,000 repayable by October 2016 and interest is charged at base rate plus 2.25% per annum

15. Obligations under finance leases and hire purchase contracts

	2008	2007
	£	£
Finance leases and hire purchase contracts	<u>250,375</u>	<u>318,960</u>
Future minimum payments under finance leases and hire purchase contracts are as follows		
Within one year	194,090	200,096
In more than one year but not more than five years	81,822	156,706
Total gross payments	<u>275,912</u>	<u>356,802</u>
Less finance charges included above	<u>(23,537)</u>	<u>(37,842)</u>
	<u>250,375</u>	<u>318,960</u>
Finance leases and hire purchase obligations are analysed as follows		
Current obligations (note 13)	176,169	174,621
Non current obligations (note 14)	74,206	144,339
	<u>250,375</u>	<u>318,960</u>

Notes to the financial statements

at 31 March 2008

16. Provisions for liabilities and charges

	£
At 1 April 2007 – Provisions	
Warranty	390,527
Charged to profit and loss account during the year	
Net increase in warranty provisions	59,852
At 31 March 2008	450,379

The warranty provision represents the maximum potential exposure to the company on customer claims against work carried out. It is expected that any transfer of economic benefits will occur within one year.

Deferred taxation

The movement in deferred taxation during the year was as follows

	£
At 1 April 2007	224,626
Credit for the year	(108,895)
At 31 March 2008	115,731

Deferred taxation in the financial statements and the amounts not provided are as follows

	<i>Amount provided</i>		<i>Not provided</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	£	£	£	£
Capital allowances	119,088	228,408	-	-
Other timing differences	(3,357)	(3,782)	-	-
Deferred tax liability	115,731	224,626	-	-

17. Share capital

	<i>2008</i>	<i>2007</i>
	£	£
<i>Authorised</i>		
50,000 ordinary shares of £1 each	50,000	50,000
<i>Allotted, called up and fully paid</i>		
50,000 ordinary shares of £1 each	50,000	50,000

Notes to the financial statements

at 31 March 2008

18. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i> £	<i>Share premium account</i> £	<i>Revaluation reserve</i> £	<i>Profit and loss account</i> £	<i>Total</i> £
At 1 April 2006	50,000	207	57,304	3,443,589	3,551,100
Loss for the year	-	-	-	(8,915)	(8,915)
Dividends paid	-	-	-	(250,000)	(250,000)
Transfer of difference between depreciation based on historical cost and on revalued amounts	-	-	(7,915)	7,915	-
At 31 March 2007	50,000	207	49,389	3,192,589	3,292,185
Profit for the year	-	-	-	689,962	689,962
Dividends paid	-	-	-	(150,000)	(150,000)
Transfer of difference between depreciation based on historical cost and on revalued amounts	-	-	(7,915)	7,915	-
At 31 March 2008	50,000	207	41,474	3,740,466	3,832,147

19. Contingent liabilities

	2008 £	2007 £
Guarantees in respect of third party indebtedness	1,000	1,000

The company is party to a cross-guarantee securing the overdraft and certain other financing facilities of other group companies

20. Financial commitments

Capital commitments

Capital commitments contracted for but not provided in the accounts amounted to £3,390 at 31 March 2008 (2007 £91,012)

21. Pension commitments

The company operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. There were no unpaid contributions outstanding at the year end (2007 £nil)

22. Related parties

As permitted by FRS 8 "Related Party Disclosures" the financial statements do not disclose transactions with the parent company and fellow subsidiaries where 90% of the voting rights are controlled within the group

Notes to the financial statements

at 31 March 2008

23. Derivatives

The company has entered into forward foreign exchange contracts in the normal course of business in order to hedge against fluctuations in future exchange rates. As at 31 March 2008, the sterling equivalent of total amounts outstanding on such contracts was £412,434.

24. Parent undertaking and controlling party

The company's ultimate parent undertaking and controlling party at 31 March 2008 is Harris Watson Holdings plc, a company incorporated in Great Britain and registered in England and Wales. Copies of its group financial statements which include the company are available from the company's registered office, Unit 3 Ashted Lock, Dartmouth Middleway, Aston Science Park, Birmingham, West Midlands, B7 4AZ.