

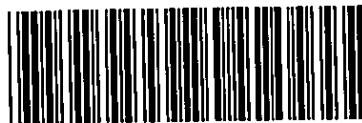
Tocris Cookson Limited

**Directors' report and financial
statements**

Registered number 2869577

Year ended 31 December 2009

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Company information

Registered office

Tocris House
IO Centre
Moorend Farm Avenue
Bristol
BS11 0QL

Directors

LJ Ede
AJ Birnie
AE Kenny

Secretary

AJ Birnie

Auditor

KPMG LLP
100 Temple Street
Bristol
BS1 6AG

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

Principal activities

The principal activity of the company during the year was the manufacture and sale of chemicals used principally for life science research

Business review

The company's third year post-MBO saw the further consolidation of the gains made in 2007 and 2008, augmented by significant additional growth during the year

Analysis

The results for the year are shown on page 8

The company performed very well during 2009, despite the problems in the global economy in general

In terms of trading, the Tocris' range of life science research products continued to account for the majority of turnover and encouragingly, growth in this area was very strong, with sales up 17% compared to prior year (restated for currency). Several factors contributed to this success. Firstly, sales of 2009's new product introductions surpassed even 2008's record levels, which served to underline the company's success in improving the processes associated with bringing new products to market. Secondly, products associated with signal transduction achieved particularly significant sales growth compared to prior years. This was a particularly exciting development given the company's efforts to move on from its origins in neuroscience and 'breakthrough' into the signalling market. Finally, sales of established products remained very strong and 2009 saw a continuance of the 'annuity effect' by which products introduced in prior years continued to deliver consistent levels of ongoing sales.

These good results were also bolstered by sales of products in 96-well plate format, bulk sales and our custom sourcing business.

Sales and marketing efforts underlying these good results included the production and distribution of the 2009/10 catalogue, increased use of email marketing and an expanded international tradeshow program.

The company's custom synthesis business also performed strongly in 2009, with sales more than doubling compared to prior year. Custom analytical services, begun in 2008, made their first full-year contribution to sales. Overall, three years after being reintroduced as a service to our customers, Tocris' custom division is now making a significant contribution to the success of the company overall, whilst providing a useful additional degree of diversification.

Operationally, increasing demand for the company's products and services led to the installation of four additional fume cupboards into the laboratory area in February, bringing the total number to eighteen. This significant increase in the company's overall 'production capacity' was further enhanced by the purchase of a second preparative-scale high performance liquid chromatography ("HPLC") system during the year, which allows a number of end-products to be purified more quickly and efficiently in-house. Analytical chemistry and quality control capabilities were similarly improved by the purchase of an additional mass spectrometer and an evaporative light scattering detector, both of which increased the effectiveness of the company's analytical-scale HPLC systems.

More generally, 2009 also saw the first full-year's worth of the cash benefits and improvements to operational efficiencies that resulted from 2008's relocation of the company's administrative functions from the offices in Shirehampton into the main laboratory facility in Avonmouth.

At the operating profit level, performance continued to be very good, a consequence of strong underlying sales and various projects focused on controlling costs and improving efficiencies.

Directors' report *(continued)*

Overall, after a year of consolidation and operational improvement in 2008, 2009 saw Tocris' benefit both from the full-year benefit from these prior year developments, and build on them through further process improvements, strong marketing and increases in production capacity

Once again, our success is a tribute to the quality and novelty of our products and services, our dedication to customer service, and most of all, the enthusiasm and commitment of our staff

Risk and uncertainties

Arguably, the most significant commercial risk facing the company was - and is - that posed by the exceptionally difficult prevailing global economic conditions. Although the company traded well in 2009, a degree of risk remains as private and public sector organisations worldwide work to deal with the legacy of the recession going forward

In terms of factors mitigating this risk, the company's customer base remained geographically diverse, encompassing researchers operating in a range of sectors including industry, academia and government laboratories. Consequently, the business continued to not be reliant on one key customer or group of customers, and benefited from a degree of natural hedge against exchange rate movements. Nonetheless, management retains an appreciation of the need for the company's business model to be as robust and efficient as possible, in order to mitigate any difficult trading conditions that might arise

The influence of suppliers remained unchanged throughout the year and the company is not dependent on any single supplier for the products and services needed for the continuance of the business

In respect of operational risk, the business continued to maintain comprehensive business continuity plans in case of disaster. Most importantly, stock continues to be split over both UK sites, so that never more than half of our 'bulk stock' is at risk at any one time. In addition, the company's UK and US offices provide additional back-up for each other, each can serve the other's customer base if necessary and the US office holds additional 'off-the-shelf' stocks sufficient to serve worldwide demand for up to three months in the event of a disaster

In respect of financial risk, the company remains exposed to exchange rate movements as a significant proportion of sales are in US Dollars or Euros. However, any inherent risk is offset to a degree given that the company is not reliant on sales in a single currency and has expenditure and borrowings in currency, which provide an element of natural hedge. The Group entered into a forward contract in 2009 for the purpose of hedging its future foreign exchange risk on Euro-denominated receipts

Key performance indicators

In addition to sales growth versus prior year and budget, sales by territory and new product sales are also considered by the directors to represent important key performance indicators

In terms of territories, several key markets saw good growth compared to prior year, including Japan (up 30%), the UK (up 14%), Italy (up 23%) and China (up 73%). The increases in Japan and the UK are particularly welcome, given these territories comparatively poor sales results in 2008 (down 10% and 8% respectively) and overall these four territories delivered growth of £367,000 on prior year. Conversely, New Zealand, Hungary, Denmark represented the worst performing regions in terms of sales shortfall against prior year, with catalogue sales compared to 2008 down £22,000 collectively

During 2009, 307 new products were introduced, which compares favourably with previous years (2008 267). As noted above, these products delivered record year-one sales and included a significant number of 'blockbuster' products that, once they establish themselves in the marketplace, are forecast to achieve above average sales going forward

Backorder levels remained very low throughout the year, with on average greater than 99% of items in stock and available for same day dispatch from both the company's UK and US customer service centres

Directors' report *(continued)*

Research and development

The company undertakes an element of research and development in the production of chemicals. Research and development activities are identified separately in the production process and are charged to the profit and loss account as incurred. The total cost during the year was £344,000 (2008 £287,000).

The company has been working on a research project co-funded by the European Union and four of 2009's new product introductions were developed and brought to market last year as a direct result. Work on the project remains ongoing with the aim of producing additional exciting novel compounds in the future.

Outlook

Following a successful 2009, the directors are cautiously optimistic that, despite the fact that macro economic conditions continue to be uncertain, the company will perform equally well during 2010 as a result of ongoing new product developments, continued improvements to marketing activities and significant additional product licenses.

Post balance sheet events

There are no post balance sheet events of significance.

Proposed dividend

Dividends paid during the year comprise interim dividends in respect of the current financial year totalling €836,750 and \$4,084,167. These had a total sterling value of £3,318,000 after translation at the prevailing spot rates.

The directors do not recommend the payment of a final ordinary dividend in respect of the current financial year.

The directors have proposed interim dividends in respect of the next financial year of €204,445 and \$656,491.

Directors

The directors who served during the year and up to the date of the signing of this report were as follows:

AJ Birnie
LJ Ede
AE Kenny

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 audit 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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



AJ Birnie
Director

Tocris House
IO Centre
Moorend Farm Avenue
Bristol
BS11 0QL

18 April 2010

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make 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 directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

100 Temple Street
Bristol
BS1 6AG
United Kingdom

Independent auditors' report to the members of Tocris Cookson Limited

We have audited the financial statements of Tocris Cookson Limited for the year ended 31 December 2009 set out on pages 8 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

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 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report to the members of Tocris Cookson Limited *(continued)*

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



AC Antonius (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol
United Kingdom
BS1 6AG

1 April

2010

Profit and Loss Account
for the year ended 31 December 2009

	<i>Note</i>	2009 £000	2008 £000
Turnover	2	8,952	6,738
Cost of sales		(1,593)	(1,551)
Gross profit		7,359	5,187
Administrative expenses		(1,929)	(1,665)
Other operating income	3	289	254
Operating profit		5,719	3,776
Income from shares in group undertaking	5	341	325
Interest receivable and similar income	8	5	42
Profit on ordinary activities before taxation	4-7	6,065	4,143
Tax on profit on ordinary activities	9	(2,018)	(1,686)
Profit for the financial year	18	4,047	2,457

All profits relate to continuing operations

There were no gains or losses other than those reported above, in either year

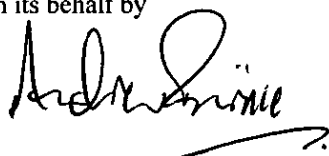
Balance Sheet
at 31 December 2009

	<i>Note</i>	2009 £000	2008 £000
Fixed assets			
Tangible assets	10	801	797
Investments	11	-	-
		<u>801</u>	<u>797</u>
Current assets			
Stocks	12	3,510	2,964
Debtors	13	2,953	1,156
Cash at bank and in hand		1,258	2,633
		<u>7,721</u>	<u>6,753</u>
Creditors amounts falling due within one year	14	(2,666)	(2,457)
		<u>5,055</u>	<u>4,296</u>
Net current assets		<u>5,055</u>	<u>4,296</u>
Total assets less current liabilities		<u>5,856</u>	<u>5,093</u>
Provisions for liabilities and charges	15	(105)	(81)
		<u>5,751</u>	<u>5,012</u>
Net assets		<u>5,751</u>	<u>5,012</u>
Capital and reserves			
Called up share capital	17	31	31
Share premium account	18	4,933	4,933
Profit and loss account	18	769	40
Capital contribution reserve	18	18	8
		<u>5,751</u>	<u>5,012</u>
Shareholders' funds	19	<u>5,751</u>	<u>5,012</u>

These financial statements were approved by the board of directors on
 on its behalf by

18th April

2010 and were signed



AJ Birnie
 Director

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 financial statements

Basis of preparation

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

As the Company is a wholly owned subsidiary of Tocris Holdings Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Tocris Holdings Limited, within which this Company is included, can be obtained from the address given in note 23

Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Consolidation

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements These financial statements present information about the Company as an individual undertaking and not about its group

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax Revenue is recognised when goods are despatched

Research and development

Research and development expenditure is written off to the profit and loss account in the period in which it is incurred

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Plant and machinery	-	10% on cost
Motor vehicles	-	25% on cost
Computer equipment	-	25% on cost

Stocks

Stocks are stated at the lower of cost and net realisable value In the case of the manufactured product, cost includes all direct expenditure and production overhead based on a normal level of activity Stock is stated after making due allowance for obsolete and slow moving items

Work in progress is stated on the basis of direct costs plus attributable overheads based on normal level of activity Provision is made for any foreseeable losses where appropriate No element of profit is included in the valuation of work in progress

Leases

Operating lease rentals, 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

1 Accounting policies (continued)

Post retirement benefits

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting year.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing difference between the treatment for certain items for taxation and accounting purposes.

Deferred taxation 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 at the balance sheet date, except as otherwise required by FRS 19. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date.

Payments have been made in respect of tax losses that have been group relieved of £514,000 (2008 £3,950,000), on a pound for pound basis (2008 at a rate of 44 pence in the pound).

Share based payments

The share option programme allows certain employees to acquire shares of the company's holding company, Tocris Holdings Limited. In 2008, share options were issued to employees of the company. The options vest in 10 years from grant date. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Foreign currencies

Monetary assets and liabilities denominated 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 transactions. Gains and losses on translation are included in the profit and loss account.

Cash flow statement

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent undertaking, Tocris Holdings Limited, includes the Company in its own published consolidated financial statements.

Investments

Investments are recorded at cost less provision for diminution in value.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

Notes (continued)

1 Accounting policies (continued)

European Union grant income

Grants are received from the European Union to fund the development of certain compounds, the amounts received are released to the profit and loss as the costs of development are incurred

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

2 Analysis of turnover

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

	2009 £000	2008 £000
United Kingdom	1,265	951
Europe	2,448	1,930
North America	3,825	2,862
Other	1,414	995
	<u>8,952</u>	<u>6,738</u>

3 Other operating income

	2009 £000	2008 £000
Management charges receivable	208	184
Royalties and licence income	5	7
Other operating income	46	10
Grant income	30	53
	<u>289</u>	<u>254</u>

4 Profit on ordinary activities before taxation

Profit on ordinary activities stated after charging / (crediting)

	2009 £000	2008 £000
Depreciation of owned fixed assets	143	138
Loss / (Gain) on foreign currency translation	1	(655)
Amounts payable under operating leases	97	112
Research and development expenditure	344	287
	<u></u>	<u></u>

Notes (continued)

4 Profit on ordinary activities before taxation (continued)

Auditors' remuneration

	2009 £000	2008 £000
Amounts receivable by the auditors in respect of		
Audit of financial statements	20	19
Other services relating to taxation	5	4
	<u>25</u>	<u>23</u>

5 Income from shares in group undertaking

	2009 £000	2008 £000
Dividend received from Tocris Cookson Inc	341	325
	<u>341</u>	<u>325</u>

6 Staff numbers and costs

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

	2009 No.	2008 No
Scientific staff	18	16
Administrative staff	29	27
	<u>47</u>	<u>43</u>

The aggregate payroll costs of the above were

	2009 £	2008 £
Wages and salaries	1,442	1,303
Share based payments (see note 21)	10	8
Social security costs	117	118
Other pension costs	143	609
	<u>1,712</u>	<u>2,038</u>

Notes (continued)

7 Remuneration of directors

	2009 £000	2008 £000
Directors' emoluments	230	243
Contributions to money purchase pension schemes	67	546
	<u>297</u>	<u>789</u>

Emoluments of highest paid director

	2009 £000	2008 £000
Directors' emoluments	97	114
Company contributions to money purchase pension schemes	48	276
	<u>145</u>	<u>390</u>

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

	2009 No	2008 No
Money purchase schemes	<u>2</u>	<u>2</u>

8 Other interest receivable and similar income

	2009 £000	2008 £000
Bank interest receivable	<u>5</u>	<u>42</u>

Notes (continued)

9 Taxation

Analysis of charge in the year

	2009 £000	2008 £000
<i>UK corporation tax</i>		
Current tax on income for the year	1,480	130
Double taxation relief	-	(130)
Payments for group relief	514	1,750
	<hr/>	<hr/>
Current tax	1,994	1,750
<i>Deferred tax</i>		
Origination and reversal of timing differences (see note 15)	24	(64)
	<hr/>	<hr/>
Tax on profit on ordinary activities	2,018	1,686
	<hr/>	<hr/>

Factors affecting current tax charge

The current tax charge for the year is higher (2008 higher) than the standard rate of corporation tax in the UK of 28% (2008 28.5%). The differences are explained below

	2009 £000	2008 £000
Profit on ordinary activities before taxation	6,065	4,143
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 28.5%)	1,698	1,181
Enhanced tax allowances on research and development expenditure	(60)	(35)
Expenses not deductible for tax purposes	10	5
Effect of share options	2	2
Depreciation in excess of capital allowances	2	37
Lower tax rate on overseas earnings	-	(93)
Group relief	514	1,750
Group relief claimed before payment	(144)	(1,126)
Other short term timing differences	(28)	29
	<hr/>	<hr/>
Total current tax	1,994	1,750
	<hr/>	<hr/>

Notes (continued)

10 Tangible fixed assets

	Plant and machinery	Motor vehicles	Computer equipment	Total
	£000	£000	£000	£000
Cost				
At beginning of year	1,221	11	255	1,487
Additions	145	-	2	147
Disposals	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,366	11	257	1,634
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of year	433	11	246	690
Charge for the year	137	-	6	143
Disposals	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	570	11	252	833
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2009	796	-	5	801
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	788	-	9	797
	<hr/>	<hr/>	<hr/>	<hr/>

11 Investments

	Unlisted investments £
Cost	
At beginning and end of year	6
	<hr/>
Provision	
At beginning and end of year	-
	<hr/>
Net book value	
At 31 December 2009 and 31 December 2008	6
	<hr/>

Notes (continued)

11 Investments (continued)

The company's investments at the balance sheet date in the share capital of unlisted companies represent the following

<i>Company</i>	<i>Country of incorporation</i>	<i>Nature of business</i>	<i>Class of shares</i>	<i>Shares</i>
Tocris Cookson Inc	USA	Chemicals distributor	100% holding	1,000 1 cent shares

The unaudited results of Tocris Cookson Inc include the following balances

	2009 £000	2008 £000
Aggregate capital and reserves	2	14
Profit after tax for the year	330	214
	<u> </u>	<u> </u>

12 Stocks

	2009 £000	2008 £000
Work in progress	359	155
Finished goods	3,151	2,809
	<u> </u>	<u> </u>
	3,510	2,964
	<u> </u>	<u> </u>

Included within finished goods in 2009 is £246,000 (2008 £221,000) relating to consignment stock held in the US

Notes (continued)

13 Debtors

	2009 £000	2008 £000
Trade debtors	471	360
Amounts owed by group undertakings	2,370	653
Other debtors	4	12
Prepayments and accrued income	108	131
	<u>2,953</u>	<u>1,156</u>

14 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Trade creditors	320	207
Amounts owed to group undertakings	514	1,750
Corporation tax	1,480	-
Other taxation and social security	66	34
Accrued and deferred income	286	466
	<u>2,666</u>	<u>2,457</u>

15 Provisions for liabilities and charges

	2009 Deferred tax £000	2008 Deferred tax £000
At start of year	81	145
Charge / (credit) to profit and loss account	24	(64)
	<u>105</u>	<u>81</u>

Notes (continued)

15 Provisions for liabilities and charges (continued)

The deferred tax liability is made up of the following balances

	2009 £000	2008 £000
Accelerated capital allowances	114	112
Short term timing differences	(9)	(31)
	<u>105</u>	<u>81</u>

There was no unprovided deferred taxation in either period

16 Commitments

Operating leases

At 31 December, the company had annual commitments under non-cancellable operating leases on land and buildings as set out below

	2009 £000	2008 £000
Operating leases which expire		
Within one year	45	12
Within two to five years	13	61
After more than five years	39	39
	<u>97</u>	<u>112</u>

Capital commitments

The company had no capital commitments at either year end

Off-balance sheet arrangements

The company has entered into a forward contract for the purpose of hedging its future foreign exchange risk on Euro-denominated receipts. The contract terms are to sell €1,000,000 on 30 June 2010 at a rate of £1 = €1.1691

Intercompany guarantees

Unlimited intercompany guarantees are in place between all group companies to provide effective joint security for the group's financiers, The Royal Bank of Scotland, in respect of the loans held by the parent company, Tocris Holdings Limited. The outstanding balance of these loans at 31 December 2009 was £8,451,000 (2008 £13,394,000)

Notes (continued)

17 Share capital

	2009 £	2008 £
Authorised share capital		
35,000 ordinary shares of £1 each (2008 35,000)	35,000	35,000
106 ordinary 'C' shares of £1 each	106	106
	<hr/>	<hr/>
	35,106	35,106
	<hr/>	<hr/>
Allotted, called up and fully paid		
ordinary shares of £1 each (2008 30,510 ordinary shares of £1 each)	30,510	30,510
ordinary 'C' shares of £1 each (2008 106)	106	106
	<hr/>	<hr/>
	30,616	30,616
	<hr/>	<hr/>

The 106 'C' shares have the same voting rights as the ordinary shares

18 Share capital and reserves

	Capital contribution £000	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
At beginning of year	8	31	4,933	40	5,012
Share based payments	10	-	-	-	10
Profit for year	-	-	-	4,047	4,047
Dividends paid	-	-	-	(3,318)	(3,318)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of the year	18	31	4,933	769	5,751
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

19 Reconciliation of movements in shareholders' funds

	2009 £000	2008 £000
Opening shareholders' funds	5,012	6,412
Profit for the financial year	4,047	2,457
Share based payments	10	8
Dividends paid	(3,318)	(3,865)
	<hr/>	<hr/>
Closing shareholders' funds	5,751	5,012
	<hr/>	<hr/>

At the year end 497,687 (2008 534,687) share options were in issue and none were fully vested (2008 Nil), see note 21

Notes (continued)

20 Pension scheme

The pension costs for the year is comprised of contributions to employees defined contribution pension schemes. Contributions amounting to £143,000 (2008 £609,000) were payable in the year.

Contributions of £16,000 (2008 £97,000) were outstanding at the year end.

21 Share based payments

Share options issued by the company's parent, Tocris Holdings Limited, are as follows:

Grant date/nature of scheme/holder of options	Method of accounting	Number of instruments	Vesting conditions	Contractual life of options
25 February 2009, employee share scheme	Equity	608,887	None	10 years

No options were exercised during the period. 497,687 (2008 534,687) options were outstanding at the balance sheet date. No options were exercisable at the year end.

The total expense recognised for the year arising from share based payments were £9,810 (2008 £8,175).

The fair value of the share appreciation rights at grant date of 12.6p is determined based on the Black Scholes model. The model inputs were the share price of 33.8p, the exercise price of 50p, expected volatility of 50%, a term of five years and a risk free interest rate of 4.80%.

22 Related party transactions

The company has taken advantage of the exemption under Financial Reporting Standard 8 relating to a 100% subsidiary undertaking.

23 Ultimate parent company

The company is a subsidiary undertaking of Tocris Investments Limited.

The company's ultimate parent is Tocris Holdings Limited, a company incorporated in United Kingdom and which files consolidated financial statements, available from Companies House.

Copies of Tocris Holdings Limited's accounts can be obtained from Tocris House, IO Centre, Moorend Farm Avenue, Bristol, BS11 0QL.