Horstman Defence Systems Limited

Report and Financial Statements

31 March 2011

Registered No 1511975

Regıstered No 1511975

Dırector
J G Harns

Secretary
HW Machınery Ltd

Auditors
Emst & Young LLP
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Bırmıngham
B4 6HQ

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Bath
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Director's report

Registered No 1511975

The director presents his report together with financial statements for the year ended 31 March 2011

Principal activities

The principal activity of the company continues to be the design, manufacture, refurbishment and sale of suspension systems, gearboxes, auxiliary power units and components, high precision torpedo parts and naval instrumentation equipment

Review of the business and future developments

A strengthening order book has produced an increase in sales in the current year but has also required a significant increase in personnel to support this growth and to support the further sales growth that is expected to occur in the next financial year

Results and dividends

The profit for the year after taxation amounted to £782,571 (2010 £858,112) An interim dividend of £692,848 was paid during the year (2010 £560,100) The director does not propose the payment of a final dividend (2010 £nil)

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

Sales increased by 9% to £14 5m (2010 £13 3m) due to the increase in orders received by the business primarily for suspension systems and spares Margins improved in part due to a better product margin mix but also through focus on reducing material and other direct costs where possible Distribution and administration costs increased to £2 3m (2010 £1 9m) as a result of the combined effect of additional sales volume, costs associated with the increase in personnel and other costs incurred in support of the growth of the business Operating profit was slightly lower than the prior year at £0 9m (2010 £1 1m) as a result of the effect of the additional costs associated with the building of the infrastructure to service the growing order book

Interest costs increased to £39k (2010 £29k) due to increased bank borrowings Interest receivable (from Group) fell to £78k (2010 £95k) due to the reduction in the level of borrowings by Group

Profit before tax was £942,031 (2010 £1,187,310) A tax charge of £159,460 (2010 £329,198) was recorded resulting in profit after tax of £782,571 (2010 £858,112)

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 Loans of £2 7m were made to a Group company during the year Surplus cash resources generated were remitted to the parent company through dividend payments and management charges, leaving the company with a bank overdraft of £855,285 at 31 March 2011 (31 March 2010 cash balance £1,239,044)

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

Director's report (continued)

Registered No 1511975

Financial risk management policy (continued)

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

• 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 2020 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 77 days (2010 54 days)

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

Going concern

The director considers that the company has adequate resources to continue in operation for the foreseeable future In forming this view, the director has reviewed budgets and other financial information For this reason he continues to adopt the going concern basis in preparing the accounts

Director's report (continued)

Regıstered No 1511975

Auditors

A resolutıon to re-appoınt Ernst & Young LLP as the company's audıtors wıll be put to the forthcomıng Annual General Meetıng

Approved by the Board of Dırectors and sıgned by order of the Board

H W Machınery Lımıted
Company Secretary

29 November 2011

Statement of director's responsibilities in respect of the financial statements

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations

Company law requires the director 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) Under company law the director 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 director is 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 director is 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 AUDITOR'S REPORT TO THE MEMBERS OF HORSTMAN DEFENCE SYSTEMS LIMITED

We have audited the financial statements of Horstman Defence Systems Limited for the year ended 31 March 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 24 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)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 auditor

As explained more fully in the Director's Responsibilities Statement set out on page 5, the director is 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 and express an opinion on 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

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 In addition, we read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 March 2011 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Director's 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

Ernst & Young LLP

Christopher Voogd (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
Date 8 December 2011

Profit and loss account

for the year ended 31 March 2011

	Notes	2011 £	2010 £
Turnover	2	14,526,089	13,319,657
Cost of sales		(11,588,712)	(10,449,585)
Gross profit		2,937,377	2,870,072
Distribution costs		(849,320)	(702,590)
Administration expenses		(1,420,504)	(1,242,392)
Other operating income	4	234,012	196,455
Operating profit	3	901,565	1,121,545
Interest payable	7	(38,916)	(29,515)
Interest receivable	8	79,382	95,280
Profit on ordinary activities before taxation		942,031	1,187,310
Tax on profit on ordinary activities	9	(159,460)	(329,198)
Profit transferred to reserves	18	782,571	858,112

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 £782,571 for the year ended 31 March 2011 and the profit of £858,112 for the year ended 31 March 2010

Note of historical cost profits and losses

	2011 £	2010 £
Reported profit on ordinary activities before taxation	942,031	1,187,310
Difference between depreciation based on historical cost and on revalued amounts	7,915	7,915
Historical cost profit on ordinary activities before taxation	949,946	1,195,225
Historical cost profit for the year, retained after taxation	790,496	866,027

Balance sheet

at 31 March 2011

	Notes	2011 £	2010 £
Fixed assets			
Tangible assets	10	1,485,906	1,273,640
Current assets			
Stocks	11	1,740,647	764,116
Debtors			
- amounts falling due after one year	12	5,370,474	3,040,000
- amounts falling due within one year	12	4,086,181	2,763,191
Cash at bank and in hand		-	1,239,044
		11,197,302	7,806,351
Creditors amounts falling due within one year	13	(6,312,055)	(3,331,741)
Net current assets		4,885,247	4,474,610
Total assets less current liabilities		6,371,153	5,748,250
Creditors amounts falling due after more than one year	14	(1,070,638)	(486,587)
Provisions for liabilities and charges	16	(375,768)	(426,639)
Net assets		4,924,747	4,835,024
Capital and reserves			
Called up share capital	17	50,000	50,000
Share premium account	18	207	207
Revaluation reserve	18	17,729	25,644
Profit and loss account	18	4,856,811	4,759,173
Equity shareholders' funds	18	4,924,747	4,835,024

The financial statements were approved by the Board of Directors and issued to the shareholders on 29 November 2011

J G Harris
Director

Notes to the financial statements

at 31 March 2011

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 or valuation 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 2011

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 parent company, Harris Watson Holdings Limited

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

	2011	*2010*
	£	*£*
United Kingdom	4,624,646	1,585,333
Rest of Europe	2,186,714	1,450,836
Asia Pacific	4,617,925	3,783,112
Americas	3,096,804	6,500,376
	14,526,089	13,319,657

Notes to the financial statements

at 31 March 2011

3. Operating profit

This is stated after charging

	2011 £	2010 £
Auditors' remuneration – audit services	17,740	15,150
Depreciation – owned assets	131,196	111,029
Depreciation – assets held under finance lease and hire purchase contracts	130,150	156,743
Research and development expenditure	948,623	573,070
Exchange loss on foreign currencies	141,908	47,223

4. Other operating income

	2011 £	2010 £
Royalties receivable	206,275	166,089
Rents receivable	27,737	30,366
	234,012	196,455

5. Director's emoluments

The director is an employee of another group company where he is remunerated for his employment No substantive qualifying services are provided by the director to the company and it is not considered that the director received remuneration in the current year (2010 £nil) in his capacity as a director of the company

6. Employees

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

	2011 No	2010 No
Sales, administration and distribution	12	13
Manufacturing	74	59
	86	72

Notes to the financial statements

at 31 March 2011

6. Employees (*continued*)

The aggregate payroll costs of these persons were as follows

	2011	*2010*
	£	*£*
Wages and salaries	2,874,705	2,364,378
Social security costs	289,749	244,014
Other pension costs	70,258	58,851
	3,234,712	2,667,243

7. Interest payable

	2011	*2010*
	£	*£*
Finance leases and hire purchase	16,871	5,302
Mortgage	22,025	24,213
	38,916	29,515

8. Interest receivable

	2011	*2010*
	£	*£*
Bank interest	1,014	75
Interest receivable – inter-company	78,368	95,205
	79,382	95,280

Notes to the financial statements

at 31 March 2011

9. Tax on profit on ordinary activitıes

(a) The taxatıon charge ıs made up as follows

	2011	2010
	£	£
UK Corporatıon tax at 28% (2010 28%)	(20,627)	(24,927)
Group relıef payable	(190,050)	(324,996)
Double taxatıon relıef	20,627	24,927
Adjustments ın respect of prevıous perıods	35,715	14,846
	(154,335)	(310,150)
Foreıgn tax		
Overseas wıthholdıng tax	(20,627)	(24,927)
	(174,962)	(335,077)
Deferred taxatıon		
Orıgınatıon and reversal of tımıng dıfferences	15,502	5,879
	15,502	5,879
Tax on profit on ordınary actıvıties	(159,460)	(329,198)

(b) Factors affectıng current tax charge

The current tax assessed on the profit on ordınary actıvıtıes for the year ıs lower (2010 hıgher) than the standard rate of corporatıon tax ın the UK of 28% (2010 28%) The dıfferences are reconcıled below

	2011	2010
	£	£
Profit on ordınary actıvıtıes before taxatıon	942,031	1,187,310
Profit on ordınary actıvıtıes multıplıed by standard rate of corporatıon tax ın the UK of 28% (2010 28%)	263,769	332,447
Expendıture not deductıble for tax purposes	12,229	-
Other permanent dıfferences	(81,171)	(2,796)
Decelerated capıtal allowances	15,850	21,028
Other tımıng dıfferences	-	(756)
Tax overprovıded ın prevıous years	(35,715)	(14,846)
Total current tax (note 9(a))	174,962	335,077

Notes to the financial statements

at 31 March 2011

9. Tax on profit on ordinary activities (continued)

(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 (2010 £37,200) At present, it is not envisaged that any tax will become payable in the foreseeable future

On 22 June 2010 the UK Chancellor of the Exchequer announced a number of corporate tax reforms that are effective from 1 April 2011

The following changes to corporation tax will have an impact on the company

- Mainstream rate of UK corporation tax reduction from 28% to 24% over a period of 4 years beginning 1 April 2011, and
- A proposed reduction in the main and special rate of capital allowances to 18% and 8% respectively for accounting periods ending after April 2012

On 27 July 2010, the rate of 27% was enacted within F(No 2)A 2010 This reduction is reflected in the calculation of the deferred tax balances Subsequently, on 23 March 2011, the UK government made an announcement to further reduce the rate of corporation tax to 26% from 1 April 2011 and ultimately to 23% by April 2014 The reduction to 26% was substantively enacted at the balance sheet date and so is reflected in these financial statements On 5 July 2011, the reduction in the tax rate to 25% was substantively enacted This reduction will come into effect from 1 April 2012 It is not expected that this reduction, and future reductions to 23%, once substantively enacted, will have a significant effect on the future tax charges of the company

10. Tangible fixed assets

	Freehold land and buildings £	*Plant and Machinery* £	*Total* £
Cost/Valuation			
At 1 April 2010	1,014,497	4,880,065	5,894,562
Additions	19,926	453,686	473,612
At 31 March 2011	1,034,423	5,333,751	6,368,174
Depreciation			
At 1 April 2010	512,960	4,107,962	4,620,922
Charge for the year	31,382	229,964	261,346
At 31 March 2011	544,342	4,337,926	4,882,268
Net book value			
At 31 March 2011	490,081	995,825	1,485,906
At 31 March 2010	501,537	772,103	1,273,640

Notes to the financial statements

at 31 March 2011

10. Tangible fixed assets *(continued)*

Assets held under finance leases and hıre purchase contracts and capıtalısed ın plant and machınery

	2011	*2010*
	£	£
Cost	3,751,031	3,536,199
Aggregate deprecıatıon	(3,195,129)	(3,064,979)
Net book value	555,902	471,220

The freehold land and buıldıngs ıncludes assets valued ın 1980 at £386,848 (2010 £386,848) The company has taken advantage of the transıtıonal arrangements of Fınancıal Reportıng Standard 15 and consequently, the valuatıon has not been updated If stated under the hıstorıcal cost conventıon the comparable amounts for freehold land and buıldıngs would be

	2011	*2010*
	£	£
Cost	805,687	805,687
Aggregate deprecıatıon	(411,065)	(387,591)
Net book value	394,622	418,096

11. Stocks

	2011	*2010*
	£	£
Raw materıals	128,783	87,864
Work-ın-progress	3,152,546	1,708,125
	3,281,329	1,795,989
Payments receıved on account	(1,540,682)	(1,031,873)
	1,740,647	764,116

The stock value ıs not materıally dıfferent from the replacement cost

Notes to the financial statements

at 31 March 2011

12. Debtors

	2011	2010
	£	£
Trade debtors	3,657,397	2,171,547
Amounts owed by group undertakings	5,565,858	3,469,684
Other debtors	233,400	161,960
	9,456,655	5,803,191

Amounts falling due after more than one year included above are

	2011	2010
	£	£
Amounts owed by group undertakings	5,370,474	3,040,000

The amounts owed by group undertakings earn interest at 2% over base rate £2,710,474 of the amount owed by group undertakings is subordinated to that subsidiary's US bank

13. Creditors: amounts falling due within one year

	2011	2010
	£	£
Bank overdraft (note 19)	855,285	-
Mortgage (note 14)	44,880	75,866
Obligations under finance leases and hire purchase agreements (note 15)	43,480	32,853
Trade creditors	2,800,421	1,361,014
Due to parent company in respect of UK corporation tax	102,676	215,599
Other taxes and social security costs	98,622	89,357
Amounts owing to group undertakings	-	8,298
Accruals and deferred income	1,479,491	1,548,754
Contract advances	887,200	-
	6,312,055	3,331,741

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

	2011	2010
	£	£
Obligations under finance leases and hire purchase contracts (note 15)	83,329	657
Mortgage	457,999	485,930
Contract Advances	529,310	-
	1,070,638	486,587

Notes to the financial statements

at 31 March 2011

14. Creditors: amounts falling due after more than one year *(continued)*

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

	2011	*2010*
	£	*£*
Repayable within one year	44,880	75,866
Repayable between one and two years	46,320	78,565
Repayable between two and five years	147,600	252,862
Repayable after five years	264,079	154,503
	502,879	561,796

At 31 March 2010, the original amount of the mortgage was £1,000,000 repayable by October 2016 and interest was charged at base rate plus 2 25% per annum The mortgage was repaid during the year At 31 March 2011, the original amount of the mortgage was £510,000 repayable by December 2020 and interest is charged at base rate plus 2 65% per annum

15. Obligations under finance leases and hire purchase contracts

	2011	*2010*
	£	*£*
Finance leases and hire purchase contracts	126,809	33,510
Future minimum payments under finance leases and hire purchase contracts are as follows		
Within one year	48,301	34,930
In more than one year but not more than five years	92,570	735
Total gross payments	140,871	35,665
Less finance charges included above	(14,062)	(2,155)
	126,809	33,510
Finance leases and hire purchase obligations are analysed as follows		
Current obligations (note 13)	43,480	32,853
Non current obligations (note 14)	83,329	657
	126,809	33,510

Notes to the financial statements

at 31 March 2011

16. Provisions for liabilities and charges

	Provision for warranties £	*Deferred Taxation* £	*Total* £
At 31 March 2010	353,084	73,555	426,639
Released to profit and loss account in the year	(35,369)	(20,316)	(55,685)
Provided during the year	-	4,814	4,814
At 31 March 2011	317,715	58,053	375,768

The warranty provision represents the best estimate of the 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 in the financial statements and the amounts not provided are as follows

	Amount provided		*Not provided*	
	2011 £	2010 £	*2011* £	2010 £
Accelerated capital allowances	60,367	76,047	-	-
Other timing differences	(2,314)	(2,492)	-	-
Deferred tax liability	58,053	73,555	-	-

17. Share capital

	2011 £	*2010* £
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	50,000	50,000

Notes to the financial statements

at 31 March 2011

18. Reconciliation of shareholders' funds and movement on reserves

	Share capital	*Share premium account*	*Revaluation reserve*	*Profit and loss account*	*Total*
	£	*£*	*£*	*£*	*£*
At 1 April 2009	50,000	207	33,559	4,453,246	4,537,012
Profit for the year	-	-	-	858,112	858,112
Dividends paid	-	-	-	(560,100)	(560,100)
Transfer of difference between depreciation based on historical cost and on revalued amounts	-	-	(7,915)	7,915	-
At 31 March 2010	50,000	207	25,644	4,759,173	4,835,024
Profit for the year	-	-	-	782,571	782,571
Dividends paid	-	-	-	(692,848)	(692,848)
Transfer of difference between depreciation based on historical cost and on revalued amounts	-	-	(7,915)	7,915	-
At 31 March 2011	50,000	207	17,729	4,856,811	4,924,747

19. Contingent liabilities

	2011	*2010*
	£	*£*
Guarantees in respect of third party indebtedness	4,000	1,000

The bank overdraft (note 13) is secured by a fixed and floating charge over the assets of the company

The company is party to a cross-guarantee securing overdraft facilities and certain other financing facilities up to £2,750,000 for certain members of the HWH Investments Limited group of which £305,000 was utilised at 31 March 2011 (2010 £nil)

20. Financial commitments

Capital commitments

Capital commitments contracted for but not provided in the accounts amounted to £11,750 at 31 March 2011 (2010 £3,708)

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 (2010 £nil)

Notes to the financial statements

at 31 March 2011

22. Related parties

As permıtted by FRS 8 "Related Party Dısclosures" the financıal statements do not dısclose transactıons wıth the parent company and fellow subsıdıarıes where 90% of the votıng rıghts are controlled wıthın the group

23. Derivatives

The company has entered ınto forward foreıgn exchange contracts ın the normal course of busıness ın order to hedge agaınst fluctuatıons ın future exchange rates As at 31 March 2011, the sterlıng equıvalent of total amounts outstandıng on such contracts was £nıl (2010 £52,038)

24. Parent undertaking and controlling party

The parent undertakıng of the group of undertakıngs for whıch group financıal statements are drawn up and of whıch the company ıs a member ıs Harrıs Watson Holdıngs Lımıted, a company regıstered ın England and Wales The company's ultımate parent undertakıng and controllıng party at 31 March 2011 ıs HWH Investments Lımıted, a company ıncorporated ın Great Brıtaın and regıstered ın England and Wales