UK GAAP Illustrative Financial Statements

Complying with UK accounting standards extant 30 June 2009 for an entity not applying FRS 26 'Financial Instruments: Measurement'

Ernst & Young
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Financial Reporting Group
Ernst & Young LLP
1 More London Place
London SE1 2AF
United Kingdom

E-mail: frg@uk.ey.com

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Introduction

This publication contains the annual report of the UK GAAP consolidated financial statements and parent company financial statements of a mythical UK private company which has not applied FRS 26 'Financial Instruments: Recognition and Measurement'– *Good Practice Group Limited*. The report is illustrative only and does not attempt to show all possible disclosure requirements. In case of doubt as to the legal or other requirements, it is essential to refer to the relevant source and, where necessary, to seek appropriate professional advice. The volume is laid out with the commentary on the left hand pages and the financial statements on the right hand pages. Gaps between items are in order to align commentary with the relevant financial statements item, as far as possible, for the convenience of users.

Although the illustrative financial statements attempt to show the most likely disclosure requirements of manufacturing companies, they should not be regarded as a comprehensive checklist of statutory and accounting requirements. They comply with the Companies Act 2006 and with other requirements in force at 30 June 2009 including the revised versions of FRS 2 'Accounting for Subsidiary Operations', FRS 6 'Acquisitions and Mergers', FRS 8 'Related Party Disclosures' and FRS 28 'Corresponding Amounts', issued as a consequence of the Act. Disclosures required by FRS 30 'Heritage Assets' have not been illustrated as the Group does not own any such assets. The financial instruments disclosures required by Schedule 7,(6) of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 are included in full in the Directors' Report since *Good Practice Group Limited* is not required to comply with the disclosure requirements of FRS 29 'Financial Instruments: Disclosures'. The requirements of FREDs are not dealt with in these illustrative financial statements.

Companies Act 2006

This edition of *Good Practice Group Limited* incorporates Part 15 of the Companies Act 2006 (the Act) relating to accounts and reports which applies for accounting periods beginning on or after 6 April 2008. From that date accounts must be prepared under the Companies Act 2006 and not the Companies Act 1985. Most of the requirements covering the content of the annual report and accounts under the 2006 Act are included in regulations published separate to the Act itself. There are two sets of main regulations covering the content of the annual report and accounts – The Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 (SCR) and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (LMCR). As a large group, *Good Practice Group Limited* complies with the LMCR.

Application of FRS 26: 'Financial Instruments: Measurement'

The financial statements of *Good Practice Group Limited* do not apply FRS 26 'Financial Instruments: Recognition and Measurement' (FRS 26) and consequently do not apply FRS 23 'The Effects of Changes in Foreign Exchange Rates', FRS 24 'Financial Reporting in Hyperinflationary Economies' and the disclosure requirements of FRS 29 'Financial Instruments: Disclosures'.

FRS 26 is applicable to those entities that are listed entities or to those entities where financial statements are prepared in accordance with the fair value accounting rules set out in the Companies Act 2006. *Good Practice Group Limited* does not apply the fair value accounting rules set out in paragraphs 36 to 41 of Schedule 1 to the LMCR because it does not measure financial instruments at fair value through profit or loss where this treatment is not explicitly permitted by either the historical cost accounting rules or the alternative accounting rules set out in Schedule 1.

Details of the different standards applicable to entities, depending on whether the fair value accounting rules are adopted, are contained in an appendix.

Those looking for illustrative disclosures covering financial instruments for companies applying FRS 26 are recommended to use the set of illustrative IFRS financial statements for a listed UK company, *Listed UK Group PLC*.

Introduction

IFRS Financial Statements

A set of IFRS illustrative financial statements for a listed UK company applying IFRS has been separately published - *Listed UK Group PLC*.

Narrative accompanying the financial statements

The narrative accompanying the financial statements contains source references to the Companies Act, Statements of Standard Accounting Practice (SSAPs), Financial Reporting Standards (FRSs), Urgent Issues Task Force (UITF) abstracts and pronouncements of the Institute of Chartered Accountants in England and Wales (ICAEW).

When the narrative accompanying the financial statements is italicised, it indicates that the requirement discussed is not in fact illustrated. Such narrative has not been given for every conceivable disclosure requirement.

Northern Ireland

The requirements of the Companies Act 2006 extend to Northern Ireland and therefore these illustrative financial statements are applicable to companies incorporated in both Great Britain and Northern Ireland. Previously, legislation for companies incorporated in Northern Ireland was contained in a separate Order.

Introduction

Formats

The formats used in the illustrative financial statements are taken from Schedule 1 and Schedule 6 to the LMCR. The profit and loss account is in format 1 and the balance sheets are in format 1.

Abbreviations and key

Abbreviations

The following abbreviations are used in this book:

1 Sch 58(1)	Schedule 1, LMCR, paragraph 58(1)
1 Sch formats	Statutory formats contained in Schedule 1 of the LMCR
APB	Auditing Practices Board
APB 2009/2 App 11	Auditing Practices Board Bulletin No 2 of 2009, Appendix 11
ASB	Accounting Standards Board
CA85	The Companies Act 1985
CCAB	Consultative Committee of Accountancy Bodies
Combined Code	The Combined Code on Corporate Governance issued by the Financial Reporting Council
Companies Act	The Companies Act 2006
ESOP	Employee Share Ownership Plan
FIFO	The first-in, first-out basis of valuation
FRED	Financial Reporting Exposure Draft
FRS 1(12)	Financial Reporting Standard No. 1, paragraph 12
FRS 5-C19	Financial Reporting Standard No. 5, application note C, paragraph 19
ICAEW	The Institute of Chartered Accountants in England and Wales
ISA 500(20)	International Standard on Auditing (UK and Ireland) No. 500, paragraph 20
LIFO	The last-in, first-out basis of valuation
LMCR	The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (Statutory Instrument 2008 No. 410)
s238(1)	Companies Act 2006, section 238(1)
SCR	The Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 (Statutory Instrument 2008 No. 409)
SI 2008/489	The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 (Statutory Instrument 2008 No. 489)
SSAP 9(25)	Statement of Standard Accounting Practice No. 9, paragraph 25
TECH 1/09(4)	Institute of Chartered Accountants in England and Wales and Institute of Chartered Accountants of Scotland Technical Release, 1/09, paragraph 4
UITF	Urgent Issues Task Force
UITF 38(11)	Urgent Issues Task Force abstract No. 38, paragraph 11

Key

* An asterisk indicates that the word or phrase preceding it is included in the glossary which can be found in the appendices.

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Good Practice Group Limited

Report and Financial Statements

30 June 2009

General comments on the financial statements

Registered number

s706(2)(a) CA85

All documents delivered to the Registrar must state, in a prominent position, the registered number of the company. A 'document' includes the financial statements, directors' report and auditors' report and, whilst these are technically three separate documents, they can be regarded as a single document for this purpose.

Author's note

The equivalent Companies Act 2006 requirements come into force from 1 October 2009. s1068 of the 2006 Act allows the registrar to impose requirements as to the form, manner and delivery of documents required to be delivered to him. Detailed requirements in respect of the financial statements have yet to be issued but we expect them to be similar to that currently required under the 1985 Act. Draft Registrar's rules are available on the Companies House website.

List of directors, advisers and other information

There is no requirement to give this information, although it is common practice to do so.

Corresponding amounts

1 Sch 7, FRS 28(6)-(9)

Corresponding amounts for the preceding financial year* must be shown. Where the corresponding amount is not comparable it should be adjusted and particulars of and the reasons for the adjustment should be given.

Set off

1 Sch 8, FRS 5(29), FRS 25(42)

Items representing income or assets may not be set off against items representing expenditure or liabilities (or vice versa).

Debit and credit balances should be aggregated into a single net item where, and only where, they do not constitute separate assets and liabilities.

Financial assets and liabilities shall be offset and the net amount presented in the balance sheet only when the reporting entity has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

FRS 5(26)-(28)

Linked presentation may be applicable where a previously recognised asset is financed by certain non-recourse finance meeting specified criteria.

True and fair view

1 Sch 45, s396, s404, FRS 18(62)-(65)

The requirement to show a true and fair view overrides all other accounting requirements of the Companies Act. Where compliance with the requirements of the Companies Act would not be sufficient to give a true and fair view, the necessary additional information must be given in the financial statements or notes. In special circumstances it may be necessary to depart from the requirements of the Companies Act, accounting standards or UITF abstracts in order to show a true and fair view. In such circumstances, disclosure must be made, in a note, of the particulars of the departure, the reasons for it and its effect. FRS 18 explains how particulars, reasons and effect are to be interpreted and requires that the disclosures are either included or cross-referenced in the statement required by the Companies Act as to whether the financial statements have been prepared in accordance with applicable accounting standards.

Accounting standards and UITF abstracts are applicable to all financial statements whose purpose is to give a true and fair view, and in applying them preparers should be guided by the spirit and reasoning behind the standards and abstracts. However, they do not supersede the exercise of an informed judgement in determining what constitutes a true and fair view in each circumstance. A justifiable reason may therefore exist why an accounting standard or UITF abstract may not be applicable in a given situation, for example, when application would conflict with the giving of a true and fair view. However, because accounting standards and UITF abstracts are formulated with the objective of ensuring that the information resulting from their application faithfully represents the

Registered No. 1591134

Directors

J N Smith (Chairman)
J Archer
J Corless
PA MacBryde
MAC Holman

Secretary

G Hilton

Auditors

Chartered Accountants & Co. LLP
1 More London Place
London SE1 2AF

Bankers

Bank Limited
Mansion House
London EC3R 1RR

Solicitors

Solicitors & Co.
7 Threadneedle Street
London EC3R 2TL

Registered Office

47 Mincing Lane
London EH4 3AB

General comments on the financial statements

True and fair view (continued)

underlying commercial activity, the ASB envisages that only in exceptional circumstances will departure from the requirements of an accounting standard or UITF abstract be necessary in order for the financial statements to give a true and fair view.

Particulars of any material departure from an accounting standard or UITF abstract, the reasons for it and its financial effects should be disclosed in the financial statements. The disclosure made should be equivalent to that given in respect of departures from specific accounting provisions of companies legislation.

Although medium-sized companies* are not required to comply with 1 Sch 45 (and state whether the financial statements have been prepared in accordance with applicable accounting standards*, disclosing particulars and reasons for any departure), the requirements of the Foreword to accounting standards result in the same information, plus the financial effect, being given.

Realised profits

1 Sch 10(2), 13(a)

Only realised profits* may be taken to the profit and loss account, unless there are special reasons for a departure from this principle. Where there is a departure the particulars, reasons and effect have to be disclosed.

Notes

FRS 5(30)

Whether or not a transaction has resulted in assets or liabilities being recognised or ceasing to be recognised, the financial statements should contain sufficient disclosure to enable a user to understand its commercial effect.

FRS 5(31)

Where a transaction has resulted in the recognition of assets or liabilities whose nature differs from that of items usually included under the relevant balance sheet heading, the differences should be explained.

s410A

Where a company has material risks and arrangements resulting from arrangements that are not reflected in its balance sheet, information is required to be disclosed about the nature and business purpose of such arrangements and the financial impact on the company.

General comments on the directors' report

General

s415(1)-(2)

All companies are required to prepare a directors' report for each financial year of the company, For a financial year in which the company is a parent company and the directors prepare group accounts, the directors' report must be a consolidated report relating to the undertakings included in the consolidation.

s423

The directors' report and annual accounts should be sent to every member of the company, every holder of the company's debentures and every person who is entitled to receive notice of general meetings.

Author's note

There is no statutory requirement for private companies to lay their annual accounts and reports before a general meeting of members. However, such companies may have such a requirement in their Articles.

Recommended dividend

s416(3)

State the amount of dividend recommended (if any). *Companies subject to the small companies exemption are exempt from this requirement.*

s830(1)

A company shall not make a distribution except out of profits available for the purpose.

s837(4)

If the audit report is qualified (i.e. it is not a report without qualification to the effect that, in the auditors' opinion, the financial statements have been properly prepared in accordance with the Companies Act), a distribution cannot be made unless and until the auditor has made a statement in writing that the qualification is not material for determining whether a distribution would contravene the Act. This statement must have been circulated to members in accordance with s423 for a private company or laid before the company in a general meeting.

Principal activities and review of the business

s416(1)(b), (2)

State the principal activities of the company (and its subsidiary undertakings* if a group) in the course of the year.

s417

The directors' report must contain a business review. In relation to a group the business review should refer to the group, not the company. *Companies subject to the small companies exemption are not required to prepare a business review*.

The business review must contain:

(a) a fair review of the company's business; and

(b) a description of the principal risks and uncertainties facing the company.

The review required must be a balanced and comprehensive analysis of the development and performance of the company's business during the financial year and the position of the business at the end of that year, consistent with the size and complexity of the business.

The review must, to the extent necessary for an understanding of the development, performance or position of the business, include analysis using financial key performance indicators and where appropriate analysis using other key performance indicators including information related to environmental and employee matters. The review must, where appropriate, include references to and additional explanations of amounts included in the annual accounts of the company.

s417(7)

The business review of medium sized company need not provide key performance indicators relating to non-financial information.

s417(10)

No disclosures are required about impending developments or matters in the course of negotiation if the disclosure would, in the opinion of the directors, be seriously prejudicial to the interests of the company.

Directors' report

The directors present their report and financial statements for the year ended 30 June 2009.

Results and dividends

The consolidated profit for the year, after taxation, is £3,382,000 (2008: £4,733,000). The directors recommend a final ordinary dividend of 8.79p per ordinary share amounting to £1,061,000 making a total of ordinary dividends of £1,859,000 for the year. Preference dividends of £175,000 (2008: £175,000) were also paid during the year.

Principal activities and review of the business

The group's principal activities during the year continued to be the manufacture and installation of fire prevention and related electronic equipment.

The group's key financial and other performance indicators performance during the year were as follows:

	2009	2008	Change
	£'000	£'000	%
Group turnover	212,850	180,000	+18%
Total operating profit before exceptional items	13,083	9,691	+35%
Profit after tax	3,382	4,733	-29%
Equity shareholders' funds	48,480	38,365	+26%
Current assets as % of current liabilities ('quick ratio')	224%	181%	+24%
Customer satisfaction	4.5	4.1	+10%
Average number of employees	618	539	+15%

Group turnover increased by 18% during the year primarily due to the acquisition of Extinguishers Limited on 1 November 2008. Extinguishers Limited contributed £22,000,000 of turnover in the period post acquisition. The company was bought for a consideration of £8,750,000 satisfied by the issue of 2,500,000 ordinary shares of £1 at £3.50 each. Turnover for this company in the next financial year is expected to be significantly higher than that achieved this year. The balance of the increase in turnover is primarily attributable to the successful launch of a new EC-approved fire hydrant which was sold to a number of UK local authorities.

Total operating profit before exceptional items increased by 35% during the year. This improvement was caused by the contribution from the acquisition of Extinguishers Limited and a significantly better performance from the group's joint venture, Showers Limited. There was also a better underlying return from existing UK business although a substantial improvement is expected next year due to the new fire hydrant product.

Profit after tax declined by 29%. However, this is stated after a loss of £2,437,000 on the disposal of Hose Limited and exceptional items of £2,855,000 primarily consisting of an impairment charge against some plant and machinery rendered obsolete by the development of the new fire hydrant. Adjusting for this, underlying profit after tax was 50% higher than in the previous year.

During the year the group changed its accounting policy for government grants in respect of capital expenditure. These grants are now treated as deferred income which is credited to the profit and loss account in instalments over the expected useful life of the related asset. Previously, such grants were deducted from the purchase price of the related asset with a consequent reduction in the annual charge for depreciation. There was no material profit and loss account impact from this change in accounting policy which is explained in more detail in Note 1.

General comments on the directors' report

Author's note

The business review and the description of principal risk and uncertainties shown on pages 7 to 11 is intended to be illustrative only and should not be used as a model for companies' financial statements since the level of detail required, including key performance indicators, will depend on the specific circumstances of each company.

Financial Instruments

7 Sch 6

The report must contain an indication of:

(a) the financial risk management objectives and policies of the company and its subsidiary undertakings including the policy for hedging each major type of forecast transaction for which hedge accounting is used; and

(b) the exposure of the company (or in the group directors' report, the company and its subsidiaries) to price risk, credit risk, liquidity risk and cash flow risk.

Unless such information is not material for the assessment of the assets, liabilities, financial position and profit or loss.

Companies subject to the small companies regime are not required to make these disclosures.*

Directors' report

Shareholders' funds increased by 26% due to retained earnings and the new shares issued for the purchase of Extinguishers Limited.

The group's "quick ratio" (current assets as a percentage of current liabilities) has increased due to sales of the new fire hydrant product towards the year end for which payment was not received until July 2009.

Customer satisfaction is a key indicator given the group's reliance on contracts which are subject to periodic tender. This is monitored by annual questionnaires and other, informal, feedback. The results of our questionnaires showed a 10% improvement in customer satisfaction compared to last year.

The total average number of employees increased by 15% during the year. This was partially attributable to the acquisition of Extinguishers Limited but also due to an increased number of persons engaged in research and development activities related to the new fire hydrant. Average employee numbers are expected to decline slightly in the next year as a result of the disposal of Hose Limited. The number of employees participating in our employee share scheme increased by 8% during the year.

The products manufactured and sold by the group have minimal environmental impact. However, the board believes that good environmental practices support the board's strategy by enhancing the reputation of the group, the efficiency of production and the quantity of products. Consequently, the group continues to put environmental responsibilities high on the agenda and increased the percentage of its products recycled from 45% to 52% during the year. In terms of a direct impact on the environment carbon dioxide emissions have reduced by 4% during the year. This was achieved by increasing energy efficiency and reducing wastage.

Principal risks and uncertainties

The group has established a risk committee that meets quarterly and which evaluates the group's risk appetite. The principal risks and uncertainties facing the group are broadly grouped as – competitive, legislative and financial instrument risk.

▶ Competitive Risks

In the UK the group is reliant on certain major local authorities for contracts which are subject to periodic competitive tender. Renewal of these contracts is uncertain and based on financial and performance criteria.

In the USA the principal competitive risk relates to the probability of large multi-nationals entering into the market via "loss leader" products.

▶ Legislative Risks

In the UK and Europe, fire safety equipment must be manufactured to EU standards. These standards are subject to continuous revision and any new Directive may have a material impact on the ability of the group to manufacture and supply products at a profit. In addition compliance imposes costs and failure to comply with the standards could materially affect the group's ability to operate.

In the USA, the equivalent standards are subject to individual State legislatures. These standards vary considerably between individual States and make it difficult to supply a uniform product that meets all requirements.

▶ Financial Instrument Risks

The group has established a risk and financial management framework whose primary objectives are to protect the group from events that hinder the achievement of the group's performance objectives.

The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

General comments on the directors' report

Research and development

7 Sch 7(1)(c)

Give an indication of the activities (if any) in the field of research and development of the company or, in a group directors' report, the company and its subsidiary undertakings.

Future developments

7 Sch 7(1)(b)

Give an indication of likely future developments in the business of the company (in a group directors' report the company and its subsidiary undertakings).*

Fixed assets

7 Sch 2(1)-(2)

The amount of the difference between market value and balance sheet value of land should be disclosed where it is substantial and the directors consider it is of significance to members or debenture holders. Companies subject to the small companies regime are not required to make this disclosure.*

'Land' includes buildings and other structures, land covered with water, and any estate, interest, easement, servitude or right in or over land (Interpretation Act 1978, Schedule 1).

Foreign branches

7 Sch 7(1)(d)(2)

Give an indication of the existence of branches (as defined in s1046(3)) of the company outside the United Kingdom.

Events since the balance sheet date

7 Sch 7(1)(a)

Give particulars of any important events affecting the company or, in a group directors' report, the company or any of its subsidiary undertakings* which have occurred since the end of the year.

FRS 21(12), (19)-(25)

FRS 21 also requires that certain post balance sheet events be disclosed in a note to the financial statements. See notes 23 and 33.

Directors' report

- Use of derivatives

The group uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency. The group also uses interest rate swaps to adjust interest rate exposures in order to guarantee fixed interest payments where payments are variable and hence exposed to interest rate movements. Hedge accounting is used when certain criteria is met as explained in the accounting policy note on page 83.

- Exposure to price, credit, liquidity and cash flow risk

Price risk arises on financial instruments because of changes in, for example, commodity prices or equity prices. The group's major joint venture and associate investments, which the group does not intend to sell in the short-term, are held at net asset value and are therefore not exposed to price risk. Listed investments with a book value of £465,000 are exposed to price risk but this exposure is within the group's risk appetite and the market value of the listed investments exceeds cost by £95,000 at 30 June 2009.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Group policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the group's debtors are shown in Note 16 to the financial statements. The Group limits individual trade debtor counterparty exposure to £3,000,000 and at the balance sheet date no single trade debtor exceeded 50% of that amount. In addition, £4,000,000 of loan notes were received in the year related to the sale of Hose Limited to six counterparties none of which exceeded £1,000,000.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The group aims to mitigate liquidity risk by managing cash generation by its operations, applying cash collection targets throughout the group. The group also manages liquidity risk via revolving credit facilities and long term debt. During the year additional shares were issued and debt raised to fund the purchase of Extinguishers Limited.

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future interest payments on a variability rate debt. The group manages this risk, where significant, by use of derivatives as explained above.

Research and development

Due to the development of the new fire hydrant, and the purchase of Extinguishers Limited, the average number of staff employed by the group on research and development has increased from 32 to 60.

The main fire prevention research and development projects involve improved fire detection and sprinkler systems and fire retardant fabrics for motor vehicles and aircraft.

Research and development in the electronics business is concentrated on the development of internet enabled safety equipment.

Future developments

The directors aim to maintain the management policies which have resulted in the group's substantial growth in recent years. They consider that the next year will show a further significant growth in sales from continuing operations, particularly of exports to the United States and, in Europe, from the new EC-approved fire hydrant.

Events since the balance sheet date

On 14 July 2009, a short leasehold building with a net book value of £880,000 was severely damaged by fire. It is expected that insurance proceeds will fall short of the costs of rebuilding and loss of stocks by some £350,000.

General comments on the directors' report

Going concern

Author's note

Good Practice has made a going concern statement in line with the recommendations in the FRC document: An Update for Directors of Listed Companies: Going Concern and Liquidity Risk issued in November 2008. The statement is based on Example One in the Appendix of examples of going concern disclosures, modified for the group's circumstances.

An Exposure Draft proposing revised guidance on going concern was published by the FRC in May 2009. The comment period deadline was 28 August 2009 and the FRC is consulting on whether the final guidance can reasonably be implemented in time for 31 December 2009 year-ends.

Directors of the company

s416(1)(a)

Disclose names of persons who were directors at any time during the financial year*. It is also regarded as good practice to show any changes between the year end and the date of the report.

The retirement of directors will depend on the Articles of Association. It is probable that this will include directors appointed during the year.

Directors' report

Going Concern

The group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the Business Review on pages 7 to 11.

The group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Directors of the company

The current directors are shown on page 3.

P A MacBryde was appointed on 1 July 2008 and M C Holman was appointed on 22 January 2009.

In addition, A Stanton was a director until 7 July 2008 when he resigned.

J Corless and M C Holman retire from the board at the Annual General Meeting and, being eligible, offer themselves for re-election. J Archer retires by rotation and, being eligible, offers himself for re-election.

General comments on the directors' report

Directors' liabilities

s236(2)-(3)

If at any time during the financial year or at the time when the directors' report is approved any qualifying third party indemnity provision or any qualifying pension scheme indemnity provision is in force for the benefit of one of more persons who were then directors of the company the directors' report (whether made by the company or otherwise) must state that any such provision is or was so in force.

s236(4)-(5)

If at any time during the financial year or at the time when the directors' report is approved any qualifying third party indemnity provision or any qualifying pension scheme indemnity provision is in force for the benefit of one of more persons who were then directors of an associated company (whether made by the company or otherwise) the directors' report must state that any such provision is or was so in force.

s234

A 'qualifying third party indemnity provision' means a provision for indemnity against liability incurred by a director to a person other than the company or an associated company to which conditions (a) to (b) below are satisfied.

(a) the provision does not provide any indemnity against any liability incurred by the director to pay (i) a fine imposed in criminal proceedings, or (ii) a sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirement of a regulatory nature (however arising); and

(b) the provision does not provide any indemnity incurred by the director (i) in defending criminal proceedings in which he is convicted (ii) in defending civil proceedings brought by the company, or an associated company, in which judgement is given against him; or (iii) in connection with any application under any of the following provisions in which the court refuses to grant him relief (namely s661(3) or (4) (acquisition of shares by innocent nominee)) or s1157 (general power to grant relief in case of honest and reasonable conduct).

s235

A 'qualifying pension scheme indemnity provision' is any provision by which a company directly or indirectly provides (to any extent) an indemnity for a director of the company that is a trustee of an occupational pension scheme against liability incurred in connection with the company's activities as trustee of the scheme and in relation which conditions (a) to (b) below are satisfied.

(a) the provision does not provide any indemnity against any liability incurred by the director to pay (i) a fine imposed in criminal proceedings, or (ii) a sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirement of a regulatory nature (however arising); and

(b) the provision does not provide any indemnity against any liability incurred by the director in defending criminal proceedings in which he is convicted

s252

For this purpose bodies corporate and companies are associated if one is a subsidiary of another or both are subsidiaries of the same body corporate or company.

Author's note

We do not believe that 'qualifying third party indemnity provision' includes the purchase or maintenance of insurance against liability as this falls under s233.

Qualifying indemnity provisions provided under s390B of the Companies Act 1985 in force at 1 October 2007 remain in force.

Directors' report

Directors' liabilities

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

During the year the company had in force an indemnity provision in favour of one or more directors of Sprinklers Inc. against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006.

On 1 May 2009, the company granted an indemnity to one or more of its directors in connection with the company's activities as trustee of the UK Group Employee pension Scheme, subject to the conditions set out in section 235 of the Companies Act 2006. This qualifying pension scheme indemnity remains in force as at the date of approving the directors' report.

General comments on the directors' report

Political and charitable contributions

7 Sch 3

If the company or its subsidiaries have made any political donation to any political party or other political organisation, any political donation to any independent election candidate or incurred any political expenditure and the amount of the donation/expenditure or the aggregate amount of all donations/expenditure exceeded £2,000, disclose:

(a) the name of each political party, organisation or independent election candidate to whom any such donation has been made;

(b) the total amount given to that party, organisation or candidate by way of such donations in the financial year; and

(c) the total amount incurred in respect of political expenditure in the financial year.

Wholly-owned subsidiaries of companies incorporated in the United Kingdom are exempt.

7 Sch 4

If the company or its subsidiaries have made any contributions to a non-EU political party disclose:

(a) the amount of the contribution; or

(b) if it has made two or more contributions in the year a statement of the total amount of the contribution.

A non EU political party means any political party which carries on, or proposes to carry on, activities wholly outside member States.

Wholly-owned subsidiaries of companies incorporated in the United Kingdom are exempt.

7 Sch 5

If the company or its subsidiaries have given money for charitable purposes and the money given by the company and its subsidiaries exceeds £2,000 in amount, disclose in the case of each of the purposes for which the money was given, the amount of money given for that purpose.

Wholly-owned subsidiaries of companies incorporated in the United Kingdom are exempt.

Money given for charitable purposes to a person who, when it was given, was ordinarily resident outside the United Kingdom is excluded from disclosure.

Shares

7 Sch 8, 9

Where shares in a company are purchased *or are acquired by forfeiture or surrender in lieu of forfeiture, or in pursuance of s659 of the Act or s662(1) or where shares are subject to a lien or charge under s670(2) or (4)*, disclose:

- the number, nominal value and percentage of the called-up shares of that class of shares acquired *or charged* during the period and, if acquired by purchase, give also consideration paid and reasons for purchase;
- the maximum number, nominal value and percentage of the called-up shares of that class held *or charged* at any time during the period;
- the number, nominal value and percentage of the called-up shares of that class so acquired *or charged* which have been disposed of or cancelled during the period, and the amount of the proceeds of disposal, if any; and
- *where any shares have been so charged, the amount of the charge*.

Directors' report

Political and charitable contributions

During the year, the company made a political contribution of £3,500 to the United Party and £2,500 to political parties outside the EU.

As part of the group's commitment to the communities in which it operates, contributions totalling £3,000 were made during the year to local charities and community projects focused primarily on care of the elderly.

Purchase of own shares

On 8 June 2009, 500,000 ordinary shares with an aggregate nominal value of £500,000 were purchased by the Company, and subsequently cancelled. The shareholders approved a resolution at the AGM to purchase these shares. The ordinary shares were acquired for a consideration of £1,800,000, at an average price of £3.40 per share. The consideration includes stamp duty and commission of £100,000.
The ordinary shares acquired represented 4% of the called-up ordinary share capital immediately prior to the acquisition. These shares were acquired in order to buy back the shares of a minority shareholder in the company.

General comments on the directors' report

Disabled employees

7 Sch 10

If the company had more than 250 average number of weekly employees under contracts of service working wholly or mainly in the UK give a statement describing the policy applied during the year:

(a) for giving full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities;

(b) for continuing the employment of, and for arranging appropriate training for, employees of the company who have become disabled persons during the period when they were employed by the company; and

(c) for training, career development and promotion of disabled persons employed by the company.

Employee involvement

7 Sch 11

This requirement relates to any company with more than 250 average number of weekly employees under contracts of service working wholly or mainly in the UK. Describe the action taken during the year to introduce, maintain or develop arrangements aimed at:

- providing employees systematically with information on matters of concern to them as employees;
- consulting employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests;
- encouraging the involvement of employees in the group's performance through an employees' share scheme or by some other means; and
- achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of the company.

Author's note

Although the requirement applies to the company, it is good practice for the disclosure to relate to the group and to be triggered if the group employs more than 250 employees even if the company itself employs fewer than 250.

Policy and practice on payment of creditors

7 Sch 12

Large companies that are public companies or are members of a group of which, at any time during the year, the parent company was a public company must disclose:

- *whether in respect of some or all of its suppliers it is the company's policy to follow any code or standard on payment practice and. If so, the name of the code or the standard and the place where information about, and copies of, the code or standard can be obtained:*
- *whether it is the company's policy to (i) settle the terms of payment with those suppliers when agreeing the terms of each transaction, (ii) to ensure that those suppliers are made aware of the terms of payment, and (iii) to abide by the terms of payment; and*
- *where the company's policy is not mentioned above in respect of some or all of its suppliers, what its policy is with respect to the payment of those suppliers.*

The report must state the number of days relating to the number of days in the financial year the proportion as X bears to Y where X is the total of the amounts owed to trade creditors at the end of the year and Y is the total of the amounts in which the company was invoiced by suppliers in the year.

Directors' report

Disabled employees

The group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the group has been continued through the newsletter 'Good Practice Group News' in which employees have also been encouraged to present their suggestions and views on the group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the group's profit sharing schemes and are encouraged to invest in the group through participation in share option schemes.

General comments on the directors' report

Statement as to disclosure of information to auditors

s418(2)

The report must contain a statement to the effect that in the case of each director at the time the report is approved so as far as each director is aware there is no relevant information of which the company's auditors are unaware and he has taken all the steps he ought to take as a director to make himself aware of the any relevant audit information and to establish that the company's auditors are aware of that information.

Re-appointment of auditors

s485, s487

Auditors must be reappointed for each financial year unless the exemption conditions are met. Where no auditor has been reappointed by the end of the next period for appointing auditors any auditor in office before that time is normally deemed to be reappointed except in certain circumstances.

s475

Auditors need not be appointed if the company is exempt from audit by virtue of either s477 (small companies), s480 (dormant companies) or s482 (non-profit making companies subject to public sector audit).

Author's note

There is no requirement to refer to the appointment or reappointment of auditors in the directors' report, although it is common practice to do so.

Signature

s419(1)

The directors' report must be approved by the board of directors and signed on behalf of the board by a director or the secretary of the company.

s433

Every copy of a directors' report which is published (ie issued, circulated or made available for public inspection) must state the name of the person who signed it on behalf of the board.

s446(3)

The copies of the balance sheet and directors' report delivered to the Registrar must state the name of the person who signed it on behalf of the Board.

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Directors' report

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to made himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Chartered Accountants & Co LLP as auditor of the Company.

†) By order of the board

G Hilton

Secretary

28 July 2009

Comments on the statement of directors' responsibilities in respect of the financial statements

Directors' responsibilities in respect of the financial statements

ISA 700(9)

It is considered best practice to include a statement of directors' responsibilities for the maintenance of accounting records and the preparation of financial statements. This can be achieved either by making a separate statement on the page before the auditors' report, as illustrated opposite, or by having the statement at the end of the directors' report. *Where the financial statements or accompanying information do not include an adequate description of the relevant responsibilities of those charged with governance then ISA (UK and Ireland) 700 requires that the auditor's report should include a description of those responsibilities.*

APB 2009/2 App 11

An illustrative example of a statement of directors' responsibilities for a non-publicly traded company appears in Appendix 11 of APB 2009/2. This has been replicated in Good Practice Group Limited. The third bullet point does not apply to Small or Medium-Sized companies and the fourth bullet point is only normally included where there is no separate statement on going concern made by the directors.

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 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). 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 group and the company and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material 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 proper accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Comment on the independent auditors' report

Independent auditor's report

s495(1)

An audit report is required to be attached to all annual accounts of the company of which copies are required to be sent to members under s423.

s495(2)

The auditor's report must include:

(a) an introduction identifying the annual accounts that are the subject of the audit and the financial reporting framework that has been applied in their preparation;

(b) a description of the scope of the audit identifying the auditing standards in accordance with which the audit was conducted.

s495(3)

The audit report must state clearly whether, in the auditor's opinion, the annual accounts:

(a) give a true and fair view of the company and/or group at the end of the financial year and of the profit or loss for the financial year;

(b) have been properly prepared in accordance with the relevant financial reporting framework; and

(c) have been prepared in accordance with the requirement of this Act (*and, where applicable, Article 4 of the IAS Regulation*).

s495(4)

The auditor's report must be either unqualified or qualified and must include a reference to any matters to which the auditor wishes to draw attention by way of emphasis without qualifying the report.

s496

The auditor must state in his report on the annual accounts whether in his opinion the information given in the directors' report is consistent with the financial statements.

s498(2)

The auditor shall state in his report if he is of the opinion that:

- *adequate accounting records have not been kept, or that returns adequate for the audit have not been received from branches not visited by him; or*
- *the company's individual accounts are not in agreement with the accounting records or returns.*

s498(3)

The auditor must state in his report if he fails to obtain all the information and explanations which, to the best of his knowledge and belief, are necessary for the purposes of his audit.

s498(4)

If the requirements related to disclosure of directors' benefits (see pages 112-114) are not complied with the auditor must include a statement in his report giving the required particulars.

s498(5)

If the directors have prepared accounts in accordance with the small companies regime and, in the auditor's opinion, they were not entitiled to do so, the auditor shall state that fact in his report.

s503(3)

The auditor's report must state the name of the auditor and be signed and dated. Where the auditor is an individual, the report must be signed by him. Where the auditor is a firm, the report must be signed by the senior statutory auditor in his own name, for and on behalf of the auditor.

Independent auditor's report to the members of Good Practice Group Limited

We have audited the financial statements of Good Practice Group Limited for the year ended 30 June 2009 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Reconciliation of Shareholders' Funds, and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 23, 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). These 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Comment on the independent auditors' report

ISA 700 (revised)

Auditor's reports should have the following basic elements:

- an appropriate title;
- an appropriate addressee. Reports under the Companies Act require the auditor to report to the company's members and are typically addressed to either the members or the shareholders of the company;
- an introductory paragraph identifying the financial statements of the entity that have been audited and the period covered by the financial statements;
- a statement that those charged with governance are responsible for the preparation of the financial statements and a statement that the auditor is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK and Ireland). The report should also state that those standards require the auditor to comply with the APB's Ethical Standards for Auditors;
- a scope paragraph which should either (a) cross-refer to a 'Statement of the Scope of an Audit' that is maintained on the APB's website; or (b) cross-refer to a statement of the Scope of an Audit that is included elsewhere within the annual report; or (c) include a description of the scope of an audit as specified by ISA 700;
- the opinion paragraph should:
  - clearly state the audit opinion as required by the relevant financial reporting framework including applicable law; and
  - clearly state that the financial statements give a true and fair view;
- other reporting responsibilities should be addressed in separate sections of the auditor's report following the opinion on the financial statements;
- if the auditor is required to report on certain matters by exception these should be described under the heading 'Matters on which we are required to report by exception' and incorporate a suitable conclusion;
- the location of the office where the auditor is based
- the name of the auditor;
- the signature of the auditor; and
- the date on which the auditor signed the report.

ABP 2009/2

The APB Bulletin contains illustrative examples of unmodified and modified auditor's reports which are consistent with the requirements of the Companies Act and ISA 700.

The example used in Good Practice Group Limited is based on Example 5 in Appendix 2 of the APB Bulletin.

TECH 1/03(4)

It is clear that the auditor assumes responsibility for the audit report to the shareholders as a body. The decision in Royal Bank of Scotland v Bannerman Johnstone Maclay and others ("Bannerman") indicates that the absence of a disclaimer may (depending on the other circumstances in the particular case) enable an inference to be drawn that the auditor has assumed responsibility for the audit report to a third party. Having taken advice from Leading Counsel, the Institute recommends that auditors who wish to manage the risk of liability to third parties use a disclaimer.

The example used in Good Practice Group Limited has used the wording recommended by the ICAEW and placed it in the second paragraph of the audit report.

Independent Auditor's report to the members of Good Practice Group Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 30 June 2009 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other 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.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Truman Fayre (Senior Statutory Auditor)

for and on behalf of Chartered Accountants & Co. LLP, Statutory Auditor

London

28 July 2009

Author's note

Audit teams should always use the most recent version of the relevant audit report on the Audit Reports Database as this illustrative report may have been superseded.

Comments on the group profit and loss account

General

s404(1)(b)

Group financial statements must include a consolidated profit and loss account dealing with the profit or loss of the parent company and its subsidiary undertakings*.

Profit and loss account presentation

1Sch formats , s404(3)

The profit and loss account must comply with one of the prescribed formats in the Regulations. Format 1 of 1 Sch as modified by 6 Sch is illustrated opposite. Not all the statutory format headings are included in this illustration (see appendix 3).

1 Sch 4, 6

Since the items in the profit and loss account formats are denoted by Arabic numbers they may be disclosed in the notes to the financial statements rather than on the face of the profit and loss account. The items may also be combined if either they are not material or the combination facilitates assessment (providing, in the latter case, the individual items are disclosed in the notes) or they must be adapted where the special nature of a company's business requires.

1 Sch 3(1)-(2)

Greater detail can be given in the financial statements than that prescribed by the formats. New items may be inserted for income or expenditure not otherwise covered.

1 Sch 2

The format chosen may not be changed from year to year unless, in the directors' opinion, there are special reasons for a change. Particulars of any change must be disclosed and the reasons for the change must be explained in a note to the financial statements.

1 Sch 5

The directors must not include a heading or sub-heading for an item in the balance sheet if there is no amount for that item to be shown.

1 Sch 7

For every item in the profit and loss account the corresponding amounts for the previous financial year should also be shown. If that corresponding amount is not comparable, the former amount may be adjusted and particulars of the non-comparability and of any adjustment be disclosed in a note to the financial statements.

1 Sch 8

Amounts in respect of assets or income may not be set off against amounts in respect of items representing liabilities or expenditure or vice versa.

1 Sch 9

The directors must, in determining how items are presented, have regard to the substance of reported transactions in accordance with generally accepted accounting principles or practice.

FRS 3(14)

The aggregate results of each of continuing operations, acquisitions (as a component of continuing operations) and discontinued operations should be disclosed separately for each format heading down to and including operating profit. The minimum disclosure requirement on the face of the profit and loss account is the analysis of turnover and operating profit. The analysis of the format items not analysed on the face of the profit and loss account should be given in the notes. A similar analysis of the comparative figures is required, although all this analysis may be relegated to the notes. The exceptional items reported below operating profit should also be analysed on the face of the profit and loss account between those arising from continuing and discontinued operations. The sub-division of those arising from continuing operations into acquisitions and ongoing may be in the notes to the financial statements rather than on the face of the profit and loss account.

FRS 6(23), (28)

The analysis in respect of acquisitions should be given in respect of each material acquisition.

Group profit and loss account

for the year ended 30 June 2009

	Notes	2009 £000	2009 £000	2008 £000
Turnover				
Turnover: group and share of joint venture's turnover			243,288	203,145
Less: share of joint venture's turnover			30,438	23,145
Continuing operations:				
Ongoing			148,675	133,372
Acquisitions – Extinguishers Limited			21,979	-
			170,654	133,372
Discontinued operations			42,196	46,628
Group turnover	2		212,850	180,000
Cost of sales	3		(172,151)	(144,966)
Gross profit			40,699	35,034
Distribution costs	3		(16,836)	(14,330)
Administrative expenses:				
Before exceptional items	3	(14,258)		(12,925)
Impairment of tangible fixed assets	3,6	(2,200)		-
Flood damage	3,6	(655)		-
			(17,113)	(12,925)
			6,750	7,779
Other operating income	3		688	650
Operating profit				
Continuing operations:				
Ongoing			6,763	8,974
Acquisitions – Extinguishers Limited			1,238	-
			8,001	8,974
Discontinued operations			(563)	(545)
Group operating profit	4		7,438	8,429
Share of operating profit in joint venture			2,435	1,007
Share of operating profit in associate			425	325
Amortisation of goodwill arising on acquisition of associate			(70)	(70)
			2,790	1,262
Total operating profit: group and share of joint venture and associate			10,228	9,691
Continuing operations:				
Profit/(loss) on disposal of tangible fixed assets		1,250		(850)
Loss on disposal of fixed asset investments		(350)		-
		900		(850)
Discontinued operations:				
Loss on sale of operations		(2,437)		-
Non-operating exceptional items	6		(1,537)	(850)
Profit on ordinary activities before investment income, interest and taxation			8,691	8,841

Comments on the group profit and loss account

Profit and loss account presentation
(continued)

FRS 3(16)

Where it is not practicable to give the full analysis of the results of acquisitions, give an indication of contribution to turnover and operating profit. Where this cannot be given, so state and give the reason.

FRS 3(14)

Where interest or tax is allocated between continuing and discontinued operations, disclose methods and underlying assumptions used in making the allocations.

FRS 3(18)

Where a provision made in a previous period in respect of an operation which was proposed to be discontinued is utilised in the current period:

- *include results of such operations under the relevant statutory format headings (analysed as described on page 28); and*
- *show utilisation of the provision on face of profit and loss account.*

Turnover

s474(1), SSAP 5(8)

Turnover* should be shown net of VAT, trade discounts and any other taxes based on turnover*.

FRS 3(14)

Where there are no acquisitions or discontinued operations, there is no need for the face of the profit and loss account to contain any FRS 3 analysis. In such cases a note may be included in the financial statements, possibly combined with the turnover note, stating that all turnover arises from continuing activities.

FRS 9(21)

In consolidated financial statements, the investor's share of joint ventures' turnover should be shown on the face of the profit and loss account, but not as part of group turnover.

FRS 9(27)

Where it is helpful to give an indication of the size of the business as a whole, a total combining the share of the associates' turnover may be shown as a memorandum item in the profit and loss account but this must be clearly distinguished from group turnover.

Share of operating results in joint venture and associate

FRS 9(21), (27)

In consolidated financial statements, the investor's share of joint ventures' operating results should be included immediately after group operating results.

6 Sch 20, FRS 9(27)

In consolidated financial statements, the investor's share of associates' operating results should be included immediately after group operating results (but after share of the results of joint ventures*, if any).

FRS 9(21), (27), (38)

Any amortisation, write-down or impairment* of goodwill arising on acquisition of joint ventures* and associates* should be charged immediately after the investor's share of operating results in joint ventures* and associates* and disclosed on the face of the profit and loss account.

Exceptional items

FRS 3(19)

Exceptional items, other than those listed in FRS 3(20) and those for which there is no relevant format heading (see below), should be included under the statutory format headings to which they relate. For example, an exceptional write down of stocks would be included in 'change in stocks of finished goods and work in progress' or 'cost of sales'. They should be disclosed separately either by way of note or on the face of the profit and loss account if that degree of prominence is necessary in order to give a true and fair view. See Note 6 for details of exceptional items.

Group profit and loss account

for the year ended 30 June 2009

	Notes	2009 £000	2009 £000	(restated) 2008 £000
Profit on ordinary activities before investment income, interest and taxation			8,691	8,841
Income from investments		250		200
Bank interest receivable		1,079		395
Interest payable and similar charges	8	(1,513)		(1,336)
Other finance costs	9	(55)		(109)
			(239)	(850)
Profit on ordinary activities before taxation	2		8,452	7,991
Tax on profit on ordinary activities	10		(4,832)	(3,221)
Profit on ordinary activities after taxation			3,620	4,770
Minority interests			(238)	(37)
Profit for the financial year attributable to members of the parent company			3,382	4,733

Note of historical cost profits and losses
for the year ended 30 June 2009

	2009 £000	2008 £000
Reported profit on ordinary activities before taxation	8,452	7,991
Realisation of property revaluation gains of previous years	235	-
Historical cost profit on ordinary activities before taxation	8,687	7,991
Historical cost profit for the year retained after taxation and minority interests	3,547	4,733

Comments on the group profit and loss account

Exceptional items (continued)

FRS 3(20)

The following items should be shown separately on the face of the profit and loss account after operating profit and before interest, included under the appropriate heading of continuing or discontinued operations:

- profits or losses on the sale or termination of an operation;
- costs of a fundamental reorganisation or restructuring, having a material effect on the nature and focus of the entity's operations; and
- profits or losses on the disposal of fixed assets.

For the first and third items above if there are material profit(s) and material loss(es), netting to an immaterial amount, the net amount should still be shown separately on the face of the profit and loss account; a note should analyse the net amount into its gross components. Although the FRS is silent on this issue with respect to the second item, an entity should similarly consider disclosing the components separately in the notes where there are material costs offset by material amounts of revenue.

The effect of the above items on the tax charge and on minority interests should be disclosed in a note. The aggregate effects may normally be disclosed unless the effects differ significantly between the different types of exceptional items.

The interaction of FRS 3(19) and (20) means that, in addition to the three exceptional items listed above, there will also be two other categories of exceptional item recognised below operating profit:

- *items for which the relevant format heading is below operating profit, e.g. interest or amounts written off investments; and*
- *items for which there is no relevant format heading and which are not operating in nature.*

FRS 3(47)

In showing the amount of each exceptional item, individual items or groups of a similar type of item should not be combined if separately they relate to continuing or discontinued operations.

FRS 9(21), (27), 6 Sch 20

In consolidated financial statements, the investor's share of any joint ventures' or associates' exceptional items included after operating profit should be shown separately from the amount for the group.

Profit/loss on disposal of businesses/subsidiary undertakings

FRS 2(47), (52)

The profit or loss on the disposal of a previously acquired business should be determined by including, if material, the attributable amount of purchased goodwill where it has previously been eliminated against reserves as a matter of accounting policy and has not previously been charged in the profit and loss account. The calculation of the gain/loss on disposal or reduction of an interest in a subsidiary undertaking under FRS 2 also needs to take into account such goodwill. The caption 'loss on sale of a business/subsidiary' should not be used to describe an item that does not take account of related goodwill.

Comments on the group profit and loss account

Profit/loss or disposal of businesses/subsidiary undertakings (continued)

FRS 10(71)

If goodwill remains eliminated against reserves the amount of purchased goodwill attributable to the business disposed of and included in the calculation of profit or loss on disposal should be separately disclosed as a partt of the profit or loss on disposal, either on the face of the profit and loss account or in a note to the financial statements.

FRS 10(71)

Where it is impractical or impossible to ascertain the goodwill attributable to a business disposed of, that was acquired before 1 January 1989, that fact and the reason should be explained.

Interest payable and similar charges

FRS 4(8), (28)

The finance costs* should be allocated to periods over the term of the debt at a constant rate on the carrying amount. All finance costs* should be charged in the profit and loss account, except in the case of investment companies.

FRS 12(48)

Where a provision has been discounted, the unwinding of the discount should be included as other finance costs adjacent to interest.

FRS 9(21), (27), 6 Sch 20

In consolidated financial statements, the investor's share of any joint ventures' or associates' interest included after operating profit should be shown separately from the amounts for the group. This analysis has been given in note 8 to the financial statements, rather than on the face of the profit and loss account. Either presentation is acceptable.

Other finance costs/(income)

FRS 17(56)

The net of the interest cost and the expected return on assets should be included as other finance costs (or income) adjacent to interest.

Profit on ordinary activities before taxation

1 Sch 6

Every profit and loss account of a company must show the amount of the company's profit or loss on ordinary activities before taxation.

FRS 9(21), (27)

In consolidated financial statements, at and below the level of profit before tax, the investor's share of the relevant amounts for joint ventures* and associates* should be included within the amounts for the group and disclosed.

Taxation

FRS 3(23)

The effects of a fundamental change in the basis of taxation should be included in the tax charge or credit for the period and separately disclosed on the face of the profit and loss account.

Minority interests

6 Sch 17(3), FRS 2(36)

Minority interests in the profit or loss on ordinary activities must be shown as a separate item.

Extraordinary items after taxation

FRS 3(22)

The amount of any extraordinary profit or loss must be shown separately on the face of the profit and loss account after the profit or loss on ordinary activities after taxation.
By virtue of FRS 3's wide definition of ordinary activities, extraordinary items are extremely rare.

Comments on the group profit and loss account

Extraordinary items after taxation (continued)

FRS 3(22), 1 Sch 69(2), 6 Sch 17(4)

The amount of each extraordinary item should be shown individually either on the face of the profit and loss account or in the notes. The tax effect of the aggregate extraordinary profit or loss and, in the case of consolidated financial statements, the amount attributable to minority shareholders must be shown. An adequate description of each extraordinary item must be given to enable its nature to be understood.

6 Sch 17(3), FRS 2(36)

Minority interests in the profit or loss on extraordinary items should be shown separately.

Profit for the financial year attributable to members of the parent company

1 Sch formats

The face of every profit and loss account should show separately the profit or loss for the financial year*.

s495(3)(a)(iii)

This is the item referred to in the audit opinion.

Note of historical cost profits and losses

FRS 3(26)

Where there is a material difference between the result disclosed in the profit and loss account and the result on an unmodified historical cost basis, a note of the historical profit or loss for the period should be presented immediately below either the profit and loss account or the statement of recognised gains and losses*. The note should present a reconciliation of the reported profit on ordinary activities before taxation to the equivalent historical cost amount and should also show the profit for the financial year reported on the historical cost basis.

Where full historical cost information is unavailable or cannot be obtained without unreasonable expense or delay, the earliest available values should be used.

The effects of fair value accounting under FRS 26, and hyperinflation adjustments under FRS 24 and UITF Abstract 9 are not required to be included in this reconciliation but this omission should be noted.

Author's note

Dividend payments are not recognised gains or losses and are therefore not included in the note of historical cost profits and losses.

Earnings per share

FRS 22(2), (66), (68)-(69)

Entities whose ordinary or potential ordinary shares are publicly traded, or who are in the process of issuing such shares in public markets, are required to present on the face of the income statement basic and diluted earnings per share for profit or loss from continuing operations attributable to the ordinary equity holders of the parent and for profit or loss attributable to the ordinary equity holders of the parent for each class of ordinary shares that has a different right to share in profit for the period. Basic and diluted earnings per share shall be presented with equal prominence.

An entity that reports a discontinued operation shall disclose the basic and diluted amounts per share for discontinued operations either on the face of the income statement or in the notes.

Basic and diluted earnings per share shall be presented even if the amounts are negative.

Comments on the group statement of total recognised gains and losses

Statement of total recognised gains and losses

FRS 3(27)

A primary statement should be presented, with the same prominence as the other primary statements, showing (with corresponding amounts) the total of recognised gains and losses* and its components.

FRS 10(71)

The reinstatement of the goodwill, previously written off to reserves, in order that it may be included in the profit/loss on disposal of a business in accordance with FRS 10 is not a recognised gain*.

SSAP 19(13)

Except for insurance companies and pension funds changes in the market value of investment properties should be taken to the STRGL *unless a deficit or its reversal is expected to be permanent in which case it should be charged to the profit and loss account*.

SSAP 20(60), UITF 19(9)

The gross amount of exchange differences on foreign currency borrowings, and associated tax charges and credits, taken to reserves because the borrowings have been used to finance, or provide a hedge against, foreign equity investments, should be disclosed.

FRS 16(17)

The UK and foreign tax components of the current tax* expense (or income) for the period in the statement of total recognised gains and losses* should be disclosed separately. Both should be analysed to distinguish tax estimates for the current period and any adjustments recognised in respect of prior periods. UK tax should be disclosed before and after double taxation relief.

FRS 9(21), (28)

In consolidated financial statements, the share of recognised gains and losses of associates* and joint ventures* should be included and shown separately under each heading if the amounts involved are material, either in the statement or in a note that is referred to in the statement. An example of such a disclosure would be the actuarial gain/loss on a defined benefit pension scheme.

FRS 17(57), (59)

Actuarial gains and losses from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date should be recognised in the statement of total recognised gains and losses for the period. Once an actuarial gain or loss has been recognised in the statement of total recognised gains and losses it is not recognised again in the profit and loss account in subsequent periods.

FRS 3(62)

Following a change in accounting policy the cumulative prior period adjustments should be noted at the foot of the STRGL of the current period.

FRS 19(14)

Deferred tax should not be recognised on timing differences arising when other non-monetary assets are revalued unless by the balance sheet date the entity has entered into a binding agreement to sell the revalued assets and recognised the gains and losses expected to arise on scale.

FRS 11(63), (67)

Impairments of revalued fixed assets, other than those caused by a clear consumption of economic benefits, should be recognised in the statement of total recognised gains and losses* until the carrying amount of the asset reaches its depreciated historical cost and thereafter in the profit and loss account. Impairment* losses recognised in the statement of total recognised gains and losses* must be disclosed separately on the face on that statement.*

FRS 11(66)

A reversal of an impairment loss should be recognised in the profit and loss account to the extent that the original impairment* loss (adjusted for subsequent depreciation) was recognised in the profit and loss account. Any remaining balance of the reversal of an impairment* should be recognised in the statement of total recognised gains and losses*.*

Group statement of total recognised gains and losses

for the year ended 30 June 2009

		(restated)
	2009	*2008*
	£000	*£000*
Profit for the financial year:		
Group	1,540	3,983
Joint venture	1,557	555
Associate	285	195
Profit for the financial year attributable to members of the parent company	3,382	4,733
Deficit on revaluation of investment properties	(350)	(474)
Gain on revaluation of investment property by associate	120	-
Exchange difference on retranslation of net assets of subsidiary undertaking	445	(147)
Exchange difference on loan hedged against foreign subsidiary	(179)	-
Current UK corporation tax charge on sale of investment property	(70)	-
Current UK corporation tax on exchange difference on loan	34	-
Current UK corporation tax on defined benefit pension schemes	-	26
Actuarial gain/(loss) recognised on defined benefit pension schemes	617	(564)
Movement on deferred tax relating to pension liability	(185)	144
Total recognised gains and losses relating to the year	3,814	3,718
Prior year adjustment (as explained in note 1)	(6)	
Total gains and losses recognised since last annual report	3,808	
Group	1,846	2,965
Joint venture	1,557	555
Associate	405	198
	3,808	3,718

Comments on the group statement of total recognised gains and losses

Statement of total recognised gains and losses (continued)

FRS 3(57)

Where there are no recognised gains and losses other than the profit or loss for the period, a statement to this effect should be made at the foot of the profit and loss account.*

Although there is no explicit exemption in FRS 3 from presenting a statement of total recognised gains and losses* for the parent company, it is normal for a consolidated statement only to be presented.

FRS 15(63)

Revaluation gains, other than to the extent that they reverse revaluation losses on the same asset that were previously recognised in the profit and loss account, should be recognised in the statement of total recognised gains and losses.*

FRS 15(65)

All revaluation losses that are caused by a clear consumption of economic benefits should be recognised in the profit and loss account. Other revaluation losses should be recognised:

- *in the statement of total recognised gains and losses* until the carrying amount reaches its depreciated historical cost; and*
- *thereafter, in the profit and loss account unless it can be demonstrated that the recoverable amount of the asset is greater than its revalued amount, in which case the loss should be recognised in the statement of total recognised gains and losses* to the extent that the recoverable amount of the asset is greater than its revalued amount.*

FRS 15(67)

In determining in which performance statement gains and losses on revaluation should be recognised, material gains and losses on individual assets in a class of asset should not be aggregated.

Comments on the reconciliation of shareholders' funds

Reconciliation of shareholders' funds

FRS 3(28)

A reconciliation of opening and closing shareholders' funds should be presented. Comparatives are required. The purpose of this reconciliation is to highlight changes to shareholders' funds other than the recognised gains and losses*.

The reconciliation of shareholders' funds can be presented as a primary statement or as a note to the financial statements. Where it is presented as a primary statement, it must be shown separately from the statement of total recognised gains and losses*.

A reserves movements note is still required to be presented by the Companies Act.

FRS 25(35)

Distributions to holders of an equity instrument shall be debited by the entity directly to equity, net of any related income tax benefit.

FRS 20(7)

For share-based payment transactions a corresponding increase shall be recorded in equity if the goods or services were received in an equity-settled share-based payment transaction.

Reconciliation of shareholders' funds

for the year ended 30 June 2009

Group	*2009*	*(restated) 2008*
	£000	*£000*
Total recognised gains and losses	3,814	3,718
Dividends (note 23)	(1,431)	(1,170)
Other movements:		
New shares issued	8,825	-
Share buy back	(1,800)	
Goodwill reinstated on sale of subsidiary	400	-
	7,425	-
Reserve credit for share-based payment plans	307	398
Total movements during the year	10,115	2,946
Shareholders' funds at 1 July (originally £38,371,000 before deducting prior year adjustment of £6,000)	38,365	35,419
Shareholders' funds at 30 June	48,480	38,365

Parent company	*2009*	*(restated) 2008*
	£000	*£000*
Total recognised gains and losses	3,077	5,632
Dividends	(1,431)	(1,170)
Other movements:		
New shares issued	8,825	-
Share buy back	(1,800)	
	7,025	-
Reserve credit for share-based payment plans	307	398
Total movements during the year	8,978	4,860
Shareholders' funds at 1 July (originally £25,661,000 before deducting prior year adjustment of £4,000)	25,657	20,797
Shareholders' funds at 30 June	34,635	25,657

Comments on the group balance sheet

General

s404(1)(a)

Group financial statements must include a consolidated balance sheet dealing with the state of affairs of the parent company and its subsidiary undertakings*.

Balance sheet presentation

s404(3), 1 Sch formats, 6 Sch 17, 20

The balance sheet must comply with one of the prescribed formats in the Regulations. Format 1 of 1 Sch modified by 6 Sch is illustrated opposite. Not all of the statutory format headings are included in this illustration (see appendix 3).

1 Sch 1, 1 Sch 4-5, 1 Sch formats, 6 Sch 17, 20

The face of every balance sheet must show the items denoted by letters or Roman numbers in the format specified by the Companies Act, unless the amounts are nil in both years. The items must be shown under the headings and subheadings specified by the formats. Items to which Arabic numbers are assigned may be combined on the face of the financial statements if they are either not material or the combination facilitates assessment (providing, in the latter case, the individual items are disclosed in the notes). With balance sheet format 1, the total can be presented at the Total Assets less Current Liabilities level or anywhere thereafter.

1 Sch 4

The arrangement and headings of items denoted by an Arabic number in the formats should be adapted to suit any special nature of a company's business.

1 Sch 3

Greater detail can be given in the financial statements than that prescribed by the formats. New items may be inserted for assets or liabilities not otherwise covered.

1 Sch 2

The format chosen may not be changed from year to year unless, in the directors' opinion, there are special reasons for a change. Particulars of any change must be disclosed and the reasons for the change must be explained in a note to the financial statements.

1 Sch 7

For every item in the balance sheet the corresponding amounts for the previous financial year should also be shown. If that corresponding amount is not comparable, the former amount may be adjusted and particulars of the non-comparability and of any adjustment be disclosed in a note to the financial statements.

1 Sch 8

Amounts in respect of assets or income may not be set off against amounts in respect of items representing liabilities or expenditure or vice versa.

1 Sch 9

The directors must, in determining how items are presented, have regard to the substance of reported transactions in accordance with generally accepted accounting principles or practice.

Linked presentation

FRS 5(27)

Where a linked presentation is used, state that:

- *the company is not obliged to support any losses, nor does it intend to do so; and*
- *the provider of the finance has agreed in writing (in the finance documentation or otherwise) that it will seek repayment of the finance, as to both principal and interest, only to the extent that sufficient funds are generated by the specific item it has funded and that it will not seek recourse in any other form.*

Group balance sheet

at 30 June 2009

	Notes	£000	2009 £000	£000	(restated) 2008 £000
Fixed assets					
Intangible fixed assets	12		3,510		1,685
Tangible fixed assets	13		31,601		30,055
Investments	14				
Investment in joint venture:					
Share of gross assets		2,886		1,435	
Share of gross liabilities		(1,051)		(457)	
		1,835		978	
Investment in associate		1,377		1,177	
Other investments		1,266		1,276	
			4,478		3,431
			39,589		35,171
Current assets					
Stocks	15	25,825		20,100	
Debtors:	16				
amounts falling due after one year		3,000		855	
amounts falling due within one year		17,132		10,782	
		20,132		11,637	
Cash at bank and in hand		6,924		11,330	
		52,881		43,067	
Creditors: amounts falling due within one year	17	23,605		23,806	
Net current assets			29,276		19,261
Total assets less current liabilities			68,865		54,432
Creditors: amounts falling due after more than one year	18		15,803		12,454
Provisions for liabilities	21		1,710		933
Accruals and deferred income					
Deferred government grants			2,057		1,690
			19,570		15,077
Net assets excluding pension liability			49,295		39,355
Defined benefit pension liability	26		455		868
Net assets			48,840		38,487

Comments on the group balance sheet

Fixed assets

1 Sch 17-19

Fixed assets* must be stated at purchase price* or production cost*, subject to provisions for depreciation or impairment* in value, unless they are carried at valuation.

Intangible assets: Goodwill

FRS 10(7)

Positive purchased goodwill should be capitalised and classified as an asset on the balance sheet.

FRS 10(48)

Negative goodwill remaining after the fair values of the assets and liabilities have been checked should be recognised and separately disclosed on the face of the balance sheet, immediately below the goodwill heading and followed by a subtotal showing the net amount of the positive and negative goodwill.

Investments in joint venture and associate*

FRS 9(29), 6 Sch 20-21

The consolidated balance sheet should include, as a fixed asset investment, the investor's share of the net assets of its associates* shown as a separate item.

FRS 9(21), (29)

The consolidated balance sheet should include, as a fixed asset investment, the investor's share of the net assets of its joint ventures*, showing the share of the gross assets and liabilities underlying the net equity amount.

FRS 9(29)

Goodwill arising on the investor's acquisition of its associates* and joint ventures*, less any amortisation or write-down, should be included in the carrying amount for the associates* and joint ventures* but should be disclosed separately.

Goodwill arising on the acquisition of Good Practice Group Limited's associate* has been disclosed in note 14.

FRS 9(23)

A group that conducts a major part of its business through joint ventures may wish to give more detailed supplementary information about them e.g. a columnar presentation based on the gross equity method* showing the group's interest in its joint ventures' tangible assets, stock, debtors, cash and creditors due within, and after more than, one year.*

FRS 9(22)

Any supplementary information given for joint ventures* in the balance sheet must be shown clearly separate from amounts for the group and must not be included in the group totals.

Current assets*, creditors and defined benefit pension liability

See comments on company balance sheet on page 50.

Minority interests

6 Sch 17(2), FRS 2(35)

The amount of capital and reserves attributable to minority interests should be disclosed separately and under an appropriate heading.

Group balance sheet
at 30 June 2009

					(restated)
			2009		*2008*
	Notes	*£000*	*£000*	*£000*	*£000*
Capital and reserves					
Called up share capital	22		12,075		10,000
Share premium account	24		493		500
Revaluation reserve	24		5,159		5,624
Capital redemption reserve	24		500		-
Reserve for own shares	24		(774)		(774)
Equity component of convertible preference shares	24		200		200
Merger reserve	24		6,250		-
Profit and loss account	24		24,577		22,815
			48,480		38,365
Minority interests			360		122
			48,840		38,487

Sir James Smith
Chairman

28 July 2009

Comments on the group balance sheet

Capital and reserves

FRS 10(71)

The goodwill eliminated against reserves under SSAP 22 should not be shown as a debit balance on a separate goodwill write-off reserve but should be offset against the profit and loss account or another appropriate reserve. The amount by which the reserve has been reduced by the elimination of goodwill (or increased by the addition of negative goodwill) should not be shown separately on the face of the balance sheet.

For other matters see comments on company balance sheet on page 52.

Signature

s414, 433

The group balance sheet is not required to be signed, but it is considered to be good practice to do so.

Only one director need sign the balance sheet on behalf of the board. The copy of the balance sheet delivered to the Registrar of Companies must be signed and state the name of the director.

FRS 21(17)

The date on which the financial statements were authorised for issue and who gave that authorisation shall be disclosed. In Good Practice Group Limited we have disclosed the authorisation under 'basis of preparation' on page 65.

If the entity's owners or others have the power to amend the financial statements after issue, that fact shall be disclosed.

Comments on the parent company balance sheet

General and presentation

See comments on group balance sheet on pages 44 and 46.

s394

Individual accounts must be prepared by a company for its financial year.

s399(2), s434(2)

The balance sheet of the parent company must be included with the group financial statements.

Current assets

1 Sch 23-24

Current assets* are to be valued at the lower of purchase price* or production cost* and net realisable value.

UITF 4(3)

The amount of debtors due after more than one year should be disclosed on the face of the balance sheet where the amount is so material in the context of the total net current assets* that in the absence of such disclosure on the face of the balance sheet, readers may misinterpret the financial statements.

1 Sch formats

Disclose investments held as current assets under that heading.*

Creditors

FRS 4(29), (30)

The carrying amount of debt should be increased by the finance cost* in respect of the reporting period and reduced by payments made in respect of the debt in that period. Accrued finance costs* may be included in accruals rather than in the carrying amount of the debt to the extent that the finance costs* have accrued in one accounting period and will be paid in cash in the next.

Defined benefit pension liability

FRS 17(47)

The defined benefit pension asset or liability should be presented separately on the face of the balance sheet, after accruals and deferred income but before capital and reserves.

Format 2 companies should show any asset after assets item prepayments and accrued income and any liability after liabilities item accruals and deferred income.

FRS 17(49)

The deferred tax relating to the defined benefit pension asset or liability should be offset against the pension asset or liability and not included with other deferred tax assets or liabilities.

FRS 17(47)

Where an employer has more than one scheme, the total of any defined benefit assets and the total of any defined benefit liabilities should be shown separately on the face of the balance sheet.

Parent company balance sheet

at 30 June 2009

	Notes	£000	2009 £000	£000	(restated) 2008 £000
Fixed assets					
Tangible fixed assets	13		13,840		14,104
Investments	14		16,336		8,371
			30,176		22,475
Current assets					
Stocks	15		11,620		7,125
Debtors:	16				
amounts falling due after one year		8,900		6,350	
amounts falling due within one year		6,118		4,977	
			15,018		11,327
Cash at bank and in hand			2,230		6,554
			28,868		25,006
Creditors: amounts falling due within one year	17		9,562		7,423
Net current assets			19,306		17,583
Total assets less current liabilities			49,482		40,058
Creditors: amounts falling due after more than one year	18		13,328		12,454
Provisions for liabilities	21		49		464
Accruals and deferred income					
Deferred government grants			1,183		925
			14,560		13,843
Net assets excluding pension liability			34,922		26,215
Defined benefit pension liability	26		287		558
Net Assets			34,635		25,657
Capital and reserves					
Called up share capital	22		12,075		10,000
Share premium account	24		493		500
Revaluation reserve	24		2,765		3,154
Reserve for own shares	24		(774)		(774)
Capital redemption fund reserve	24		500		-
Equity component of convertible preference shares	24		200		200
Merger reserve	24		6,250		-
Profit and loss account	24		13,126		12,577
			34,635		25,657

Sir James Smith
Chairman
28 July 2009

Comments on the parent company balance sheet

Capital and reserves

FRS 25(15)

Issuers of financial instruments shall classify the instruments, or their component parts, on initial recognition as a financial liability, a financial asset or an equity instruments in accordance with the substance of the contractual arrangement and the definitions of a financial liability, financial asset or equity instrument. See accounting policy on page 91 for the definitions of an equity instrument.

FRS 25(29)

An entity recognises separately the components of a financial instrument that (a) creates a financial liability (b) grants an option to the holder of the instrument to convert it into an equity instrument of the equity. Such an instrument comprises two components; a financial liability (a contractual arrangement to deliver cash or another financial asset) and an equity instrument (a call option granting the holder the right, for a specified period of time, to convert it into a fixed number of ordinary shares of the entity).

FRS 25(33)

If an entity reacquires its own entity instruments these instruments ('treasury shares') shall be deducted from equity.

s610(1)

If a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account called "the share premium account".

Signature

s414

The parent company balance sheet published with the group financial statements must be signed by a director of the company. Only one director need sign the balance sheet on behalf of the board.

s445(5), s446(3)

The copy of the balance sheet delivered to the Registrar of the Companies must be signed and must state the name of the person who signed it on behalf of the board.

s433

Every copy of the balance sheet which is published by or on behalf of the company shall state the name of the person who signed the balance sheet on behalf of the board.

FRS 21(17)

The date on which the financial statements were authorised for issue and who gave that authorisation shall be disclosed. Good Practice Group Limited has disclosed this under "Accounting Policies".

If the entity's owners or others have the power to amend the financial statements after issue, that fact shall be disclosed.

Comments on the group cash flow statement

General

FRS 1(4)

Companies are required to provide a statement of cash flows as a primary financial statement within their financial statements.

FRS 1(5)

Certain entities are exempt from this requirement, for example:

- *subsidiary undertakings where 90 per cent or more of the voting rights are controlled within the group, provided that consolidated financial statements in which the subsidiary undertakings are included are publicly available; and*
- *companies under the small companies regime*.*

FRS 1(6)

The statement of cash flows should include all the company's inflows and outflows of cash*. Transactions that do not result in cash flows should not be reported in the statement of cash flows.

FRS 1(48)

Comparative figures should be given for all items in the statement of cash flows and notes thereto with exception of the note to the statement that analyses changes in the balance sheet amounts making up net debt*.

FRS 1(43), (44)

Cash flows that are internal to the group should be eliminated in the preparation of a consolidated cash flow statement. Where a subsidiary undertaking joins or leaves a group during a financial year the cash flows of the group should include the cash flows of the subsidiary undertaking concerned for the same period as that for which the group's profit and loss account includes the results of the subsidiary undertaking.

The cash flows of any equity accounted entity should be included in the group cash flow statement only to the extent of the actual cash flows between the group and the entity concerned, for example dividends received in cash and loans made or repaid.

Format and classification

FRS 1(7)

The statement of cash flows should list its cash flows for the period classified under the following standard headings:

- operating activities;
- dividends from joint ventures and associates;
- returns on investments and servicing of finance;
- taxation;
- capital expenditure and financial investment;
- acquisitions and disposals;
- equity dividends paid;
- management of liquid resources*; and
- financing.

The first seven headings should be in the sequence set out above. *The cash flows relating to the management of liquid resources* and financing can be combined under a single heading provided that the cash flows relating to each are shown separately and subtotals are given.*

Group cash flow statement

for the year ended 30 June 2009

	Notes	2009 £000	2008 £000
Net cash inflow from operating activities	25(a)	1,978	5,297
Dividends from joint ventures and associates			
Dividends from joint venture		700	545
Dividends from associate		135	105
		835	650
Returns on investments and servicing of finance			
Interest received		993	345
Interest paid		(973)	(1,075)
Interest element of finance lease rental payments		(40)	(50)
Issue costs on new long-term loans		(50)	(56)
Dividends received		200	160
Dividends paid to minority interests		(30)	(30)
Dividends paid to preference shareholders		(175)	(175)
		(75)	(881)
Taxation			
Corporation tax paid (including advance corporation tax)		(2,379)	(1,218)
Overseas tax paid		(458)	(115)
		(2,837)	(1,333)
Capital expenditure and financial investment			
Payments to acquire intangible fixed assets		(575)	(1,010)
Payments to acquire tangible fixed assets		(12,815)	(3,875)
Receipts from sales of tangible fixed assets		8,625	2,765
Payments to acquire investments		(465)	(230)
Receipts from sales of investments		125	-
Receipt of government grants		1,392	765
		(3,713)	(1,585)
Acquisitions and disposals			
Sale of subsidiary undertaking	14	55	-
Net overdrafts disposed of with subsidiary undertaking	14	2,117	-
Purchase of subsidiary undertaking	14	(500)	-
Net cash acquired with subsidiary undertaking	14	230	-
		1,902	-
Equity dividends paid	23	(1,431)	(1,170)
Net cash (outflow)/inflow before management of liquid resources and financing		(3,341)	978

Comments on the group cash flow statement

Format and classification (continued)

FRS 1(8), (9)

Except for cash flows that are shown net (as noted below), the individual categories of inflows and outflows under the standard headings should be disclosed separately in the statement of cash flows or in a note.

The requirement to show cash inflows and outflows separately does not apply to cash flows relating to operating activities. Cash inflows and outflows within management of liquid resources* or financing may also be netted against each other if they:

- relate in substance to a single financing transaction; or
- are due to short maturities and high turnover occurring from rollover or reissue (for example, short term deposits or a commercial paper programme).

Foreign currencies

FRS 1(41)

Where a proportion of a reporting entity's business is undertaken by a foreign entity, the cash flows of that entity are to be included in the cash flow statement on the basis used for translating the results of those activities in the profit and loss account of the reporting entity. The same basis should be used in presenting the movements in stocks, debtors and creditors in the reconciliation between operating profit and cash from operating activities. Where intragroup cash flows are separately identifiable and the actual rate of exchange at which they took place is known, that rate, or an approximation thereto, may be used to translate the cash flows in order to ensure that they cancel on consolidation. If the rate used to translate intragroup cash flows is not the actual rate, any exchange rate differences arising should be included in the effect of exchange rate movements shown as part of the reconciliation to net debt*.

Hedging transactions

FRS 1(42)

When a futures contract, forward contract, option contract or swap contract is accounted for as a hedge, the cash flows of the contract should be reported under the same standard heading as the transaction that is the subject of the hedge.

Group cash flow statement

for the year ended 30 June 2009

	Notes	2009 £000	2008 £000
Net cash (outflow)/inflow before management of liquid resources and financing		(3,341)	978
Management of liquid resources			
Decrease/(increase) in short-term deposits	25(b)	528	(907)
Financing			
Issue of ordinary share capital		175	-
Share issue costs		(100)	-
Purchase of own shares		(1,700)	
Share purchase costs		(100)	
New long-term loans	25(b)	4,660	4,500
Repayment of long-term loans	25(b)	(500)	-
Repayments of capital element of finance leases and hire purchase contracts	25(b)	(370)	(243)
		2,065	4,257
(Decrease)/Increase in cash	25(b)	(748)	4,328

Reconciliation of net cash flow to movement in net debt

	Notes	2009 £000	2008 £000
(Decrease)/Increase in cash		(748)	4,328
Cash inflow from increase in loans		(4,660)	(4,500)
Repayment of long-term loans		500	-
Issue costs of new long-term loans		50	56
Repayments of capital element of finance leases and hire purchase contracts		370	243
Cash (inflow)/outflow from short-term deposits		(528)	907
Change in net debt resulting from cash flows	25(b)	(5,016)	1,034
Exchange differences		(265)	2
Other		(161)	(135)
Movement in net debt		(5,442)	901
Net debt at 1 July	25(b)	(5,568)	(6,469)
Net debt at 30 June	25(b)	(11,010)	(5,568)

Comments on the group cash flow statement

Operating activities

FRS 1(11)

Cash flows from operating activities are in general the cash effects of transactions and other events relating to operating or trading activities, normally shown in the profit and loss account in arriving at operating profit.

They include cash flows in respect of operating items relating to provisions, whether or not the provision was included in operating profit.

Dividends from joint ventures and associates

FRS 1(12A)

Dividends received from joint ventures and associates should be included as separate items between operating activities and returns from investments and servicing of finance.

Returns on investments and servicing of finance

FRS 1(13)

Returns on investments and servicing of finance are receipts resulting from the ownership of an investment and payments to providers of finance, non-equity shareholders and minority interests excluding those items to be classified under operating, management of liquid resources*, equity dividends paid and financing activities.

Taxation

FRS 1(16), (39), (40)

Taxation cash flows are cash flows to or from taxation authorities in respect of the company's revenue and capital profits. VAT and other taxes should not be included under this heading. The net movement on the amounts payable or receivable in respect of VAT and other sales taxes should be allocated to cash flows from operating activities, unless a different treatment is more appropriate. Taxation flows other than those in respect of revenue and capital profits and VAT, or other sales taxes, should be included in the statement of cash flows under the same heading as the cash flow which gave rise to the taxation cash flow.

Capital expenditure and financial investment

FRS 1(19)

The cash flows included in capital expenditure and financial investment are those related to the acquisition or disposal of any fixed asset other than one required to be classified under 'acquisitions and disposals' and any current asset investment not included in liquid resources*.

Acquisitions and disposals

FRS 1(22)

The cash flows included in acquisitions and disposals are those related to the acquisition or disposal of any trade or business, or of an investment in an entity that is or, as a result of a transaction, becomes or ceases to be either an associate*, a joint venture* or subsidiary undertaking.

Balances of cash* and overdrafts transferred as part of the sale or acquisition should be shown separately.

Equity dividends paid

FRS 1(25)

The cash outflows included are dividends paid on the company's equity shares.

Comments on the group cash flow statement

Management of liquid resources

FRS 1(2), (26)

The management of liquid resources* section should include cash flows in respect of liquid resources*.

Liquid resources* are current asset investments held as readily disposable stores of value. A readily disposable investment is one that:

- is disposable by the reporting entity without curtailing or disrupting its business;
- and is either;

  (a) readily convertible into known amounts of cash* at or close to its carrying value; or

  (b) traded in an active market.

Financing

FRS 1(29)

Financing cash flows comprise receipts and repayments of principal from or to external providers of finance.

The amounts of any financing cash flows received from or paid to equity accounted entities should be disclosed separately.

Reconciliation of net cash flow to movement in net debt

FRS 1(33)

A note reconciling the movement of cash* in the period with the movement in net debt* should be given either adjoining the statement of cash flows or in a note.
The reconciliation is not part of the statement of cash flows: if adjoining the statement of cash flows, it should be clearly labelled and kept separate.

Comments on the notes to the financial statements

Accounting policies – General

1 Sch 44, FRS 18(55)

Disclose a description of each of the accounting policies that is material in the context of an entity's financial statements. This must include the policies with respect to the depreciation and diminution in value of assets.

FRS 18(55), (57)

Disclose a description of those estimation techniques adopted that are significant. The description of a significant estimation technique will include details of those underlying assumptions to which the monetary amount is particularly sensitive.

FRS 18(55)

Where the effect of a change to an estimation technique is material, disclose a description of the change, and, where practicable, the effect on the results for the period.

1 Sch 10-15

Disclose if any fundamental accounting principles (going concern, consistency, prudence and accruals) have not been observed, giving particulars of the nature of the departure, the reason and the effect. In the absence of such disclosure there is a presumption that the four fundamental concepts have been observed.

Foreword to accounting standards and Foreword to UITF abstracts

The Forewords require that particulars of any material departure from an accounting standard or UITF abstract, the reasons for it and its financial effects should be disclosed in the financial statements of all companies. With respect to departures from accounting standards, the Foreword effectively requires medium-sized companies to give the disclosures required by 1 Sch 45, together with the financial effects of the departure.*

FRS 18(61)

The following information should be disclosed in the financial statements in relation to the going concern assessment required by FRS 18(23):

- *any material uncertainties, of which the directors are aware in making their assessment, related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern;*
- *where the foreseeable future considered by the directors has been limited to a period of less than one year from the date of approval of the financial statements, that fact; and*
- *when the financial statements are not prepared on a going concern basis, that fact, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.*

Comments on the notes to the financial statements

Basis of preparation

It is good practice to disclose the particular accounting convention used in preparing the financial statements, although there is no requirement to do so.

FRS 21(17)

The date on which the financial statements were authorised for issue and also who gave the authorisation shall be disclosed. In Good Practice Group Limited we have chosen to disclose this information under 'basis of preparation'.

1 Sch 45

Disclose whether the accounts have been prepared in accordance with applicable accounting standards and particulars of any material departure from those standards giving the reason. *Medium-sized companies are exempt from this requirement*.

True and fair override

FRS 18(62)-(65)

FRS 18 stipulates how the statutory disclosure requirement when the true and fair override is invoked should be interpreted.

FRS 18 provides that the disclosures that it requires should either be included, or cross-referenced, in the note required by 1 Sch 45.

Change in accounting policy

FRS 3(29), FRS 18(55)

Details of any changes to the accounting policies that were followed in preparing financial statements for the preceding period should be disclosed, including:

(a) a brief explanation of why each new accounting policy is thought more appropriate;

(b) where practicable, the effect of a prior period adjustment on the results for the preceding period, in accordance with FRS 3; and

(c) where practicable, an indication of the effect of a change in accounting policy on the results for the current period.

Where it is not practicable to make the disclosures described in (b) or (c) above, that fact, together with the reasons, should be stated.

FRS 28(9)

Where a corresponding amount is not comparable with the amount to be shown in respect of the accounting period to which the financial statement relate, the corresponding amount should be adjusted and particulars of the adjustment and the reasons for it disclosed in a note.

Basis of consolidation

s399, 404, FRS 2(20)-(21), (39), 6 Sch 2(1), 6-12, FRS 6 and 7

Group financial statements should be presented as consolidated financial statements treating the parent company and its subsidiary undertakings* as if they were a single entity unless the parent uses one of the permitted exemptions set out in FRS 2(21) or in s400-402. The Companies Act contains rules on the preparation of consolidated financial statements, the method of acquisition and merger accounting and requires partial or full elimination of intragroup transactions. FRS 2, however, restricts the choice permitted in the Companies Act and requires elimination in full. FRSs 6 and 7 also contain rules on the choice of acquisition accounting and merger accounting and the fair value exercise.

s405, 4 Sch 16(2), FRS 2(25)-(32)

All subsidiary undertakings* should be consolidated unless they fall within a permitted or required exclusion. *Where a subsidiary undertaking* has been excluded from consolidation additional information is required to be disclosed*.

6 Sch 2(2)

The subsidiary undertakings* should have the same accounting period as, and year ends coterminous with those of, the parent. *Additional disclosures set out in FRS 2 are required where this is not the case*

4 Sch 10

If a parent undertaking has not prepared group accounts the reasons why group accounts have not been prepared must be stated.

If the reason is that all of the subsidiaries of the company fall within s405 exclusions it must be stated with respect to each subsidiary which of these exclusions apply.

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Notes to the financial statements

at 30 June 2009

1. Accounting policies

Basis of preparation and change in accounting policy

The financial statements of Good Practice Group Limited were approved for issue by the Board of Directors on 28 July 2009.

The financial statements are prepared under the historical cost convention modified to include the revaluation of investment properties.

The financial statements are prepared in accordance with applicable accounting standards. The true and fair override provisions of the Companies Act 2006 have been invoked, see 'investment properties' below.

In preparing the financial statements for the current year, the group has changed its accounting policy for government grants in respect of capital expenditure. Government grants in respect of capital expenditure are now treated as deferred income which is credited to the profit and loss account by instalments over the expected useful life of the related asset. Previously, such grants were deducted from the purchase price of the related asset with a consequent reduction in the annual charge for depreciation. The group considers that this new policy is a more relevant presentation as it is adopted by all of the group's main competitors and therefore facilitates improved comparability across the industry. Consequently, deferred government grants in the group and company balance sheet have increased by £1,000,000 as at 1 July 2008, £800,000 at 30 June 2008 and £600,000 at 30 June 2009, Conversely, tangible fixed assets in the group and company balance sheet have decreased by £1,005,000 at 1 July 2008, £806,000 at 30 June 2008 and £603,000 at 30 June 2009. In the profit and loss account government grant amortisation increased by £200,000 in both 2008 and 2009 respectively and depreciation of owned assets decreased by £199,000 and £203,000 in 2008 and 2009 respectively.

Basis of consolidation

The group financial statements consolidate the financial statements of Good Practice Group Limited and all its subsidiary undertakings drawn up to 30 June each year. No profit and loss account is presented for Good Practice Group Limited as permitted by section 408 of the Companies Act 2006.

Extinguishers Limited has been included in the group financial statements using the acquisition method of accounting. Accordingly, the group profit and loss account and statement of cash flows include the results and cash flows of Extinguishers Limited for the eight month period from its acquisition on 1 November 2008. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

The group profit and loss account and statement of cash flows also include the results and cash flows of Sprinklers Inc. for the seven-month period from its incorporation on 5 December 2008 and includes the results and cash flows of Hose Limited for the eleven month period to 31 May 2009, the date of its sale outside the group.

Entities in which the group holds an interest on a long-term basis and are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the gross equity method.

Entities, other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence are treated as associates. In the group financial statements, associates are accounted for using the equity method.

In the parent company financial statements investments in subsidiaries, joint ventures and associates are accounted for at the lower of cost and net realisable value.

Comments on the notes to the financial statements

Basis of consolidation (continued)

6 Sch 2(2), FRS 2(42)-(44)

Where a subsidiary undertaking's year end differs from that of the parent company, the Companies Act requires that the group financial statements shall be made up either from the financial statements of the subsidiary undertaking for its financial year* last ending before the parent company's financial year*, provided it ended no more than 3 months before that of the parent or from interim financial statements for the subsidiary undertaking* made up to the parent's year end. FRS 2, however, requires the use of interim financial statements and only where this is not practicable does it allow the use of the financial statements of the subsidiary undertaking* for its financial year* last ending before the parent company's financial year*, provided it ended no more than 3 months before that of the parent.*

FRS 5(35)-(37)

The assets, liabilities, profits, losses and cash flows of a quasi-subsidiary should be included in group financial statements of the group that controls it in the same way as if they were those of a subsidiary undertaking.

4 Sch 16(2)-(3), FRS 2(34)

The reason why an undertaking has been treated as a subsidiary undertaking should be disclosed unless the immediate parent company holds the majority of voting rights and the same proportion of voting rights as shares. In addition, where an undertaking is a subsidiary undertaking* only because its parent undertaking* has the power to exercise, or actually exercises, a dominant influence or control over it, the consolidated financial statements should disclose the basis of the parent undertaking's dominant influence or control.*

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The parent company's profit and loss account, although required to be prepared and approved by the board of directors, need not be presented with the group financial statements. Where this is the case give a statement of that fact.

6 Sch 3-4, FRS 2(40)-(41), FRS 9(31)(c)

Uniform accounting policies should be followed by all companies included in the consolidated financial statements. Where group policies are not followed in the financial statements of a subsidiary undertaking*, associate* or joint venture*, consolidation adjustments should be made. *If this is impracticable, then disclose particulars of the departure, the reasons for it and its effect. Where group accounting policies are not followed in the parent company's own financial statements disclose, in the group financial statements, the differences and give the reason for them.*

6 Sch 13(2), 15, FRS 6(20)-(21), FRS 2(45)-(48)

Disclose details of the accounting treatment adopted for business combinations occurring in the financial year* i.e. acquisition or merger accounting as appropriate. The names of the combining entities (or, where a group is acquired, the parent of the group acquired) and the date of the combination should also be given. The name of any material undertaking that has ceased to be a subsidiary undertaking* in the period should be disclosed, showing any ownership interest retained and disclosing the extent to which the profit or loss shown in the group financial statements is attributable to that undertaking or group. *Where any material undertaking has ceased to be a subsidiary undertaking* other than by the disposal of at least part of the interest held by the group, the circumstances should be explained.*

6 Sch 21, FRS 9(31)(a)-(b)

When an entity acquires an associate* or joint venture*, fair values should be attributed to the investee's underlying assets and liabilities, identified using the investor's accounting policies, and these fair values should provide the basis for subsequent depreciation. Both the consideration paid in the acquisition and the goodwill arising should be calculated in the same way as on the acquisition of a subsidiary. The investee's assets used in calculating the goodwill arising on its acquisition should not include any goodwill carried in the balance sheet of the investee itself. Where profits and losses resulting from transactions between the investor and its associate* or joint venture* are included in the carrying amount of assets in either entity, the part relating to the investor's share should be eliminated. Where the transaction provides evidence of the impairment* of those assets or any similar assets, this should be taken into account.

Comments on the notes to the financial statements

Basis of consolidation (continued)

FRS 9(31)(d)

Where the period-end of an associate or joint venture* differs from that of the investor, the entity should be included on the basis of financial statements prepared to the investor's period-end. Where this is not practicable, the entity should be included on the basis of financial statements prepared for a period ending not more than three months before the investor's period-end. Where using these financial statements would release restricted, price-sensitive information, financial statements prepared for a period that ended not more than six months before the investor's period-end may be used. Any changes after the period-end of the associate* or joint venture* and before that of its investor that would materially affect the view given by the investor's financial statements should be taken into account by adjustment.*

UITF 31(11)

Where an entity exchanges a business or other non-monetary assets for another entity that becomes its subsidiary, associate or joint venture any retained interest in the business/assets disposed of should be held at its pre-transaction amount and the share of net assets acquired through the net interest should be accounted for at fair value. To the extent that the fair value of consideration received exceeds the book value of assets no longer owned and cash given up a gain should be recognised in the STRGL. If the fair value of the consideration is less than the assets and cash given up then a loss should be recognised in the profit and loss account.

Goodwill

1 Sch 22, FRS 10(7)-(8)

Positive purchased goodwill should be capitalised and classified as an asset on the balance sheet. Internally generated goodwill should not be capitalised.

1 Sch 22, FRS 10(15), (34)

Where goodwill is regarded as having a limited useful economic life, it should be amortised on a systematic basis over that life. The method and period of amortisation should be disclosed and the reason for choosing that period. Goodwill amortised over a finite period not exceeding 20 years from the date of acquisition should be reviewed for impairment* at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

6 Sch 21(1), FRS 9(31)

Goodwill arising on the acquisition of joint ventures* and associates* should be treated in the same way as any other goodwill.

FRS 2(52), FRS 10(71)

When a previously acquired business, subsidiary or associate is sold, a previously acquired business is closed or an interest in a previously acquired subsidiary is reduced, the profit or loss arising is calculated by including the attributable amount of goodwill not previously charged in the profit and loss account.

FRS 10(17)

Where goodwill is regarded as having an indefinite useful economic life it should not be amortised.

FRS 10(37)

Goodwill that is not amortised or which is amortised over a period exceeding 20 years should be reviewed for impairment at the end of each reporting period.

1 Sch 22(2), FRS 10(58)-(59)

Where Goodwill is not amortised or is amortised over a period exceeding 20 years then the grounds for rebutting the 20 year presumption must be given. This should be a reasoned explanation based on the specific factors involved. In addition, where goodwill is not amortised the financial statements shall state that they depart from the Companies Act requirements to amortise goodwill for the overriding purpose of giving a true and fair view. Particulars of the departure, the reasons for it and its effect should be given in sufficient detail.

Notes to the financial statements

at 30 June 2009

1. Accounting policies (continued)

Goodwill

Goodwill arising on acquisitions prior to 31 December 1997 was set off directly against reserves. Goodwill previously eliminated against reserves was not reinstated on implementation of FRS 10.

Positive goodwill arising on acquisitions since 1 January 1998 is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

Comments on the notes to the financial statements

Goodwill (continued)

6 Sch 14, FRS 2(52), FRS 10(71)

If goodwill remains eliminated against reserves the accounting policy in respect of that goodwill and the fact that this goodwill would be charged or credited in the profit and loss account on subsequent disposal of the business to which it related should be disclosed.

FRS 11(8)

A review for impairment of goodwill should be carried out if events or changes in circumstances indicate that the carrying amount of goodwill is not recoverable.

FRS 10(48)

Negative goodwill should be recognised and separately disclosed on the face of the balance sheet immediately below the goodwill heading and followed by a subtotal showing the net amount of the positive and negative goodwill.

FRS 10(49)-(50), (63)-(64)

Negative goodwill up to the fair values of the non-monetary assets acquired should be recognised in the profit and loss account in the periods in which the non-monetary assets are recovered, whether through depreciation or sale. Any negative goodwill in excess of the fair values of the non-monetary assets acquired should be recognised in the profit and loss account in the periods expected to be benefited. The period in which the negative goodwill is being written back in the profit and loss account should be disclosed. Where negative goodwill exceeds the fair values of the non-monetary assets, the amount and source of the 'excess' negative goodwill and the period in which it is being written back should be explained.

Intangible assets

FRS 10(9)-(10), (13)-(14)

An intangible asset* purchased separately from a business should be capitalised at its cost. An intangible asset* acquired as part of the acquisition of a business should be capitalised separately from goodwill if its value can be measured reliably on initial recognition. It should initially be recorded at its fair value, subject to the constraint that, unless the asset has a readily ascertainable market value*, the fair value should be limited to an amount that does not create or increase any negative goodwill arising on the acquisition. If its value cannot be measured reliably, an intangible asset* purchased as part of the acquisition of a business should be subsumed within the amount of the purchase price attributed to goodwill. An internally developed intangible asset* may be capitalised only if it has a readily ascertainable market value*.

FRS 10(15), (28), (34), (55)

Where intangible assets* are regarded as having limited useful economic lives, they should be amortised on a systematic basis over those lives. The method and the period of amortisation should be disclosed and the reason for choosing that period. Intangible assets* that are amortised over a finite period not exceeding 20 years from the date of acquisition should be reviewed for impairment* at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying values may not be recoverable. In amortising an intangible asset*, a residual value may be assigned to that asset only if such residual value can be measured reliably.

FRS 10(17)

Intangible assets regarded as having indefinite useful economic lives should not be amortised.

FRS 10(37), (58)

Intangible assets that are not amortised, or which are amortised over a period exceeding 20 years should be reviewed for impairment at the end of each reporting period. In addition, the ground for rebutting the 20 year presumption should be given. This should be a reasoned explanation based on the specific factors involved.

Notes to the financial statements

at 30 June 2009

1. Accounting policies (continued)

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Comments on the notes to the financial statements

Intangible assets (continued)

FRS 10(24)

Where access to the economic benefits associated with an intangible asset is achieved through legal rights that have been granted for a finite period, the economic life of the asset may extend beyond that period only if, and to the extent that, the legal rights are renewable and renewal is assured. The amount of the asset that is treated as having the longer useful economic life should exclude those costs that will recur each time the legal right is renewed.*

FRS 10(43)

Where an intangible asset has a readily ascertainable market value*, the asset may be revalued to its market value. If one intangible asset* is revalued, all other capitalised intangible assets* of the same class should be revalued. Once an intangible asset* has been revalued, further revaluations should be performed sufficiently often to ensure that the carrying value does not differ materially from the market value at the balance sheet date.*

Investment properties

SSAP 19(10)-(11)

Investment properties should be stated in the balance sheet at their open market value and should not be subject to periodic charges for depreciation, except for properties held on leases with 20 years or less to run. These should be depreciated on the basis set out in FRS 15.

SSAP 19(13)

Changes in the value of investment properties should not be taken to the profit and loss account but should be taken to the statement of total recognised gains and losses* (being a movement on the revaluation reserve), unless a deficit (or its reversal) on an individual property is expected to be permanent, in which case it should be charged (or credited) to the profit and loss account of the period.

FRS 18(62)-(65)

In special circumstances it may be necessary to depart from the requirements of the Companies Act in order to show a true and fair view. In such circumstances, disclosure must be made, in a note, of the particulars of the departure, the reasons for it and its effect. FRS 18 explains how particulars, reasons and effect are to be interpreted and requires that the disclosures are either included or cross-referenced in the note required by 1 Sch 45 to the Companies Act. The non-depreciation of freehold and long leasehold investment properties requires the use of the true and fair override.

Tangible fixed assets

FRS 15(6)-(7)

Tangible fixed assets should normally be measured at cost. Only those costs directly attributable to bringing the asset into working condition for its intended use should be included in its measurement.

FRS 15(19)

Finance costs need not be capitalised. However, if they are the policy should be applied consistently to all tangible fixed costs where finance costs fall to be capitalised.

Depreciation

1Sch 18, FRS 15(77), (100)

The difference between the purchase price* or production cost* (or revalued amount) and estimated residual value of a fixed asset which has a limited useful economic life should be allocated on a systematic basis to each accounting period during the useful life of the asset. The depreciation charge for each period should be recognised as an expense in the profit and loss account unless it is permitted to be included in the carrying amount of another asset. For each major class of depreciable asset the method of depreciation and the useful economic lives (or depreciation rates) should be disclosed.

1 Sch 33, 35(1), FRS 15(79)

On revaluation of assets other than investment properties, the revalued amount less any residual value should be depreciated over the remaining useful economic life. Depreciation charged prior to the revaluation should not be written back to the profit and loss account, except to the extent that it relates to a provision for diminution in value which is subsequently found to be unnecessary.

Notes to the financial statements

at 30 June 2009

1. Accounting policies (continued)

Investment properties

Certain of the group's properties are held for long-term investment. Investment properties are accounted for in accordance with SSAP 19, as follows:

- investment properties are revalued annually. The surplus or deficit on revaluation is transferred to the revaluation reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year; and
- no depreciation is provided in respect of leasehold investment properties where the lease has over 20 years to run.

Although the Companies Act would normally require the systematic annual depreciation of leased fixed assets, the directors believe that the policy of not providing depreciation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties, and changes to that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been included cannot be separately identified or quantified.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs attributable to assets under construction are recognised as an expense when incurred.

Depreciation is provided on all tangible fixed assets, other than leasehold investment properties where the lease has 20 years or more to run, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life as follows:

- Leasehold land and buildings – over the shorter of the lease term and 20 years
- Plant and machinery – over 5 to 15 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Comments on the notes to the financial statements

Depreciation (continued)

FRS 11(8)

A review for impairment* of a fixed asset or goodwill should be carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset or goodwill may not be recoverable.

FRS 15(89)

Tangible fixed assets, other than non-depreciable land, should be reviewed for impairment*, in accordance with FRS 11, at the end of each reporting period when either:

- no depreciation charge is made on the grounds that it would be immaterial (either because of the length of the estimated remaining useful economic life or because the estimated residual value of the tangible fixed asset is not materially different from the carrying amount of the asset); or
- the estimated remaining useful economic life of the tangible fixed asset exceeds 50 years.

FRS 15(102)

Where the method of depreciation has been changed give the effect of, and reason for, the change (corresponding amounts not required).

Other investments

1 Sch 19(2)

Provisions for diminution in value shall be made in respect of any fixed asset which has diminished in value if the reduction is expected to be permanent (whether its useful economic life is limited or not).

Revenue recognition

FRS 5-G4, G6

A seller recognises revenue under an exchange transaction with a customer when it obtains the right to consideration in exchange for its performance. Where a seller has partially performed its contractual obligation it recognises revenue to the extent that it has obtained the right to consideration through its performance.

FRS 5-G7, G8

Revenue should be recognised at the fair value of the right to consideration. This will normally be the price specified in the contractual arrangement. Where the time value of money is material the amount of revenue recognised should be the present value of the expected cash inflows.

UITF 40(26)

Where the substance of a contract is that the seller's contractual obligations are performed gradually over time, revenue should be recognised as the contract activity progresses to reflect the partial performance of the contractual obligations. The amount of revenue should reflect the value of the work performed.

UITF 40(27)

Where the right to consideration does not arise until the occurrence of a critical event, revenue is not recognised until that event occurs.

UITF 40(28)

The amount of revenue recognised on any contract for services should reflect any uncertainties as to the amount that the customer will accept and pay.

Notes to the financial statements

at 30 June 2009

1. Accounting policies (continued)

Other investments

Other investments are accounted for at the lower of cost or net realisable value.

Revenue recognition

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Rendering of services

Revenue from the installation of fire extinguishers, fire prevention equipment and fire retardant fabrics is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

Dividends

Revenue is recognised when the Group's right to receive payment is established.

Comments on the notes to the financial statements

Government grants

SSAP 4(17)

Disclose the accounting policy adopted in respect of government grants in terms that make it clear the method or methods adopted. The period or periods over which the grants are credited to the profit and loss account should be disclosed in so far as this is practicable. Normally it will be sufficient to give a broad indication of the future periods in which grants already received will be recognised in the profit and loss account.

SSAP 4(23)-(25)

Government grants should be recognised in the profit and loss account so as to match the grants with the expenditure to which they are expected to contribute. They should not be recognised in the profit and loss account until the conditions of receipt have been complied with and there is reasonable assurance that the grant will be received.

Capital grants should be credited to the profit and loss account over the expected useful economic life of the asset concerned. This is achieved by treating the grant as deferred income, a portion (the size of which depends on the life of the asset) being transferred to revenue annually. *Alternatively, it may be deducted from the purchase price* or production cost* of the asset. The CCAB has received Counsel's opinion, however, that the option to deduct government grants from the purchase price* or production cost* of the fixed assets* is not available to companies governed by the requirements of the Companies Act.* Revenue grants should be released to the profit and loss account so as to match them with the expenditure to which they relate.

Stocks

1 Sch 23-24, SSAP 9(26)

Stocks and work in progress should be valued at the lower of purchase price* or production cost* and net realisable value.

1 Sch 28(1)-(2), SSAP 9 app 1(12)

The Act allows the use of FIFO, LIFO, weighted average price and other similar methods for valuing stocks and fungible assets* but the method chosen must appear to the directors to be appropriate. LIFO is not considered to be an appropriate method of stock valuation by SSAP 9.

SSAP 9(32)

The policy adopted should be disclosed and applied consistently within the business and from year to year.

UITF 34(15)

Pre-contract costs should be recognised as expenses as incurred except that directly attributable costs should be recognised as an asset when it is virtually certain that a contract will be obtain and the contract will result in positive present value cash flows.

Research and development

1 Sch 3(2), 21(1), SSAP 13(24)-(25)

Pure and applied research expenditure may not be capitalised and should be written off in the year of expenditure through the profit and loss account. Development expenditure may be capitalised under SSAP 13 in certain special circumstances.

SSAP 13(30)

State and explain the policy adopted.

1 Sch 21(2)

Give the period over which capitalised development expenditure is being written off and the reasons for capitalising development costs.

Provisions for liabilities

FRS 12(45)

Where the effect of the time value of money is material, the amount of a provision should be the present value of the expenditures expected to be required to settle the obligation.

Notes to the financial statements
at 30 June 2009

1. Accounting policies (continued)

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments. This is a change of accounting policy from previous years when such grants were deducted from the purchase price of the related asset with a consequent reduction in the annual charge for depreciation. Details of the impact of this change in accounting policy are disclosed above.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate. Grants already received will be released to the profit and loss account over the next five years.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale	–	purchase cost on a first-in, first-out basis
Work in progress and finished goods	–	cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

Provisions for liabilities

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for the expected costs of maintenance under guarantees are charged against profits when products have been invoiced. The effect of the time value of money is not material and therefore the provisions are not discounted.

Comments on the notes to the financial statements

Deferred tax

FRS 19(7)

Except as set out below, deferred tax:

- should be recognised in respect of all timing differences that have originated but not reversed by the balance sheet date;
- should not be recognised on permanent differences.

FRS 19(9)

Deferred tax should be recognised when the allowances for the cost of a fixed asset are received before or after the cost of the fixed asset is recognised in the profit and loss account. However, if and when all conditions for retaining the allowances have been met, the deferred tax should be reversed.

FRS 19(12)

Deferred tax should be recognised on timing differences arising when an asset is continuously revalued to fair value with changes in fair value being recognised in the profit and loss account.

FRS 19(14)

Deferred tax should not be recognised on timing differences arising when other non-monetary assets are revalued, unless, by the balance sheet date, the reporting entity has:

- entered into a binding agreement to sell the revalued assets; and
- recognised the gains and losses expected to arise on sale.

FRS 19(15)

Deferred tax should not be recognised on timing differences arising when non-monetary assets (other than those referred to in FRS 19(12)) are revalued or sold if, on the basis of all available evidence, it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the assets into which the gain has been rolled over are sold.

FRS 19(21)

Tax that could be payable (taking account of any double taxation relief) on any future remittance of the past earnings of a subsidiary, associate or joint venture should be provided for only to the extent that, at the balance sheet date:

- dividends have been accrued as receivable; or
- a binding agreement to distribute the past earnings in future has been entered into by the subsidiary, associate or joint venture.

FRS 19(23)

Deferred tax assets should be recognised to the extent that they are regarded as recoverable. They should be regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

FRS 19(42)

Entities are permitted but not required to discount deferred tax assets and liabilities to reflect the time value of money.

Notes to the financial statements
at 30 June 2009

1. Accounting policies (continued)

Deferred tax

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

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- 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.

Comments on the notes to the financial statements

Foreign currencies

1 Sch 70, SSAP 20(59)

Disclose the basis of translation of foreign currency balances and transactions and the treatment of exchange differences.

SSAP 20(46)-(50)

For individual companies, transactions should be translated at the rate ruling at the date of the transaction or as specified in a related contract. At the balance sheet date, monetary assets and liabilities should be translated using the closing rate, or, where appropriate, the contracted rate. All exchange gains or losses should be taken to the profit and loss account as part of the profit or loss for the year from ordinary activities.

SSAP 20(52)-(55)

The illustrative financial statements assume that the results of subsidiary undertakings will be translated using the closing rate method. Differences on the retranslation of opening reserves have been taken directly to reserves, in accordance with SSAP 20(53). *In circumstances where the trade of a foreign subsidiary is more dependent upon the UK economic environment than its own, the temporal method should be followed with all exchange differences being recorded through the profit and loss account. SSAP 20 permits the profit and loss account of a foreign subsidiary to be translated at either an average or the closing rate. If an average rate is used the difference between translating the profit and loss account at an average rate and at the closing rate will be recorded as a movement on reserves*.

SSAP 20(51)

Where a company has used foreign currency borrowings to finance or hedge against its foreign equity investments, and certain conditions apply, the equity instruments may be translated at the closing rate. Where investments are treated this way any exchange differences should be taken to reserves and the exchange differences on the foreign currency borrowings should then be offset, as a reserve movement, against these exchange differences.

SSAP 20(57)

If foreign currency borrowings are used to finance group foreign equity investments, or such borrowings are intended to provide a hedge against existing group foreign currency equity investments, the 'cover' method may be used and exchange gains and losses offset as a reserve movement.

Where the 'cover' method has been applied in the investing company's financial statements to a foreign equity investment which is neither a subsidiary nor an associated undertaking*, the same offset procedure may be applied in the consolidated financial statements.

UITF 19(7)-(8)

Where exchange differences on foreign currency borrowings that have been used to finance, or provide a hedge against, equity investments in foreign enterprises are taken to reserves and reported in the statement of total recognised gains and losses*, tax charges or credits that are directly and solely attributable to such differences should also be taken to reserves.

Notes to the financial statements

at 30 June 2009

1. Accounting policies (continued)

Foreign currencies

Company

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Group

The financial statements of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against group equity investments in foreign enterprises, which are taken directly to reserves together with the exchange difference on the net investment in these enterprises. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Comments on the notes to the financial statements

Foreign currencies (continued)

UITF 9(5)-(7)

Where a foreign enterprise operates in an area of hyper-inflation and the distortions caused by the hyper-inflation are such as to affect the true and fair view given by group financial statements, an adjustment is required. The adjustment should be either:

- *adjusting local currency financial statements to reflect price changes before translating; or*
- *using a relatively stable currency as the functional currency*; the movement between the original currency and the stable currency is a proxy for an inflation index. The functional currency* would then be translated into the group's reporting currency.*

If neither of these methods is considered appropriate for material operations, the reasons should be stated and alternative methods to eliminate the distortions adopted.

UITF 9(8)

Where group operations in areas of hyper-inflation are material in the context of group results or net assets, the accounting policy adopted to eliminate the distortions of such inflation should be disclosed.

Derivative instruments

Author's note

In order to comply with FRS 18 the description of accounting policies will usually need to include (if the choice of policy applied has had a material effect) a description of the methods used to account for derivative financial instruments*, the types of derivative financial instruments* accounted for under each method and the criteria that determine the method used.

Notes to the financial statements

at 30 June 2009

1. Accounting policies (continued)

Derivative instruments

The group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The group also uses interest rate swaps to adjust interest rate exposures.

The group considers its derivative instruments qualify for hedge accounting when certain criteria are met.

Forward foreign currency contracts

The criteria for forward foreign currency contracts are:

- the instrument must be related to a firm foreign currency commitment;
- it must involve the same currency as the hedged item; and
- it must reduce the risk of foreign currency exchange movements on the group's operations.

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets and liabilities, or where the instrument is used to hedge a committed future transaction, are not recognised until the transaction occurs.

Interest rate swaps

The group's criteria for interest rate swaps are:

- the instrument must be related to an asset or a liability; and
- it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa.

Interest differentials are recognised by accruing with net interest payable. Interest rate swaps are not revalued to fair value or shown on the group balance sheet at the year end. If they are terminated early, the gain/loss is spread over the remaining maturity of the original instrument.

Comments on the notes to the financial statements

Leasing and hire purchase commitments

SSAP 21(32)-(36)

A finance lease should be recorded in the balance sheet of a lessee as an asset and as a liability to pay future rentals. On inception of the lease the sum to be recorded should be the present value of the minimum lease payments. In practice this will often equate to the fair value of the asset.

Rentals payable under a finance lease should be apportioned between the finance charge and a reduction of the outstanding liability for future amounts payable. The total finance charge under a finance lease should be allocated to accounting periods during the lease term so as to produce a constant charge on the remaining balance of the liability for each period. An asset leased under a finance lease should be depreciated over the shorter of the lease term and its useful life.

SSAP 21(37)

The rental under an operating lease should be charged on a straight line basis over the lease term, even if payments are not made on such a basis, unless another systematic and rational basis is more appropriate.

UITF 28(14)

A lessee should recognise the aggregate benefit of incentives as a reduction of rental expense. The benefit should be allocated over the shorter of the lease term and a period ending on a date from which it is expected the prevailing market rental will be payable. The allocation should be on a straight line basis *unless another systematic basis is more representative of the time pattern of the lessee's benefit from the use of the leased asset.*

SSAP 21(57)

Disclosure should be made of the policies adopted for accounting for finance and operating leases and hire purchase contracts.

Notes to the financial statements

at 30 June 2009

1. Accounting policies (continued)

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the shorter of the lease term and the date of the next rent review.

Comments on the notes to the financial statements

Pensions and other post-retirement benefits

FRS 17(20)

Defined benefit scheme liabilities should be measured on an actuarial basis using the projected unit method. The scheme liabilities comprise:

- any benefits promised under the formal terms of the scheme; and
- any constructive obligations for further benefits where a public statement or past practice by the employer has created a valid expectation in the employees that such benefits will be granted.

FRS 17(32)

Defined benefit scheme liabilities should be discounted at a rate that reflects the time value of money and the characteristics of the liability. Such a rate should be assumed to be the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities.

FRS 17(49)

The deferred tax relating to the defined benefit asset or liability should be offset against the defined benefit asset or liability and not included with other deferred tax assets or liabilities.

FRS 17(50)

The change in the defined benefit asset or liability (other than that arising from contributions to the scheme) should be analysed into the following components:

Periodic costs

- the current service cost;
- the interest cost;
- the expected return on assets; and
- actuarial gains and losses;

Non-periodic costs

- past service costs; and
- gains and losses on settlements and curtailments.

FRS 17(51)

The current service cost should be based on the most recent actuarial valuation at the beginning of the period, with the financial assumptions updated to reflect conditions at that date. It should be included within operating profit in the profit and loss account (except insofar as the related employee remuneration is capitalised in accordance with another accounting standard). Any contributions from employees should be set off against the current service cost.

FRS 17(53)

The interest cost should be based on the discount rate and the present value of the scheme liabilities at the beginning of the period. The interest cost should, in addition, reflect changes in the scheme liabilities during the period.

FRS 17(54)

The expected return on assets is based on long-term expectations at the beginning of the period and is expected to be reasonably stable. For quoted corporate or government bonds, the expected return should be calculated by applying the current redemption yield at the beginning of the period to the market value of the bonds held by the scheme at the beginning of the period. For other assets (for example, equities), the expected return should be calculated by applying the rate of return expected over the long term at the beginning of the period (given the value of the assets at that date) to the fair value of the assets held by the scheme at the beginning of the period.
The expected return on assets should, in addition, reflect changes in the assets in the scheme during the period as a result of contributions paid into and benefits paid out of the scheme. The expected rate of return should be set by the directors (or equivalent) having taken advice from an actuary.

Notes to the financial statements

at 30 June 2009

1. Accounting policies (continued)

Pensions and other post-retirement benefits

The Group operates two defined benefit pension schemes, both of which require contributions to be made to separately administered funds. The UK scheme was closed to new members in June 2002 from which time membership of a defined contribution plan is available. The Group has also agreed to provide certain additional post-employment healthcare benefits to senior employees in the United States. These benefits are unfunded.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occur the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the profit and loss account. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the profit and loss account as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of total recognised gains and losses in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable.

Comments on the notes to the financial statements

Pensions and other post-retirement benefits (continued)

FRS 17(37)

The surplus/deficit in a defined benefit scheme is the excess/shortfall of the value of the assets in the scheme over/below the present value of the scheme liabilities. The employer should recognise an asset to the extent that it is able to recover a surplus either through reduced contributions in the future or through refunds from the scheme. The employer should recognise a liability to the extent that it reflects its legal or constructive obligation.

FRS 17(41)

In determining any asset to be recognised the amount that can be recovered through reduced contributions in the future is the present value of the liability expected to arise from future services by current and future scheme members less the present value of future employee contributions. No growth in the number of active scheme members should be assumed but a declining membership should be reflected if appropriate.

FRS 17(42)

The amount to be recovered from refunds from the scheme should reflect only refunds that have been agreed by the pension scheme trustees at the balance sheet date.

FRS 17(14)

Assets in a defined benefit scheme should be measured at their fair value at the balance sheet date.

FRS 17(57)

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date should be recognised in the statement of total recognised gains and losses for the period.

FRS 17(75)

The cost of a defined contribution scheme is equal to the contributions payable for the accounting period and should be recognised within operating profit in the profit and loss account.

Share-based payments

FRS 20(10)

For equity-settled share-based payment transactions, the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.
If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

FRS 20(30)

For cash-settled share-based payment transactions, the entity shall measure the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the entity shall re-measure the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

FRS 20(3), UITF 44(3)

The scope of FRS 20 also applies to transfers of equity instruments of the entity's parent, or equity instruments of another entity in the same group as the entity, to parties that have supplied goods and services to the entity.

UITF 44 clarifies how to account for the following share-based payment arrangements:

- a parent grants rights to its equity instruments direct to employees of its subsidiary: the parent (not the subsidiary) has the obligation to provide the subsidiary with the equity instruments needed; and
- *a subsidiary grants rights to equity instruments of its parent to its employees: the subsidiary has the obligation to provide its employees with the equity instruments needed.*

Author's note

UITF 44 provides no guidance as to where the debit entry is made in the books of the parent company on the inter-group share-based payment transactions discussed above. For transactions where the parent grants equity instruments direct to employees of its subsidiary our view is that these are part of the cost of the investment in the subsidiary under FRS 2.

Interest-bearing loans and borrowings

FRS 4(27)

Immediately after issue, debt should be stated at the amount of the net proceeds.

Notes to the financial statements

at 30 June 2009

1. Accounting policies (continued)

Share-based payments

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions). No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the profit and loss account for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value expensed in the profit and loss account.

The group has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards so as to apply FRS 20 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2006.

For awards granted before 7 November 2002, the group recognises only the intrinsic value or cost of these potential awards as an expense. This is accrued over the performance period of each plan based on the intrinsic value of the equity settled awards.

The financial effect of awards by the parent company of options over its equity shares to the employees of subsidiary undertakings are recognised by the parent company in its individual financial statements. In particular the parent company records an increase in its investment in subsidiaries with a credit to equity equivalent to the FRS 20 cost in the subsidiary undertakings.

Cash-settled transactions

The cost of cash-settled transactions is measured at fair value using an appropriate option pricing model. Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled. During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the balance sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. Changes in the carrying amount for the liability are recognised in profit or loss for the period.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at net proceeds. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by repayments made in the period.

Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

Comments on the notes to the financial statements

Interest-bearing loans and borrowings (continued)

FRS 4(28)

The finance costs of debt should be allocated to period over the term of the debt at a constant rate on the carrying amount. All finance costs should be charged in the profit and loss account.

FRS 4(29)

The carrying amount of the debt should be increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debt in that period.

FRS 4(30)

Accrued finance costs may be included in accruals rather than in the carrying amount of the debt.

FRS 4(32)

Gains and losses on the repurchase or early settlement of debt should be recognised in the profit and loss account in the period during which the repurchase or early settlement is made.

FRS 4(73)

The term of an instrument is usually self-evident but if there is an option for early redemption, the term should be taken to end on the earliest date the option could be exercised unless there is no genuine commercial prospect that the option will be exercised.

Classification of shares as debt or equity

FRS 25(15)

The issuer of a financial instrument shall classify the instrument, or its component parts, on recognition as a financial liability, financial asset or equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, financial asset and an equity instrument.

FRS 25(18)

A preference share that provides for mandatory redemption by the issuer for a fixed or determined amount at a fixed or determinable future date, or gives the holder the right to require the issuer to redeem the instrument at or after a particular date for a fixed or determinable amount, is a financial liability.

FRS 25(28)

The issuer of a non-derivative financial instrument shall evaluate the terms of the financial instrument to determine whether it contains both a liability and a equity component. Such components shall be classified separately as financial liabilities, financial assets or equity instruments accordingly.

FRS 25(29)

An entity recognises separately the components of a financial instrument that (a) creates a financial liability of the entity and (b) grants an option to the holder of the instrument to convert it into an equity instrument of the entity. From the perspective of the entity such an instrument comprises two components, a financial liability (the contractual arrangement to deliver cash) an equity instrument (the call option).

FRS 25(32)

The issuer of a bond convertible in ordinary shares first determines the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component. The carrying amount if the fair value of the equity instrument represented by the option is then determined by deducing the fair value of the financial liability from the fair value of the component financial instrument as a whole.

FRS 25(30)

Classification of the liability and equity components of convertible instruments is not revised as a result of a change in the likelihood that a conversion option will be exercised.

Treasury shares

FRS 25(33)

If an entity reacquires its own equity instruments, those instruments ('treasury shares') shall be deducted from equity.

Notes to the financial statements

at 30 June 2009

1. Accounting policies (continued)

Classification of shares as debt or equity

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

(i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and

(ii) the instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares or is a derivative that will be settled only by the Group exchanging a fixed amount of cash or other assets for a fixed number of the Group's own equity instruments.

When shares are issued, any component that creates a financial liability of the company or group is presented as a liability in the balance sheet; measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the income statement. The initial fair value of the liability component is determined using a market rate for an equivalent liability without a conversion feature.

The remainder of the proceeds on issue is allocated to the equity component and included in shareholders' equity, net of transaction costs. The carrying amount of the equity component is not re-measured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

The group's 7% cumulative redeemable preference shares have been accounted for as such a hybrid instrument.

Treasury shares

Treasury shares held by the Employee Share Trust are classified in capital and reserves, as 'reserve for own shares' and recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost taken to the profit and loss reserve. No gain or loss is recognised on the purchase, sale issue or cancellation of equity shares.

Comments on the notes to the financial statements

Treasury shares (continued)

No gain or loss shall be recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. Such treasury shares may be held by the entity or by other members of the consolidated group. Consideration paid or received shall be recognised directly in equity.

UITF 38(10)(a)

Until such time as the company's own shares held by the ESOP trust vest unconditionally in employees, the consideration paid for the shares should be deducted in arriving at shareholders' funds.

Author's note

Shares acquired by Employee Share Ownership trust are not Treasury Shares as defined by the Companies Act. The accounting treatment does not imply that as a matter of law the shares were purchased by the company and are therefore not required to be cancelled.

Turnover and segmental analysis

s474(1), SSAP 5(8)

Turnover* must be net of trade discounts, VAT and similar taxes and derive from the provision of goods and services falling within the company's ordinary activities.

UITF 26(14)

Entities should disclose in the notes to the financial statements the total amount of barter transactions for advertising that is included in turnover. Entities are encouraged to disclose information on the volume and type of such transactions and other kinds of barter transaction (whether or not included in turnover).

SSAP 25(4)

SSAP 25 provisions apply to any entity that is:

- a public limited company or has a public limited company as a subsidiary; or
- is a banking or insurance company; or
- exceeds the criteria, multiplied in each case by 10, for defining a medium-sized company. This criteria multiplied by 10 is currently:
    - Turnover – £259m
    - Balance sheet total - £129m
    - No of employees – 2,500

A subsidiary that is not a public limited company or a banking or insurance company need not comply with SSAP 25 if its parent provides segmental information in compliance with the standard.

Author's note

Good Practice Group Limited is not required to comply with SSAP 25 as it does not exceed the criteria, multiplied by 10, for defining a medium-sized company. However, disclosures have been made on a voluntary basis.

SSAP 25(34)

Where two or more classes of business* are carried on, or two or more geographical segments* are operated in, a definition should be given of the classes of business and geographical segments*.

1 Sch 68, SSAP 25(34)

In respect of each class of business* and geographical segment* an analysis of the following should be given (with corresponding amounts):

- turnover, distinguishing between (i) turnover from external customers and (ii) intragroup turnover;
- profit or loss before taxation, minority interests, and extraordinary items; and
- net assets.

Disclose geographical turnover* by reference to its destination, as well as its origin, unless these are not materially different, in which case disclose turnover by origin and state that turnover by destination is not materially different.

SSAP 25 states that segmental analysis of profit should be based on profit before interest except in those cases where all or part of the entity's business is to earn and/or incur interest, or where interest income or expense is central to the business.

Notes to the financial statements
at 30 June 2009

2. Turnover and segmental analysis

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax.

The group operates in two principal areas of activity, that of electronics and the manufacture and installation of fire prevention equipment. The investment property segment leases offices and manufacturing sites surplus to the group's requirements and does not actively trade in the investment property market.

The group operates within two geographical markets, the United Kingdom and the United States.

The discontinued operations comprise Hose Limited, the subsidiary that manufactured rubber hosepipes.

The results of Extinguishers Limited, which was acquired on 1 November 2008, all relate to fire prevention activity. Its turnover, both by source and destination, all relates to the United Kingdom.

Turnover, group profit on ordinary activities before tax and net assets are analysed as follows:

Comments on the notes to the financial statements

Turnover and segmental analysis
(continued)

Net assets will normally be non-interest bearing operating assets less non-interest bearing operating liabilities, but to the extent that the segment result is disclosed after accounting for interest the corresponding interest-bearing assets or liabilities should also be included.

1 Sch 68(5), SSAP 25(43)

If, in the opinion of the directors, any of the disclosures above would be seriously prejudicial to the interests of the company, that information need not be disclosed. The fact that any such information has not been disclosed on these grounds must be stated.

SSAP 25(35)

When both parent and consolidated financial statements are presented, segmental information should be presented on the basis of the consolidated financial statements.

SSAP 25(36)

Where associated undertakings* account for at least 20% of the group's total result or 20% of the group's total net assets a segmental analysis by business and geographical segment* should be given of:

- the group's share of the aggregate results of associated undertakings* before taxation, minority interests and extraordinary items; and
- the group's share of aggregate net assets of associated undertakings*, including goodwill to the extent it has not been written off.

SSAP 25(36)

This is not required to be given where the information is unobtainable or if publication would be prejudicial to the business of the associate. In these circumstances the reason for the non-disclosure should be stated, together with a brief description of the omitted business or businesses.

FRS 9 appendix 2(3) states that all joint ventures* meeting the definition in FRS 9 will also qualify as associated undertakings* as defined in the Companies Act. Hence the references to associated undertakings* in SSAP 25 should be interpreted to include joint ventures*.

SSAP 25(37)

The total of the amounts disclosed by segment should agree to the related total in the financial statements. If it does not, a reconciliation should be provided between the two amounts. Reconciling items should be properly identified and explained.

FRS 3(15), FRS 6(28)

Where an acquisition, or a sale or a termination, has a material impact on a major business segment this should be disclosed and explained. Although the requirement relates to business segments only, the analysis illustrated has been extended to include this information for geographical*, as well as business*, segments since it would appear to be just as relevant to an understanding of the effect on the group's results.

SSAP 25(17), (39)

Directors should define the classes of business and geographical segments*, which should be stated in the financial statements. *In subsequent years they should re-define segments where appropriate. Where a change has been made, then the nature of the change, the reason for it and its effect should be disclosed. The previous year's figures should be restated.*

FRS 9(21), (27)

In the segmental analysis, the share of joint ventures' turnover and operating profit and the share of associates' turnover (if given) and operating profit must be clearly distinguishable from that of the group.

Notes to the financial statements

at 30 June 2009

2. Turnover and segmental analysis (continued)

Area of activity

	Electronics		Fire prevention equipment		Investment property		Total	
	2009	*2008*	*2009*	*2008*	*2009*	*2008*	*2009*	*2008*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Group turnover								
Continuing operations:								
Total sales	79,709	75,933	98,120	61,739			177,829	137,672
Inter-segment sales	(7,175)	(4,300)	-	-	-	-	(7,175)	(4,300)
Sales to third parties	72,534	71,633	98,120	61,739			170,654	133,372
Discontinued operations:								
Sales to third parties	-	-	42,196	46,628	-	-	42,196	46,628
	72,534	71,633	140,316	108,367	-	-	212,850	180,000
Turnover of Extinguishers Limited included in the above	-	-	21,979	-	-	-	21,979	-
Profit								
Segment profit:								
Continuing operations	962	2,894	11,363	7,928	193	174	12,518	10,996
Discontinued operations	-	-	(3,000)	(545)	-	-	(3,000)	(545)
	962	2,894	8,363	7,383	193	174	9,518	10,451
Common costs							(3,617)	(2,872)
Profit on ordinary activities before share of joint venture and associate profits, net interest and taxation							5,901	7,579
Share of operating profit of joint venture and associate and amortisation of associate goodwill							2,790	1,262
Net interest							(239)	(850)
Profit on ordinary activities before taxation							8,452	7,991
Operating profit of Extinguishers Limited included in the above	-	-	1,288	-	-	-	1,288	-

Notes to the financial statements
at 30 June 2009

2. Turnover and segmental analysis (continued)

Area of activity (continued)

	Electronics		Fire prevention equipment		Investment property		Total	
	2009	*2008*	*2009*	*2008*	*2009*	*2008*	*2009*	*2008*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Net assets								
Net assets by segment:								
Continuing operations	17,778	13,462	32,305	17,228	8,494	7,826	58,577	38,516
Discontinued operations	-	-	-	7,140	-	-	-	7,140
	17,778	13,462	32,305	24,368	8,494	7,826	58,577	45,656
Unallocated net liabilities							(12,949)	(9,324)
							45,628	36,332
Share of net assets of joint venture and associate							3,212	2,155
Total net assets							48,840	38,487
Net assets of Extinguishers Limited included in the above	-	-	8,519	-	-	-	8,519	-

Unallocated net liabilities comprise certain fixed assets, the preference shares, loan notes, net debt, taxation and the pension liability.

Notes to the financial statements

at 30 June 2009

2. Turnover and segmental analysis (continued)

Geographical area

	United Kingdom		*United States*			*Total*
	2009	*2008*	*2009*	*2008*	*2009*	*2008*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Group turnover						
Turnover by destination:						
Sales to third parties						
Continuing operations	129,835	96,672	40,819	36,700	170,654	133,372
Discontinued operations	42,196	46,628	-	-	42,196	46,628
	172,031	143,300	40,819	36,700	212,850	180,000
Turnover by origin:						
Continuing operations:						
Total sales	116,322	82,317	67,022	65,680	183,344	147,997
Inter-segment sales	(8,235)	(11,385)	(4,455)	(3,240)	(12,690)	(14,625)
Sales to third parties	108,087	70,932	62,567	62,440	170,654	133,372
Discontinued operations	42,196	46,628	-	-	42,196	46,628
	150,283	117,560	62,567	62,440	212,850	180,000
Turnover of Extinguishers Limited included in the above	21,979	-	-	-	21,979	-
Profit						
Segment profit:						
Continuing operations	10,231	9,351	2,287	1,645	12,518	10,996
Discontinued operations	(3,000)	(545)	-	-	(3,000)	(545)
	7,231	8,806	2,287	1,645	9,518	10,451
Common costs					(3,617)	(2,872)
Profit on ordinary activities before share of joint venture and associate profits, net interest and taxation					5,901	7,579
Share of operating profit of joint venture and associate and amortisation of goodwill					2,790	1,262
Net interest					(239)	(850)
Profit on ordinary activities before taxation					8,452	7,991
Operating profit of Extinguishers Limited included in the above	1,288	-	-	-	1,288	-

Notes to the financial statements

at 30 June 2009

2. Turnover and segmental analysis (continued)

Geographical area (continued)

	United Kingdom		*United States*			*Total*
	2009	*2008*	*2009*	*2008*	*2009*	*2008*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Net assets						
Net assets by segment:						
Continuing operations	48,184	31,664	9,951	5,984	58,135	37,648
Discontinued operations	–	7,140	–	–	–	7,140
	48,184	38,804	9,951	5,984	58,135	44,788
Unallocated net liabilities					(12,507)	(8,456)
					45,628	36,332
Share of net assets of joint venture and associate					3,212	2,155
Total net assets					48,840	38,487
Net assets of Extinguishers Limited included in the above	8,519	-	-	-	8,519	-

Unallocated net liabilities comprise certain fixed assets, the preference shares, loan notes, net debt and taxation.

Segmental analysis of joint venture and associate

	Electronics		*Fire prevention equipment*			*Total*
	2009	*2008*	*2009*	*2008*	*2009*	*2008*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Turnover	8,500	7,235	30,438	23,145	38,938	30,380
Profit before tax, including goodwill amortisation	345	240	2,335	940	2,680	1,180
Net assets	1,377	1,177	1,835	978	3,212	2,155

The group's joint venture and associate operate in the United Kingdom.

Comments on the notes to the financial statements

Cost of sales and operating expenses

FRS 3(14)

The aggregate results of each of the continuing operations, acquisitions (as a component of continuing operations) and discontinued operations should be disclosed separately for each format heading down to and including operating profit. The minimum disclosure requirement on the face of the profit and loss account is the analysis of turnover and operating profit. A similar analysis of the format headings for the comparative figures is required, although all this analysis may be relegated to the notes. Any analysis not given on the face of the profit and loss account, whether current year or comparative figures, must be in the notes to the financial statements.

FRS 6(28)

The analysis in respect of acquisitions should be given for each material acquisition and for other acquisitions in aggregate.

Group operating profit

SSAP 13(31)

Disclose the total amount of research and development charged in the profit and loss account, analysed between the current year's charge and any amounts amortised from deferred expenditure. This is only required, however, by large private companies*, banking and insurance companies and Public Limited Companies.

1 Sch formats, FRS 10(53), FRS 15(100)

Disclose the total depreciation and amortisation charge for the period either on the face of the profit and loss account (formats 2 or 4) or separately in a note to the financial statements (formats 1 or 3). This should be shown for all fixed assets, both tangible and intangible*.

FRS 15(100)

Disclose, where material, the financial effect of change during the period in either the estimate of useful economic lives or the estimate of residual value.

SSAP 21(49)-(50)

Disclose the amount of depreciation allocated for the period in respect of assets held under finance leases and hire purchase agreements included within the overall total for depreciation. Alternatively the total depreciation allocated for the period in respect of assets held under finance leases can be disclosed separately by each major class of asset.

SSAP 21(55)

Disclose operating lease rentals charged in the profit and loss account split between hire of plant and machinery and other operating leases.

SSAP 4(28)(b)

Disclose the effect of government grants on the results for the period.

SSAP 4(28)(c)

Where the results of the period are affected materially by the receipt of forms of government assistance other than grants, the nature of that assistance and, to the extent that the effects on the financial statements can be measured, an estimate of those effects should be disclosed.

Notes to the financial statements

at 30 June 2009

3. Cost of sales and operating expenses

	2009			2008		
	Continuing	*Discontinued*	*Total*	*Continuing*	*Discontinued*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Cost of sales	134,030	38,121	172,151	105,517	39,449	144,966
Distribution costs	14,449	2,387	16,836	10,134	4,196	14,330
Administrative expenses:						
Before exceptional items	12,007	2,251	14,258	9,397	3,528	12,925
Impairment of tangible fixed assets	2,200	-	2,200	-	-	-
Flood damage	655	-	655	-	-	-
Other operating income	688	-	688	650	-	650

The total figures for continuing operations in 2009 include the following amounts relating to the acquisition of Extinguishers Limited: cost of sales £17,928,000; distribution costs £1,415,000; administrative expenses £1,396,000 and other operating income £48,000.

4. Group operating profit

This is stated after charging/(crediting):		*2009*	*(restated) 2008*
		£000	£000
Research and development expenditure written off		2,140	910
Amortisation of deferred development expenditure (see note 12)		125	40
Total research and development		2,265	950
Depreciation of owned assets (see note 13)		3,082	2,302
Depreciation of assets held under finance Leases and hire purchase contracts (see note 13)		308	308
Impairment loss on fixed assets (see note 6)		2,200	-
Total depreciation charge		5,590	2,610
Amortisation of patents (see note 12)		50	10
Amortisation of goodwill (see note 12)		75	25
Provision for maintenance warranties (see note 21)		200	50
Operating lease rentals	– land and buildings	55	50
	– plant and machinery	192	130
Government grants		(1,012)	(530)
Auditors' remuneration (see note 5)		635	402

Comments on the notes to the financial statements

Group operating profit (continued)

FRS 11(14), (63)

An impairment loss should be recognised in the profit and loss account unless it arises on a previously revalued fixed asset. An impairment* loss on a revalued fixed asset should be recognised in the profit and loss account if it is caused by a clear consumption of economic benefits. Other impairments* of revalued fixed assets should be recognised in the statement of recognised gains and losses until the carrying amount of the asset reaches its depreciated historical cost and thereafter in the profit and loss account.*

1 Sch 19, FRS 15(68), FRS 11(67)

Impairment losses recognised in the profit and loss account should be included within operating profit under the appropriate heading and disclosed as an exceptional item if appropriate. These should be shown either on the face of the profit and loss account or separately in a note to the financial statements.

FRS 11(69)

If an impairment loss has been measured by reference to value in use* of a fixed asset or an income generating unit, the discount rate applied to the cash flows should be disclosed. *If a risk-free discount is used, some indication of the risk adjustments made to the cash flows should be given*.

FRS 11(66), (70)

A reversal of an impairment loss should be recognised in the profit and loss account to the extent that the original impairment loss (adjusted for subsequent depreciation) was recognised in the profit and loss account. The reasons for the reversal, including any changes in the assumptions upon which the calculation of recoverable amount is based should be disclosed.*

FRS 11(71)

Where an impairment loss would have been recognised in a previous period had the forecasts of future cash flows been more accurate but the impairment has reversed and the reversal of the loss is permitted to be recognised, the impairment loss identified and its subsequent reversal should be disclosed.

FRS 11(72)

Where, in the measurement of value in use, the period before a steady or declining long-term growth rate has been assumed extends to more than five years, the length of that longer period and the circumstances justifying it should be disclosed. This disclosure is required even if no impairment* loss is recognised.*

FRS 11(73)

Where, in the measurement of value in use, the long-term growth rate used has exceeded the long-term average growth rate for the country or countries in which the business operates, the growth rates assumed and the circumstances justifying it should be disclosed. This disclosure is required even if no impairment loss is recognised.*

Auditors' remuneration

SI 2008/489(4)

Small and medium-sized companies must disclose:

- *the amount of any remuneration (including payments in respect of expenses and benefits in kind) receivable by the company's auditor for auditing the accounts;*
- *where remuneration includes benefits-in-kind, the nature and estimated money-value of those benefits; and*
- *where more than one person has been appointed as a company's auditor in respect of the period to which the accounts relate, the remuneration of each such person.*

Notes to the financial statements
at 30 June 2009

5. Auditors' remuneration
The remuneration of the auditors is further analysed as follows:

		2009	2008
		£000	*£000*
Audit of the financial statements †		220	180
Other fees to auditors	– audit of the group pension schemes	45	40
	– local statutory audits for subsidiaries	21	19
	– taxation services	83	61
	– corporate finance services	250	90
	– other services	16	12
		415	222
		635	402

† £147,000 (2008 – £121,000) of this relates to the company.

Included in other fees to auditors is £370,000 (2008: £185,000) relating to the company.

Comments on the notes to the financial statements

Auditors' remuneration (continued)

SI 2008/489(5)-(6)

Companies which are not small or medium-sized must disclose:

- the amount of any remuneration (including expenses and benefits in kind) receivable by the company's auditor for auditing the accounts;
- any remuneration receivable by any person who was at any time during the period to which the accounts relate, an associate of the companies auditor*;
- *where remuneration includes benefits-in-kind, the nature and estimated money-value of those benefits;*
- each type of service as specified in Schedule 2 (see below); and
- *where more than one person has been appointed as a company's auditor in respect of the period to which the accounts relate, the remuneration of each such person.*

In group financial statements, the information disclosed should be in respect of the group.

Disclosure is not required of remuneration receivable for the supply of services falling within paragraph 10 of Schedule 2 supplied by a distant associate of the auditor where the total remuneration receivable for all of these services supplied by the associate does not exceed either £10,000 or 1% of the total remuneration received by the auditor in the most recent financial year which ended no later than the end of the financial year of the company to which the accounts relate.

2 Sch, SI 2008/489

For companies which are not small or medium disclose the amount of remuneration receivable by the auditors for services other than the auditing of the accounts, analysed under the following headings and separately in respect of services to the company and its subsidiaries on the one hand and to associated pension schemes on the other:

- auditing the accounts of associates of the company pursuant to legislation (including countries and territories outside the United Kingdom);
- other services supplied pursuant to such legislation;
- other services relating to taxation;
- *services relating to information technology;*
- *internal audit services;*
- *valuation and actuarial services;*
- *services relating to litigation;*
- *services relating to recruitment and remunerations;*
- services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the company and any of its associates; and
- all other services.

When a service could fall under more than one of the above headings, it shall be disclosed under the first mentioned.

SI 2008/489(6)(2)-(3)

Individual accounts of parents that are required to and do prepare group accounts and individual accounts of subsidiaries whose parent is required to and prepares group accounts and the subsidiary is included in that consolidation are not required to disclose amounts in respect of non-audit services provided the group accounts disclose this and individual accounts state that the group accounts are so required to disclose the information.

TECH 06/06(18.5-6)

If the audit fee charged in the year includes an amount carried out in the previous year by the previous auditor (if for example, the fee has been under-accrued), this amount should be disclosed separately as required by the Regulations. There is no explicit requirement for separate disclosure where there has been no change of auditors.

Author's note

TECH 06/06 provides guidance on the disclosure requirements contained in the Statutory Instrument.

Comments on the notes to the financial statements

Exceptional items

1 Sch 69(3), FRS 3(19)

Disclose the amount of each exceptional item not separately disclosed on the face of the profit and loss account, either individually or as an aggregate of items of a similar type.

An adequate description of each exceptional item should be given to enable its nature to be understood.

FRS 3(20)

Disclose an analysis of the exceptional items recognised on the face of the profit and loss account below operating profit. In particular, give (i) the underlying profits and losses making up each exceptional item and (ii) the related tax and minority interest of the exceptional items (in aggregate unless the related tax and minority interest differs for the different items, in which case the effect on individual items should be given).

FRS 3(39)

Where practicable the analysis of the exceptional items recognised below operating profit should identify, either on the face of the profit and loss account or in the notes, the amount in respect of acquisitions. The analysis of such exceptional items into continuing and discontinued operations is required to be on the face of the profit and loss account.

FRS 6(30)

Disclose any exceptional profit or loss (in accordance with FRS 3) in periods following an acquisition that is determined using the fair values recognised on acquisition, identified as relating to the acquisition.

1 Sch 69(1), FRS 18(55)(d)

State the effect of including an amount relating to the preceding financial year in the profit and loss account for the current year.*

6 Sch 20, FRS 9(21), (27)

In consolidated financial statements, the investor's share of any exceptional items included after operating profit should be shown separately from the amounts for the group.

UITF 24(10)

Where start-up costs meet the definition of exceptional items in FRS 3 they should be disclosed in accordance with that standard.

Profit/loss on disposal of previously acquired business/subsidiary undertaking

FRS 2(47), (52), FRS 10(71)

The profit or loss on the disposal of a previously acquired business should be determined by including, if material, the attributable amount of purchased goodwill where it has previously been eliminated against reserves as a matter of accounting policy and has not previously been charged in the profit and loss account. The calculation of the gain/loss on disposal or reduction of an interest in a subsidiary undertaking under FRS 2 also needs to take into account such goodwill. The caption 'profit/loss on sale of a business/subsidiary' should not be used to describe an item that does not take account of related goodwill.

FRS 10(71)

The amount of purchased goodwill attributable to the business disposed of and included in the calculation of profit or loss on disposal should be separately disclosed as a component of the profit or loss on disposal, either on the face of the profit and loss account or in a note to the financial statements.

FRS 10(71)

Where it is impractical or impossible to ascertain the goodwill attributable to a business disposed of, that was acquired before 1 January 1989, that fact and the reason should be explained.

Notes to the financial statements
at 30 June 2009

6. Exceptional items

	2009	*2009*	*2008*
	£000	*£000*	*£000*
Recognised in arriving at operating profit:			
Impairment of tangible fixed assets	2,200		-
Costs incurred in respect of flood damage	655		-
		2,855	
Recognised below operating profit:			
(Profit)/loss on disposal of land and buildings	(620)		823
(Profit)/loss on disposal of plant and machinery	(630)		27
	(1,250)		850
Loss on disposal of fixed asset investments	350		-
	(900)		850
Loss on sale of operations (including goodwill of £400,000)	2,437		-
		1,537	850
		4,392	850
Minority interests' share of (profit)/loss on disposal of plant and machinery		(32)	1

The tax effect in the profit and loss account relating to the exceptional items recognised below operating profit is:

	2009	*2008*
	£000	*£000*
Charge/(credit) on (profit)/loss on disposal of tangible fixed assets	345	(255)
Credit on loss on disposal of fixed asset investments	(120)	-
Charge on loss on disposal of operations	1,185	-
	1,410	(255)

Comments on the notes to the financial statements

Staff costs

s411

Disclose the average monthly number of persons employed under contracts of service and an analysis of this total by categories as determined by the directors (having regard to the manner in which the group's activities are organised).

Staff costs of the above employees must be analysed into their constituent parts:

- wages and salaries paid or payable in respect of that year;
- social security costs incurred by the company on their behalf; and
- other pension costs.

'Staff' normally includes the executive directors, being employees under contracts of service.

FRS 20(51)

An the entity shall disclose at least:

- the total expense recognised for the period arising from share-based payment transactions in which the goods or services received did not qualify for recognition as assets and hence were recognised immediately as an expense, including separate disclosure of that portion of the total expense that arises from transactions accounted for as equity-settled share-based payment transactions; and
- for liabilities arising from share-based payment transactions:
  - the total carrying amount at the end of the period; and
  - the total intrinsic value at the end of the period of liabilities for which the counterparty's right to cash or other assets had vested by the end of the period (eg. vested share appreciation rights).

FRS 20(52)

If the information required to be disclosed by FRS 20 does not satisfy the principles in paragraphs 44, 46 and 50 of FRS 20, the entity shall disclose such additional information as is necessary to satisfy them.

Notes to the financial statements

at 30 June 2009

7. Staff costs

(a) Staff costs

	2009	*2008*
	£000	*£000*
Wages and salaries	8,256	7,078
Social security costs	821	702
Other pension costs	1,349	1,183
Other post-retirement benefit costs (note 26)	28	5
	10,454	8,968

Included in wages and salaries is a total expense of share-based payments of £412,000 (2008: £492,000) of which £307,000 (2008: £398,000) arises from transactions accounted for as equity-settled share-based payment transactions.

Included in other pension costs are £1,229,000 (2008: £1,073,000) in respect of the defined benefit schemes and £120,000 (2008: £110,000) in respect of the defined contribution scheme.

The average monthly number of employees during the year was made up as follows:

	2009	*2008*
	No.	*No.*
Electronics	156	146
Manufacturing and installation of fire prevention equipment	359	323
Research and development	60	32
Administration	43	38
	618	539

Comments on the notes to the financial statements

Directors' remuneration

5 Sch 1(1)-(2), (7)

Disclose:

- the aggregate amount of remuneration paid or receivable by directors in respect of qualifying services;
- *for quoted and AIM companies, the aggregate amount of gains made by directors on the exercise of their share options*;
- the aggregate amount of money paid or receivable and the net value of assets (other than money and share options) received or receivable under long term incentive schemes in respect of qualifying services ('assets' does not include shares for companies not quoted and not on AIM);
- the aggregate value of company contributions paid to a pension scheme in respect of directors' qualifying services and by reference to which the rate or amount of any money purchase benefits that may become payable will be calculated; and
- for money purchase and defined benefit schemes the number of directors to whom retirement benefits are accruing.

The amounts to be disclosed include all relevant sums, whether paid by or receivable from the company, any of the company's subsidiaries or any other person.

The amounts to be disclosed include amounts paid to or receivable by a person connected with the director (a connected person*) or by a body corporate* controlled by him.

The amounts to be disclosed are sums receivable in respect of that year (whenever paid) or in the case of sums not receivable in respect of a period, the sums paid during the year.

5 Sch 1(3)

For non-quoted companies and non AIM companies disclose the number of directors who exercised share options and, the number of directors in respect of whose qualifying services shares were received or receivable under long term incentive shares.

5 Sch 7(5)

Sums paid by way of expenses allowances that are charged to UK income tax after the end of the relevant year must be shown in the first accounts where it is practicable to show them and separately disclosed.

5 Sch 9(1)

"Remuneration" includes salary, fees and bonuses, sums paid by way of expenses allowance (chargeable to UK income tax) and the estimated money value of any benefits received other than in cash but does not include the value of share options granted, or gains made on exercise of options thereon, or any company pension contributions paid or any benefits to which the director is entitled under any such scheme or any money or other assets paid or received or receivable by the director under any long term incentive scheme.

5 Sch 15(1)

"Qualifying services" means services as a director of the company and his services while director of the company, as director of any subsidiary undertakings or otherwise in connection with the management of the affairs of the company or any of its subsidiary undertakings.

5 Sch 2(1)

Where the aggregate of amounts shown under 5 Sch 1(1)(a)-(c) total £200,000 or more disclose:

- the amount of the aggregate attributable to the highest paid director; and
- *the amount of the contributions to money purchase schemes so attributable.*

5 Sch 2(2)

Where the highest paid director has performed qualifying services in the year by reference to which the amount of any defined benefits that are payable will be calculated disclose the amount of the accrued pension at the end of the year and the amount of his accrued lump sum.

Notes to the financial statements
at 30 June 2009

7. Staff costs (continued)

(b) Directors' remuneration

	2009	*2008*
	£000	*£000*
Aggregate remuneration in respect of qualifying services	448	424
Aggregate amounts receivable under long term incentive plans	50	46

	2009	*2008*
	No.	*No.*
Number of directors who received shares in respect of qualifying services	4	4
Number of directors who exercised share options	1	2
Number of directors accruing benefits under defined benefit schemes	6	6

	2009	*2008*
	£000	*£000*
In respect of the highest paid director:		
Aggregate remuneration	110	105
Accrued pension at the end of the year	39	26
Accrued lump sum at the end of the year	70	60

The highest paid director exercised share options during the year and also received shares under the group's long term incentive scheme.

During 2009, £10,000 (2008: £nil) was payable to one director as compensation for loss of office.

Comments on the notes to the financial statements

Directors' remuneration (continued)

5 Sch 13(2)

"Accrued pension" and "accrued lump sum" mean the amounts payable under the scheme on the director attaining normal age if he had left the company at the end of the financial year, there was no increase in the general level of UK prices from the end of that year to normal pension age, no commutation questions arose and any amounts attributable to voluntary contributions paid by the director to the scheme and any money purchase benefits which would be payable were disregarded.

5 Sch 2(3)

For non listed companies also disclose whether the highest paid director exercised any share options and whether any shares were received or receivable by that director under a long term incentive scheme.

5 Sch 3

Disclose the aggregate amount of retirement benefits paid to or receivable by directors under pension schemes and retirement benefits paid to or receivable by past directors under such schemes to the extent that they exceed the amount to which they were entitled to at the later of the date when the benefits first became payable or 31 March 1997.

5 Sch 4

Disclose the aggregate amount of compensation payable to directors or past directors in respect of loss of office. The nature of any compensation otherwise in cash shall be disclosed.

5 Sch 5

Disclose the aggregate amount of any compensation paid to or receivable by third parties for making available the services of any director. The nature of any compensation other than in cash shall be disclosed.

5 Sch 8

Where a liability for payments made in connection with share transfers by virtue of s219 and 222(3) are not disclosed in the financial statements on the grounds that the person receiving them is liable to account for them but the liability is afterwards wholly or partly released or not enforced this amount should be separately disclosed in the first accounts in which it is practicable.

Interest payable and similar charges

1 Sch formats, 1 Sch 66(1)

Disclose interest or similar charges in respect of (a) bank loans and overdrafts; and (b) other loans. There is no requirement to subdivide (a). This does not apply to interest due to the company from group undertakings as this is disclosed separately,

FRS 4(8), (28)

The finance cost* of debt instruments (which is the difference between the net proceeds and the total payments that the issuer may be required to make in respect of the instrument) should be allocated to periods over the term of the debt at a constant rate on the carrying amount. All finance costs* should be charged in the profit and loss account, except in the case of investment companies.

FRS 25(36)

Dividend payments on shares wholly recognised as liabilities are recognised as expenses in the same way as interest on a bond.

FRS 25(40)

Dividends classified as an expense may be presented in the income statement either with interest on other liabilities or as a separate item.

6 Sch 20, FRS 9(21), (27)

In the consolidated financial statements, the investor's share of any joint ventures or associates' interest after operating profit should be shown separately from the amounts for the group. This analysis has been given in Note 8 to the financial statements rather than on the face of the profit and loss account. Either treatment is acceptable.

Notes to the financial statements

at 30 June 2009

8. Interest payable and similar charges

	2009	*2008*
	£000	*£000*
Bank loans and overdrafts	643	641
Convertible cumulative 7% preference shares	309	295
Other loans	411	268
Finance charges payable under finance leases and hire purchase contracts	40	50
Group interest payable and similar charges	1,403	1,254
Share of joint venture's interest	100	67
Share of associate's interest	10	15
	1,513	1,336

Comments on the notes to the financial statements

Interest payable and similar charges
(continued)

FRS 4(31)

Where the amount of payments required by a debt instrument is contingent on uncertain future events such as changes in an index, those events should be taken into account in the calculation of the finance costs and the carrying amount once they have occurred.*

FRS 4(32)

Gains and losses arising on the repurchase or early settlement of debt should be disclosed in the profit and loss account in the period during which the repurchase or early settlement is made.

SSAP 21(53)

Disclose the aggregate finance charges allocated for the period in respect of finance leases and hire purchase contracts.

SSAP 20(60)

Disclose the net amount of exchange gains or losses on foreign currency borrowings less deposits charged/credited to the profit and loss account.

SSAP 20(68)

Exchange gains or losses arising from trading transactions should normally be included under 'Other operating income or expense' while those arising from arrangements which may be considered as financing should be disclosed separately as part of 'Other interest receivable/payable and similar income/expense'.

FRS 15(31)

Where a policy of capitalisation of finance costs is adopted, disclose:

- *the amount of finance costs capitalised during the period;*
- *the amount of finance costs recognised in the profit and loss account during the period; and*
- *the capitalisation rate used to determine the amount of finance costs capitalised during the period.*

FRS 12(48)

Where a provision has been discounted, the unwinding of the discount must be disclosed separately either on the face of the profit and loss account or in a note.

Other finance costs

FRS 17(56)

The net of the interest cost and the expected return on assets should be included as other finance costs (or income) adjacent to interest.

Tax

1 Sch 67(2), FRS 16(17), FRS 19(59)-(60)

The tax charge should be divided between:

(a) UK corporation tax, before and after any relief from double taxation;

(b) foreign tax;

(c) UK income tax; and

(d) deferred tax.

Amounts disclosed under (a) and (b) above should be further analysed to distinguish tax estimated for the current period and any adjustments recognised in respect of prior periods.

Amounts (a)-(c) must be stated separately for ordinary and extraordinary items.

1 Sch 67(1), FRS 3(23)

Any special circumstances affecting the overall tax charge or credit for the period or future periods should be explained and their individual effects quantified. Such disclosures should include any special circumstances affecting the tax attributable to the items specified in FRS 3(20).

FRS 16(11)

Subject to FRS 16(8)-(9), income and expenses should be included in the pre-tax results on the basis of the income or expenses actually receivable or payable. No adjustment should be made to reflect a notional amount of tax that would have been paid or relieved in respect of the transaction if it had been taxable, or allowable for tax purposes, on a different basis.

Notes to the financial statements
at 30 June 2009

9. Other finance costs

	2009	*2008*
	£000	*£000*
Expected return on pension scheme assets (see note 26)	(150)	(103)
Interest on pension scheme liabilities (see note 26)	205	212
Total other finance costs	55	109

10. Tax
(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2009	*2008*
	£000	*£000*
Current tax:		
UK corporation tax at 28% (29.5%)	3,457	2,406
Tax overprovided in previous years	(200)	(12)
	3,257	2,394
Double taxation relief	(50)	(40)
	3,207	2,354
Foreign tax	1,137	450
Group current tax	4,344	2,804
Share of joint venture's current tax	778	385
Share of associate's current tax	130	115
Total current tax (note 10(c))	5,252	3,304
Deferred tax:		
Origination and reversal of timing differences	(411)	(83)
Effect of decreased tax rate on opening liability	(9)	-
Group deferred tax (note 10(e))	(420)	(83)
Tax on profit on ordinary activities	4,832	3,221

Comments on the notes to the financial statements

Tax (continued)

FRS 16(8)

Outgoing dividends paid and proposed (or declared and not yet payable), interest and other amounts payable should be recognised at an amount that:

- includes any withholding taxes; but
- excludes any other taxes, such as attributable tax credits, not payable wholly on behalf of the recipient.

FRS 16(9)

Incoming dividends, interest or other income receivable should be recognised at an amount that:

- includes any withholding taxes; but
- excludes any other taxes, such as attributable tax credits, not payable wholly on behalf of the recipient.

FRS 16(19)

The nature and amount of transitional relief non-tax paying entities are entitled to following the removal of their right to reclaim tax credits should be separately disclosed if presented as part of the income to which it relates.

FRS 16(20)

Disclose any change in the amount of ACT regarded as recoverable which has been recognised as part of the tax expense (or income) on the fact of the profit and loss account or in a note.

FRS 19(59)

All deferred tax recognised in the profit and loss account should be included within the heading 'tax on profit or loss on ordinary activities'.

FRS 19(60)

The notes to the financial statements should disclose the amount of deferred tax charged or credited within tax on ordinary activities in the profit and loss account, separately disclosing material components, including those attributable to:

- changes in deferred tax balances (before discounting, where applicable) arising from:
  - the origination and reversal of timing differences;
  - changes in tax rates and laws;
  - adjustments to the estimated recoverable amount of deferred tax assets arising in previous periods; and
- *where applicable, changes in the amounts of discount deducted in arriving at the deferred tax balance.*

FRS 19(60)

The notes to the financial statements should disclose the amount of deferred tax charged or credited directly in the statement of total recognised gains and losses* for the period, separately disclosing material components, including those listed above.

FRS 19(64)

The notes to the financial statements should highlight circumstances that affect the current and total tax charges or credits for the current period or may affect the current and total tax charges or credits in future periods. This disclosure should include:

- a reconciliation of the current tax* charge or credit on ordinary activities for the period reported in the profit and loss account to the current tax* charge that would result from applying a relevant standard rate of tax to the profit on ordinary activities before tax. Either the monetary amounts or the rates (as a percentage of profits on ordinary activities before tax) may be reconciled. Where material, positive amounts should not be offset against negative amounts or vice versa: they should be shown as separate reconciling items. The basis on which the standard rate of tax has been determined should be disclosed;

Notes to the financial statements

at 30 June 2009

10. Tax (continued)

(b) Tax included in group statement of total recognised gains and losses

The tax charge/(credit) is made up as follows:

	2009	*2008*
	£000	*£000*
Current tax:		
UK corporation tax	34	26
Deferred tax:		
Actuarial loss on pension scheme	(167)	144
Effect of decreased tax rate on deferred tax balance	(18)	–
Total tax (credit)/charge	(151)	170

(c) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28% (2008 – 29.5%). The differences are reconciled below:

	2009	*2008*
	£000	*£000*
Profit on ordinary activities before tax	8,452	7,991
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 – 29.5%)	2,367	2,357
Expenses not deductible for tax purposes (including goodwill amortisation)	603	590
Loss on disposal of Hose Limited not allowable for tax purposes	1,087	–
Decelerated capital allowances	439	43
Indexation on capital gains	(45)	–
Pension cost charge in excess of pension cost relief	3	(26)
Losses arising in the year not relievable against current tax	867	313
Higher taxes on overseas earnings	138	69
Tax over provided in previous years	(200)	(12)
Other	(7)	(30)
Total current tax (note 10(a))	5,252	3,304

(d) Factors that may affect future tax charges

Based on current capital investment plans, the group expects to continue to be able to claim capital allowances in excess of depreciation in future years but at a slightly lower level than in the current year.

The group has tax losses arising in the UK of £2,596,000 (2008 – £1,173,000) that are available indefinitely for offset against future taxable profits of those companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the group, and they have arisen in subsidiaries that have been loss-making for some time. In addition, the group has tax losses of £1,465,000 (2008 – £nil) arising in the United States that are available for a period of 20 years, for offset against future taxable profits in Sprinklers Inc. As Sprinklers Inc. is a start-up company, these losses do not satisfy the recognition criteria for deferred tax assets in FRS 19.

Comments on the notes to the financial statements

Tax (continued)

- if assets have been revalued in the financial statements without deferred tax* having been recognised on the revaluation gain or loss, or if the market values of assets that have not been revalued have been disclosed in a note – an estimate of tax that could be payable or recoverable if the assets were sold at the values shown, the circumstances in which the tax would be payable or recoverable and an indication of the amount that may become payable or recoverable in the foreseeable future;
- if the reporting entity has sold (or entered into a binding agreement to sell) an asset but has not recognised deferred tax* on a taxable gain because the gain has been or is expected to be rolled over into replacement assets – the conditions that will have to be met to obtain the rollover relief and an estimate of the tax that would become payable if those conditions were not met;
- if a deferred tax* asset has not been recognised on the grounds that there is insufficient evidence that the asset will be recoverable – the amount that has not been recognised and the circumstances in which the asset would be recovered; and
- if any other deferred tax* has not been recognised – the nature of the amounts not recognised, the circumstances in which the tax would become payable or recoverable and an indication of the amount that may become payable or recoverable in the foreseeable future.

FRS 19, appendix 5(131)

The disclosure given for deferred tax should include the amounts of deferred tax not provided for on the unremitted earnings of subsidiaries, associates and joint ventures only to the extent that the earnings are expected to be remitted in the foreseeable future.

FRS 19(55)

With the exception of deferred tax relating to a defined benefit* asset or liability recognised in accordance with FRS 17:

- net deferred tax liabilities should be classified as provisions for liabilities and charges; and
- net deferred tax assets should be classified as debtors, as a separate subheading of debtors where material.

FRS 19(58)

Deferred tax liabilities and assets should be disclosed separately on the face of the balance sheet if the amounts are so material in the context of the total net current assets or net assets that, in the absence of such disclosure, readers may misinterpret the financial statements.*

1 Sch 60, FRS 19(61)

The financial statements should disclose:

- the total deferred tax balance (before discounting, where applicable), showing the amount recognised for each significant type of timing difference separately;
- *the impact of discounting on, and the discounted amount of, the deferred tax balance; and*
- the movement between the opening and closing net deferred tax balance, analysing separately:

– the amount charged or credited in the profit and loss account for the period;

– the amount charged or credited directly in the statement of total recognised gains and losses* for the period; and

– movements arising from the acquisition or disposal of businesses.

Notes to the financial statements

at 30 June 2009

10. Tax (continued)

(d) Factors that may affect future tax charges (continued)

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. After taking into account indexation allowances accrued from the date of acquisition to the balance sheet date, the total amount unprovided for is £1,471,000 (2008 – £1,633,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

The group's overseas tax rates are higher than those in the UK primarily because the profits earned in Wireworks Inc. are taxed at a rate of 35% (2008 – 37%). The group expects a reduction in future tax rates following a recent announcement that the rate of tax applicable to Wireworks Inc. is to reduce to 33%.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries, associates and joint ventures, as the group has no liability to additional taxation should such amounts be remitted due to the availability of double taxation relief.

The market value of the group's listed investments is in excess of their book values as disclosed in note 14; if they were sold at this value there would be a liability to tax, after taking into account indexation allowances accrued from the date of acquisition to the balance sheet date, of £243,000 (2008 – £150,000) on the capital gain arising from the sale.

(e) Deferred tax

Group

The deferred tax included in the balance sheet is as follows:

	2009	*2008*
	£000	*£000*
Included in debtors (note 16)	311	–
Included in provisions for liabilities (note 21)	(1,261)	(869)
Included in defined benefit pension liability (note 26)	177	372
	(773)	(497)
Accelerated capital allowances	(1,514)	(1,017)
Share-based payment	253	148
Tax losses carried forward	311	–
Pension costs	177	372
Provision for deferred tax	(773)	(497)

	£000
At 1 July 2008 including deferred tax on defined benefit pension liability	(497)
Deferred tax credit in group profit and loss account (note 10(a))	420
Exchange adjustment	(42)
Acquisition of subsidiary undertaking	(603)
Disposal of subsidiary undertaking	134
Amount credited to statement on total recognised gains and losses	(185)
At 30 June 2009 including deferred tax on defined benefit pension liability	(773)

Comments on the notes to the financial statements

Tax (continued)

FRS 19(62)

The financial statements should disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition if:

- the recoverability of the deferred tax asset is dependent on future taxable profits in excess of those arising from the reversal of deferred tax liabilities; and
- the reporting entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

Profit attributable to members of the parent company

s408(4)

Disclose the profit or loss for the financial year* of the parent company where the exemption to omit the parent's profit and loss account from the financial statements is taken.

Notes to the financial statements

at 30 June 2009

10. **Tax** (continued)

(e) Deferred tax (continued)

The balance of deferred tax for tax losses carried forward in 2009 relates to capital losses arising in Extinguishers Limited, recoverability of which is dependent on future capital gains in excess of those arising from the reversal of deferred tax liabilities. The capital losses to which the deferred tax asset relates arose on the disposal of plant and machinery following the closure of one of the operating sites. Negotiations are at an advanced stage for the disposal of the land from this site, and it is anticipated that such disposal will generate a capital gain significantly in excess of the loss arising in the current year, and against which this loss can be relieved.

Parent Company

The deferred tax included in the balance sheet is as follows:

	2009	*2008*
	£000	*£000*
Included in provisions for liabilities (note 21)	(41)	(460)
Included in defined benefit pension liability (note 26)	112	239
	71	(221)

Share-based payment	233	148
Accelerated capital allowances	(274)	(608)
Pension costs	112	239
Provision for deferred tax	71	(221)

	£000
At 1 July 2008 including deferred tax on defined benefit pension liability	(221)
Deferred tax credit in profit and loss account	372
Amount credited to statement of total recognised gains and losses	(80)
At 30 June 2009 including deferred tax on defined benefit pension liability	71

11. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company is £3,113,000 (2008 – £5,728,000).

Comments on the notes to the financial statements

Fixed assets (intangible, tangible and investments)

1 Sch 51(1), FRS 10(53), FRS 15(62), (100), SSAP 13(32)

Disclose separately for each class of asset the amounts for cost/valuation and depreciation at the beginning and end of the year and the movements i.e. aggregate additions, disposals, revaluations, impairments* and transfers. The disclosures should be given for each class of tangible fixed assets adopted by an entity for revaluation purposes.

1 Sch 51, FRS 28(11)(a)

An entity is not required to show corresponding amounts for details of additions, disposals, revaluations, transfers and cumulative depreciation of fixed assets.

FRS 10(53), FRS 15(100)

Disclose for each class of asset the net carrying amount at the beginning and end of the year.

1 Sch 19(2)

Provision must be made for any fixed asset* which has diminished in value if the reduction is expected to be permanent. If the provision is not shown on the face of the profit and loss account, it must be disclosed by way of a note.

FRS 11(68)

In accounting periods after an impairment has been recognised, the impairment* loss should be treated as follows:*

- *for assets held on a historical cost basis, the impairment* loss should be included within cumulative depreciation: the cost of the asset should not be reduced;*
- *for revalued assets held at a market value (e.g. existing use value or open market value), the impairment* loss should be included within the revalued carrying amount; and*
- *for revalued assets held at depreciated replacement cost, an impairment* loss charged to the profit and loss account should be included within cumulative depreciation: the carrying amount of the asset should not be reduced;*
  an impairment loss charged to the statement of total recognised gains and losses* should be deducted from the carrying amount of the asset.*

Comments on the notes to the financial statements

Intangible fixed assets

s610(2), 1 Sch 3(2), FRS 25(37)

Preliminary expenses, expenses of and commission on share or debenture issues and costs of research may not be shown as assets. When, on issuing shares, a company has transferred a sum to the share premium account it may use that sum to write off the expenses of the issue of those shares or any commission paid on the issue of those shares. FRS 25 requires that transaction costs of an equity instrument are accounted for as a deduction from equity only to the extent that they are incremental costs. The costs of an equity transaction that are abandoned are recognised as an expense.

1 Sch formats, note 3, FRS 10(7)-(8), (45)

Positive goodwill should be capitalised and classified as an asset on the balance sheet to the extent that it was acquired for valuable consideration. Internally generated goodwill should not be capitalised. Goodwill should not be revalued, either to increase the carrying value above original cost or to reverse prior period losses arising from impairment* or amortisation.

FRS 10(9)-(10), (13)-(14)

An intangible asset* purchased separately from a business should be capitalised at its cost. An intangible asset* acquired as part of the acquisition of a business should be capitalised separately from goodwill if its value can be measured reliably on initial recognition. It should initially be recorded at its fair value, subject to the constraint that, unless the asset has a readily ascertainable market value*, the fair value should be limited to an amount that does not create or increase any negative goodwill arising on the acquisition. If its value cannot be measured reliably, an intangible asset* purchased as part of the acquisition of a business should be subsumed within the amount of the purchase price attributed to goodwill. An internally developed intangible asset* may be capitalised only if it has a readily ascertainable market value*.

1 Sch 22(4), FRS 10(55)

The method and period of amortisation of goodwill and intangible assets* should be disclosed and the reasons for choosing that period.

Notes to the financial statements
at 30 June 2009

12. Intangible fixed assets

	Development expenditure *£000*	*Patents* *£000*	*Goodwill* *£000*	*Total* *£000*
Cost:				
At 1 July 2008	1,010	500	250	1,760
Increase during the year	575	-	-	575
Acquisition of subsidiary undertaking	-	-	1,500	1,500
At 30 June 2009	1,585	500	1,750	3,835
Amortisation:				
At 1 July 2008	40	10	25	75
Provided during the year	125	50	75	250
At 30 June 2009	165	60	100	325
Net book value at 30 June 2009	1,420	440	1,650	3,510
Net book value at 1 July 2008	970	490	225	1,685

Goodwill is being amortised as follows:

- goodwill arising on the acquisition of Bright Sparks Limited is being amortised evenly over the directors' estimate of its useful economic life of 10 years; and
- goodwill arising on the acquisition of Extinguishers Limited is being amortised evenly over its presumed useful economic life of 20 years.

Patents are being amortised evenly over their useful economic lives of 10 years.

Comments on the notes to the financial statements

Intangible fixed assets (continued)

FRS 10(58)

Where goodwill or an intangible asset is amortised over a period that exceeds 20 years from the date of acquisition or is not amortised, the grounds for rebutting the 20-year presumption should be given. This should be a reasoned explanation based on the specific factors contributing to the durability of the acquired business or intangible asset*.*

FRS 10(56)-(57)

Where an amortisation period is shortened or extended following a review of the remaining useful economic life of goodwill, the reason and the effect, if material, should be disclosed in the year of change. Where there has been a change in the amortisation method used, the reason and the effect, if material, should be disclosed in the year of change.

FRS 10(63)-(64)

The period in which the negative goodwill is being written back in the profit and loss account should be disclosed. Where negative goodwill exceeds the fair values of the non-monetary assets, the amount and source of the 'excess' negative goodwill and the period in which it is being written back should be explained.

FRS 10(61)-(62)

Where a class of intangible assets has been revalued, the financial statements should disclose:*

- *the year in which the assets were valued, the values and the bases of valuation; and*
- *the original cost (or original fair value) of the assets and the amount of any provision for amortisation that would have been recognised if the assets had been valued at their original cost or fair value.*

Where any asset has been revalued during the year, the name and qualifications of the person who valued it should be disclosed.

FRS 10(70)

Where goodwill that was previously eliminated against reserves is reinstated on implementation of the FRS:

- *any impairment* that is attributed to prior periods must be determined on the basis of impairment* reviews performed in accordance with the FRS on impairment* of fixed assets and goodwill;*
- *the notes to the financial statements should disclose the original cost of the goodwill and the amounts attributed to prior period amortisation and, separately, prior period impairment*; and*
- *it is not necessary to identify separately intangible assets* that are subsumed within the goodwill.*

Comments on the notes to the financial statements

Tangible fixed assets

FRS 15(82)

A change in depreciation method (e.g. from reducing balance to straight line, or in depreciation rate) should be accounted for by depreciating the carrying amount using the revised method over the remaining useful economic life, beginning in the period in which the change is made. It does not constitute a change in accounting policy. Disclose the effect in year of change, if material and give the reason for the change.

FRS 7 requires that fixed asset additions arising on the acquisition of a subsidiary undertaking accounted for using the acquisition method of accounting should be recorded at their fair value to the group. This means that the brought forward depreciation in the books of the acquired subsidiary is not brought in to the consolidated financial statements. Disclosure should be of the fair value of the assets shown under 'Cost or valuation' only.

1 Sch 27(3)

Disclose any capitalised interest included in the production cost of any asset and the fact that the interest has been capitalised.*

1 Sch 53, 10 Sch 7

Distinguish between freeholds, long leaseholds (over 50 years unexpired) and short leaseholds.

SSAP 19(11)-(12)

Investment properties, which are held for their investment potential, should be included in the balance sheet at their open market value. The names of valuers or their qualifications and the basis of valuation should be disclosed, and if the valuation was undertaken by an officer or employee of the company or group which owns the property this must also be stated.

SSAP 19(15)

The carrying value of investment properties and the investment revaluation reserve should be displayed prominently in the financial statements.

SSAP 19(10)

Investment properties should not be depreciated unless the properties are held on lease, in which case they should be depreciated at least over the last 20 years of the lease term.

FRS 18(62)-(65)

The non-provision of depreciation is a departure from the statutory requirement to depreciate all fixed assets* to enable the financial statements to give a true and fair view. The law requires that details of the departure, the effect and the reasons for it should be disclosed. FRS 18 stipulates how the statutory disclosure requirement is to be interpreted and where the disclosure shall be located.

1 Sch 34, 52, FRS 15(62), (74)

For each class of revalued assets, other than investment properties, disclose:

- *the name and qualifications of the valuer(s) or the valuer's organisation and a description of its nature;*
- *the basis or bases of valuation (including whether notional directly attributable acquisition costs have been included or expected selling costs deducted);*
- *the date and amounts of the valuation;*
- *where historical cost records are available, the carrying amount that would have been included in the financial statements had the tangible fixed assets been carried at historical cost less depreciation;*
- *whether the person(s) carrying out the valuation is (are) internal or external to the entity;*
- *where the directors are not aware of any material change in value and therefore the valuation(s) have not been updated, as described in FRS 15(45), (46), (50), a statement to the effect; and*
- *where the valuation has not been updated, or is not a full valuation, the date of the last full valuation.*

Notes to the financial statements

at 30 June 2009

13. Tangible fixed assets

Group	*Land and buildings £000*	*(restated) Plant and machinery £000*	*(restated) Total £000*
Cost or valuation:			
At 1 July 2008	20,405	19,850	40,255
Exchange adjustment	50	775	825
Additions	2,723	10,092	12,815
Acquisition of subsidiary undertaking	2,897	4,145	7,042
Deficit on revaluation	(350)	-	(350)
Disposals	(3,625)	(7,250)	(10,875)
Disposal of subsidiary undertaking	(3,108)	(2,701)	(5,809)
At 30 June 2009	18,992	24,911	43,903
Depreciation:			
At 1 July 2008	1,675	8,525	10,200
Exchange adjustment	4	546	550
Provided during the year	425	2,965	3,390
Impairment loss	-	2,200	2,200
Disposals	(904)	(2,396)	(3,300)
Disposal of subsidiary undertaking	(217)	(521)	(738)
At 30 June 2009	983	11,319	12,302
Net book value at 30 June 2009	18,009	13,592	31,601
Net book value at 1 July 2008	18,730	11,325	30,055

Parent Company	*Land and buildings £000*	*Plant and machinery £000*	*Total £000*
Cost or valuation:			
At 1 July 2008	8,304	9,450	17,754
Additions	2,275	3,475	5,750
Deficit on revaluation	(154)	-	(154)
Disposals	(625)	(4,000)	(4,625)
At 30 June 2009	9,800	8,925	18,725
Depreciation:			
At 1 July 2008	500	3,150	3,650
Provided during the year	250	835	1,085
Impairment loss	-	2,200	2,200
Disposals	-	(2,050)	(2,050)
At 30 June 2009	750	4,135	4,885
Net book value at 30 June 2009	9,050	4,790	13,840
Net book value at 1 July 2008	7,804	6,300	14,104

Comments on the notes to the financial statements

Tangible fixed assets (continued)

In addition, for revalued properties, other than investment properties:

- *where properties have been valued as fully-equipped operational entities having regard to their trading potential, a statement to that effect and the carrying amount of those properties; and*
- *the total amount of notional directly attributable acquisition costs (or the total amount of expected selling costs deducted), included in the carrying amount, where material.*

FRS 15(75)

Other professional bodies may require disclosures in the financial statements in addition to the above disclosures. For example, the RICS requires confirmation in a published document containing a reference to a valuation report that the valuation has been made in accordance with the RICS Appraisal and Valuation Manual or a (named) alternative pursuant to Practice Statement 1.2.2, or the extent of and reason(s) for departure therefrom.

1 Sch 34(2), 52

For assets shown at valuation, disclose the years, amounts of valuation, the items affected and the basis of valuation. If made during the current year, also disclose the names or the qualifications of valuers, and basis of valuation.

1 Sch 34(3)-(4)

For each balance sheet category containing revalued assets, give comparable amounts under the historical cost convention or the differences between those comparable amounts and the revalued amounts. ‘Comparable amounts’ covers aggregate cost and aggregate depreciation.

FRS 15(61)

In those rare cases where it is impossible to obtain a reliable valuation of an asset held outside the UK or Republic of Ireland and the asset is excluded from the class of assets for the purposes of revaluations, the carrying amount of the tangible fixed asset and the fact that it has not been revalued must be stated.

SSAP 21(49)-(50)

The illustration opposite assumes that only plant and machinery has been acquired under finance leases and hire purchase agreements.

The standard requires the gross amounts of assets held under finance leases and/or hire purchase contracts together with the related accumulated depreciation to be disclosed separately for each major class of asset.

Alternatively, SSAP 21(50) allows disclosure to be included with owned fixed assets such that the cost and accumulated depreciation of assets held under finance leases and/or hire purchase contracts within each category is not disclosed. In such instances the net amounts included in the overall total should be disclosed separately. It is the former method which is illustrated.

FRS 11(69)

If an impairment loss is measured by reference to value in use the discount rate applied to the cash flows should be disclosed. *If a risk-free discount rate is used, some indication of the risk adjustments made to the cash flows should be given.*

FRS 11(72)

Where in the measurement of value in use, the period before a steady or declining long term growth rate has been assumed extends to more than five years, disclose the length of the longer period and the circumstances justifying it.

FRS 11(73)

Where, in the measurement of value in use, the long term growth rate used has exceeded the long-term average growth rate for the country/countries in which the business operates, the financial statements should disclose the growth rate assumed and the circumstances justifying it.

Notes to the financial statements

at 30 June 2009

13. Tangible fixed assets (continued)

In accordance with FRS 11 'Impairment of Fixed Assets and Goodwill' the carrying values of the UK based assets in the electronics segment at 30 June 2009, have been compared to their recoverable amounts, represented by their value in use to the group.

The value in use has been derived from discounted cash flow projections using a nominal discount rate of 12.1% (2008 - 11.8%) on a pre-tax basis. A long-term growth rate consistent with the average UK industry growth rate has been assumed for five years, followed by a steady growth rate.

The net book value of land and buildings comprises:

		Group		*Parent company*
	2009	*2008*	*2009*	*2008*
	£000	*£000*	*£000*	*£000*
Investment properties at valuation:				
Long leasehold	7,091	7,003	4,184	3,900
Other properties at cost:				
Long leasehold	7,210	3,328	3,986	2,936
Short leasehold	1,318	968	880	968
Freehold	2,390	7,431	-	-
	18,009	18,730	9,050	7,804

The long leasehold investment properties were valued by Chartered Surveyors & Co. as at 30 June 2009, on the basis of open market value in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. The historical cost of investment properties included at valuation is as follows:

	Group	*Parent company*
	£000	*£000*
At 30 June 2009	2,052	1,419
At 1 July 2008	1,379	746

Included in the amounts for plant and machinery above are the following amounts relating to leased assets and assets acquired under hire purchase contracts:

	Group and Parent company
	£000
Cost:	
At 1 July 2008 and 30 June 2009	2,102
Depreciation:	
At 1 July 2008	872
Depreciation provided during the year	308
At 30 June 2009	1,180
Net book value:	
At 30 June 2009	922
At 1 July 2008	1,230

Comments on the notes to the financial statements

Investments

6 Sch 21, FRS 9(21), (29), (31)

The consolidated balance sheet should include, as fixed asset investments, the investor's share of the net assets of its joint ventures* and its associates* shown as separate items. Goodwill arising on the investor's acquisition of its joint ventures* and associates*, less any amortisation or write-down, should be included in the carrying amount for the joint ventures* and associates* but should be disclosed separately. Such goodwill should be treated in accordance with the provisions of FRS 10.

FRS 9(38)

Where there has been an impairment in any goodwill attributable to a joint venture* or associate*, the goodwill should be written down. The amount written off in the accounting period should be separately disclosed.*

FRS 9(56)

A note should explain why the facts of any particular case rebut either the presumption that an investor holding 20 per cent or more of the voting rights of another entity exercises significant influence over the operating and financial policies of that entity or the presumption that an investor holding 20 per cent or more of the shares of another entity has a participating interest.*

1 Sch 22(4)

Where acquired goodwill is included in the balance sheet as an asset, the period chosen for writing off that goodwill and the reasons for choosing that period shall be disclosed.

FRS 9(57)

Additional disclosures are required if certain thresholds are exceeded (see below). These thresholds are applied by comparing the investor's share for either its associates in aggregate or its joint ventures in aggregate or its individual associates or joint ventures with the corresponding amounts for the investor group (excluding any amount included under the equity or gross equity method for associates or joint ventures). If any of the relevant amounts for the investor's share exceed the specified proportion of the same amounts for the investor group then the threshold has been exceeded. The amounts are:

- gross assets;
- gross liabilities;
- turnover;
- operating results (on a three-year average)

FRS 9(58)(a)

Where the aggregate of the investor's share in its associates exceeds a 15 per cent threshold with respect to the investor group, a note should give the aggregate of the investor's share in its associates of the following:

- *turnover (unless it is already included as a memorandum item);*
- *fixed assets;*
- *current assets;*
- *liabilities due within one year; and*
- *liabilities due after one year or more.*

Notes to the financial statements

at 30 June 2009

14. Investments

Group

	2009	*2008*
	£000	*£000*
Joint venture (a)	1,835	978
Associate (b)	1,377	1,177
Other fixed asset investments (c)	1,266	1,276
	4,478	3,431

(a) Joint venture

	£000
At 1 July 2008	978
Share of profit retained by joint venture	857
At 30 June 2009	1,835

Additional disclosures are given in respect of Showers Limited, which exceeds certain 25% thresholds under FRS 9 'Associates and Joint Ventures', as follows:

	2009	*2008*
	£000	*£000*
Fixed assets	1,482	1,225
Current assets	1,404	210
Share of gross assets	2,886	1,435
Liabilities due within one year	501	7
Liabilities due after more than one year	550	450
Share of gross liabilities	1,051	457
Share of net assets	1,835	978

	2009	*2008*
	£000	*£000*
Turnover	30,438	23,145
Profit before tax	2,335	940
Taxation	778	385
Profit after tax	1,557	555

Comments on the notes to the financial statements

Investments (continued)

FRS 9(58)(b)

Where the aggregate of the investor's share in its joint ventures exceeds a 15 per cent threshold with respect to the investor group, a note should give the aggregate of the investor's share in its joint ventures* of the following:*

- *fixed assets;*
- *current assets;*
- *liabilities due within one year; and*
- *liabilities due after one year or more.*

FRS 9(58)(c)

Where the investor's share in any individual associate or joint venture* exceeds a 25 per cent threshold with respect to the investor group, a note should name that associate or joint venture* and give its share of each of the following:

- turnover;
- profit before tax;
- taxation;
- profit after tax;
- fixed assets;
- current assets;
- liabilities due within one year; and
- liabilities due after one year or more.

If that individual associate or joint venture* accounts for nearly all of the amounts included for that class of investment, only the aggregate, not the individual, information need be given, provided that this is explained and the associate* or joint venture* identified.*

In addition to the disclosures in (a)-(c) above, further analysis should be given where this is necessary to understand the nature of the total amounts disclosed. In deciding into which balance sheet headings the amounts should be analysed, regard should be had to the nature of the businesses and, therefore, which are the most relevant and descriptive balance sheet amounts to disclose. It may be important to give an indication of the size and maturity profile of the liabilities held.

FRS 9(54)

If there are significant statutory, contractual or exchange control restrictions on the ability of an associate or joint venture* to distribute its reserves (other than those shown as non-distributable), the extent of the restrictions should be indicated.*

FRS 9(53)

Any notes relating to the financial statements of associates and joint ventures*, or matters that should have been noted had the investor's accounting policies been applied, that are material to understanding the effect on the investor of its investments should be disclosed, in particular noting the investor's share in contingent liabilities* incurred jointly with other venturers or investors and its share of the capital commitments of the associates* and joint ventures* themselves.*

1 Sch Formats, 6 Sch 20, FRS 9(55)

Shares in subsidiary undertakings*, associated undertakings* and other participating interests* should be distinguished from loans to these undertakings. For the purposes of this example it has been assumed there are no participating interests* other than those which are associates* and joint ventures*.

Notes to the financial statements
at 30 June 2009

14. Investments (continued)
(b) Associate

	Share of net tangible assets £000	*Goodwill £000*	*Total £000*
At 1 July 2008	897	280	1,177
Share of total recognised gains and losses retained by the associate	270	-	270
Amortisation of goodwill	-	(70)	(70)
At 30 June 2009	1,167	210	1,377

Goodwill is being amortised over the directors' estimate of its useful economic life of six years.

Comments on the notes to the financial statements

Investments (continued)

1 Sch 54

Investments (whether fixed or current assets) should be split between listed and unlisted investments. Investments in companies traded on the Alternative Investment Market are not 'listed'.

Give the market value of listed investments and if the stock exchange value is less than the market value disclose both.

1 Sch 57

If the company has any financial fixed assets which could be held at fair value but are valued in excess of their fair value and no provision for diminution has been made, disclose:

- *amount at which these assets or groups of assets are valued in the balance sheet;*
- *fair value of those assets or groups of assets; and*
- *reasons and evidence for not making a provision for diminution.*

1 Sch 28(3)

Where investments have been valued as 'fungible' assets the difference (where material) between that amount and either the replacement cost or the most recent actual purchase price before the balance sheet date should be disclosed.*

4 Sch 7

Where a company or group is a member of a "qualifying undertaking" (a qualifying partnership or an unlimited company each of whose members is a limited company, or another unlimited company each of whose members is a limited company or a Scottish partnership), specified disclosures must be given.

1 Sch 32(3)

Where fixed asset investments are carried at a value which appears to the directors to be appropriate (directors' valuation), details of the method of valuation adopted and the reasons for adopting it should be disclosed.

Notes to the financial statements

at 30 June 2009

14. Investments (continued)

(c) Other fixed asset investments

	Listed *£000*	*Unlisted* *£000*	*Total* *£000*
Cost:			
At 1 July 2008	-	2,101	2,101
Additions	465	-	465
Disposals	-	(475)	(475)
At 30 June 2009	465	1,626	2,091
Amounts provided:			
At 1 July 2008 and 30 June 2009	-	825	825
Net book value at 30 June 2009	465	801	1,266
Net book value at 1 July 2008	-	1,276	1,276

The market value of the listed investments at 30 June 2009 is £560,000 (2008 – £Nil).

Notes to the financial statements

at 200930 June 2009

14. Investments (continued)

Parent Company

	Subsidiary undertakings	*Joint ventures and associates*	*Other investments*	*Total*
	£000	£000	£000	£000
Cost:				
At 1 July 2008	6,420	675	2,101	9,196
Exchange adjustment	130	-	-	130
Additions	10,980	-	-	10,980
Disposals	(2,670)	-	(475)	(3,145)
At 30 June 2009	14,860	675	1,626	17,161
Amounts provided:				
At 1 July 2008 and 30 June 2009	-	-	825	825
Net book value at 30 June 2009	14,860	675	801	16,336
Net book value at 1 July 2008	6,420	675	1,276	8,371

Other investments are not listed.

Comments on the notes to the financial statements

Investments (continued)

4 Sch 1, 3, 17, FRS 2(33)

For all subsidiary undertakings* held by the parent company and the group (shown separately if different) at the end of the year disclose:

- the name of the undertaking;
- the country of incorporation if it is outside the UK;
- if unincorporated, the address of its principal place of business;
- the no, description, and amount (proportion) of shares in the company held by or on behalf of subsidiary undertakings; and
- for consolidated financial statements an indication of the nature of its business for each subsidiary materially affecting the consolidated financial statements.

4 Sch 2, 12

For all subsidiary undertakings not included in the consolidated accounts disclose:*

- *the aggregate amount of its capital and reserves as at the end of its relevant financial year; and*
- *its profit or loss for that year.*

If a subsidiary undertaking's financial year does not end on the same date as the parent then that date must be disclosed.

The information is not required if not material or if the company is exempt by virtue of s400 or s401 (parent company included in accounts of a larger group) or if the company's investment in the subsidiary is included by way of the equity method of accounting.

The information is also not required if the subsidiary is not required to deliver a copy of its balance sheet for its relevant financial year and does not otherwise publish it and the company's holding is less than 50% of the nominal value of the shares in the undertaking.

4 Sch 19, FRS 9(52)

For all associated undertakings* (including joint ventures not accounted for by proportional consolidation under 4 Sch 18 above) included in the consolidated accounts disclose:

- the name of the undertaking;
- the country of incorporation if it is outside the UK;
- if unincorporated the address of the principal place of business;
- the identity of each class of shares held and the proportion of each class of shares held by the parent company and the group; and
- an indication of the nature of its business.

4 Sch 4-5, 20

For all "significant holdings" (more than 20% of the nominal value of any class of shares or if the carrying amount of holding in the company's individual or group accounts exceeds one-fifth of the company's or group's assets) which are not subsidiaries, joint ventures or associates at the end of the financial year for undertakings which are not subsidiaries, disclose:

- *the name of the undertaking;*
- *the country of incorporation, if outside UK;*
- *if unincorporated, the address of its principal place of business; and*
- *the identity of each class of shares in the undertaking held and the proportion of the nominal value of the shares of that class represented by those shares.*

Notes to the financial statements

at 30 June 2009

14. Investments (continued)

Details of the investments in which the group and the parent company (unless indicated) holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Holding	Proportion of voting rights and shares held	Nature of Business
Subsidiary undertakings			
Extinguishers Limited	Ordinary shares	100%	Fire prevention equipment
Bright Sparks Limited	Ordinary shares Preference shares	95% 45% ‡	Electronics
Wireworks Inc. ϕ	Common stock	98%	Electronics
Sprinklers Inc. ϕ	Common stock	100%	Fire prevention equipment
Lightbulbs Limited	Ordinary shares	100%	Investment property

‡ Held by a subsidiary undertaking.
ϕ Incorporated in the United States.

Joint venture			
Showers Limited	Ordinary shares	50%	Fire prevention equipment
Associate			
Power Works Limited	Ordinary shares	25% ‡	Electronics

‡ 7% held by a subsidiary undertaking.

Comments on the notes to the financial statements

Investments (continued)

4 Sch 6, 20

For all significant holdings which are not subsidiaries, joint ventures or associated undertakings held by the company or group disclose:

- *the aggregate amount of its capital and reserves as at the end of its relevant financial year; and*
- *its profit or loss for that year.*

The information is also not required if not material or if the subsidiary undertaking is not required to deliver a copy of its balance sheet for its relevant financial year and does not otherwise publish it and the company's holding is less than 50% of the nominal value of the shares in the undertaking.

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When the number of bodies is such that the directors are of the opinion that compliance would result in information of excessive length, the information need only be given in respect of those undertakings whose results or financial position principally affected the financial statements and of those subsidiary undertakings excluded from consolidation under s405(3) (undertakings excluded on grounds other than materiality). If advantage is taken of this exemption, disclosure of that fact must be made and the full information (both that included in the notes to the accounts and that excluded) must be annexed to the company's next annual return.*

s409(3)-(5)

The information required by 4 Sch about related undertakings need not be given if disclosure of an investment in an undertaking incorporated, or carrying on business, outside the UK would be seriously prejudicial and the Secretary of State agrees that the information need not be disclosed. The fact that advantage has been taken of the exemption must be stated.

6 Sch 20(2)

Loans to and from, investments in, and income from participating interests not accounted for as subsidiary*, associated* or joint venture undertakings to be separately disclosed.*

4 Sch 12, FRS 2(44)

If the financial years of any subsidiary undertakings* are not coterminous with that of the parent company, disclose:*

- *names of the subsidiary undertakings*;*
- *the date on which the subsidiary's last financial year ended (the last before the end of the parent's financial year);*
- *directors' reasons for using a different date; and*
- *length of accounting period, if different from that of the company.*

6 Sch 2

If the financial year of a subsidiary undertaking is not coterminous with that of the parent company the group accounts must be made up:

- *from the accounts of the subsidiary undertaking for its last financial year ending before the end of the parent's financial year provided that year ended no more than 3 months before that of the parent company; or*
- *from interim accounts prepared by the subsidiary undertaking as at the end of the parent's financial year.*

Comments on the notes to the financial statements

Investments (continued)

6 Sch 13(1)-(2), FRS 2(45), FRS 6(21)

Group financial statements should contain the following information in respect of all business combinations in the period:

- the names of the combining entities;
- whether the combination has been accounted for as an acquisition or a merger; and
- the date of the business combination.

FRS 6(23)

The information required by FRS 6(24)-(35) should be given for each material acquisition and, with the exception of FRS 6(35), for other acquisitions in aggregate.

6 Sch 13(3), FRS 6(24)

The composition and fair value of the consideration given should be disclosed. *For material combinations accounted for as acquisitions disclose the nature of any deferred or contingent purchase consideration, including, for contingent consideration, the range of possible outcomes and the principal factors which affect the outcome.*

6 Sch 13(4), FRS 6(25)

Where the acquisition method of accounting is used, the identifiable assets and liabilities of the undertaking acquired must be included in the consolidated accounts at fair value. The entity should also give a table showing the book values as recorded in the acquired entity's books immediately before the acquisition and before any acquisition adjustments and the fair values at the date of acquisition of each major class of asset and liability acquired, showing the fair value adjustments and analysing these adjustments between:

- revaluations;
- adjustments to achieve consistency of accounting policies; and
- any other significant adjustments.
- The reasons for the adjustments should be disclosed.

6 Sch 13(4), FRS 6(25)

The table should include a statement of the amount of purchased goodwill or negative goodwill arising on acquisition.

FRS 6(26)

In the table above, identify separately provisions for reorganisation and restructuring costs that are included in the liabilities of the acquired entity, and related asset write-downs, made in the twelve months up to the date of acquisition.

FRS 6(27)

Where the fair values of the identifiable assets or liabilities, or the purchase consideration, can be determined only on a provisional basis at the end of the accounting period in which the acquisition took place, state so and give reasons. Any subsequent material adjustments to such provisional fair values, with corresponding adjustments to goodwill, should be disclosed and explained.

6 Sch 16

The information required by 6 Sch 13 may be omitted in respect of a subsidiary undertaking which is established under the law of a country outside the UK or which carries on business outside the UK if, in the opinion of the directors, disclosure would be seriously prejudicial and the Secretary of State agrees.

Notes to the financial statements

at 30 June 2009

14. Investments (continued)

On 1 November 2008 the group acquired Extinguishers Limited for a consideration of £8,750,000 satisfied by the issue of 2,500,000 ordinary shares of £1 at £3.50 each. The investment in Extinguishers Limited has been included in the company's balance sheet at its fair value at the date of acquisition.

Analysis of the acquisition of Extinguishers Limited:

Net assets at date of acquisition:

	Book value	*Revaluation adjustments*		*Fair value to group*
	£000	*£000*		*£000*
Tangible fixed assets	5,684	1,358	(a)	7,042
Stocks	3,504	540	(b)	4,044
Debtors (including deferred taxation of £300,000)	2,170	(134)	(c)	2,036
Cash	230	–		230
Creditors due within one year	(4,299)	–		(4,299)
Provisions for maintenance warranties	(300)	(100)	(d)	(400)
Deferred taxation	(645)	(258)	(e)	(903)
Net assets	6,344	1,406		7,750
Goodwill arising on acquisition				1,500
				9,250
Discharged by:				
Fair value of shares issued (note 22)				8,750
Costs associated with the acquisition				500
				9,250

Adjustments:

(a) increase in value of long leasehold properties since last revaluation in 1997 and increase in value of plant and machinery to its depreciated replacement cost

(b) increase in value of stock to its fair value

(c) write-down of debtors following reassessment of specific bad debts provision

(d) reassessment of the provision for maintenance warranties on Extinguishers Limited's products

(e) deferred tax asset arising on fair value adjustments to debtors and provision for maintenance warranties and reassessment of the likelihood of recoverability of deferred tax assets.

Comments on the notes to the financial statements

Investments (continued)

FRS 2(49)

Where an undertaking becomes a subsidiary undertaking other than as a result of a purchase or exchange of shares, explain the circumstances.

FRS 6(31)

Disclose in the periods following the acquisition the costs incurred in those periods in reorganising, restructuring and integrating the acquisition.

Such costs are those that:

- *would not have been incurred had the acquisition not taken place; and*
- *relate to a project identified and controlled by management as part of a reorganisation or integration programme set up at the time of acquisition or as a direct consequence of an immediate post-acquisition review.*

FRS 6(35)

For a material acquisition, the profit after tax and minority interests of the acquired entity should be given for:

- *the period from the beginning of the acquired entity's financial year* to the date of acquisition;*
- *the date on which this period began; and*
- *its previous financial year*.*

FRS 1(45)

Material effects on amounts reported under each of the standard headings reflecting the cash flows of a subsidiary undertaking* acquired or disposed of in the period should be disclosed, as far as practicable.

Notes to the financial statements
at 30 June 2009

14. Investments (continued)

Extinguishers Limited contributed £470,000 to the group's net operating cash flows, paid £85,000 in respect of net returns on investments and servicing of finance, paid £160,000 in respect of taxation and utilised £225,000 for capital expenditure and financial investment.

Comments on the notes to the financial statements

Investments (continued)

FRS 6(36)

For a substantial acquisition, disclose:

- the summarised profit and loss account and statement of total recognised gains and losses of the acquired entity for the period from the beginning of its financial year* to the date of acquisition on the basis of the acquired entity's accounting policies prior to the acquisition;
- the date on which this period began; and
- the profit after tax and minority interests for its previous financial year*.

The summarised profit and loss account above should show as a minimum:

- turnover;
- operating profit;
- those exceptional items falling within FRS 3(20);
- profit before taxation;
- taxation and minority interests; and
- extraordinary items.

FRS 6(37), UITF 15(5)

An acquisition is substantial for non listed companies where, either:

(i) the net assets or operating profits of the acquired entity exceed 15% of those of the acquiring company; or

(ii) the fair value of the consideration given exceeds 15% of the net assets of the acquiring company.

For the purposes of (i) above, net assets and profits should be those shown in the financial statements for the last financial year before the date of the acquisition. Net assets should be augmented by any purchased goodwill eliminated against reserves as a matter of accounting policy and not charged in the profit and loss account.

In other exceptional cases the acquisition is of such significance that the disclosure is necessary in order to give a true and fair view.

Notes to the financial statements

at 30 June 2009

14. Investments (continued)

Extinguishers Limited earned a profit after tax of £1,140,000 in the year ended 30 June 2009 (2008 – £974,000), of which £230,000 arose in the period from 1 July 2008 to 1 November 2008. The summarised profit and loss account for the period from 1 July 2008 to the effective date of acquisition is as follows:

	£000
Turnover	7,258
Operating profit	398
Loss on fixed asset disposals	(61)
Profit before tax	337
Taxation	(107)
Profit for the four months ended 30 October 2008	230

There were no recognised gains and losses in the four months ended 30 October 2008 other than the profit of £230,000 above.

Comments on the notes to the financial statements

Investments (continued)

6 Sch 15, FRS 2(46)-(48), FRS 10(54), (71)

In respect of each disposal of a previously acquired subsidiary undertaking* or group which significantly affects the figures shown in the group financial statements disclose:

- its name;
- profit or loss on disposal, showing separately the amount of attributable purchased goodwill. In those cases where it is not possible to ascertain, or make a reasonable apportionment of, the amount, disclose this fact and the reasons therefore;
- its contribution to group profit or loss; and
- any ownership interest retained.

FRS 1(45)

A note to the cash flow statement should show a summary of the effects of acquisitions and disposals of subsidiary undertakings indicating how much of the consideration comprised cash. Material effects on amounts reported under each of the standard headings reflecting the cash flows of a subsidiary undertaking acquired or disposed of in the period should be disclosed, as far as practicable.

FRS 2(48)

Where any material undertaking has ceased to be a subsidiary undertaking other than by the disposal of at least part of the interest of the group, explain the circumstances.

6 Sch 16

The information required by 6 Sch 15 may be omitted in respect of a subsidiary undertaking incorporated, or carrying on business, outside the UK if, in the opinion of the directors, disclosure would be seriously prejudicial and the Secretary of State agrees.

Stocks

1 Sch formats, SSAP 9(27)

Show separate amounts for all significant stock categories.

1 Sch 27(3)

Disclose the amount of any capitalised interest included in the production cost of any asset and the fact that the interest on capital borrowed to finance the production of that asset, to the extent that it accrues in respect of the period of production, has been capitalised.*

1 Sch 28(3)

Disclose the difference, if material, for each category of stock, between carrying value and replacement cost. The most recent purchase price* or production cost* may be used but only if it constitutes, in the directors' opinion, a more appropriate standard of comparison than replacement cost. This need not be given if the stock is stated at actual cost.

FRS 5-A11

Where consignment stock is recognised on the balance sheet, explain:

- *the nature of the arrangement;*
- *the amount of consignment stock included in the balance sheet; and*
- *the main terms under which it is held, including the terms of any deposit.*

FRS 5-A12

Where consignment stock is not included on the balance sheet until the transfer of title has crystallised, explain:

- *the nature of the arrangement;*
- *the amount of consignment stock held at the year end; and*
- *the main terms under which it is held, including the terms of any deposit.*

Notes to the financial statements
at 30 June 2009

14. Investments (continued)

On 31 May 2009, the group completed the sale of Hose Limited. The disposal is analysed as follows:

	£000
Net assets disposed of:	
Fixed assets	5,071
Stocks	3,315
Debtors	1,916
Bank overdraft	(2,117)
Other creditors	(1,959)
Deferred taxation	(134)
Goodwill	400
	6,492
Loss on disposal (including goodwill of £400,000)	(2,437)
	4,055
Satisfied by:	
Loan notes	4,000
Cash	55
	4,055

The profit attributable to members of the parent company includes losses of £1,934,000 incurred by Hose Limited up to its date of disposal on 31 May 2009.

During the year, Hose Limited utilised £1,193,000 of the group's net operating cash flows, paid £96,000 in respect of net returns on investments and servicing of finance, and utilised £487,000 for capital expenditure and financial investment.

15. Stocks

		Group		Parent company
	2009	*2008*	*2009*	*2008*
	£000	*£000*	*£000*	*£000*
Raw materials and consumables	7,265	6,375	3,155	2,300
Work in progress	10,840	8,425	4,715	3,125
Finished goods and goods for resale	7,720	5,300	3,750	1,700
	25,825	20,100	11,620	7,125

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Comments on the notes to the financial statements

Long-term contracts

SSAP 9(25), (30)(c)

The amount of cost incurred in long-term contracts net of amounts transferred to cost of sales, after deducting foreseeable losses and payments on account not matched with turnover, should be classified as 'long-term contract balances' and separately disclosed within stocks, giving an analysis of (i) net cost less foreseeable losses and (ii) applicable payments on account. Payments on account include all sums received and receivable at the accounting date in respect of contracts in progress.

SSAP 9(30)(a)

The amount by which turnover exceeds payments on account should be classified as 'amounts recoverable on contracts' and separately disclosed within debtors.

SSAP 9(30)(b)

If there is a balance of payments on account, in excess of (i) amounts matched with turnover, and (ii) offset against long-term contract balances, this should be classified as payments on account and separately disclosed within creditors.

SSAP 9(30)(d)

If the provision for foreseeable losses exceeds costs incurred (after transfers to cost of sales) it should be included within either provisions for liabilities and charges or creditors as appropriate.

Debtors

SSAP 9(30)(a)

In respect of long-term contracts, the amount by which turnover exceeds payments on account should be classified as 'amounts recoverable on contracts' and separately disclosed within debtors.

1 Sch formats note 5

For each item included under debtors, disclose the amount falling due after more than one year.

1 Sch formats

Where applicable, disclose separately amounts shown in the company's balance sheet due from group undertakings*.

6 Sch 20, FRS 9(55)

The amounts owing and owed between an investor and its associates* or its joint ventures* should be analysed into amounts relating to loans and amounts relating to trading balances. This disclosure may be combined with those required by FRS 8.

FRS 17(75)

Disclose any prepaid contributions to defined contribution pension schemes at the balance sheet date.

1 Sch 64(2)

Where any outstanding loans made under s682(2)(b)-(d) (various cases of financial assistance by a company for purchase of its own shares) in connection with employees or employee share schemes are included in any item shown in the company's balance sheet, the aggregate amount of those loans should be disclosed for each item in question.

Notes to the financial statements
at 30 June 2009

16. Debtors

	Group		*Parent company*	
	2009	*2008*	*2009*	*2008*
	£000	*£000*	*£000*	*£000*
Loan notes	4,000	-	4,000	-
Trade debtors	13,920	10,402	3,745	4,027
Amounts owed by group undertakings	-	-	6,900	6,350
Amounts owed by associates	230	145	-	-
Other debtors	1,449	980	373	950
Prepayments and accrued income	222	110	-	-
Deferred tax	311	-	-	-
	20,132	11,637	15,018	11,327

Amounts falling due after more than one year included above are:

	Group		*Parent company*	
	2009	*2008*	*2009*	*2008*
	£000	*£000*	*£000*	*£000*
Loan notes	2,000	-	2,000	-
Amounts owed by group undertakings	-	-	6,900	6,350
Included in other debtors:				
other	1,000	855	-	-
	3,000	855	8,900	6,350

Comments on the notes to the financial statements

Factored debts and loan transfers

FRS 5-C19, FRS 5-E23

Where the conditions for a linked presentation are met, disclose:

- *the main terms of the arrangement;*
- *the gross amount of factored debts or loans transferred outstanding at the balance sheet date;*
- *for factored debts, the factoring charges recognised in the period, analysed as appropriate (e.g. between interest and other charges); and for loan transfers, the profit or loss recognised in the period, analysed as appropriate;*
- *that the company is not obliged to support any losses, nor does it intend to do so; and*
- *that the provider of the finance has agreed in writing (in the finance documentation or otherwise) that it will seek repayment of the finance, as to both principal and interest, only to the extent that sufficient funds are generated by the specific item it has funded and that it will not seek recourse in any other form.*

FRS 5-C20, FRS 5-E24

Where a separate presentation is appropriate, disclose the amount of factored debts outstanding at the balance sheet date or the amount of loans subject to loan transfer arrangements that are outstanding at the balance sheet date.

Creditors

1 Sch formats note 13

Show separately amounts due within one year and amounts due in more than one year.

1 Sch 60

The amounts of any provisions for taxation other than deferred taxation should be shown separately.

1 Sch 61(4)

For each item shown under 'Creditors' in the balance sheet also disclose the aggregate amount of secured liabilities and give an indication of the nature of the securities.

SSAP 9(30)(b)

If there is a balance of payments on account, in excess of (i) amounts matched with turnover, and (ii) offset against long-term contract balances, this should be classified as payments on account and separately disclosed within creditors.

1 Sch formats

Where applicable, disclose separately amounts shown in the company's balance sheet due to group undertakings.*

6 Sch 20, FRS 9(55)

The amounts owing and owed between an investor and its associates* or its joint ventures* should be analysed into amounts relating to loans and amounts relating to trading balances. This disclosure may be combined with those required by FRS 8.

FRS 17(75)(c)

Disclose any outstanding amounts in respect of defined contribution schemes at the balance sheet date.

Creditors: amounts falling due within one year

1 Sch formats note 9

The amount for creditors in respect of taxation and social security costs* must be shown separately from the amounts for other creditors.

FRS 17(47)

Any unpaid contributions to a defined benefit pension scheme should be presented as a creditor due within one year.

Notes to the financial statements

at 30 June 2009

17. Creditors: amounts falling due within one year

	Group		Parent company	
	2009	*2008*	*2009*	*2008*
	£000	*£000*	*£000*	*£000*
Current instalments due on loans	1,491	498	1,491	498
Bank overdraft	760	3,770	-	-
Obligations under finance leases and hire purchase contracts (see note 20)	179	370	179	370
Trade creditors	12,766	12,581	4,195	1,520
Amounts owed to joint ventures	30	12	-	-
Corporation tax	4,750	2,829	1,310	2,164
Other taxes and social security costs	150	420	60	95
Other creditors	2,275	2,219	1,675	1,925
Accruals	1,204	1,107	652	851
	23,605	23,806	9,562	7,423

The bank overdraft is secured by a floating charge over certain of the group's assets.

Outstanding amounts in respect of the defined contribution scheme payable at the balance sheet date were £10,000 (2008: £8,000).

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

	Group		Parent company	
	2009	*2008*	*2009*	*2008*
	£000	*£000*	*£000*	*£000*
Loans (see note 19)	11,691	8,402	9,216	8,402
Liability component of convertible preference shares	2,830	2,696	2,830	2,696
Obligations under finance leases and hire purchase contracts (see note 20)	983	1,162	983	1,162
Cash-settled share-based payment (see note 27)	299	194	299	194
	15,803	12,454	13,328	12,454

Comments on the notes to the financial statements

Convertible cumulative redeemable preference shares

1 Sch formats, Note 7

The amount of any convertible loan shall be shown separately.

FRS 25(15)

The issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

FRS 25(20), FRS 25(18)

When a preference share provides for mandatory redemption by the issuer for a fixed or determinable amount at a fixed or determinable future date, or gives the holder the right to require the issuer to redeem the share at or after a particular date for a fixed or determinable amount, the instrument meets the definition of a financial liability and is classified as such. A preference share that does not establish such a contractual obligation explicitly may establish an obligation through its terms and conditions. For example:

- a financial liability may contain a non-financial obligation that must be settled if, and only if, the entity fails to make distributions or to redeem the instrument. If the entity can avoid a transfer of cash or another financial asset only be settling the non-financial obligations, the financial instrument is a financial liability;
- a financial instrument is a financial liability if it provides that on settlement the entity will deliver either:

(i) cash or another financial asset; or

(ii) its own shares whose value is determined to exceed substantially the value of the cash or other financial asset;

- Although the entity does not have an explicit contractual obligation to deliver cash or another financial asset, the value of the share settlement alternative is such that the entity will settle in cash. In any event, the holder has in substance been guaranteed receipt of an amount that is at least equal to the cash settlement option.

1 Sch 47(2)

In the case of any part of the allotted share capital that consists of redeemable shares disclose:

- the earliest and latest dates on which the company has power to redeem those shares;
- whether those shares must be redeemed in any event or are liable to be redeemed at the option of the company or of the shareholder; and
- whether any (and, if so, what) premium is payable upon redemption.

1 Sch 49(1)

With respect to any contingent right to the allotment of shares in the company (ie, any option to subscribe for shares and any other right to require the allotment of shares to any person whether arising on the conversion into shares of securities of any other description or otherwise) the following particulars shall be given:

- the number, description and amount of the shares in relation to which the right is exercisable:
- the period during which it is exercisable; and
- the price to be paid for the shares allotted.

Notes to the financial statements

at 30 June 2009

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

Convertible cumulative preference shares

At 30 June 2009 and 2008, there were 2,500,000 of convertible cumulative redeemable preference shares in issue. Each share has a nominal value of £1 and is convertible at the option of the company or the holder at 1 September 2010 on the basis of one ordinary share for every three preference shares held. The preference shares are redeemable at the option of the shareholder for a price of £1.20 per share on 1 September 2010. Any preference shares not converted will be redeemed on 30 June 2014 at a price of £1.20 per share. The preference shares carry a dividend of 7 % per annum, payable half yearly in arrears on 30 June and 31 December. When the preference shares were issued, the prevailing market interest rate for similar shares without conversion options was higher than the interest rate at which the preference shares were issued. The dividend rights are cumulative.

Comments on the notes to the financial statements

Loans

FRS 4(29)-(30)

The carrying amount of debt should be increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debt in that period. Accrued finance costs may be included in accruals rather than in the carrying amount of the debt to the extent that the finance costs have accrued in one accounting period and will be paid in cash in the next.

1 Sch 61(1)

In respect of the aggregate of all items shown under creditors in the balance sheet disclose the aggregate of the following amounts:

(a) the amount of any debts included under creditors which are payable or repayable otherwise than by instalments and fall due for payment or repayment after the end of the period of five years beginning with the day next following the end of the financial year; and

(b) for debts which are payable or repayable by instalments, the amount of any which fall due for payment after the end of that period.

10 Sch 9

A loan or advance (or an instalment thereof) is treated as falling due for repayment on the earliest date on which the lender could require repayment or payment if he exercised all options and rights available to him.

1 Sch 61(2)-(3)

Repayment terms and rates of interest must be given for each debt wholly or partly repayable later than five years from the balance sheet date. Where, in the opinion of the directors, a statement would be of excessive length, only a general indication of the repayment terms and rates of interest is required.

1 Sch 61(4)

For each item shown under creditors, also disclose the aggregate amount of secured liabilities and give an indication of the nature of the securities.

1 Sch 50(1)

Where debentures have been issued during the year, disclose:

- *the classes of debenture issued; and*
- *the amount of each class of debenture issued and the consideration received.*

1 Sch 50(2)

The nominal amount and book value of any of the company's debentures held by a nominee of, or trustee for, the company should be disclosed.

Notes to the financial statements

at 30 June 2009

19. Loans

Loans repayable, included within creditors, are analysed as follows:

	Group		*Parent company*	
	2009	*2008*	*2009*	*2008*
	£000	*£000*	*£000*	*£000*
Wholly repayable within five years	3,973	4,453	3,973	4,453
Not wholly repayable within five years	9,209	4,447	6,734	4,447
	13,182	8,900	10,707	8,900

Details of loans not wholly repayable within five years are as follows:

	Group		*Parent company*	
	2009	*2008*	*2009*	*2008*
	£000	*£000*	*£000*	*£000*
8.25% secured loan of US$3,600,000 repayable on 30 November 2015	2,305	-	2,305	-
2% above LIBOR secured loan repayable on 31 January 2016	2,500	-	-	-
	4,805	-	2,305	-
8% debentures repayable in annual instalments of £450,000 commencing 1 July 2011	4,500	4,500	4,500	4,500
	9,305	4,500	6,805	4,500
Less: issue costs	96	53	71	53
	9,209	4,447	6,734	4,447

The long-term loans are secured by fixed charges over various of the group's properties. Company and group loans wholly repayable within five years include £1,500,000 (2008 – £1,500,000) secured by a floating charge over the company's assets.

Comments on the notes to the financial statements

Obligations under leases and hire purchase contracts

SSAP 21(51)

Obligations related to finance leases and hire purchase contracts should be disclosed separately from other liabilities. Show the total of the minimum lease/hire purchase payments outstanding net of finance charges allocated to future periods.

SSAP 21(52)

Net obligations under finance leases and hire purchase agreements should be analysed between amounts payable:

- within one year;
- in two to five years inclusive; and
- in more than five years from the balance sheet date.

An alternative to analysing the net obligations is to analyse the gross obligations with future finance charges being separately deducted from the total. This is the disclosure illustrated opposite.

Where obligations under finance leases and hire purchase agreements are combined with other obligations then the analysis may be given of the combined total.

FRS 4(21)

Leases are outside the scope of FRS 4. Accordingly the analyses of debt required by FRS 4 do not encompass finance lease obligations.

SSAP 21(56)

Give an analysis of the payments which the company is committed to make during the next year under non-cancellable operating leases, analysed between those in respect of land and buildings and others, showing separately amounts payable in respect of leases expiring in the next year, in the second to fifth years inclusive and thereafter.

Provisions for liabilities

1 Sch 59

Disclose each provision included with “Other provisions” if material.

Disclose the amount of each of the provisions at the beginning and end of the year and the movements during the year and the source or application of the movements.

FRS 12(89)

For each class of provision, recognised in accordance with FRS 12, an entity should disclose:

- the carrying amount at the beginning and end of the period;
- additional provisions made in the period, including increases to existing provisions;
- amounts used (i.e. incurred and charged against the provision) during the period;
- unused amounts reversed during the period; and
- the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate.

FRS 28(11)(b)

Comparative information is not required.

Notes to the financial statements

at 30 June 2009

20. Obligations under leases and hire purchase contracts

Amounts due under finance leases and hire purchase contracts:

Group and Parent company	*2009*	*2008*
	£000	*£000*
Amounts payable:		
Within one year	210	410
In two to five years	1,034	1,244
	1,244	1,654
less: finance charges allocated to future periods	82	122
	1,162	1,532

Annual commitments under non-cancellable operating leases are as follows:

Group		*Land and buildings*		*Other*
	2009	*2008*	*2009*	*2008*
	£000	*£000*	*£000*	*£000*
Operating leases which expire:				
Within one year	-	-	50	30
In two to five years	-	-	100	75
In over five years	60	50	40	70
	60	50	190	175
Parent company				
Operating leases which expire:				
Within one year	-	-	20	15
In two to five years	-	-	90	45
In over five years	60	50	10	40
	60	50	120	100

21. Provisions for liabilities

Group	*Provision for maintenance warranties*	*National Insurance on share options*	*Deferred tax*	*Total*
	£000	*£000*	*£000*	*£000*
At 1 July 2008	60	4	869	933
Exchange adjustment	-	-	42	42
Acquisition of subsidiary undertaking	400	-	903	1,303
Disposal of subsidiary undertaking	-	-	(134)	(134)
Arising during the year	200	4	(419)	(215)
Utilised	(219)	-	-	(219)
At 30 June 2009	441	8	1,261	1,710

Comments on the notes to the financial statements

Provisions for liabilities (continued)

FRS 12(90)

For each class of provision, recognised in accordance with FRS 12, disclose:

- a brief description of the nature of the obligation, and the expected timing of any resulting transfers of economic benefits;
- an indication of the uncertainties about the amount or timing of economic benefits. Where necessary to provide adequate information, the major assumptions made concerning future events should be disclosed; and
- the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

UITF 25(7)

In the case of a provision for National Insurance contributions on share options, disclosure of the share price and of the effect of a significant movement in that price may be necessary to provide a full understanding of the uncertainties about the amount or timing of the eventual transfer of economic benefits and the major assumptions made concerning future events.

FRS 12(97)

In extremely rare cases, where the disclosure can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the provision, the information need not be disclosed unless its disclosure is required by law. In such cases, the general nature of the dispute together with the fact that, and the reason why, the information has not been disclosed, should be given.

1 Sch 59(2), FRS 6(32)

Disclose movements on provisions or accruals for costs related to an acquisition, analysed between the amounts used for the specific purpose for which they were created and the amounts released unused.

1 Sch 60

The amount of any provision for deferred taxation shall be stated separately from any provision for other taxation.

SSAP 9(30)(d)

The amount by which the provision or accrual for foreseeable losses exceeds the costs incurred (after transfers to cost of sales) should be included within either provisions for liabilities and charges or creditors as appropriate.

Notes to the financial statements

at 30 June 2009

21. Provisions for liabilities (continued)

Parent company

	National Insurance on share options £000	*Deferred tax £000*	*Total £000*
At 1 July 2008	4	460	464
Arising during the year	4	(419)	(415)
At 30 June 2009	8	41	49

Maintenance warranties

A provision is recognised for expected warranty claims on products sold during the last 2 years. It is expected that most of these costs will be incurred in the next financial year and all will have been incurred within two years of the balance sheet date.

National Insurance contributions on share options

Provision has been made for National Insurance contributions on share options awarded under unapproved share option schemes, which are expected to be exercised. The provision has been calculated based on the difference between the year end share price of £4.43 and the weighted average exercise price of outstanding shares of £3.33 and is being allocated over the period from the date of award to the date the employee will become unconditionally entitled to the options.

Comments on the notes to the financial statements

Allotted and issued share capital

1 Sch 47(1)

In respect of the company's share capital disclose:

- the number and aggregate nominal value of each class of shares allotted; and
- *where shares are held as treasury shares, the number and aggregate nominal value of the treasury shares and, where shares of more than one class have been allotted, the number and aggregate nominal value of the shares of each class held as treasury shares*.

s724

Treasury shares are shares purchased under Part 18 of the Companies Act out of distributable profits which are "qualifying shares" (included in the official list, traded on AIM, officially listed in an EEA state or traded on a regulated market).

1 Sch formats, note 12

The amount of allotted share capital and the amount of called up share capital which has been paid up should be shown separately.

1 Sch 48

For all shares allotted during the year give, class by class, the classes of shares, the number allotted, the aggregate nominal value and the consideration received.

1 Sch 49

For any contingent right to the allotment of shares in the company disclose:

- the number, description and amount of the shares in relation to which the right is exercisable;
- the period during which it is exercisable; and
- the price to be paid for the shares allotted.

The 'contingent right to the allotment of shares' means any option to subscribe for shares and any other right to require the allotment of shares to any person whether arising on the conversion into shares or securities of any other description or otherwise.

4 Sch 3

Give the number, description and amount of shares in, or debentures of, the company held or owned beneficially by its subsidiary undertakings or their nominees*.

1 Sch 47(2)

For redeemable shares disclose:

- the earliest and latest dates on which the company has power to redeem those shares;
- whether those shares must be redeemed in any event or are liable to be redeemed at the option of the company or of the shareholder; and
- whether any (and, if so, what) premium is payable on redemption.

Notes to the financial statements

at 30 June 2009

22. Allotted and issued share capital

Group and Parent company
Allotted, called-up and fully paid

	2009	*2008*
	£000	*£000*
Ordinary shares of £1 each	12,075	10,000
7% convertible cumulative redeemable preference shares of £1 each (classified as a liability under FRS 25)	2,500	2,500
	14,575	12,500

On 15 July 2008, 75,000 ordinary shares with aggregate nominal value of £75,000, were allotted for cash at £2.33 each on the exercise of share options.

On 1 November 2008, 2,500,000 ordinary shares with aggregate nominal value of £2,500,000, were issued at £3.50 each in exchange for the issued share capital of Extinguishers Limited (note 14).

On 8 December 2008, 500,000 ordinary shares with an aggregate nominal value of £500,000 were purchased by the company, and subsequently cancelled. The shareholders approved a resolution at the AGM to purchase these shares. The ordinary shares were acquired for a consideration of £1,800,000, at an average price of £3.40 per share. The consideration includes stamp duty and commission of £100,000. The ordinary shares acquired represented 4% of the called-up ordinary share capital immediately prior to the acquisition. These shares were acquired in order to buy back the shares of a minority shareholder in the company.

The 7% convertible cumulative redeemable preference shares, which were issued at par on 1 July 2001, are convertible at the option of the company or the shareholder into ordinary shares on 1 September 2010 on the basis of one ordinary share for every three preference shares. They are redeemable at the option of the shareholder on 1 September 2010 at £1.20 per share. Any preference shares not converted are redeemable at £1.20 per share on 30 June 2014.

The preference shares carry a dividend of 7% per annum, payable half-yearly in arrears on 30 June and 31 December. The dividend rights are cumulative.

The preference shares carry no votes at meetings unless the dividend thereon is six months or more in arrears or the company fails to redeem the shares on the redemption date or the business of the meeting includes a resolution for the winding up of the company or reducing its share capital, in which event each holder will be entitled to one vote on a show of hands or one vote per share on a poll.

On a winding up of the company the preference shareholders have a right to receive, in preference to payments to ordinary shareholders, £1 per share plus any accrued dividend.

Comments on the notes to the financial statements

Dividends and other appropriations

1 Sch 43(b)-(c)

Disclose:

- the aggregate amount of dividends paid in the financial year (other than those for which a liability existed at the immediately preceding balance sheet date); and
- the aggregate amount of dividends that the company is liable to pay at the balance sheet date.

FRS 21(12)

Dividends declared to holders of equity instruments after the balance sheet date shall not be recognised as a liability at the balance sheet date.

1 Sch 43(d), FRS 21(13)

Dividends declared (ie appropriately authorised and no longer at the discretion of the entity) after the balance sheet date but before the financial statements are authorised for issue are not a liability at the balance sheet date but are disclosed in the notes to the financial statements.

UITF 38(10)(f)

Any dividend income arising on own shares should be deducted from the aggregate of dividends paid and proposed. The deduction should be disclosed if material.

1 Sch 62

Disclose the amount and period for which each class of fixed cumulative dividend is in arrears.

s837(4)

See the comments on results and dividends in the directors' report (page 6) if the audit report is qualified.

Author's note

The presentation illustrated assumes that the company's articles require a final dividend to be approved by the shareholders in general meeting. The determination of the point at which an equity dividend becomes a legal liability is discussed in TECH 01/09.

Notes to the financial statements
at 30 June 2009

23. Dividends and other appropriations

	2009	2008
	£000	£000
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2007: 5.55p	-	537
Interim for 2008: 6.55p	-	633
Final for 2008: 6.55p	633	-
Interim for 2009: 6.56p	798	-
	1,431	1,170
Proposed for approval by shareholders at the AGM:		
Final dividend for 2009: 8.79p (2008: 6.55p)	1,061	633

Subject to approval by shareholders at the AGM the proposed dividend will be paid on 10 October 2009 and will be accounted for as an appropriation of retained earnings in the year ended 30 June 2010.

The dividends paid on the preference shares of £175,000 (2008: £175,000) are included within interest payable and similar charges.

Comments on the notes to the financial statements

Reserves

1 Sch 59, FRS 28(11)(b)

Disclose movements in all reserves and the opening and closing balances. Corresponding amounts are not required.

SSAP 19(15)

Show investment property revaluation reserve separately.

SSAP 20(60)

Disclose the net movement on reserves arising from exchange differences.

Disclose the net amount of exchange gains and losses on foreign currency borrowings less deposits, identifying separately: (i) the amount offset in reserves under the provisions of SSAP 20(51), (57), (58); and *(ii) the net amount charged/credited to the profit and loss account*.

UITF 19(9)

The tax charges and credits taken to reserves because the associated borrowings have been used to finance, or provide a hedge against, foreign equity investments should be disclosed.

6 Sch 14, FRS 10(71)

Disclose the cumulative amount of goodwill written off in relation to acquisitions in previous years to reserves, net of goodwill relating to disposals prior to the balance sheet date.

6 Sch 16

The information required by 6 Sch 14 may be omitted in respect of a subsidiary undertaking incorporated, or carrying on business, outside the UK if, in the opinion of the directors, disclosure would be seriously prejudicial and the Secretary of State agrees.*

FRS 10(69)

Where all goodwill previously eliminated against reserves is not reinstated on implementation of FRS 10, the goodwill remaining eliminated against reserves should comprise one of the following:

- goodwill relating to acquisitions made before 23 December 1989 where the necessary information is unavailable or cannot be obtained without unreasonable expense or delay; or
- all goodwill eliminated before the implementation of FRS 7; or
- all goodwill previously eliminated.

FRS 10(71)

The eliminated goodwill should not be shown as a debit balance on a separate goodwill write-off reserve but should be offset against the profit and loss account or another appropriate reserve. The amount by which the reserve has been reduced by the elimination of goodwill (or increased by the addition of negative goodwill) should not be shown separately on the face of the balance sheet.

UITF 38(11)

Sufficient information should be disclosed in the financial statements of the sponsoring company to enable readers to understand the significance of the ESOP trust in the context of the sponsoring company. This should include:

- a description of the main features of the ESOP trust including the arrangements for distributing shares to employees;
- the amounts of reductions to shareholders' funds and the number and (for companies that have shares listed or publicly traded on a stock exchange or market) market value of shares held by the ESOP trust which have not yet vested unconditionally in employees; and
- the extent to which these shares are under option to employees, or have been conditionally gifted to them.

Notes to the financial statements

at 30 June 2009

24. Reserves

Group	*Share premium account* *£000*	*Re valuation reserve* *£000*	*Capital redemption reserve* *£000*	*Reserves for own shares* *£000*	*Equity component of convertible preference shares* *£000*	*Merger Reserve* *£000*	*Profit and loss account* *£000*
At 1 July 2008	500	5,624	-	(774)	200	-	22,815
Profit for the year	-	-	-	-	-	-	3,382
Exchange differences on retranslation of net assets of subsidiary undertakings	-	-	-	-	-	-	445
Exchange difference on loan	-	-	-	-	-	-	(179)
Tax on exchange difference on loan	-	-	-	-	-	-	34
Deficit on revaluation of investment properties	-	(350)	-	-	-	-	-
Gain on revaluation of investment property by associate	-	120	-	-	-	-	-
Realised revaluation surplus on sale of investment property	-	(235)	-	-	-	-	235
Current tax charge on sale of investment property	-	-	-	-	-	-	(70)
Arising on share issues	100	-	-	-	-	6,250	-
Goodwill reinstated on disposal of Hose Limited	-		-	-	-	-	400
Share issue costs	(100)	-	-	-	-	-	-
Purchase of own shares	-	-	500	-	-	-	(1,800)
Dividends declared and paid	-	-	-	-	-	-	(1,431)
Transfer in respect of issue costs on debentures and preference shares	(7)	-	-	-	-	-	7
Share-based payment	-	-	-	-	-	-	307
Actuarial gain on pension scheme	-	-	-	-	-	-	617
Movement on deferred tax relating to pension liability	-	-	-	-	-	-	(185)
At 30 June 2009	493	5,159	500	(774)	200	6,250	24,577

The cumulative amount of goodwill written off at 30 June 2009, net of goodwill relating to undertakings disposed of, is £1,320,000 (2008 – £1,720,000).

Comments on the notes to the financial statements

Reserves (continued)

FRS 2(53)

Where significant statutory, contractual or exchange control restrictions on distributions by subsidiary undertakings materially limit the parent undertaking's access to distributable profits, the nature and extent of the restrictions should be disclosed.

s844(3)

State the special circumstances justifying any directors' decision not to treat capitalised development costs as a realised loss.*

Share premium account

s610(2)-(3)

From 1 October 2009 there are restrictions on the use of the share premium account. When, on issuing shares, a company has transferred a sum to the share premium account it may use that sum only:

- *to write-off the expenses of the issue of those shares;*
- *to write off any commissions paid on the issue of those shares; or*
- *to pay up new shares to be allotted to members as fully paid bonus shares.*

FRS 4(97)

The requirement in FRS 4 that issue costs* are reflected in the amounts charged in the profit and loss account over the term of a capital instrument is not intended to prohibit the subsequent charging of issue costs* to the share premium account by means of a transfer between reserves. The amounts that may be charged to the share premium account are determined by the requirements of companies legislation.

Revaluation reserve

1 Sch 35(1)

The surplus or deficit arising on the valuation of an asset of a company must be credited or debited to the revaluation reserve.

The amount of depreciation provided on book value which represents valuation surpluses may be transferred, as a reserve movement, to retained profits. In Good Practice Group Limited no such transfer has been made since the properties that have been valued are investment properties and are not subject to depreciation. Transfers would be made in subsequent accounting periods in accordance with the stated accounting policy.

1 Sch 35(3)-(4)

Amounts may only be transferred from the revaluation reserve to the profit and loss account if either:

- the reserves amount in question was previously charged to that account; or it represents realised profit*; or
- *on capitalisation (meaning applying it in wholly or partly paying up unissued shares in the company to be allotted as fully or partly paid shares)*; or
- *to or from the revaluation reserve in respect of the taxation relating to any profit or loss credited or debited to the reserve*.

The revaluation reserve must be reduced to the extent that the amounts transferred to it are no longer necessary for the purpose of the valuation method used.

FRS 3(21), (37)

Any revaluation surplus relating to assets which have been sold may be released to profit and loss reserves, but may not be released to the profit and loss account for the year. FRS 3 requires that a gain on the revaluation of a fixed asset is recognised in the statement of total recognised gains and losses* in the year that the revaluation has arisen and that when the asset is subsequently sold the realisation of that revaluation surplus is not accounted for as a gain of the year of sale; it is seen as the confirmation of the gain that had been recognised earlier.

1 Sch 35(6)

Disclose the tax treatment of amounts credited or debited to the revaluation reserve.

Reserves for Own Shares

UITF 38(1)(c)

Consideration paid or received for the purchase or sale of the Company's own shares in an ESOP trust should be shown as separate amounts in the reconciliation of movements in shareholders' funds.

Notes to the financial statements

at 30 June 2009

24. Reserves (continued)

The Good Practice Group Employee Share Trust holds 335,000 (2008 – 335,000) shares in Good Group Practice Limited. These shares were acquired in June 2007 at a cost of £2.31 each, £774,000 (2008 – £74,000), with a nominal value of £1 each, £335,000 (2008 – £335,000). The Trust is funded by Good Group Practice Limited to meet their obligations under the share option schemes and all the shares held by the Trust are solely for this purpose. The shares held by the Trust are distributed to employees in accordance with Good Group Practice Limited's wishes. All expenses incurred by the Trust are settled directly by Good Practice Group Limited and charged in the financial statements as incurred. Good Practice Employee Share Trust has waived the dividends payable on the 335,000 (2008 – 335,000) shares that it owns.

The merger reserve is a non-distributable reserve created by the exercise of s612 merger relief for the amount in excess of the nominal value of the 2,500,000 ordinary shares issued in connection with the acquisition of Extinguishers Limited.

Parent company	*Share premium account £000*	*Re valuation reserve £000*	*Capital redemption reserve £000*	*Reserve for own shares £000*	*Equity component of convertible preference shares £000*	*Merger reserve £000*	*Profit and loss account £000*
At 1 July 2008	500	3,154	-	(774)	200	-	12,577
Profit for the year	-	-	-	-	-	-	3,113
Exchange difference on investment in subsidiary undertaking	-	-	-	-	-	-	180
Exchange difference on loan	-	-	-	-	-	-	(179)
Tax on exchange difference on loan	-	-	-	-	-	-	34
Deficit on revaluation of investment properties	-	(154)	-	-	-	-	-
Realised revaluation surplus on sale of investment property	-	(235)	-	-	-	-	235
Current tax charge on sale of investment property	-	-	-	-	-	-	(70)
Arising on share issues	100	-	-	-	-	6,250	-
Share issue costs	(100)	-	-	-	-	-	-
Purchase of own shares	-	-	500	-	-	-	(1,800)
Transfers in respect of debenture and preference share issue costs	(7)	-	-	-	-	-	7
Dividends declared and paid	-	-	-	-	-	-	(1,431)
Share-based payment	-	-	-	-	-	-	237
Share options awarded to employees of subsidiaries	-	-	-	-	-	-	70
Actuarial gain on pension scheme	-	-	-	-	-	-	233
Movement on deferred tax relating to pension liability	-	-	-	-	-	-	(80)
At 30 June 2009	493	2,765	500	(774)	200	6,250	13,126

Comments on the notes to the financial statements

Reserves (continued)

Capital redemption reserve

s733(2)

Where shares of a company are redeemed or purchased wholly out of the company's profits, the amount by which the company's issue share capital diminished in accordance with s688(b) on the cancellation of the shares redeemed, or s706(b)(ii) on the cancellation of shares purchased shall be transferred to a reserve, called 'the capital redemption reserve'.

Author's note

Good Practice Group Limited has applied s612 merger relief in respect of the shares issued for the acquisition of Extinguishers Limited and therefore the excess of the issue price of the shares over their nominal value has been taken to a separate non-distributable reserve rather than to the share premium account.

After 1 October 2009 any issue costs on transactions where merger relief has been applied would be required to be debited to the profit and loss reserve.

Comments on the notes to the financial statements

Notes to the statement of cash flows

FRS 1(12)

A reconciliation between the operating profit reported in the profit and loss account and the net cash flow from operating activities should be given either adjoining the statement of cash flows or as a note. The reconciliation is not part of the statement of cash flows; if adjoining the statement of cash flows it should be clearly labelled and kept separate. The reconciliation should disclose separately the movements in stocks, debtors and creditors related to operating activities and other differences between cash flows and profits.

FRS 1(12A)

Dividends received from joint ventures and associates should be included as separate items between operating activities and returns on investments and servicing of finance.

FRS 1(13)

Returns on investments and servicing of finance are receipts resulting from the ownership of an investment and payments to providers of finance, non-equity shareholders and minority interests.

FRS 1(16)

The cash flows included under the heading taxation are cash flows to or from the taxation authorities in respect of the reporting entity's revenue and capital profits. For a subsidiary undertaking, cash flows relating to group relief should be included in this section. Cash flows in respect of other taxation, including payments and receipts in respect of VAT, other sales taxes, property taxes and other taxes not assessed on the profits of the reporting entity, should be dealt with as set out in FRS 1(39)-(40).

FRS 1(19)

The cash flows included in capital expenditure and financial investment are those related to the acquisition or disposal of any fixed asset other than one required to be classified under 'acquisition and disposals' and any current asset investment not included in liquid resources*. *If no cash flows relating to financial investment fall to be included under this heading the caption may be reduced to 'capital expenditure'.*

FRS 1(29)

Financing cash flows comprise receipts and payments of principal from or to external providers of finance.

FRS 1(33)

Changes in net debt* should be analysed from the opening to the closing component amounts showing separately, where material, changes resulting from:

- the cash flows of the entity;
- the acquisition or disposal of subsidiary undertakings;
- other non-cash* changes; and
- the recognition of changes in market value and exchange rate movements.

Where several balance sheet amounts or parts thereof have to be combined to form the components of opening and closing net debt*, sufficient detail should be shown to enable the cash* and other components of net debt* to be respectively traced back to the amounts shown under the equivalent captions in the balance sheet.

FRS 1(46)

Material transactions not resulting in the movements of cash* of the reporting entity should be disclosed in the notes to the statement of cash flows if disclosure is necessary for an understanding of the underlying transaction.

FRS 1(37)-(38)

Where cash flows relate to items that are classified as exceptional or extraordinary in the profit and loss account they should be shown under the appropriate standard headings, according to the nature of each item. The cash flows relating to exceptional and extraordinary items should be identified in the statement of cash flows or a note to it and the relationship between the cash flows and the originating exceptional or extraordinary item should be explained.

Where cash flows are exceptional because of their size or incidence but are not related to items that are treated as exceptional or extraordinary in the profit and loss account, sufficient disclosure should be given to explain their cause and nature.

Notes to the financial statements

At 30 June 2009

25. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2009	*2008*
	£000	*£000*
Group operating profit	7,438	8,429
Depreciation and impairment of tangible fixed assets	5,590	2,610
Amortisation of development expenditure	125	40
Amortisation of patents	50	10
Amortisation of goodwill	75	25
Share-based payment	412	492
Provision for maintenance warranties utilised	(219)	(25)
Deferred government grants released	(1,012)	(530)
Increase in debtors	(4,475)	(2,694)
Increase in stocks	(4,332)	(2,529)
Decrease in creditors	(1,832)	(389)
Increase in provision for maintenance warranties	200	50
Difference between pension charge and cash contributions	(46)	(196)
Increase in provision for National Insurance contributions on share options	4	4
Net cash inflow from operating activities	1,978	5,297

(b) Analysis of net debt

	At 1 July 2008	*Cash flow*	*Exchange differences*	*Other non-cash movements*	*At 30 June 2009*
	£000	*£000*	*£000*	*£000*	*£000*
Cash at bank and in hand	9,291				5,441
Bank overdrafts	(3,770)				(760)
Cash	5,521	(748)	(92)	-	4,681
Short-term deposits*	2,039	(528)	(28)	-	1,483
Liability component of convertible preference shares	(2,696)	-	-	(134)	(2,830)
Loans	(8,900)	(4,110)	(145)	(27)	(13,182)
Finance leases	(1,532)	370	-	-	(1,162)
	(5,568)	(5,016)	(265)	(161)	(11,010)

* short-term deposits are included within cash at bank and in hand in the balance sheet

(c) Major non-cash transactions

See note 14 for an analysis of the acquisition of Extinguishers Limited and the disposal of Hose Limited.

(d) Exceptional items

Cash flows relating to operating exceptional items

Net cash inflow from operating activities in 2009 includes cash outflows of £630,000 in respect of costs associated with the flood damage.

Cash flows relating to non-operating exceptional items

Capital expenditure and financial investment cash flows include £8,625,000 from the sale of tangible fixed assets (2008 – £2,765,000) and £125,000 from the sale of fixed asset investments (2008 – £nil).

Comments on the notes to the financial statements

Pensions and other post-retirement benefits

FRS 17(79)

When an employer has more than one defined benefit scheme, disclosures may be made in total, separately for each scheme, or in such groupings as are considered to be the most useful. It may be useful to distinguish groupings by criteria such as the following:

- the geographical location of the schemes, for example by distinguishing domestic schemes from foreign schemes; or
- whether schemes are subject to materially different risks, for example, by distinguishing flat salary pension schemes from final salary pension schemes and from post-employment medical schemes.

When an employer provides disclosures in total for a grouping of schemes, such disclosures are provided in the form of weighted averages or of relatively narrow ranges.

FRS 17(77)(a), (78)

For defined benefit schemes, an entity shall give a general description of the type of scheme. Such a description distinguishes, for example, flat salary pension schemes from final salary pension schemes and from retirement healthcare schemes. The description of the scheme shall include informal practices that give rise to constructive obligations included in the measurement of the scheme liabilities in accordance with paragraph 20(b). Further detail is not required.

FRS 17(77)(k)

Provide a narrative description of the basis used to determine the overall expected rate of return on assets, including the effect of the major categories of scheme assets.

FRS 17(77)(e)

Provide a reconciliation of the present value of scheme liabilities and the fair value of the scheme assets to the assets and liabilities recognised in the balance sheet, showing at least:

- any past service cost not recognised in the balance sheet;
- *any amount not recognised as an asset, because of the limit in paragraph FRS 17(41); and*
- any other amounts recognised in the balance sheet.

Notes to the financial statements

At 30 June 2009

26. Pensions and other post-retirement benefits

The Group operates two final salary defined benefit pension schemes; one is operated by the Company in the United Kingdom, the Good Practice Group Employee Pension Scheme, and one by the Group for staff in the United States, the Good Practice Group Employee Pension Plan. Both schemes are funded by the payment of contributions to separately administered trust funds.

The Group also provides certain additional post-retirement healthcare benefits to senior employees in the United States. These benefits are unfunded.

The valuation used has been based on the most recent actuarial valuation at 30 June 2007 and was updated by Actuary and Co. to take account of the requirements of FRS 17 in order to assess the liabilities of the schemes at 30 June 2009 and 30 June 2008. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

The assets and liabilities of the schemes at 30 June are:

Year ended 30 June 2009

	UK Pensions	*US Pensions*	*US Medical*	*Total*
	£000	*£000*	*£000*	*£000*
Scheme assets at fair value				
Equities	2,167	209	-	2,376
Bonds	594	494	-	1,088
Properties	208	247	-	455
Fair value of scheme assets	2,969	950	-	3,919
Present value of scheme liabilities	(3,767)	(1,066)	(117)	(4,950)
	(798)	(116)	(117)	(1,031)
Unrecognised past service cost	399	-	-	399
Defined benefit pension scheme deficit	(399)	(116)	(117)	(632)
Related deferred tax asset	112	32	33	177
Net liability in the balance sheet	(287)	(84)	(84)	(455)

Comments on the notes to the financial statements

Pensions and other post-retirement benefits (continued)

FRS 17(77)(i)

For each major category of scheme assets, which shall include, but is not limited to, equity instruments, debt instruments, property, and all other assets, the percentage or amount that each major category constitutes of the fair value of the total scheme assets.

FRS 17(77)(j)

Disclose the amounts included in the fair value of scheme assets for:

- each category of the entity's own financial instruments; and
- any property occupied by, or other assets used by, the entity.

FRS 17(77)(f)

Disclose the total expense recognised in profit or loss for each of the following, and the line item(s) in which they are included:

- current service cost;
- interest cost;
- expected return on scheme assets;
- past service cost;
- *the effect of any curtailment or settlement; and*
- *the effect of the limit in FRS 17(41)*

FRS 17(67)

If any refund is agreed and is covered by an unrecognised surplus, it should be recognised as other finance income adjacent to interest, with separate disclosure in the notes.

FRS 17(77)(g)

Disclose the total amount recognised in the statement of total recognised gains and losses for each of the following:

- actuarial gains and losses; and
- *the effect of the limit in FRS 17(41)*

FRS17(77)(l)

Disclose the actual return on scheme assets.

Notes to the financial statements

at 30 June 2009

26. Pensions and other post-retirement benefits (continued)

Year ended 30 June 2008

	UK Pensions	*US Pensions*	*US Medical*	*Total*
	£000	*£000*	*£000*	*£000*
Scheme assets at fair value				
Equities	1,355	121	-	1,476
Bonds	226	299	-	525
Properties	156	216	-	372
Fair value of scheme assets	1,737	636		2,373
Present value of scheme liabilities	(3,017)	(984)	(95)	(4,096)
	(1,280)	(348)	(95)	(1,723)
Unrecognised past service cost	483	-	-	483
Defined benefit pension scheme deficit	(797)	(348)	(95)	(1,240)
Related deferred tax asset	239	104	29	372
Net liability in the balance sheet	(558)	(244)	(66)	(868)

The pension plans have not invested in any of the Group's own financial instruments nor in properties or other assets used by the Group.

Notes to the financial statements

at 30 June 2009

26. Pensions and other post-retirement benefits (continued)

The amounts recognised in the Group Profit and Loss account and in the Group Statement of Total Recognised Gains and Losses for the year are analysed as follows:

Year ended 30 June 2009	*UK Pensions £000*	*US Pensions £000*	*US Medical £000*	*Total £000*
Recognised in the Profit and Loss account				
Current service cost	(715)	(430)	(28)	(1,173)
Past service cost	(84)	-	-	(84)
Recognised in arriving at operating profit	(799)	(430)	(28)	(1,257)
Expected return on scheme assets	105	45	-	150
Interest on obligation	(119)	(81)	(5)	(205)
Other finance cost	(14)	(36)	(5)	(55)
Total recognised in the profit and loss account	(813)	(466)	(33)	(1,312)

Taken to the Statement of Total Recognised Gains and Losses	*UK Pensions £000*	*US Pensions £000*	*US Medical £000*	*Total £000*
Actual return on scheme assets	823	288	-	1,111
Less: expected return on scheme assets	(105)	(45)	-	(150)
	718	243	-	961
Other actuarial gains and losses	(485)	130	11	(344)
Actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses	233	373	11	617

Year ended 30 June 2008	*UK Pensions £000*	*US Pensions £000*	*US Medical £000*	*Total £000*
Recognised in the Profit and Loss account				
Current service cost	(644)	(322)	(5)	(971)
Past service cost	(107)	-	-	(107)
Recognised in arriving at operating profit	(751)	(322)	(5)	(1,078)
Expected return on scheme assets	100	3	-	103
Interest on obligation	(127)	(79)	(6)	(212)
Other finance cost	(27)	(76)	(6)	(109)
Total recognised in the profit and loss account	(778)	(398)	(11)	(1,187)

Comments on the notes to the financial statements

Pensions and other post-retirement benefits (continued)

FRS 17(77)(m)

Disclose the principal actuarial assumptions used as at the balance sheet date, including, when applicable:

- the discount rates;
- the expected rates of return on any plan assets for the periods presented in the financial statements;
- the expected rates of salary increases (and of changes in an index or other variable specified in the formal or constructive terms of a scheme as the basis for future benefit increases);
- retirement healthcare cost trend rates; and
- any other material actuarial assumptions used.

An employer shall disclose each actuarial assumption in absolute terms (for example as an absolute percentage) and not just as a margin between difference percentages or other variables.

FRS 17(77)(n)

Disclose the effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed retirement healthcare cost trend rates on:

- the aggregate of the current service cost and interest cost components of net periodic retirement healthcare costs; and
- the accumulated retirement healthcare obligation for healthcare costs.

For the purposes of this disclosure, all other assumptions shall be held constant. *For schemes operating in a high inflation environment, the disclosure shall be the effect of a percentage increase or decrease in the assumed healthcare cost trend rate of a significance similar to one percentage point in a low inflation environment.*

FRS 17(77)(p)

Disclose the employer's best estimate, as soon as it can reasonably be determined, of contributions expected to be paid to the scheme during the annual period beginning after the balance sheet date.

Notes to the financial statements

at 30 June 2009

26. Pensions and other post-retirement benefits (continued)

	UK Pensions	*US Pensions*	*US Medical*	*Total*
	£000	*£000*	*£000*	*£000*
Taken to the Statement of Total Recognised Gains and Losses				
Actual return on scheme assets	(464)	(214)	-	(678)
Less: expected return on scheme assets	100	3	-	103
	(564)	(217)	-	(781)
Other actuarial gain and losses	(156)	377	(4)	217
Actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses	(720)	160	(4)	(564)

Pensions	*United Kingdom*		*United States*	
	2009	2008	2009	2008
	%	%	%	%
Main assumptions:				
Rate of salary increases	3.5	4.0	3.8	4.1
Rate of increase in pensions in payment	2.1	2.1	2.2	2.3
Discount rate	4.9	5.5	5.7	5.9
Expected rates of return on scheme assets				
Equities	6.1	7.2	6.3	6.2
Bonds	4.6	4.7	5.0	4.8
Properties	6.0	6.1	5.5	5.4
Inflation assumption	2.6	2.7	2.4	2.6
Post-retirement mortality				
Current pensioners at 65 – male	19.0	19.0	17.7	17.7
Current pensioners at 65 – female	21.0	21.0	20.3	20.3
Future pensioners at 65 – male	22.0	22.0	20.0	20.0
Future pensioners at 65 – female	25.0	25.0	22.0	22.0
Claim rates for medical plans	n/a	n/a	35.0	34.0
Rate of increase in healthcare costs	n/a	n/a	7.2	7.3

The post-mortality mortality assumptions allow for expected increases in longevity. The "current" disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date, with "future" being that relating to an employee retiring in 2038.

Comments on the notes to the financial statements

Pensions and other post-retirements benefits (continued)

FRS 17(77)(b)

Provide a reconciliation of opening and closing balances of the present value of the scheme liabilities showing separately, if applicable, the effects during the period attributable to each of the following:

- current service costs;
- interest cost;
- contributions by scheme participants;
- actuarial gains and losses;
- foreign currency exchange rate changes on schemes measured in a currency different from the entity's presentation currency*;
- benefits paid;
- past service cost;
- *business combinations;*
- *curtailments; and*
- *settlements.*

FRS 17(77)(c)

Give an analysis of the scheme liabilities into amounts arising from schemes that are wholly unfunded and amounts arising from schemes that are wholly or partly funded.

FRS 17(77)(d)

Provide a reconciliation of the opening and closing balances of the fair value of scheme assets showing separately, if applicable, the effects during the period attributable to each of the following:

- expected return on scheme assets;
- actuarial gains and losses;
- foreign currency exchange rate changes on schemes measured in a currency different from the entity's local currency;
- contributions by the employer;
- contributions by scheme participants;
- benefits paid;
- *business combinations; and*
- *settlements.*

Notes to the financial statements

at 30 June 2009

26. Pensions and other post-retirement benefits (continued)

A one percentage point change in the assumed rate of increase in healthcare costs would have the following effects:

	Increase	Decrease
	£000	£000
Effect on aggregate service costs and interest cost	6	(2)
Effect on defined benefit obligation	12	(8)

Further contributions of 3% of pensionable earnings, in addition to the employer's regular contribution of 12% (2008 – 11.8%) of pensionable earnings, are being made in order to eliminate the deficiency in the UK scheme by 2009. The total contributions to the defined benefit plans in the next year are expected to be £1,600,000 for the Group (2008 – £1,500,000). Contributions to the US scheme are being paid at a rate of 11% of pensionable earnings. Contributions to the US scheme will continue at this level in 2009/10.

Changes in the present value of the defined benefit obligations are analysed as follows:

	UK Pensions	*US Pensions*	*US Medical*	*Total*
	£000	*£000*	*£000*	*£000*
As at 1 July 2007	2,591	1,202	80	3,873
Current service cost	644	322	5	971
Past service cost	100	–	–	100
Interest cost	127	79	6	212
Benefits paid	(601)	(242)	–	(843)
Actuarial gains and losses	156	(409)	–	(253)
Foreign currency differences	–	32	4	36
As at 30 June 2008	3,017	984	95	4,096
Current service cost	715	430	28	1,173
Interest cost	119	81	5	205
Benefits paid	(569)	(299)	–	(868)
Actuarial gains and losses	485	(39)	–	446
Foreign currency differences	–	(91)	(11)	(102)
As at 30 June 2009	3,767	1,066	117	4,950

The defined benefit deficit comprises £117,000 (2008 – £95,000) arising from unfunded plans and £515,000 (2008 – £1,145,000) from plans that are wholly or partly funded.

Comments on the notes to the financial statements

Pensions and other post-retirements benefits (continued)

FRS 17(77)(o)

Disclose amounts for the current accounting period and previous four accounting periods of:

- the present value of the scheme liabilities, the fair value of the scheme assets and the surplus or deficit in the scheme; and
- the experience adjustments arising on:
  - the scheme liabilities expressed either as (1) an amount or (2) *a percentage of the scheme liabilities at the balance sheet date*; and
  - the scheme assets of the scheme expressed either as (1) and amount or (2) *a percentage of the assets of the scheme at the balance sheet date.*

FRS 17(95C)

FRS 17(77)(o) requires disclosure for the current accounting period and previous four accounting periods of the fair value of the scheme assets. An entity is not required to restate corresponding amounts for quoted securities to bid prices the first two of the previous four accounting periods (prior to 6 April 2007) required by paragraph 77(o). Where an entity elected not to restate corresponding amounts it should disclose that corresponding amounts are not restated.

FRS 17(77)(h)

Disclose the cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses.

FRS 17(95B)

FRS 17(77)(h) requires disclosure of the cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses. The amount to be disclosed should be the amount recognised in the statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of the FRS 17.

FRS 17(9), (80)

Where more than one employer participates in a defined benefit scheme the employer should account for the scheme as a defined benefit scheme* unless:*

- *the employer's contributions are set in relation to the current service period only (i.e are not affected by an surplus or deficit in the scheme relating to past service of its own employees or any other members of the scheme). If this is the case, the employer should account for the contributions to the scheme as if it were a defined contribution scheme*; or*
- *the employer's contributions are affected by a surplus or deficit in the scheme but the employer is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. If this is the case, the employer should account for the contributions to the scheme as if it were a defined contribution scheme* but, in addition, disclose:*
  - *the fact that the scheme is a defined benefit scheme*;*
  - *the reason why sufficient information is not available to enable the employer to account for the scheme as a defined benefit scheme;*
  - *any available information about that surplus or deficit;*
  - *the basis used to determine that surplus of deficit; and*
  - *the implications, if any, for the employer.*

FRS 17(2)

Subsidiaries are not exempt from FRS 17 and, where possible, will account for defined benefit schemes in accordance with its requirements. However, many group schemes are run on a basis that does not enable individual companies within the group to identify their share of the underlying assets and liabilities. In these circumstances, the individual companies (including the parent company) within the group will account for the scheme as a defined contribution scheme* and will give the additional disclosures required above. From the point of view of the group entity, a group defined benefit scheme* is not a multi-employer scheme and is treated as any other defined benefit scheme*.*

Notes to the financial statements

at 30 June 2009

26. Pensions and other post-retirement benefits (continued)

Changes in the fair value of plan assets are analysed as follows:

	UK Pensions	*US Pensions*	*Total*
	£000	*£000*	*£000*
As at 1 July 2007	1,852	768	2,620
Expected return on plan assets	100	3	103
Employer contributions	950	324	1,724
Benefits paid	(601)	(242)	(843)
Actuarial gains and losses	(564)	(223)	(787)
Foreign currency differences	-	6	6
As at 30 June 2008	1,737	636	2,373
Expected return on plan assets	105	45	150
Employer contributions	978	325	1,303
Benefits paid	(569)	(299)	(868)
Actuarial gains and losses	718	249	967
Foreign currency differences	-	(6)	(6)
As at 30 June 2009	2,969	950	3,919

	2009	*2008*	*2007*	*2006*	*2005*
UK Pensions	*£000*	*£000*	*£000*	*£000*	*£000*
Fair value of scheme assets	2,969	1,737	1,852	1,447	952
Present value of defined benefit obligation	(3,767)	(3,017)	(2,591)	(2,988)	(1,125)
Deficit in the scheme	(798)	(1,280)	(739)	(1,541)	(173)
Experience adjustments arising on plan liabilities	(49)	(50)	(51)	(20)	(18)
Experience adjustments arising on plan assets	718	(564)	589	(136)	(80)

Comments on the notes to the financial statements

Pensions and other post retirement benefits (continued)

UITF 35

The cost of providing death-in-service and incapacity benefits should be recognised in accordance with paragraphs 73 and 74 of FRS 17, except where the benefits are provided through a defined benefit pension scheme and are not wholly insured, in which case the uninsured scheme liability and the cost for the accounting period should be measured by applying the principles in paragraphs 20 and 22 of FRS 17.

FRS 17(73)

A charge should be made to operating profit to reflect the expected cost of providing any death-in-service or incapacity benefits for the period. Any difference between that expected cost and amounts incurred should be treated as an actuarial gain or loss.

FRS 17(74)

Where a scheme insures the death-in-service costs, the expected cost for the accounting period is simply the premium payable for the period. Where the costs are not insured, the expected cost reflects the probability of any employees dying in the period and the benefit that would then be paid out.

FRS 17(81)

Where required by FRS 8 'Related Party Disclosures' an employer discloses information about related party transactions with retirement benefit schemes.

FRS 8(2.5)(g)

Pension funds for the benefit of employees of the reporting entity are invariably related parties. This is not rebuttable.*

FRS 8(3)(d)

However, pension contributions paid to a pension fund are excluded from the scope of the FRS. It is only necessary to make the additional disclosures required by FRS 8 if a material related party transaction, other than the making of contributions, is entered into with the pension scheme.*

1 Sch 63(4)

Disclose any pension commitment provided or not provided for. Where such commitment relates wholly or partly to pensions payable to past directors separate particulars must be given of that commitment.

1 Sch 73

Separate disclosure should be made in respect of any commitments undertaken on behalf of or for the benefit of: (i) any parent or fellow subsidiary undertaking; (ii) any subsidiary undertaking*; and (iii) any other person.*

FRS 17(82)

Where required by FRS 12 'Provisions, Contingent Liabilities and Contingent Assets' an employer discloses information about contingent liabilities arising from retirement benefit obligations.

ASB Reporting Statement: Retirement Benefits – Disclosures

Author's note

ASB has issued a Reporting Statement: Retirement Benefits – Disclosures.
The Reporting Statement recommends principles for disclosure, to provide information that complements that required by accounting standards. The extent of any additional disclosures would be assessed by the directors so as to be appropriate to the entity's exposure to risks and rewards arising from its defined benefit schemes. The Reporting Statement sets out six principles to be considered when providing disclosures for defined benefit schemes, as follows:

- the relationship between the entity and trustees (managers) of the defied benefit scheme;
- the principal assumptions used to measure scheme liabilities;
- the sensitivity of scheme liabilities to changes in the principal assumptions used to measure the scheme liabilities;
- the method of measuring the liabilities arising from defined benefit schemes;
- the future funding obligations to the defined benefit scheme; and
- the nature and extent of the risks arising from the assets held by the defined benefit scheme.

Notes to the financial statements

at 30 June 2009

US Pensions	*2009* *£000*	*2008* *£000*	*2007* *£000*	*2006* *£000*	*2005* *£000*
Fair value of scheme assets	950	636	768	650	643
Present value of defined benefit obligation	(1,066)	(984)	(1,202)	(1,158)	(1,095)
Deficit in the scheme	(116)	(348)	(434)	(508)	(452)
Experience adjustments arising on plan liabilities	95	(40)	(20)	(23)	12
Experience adjustments arising on plan assets	243	(217)	(136)	(112)	135

US Medical	*2009* *£000*	*2008* *£000*	*2007* *£000*	*2006* *£000*	*2005* *£000*
Present value of defined benefit obligation	(117)	(95)	(80)	(71)	(65)
Experience adjustments arising on plan liabilities	1	4	(3)	(1)	1

The cumulative amount of actuarial gains and losses recognised since 1 January 2002 in the statement of total recognised gains and losses is a net gain of £1,227,000 (2008 – £610,000).

Comments on the notes to the financial statements

Share-based payments

FRS 20(44)

An entity shall disclose information that enables users of the financial statements to understand the nature and extent of share-based payment arrangements that existed during the period.

FRS 20(45)

To give effect to the principle in paragraph 44, the entity shall disclose at least the following:

A description of each type of share-based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement, such as vesting requirements, the maximum term of options granted, and the method of settlement (e.g. whether in cash or equity). An entity with substantially similar types of share-based payment arrangements may aggregate this information, unless separate disclosure of each arrangement is necessary to satisfy the principle in paragraph 44.

The number and weighted average exercise prices of share options for each of the following groups of options:

- outstanding at the beginning of the period;
- granted during the period;
- forfeited during the period;
- exercised during the period;
- expired during the period;
- outstanding at the end of the period; and
- exercisable at the end of the period.

For share options exercised during the period, the weighted average share price at the date of exercise. If options were exercised on a regular basis throughout the period, the entity may instead disclose the weighted average share price during the period.

For share options outstanding at the end of the period, the range of exercise prices and weighted average remaining contractual life. *If the range of exercise prices is wide, the outstanding options shall be divided into ranges that are meaningful for assessing the number and timing of additional shares that may be issued and the cash that may be received upon exercise of those options.*

FRS 20(46)

An entity shall disclose information that enables users of the financial statements to understand how the fair value of the goods or services received, or the fair value of the equity instruments granted, during the period was determined.

FRS 20(47)

If the entity has measured the fair value of goods or services received as consideration for equity instruments of the entity indirectly, by reference to the fair value of the equity instruments granted, to give effect to the principle in paragraph 46 of FRS 20, the entity shall disclose at least the information given in paragraphs (a) to (c) overleaf.

Notes to the financial statements

at 30 June 2009

27. Share-based payments

Senior Executive Plan

Share options are granted to senior executives with more than 12 months' service. The exercise price of the options is equal to the estimated market price of the shares on the date of grant which is derived from market prices of similar quoted companies. The options vest if and when the Group's earnings per share amount increases by 12%. A failure to meet this target increase within three years from the date of grant causes the options to lapse. The contractual life of each option granted is five years. There are no cash settlement alternatives.

All Employee Share-option Plan

All other employees are entitled to a grant of options once they have been in service for two years. The options will vest if the employee remains in service for a period of three years from the date of grant, the volume of sales of a particular product increases by an average of 6% per year during the three-year service period and the estimated market price of the shares attains an average increase of 5% per year during the three-year period from the date of grant. The exercise price of the options is equal to the estimated market price of the shares less 17% on the date of grant. The contractual life of the options is five years and there are no cash settlement alternatives.

Share-based payment plan for employees working in the business development group

Employees in the Electronics segment are granted share options, which are settleable only in cash. These will vest when a specified target number of new sales contracts are closed. The contractual life of the options is six years.

Group

The expense recognised for share-based payments in respect of employee services received during the year to 30 June 2009 is £412,000 (2008 – £492,000). The portion of that expense arising from equity-settled share-based payment transactions is £307,000 (2008 –£398,000).

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2009 *No.*	*2009* *WAEP*	*2008* *No.*	*2008* *WAEP*
Outstanding as at 1 July[1]	575,000	£2.96	525,000	£2.75
Granted during the year	250,000	£3.85	155,000	£3.13
Forfeited during the year	–	–	(25,000)	£2.33
Exercised	(75,000)	£2.33[3]	(65,000)	£3.07[2]
Expired during the year	(25,000)	£3.46	(15,000)	£2.13
Outstanding at 30 June[1]	725,000	£3.33	575,000	£2.96
Exercisable at 30 June	88,000	£2.33	75,000	£2.33

1 Included within this balance are options over 277,000 (2008 – 352,000) shares that have not been recognised in accordance with FRS 20 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 20.

2 The weighted average share price at the date of exercise for the options exercised is £4.09.

3 The weighted average share price at the date of exercise for the options exercised is £3.13.

For the share options outstanding as at 30 June 2009, the weighted average remaining contractual life is 2.94 years (2008 – 2.60 years).

Comments on the notes to the financial statements

Share-based payments (continued)

FRS 20(47)(a)

For share options granted during the period, the weighted average fair value of those options at the measurement date and information on how that fair value was measured, including:

- the option pricing model used and the inputs to that model, including the weighted average share price, exercise price, expected volatility, option life, expected dividends, the risk-free interest rate and any other inputs to the model, including the method used and the assumptions made to incorporate the effects of expected early exercise;
- how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and
- whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition.

FRS 20(47)(b)

For other equity instruments granted during the period (i.e. other than share options), the number and weighted average fair value of those equity instruments at the measurement date, and information on how that fair value was measured, including:

- *if fair value was not measured on the basis of an observable market price, how it was determined;*
- *whether and how expected dividends were incorporated into the measurement of fair value; and*
- *whether and how any other features of the equity instruments granted were incorporated into the measurement of fair value.*

FRS 20(47)(c)

For share-based payment arrangements that were modified during the period:

- *an explanation of those modifications;*
- *the incremental fair value granted (as a result of those modifications); and*
- *information on how the incremental fair value granted was measured, consistently with the requirements set out above, where applicable.*

FRS 20(48)

If the entity has measured directly the fair value of goods or services received during the period, the entity shall disclose how that fair value was determined, e.g. whether fair value was measured at a market price for those goods or services.

FRS 20(50)

An entity shall disclose information that enables users of the financial statements to understand the effect of share-based payment transactions on the entity's profit or loss for the period and on its financial position.

FRS 20(51)

To give effect to the principle in the paragraph above, the entity shall disclose at least the following:

- the total expense recognised for the period arising from share-based payment transactions in which the goods or services received did not qualify for recognition as assets and hence were recognised immediately as an expense, including separate disclosure of that portion of the total expense that arises from transactions accounted for as equity-settled share-based payment transactions; and
- for liabilities arising from share-based payment transactions:
  - the total carrying amount at the end of the period; and
  - the total intrinsic value at the end of the period of liabilities for which the counterparty's right to cash or other assets had vested by the end of the period (e.g. vested share appreciation rights).

FRS 20(52)

If the information required to be disclosed by this FRS does not satisfy the principles in paragraphs 44, 46 and 50, the entity shall disclose such additional information as is necessary to satisfy them.

Notes to the financial statements

at 30 June 2009

27. Share-based payments (continued)

The weighted average fair value of options granted during the year was £1.32 (2008 – £1.18). The range of exercise prices for options outstanding at the end of the year was £2.33 - £3.85 (2008 – £2.13 - £3.13).

Parent company

The expense recognised for share-based payments in respect of employee services received during the year to 30 June 2009 is £342,000 (2008 - £492,000). The portion of that expense arising from equity-settled share-based payment transactions is £237,000 (2008 - £398,000).

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2009	*2009*	*2008*	*2008*
	No.	*WAEP*	*No.*	*WAEP*
Outstanding as at 1 July[1]	575,000	£2.96	525,000	£2.75
Granted during the year	192,000	£3.85	155,000	£3.13
Forfeited during the year	–	–	(25,000)	£2.33
Exercised	(75,000)	£2.33[3]	(65,000)	£3.07[2]
Expired during the year	(25,000)	£3.46	(15,000)	£2.13
Outstanding at 30 June[1]	667,000	£3.27	575,000	£2.9 6
Exercisable at 30 June	88,000	£2.33	75,000	£2.33

1 Included within this balance are options over 277,000 (2008 – 352,000) shares that have not been recognised in accordance with FRS 20 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 20.

2 The weighted average share price at the date of exercise for the options exercised is £4.09.

3 The weighted average share price at the date of exercise for the options exercised is £3.13.

The weighted average fair value of options granted during the year was £1.32 (2008 – £1.18). The range of exercise prices for options outstanding at the end of the year was £2.33 - £3.85 (2008 – £2.13 - £3.13).

Group and Company

The fair value of equity-settled share options granted is estimated as at the date of grant using a Monte-Carlo model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the years ended 30 June 2009 and 30 June 2008.

	2009	*2008*
Dividend yield (%)	3.13	3.01
Expected share price volatility (%)	15.00	15.00
Historical volatility (%)	15.00	15.00
Expected comparator group volatility (%)	13.95	14.05
Risk-free interest rate (%)	5.10	5.10
Expected life of option (years)	4.25	4.25
Weighted average share price (£)	3.10	2.86

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Comments on the notes to the financial statements

Capital commitments

1 Sch 63(3)

Give, as far as is practicable, details of the aggregate amount of contracted commitments for capital expenditure not provided for.

1 Sch 73

Separate disclosure should be made in respect of any commitments undertaken on behalf of or for the benefit of:

- *any parent or fellow subsidiary undertaking*;*
- *any subsidiary undertaking*; and*
- *any other person.*

SSAP 21(54)

If lessees have entered into finance leases whose inception occurs after the year end, the amount of any commitments existing at the balance sheet date should be disclosed.

Contingent liabilities

1 Sch 63(2), FRS 12(91), (96)

All material contingent losses should be disclosed with an estimate of the financial effect, its legal nature and details of any security. FRS 12 states that unless the possibility of any transfer in settlement is remote, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement should be disclosed. If this is not practicable, that fact should be stated.

Since the Companies Act requires disclosure of all material contingent liabilities*, the exemption in FRS 12 from disclosing remote contingent losses is not available to entities reporting under the Companies Act.

FRS 12(94), (96)

Where an inflow of economic benefits is probable, a brief description of the nature of the contingent assets at the balance sheet date should be disclosed and, where practicable, an estimate of their financial effect. If this is not practicable, that fact should be stated.*

SSAP 4(29)

Potential liabilities to repay grants should be disclosed in accordance with FRS 12.

Off-balance sheet arrangements

s410A

If the company is or has been party to arrangements that are not reflected in the balance sheet and the risks or benefits arising from these arrangements are material disclose:

- the nature and purpose of the arrangements; and
- the financial impact of the arrangements on the company (large companies only).

The information need only be given to the extent necessary for enabling the financial position of the company to be assessed.

Author's note

Neither the Companies Act nor the related EC Directive provides a definition of an "Off-balance sheet arrangement". The UITF has issued the following points by way of guidance:

- when a company provides disclosures in accordance with s410A it should consider the types of transactions envisaged by the EC and the aim of the legislation;
- s410A only applies where the risks or benefits arising from the arrangements are material;
- disclosure need only be given to the extent necessary for enabling the financial position of the company to be assessed; and
- some FRSs, for example FRS 5 and SSAP 21, already require disclosures of off-balance sheet items. Companies will, in addition, need to consider whether arrangements outside of the scope of these standards require disclosure in the financial statements.

Examples of the types of transactions that the EC envisaged for disclosure include risk and benefit-sharing arrangements or obligations arising from a contract such as debt factoring, combined sale and repurchase arrangements, consignment stock arrangements, securitisation arranged through separate companies, and unincorporated entities, pledged assets, operating lease arrangements, outsourcing and the like.

Notes to the financial statements

at 30 June 2009

27. Share-based payments (continued)

No other features of options grant were incorporated into the measurement of fair value.

The fair value of the cash-settled options is measured at the grant date using the Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The services received and a liability to pay for those services are recognised over the expected vesting period. Until the liability is settled it is remeasured at each reporting date with changes in fair value recognised in profit or loss.

The carrying amount of the liability relating to the cash-settled options at 30 June 2009 is £299,000 (2008 – £194,000). No cash-settled options had vested at 30 June 2009 (2008 – Nil).

28. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £4,500,000 for the group and £1,750,000 for the company (2008 – £4,250,000 and £950,000 respectively).

29. Contingent liabilities

An overseas customer has commenced an action against the company in respect of equipment claimed to be defective. It has been estimated that the liability should the action be successful is £850,000. A trial date has not yet been set and therefore it is not practicable to state the timing of any payment.

The company has been advised by Counsel that it is possible, but not probable, the action will succeed and accordingly no provision for any liability has been made in these financial statements.

The company has guaranteed the bank overdraft of a subsidiary undertaking to the extent of £1,500,000 (2008 – £1,000,000), of which £760,000 was utilised at 30 June 2009 (2008 – £375,000).

30. Off-balance sheet arrangements

The group and parent company enters into operating lease arrangements for the hire of buildings and plant and equipment as these arrangements are a cost efficient way of obtaining the short-term benefits of these assets. The group lease rental expense for the year is disclosed in Note 4 and the annual group and company commitments under these arrangements are disclosed in Note 20. There are no other material off-balance sheet arrangements.

Comments on the notes to the financial statements

Guarantees and other financial commitments

1 Sch 63(5)

Give details of any other financial commitments not provided for and which are relevant to assessing the company's affairs.

1 Sch 63(1)

Give particulars (including amounts secured where practicable) of any charge on the assets of the company to secure the liabilities of any other person.

1 Sch 73

Separate disclosure should be made in respect of any commitments undertaken on behalf of or for the benefit of: (i) any parent or fellow subsidiary undertaking; (ii) any subsidiary undertaking*; and (iii) any other person.*

Derivatives

1 Sch 56

Where a company has derivatives that it has not included at fair value, there must be stated for each class of such derivatives:

(a) the fair value, if that can be determined in accordance with paragraph 37; and

(b) the extent and nature of the derivatives.

Directors' advances, credit and guarantees

Author's note

The Companies Act 2006 requirements in respect of the lawfulness of directors' loans and interests apply to transactions occurring on or after 1 October 2007. The Companies Act 1985 requirements in respect of directors' loans and interests applied to transactions occurring prior to 1 October 2007.

s413(1)-(2)

Disclose details of:

- for individual accounts, advances and credits granted by the company to its directors and guarantees entered into by the company to its directors; and
- for group accounts, advances and credits granted to the directors of the parent company by the company or any of its subsidiaries and guarantees of any kind entered into by the parent company or any of its subsidiaries on behalf of the directors of the parent company

s413(3)

Details required to be disclosed for each advance or credit are:

- the amount;
- an indication of the interest rate;
- the main conditions; and
- any amounts repaid.

The aggregate totals of the advances or credits and the aggregate amounts repaid must also be disclosed.

s413(4)

Details required to be disclosed for each guarantee are:

- *its main terms;*
- *the amount of the maximum liability that may be incurred by the company (or its subsidiary);*
- *any amount paid and any liability incurred by the company (or its subsidiary) for the purpose of fulfilling the guarantee (including any loss incurred by reason of enforcement of the guarantee); and*
- *any amounts repaid.*

The aggregate totals of the maximum liability, amounts paid and liability incurred for the guarantees by the company must also be disclosed.

s413(6)-(7)

Disclosure is required in respect of transactions with any person who was a director of the company at any time during the period, irrespective of whether he was such a director at any time that the transaction or arrangement was made.

s413(7)

A subsidiary includes any company which was a subsidiary of the company at any time during the period, irrespective of whether or not it was a subsidiary at the time that the transaction or arrangement was made.

Notes to the financial statements

at 30 June 2009

31. Derivatives

The group purchases interest rate swaps to manage interest rate risk volatility and forward foreign currency contracts to hedge currency exposure on firm future commitments. The fair values of the derivatives held at the balance sheet date, determined by reference to their market values, are as follows:

	Group and Company	
	2009	2008
	£000	£000
Interest rate swaps	(35)	-
Forward foreign currency contracts	(18)	(101)

32. Directors' advances, credit and guarantees

At the Annual General Meeting held on 21 October 2008 approval was given for an interest-free loan for 12 months up to a maximum of £10,000 to be made as necessary to J Archer to enable him to meet expenditure to be incurred in his capacity as sales director at marketing exhibitions and tours in the United States. During the year £6,500 was advanced to him for this purpose by the company of which £4,068 has been repaid and at 30 June 2009 £2,432 was outstanding and is included in debtors.

Comments on the notes to the financial statements

Post balance sheet event

FRS 21(19)

If an entity receives information after the balance sheet date about conditions that existed at the balance sheet date, if shall update disclosures that relate to these conditions in the light of new information.

FRS 21(21)

If non-adjusting events after the balance sheet date are material, non-disclosure could influence the economic decisions of users taken on the basis of the financial statements. Accordingly, an entity shall disclose the following for each material category of non-adjusting event after the balance sheet date:

- the nature of the event; and
- an estimate of its financial effect, or a statement that such an estimate cannot be made.

Notes to the financial statements

at 30 June 2009

33. Post balance sheet event

On 14 July 2009, a short leasehold building with a net book value of £880,000 was severely damaged by fire. It is expected that insurance proceeds will fall short of the costs of rebuilding and loss of stocks by some £350,000. No provision has been made in these financial statements for this loss.

Comments on the notes to the financial statements

Related party transactions

1 Sch 72(1)

Particulars must be given of transactions which the company has entered into with related parties, and must be given if such transactions are material and have not been concluded under normal market conditions.

Author's note

Medium-sized companies and companies reporting under the small companies regime are exempt from the disclosures required by 1 Sch 72. However, they are not exempt from the disclosure requirements of FRS 8 (or the FRSSE disclosures if applicable).

1 Sch 72(2), FRS 8(6)

Where material related party transactions* have been undertaken by the reporting entity, the following should be disclosed, irrespective of whether a price was charged:

- the names of the transacting related parties*;
- a description of the relationship between the parties;
- a description of the transactions;
- the amounts involved;
- any other elements of the transactions necessary for an understanding of the financial statements;
- the amounts due to or from related parties* at the balance sheet date and provisions for doubtful debts due from such parties at that date; and
- amounts written off in the period in respect of debts due to or from related parties*.

1 Sch 72(3), FRS 8(6), (21)

Transactions may generally be disclosed on an aggregated basis unless disclosure of an individual transaction, or connected transactions, is necessary for an understanding of the impact of the transactions on the financial statements of the reporting entity or is required by law. However, a material related party transaction* with an individual may not be concealed in an aggregated disclosure.

FRS 8(2.5)

A party is related to the entity if:

- the party directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with the entity (this includes parents, subsidiaries and fellow subsidiaries);
- the party has an interest in the entity that gives it significant influence over the entity or has joint control of the entity;
- the party is an associate of the entity;
- the party is a joint venture in which the entity is a venturer;
- the party is a member of the key management personnel of the entity or its parent;
- the party is a close member of the family of any individual referred to above;
- the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to above; or
- the party is a retirement benefit scheme for the benefit of employees of the entity or of any entity that is a related party of the entity.

Notes to the financial statements

at 30 June 2009

34. Related party transactions

Group

During the year the group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 December, are as follows:

Related party	*Sales to related party £000*	*Purchases from related party £000*	*Amounts owed from related party £000*	*Amounts owed to related party £000*
International Fires P.L.C.				
2009	6,975	–	600	–
2008	6,410	–	550	–
Power Works Limited				
2009	2,800	–	230	–
2008	2,300	–	145	–
Showers Limited				
2009	–	580	–	30
2008	–	430	–	12

International Fires P.L.C owns 31.48% of the ordinary shares in the company.

The group has a 25% interest in Power Works Limited and a 50% interest in Showers Limited.

During the year, purchases totalling £510,000 (2008 – £490,000), at normal market prices have been made by group companies from UK Gnome Industries Limited, of which P A MacBryde's wife is a director and controlling shareholder. £10,000 was outstanding at 30 June 2009 (2008 – £9,000).

J Corless was interested throughout the year, through his 25% equity interest in Home Fires Limited, in a contract for the supply of fire extinguishers to that company. During the year the company supplied extinguishers to Home Fires Limited to a value of £225,000 at normal market prices. At 30 June 2009, Home Fires Limited owed £20,000 to the company.

Parent company

The company has taken advantage of the exemption in FRS 8 not to disclose transactions with wholly owned subsidiaries. During the year the company entered into transactions, in the ordinary course of business, with its 95% subsidiary, Bright Sparks Limited. Transactions entered into, and trading balances outstanding at 30 June, are as follows:

Related party	*Sales to Bright Sparks £000*	*Purchases from Bright Sparks £000*	*Amounts owed from Bright Sparks £000*	*Amounts owed to Bright Sparks £000*
2009	50	-	1,000	-
2008	60	-	900	-

Comments on the notes to the financial statements

Related party transactions
(continued)

1 Sch 72(4), FRS 8(3)

Disclosure is not required:

- in consolidated financial statements, of any transactions or balances between group entities that have been eliminated on consolidation;
- of transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is a party to the transaction is wholly owned by a member of that group;
- of pension contributions paid to a pension fund; and
- of emoluments in respect of services as an employee of the reporting entity.

Entities taking advantage of the second point above are required to state that fact.

FRS 8(2.3)

"Key management personnel" are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

FRS 8(7B)

With effect from periods beginning on or after 6 April 2008 only 100% subsidiaries are exempt from disclosures under FRS 8 (previously 90%).

Entities which previously did not provide information for 90% subsidiaries may be unable to report corresponding amounts in the first year of adopting the amendment. Corresponding amounts need not be provided where this information cannot be obtained in the first year of adopting the amendment. Where comparatives are not restated, entities should provide an explanation in the notes to the financial statements.

4 Sch 9

Where at the end of its financial year a company is a subsidiary undertaking, disclose the name and country of incorporation (if outside UK) of the company regarded by the directors as the ultimate parent company.

4 Sch 8

Where at the end of its financial year a company is a subsidiary undertaking and has been included in group financial statements prepared by a parent undertaking, disclose with respect to the parent undertaking of the smallest and largest group of which the company is a member and for which group financial statements are prepared:

- *name; and*
- *country of incorporation (if outside UK); or*
- *if unincorporated, the address of its principal place of business.*

If copies of the group financial statements referred to above are available to the public, disclose the address where they may be obtained.

Requirements for companies subject to the small companies regime

Companies subject to the small companies regime have the following financial reporting options available:

(a) IFRS;

(b) UK GAAP; or

(c) the Financial Reporting Statement for Smaller Entities (FRSSE).

The Companies Act 2006 financial statement requirements for companies subject to the small companies regime are largely contained in Part 15 of the Companies Act and in separate regulations - The Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 (SCR).

Below we have summarised the major company law disclosure exemptions for companies reporting under the small companies regime as opposed to companies required to use the LMCR.

Directors' Report

- no requirement to state recommended dividend (this exemption is also available to small companies that are members of an ineligible group);
- no requirement for a business review (this exemption is also available to small companies that are members of an ineligible group);
- no requirement for disclosures in respect of financial instruments;
- no requirement to disclose differences between book and market value of fixed assets;
- no requirement to give details of important post balance sheet events, an indication of likely future developments, an indication of research and development activities or an indication of branches outside the United Kingdom.
- no requirement to provide information about employees; and
- no requirement to provide information about the policy and practice on payment of creditors.

Financial Statements

- no requirement to disclose material differences between carrying value and replacement cost of stocks;
- no requirement to disclose whether the accounts have been prepared in accordance with applicable accounting standards and particulars of any material departures from those standards (NB: both the FRSSE and FRS 18 require disclosures where a True and Fair Override is invoked);
- no requirement to disclose details of shares held as treasury shares;
- no requirement to disclose details of contingent rights to the allotment of shares;
- no requirement to disclose details of debentures issued during the year;
- no requirement to disclose split of land and buildings into freehold and leasehold or the leasehold land into short and long leases;
- no requirement to disclose fair value of derivatives not held at fair value;
- no requirement to disclose deferred taxation separately from the amount of provision for other taxation;
- no requirement to disclose repayment terms of debt due after five years;
- no requirement to disclose details of off-balance sheet arrangements;
- no requirement to disclose the nature of any security given for creditors;
- no requirement to disclose any outstanding loans made for financial assistance for purchase of own shares;
- no requirement to disclose interest or similar charges in respect of bank loans or overdrafts;
- no requirement to give an analysis of the tax charge or to provide details of special circumstances affecting the tax charge (NB: both the FRSSE and FRS 19 require certain tax disclosures);
- no requirement to disclose information about employee numbers and costs;

Requirements for companies subject to the small companies regime

- instead of giving details of turnover by class of business small companies have to disclose the percentage of any turnover that, in the directors opinion, is attributable to non UK markets (NB: SSAP 25 disclosures do not apply to small companies);
- no requirement to disclose details of related party transactions (NB: both the FRSSE and FRS 8 require certain related party disclosures);
- the special provisions relating to investment companies do not apply;
- no requirement to disclose any gains made by directors on exercise of share options, the number of directors who exercised share options or the number of directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes;
- no requirement to disclose details of the highest paid director's remuneration;
- no requirement to disclose any excess retirement benefits of directors or past directors;
- no requirement to disclose details of auditor's remuneration in respect of non-audit services;
- no requirement to disclose where a subsidiary has a different financial year end with that of the company; and
- companies under the small companies regime are not required to prepare group accounts although group accounts can be prepared on a voluntary basis.

Applicability of UK GAAP accounting standards extant 30 June 2009

The table below illustrates the different UK GAAP Accounting Standards extant from 30 June 2009 depending on whether an entity is listed or fair values financial instruments, including derivatives, through the profit and loss account. Good Practice Group Limited is an unlisted entity, its shares are not publicly traded, and it does not fair value financial instruments through the profit and loss account.

		Unlisted entities	Unlisted entities fair valuing financial instruments through income	Listed Entities*
SSAP 20	Foreign currency translation	✓	✗ 1	✗ 1
FRS 4	Capital instruments	✓	✗ 2	✗ 2
FRS 5	Reporting the substance of transactions			
	▶ Paragraphs 14 to 31	✓	✗ 3	✗ 3
	▶ Remainder of standard	✓	✓	✓
FRS 13	Derivatives and other financial instruments: disclosures	✓ (if applicable)	✗ 4	✗ 4
FRS 22	Earnings per share	✓ (if publicly traded or in process of listing)	✓ (if publicly traded or in process of listing)	✓
FRS 23	The effects of changes in foreign exchange rates	✗ 5	✓	✓
FRS 24	Financial reporting in hyperinflationary economies	✗	✓	✓
FRS 26	Financial instruments: recognition and measurement	✗	✓	✓
FRS 29	Financial instruments: disclosures	✗	✓	✓

Applicability of UK GAAP accounting standards extant 30 June 2009

The following standards are applicable to all UK entities.

SSAP 4 – Accounting for government grants
SSAP 5 – Accounting for value added tax
SSAP 9 – Stocks and long-term contracts
SSAP 13 – Accounting for research and development
SSAP 19 – Accounting for investment properties
SSAP 21 – Accounting for leases and hire purchase
SSAP 25 – Segmental reporting
FRS 1 – Cash flow statements
FRS 2 – Accounting for subsidiary undertakings
FRS 3 – Reporting financial performance
FRS 6 – Acquisitions and mergers
FRS 7 – Fair values in acquisition accounting
FRS 8 – Related party transactions
FRS 9 – Associates and joint ventures
FRS 10 – Goodwill and intangible assets
FRS 11 – Impairment of fixed assets and goodwill
FRS 12 – Provisions, contingent liabilities and contingent assets
FRS 15 – Tangible fixed assets
FRS 16 – Current tax
FRS 17 – Retirement benefits
FRS 18 – Accounting policies
FRS 19 – Deferred tax
FRS 20 – Share-based payment
FRS 21 – Events after the balance sheet date
FRS 25 – Financial instruments: presentation
FRS 27 – Life assurance
FRS 28 – Corresponding amounts
FRS 30 – Heritage assets

Notes

1. SSAP 20 replaced by FRS 23
2. FRS 4 replaced by FRS 26
3. Paragraphs 14 to 31 of FRS 5 do not apply to financial assets and liabilities within the scope of FRS 26
4. FRS 29 disclosures apply to entities adopting FRS 26
5. Unlisted entities not applying FRS 23 use SSAP 20

The Companies Act 2006 financial statements formats Balance sheet

The formats contained in Schedule 1 are for an individual company. Schedule 6 supplements this by adding items relevant to group financial statements. The following formats include such group financial statements items.

Format 1

A Called up share capital not paid (1)

B Fixed assets
- I Intangible assets
  - 1 Development costs
  - 2 Concessions, patents, licences, trade marks and similar rights and assets (2)
  - 3 Goodwill (3)
  - 4 Payments on account
- II Tangible assets
  - 1 Land and buildings
  - 2 Plant and machinery
  - 3 Fixtures, fittings, tools and equipment
  - 4 Payments on account and assets in course of construction
- III Investments
  - 1 Shares in group undertakings
  - 2 Loans to group undertakings
  - † Interests in associated undertakings
  - † Other participating interests
  - 4 Loans to undertakings in which the company has a participating interest
  - 5 Other investments other than loans
  - 6 Other loans
  - 7 Own shares (4)

C Current assets
- I Stocks
  - 1 Raw materials and consumables
  - 2 Work in progress
  - 3 Finished goods and goods for resale
  - 4 Payments on account
- II Debtors (5)
  - 1 Trade debtors
  - 2 Amounts owed by group undertakings
  - 3 Amounts owed by undertakings in which the company has a participating interest
  - 4 Other debtors
  - 5 Called up share capital not paid (1)
  - 6 Prepayments and accrued income (6)
- III Investments
  - 1 Shares in group undertakings
  - 2 Own shares (4)
  - 3 Other investments
- IV Cash at bank and in hand

D Prepayments and accrued income (6)

† These items, which are inserted by 6 Sch and, although not assigned references, are to be treated as if they had been assigned Arabic numbers, replace the item ‘Participating interests’ for an individual company.

The Companies Act 2006 financial statements formats Balance sheet

E Creditors: amounts falling due within one year
  1 Debenture loans (7)
  2 Bank loans and overdrafts
  3 Payments received on account (8)
  4 Trade creditors
  5 Bills of exchange payable
  6 Amounts owed to group undertakings
  7 Amounts owed to undertakings in which the company has a participating interest
  8 Other creditors including taxation and social security (9)
  9 Accruals and deferred income (10)

F Net current assets (liabilities) (11)

G Total assets less current liabilities

H Creditors: amounts falling due after more than one year
  1 Debenture loans (7)
  2 Bank loans and overdrafts
  3 Payments received on account (8)
  4 Trade creditors
  5 Bills of exchange payable
  6 Amounts owed to group undertakings
  7 Amounts owed to undertakings in which the company has a participating interest
  8 Other creditors including taxation and social security (9)
  9 Accruals and deferred income (10)

I Provisions for liabilities
  1 Pensions and similar obligations
  2 Taxation, including deferred taxation
  3 Other provisions

J Accruals and deferred income (10)

†† Minority interests

K Capital and reserves
  I Called up share capital (12)
  II Share premium account
  III Revaluation reserve
  IV Other reserves
    1 Capital redemption reserve
    2 Reserve for own shares
    3 Reserves provided for by the articles of association
    4 Other reserves
  V Profit and loss account

†† Minority interests

†† This item, which is inserted in either position by 6 Sch, although not assigned a reference, is to be treated as if it had been assigned a letter.

The Companies Act 2006 financial statements formats Balance sheet

Format 2

Assets

A Called up share capital not paid (1)

B Fixed assets
- I Intangible assets
  - 1 Development costs
  - 2 Concessions, patents, licences, trade marks and similar rights and assets (2)
  - 3 Goodwill (3)
  - 4 Payments on account
- II Tangible assets
  - 1 Land and buildings
  - 2 Plant and machinery
  - 3 Fixtures, fittings, tools and equipment
  - 4 Payments on account and assets in course of construction
- III Investments
  - 1 Shares in group undertakings
  - 2 Loans to group undertakings
  - † Interests in associated undertakings
  - † Other participating interests
  - 4 Loans to undertakings in which the company has a participating interest
  - 5 Other investments other than loans
  - 6 Other loans
  - 7 Own shares (4)

C Current assets
- I Stocks
  - 1 Raw materials and consumables
  - 2 Work in progress
  - 3 Finished goods and goods for resale
  - 4 Payments on account
- II Debtors (5)
  - 1 Trade debtors
  - 2 Amounts owed by group undertakings
  - 3 Amounts owed by undertakings in which the company has a participating interest
  - 4 Other debtors
  - 5 Called up share capital not paid (1)
  - 6 Prepayments and accrued income (6)
- III Investments
  - 1 Shares in group undertakings
  - 2 Own shares (4)
  - 3 Other investments
- IV Cash at bank and in hand

D Prepayments and accrued income (6)

† These items, which are inserted by 6 Sch and, although not assigned references, are to be treated as if they had been assigned Arabic numbers, replace the item ‘Participating interests’ for an individual company.

The Companies Act 2006 financial statements formats Balance sheet

Liabilities

A Capital and reserves
- I Called up share capital (12)
- II Share premium account
- III Revaluation reserve
- IV Other reserves
  - 1 Capital redemption reserve
  - 2 Reserve for own shares
  - 3 Reserves provided for by the articles of association
  - 4 Other reserves
- V Profit and loss account

†† Minority interests

B Provisions for liabilities
- 1 Pensions and similar obligations
- 2 Taxation, including deferred taxation
- 3 Other provisions

C Creditors (13)
- 1 Debenture loans (7)
- 2 Bank loans and overdrafts
- 3 Payments received on account (8)
- 4 Trade creditors
- 5 Bills of exchange payable
- 6 Amounts owed to group undertakings
- 7 Amounts owed to undertakings in which the company has a participating interest
- 8 Other creditors including taxation and social security (9)
- 9 Accruals and deferred income (10)

D Accruals and deferred income (10)

†† This item, which is inserted in either position by 6 Sch, although not assigned a reference, is to be treated as if it had been assigned a letter.

The Companies Act 2006 financial statements formats Balance sheet

Notes

1 This item may be shown in either of the two positions given in formats 1 and 2.

2 Amounts in respect of assets shall only be included in a company's balance sheet under this item if either:

(a) the assets were acquired for valuable consideration and are not required to be shown under goodwill; or

(b) the assets in question were created by the company itself.

3 Amounts representing goodwill are only be included to the extent that the goodwill was acquired for valuable consideration.

4 The nominal value of the shares held must be shown separately.

5 The amount falling due after more than one year must be shown separately for each item included under debtors.

6 This item may be shown in either of the two positions given in formats 1 and 2.

7 The amount of any convertible loans must be shown separately.

8 Payments received on account of orders shall be shown for each of these items in so far as they are not shown as deductions from stocks.

9 The amount for creditors in respect of taxation and social security must be shown separately from the amount for other creditors.

10 The two positions given for this item in format 1 of the balance sheet at E.9 and H.9 are an alternative to J. If the item is not shown at J it may be shown in either or both of the other two positions (as the case may require). The two positions given for this item in format 2 of the balance sheet are alternatives.

11 In determining the amount to be shown for this item any amounts shown under 'prepayments and accrued income' must be taken into account wherever shown.

12 The amount of allotted share capital and the amount of called up share capital which has been paid up must be shown separately.

13 Amounts falling due within one year and after one year shall be shown separately for each item included under creditors in format 2 and their aggregate must be shown separately for all of these items.

The Companies Act 2006 financial statements formats

Profit and loss account

Format 1 (1)

1	Turnover
2	Cost of sales (2)
3	Gross profit or loss
4	Distribution costs (2)
5	Administrative expenses (2)
6	Other operating income
7	Income from shares in group undertakings
†	Income from interests in associated undertakings
†	Income from other participating interests
9	Income from other fixed asset investments (3)
10	Other interest receivable and similar income (3)
11	Amounts written off investments
12	Interest payable and similar charges (4)
13	Tax on profit or loss on ordinary activities
14	Profit or loss on ordinary activities after taxation
††	Minority interests
15	Extraordinary income
16	Extraordinary charges
17	Extraordinary profit or loss
18	Tax on extraordinary profit or loss
††	Minority interests
19	Other taxes not shown under the above items
20	Profit or loss for the financial year

Format 2

1	Turnover
2	Change in stocks of finished goods and in work in progress
3	Own work capitalised
4	Other operating income
5	(a) Raw materials and consumables
	(b) Other external charges
6	Staff costs:
	(a) wages and salaries
	(b) social security costs
	(c) other pension costs
7	(a) Depreciation and other amounts written off tangible and intangible fixed assets
	(b) Exceptional amounts written off current assets
8	Other operating charges
9	Income from shares in group undertakings
†	Income from interests in associated undertakings
†	Income from other participating interests
11	Income from other fixed asset investments (3)
12	Other interest receivable and similar income (3)
13	Amounts written off investments
14	Interest payable and similar charges (4)
15	Tax on profit or loss on ordinary activities
16	Profit or loss on ordinary activities after taxation
††	Minority interests
17	Extraordinary income
18	Extraordinary charges
19	Extraordinary profit or loss
20	Tax on extraordinary profit or loss
††	Minority interests
21	Other taxes not shown under the above items
22	Profit or loss for the financial year

In each format, 6 Sch:

† replaces the item ‘Income from participating interests’ with these items and

†† adds this item in either position

which, although not assigned references are to be treated as if they had been assigned an Arabic number.

The Companies Act 2006 financial statements formats

Profit and loss account

Format 3 (1)

A **Charges**
1 Cost of sales (2)
2 Distribution costs (2)
3 Administrative expenses (2)
4 Amounts written off investments
5 Interest payable and similar charges (4)
6 Tax on profit or loss on ordinary activities
7 Profit or loss on ordinary activities after taxation
†† Minority interests
8 Extraordinary charges
9 Tax on extraordinary profit or loss
†† Minority interests
10 Other taxes not shown under the above items
11 Profit or loss for the financial year

B **Income**
1 Turnover
2 Other operating income
3 Income from shares in group undertakings
† Income from interests in associated undertakings
† Income from other participating interests
5 Income from other fixed asset investments (3)
6 Other interest receivable and similar income (3)
7 Profit or loss on ordinary activities after taxation
†† Minority interests
8 Extraordinary income
†† Minority interests
9 Profit or loss for the financial year

Format 4

A **Charges**
1 Reduction in stocks of finished goods and in work in progress
2 (a) Raw materials and consumables
(b) Other external charges
3 Staff costs:
(a) wages and salaries
(b) social security costs
(c) other pension costs
4 (a) Depreciation and other amounts written off tangible and intangible fixed assets
(b) Exceptional amounts written off current assets
5 Other operating charges
6 Amounts written off investments
7 Interest payable and similar charges (4)
8 Tax on profit or loss on ordinary activities
9 Profit or loss on ordinary activities after taxation
†† Minority interests
10 Extraordinary charges
11 Tax on extraordinary profit or loss
†† Minority interests
12 Other taxes not shown under the above items
13 Profit or loss for the financial year

B **Income**
1 Turnover
2 Increase in stocks of finished goods and in work in progress
3 Own work capitalised
4 Other operating income
5 Income from shares in group undertakings
† Income from interests in associated undertakings
† Income from other participating interests
7 Income from other fixed asset investments (3)
8 Other interest receivable and similar income (3)
9 Profit or loss on ordinary activities after taxation
†† Minority interests
10 Extraordinary income
†† Minority interests
11 Profit or loss for the financial year

The Companies Act 2006 financial statements formats
Profit and loss account

Notes

1 The amount of any provisions for depreciation and diminution in value of tangible and intangible fixed assets falling to be shown under items 7(a) and A.4(a) respectively in formats 2 and 4 shall be disclosed in a note to the financial statements in any case where the profit and loss account is prepared by reference to format 1 or format 3.

2 These items shall be stated after taking into account any necessary provisions for depreciation or diminution in value of assets.

3 Income and interest derived from group undertakings must be shown separately from income and interest derived from other sources.

4 The amount payable to group undertakings must be shown separately.

Glossary of terms

Applicable accounting standards

SSAPs and FRSs. Urgent Issues Task Force abstracts are not applicable accounting standards but may be taken to be persuasive when deciding what is required for a true and fair view to be given.

Associate [FRS 9(4)]

An entity (other than a subsidiary) in which another entity (the investor) has a participating interest and over whose operating and financial policies the investor exercises a significant influence.

Associated undertaking [6 Sch 19]

An undertaking, which is not a subsidiary undertaking of the parent company, or a joint venture accounted for by proportional consolidation, in which a participating interest is held and over whose operating and financial policy a significant influence is exercised.

Where more than 20% of the voting rights are held there is a presumption that significant influence is exercised unless the contrary is shown.

Associates of the company's auditors [SI 2008/489]

This definition is widely drawn and includes the following:

(a) any partnership which had, at any time in the financial year, a partner in common with the auditors;

(b) any partner in the auditors;

(c) any body corporate which was, at any time in the financial year, a partner in the company's auditors or in a partnership which has a partner in common with the auditors; and

(d) any body corporate of which a partner in the company's auditors is a director.

Any person controlled by the company's auditors or by any associate of the auditors is also an associate but only if the control does not arise purely because the auditor or associate is acting as an insolvency practitioner, in the capacity of receiver or as a judicial factor on the estate of any person.

Body corporate [s1173(1)]

A body corporate includes a body incorporated outside the UK but does not include a corporation sole or a partnership that, whether or not a legal person, is not regarded as a body corporate under the law by which it is governed.

Capital instruments [FRS 4(2)]

All instruments that are issued by reporting entities as a means of raising finance including shares, debentures, loans and debt instruments, options and warrants that give the holder the right to subscribe for or obtain capital instruments.

Cash [FRS 1(2)]

Cash in hand and deposits repayable on demand with any qualifying financial institution, less overdrafts from any qualifying financial institution repayable on demand. Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty of it a maturity or period of notice of not more than 24 hours or one working day has been agreed. Cash includes cash in hand and deposits denominated in foreign currencies.

Class of business [SSAP 25(30), 1 Sch 68(4)]

A distinguishable component of an entity that provides a separate product or service or a separate group of related products or services.

Classes of business which, in the opinion of the directors, do not differ substantially from one another should be treated as one class.

Connected body corporate [s254]

A director is deemed to be connected with a body corporate if he and the persons connected with him together are interested in shares comprised in the equity share capital of that body corporate of a nominal value equal to at least 20% of that share capital or together they are entitled to exercise or control the exercise of more than 20% of the voting power at any general meeting.

References to voting power include references to voting power controlled by a body corporate controlled by that director. Treasury shares are disregarded for the purposes of this application.

Glossary of terms

Connected persons [s252]

A person is connected with a director if, he (not being a director himself) is:

(a) that director's spouse, civil partner, person living with the director in an enduring family relationship, child, or step-child, or child or step-child under the age of 18 of the director's partner or person living with the director in an enduring family relationship; or

(b) a body corporate with which the director is connected; or

(c) a person acting as trustee of any trust (other than employee share or pension schemes), the beneficiaries of which include the director or a person or body corporate connected with him, or the terms of which confer a power that may be exercised for the benefit of the director or any such persons; or

(d) a person acting in his capacity as a partner of the director or any person connected with him by virtue of (a) to (c) above; or

(e) a firm which is a legal person under the law by which it is governed and in which the director or a connected person by virtue of (a) to (c) above is a partner, or in which a partner is a firm in which the director or a connected person by virtue of (a) to (c) above is a partner.

Contingent asset [FRS 12(2)]

A possible asset that arises from the past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control.

Contingent liability [FRS 12(2)]

(a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that a transfer of economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

Credit transaction [s202]

A transaction under which one party ('the creditor'):

(a) supplies any goods or sells any land under a hire purchase agreement or a conditional sale agreement; or

(b) leases or hires any land or goods in return for periodical payments; or

(c) otherwise disposes of land or supplies goods or services on the understanding that payment (whether in a lump sum or instalments or by way of periodical payments or otherwise) is to be deferred.

Current tax [FRS 16(2), FRS 19(2)]

The amount of tax estimated to be payable or recoverable in respect of the taxable profit or loss for a period, along with adjustments to estimates in respect of previous periods.

Debt [FRS 4(6)]

Capital instruments that are classified as liabilities.

Deferred tax [FRS 19(2)]

Estimated future tax consequences of transactions and events recognised in the financial statements of the current and previous periods.

Defined benefit scheme [FRS 17(2)]

A pension or other retirement benefit scheme other than a defined contribution scheme.

Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Glossary of terms

Defined contribution scheme [FRS 17(2)]

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

An individual member's benefits are determined by reference to contributions paid into the scheme in respect of that member, usually increased by an amount based on the investment return on those contributions.

Defined contribution schemes may also provide death-in-service benefits. For the purposes of this definition, death-in-service benefits are not deemed to relate to employee service in the current and prior periods.

Derivative financial instrument [FRS 26(9)]

A derivative is a financial instrument or other contract within the scope of FRS 26 (see paragraphs 2-7) with all three of the following characteristics:

(a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variables, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying');

(b) it requires non initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and

(c) it is settled at a future date.

Equity instrument [FRS 25(11)]

Any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity method [FRS 9(4)]

A method of accounting that brings an investment into its investor's financial statements initially at its cost, identifying any goodwill arising. The carrying amount of the investment is adjusted in each period by the investor's share of the results of its investee less any amortisation or write-off for goodwill, the investor's share of any relevant gains or losses, and any other changes in the investee's net assets including distributions to its owners, for example by dividend.
The investor's share of its investee's results is recognised in its profit and loss account.
The investor's cash flow statement includes the cash flows between the investor and its investee, for example relating to dividends and loans.

Equity share capital [s540]

Issued share capital excluding any part of that capital that, neither as respects dividends nor as respects capital, carries any right to participate beyond a specified amount in a distribution.

Fair value [FRS 25(11)]

The amount at which an asset could be exchanged or a liability settled between knowledgeable willing parties, in an arm's length transaction.

Fellow subsidiary undertaking [s1161(4)]

Undertakings which are subsidiary undertakings of the same parent undertaking but are not parent undertakings or subsidiary undertakings of each other.

Finance cost [FRS 4(8)]

The difference between the net proceeds of an instrument and the total amount of the payments (or other transfers of economic benefits) that the issuer may be required to make in respect of the instrument.

Glossary of terms

Financial asset [FRS 25(11)]

A financial asset is any asset that is:

(a) cash;

(b) an equity instrument of another entity;

(c) a contractual right:

(i) to receive cash or another financial asset from another entity; or

(ii) to exchange financial assets or financial liabilities with another entity under terms that are potentially unfavourable to the entity; or

(d) a contract that will or may be settled in the equity's own equity instruments and is:

(i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own entity instruments; or

(ii) a derivative that may be settled other than by the exchange of a fixed amount of cash or other financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial instrument [FRS 25(11)]

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability [FRS 25(11)]

A financial liability is any liability that is:

(a) a contractual obligation:

(i) to deliver cash or another financial asset to another entity; or

(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

(b) a contract that will or may be settled in the entity's own equity instruments and is:

(i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or

(ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or other financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial year [s390]

A company's first financial year begins with the first day of its first accounting reference period and ends with the last day of that period or such other date, not more than seven days before or after the end of that period, as the directors may determine.

Subsequent financial years begin with the day immediately following the end of the company's previous financial year and end with the last day of its next accounting reference period or such other date, not more than seven days before or after the end of that period, as the directors may determine.

Directors of a parent company must secure that, except where there are good reasons against it, that the financial year of each of its subsidiary undertakings coincides with the company's own financial year.

Fixed and current assets [10 Sch 6]

Assets of a company are fixed assets if they are intended for use on a continuing basis in the company's activities.

Current assets are assets not intended for such use.

Functional currency [FRS 23(8)]

The currency of the primary economic environment in which an entity operates.

Fungible assets [10 Sch 5]

Assets of any description which are substantially indistinguishable one from another.

Geographical segment [SSAP 25(31)]

A geographical area comprising an individual country or group of countries in which an entity operates, or to which it supplies products or services.

Gross equity method [FRS 9(4)]

A form of equity method under which the investor's share of the aggregate gross assets and liabilities underlying the net amount included for the investment shown on the face of the balance sheet and, in the profit and loss account, the investor's share of the investees turnover is noted.

Glossary of terms

Group undertaking [s1161(5)]

A parent undertaking, subsidiary undertaking or a subsidiary undertaking of any parent undertaking of that undertaking.

Impairment [FRS 11(20]

A reduction in the recoverable amount of a fixed asset or goodwill below its carrying value.

Intangible assets [FRS 10(2)]

Non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights.

Issue costs [FRS 4(10)]

The costs that are incurred directly in connection with the issue of a capital instrument, that is, those costs that would not have been incurred had the specific instrument in question not been issued.

Joint venture [FRS 9(4)]

An entity in which the reporting entity holds an interest on a long-term basis and is jointly controlled by the reporting entity and one or more other venturers under a contractual arrangement.

Key management personnel [FRS 8(2.3)]

Those persons having authority and responsibility for planning, directing, and controlling the activities of an entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Large private company [SSAP 25(41)]

In relation to SSAP 25, any company exceeding the criteria, multiplied by 10 in each case, for determining a medium-sized company under s465.

The criteria are currently 10 times medium-sized :

Turnover	£259 million
Balance sheet total	£129 million
Number of employees	2,500

Liquid resources [FRS 1(2)]

Current asset investments held as readily disposable stores of value. A readily disposable investment is one that:

(a) is disposable by the reporting entity without curtailing or disrupting its business;

and is either;

(b) (i) readily convertible into known amounts of cash at or close to the carrying amount or (ii) traded in an active market.

Listed entity [FRS 26(9A)]

An entity that has shares or debt admitted to trading on a regulated market in the EU within the meaning of Directive 93/22/EEC (NB: AIM is not a regulated market).

Listed investments [10 Sch 8]

An investment that has been granted a listing on a recognised investment exchange other than an overseas investment exchange or a stock exchange of repute outside the United Kingdom.

Local currency [SSAP 20(39)]

The currency of the primary economic environment in which an entity operates and generates net cash flows.

Medium-sized company [s465 to s467]

A company qualifies as medium-sized if it is not a public company, a company that has permission under Part 4 of the Financial Services and Market Act 2000 (c8) to carry on a regulated activity or carries on insurance market activity or if it not a member of an ineligible group.

A group is ineligible if any of its members is:

(a) a public company;

(b) a body corporate (other than a company) whose shares are admitted to trading on a regulated market in an EEA State;

(c) a person (other than a small company) who has permission under Part 4 of the Financial Services and Market Act 2000 (c8) to carry on a regulated activity;

(d) a small company that is an authorised insurance company, a banking company, an e-money issuer, an ISD investment firm or a UCITS management company; or

(e) a person who carries on insurance market activity.

Glossary of terms

It must also not exceed 2 or more of the following qualifying limits in both the current and the preceding financial year:

Turnover	£25.9 million
	(£31.1 million gross)
Balance sheet total	£12.9 million
	(£15.5 million gross)
Number of employees	250

"Gross" means before set-offs and elimination of group transactions.

A parent company does not qualify as a medium-sized company unless the group headed by it qualifies as a medium-sized group.

Net debt [FRS 1(2)]

The borrowings of the reporting entity (comprising debt as defined in FRS 4 together with related derivatives, and obligations under finance leases) less cash and liquid resources.

Ordinary share [FRS 22(5)]

An equity instrument that is subordinate to all other classes of business.

Participating interest [10 Sch 11]

An interest held by an undertaking in the shares of another undertaking which it holds (or is held on its behalf) on a long-term basis for the purpose of securing a contribution to its activities by the exercise of control or influence arising from or related to that interest.

A holding of 20% or more of the shares in an undertaking is presumed to be a participating interest unless the contrary is shown.

This includes an interest which is convertible into an interest in shares and an option to acquire shares or any such interest notwithstanding as to whether the shares to which the option or the conversion relates are unissued.

Pension costs [10 Sch 14(2)]

Any costs incurred by the company in respect of any pension scheme established for the purpose of providing pensions, for current or former employees, any sums set aside for that purpose and any amounts paid by the company in respect of pensions without first being so set aside, other than social security costs.

Potential ordinary share [FRS 22(5)]

A financial instrument or any other contract that may entitle its holder to ordinary shares.

Presentation currency [FRS 23(8)]

The currency in which the financial statements are presented.

Public company [s4(2)]

A company having a share capital whose certificate of incorporation states that it is a public company and has been registered or re-registered as public company after 22 December 1980 (1 July 1983 for Northern Ireland companies).

Production cost [1 Sch 27(2)-(4)]

The production cost of an asset shall be determined by adding to the purchase price of the raw materials and consumables used the costs incurred which are directly attributable to the production of that asset.

In addition, there may be included in the production cost of an asset:

(a) a reasonable proportion of the costs incurred by the company which are only indirectly attributable to the production of that asset, but only to the extent that they relate to the period of production; and

(b) interest on capital borrowed to finance the production of that asset, to the extent that it accrues in respect of the period of production, provided that the fact of its inclusion and the amount of the interest included is disclosed in a note to the financial statements.

In the case of current assets, distribution costs may not be included in production costs.

Purchase price [10 Sch 12)]

Purchase price in relation to an asset of a company or any raw materials or consumables used in the production of an asset includes any consideration (whether in cash or otherwise) given by the company in respect of that asset or those materials or consumables.

Glossary of terms

Quasi-loan [s199(1)]

A transaction under which one party ('the creditor') agrees to pay, or pays otherwise than in pursuance of an agreement, a sum for another ('the borrower') or agrees to reimburse, or reimburses otherwise than in pursuance of an agreement, expenditure incurred by another party for another ("the borrower) on terms where the borrower (or a person on his behalf) will reimburse the creditor or in circumstances giving rise to a liability on the borrower to reimburse the creditor.

Quoted company [s385(2)]

A company whose equity share capital is included on the Official List of the UK Listing Authority, officially listed in an EEA state, or admitted to dealing on either the New York Stock Exchange or NASDAQ. AIM and OFEX companies are not quoted.

Readily ascertainable market value [FRS 10(2)]

The value of an intangible asset that is established by reference to a market where:

(a) the asset belongs to a homogenous population of assets that are equivalent in all material respects; and

(b) an active market, evidenced by frequent transactions, exists for that population of assets.

Realised profits and losses [s853(4)]

In relation to a company's financial statements, this means such profits or losses of the company as fall to be treated as realised in accordance with generally accepted accounting principles at the time the accounts are prepared.

The accountancy bodies have issued TECH 01/09 on realised and distributable profits under the Companies Act 2006.

Related parties [FRS 8(2.5)]

A party is related to the entity if:

(a) the party directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with the entity (this includes parents, subsidiaries and fellow subsidiaries) or the party has an interest in the entity that gives it significant influence over the entity or has joint control of the entity;

(b) the party is an associate of the entity;

(c) the party is a joint venture in which the entity is a venturer;

(d) the party is a member of the key management personnel of the entity or its parent;

(e) the party is a close member of the family of any individual referred to above;

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to above; or

(g) the party is a retirement benefit scheme for the benefit of employees of the entity or of any entity that is a related party of the entity.

The above are not intended to be an exhaustive list of related parties.

Related party transaction [FRS 8(2.6)]

The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a price is charged.

Share-based payment transaction [FRS 20 (App A)]

A transaction in which the entity receives goods or services as consideration for equity instruments of the entity (including shares or share options), or acquires goods or services by incurring liabilities to the supplier of those goods or services for amounts that are based on the price of the entity's shares or other equity instruments of the entity.

Shares [s1161(2)]

This means:

(a) in relation to an undertaking with capital but no share capital, rights to share in the capital of the undertaking; and

(b) in relation to an undertaking without capital, interests:

 (i) conferring any right to share in the profits or liability to contribute to the losses of the undertaking; or

 (ii) giving rise to an obligation to contribute to the debts or expenses of the undertaking in the event of a winding up.

Glossary of terms

Small companies regime [s382 to s384]

A company qualifies for the small companies regime if it is not a public company or a banking or insurance company, an e-money issuer, an ISD investment firm or a UCITS management company or carries on an insurance market activity or if it not a member of an ineligible group.

A group is ineligible if any of its members is:

(a) a public company;

(b) a body corporate (other than a company) whose shares are admitted to trading on a regulated market in an EEA State; or

(c) a person (other than a small company) who has permission under Part 4 of the Financial Services and Market Act 2000 (c8) to carry on a regulated activity.

It must also not exceed 2 or more of the following qualifying limits in both the current and the preceding financial year:

Turnover	£6.5 million
	(£7.8 million gross)
Balance sheet total	£3.26 million
	(£3.9 million gross)
Number of employees	50

“Gross” means before set-offs and elimination of group transactions.

A parent company does not qualify as a small company unless the group headed by it qualifies as a small group.

Social security costs [10 Sch 14(1)]

Any contributions by the company to any state social security or pension scheme, fund or arrangement.

Subsidiary company [s1159]

A company is a subsidiary of a holding company where the holding company:

(a) holds a majority of the voting rights in it; or

(b) is a member of it and has the right to appoint or remove a majority of its board of directors; or

(c) is a member of it and controls alone a majority of the voting rights in it by agreement with other shareholders or members;

or if it is a subsidiary of a company which is itself a subsidiary of the holding company.

Subsidiary and parent undertaking [s1162]

An undertaking is a parent undertaking in relation to another undertaking, a subsidiary undertaking, if it:

(a) holds a majority of the voting rights; or

(b) is a member of the undertaking and has the right to appoint or remove a majority of its board of directors; or

(c) has the right to exercise a dominant influence through the memorandum and articles or a control contract; or

(d) is a member and controls alone a majority of the voting rights by agreement with other shareholders or members; or

(e) if it has the power to exercise or actually exercises:

  (i) dominant control or influence over it; or

  (ii) it and the subsidiary undertaking are managed on a unified basis.

Rights shall be treated as held by a parent undertaking if they are held by any of its subsidiary undertakings.

Total recognised gains and losses [FRS 3(8)]

The total of all gains and losses of the reporting entity that are recognised in a period and are attributable to shareholders.

The Statement of Principles defines gains, losses and recognition as follows:

- gains are increases in ownership interest not resulting from contributions from owners;
- losses are decreases in ownership interest not resulting from distributions to owners; and
- recognition involves depiction of an item both in words and by a monetary amount and the inclusion of that amount in the primary financial statement totals.

Glossary of terms

Turnover [s474(1)]

The amounts derived from the provision of goods and services falling within the company's ordinary activities after deduction of:

(a) trade discounts;

(b) VAT; and

(c) any other taxes based on the amounts so derived.

Undertaking [s1161(1)]

Undertaking means:

(a) a body corporate or partnership; or

(b) an unincorporated association carrying on a trade or business with or without a view to profit.

Value in use [FRS 11(2)]

The present value of the future cash flows obtained as a result of an asset's continued use, including those resulting from its ultimate disposal.

Ernst & Young LLP offices in the United Kingdom

ABERDEEN
Blenheim House
FountainHall Rd
Aberdeen
AB15 4DT
Tel: 01224 653000

BELFAST
Bedford House
16 Bedford Street
Belfast BT2 7DT
Tel: 028 9044 3500

BIRMINGHAM
One Colmore Square
Birmingham B4 6HQ
Tel: 0121 535 2000

BRISTOL
One Bridewell Street
Bristol BS1 2AA
Tel: 0117 981 2050

CAMBRIDGE
Compass House
80 Newmarket Road
Cambridge CB5 8DZ
Tel: 01223 557000

EDINBURGH
Ten George Street
Edinburgh EH2 2DZ
Tel: 0131 777 2000

GLASGOW
George House
50 George Square
Glasgow G2 1RR
Tel: 0141 626 5000

HULL
Lowgate House
Lowgate
Hull HU1 1JJ
Tel: 01482 590300

INVERNESS
Barony House
Stoneyfield Business Park
Stonefield
Inverness
IV2 7PA
Tel: 01463 66700

LEEDS
1 Bridgewater Place
Water Lane
Leeds LS11 5QR
Tel: 0113 298 220

LIVERPOOL
20 Chapel Street
Liverpool L3 9AG
Tel: 0151 210 4200

LONDON
1 More London Place
London
SE1 2AF
Tel: 020 7951 2000

LUTON
400 Capability Green
Luton LU1 3LU
Tel: 01582 643000

MANCHESTER
100 Barbirolli Square
Manchester M2 3EY
Tel: 0161 333 3000

NEWCASTLE-UPON-TYNE
City Gate
St. James' Boulevard
Newcastle-upon-Tyne
NE1 4JD
Tel: 0191 247 2500

NOTTINGHAM
City Gate West
Toll House Hill
Nottingham NG1 5FY
Tel: 0115 954 2090

READING
Apex Plaza
Forbury Road
Reading RG1 1YE
Tel: 0118 928 1100

SOUTHAMPTON
Wessex House
19 Threefield Lane
Southampton
SO14 3QB
Tel: 023 8038 2000

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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