

ALDERLEY MATERIALS LIMITED
FINANCIAL STATEMENTS
30 SEPTEMBER 2007



ALDERLEY MATERIALS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2007

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ALDERLEY MATERIALS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

A J V Shepherd
S H Shepherd
A D Bennion
E Weeks

Company secretary

L Reed

Registered office

Alderley House
Arnolds Field Estate
The Downs
Wickwar
Wotton-under-Edge
Glos
GL12 8JD

Auditor

HW Seabright
Chartered Accountants
& Registered Auditors
174 Whiteladies Road
Clifton
Bristol
BS8 2XU

Bankers

Bank of Scotland plc
P O Box No 208
21 Prince Street
Bristol
BS99 7JG

Lloyds TSB Plc
40 High Street
Chipping Sodbury
Bristol
BS37 6AW

ALDERLEY MATERIALS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 30 SEPTEMBER 2007

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 30 September 2007

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Alderley Materials Limited's principal activities are the manufacture, supply and application of fire retardant coatings and sub sea insulation materials to the oil, gas and petrochemical industries

As anticipated the company's performance was a further improvement over 2006, generating an operating profit of £394k against a £274k profit in the previous year. Turnover was significantly higher than 2006 increasing by 152%. A significant proportion of the turnover related to contracts won in 2006 which were subsequently delayed. Although turnover and operating profit both increased in the year return on sales was 7% compared to 11% in 2006. The decrease was a result of product mix with a number of contracts having a large third party element at correspondingly lower margins.

The level of working capital required by the business increased significantly in the period with an increase in trade debtors of £875k and the "recoverable on contract" debtor up by £564k. Recoverable on contract shows the value of work already completed but not yet invoiced due to key invoice triggers not being reached. The increase in working capital is primarily a result of the contract delays experienced in 2006 which resulted in significant work being carried out in 2007. The working capital requirements have been met by an increase in net debt of £226k and an increase of £703k in the amount owed to group undertakings, which is mainly the utilisation of a part of the Group's contract finance facilities.

At the end of the accounting period a significant number of contracts were coming to a conclusion with a corresponding increase in the volume of invoicing. This phasing of invoicing has contributed to debtor days of 96 compared to 73 in 2006. It is anticipated that more contracts will be completed in the first six months of 2008 which will decrease the working capital requirement considerably.

Despite the increase in working capital, interest charges were down by 24% against 2006 charges.

Alderley Materials Limited has continued its development program with investments of £179k into intangible assets and £20k investment in tangible assets. The bulk of the investment has related to the development of a product with a two hour jet fire rating that is particularly suitable for riser protection. Commercialisation of the novel chemistry Intellectual Property acquired in 2006 is ongoing with a number of opportunities that could yield significantly increased sales. It is expected that products from these technologies will produce revenues in 2009.

During 2007 the company has again substantially increased its contingent liabilities in the form of performance and advance payment bank guarantees from £183k in 2006 to £411k in 2007. The increase reflects the growth of the business and the ongoing requirement of contracts to provide some form of performance guarantee. It is the company's policy to try to negotiate away this requirement but it is becoming increasingly difficult to do so as the company is awarded larger contracts. Alderley Materials Limited and its parent are actively working with its bankers to accommodate the increasing requirements for this form of guarantee.

The company is anticipating a further improvement in performance in the current year with higher revenues and margins.

In the medium term with the oil price at current levels more fields that were previously uneconomic will become feasible. To develop these fields will require products of the type manufactured by Alderley Materials Limited and so the company believes that the market for its niche products is growing and will continue to do so for the foreseeable future.

ALDERLEY MATERIALS LIMITED**THE DIRECTORS' REPORT** *(continued)***YEAR ENDED 30 SEPTEMBER 2007**

In addition Alderley Materials Limited is continuing to invest in its products and application methods to increase the product range and its competitiveness for subsea applications in particular

Following the year end, the company's parent undertaking has taken the decision to divest itself of the company, as it no longer forms part of its core activities. It is anticipated that the sale of the company will take place during the current financial year

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £238,779. The directors have not recommended a dividend.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The principal financial risks to which the company is exposed are those relating to foreign currency, credit and interest rates. These risks are managed in accordance with Board approved policies.

Foreign currency risk

It is company policy that exposures resulting from sales and purchases in foreign currency are matched where possible, and the net exposure may be hedged by the use of forward exchange contracts. The company does not undertake speculative foreign exchange dealings for which there is no underlying exposure.

Credit risk

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are carried out on all customers requiring credit and, where appropriate, the company endeavours to minimise risk by the use of trade finance instruments such as letters of credit and insurance. At the balance sheet date there were no significant concentrations of credit risk.

Interest rate risk

The company does not undertake any hedging activity in this area.

RESEARCH AND DEVELOPMENT

The company will continue its policy of investment in research and development in order to retain a competitive position in the market.

DIRECTORS

The directors who served the company during the year were as follows

A J V Shepherd
S H Shepherd
A D Bennion
E Weeks

ALDERLEY MATERIALS LIMITED**THE DIRECTORS' REPORT** *(continued)***YEAR ENDED 30 SEPTEMBER 2007**

DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR

A resolution to re-appoint HW Seabright as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office
Alderley House
Arnolds Field Estate
The Downs
Wickwar
Wotton-under-Edge
Glos
GL12 8JD

Signed on behalf of the directors

Lisa Reed

L C REED
Company Secretary

Approved by the directors on *6/3/08*

ALDERLEY MATERIALS LIMITED**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
ALDERLEY MATERIALS LIMITED****YEAR ENDED 30 SEPTEMBER 2007**

We have audited the financial statements of Alderley Materials Limited for the year ended 30 September 2007 which comprise the profit and loss account, the balance sheet and the related notes. The financial statements have been prepared in accordance with the accounting policies contained therein.

This report is made solely to the company's shareholder, 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 shareholder 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 shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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.

ALDERLEY MATERIALS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF ALDERLEY MATERIALS LIMITED *(continued)*

YEAR ENDED 30 SEPTEMBER 2007

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 30 September 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

174 Whiteladies Road
Clifton
Bristol
BS8 2XU

6/3/08



HW SEABRIGHT
Chartered Accountants
& Registered Auditors

ALDERLEY MATERIALS LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 30 SEPTEMBER 2007**

	Note	2007 £	2006 £
TURNOVER	2	4,779,950	1,898,819
Other operating income		<u>3,437</u>	<u>—</u>
		4,783,387	1,898,819
OPERATING COSTS:			
Raw materials and consumables		2,425,391	497,760
Other external charges		14,728	—
Staff costs	3	1,381,237	736,321
Depreciation written off fixed assets	4	47,682	31,836
Other operating charges		<u>519,849</u>	<u>358,470</u>
OPERATING PROFIT	4	394,500	274,432
Interest payable and similar charges	6	49,749	65,224
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>344,751</u>	<u>209,208</u>
Tax on profit on ordinary activities	7	105,972	49,855
PROFIT FOR THE FINANCIAL YEAR		<u>238,779</u>	<u>159,353</u>
Balance brought forward		<u>95,700</u>	<u>(63,653)</u>
Balance carried forward		<u>334,479</u>	<u>95,700</u>

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

ALDERLEY MATERIALS LIMITED**BALANCE SHEET****30 SEPTEMBER 2007**

	Note	2007 £	£	2006 £	£
FIXED ASSETS					
Intangible assets	8		259,655		100,838
Tangible assets	9		<u>99,302</u>		<u>106,559</u>
			358,957		207,397
CURRENT ASSETS					
Stocks	10	345,299		388,098	
Debtors	11	<u>2,380,649</u>		<u>847,876</u>	
		2,725,948		1,235,974	
CREDITORS: Amounts falling due within one year	12	<u>2,571,658</u>		<u>1,175,671</u>	
NET CURRENT ASSETS			154,290		60,303
TOTAL ASSETS LESS CURRENT LIABILITIES			513,247		267,700
PROVISIONS FOR LIABILITIES					
Deferred taxation	14		<u>28,768</u>		<u>22,000</u>
			484,479		245,700
CAPITAL AND RESERVES					
Called-up equity share capital	19		150,000		150,000
Profit and loss account			<u>334,479</u>		<u>95,700</u>
SHAREHOLDER'S FUNDS	20		484,479		245,700

These financial statements were approved by the directors and authorised for issue on **6/3/08**,
and are signed on their behalf by

A D BENNION



ALDERLEY MATERIALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2007

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax and trade discounts, and the value of long-term contract work. Turnover on long-term contracts is recognised by reference to the stage of completion. The stage of completion of a contract is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Research and development

Expenditure on research and development is charged to profit and loss account in the year in which it is incurred, except where a development project meets the criteria set out in SSAP 13, when development costs are capitalised as intangible fixed assets and amortised over the expected life of the resulting product.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Development expenditure - 10-15 years

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery	- 2% per month reducing balance
Fixtures & Fittings	- 2% per month reducing balance

Stocks

Stocks of material are valued at the lower of cost and net realisable value.

ALDERLEY MATERIALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2007

1. ACCOUNTING POLICIES *(continued)*

Work in progress

Work in progress is valued at the lower of cost and net realisable value

Turnover on long-term contracts is recognised by reference to the stage of completion. The stage of completion of a contract is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. An estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The costs on long-term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in stocks and long-term contract balances.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

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 tax.

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

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

ALDERLEY MATERIALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2007

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company
 An analysis of turnover is given below

	2007 £	2006 £
United Kingdom	2,468,088	170,660
Overseas	2,311,862	1,728,159
	<u>4,779,950</u>	<u>1,898,819</u>

3. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to

	2007 No	2006 No
Number of staff including directors	<u>37</u>	<u>22</u>

The aggregate payroll costs of the above were

	2007 £	2006 £
Wages and salaries	1,223,962	655,621
Social security costs	134,856	72,062
Other pension costs	22,419	8,638
	<u>1,381,237</u>	<u>736,321</u>

4. OPERATING PROFIT

Operating profit is stated after charging

	2007 £	2006 £
Amortisation	20,325	7,091
Research and development expenditure written off	45,465	26,500
Depreciation of owned fixed assets	27,357	24,745
Auditor's remuneration		
- as auditor	5,367	7,000
Operating lease costs		
Other	14,857	15,868
Net loss on foreign currency translation	<u>1,516</u>	<u>-</u>

ALDERLEY MATERIALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2007

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were

	2007 £	2006 £
Aggregate emoluments	<u>59,008</u>	<u>54,402</u>

The number of directors who accrued benefits under company pension schemes was as follows

	2007 No	2006 No
Money purchase schemes	<u>2</u>	<u>2</u>

A management charge, included in other operating charges, is paid to the holding company to cover the services of A J V Shepherd, A D Bennion and E Weeks, as well as centralised overhead costs incurred by the holding company

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £	2006 £
Interest payable on bank borrowing	<u>49,749</u>	<u>65,224</u>

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2007 £	2006 £
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year at 30% (2006 - 30%)	99,204	68,286
Over/under provision in prior year	-	(18,431)
Total current tax	<u>99,204</u>	<u>49,855</u>
Deferred tax		
Origination and reversal of timing differences (note 14)		
Capital allowances	6,768	-
Tax on profit on ordinary activities	<u>105,972</u>	<u>49,855</u>

ALDERLEY MATERIALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2007

7. TAXATION ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2006 - 30%)

	2007 £	2006 £
Profit on ordinary activities before taxation	<u>344,751</u>	<u>209,208</u>
Profit/(loss) on ordinary activities by rate of tax	103,425	62,762
Disallowed expenses increase tax liability	4,922	9,027
Capital allowances exceed depreciation and amortisation to decrease tax liability	(5,733)	(3,180)
R&D additional allowances decrease tax liability	(3,410)	-
Prior year under/(over) provision to increase/(decrease) tax liability	-	(18,754)
Total current tax (note 7(a))	<u>99,204</u>	<u>49,855</u>

ALDERLEY MATERIALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2007

8. INTANGIBLE FIXED ASSETS

	Development expenditure £
COST	
At 1 October 2006	137,327
Additions	179,142
At 30 September 2007	<u>316,469</u>
AMORTISATION	
At 1 October 2006	36,489
Charge for the year	20,325
At 30 September 2007	<u>56,814</u>
NET BOOK VALUE	
At 30 September 2007	<u>259,655</u>
At 30 September 2006	<u>100,838</u>

9. TANGIBLE FIXED ASSETS

	Plant & Machinery £	Fixtures & Fittings £	Total £
COST			
At 1 October 2006	377,526	16,993	394,519
Additions	20,100	–	20,100
At 30 September 2007	<u>397,626</u>	<u>16,993</u>	<u>414,619</u>
DEPRECIATION			
At 1 October 2006	281,528	6,432	287,960
Charge for the year	25,083	2,274	27,357
At 30 September 2007	<u>306,611</u>	<u>8,706</u>	<u>315,317</u>
NET BOOK VALUE			
At 30 September 2007	<u>91,015</u>	<u>8,287</u>	<u>99,302</u>
At 30 September 2006	<u>95,998</u>	<u>10,561</u>	<u>106,559</u>

ALDERLEY MATERIALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2007

10. STOCKS

	2007 £	2006 £
Raw materials	213,234	87,497
Work in progress	132,065	300,601
	<u>345,299</u>	<u>388,098</u>

Payments received on account in excess of the value of the work done on the related contracts are included in creditors

11. DEBTORS

	2007 £	2006 £
Trade debtors	1,254,916	380,135
Amounts owed by group undertakings	96,200	500
VAT recoverable	—	3,493
Recoverable on contracts	1,019,800	456,065
Taxation recoverable	103	—
Prepayments and accrued income	9,630	7,683
	<u>2,380,649</u>	<u>847,876</u>

12. CREDITORS: Amounts falling due within one year

	2007 £	2006 £
Bank loans and overdrafts	928,361	701,983
Payments received on account	4,694	12,412
Trade creditors	484,408	112,908
Amounts owed to group undertakings	928,487	225,352
Corporation tax	106,620	68,609
PAYE and social security	49,971	24,240
VAT	28,173	—
Accruals and deferred income	40,944	30,167
	<u>2,571,658</u>	<u>1,175,671</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company

	2007 £	2006 £
Bank loans and overdrafts	<u>928,361</u>	<u>701,983</u>

Bank of Scotland plc holds an "All Monies" debenture over the company's assets

At 30 September 2007, the company was in the process of transferring its banking facilities and related guarantees and bonds from Bank of Scotland plc to Lloyds TSB Bank plc

ALDERLEY MATERIALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2007

13. PENSIONS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £22,419 (2006 £8,638). There were no contributions unpaid at the year end.

14. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was

	2007 £	2006 £
Provision brought forward	22,000	22,000
Profit and loss account movement arising during the year	<u>6,768</u>	<u>-</u>
Provision carried forward	<u>28,768</u>	<u>22,000</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2007 £	2006 £
Excess of taxation allowances over depreciation on fixed assets	<u>28,768</u>	<u>22,000</u>
	<u>28,768</u>	<u>22,000</u>

15. DERIVATIVES

The company does not have any derivatives that it has not included in its accounts at fair value.

16. COMMITMENTS UNDER OPERATING LEASES

At 30 September 2007 the company had annual commitments under non-cancellable operating leases as set out below:

	2007		2006	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire				
Within 1 year	-	2,226	81,600	1,484
Within 2 to 5 years	-	<u>5,391</u>	-	<u>12,018</u>
	<u>-</u>	<u>7,617</u>	<u>81,600</u>	<u>13,502</u>

ALDERLEY MATERIALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2007

17. CONTINGENCIES

An unlimited cross bank guarantee given to Bank of Scotland plc exists between Alderley plc (the parent company), Alderley Controls Ltd, Alderley Farms Ltd, Alderley Process Technologies Ltd, Alderley Materials Ltd, Alderley International Ltd, Alderley Systems Ltd, Jordan Kent Metering Systems Ltd, Alderley Environmental Ltd, Specialised Management Services Ltd and C & M Hydraulics Ltd

The company has also given performance bonds of £411,317 (2006 - £182,584)

The contract finance facility and related overdrafts held with Lloyds TSB Bank plc are secured by a debenture and an unlimited guarantee and letter of set-off covering Alderley Farms Limited, Alderley Materials Limited, Alderley plc, Alderley Systems Limited, C&M Hydraulics Limited and Specialised Management Services Limited

At 30 September 2007, the Alderley Group of companies was in the process of transferring its banking facilities and related guarantees and bonds from Bank of Scotland plc to Lloyds TSB Bank plc

18. RELATED PARTY TRANSACTIONS

The company considers A J V Shepherd to be the ultimate controlling party by virtue of his majority shareholding in Alderley plc, the parent company

During the year, the company paid rent of £50,000 (2006 £48,917) to Rigestate Limited, an associated company

As the company is a wholly owned subsidiary within a group that prepares consolidated financial statements, the company has taken advantage of the exemption from disclosing transactions with group entities

19. SHARE CAPITAL

Authorised share capital:

	2007 £	2006 £
150,000 Ordinary shares of £1 each	<u>150,000</u>	<u>150,000</u>

Allotted, called up and fully paid:

	2007 No	£	2006 No	£
Ordinary shares of £1 each	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>

ALDERLEY MATERIALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2007

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2007 £	2006 £
Profit for the financial year	238,779	159,353
Opening shareholder's funds	<u>245,700</u>	<u>86,347</u>
Closing shareholder's funds	<u>484,479</u>	<u>245,700</u>

21. POST BALANCE SHEET EVENTS

Following the year end, the company's parent undertaking has taken the decision to divest itself of the company, as it no longer forms part of it's core activities. It is anticipated that the sale of the company will take place during the current financial year.

22. ULTIMATE PARENT COMPANY

In the opinion of the directors the company's ultimate parent company is Alderley plc, a company incorporated in Great Britain, and registered in England and Wales. Alderley plc prepares group financial statements and copies can be obtained from Alderley House, Arnolds Field Estate, The Downs, Wickwar, Wotton-under-Edge, Gloucestershire, GL12 8JD.