**William Green & Son Limited**

# Directors' report and consolidated financial statements

Registered number 5085681

Year ended 31 March 2007

# Contents

# Directors' report

The directors present their annual report together with the financial statements for the year ended 31 March 2007

**Principal activity**

The principal activity of the company has been the manufacture, wholesale and retail of footwear

**Results and business review**

The directors consider the key performance indicators of the business to be sales performance in absolute terms and against budget and last year, gross margin per cent by product category against budget and last year and pre tax profit

The product supplied by the company is for a fairly niche market and performance is therefore subject to the changing trends in consumer spending patterns As a significant proportion of the turnover derives from the USA, dollar exchange rates can impact upon profitability

The results for the year are set out in the profit and loss account on page 5

No ordinary dividend is proposed for the year ending 31 March 2007 *(2006 £nil)*

**Directors**

The directors who held office during the year were as follows

CMC Purslow
TM Willan
TC Little

**Fixed assets**

Details of the changes in fixed assets are given in note 11 to these financial statements

**Donations**

The company made no political contribution during the year Donations to UK charities amounted to £900

**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 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**

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

On behalf of the board

**TM Willan**
*Director*

Queen Street
Rushden
Northants
NN10 0AB

## 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards

The financial statements are required by law to give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group and parent 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 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 group and parent 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 parent company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

KPMG

Altius House
1 North Fourth Street
Central Milton Keynes
Buckinghamshire
MK9 1NE

# Independent auditors' report to the members of William Green & Son Limited

We have audited the financial statements of William Green & Son Limited for the year ended 31 March 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Cash Flow statement 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**

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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 We also 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

## Independent auditors' report to the members of William Green & Son Limited
*(continued)*

**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 group's and the parent company's affairs as at 31 March 2007 and of the group's loss 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 LLP

**KPMG LLP**
*Chartered Accountants*
*Registered Auditor*

30 January 2008

# Consolidated profit and loss account
*for the year ended 31 March 2007*

| | *Note* | **2007** | 2006 |
|---|---|---|---|
| | | **£** | £ |
| **Turnover** | *2* | **4,358,216** | 3,850,533 |
| Decrease in stocks of finished goods and work in progress | | **(2,655,452)** | (1 039,811) |
| Raw materials and consumables | | **324,071** | (512 950) |
| | | **2,026,835** | 2 297 772 |
| Staff costs | *4* | **(1,373,453)** | (1 277,059) |
| Depreciation and amortisation | | **(48,596)** | (42,588) |
| Other operating charges | | **(742,161)** | (1,205,488) |
| **Operating loss** | *3* | **(137,375)** | (227,363) |
| Profit on sale of investments | *6* | **2,375** | - |
| Interest receivable and similar income | *7* | **80,013** | 69,623 |
| Interest payable and similar charges | *8* | **(29,569)** | (10,724) |
| **Loss on ordinary activities before taxation** | | **(84,556)** | (168,464) |
| Tax on loss on ordinary activities | *9* | **(13,469)** | (2,700) |
| **Retained loss for the financial period** | *19* | **(98,025)** | (171,164) |

All results derive from continuing activities

The notes on pages 10 to 26 form part of these financial statements

The company recognised its pension scheme surplus as required by FRS 17

# Statement of total recognised gains and losses
*for the year ended 31 March 2007*

| | 2007 | 2006 |
|---|---|---|
| | **£** | £ |
| **Loss for the financial year** | **(98,025)** | (171,164) |
| Movement on actuarial surplus/(deficit) in the pension scheme | **243,000** | (113,000) |
| Movement on deferred tax relating to the pension scheme (surplus)/deficit | **(72,900)** | 33,900 |
| Total gains/(losses) relating to the financial year | **72,075** | (250,264) |
| Prior year adjustment | **-** | 8,400 |
| **Total recognised gains/(losses) since the last annual report** | 72,075 | (241,864) |

# Consolidated balance sheet
*at 31 March 2007*

| | *Note* | 2007 | | 2006 | |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **Fixed assets** | | | | | |
| Intangible assets | *10* | | **340,478** | | 360 369 |
| Tangible assets | *11* | | **120,133** | | 121,970 |
| | | | **460,611** | | 482,339 |
| **Current assets** | | | | | |
| Stocks | *13* | **1,015,334** | | 922 130 | |
| Debtors | *14* | **613,090** | | 452 442 | |
| Cash at bank and in hand | | **1,181,149** | | 1,158,807 | |
| | | **2,809,573** | | 2,533,379 | |
| **Creditors** amounts falling due within one year | *15* | **(1,534,993)** | | (1 172 126) | |
| **Net current assets** | | | **1,274,580** | | 1 361 253 |
| **Creditors.** amounts falling due after more than one year | 16 | | **(36,770)** | | - |
| **Pension surplus/(deficit)** | *22* | | **117,600** | | (64,400) |
| **Net assets** | | | **1,816,021** | | 1 779,192 |
| **Capital and reserves** | | | | | |
| Called up share capital | *18* | | **2,000,000** | | 2,000,000 |
| Profit and loss account | *19* | | **(183,979)** | | (220,808) |
| **Equity shareholders' funds** | *20* | | **1,816,021** | | 1,779,192 |

The consolidated balance sheet as at 31 March 2006 has not been restated for the adoption of FRS 20 Share Based Payments See Note 23

The notes on pages 10 to 26 form part of these financial statements

The financial statements were approved by the board of directors on 30/1/08 and were signed on its behalf by

**TM Willan**
*Director*

# Company balance sheet
*at 31 March 2007*

| | Note | 2007 | | 2006 | |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **Fixed assets** | | | | | |
| Intangible assets | *10* | | 1 | | 1 |
| Tangible assets | *11* | | 120,133 | | 121 970 |
| Investments | *12* | | 2,520,000 | | 2,520,625 |
| | | | 2,640,134 | | 2,642,596 |
| **Current assets** | | | | | |
| Stocks | *13* | 768,304 | | 679,707 | |
| Debtors | *14* | 1,030,637 | | 487,155 | |
| Cash at bank and in hand | | 1,176,990 | | 1,154 144 | |
| | | 2,975,931 | | 2,321,006 | |
| **Creditors** amounts falling due within one year | *15* | (3,669,476) | | (2,947,917) | |
| **Net current liabilities** | | | (693,545) | | (626 911) |
| **Creditors.** amounts falling due after more than one year | *16* | | (36,770) | | |
| **Pension surplus/(deficit)** | *22* | | 117,600 | | (64 400) |
| **Net assets** | | | 2,027,419 | | 1 951,285 |
| **Capital and reserves** | | | | | |
| Called up share capital | *18* | | 2,000,000 | | 2,000,000 |
| Profit and loss account | *19* | | 27,419 | | (48 715) |
| **Equity shareholders' funds** | | | 2,027,419 | | 1 951 285 |

The company balance sheet as at 31 March 2006 has not been restated for the adoption of FRS 20 Share Based Payments See Note 23

The notes on pages 10 to 26 form part of these financial statements

The financial statements were approved by the board of directors on 30/1/08 and were signed on its behalf by

**TM Willan**
*Director*

# Consolidated cash flow statement
*for the year ended 31 March 2007*

| | *Note* | **2007** | 2006 Restated |
|---|---|---|---|
| | | **£** | £ |
| **Net cash inflow/(outflow) from operating activities** | *24* | **(278,022)** | (211 930) |
| Returns on investments and servicing of finance | *25* | **21,444** | 33,899 |
| Taxation | | **-** | - |
| Capital expenditure and financial investments | *25* | **(23,869)** | (66,510) |
| Financing | *25* | **10,934** | - |
| **(Decrease) / increase in cash in the period** | | **(269,513)** | (244,541) |

## Reconciliation of net cash flow to movements in net cash

| | | | |
|---|---|---|---|
| Movement on net cash in the period | | **(269,513)** | (244,541) |
| Opening net cash | *26* | **980,266** | 1,224 807 |
| **Closing net cash** | *26* | **710,753** | 980,266 |

The notes on pages 10 to 26 form part of these financial statements

# 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 company's financial statements In these financial statements the following new standard has been adopted for the first time

- FRS 20 'Share-based payments'

The accounting policy under this new standard is set out below together with an indication of the effect of its adoption

The corresponding amounts in these financial statements are restated in accordance with the new policies

***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules The company has applied the transitional rules contained in FRS 15 *Tangible Fixed Assets* to retain previous valuations as the basis on which these assets are held

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to the 31 March 2007 The acquisition method of accounting has been adopted Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account

***Turnover***

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers

***Depreciation and amortisation***

Depreciation and amortisation are calculated to write down the cost of all fixed assets to net realisable value by equal annual instalments over their expected useful lives

The periods generally applicable are

| | | |
|---|---|---|
| Freehold buildings | - | 50 years |
| Leasehold buildings | - | 50 years |
| Plant and machinery | - | 10 years |
| Motor vehicles | - | 4 years |
| Fixtures, fittings and equipment | - | 5 years |

Freehold land is not depreciated

All items of plant and equipment acquired prior to 31 March 1972, which have been fully depreciated, have been treated for the purposes of these financial statements as having a nil cost and nil accumulated depreciation

# Notes *(continued)*

## 1 Accounting policies *(continued)*

***Fixed asset investments***

Fixed asset investments are carried at historical cost less any provision for impairment

***Stocks and work in progress***

Stocks and work in progress are valued at the lower of cost and net realisable value In determining the cost of raw material and consumable stores, the average purchase price is used For work in progress and finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads

***Taxation and deferred taxation***

The charge for taxation is based on the profit for the year

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

***Goodwill***

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable assets acquired) arising on business combinations in respect of acquisitions is capitalised Goodwill is amortised to nil on a straight line basis over its estimated useful economic life of 20 years

***Foreign currencies***

Transactions in foreign currencies are translated into pounds sterling at the rates of exchange ruling at the dates of the transactions Gains and losses arising from fluctuations in exchange rates are included in the profit and loss account Assets and liabilities denominated in foreign currencies are included in the balance sheet at the rate of exchange ruling at the balance sheet date

***Pension costs***

The company operates a pension scheme providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the company in a trustee administered independent fund Contributions to the scheme are charged to the profit and loss account so as to spread the cost of the pensions over employees' working lives with the company

***Lease payments***

Assets acquired under finance leases or hire purchase contracts are capitalised and the outstanding future lease obligations are shown in creditors Rental payments are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding lease obligations Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

***Share-based payments***

The Company issued equity-settled share-based payments to one of its directors on 8 April 2005

The Company has applied the requirements of FRS 20 'Share-based payments' The fair value of options granted is recognised as an expense with a corresponding increase in equity The fair value of equity-settled share-based payments is measured at grant date and spread over the period during which the director becomes unconditionally entitled to the options The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted

# Notes *(continued)*

## 2 Turnover

An analysis of turnover by geographical market is given below

| | **31 March 2007 £** | 31 March 2006 £ |
|---|---|---|
| United Kingdom | **2,243,429** | 2,293,440 |
| European Union | **674,822** | 550,283 |
| Rest of the World | **1,439,965** | 1,006,810 |
| | **4,358,216** | 3,850,533 |

## 3 Operating loss

| | **31 March 2007 £** | 31 March 2006 £ |
|---|---|---|
| ***The operating loss is stated after charging/(crediting):*** | | |
| Auditors' remuneration - audit work | **14,900** | 20,000 |
| - non-audit | **7,000** | 3,250 |
| Depreciation on owned assets | **22,743** | 22,698 |
| Depreciation on assets held under hire purchase | **5,963** | - |
| Amortisation of goodwill | **19,891** | 19,890 |
| Operating lease rentals - of vehicles | **11,246** | 4,826 |
| Operating lease rentals - other | **69,845** | 49,000 |
| Profit on disposal of fixed assets | **-** | (170) |
| Loss/(profit) on foreign exchange | **88,174** | (17,477) |

# Notes *(continued)*

## 4 Staff numbers and costs

The average number of persons employed by the group and company during the year was as follows

| | 31 March 2007 Number | 31 March 2006 Number |
|---|---|---|
| Production | 40 | 39 |
| Management and administration | 20 | 19 |
| | 60 | 58 |

The payroll costs during the year were as follows

| | 31 March 2007 £ | 31 March 2006 £ |
|---|---|---|
| Wages and salaries | 1,242,062 | 1,141,614 |
| Social security | 115,708 | 104,188 |
| Other pension costs | 15,683 | 31,257 |
| | 1,373,453 | 1,277 059 |

## 5 Remuneration of directors

The emoluments of the directors during the year were as follows

| | 31 March 2007 £ | 31 March 2006 £ |
|---|---|---|
| Directors emoluments | 222,955 | 136,238 |

The aggregate of emoluments of the highest paid director was £130,004 *(2006 £94,027)* No directors are accruing retirement benefits under defined benefit schemes

For share-based payments, see Note 23

## Notes *(continued)*

### 6 Profit on sale of investments

| | 31 March 2007 £ | 31 March 2006 £ |
|---|---|---|
| Profit on sale of investments | **2,375** | - |

### 7 Interest receivable and similar income

| | 31 March 2007 £ | 31 March 2006 £ |
|---|---|---|
| Amounts receivable on bank deposits | **51,013** | 44 623 |
| Other finance income on pension scheme – note 22 | **29,000** | 25 000 |
| | **80,013** | 69 623 |

### 8 Interest payable and similar charges

| | 31 March 2007 £ | 31 March 2006 £ |
|---|---|---|
| Amounts payable on bank overdrafts | **27,783** | 10,724 |
| Interest element of hire purchase payments | **1,786** | - |
| | **29,569** | 10 724 |

# Notes *(continued)*

## 9 Taxation

Analysis of charge in year

| | 31 March 2007 £ | 31 March 2006 £ |
|---|---|---|
| *UK corporation tax* | | |
| Current tax on income for the year | **8,369** | - |
| | **8,369** | - |
| Deferred tax | | |
| Timing differences on pension deficit | **5,100** | 2,700 |
| Total deferred tax | **5,100** | 2,700 |
| Tax on loss on ordinary activities | **13,469** | 2,700 |

*Factors affecting the tax charge for the current period*

The current tax charge for the period is lower (*2006 lower*) than the standard rate of corporation tax in the UK (30%) The differences are explained below

| | 31 March 2007 £ | 31 March 2006 £ |
|---|---|---|
| *Current tax reconciliation* | | |
| Loss on ordinary activities before tax | **(84,556)** | (168,464) |
| Current tax at 30% | **(25,367)** | (50,539) |
| *Effects of* | | |
| Expenses not deductible for tax purposes | **9,797** | 9,264 |
| Depreciation in excess of capital allowances for period | **8,612** | (7,789) |
| Other short term timing differences | **-** | (68) |
| Timing differences on pension (surplus)/deficit | **(5,100)** | 3,300 |
| Tax losses carried forward | **20,427** | 45,832 |
| Total current tax charge (see above) | **(8,369)** | - |

# Notes *(continued)*

## 10 Intangible fixed assets

**Group**

| | Goodwill £ |
|---|---|
| *Cost* | |
| At beginning of the year | 397 804 |
| Additions | - |
| At end of the year | 397 804 |
| *Amortisation* | |
| At beginning of the year | 37,435 |
| Charged in the year | 19,891 |
| **At end of the year** | 57,326 |
| *Net book value* | |
| **At 31 March 2007** | **340,478** |
| At 31 March 2006 | 360,369 |

**Company**

| | Goodwill £ |
|---|---|
| *Cost* | |
| At beginning of the year | 1 |
| Additions | - |
| At end of the year | - |
| *Amortisation* | |
| At beginning of the year | - |
| Charged in the year | - |
| **At end of the year** | - |
| *Net book value* | |
| **At 31 March 2007** | 1 |
| At 31 March 2006 | 1 |

# Notes *(continued)*

## 11 Tangible fixed assets

**Group and company**

| | Leasehold Premises £ | Plant and Machinery £ | Fixtures, Fittings and equipment £ | Total £ |
|---|---|---|---|---|
| ***Cost or valuation*** | | | | |
| At beginning of the year | - | 834 570 | 64,627 | 899,197 |
| Additions | 17,850 | 9,019 | - | 26,869 |
| Disposals | - | - | - | - |
| At end of the year | 17 850 | 843 589 | 64 627 | 926 066 |
| ***Depreciation*** | | | | |
| At beginning of the year | - | 714 240 | 62,987 | 777,227 |
| Charge for the year | 387 | 27 575 | 744 | 28,706 |
| On disposals | - | - | - | |
| **At end of the year** | 387 | 741,815 | 63,731 | 805,933 |
| ***Net book value*** | | | | |
| **At 31 March 2007** | **17,463** | **101,774** | **896** | **120,133** |
| At 31 March 2006 | - | 120 330 | 1,640 | 121,970 |

Included within the net book value of £120,133 *(2006 £121,970)* are assets held under hire purchase The net book value of these assets is £53,172 *(2006 £nil)* and the depreciation charged to the profit and loss account amounts to £5,963 *(2006 £nil)*

# Notes *(continued)*

## 12 Fixed asset investments

Shares in subsidiary undertakings

| **Company** | **2007** | 2006 |
|---|---|---|
| | **£** | £ |
| *Cost and net book value* | | |
| At beginning of year | **2,520,625** | 2 520,625 |
| Sold in year | **(625)** | - |
| **At end of the year** | **2,520,000** | 2 520 625 |

The companies in which the shareholding at the year end is more than 20% is as follows

| **Name of subsidiary Undertaking** | **Class of shares held** | **Proportion held by the company** | **Nature of business** |
|---|---|---|---|
| William Green & Son Inc | Common Stock | 100% | Footwear retailers |
| Howper 489 Limited (formerly William Green & Son Limited) | Ordinary | 100% | Non-trading |
| | Preference shares | 100% | |
| Grenson Shoes Limited | Ordinary | 99 8% | Dormant |

William Green & Son Inc is registered in the State of Delaware, in the United States

## 13 Stocks

| | **Group 2007** | **Company 2007** | Group 2006 | Company 2006 |
|---|---|---|---|---|
| | **£** | **£** | £ | £ |
| Raw materials and consumable stocks | **141,525** | **141,525** | 155,909 | 155 909 |
| Work in progress | **85,886** | **85,886** | 138,785 | 138,785 |
| Finished goods and goods held for resale | **787,923** | **540,893** | 627,436 | 385 013 |
| | **1,015,334** | **768,304** | 922 130 | 679,707 |

There is no material difference between the replacement cost of stocks and their balance sheet amounts

## 14 Debtors

| | **Group 2007** | **Company 2007** | Group 2006 | Company 2006 |
|---|---|---|---|---|
| | **£** | **£** | £ | £ |
| *Due within one year* | | | | |
| Trade debtors | **583,439** | **523,086** | 397 611 | 386,323 |
| Amounts owed by subsidiary undertakings | **-** | **473,098** | - | 46,021 |
| Other debtors | **111** | **111** | 111 | 111 |
| Prepayments and accrued income | **29,540** | **29,540** | 49,898 | 49 898 |
| Corporation tax | **-** | **4,802** | 4,802 | 4,802 |
| | **613,090** | **1,030,637** | 452,422 | 487,155 |

# Notes *(continued)*

## 15 Creditors: amounts falling due within one year

| | Group 2007 £ | Company 2007 £ | Group 2006 £ | Company 2006 £ |
|---|---|---|---|---|
| Trade creditors | 660,643 | 658,868 | 609,357 | 602,265 |
| Amounts owed to subsidiary undertakings | - | 2,157,540 | - | 1,782,883 |
| Social security and other taxes | 61,066 | 61,066 | 60,836 | 60,836 |
| Obligations under finance leases and hire purchase contracts *(see note 16)* | 11,928 | 11,928 | - | - |
| Other creditors | 15,707 | 15,707 | 15,353 | 15,353 |
| Corporation Tax | 6,245 | - | - | - |
| Accruals and deferred income | 309,008 | 293,971 | 308,039 | 308,039 |
| Bank overdraft | 470,396 | 470,396 | 178,541 | 178,541 |
| | 1,534,993 | 3,669,476 | 1,172,126 | 2,947,917 |

## 16 Creditors: amounts falling after more than one year

| | Group 2007 £ | Company 2007 £ | Group 2006 £ | Company 2006 £ |
|---|---|---|---|---|
| Obligations under finance leases and hire purchase contracts | 36,770 | 36,770 | - | - |

*The maturity of obligations under finance leases and hire purchase contracts is as follows*

| | | | | |
|---|---|---|---|---|
| Within one year | 11,928 | 11,928 | - | - |
| In the second to fifth year | 36,770 | 36,770 | - | - |
| | 48,698 | 48,698 | - | - |

## 17 Provision for liabilities and charges

No deferred tax asset has been recognised

| *The elements of unrecognised deferred taxation are as follows* | 2007 £ | 2006 £ |
|---|---|---|
| Accelerated capital allowances | 16,664 | 9,242 |
| Timing differences on pension surplus | (47,040) | 27,600 |
| Tax losses | 276,129 | 274,997 |
| Deferred tax asset | 245,752 | 311,839 |

The directors have assessed the likelihood of the deferred tax balances reversing in the near future In accordance with FRS 19 they have not recognised a deferred tax asset as in their opinion it is unlikely to be utilised in the near future

# Notes *(continued)*

## 18 Share capital

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| *Authorised* | | |
| Ordinary shares of £1 each | **2,500,000** | 2,500,000 |
| *Allotted, called up and fully paid* | | |
| Ordinary shares of £1 each | **2,000,000** | 2,000,000 |

## 19 Reserves

| | Group Profit and loss account | Company Profit and loss account |
|---|---|---|
| | £ | £ |
| At 1 April 2006 | (220 808) | (48,715) |
| Retained loss for the year | (98,025) | (93,966) |
| Foreign currency revaluation | (35 871) | - |
| Recognised actuarial gain | 243 000 | 243 000 |
| Movement in deferred tax attributable to actuarial gain | (72 900) | (72,900) |
| Sale of investment | 625 | - |
| **As at 31 March 2007** | (183,979) | 27,419 |

| | | |
|---|---|---|
| Profit and loss reserve excluding pension asset | (301,579) | (90 181) |
| Pension asset | 117,600 | 117,600 |
| Profit and loss reserve including pension asset | (183,979) | 27,419 |

## 20 Reconciliation of movements in shareholders' funds

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Loss for the financial year | **(98,025)** | (171,164) |
| Foreign currency (losses)/gains on revaluation | **(35,871)** | 20 227 |
| Actuarial gains/(losses) for the year | **170,100** | (79,100) |
| Sale of investment | **625** | - |
| Net increase/(reduction) in shareholders funds | **36,829** | (230,037) |
| Opening equity shareholders funds | **1,779,192** | 2,009,229 |
| Closing equity shareholders' funds | **1,816,021** | 1,779,192 |

# Notes *(continued)*

## 21 Commitments

(a) Capital commitments at the end of the year for which no provision has been made are as follows £11,948 *(2006 £nil)*

| | Group 2007 £ | Company 2007 £ | Group 2006 £ | Company 2006 £ |
|---|---|---|---|---|
| Contracted | **11,948** | **11,948** | - | - |

(b) Annual commitments under non-cancellable operating leases are as follows

| | 2007 Land and buildings £ | 2007 Other £ | 2006 Land and buildings £ | 2006 Other £ |
|---|---|---|---|---|
| **Group** | | | | |
| Operating leases which expire | | | | |
| Within one year | **-** | **11,246** | - | 11,246 |
| In the second to fifth years inclusive | **64,250** | **5,623** | - | 16,869 |
| After more than five years | **49,000** | **-** | 49,000 | - |
| | **113,250** | **16,869** | 49,000 | 28,115 |

| | 2007 Land and buildings £ | 2007 Other £ | 2006 Land and buildings £ | 2006 Other £ |
|---|---|---|---|---|
| **Company** | | | | |
| Operating leases which expire | | | | |
| Within one year | **-** | **11,246** | - | 11,246 |
| In the second to fifth years inclusive | **64,250** | **5,623** | - | 16,869 |
| After more than five years | **49,000** | **-** | 49,000 | - |
| | **113,250** | **16,869** | 49,000 | 28,115 |

## Notes *(continued)*

### 22 Pension scheme

As part of the acquisition of the trade and assets of Howper 489 Limited (formerly William Green & Son Limited) the company acquired a pension scheme providing benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method The most recent valuation was at 4 October 2003 The assumptions which have the most significant effect on the results of the valuation are that the yield on assets (pre retirement) will be 6 5% and the interest rate after retirement will be 5%, pensionable salaries will increase by 4 3% per annum and additional bonus additions will average 1 5%

The most recent actuarial valuation showed that the market value of the scheme's assets was £3,343,000 at 4 October 2003 and that the actuarial value of those assets represented 115% of the benefits that had accrued to members, after allowing for expected future increases in earnings The contributions of the company and employees will be 4 7% and 6% of earnings respectively

The pension charge for the period is £15,683 There were no outstanding or prepaid contributions at either the beginning or the end of the financial period

The valuation at 4 October 2003 has been updated by the actuary on an FRS 17 basis as at 31 March 2007

The major assumptions used in this valuation were

| | **At 31 March 2007 per annum** | At 31 March 2006 per annum | At 31 March 2005 per annum |
|---|---|---|---|
| Rate of increase in salaries | **4.8%** | 4 4% | 4 4% |
| Discount rate | **5 4%** | 4 9% | 5 4% |
| Inflation assumption | **3.3%** | 3 0% | 2 9% |

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice

# Notes *(continued)*

## 22 Pension scheme *(continued)*

*Scheme assets*

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme s liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were

| | **Value at 31 March 2007 £** | Value at 31 March 2006 £ | Value at 31 March 2005 £ |
|---|---|---|---|
| Equities | **1,923,550** | 1 915,650 | 1,495,000 |
| Bonds | **1,394,090** | 1,079,730 | 1,300,000 |
| Other – Property | **491,360** | 487,620 | 455,000 |
| | **3,809,000** | 3,483,000 | 3,250,000 |
| Present value of scheme liabilities | **(3,641,000)** | (3,575,000) | (3,238,000) |
| Surplus/(Deficit) in the scheme | **168,000** | (92,000) | 12,000 |
| Related deferred tax (liability)/asset | **(50,400)** | 27,600 | (3 600) |
| Net pension asset/(liability) | **117,600** | (64,400) | 8,400 |

The amount of this net pension asset would have a consequential effect on reserves

| | **Long term rate of return At 31 March 2007** | Long term rate of return At 31 March 2006 | Long term rate of return At 31 March 2005 |
|---|---|---|---|
| Equities | **7.8%** | 7 4% | 7 7% |
| Bonds | **5 4%** | 4 9% | 5 4% |
| Other – Property | **7.8%** | 7 4% | 7 7% |

# Notes *(continued)*

## 22 Pension scheme *(continued)*

Movement in surplus/ (deficit) during the period

| | **31 March 2007** | 31 March 2006 | 31 March 2005 |
|---|---|---|---|
| | **£** | £ | £ |
| (Deficit)/surplus in scheme at beginning of period | **(92,000)** | 12,000 | 30,000 |
| Current service cost | **(26,000)** | (33,000) | (55,000) |
| Contributions paid | **14,000** | 17,000 | 21,000 |
| Other finance income | **29,000** | 25,000 | 28,000 |
| Actuarial gain/(loss) | **243,000** | (113,000) | (12,000) |
| Surplus/(Deficit) in the scheme at end of period | **168,000** | (92,000) | 12,000 |

Analysis of other pension costs charged in arriving at operating profit/loss

| | **31 March 2007** | 31 March 2006 | 31 March 2005 |
|---|---|---|---|
| | **£** | £ | £ |
| Current service cost | **26,000** | 33,000 | 55,000 |

Analysis of amounts included in other finance income

| | **31 March 2007** | 31 March 2006 | 31 March 2005 |
|---|---|---|---|
| | **£** | £ | £ |
| Expected return on pension scheme assets | **203,000** | 197,000 | 201,000 |
| Interest on pension scheme liabilities | **(174,000)** | (172,000) | (173,000) |
| | **29,000** | 25,000 | 28,000 |

Analysis of amount recognised in statement of total recognised gains and losses

| | **31 March 2007** | 31 March 2006 | 31 March 2005 |
|---|---|---|---|
| | **£** | £ | £ |
| Actual return less expected return on scheme assets | **187,000** | 132,000 | 44 000 |
| Experience gains and losses arising on scheme liabilities | **167,000** | 93,000 | 1 000 |
| Changes in assumptions underlying the present value of scheme liabilities | **(111,000)** | (338 000) | (57,000) |
| Actuarial gain/(loss) recognised in statement of total recognised gains and losses | **243,000** | (113 000) | (12 000) |

# Notes *(continued)*

## 23 Share-based payments

On 8 April 2005 the company granted one of the directors options, under the company's Enterprise Management Incentive scheme, over 500 000 ordinary shares of £1 each at an exercise price of 20p per share The grant of these options is conditional upon satisfying specified conditions

The fair value of the share options at grant date was determined using the Black-Scholes formula The model inputs were the share price of £1 08 on a net assets basis, the exercise price of £0 20, expected volatility of 24 5%, a term of four years and a risk-free interest rate of 4 5%
The expected volatility is based on the implied volatility of similar listed entities for which share price or option price information is available

The number and weighted average exercise prices of the share options are as follows

| | 2007 Exercise price | 2007 Number of options | 2006 Exercise price | 2006 Number of options |
|---|---|---|---|---|
| Outstanding at 1 April and 31 March | **£0.20** | **500,000** | £0 20 | 500,000 |

In accordance with FRS 20, which came into effect for accounting periods beginning on or after 1 January 2006, no charge has been recognised in the profit and loss account for the current or prior year as it is considered extremely unlikely that the performance conditions will be satisfied at the date the options mature

## 24 Reconciliation of operating loss to net cash inflow from operating activities

| | 2007 £ | 2006 £ |
|---|---|---|
| Operating loss | **(137,375)** | (227,363) |
| Depreciation charges | **28,706** | 22,698 |
| Amortisation of goodwill | **19,891** | 19,890 |
| Profit on sale of tangible fixed assets | **-** | 170 |
| Increase in stocks | **(93,204)** | (110,879) |
| Increase in debtors | **(160,648)** | (76,493) |
| Movement in pension deficit/surplus | **12,000** | 49,899 |
| Increase in creditors | **88,479** | 89,921 |
| (Loss)/gain on forex revaluation | **(35,871)** | 20,227 |
| **Net cash outflow from operating activities** | **(278,022)** | (211 930) |

# Notes *(continued)*

## 25 Gross cash flows

| | 2007 £ | 2006 £ |
|---|---|---|
| **Returns on investments and servicing of finance** | | |
| Interest received on bank deposits | **51,013** | 44,623 |
| Interest paid on bank overdrafts and hire purchase | **(29,569)** | (10,724) |
| | **21,444** | 33,899 |
| **Capital expenditure** | | |
| Payments to acquire tangible fixed assets | **(26,869)** | (69,740) |
| Receipts from the sale of tangible fixed assets | - | 3,230 |
| Receipts from the sale of investment | **3,000** | - |
| | **(23,869)** | (66 510) |
| **Financing** | | |
| Capital element of finance lease rental payments | **10,934** | - |

## 26 Analysis of changes in net cash

| | At beginning of the year £ | Cash flows £ | Translation Differences £ | At 31 March 2007 £ |
|---|---|---|---|---|
| Cash at bank and in hand | 1,158,807 | 22,889 | (547) | **1,181,149** |
| Bank Overdraft | (178,541) | (291,855) | - | **(470,396)** |
| | 980,266 | (268,966) | (547) | **710,753** |

## 27 Controlling party

The company's controlling party is CRC Purslow by way of his beneficial interest in the ordinary share capital of the company

## 28 Post balance sheet event

On 24 July 2007 the company created a debenture securing all liabilities, of any kind and in any currency, due or to become due from the company to National Westminster Bank Plc