



J + S Limited

Annual report

for the year ended 30 September 2010

Registered number 03753462

J + S Limited

Annual report

for the year ended 30 September 2010

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J + S Limited

Directors and advisors for the year ended 30 September 2010

Directors

H W Warren - Chairman
D L Jeffries - Managing Director
E L Abretti
M Blair
K W Hanley
D A Sedge
A V Toms

Company secretary

K W Hanley

Registered office

Riverside Road
Pottington Business Park
Barnstaple
Devon
EX31 1LY

Registered auditors

PricewaterhouseCoopers LLP
Princess Court
23 Princess Street
Plymouth
PL1 2EX

Bankers

Royal Bank of Scotland
59 High Street
Exeter
EX4 1LF

Solicitors

Michelmores
Woodwater House
Pynes Hill
Exeter
EX2 5WR

Registered number

03753462

J + S Limited

Director's report for the year ending 30 September 2010

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 30 September 2010.

Principal activities

The principal activity of the company during the year was the design, manufacture and support of acoustic, electro-mechanical and data network systems for customers who service harsh physical environments and who require high integrity solutions.

Results and dividends

The profit for the year, after taxation, amounted to £746k (2009: £556k). The directors have not recommended a dividend.

Review of the business and future developments

Overall Performance

In total the company booked orders of £9.2m in the year (2009 - £21.3m). At the year-end the company's order book stood at a broadly satisfactory £22.2m (2009- £23.5m). Of this order book approximately £8.6m (2009 - £6.4m) is shippable in the course of the next financial year and this represents a record level of in-year shippable order book at the beginning of a fiscal year.

The company recorded an operating profit for the year of £1,060k (2008 - £815k) on turnover of just under £10.4m (2009 - £10.9m). This was the first time since 2003/4 that the company has achieved operating margins of over 10% and the directors believe this is a highly creditable performance particularly given the continuing difficult trading conditions in the UK naval defence market.

Capital investment was £200k compared to £257k in the prior year. There were no major capital investment programmes in the year.

In line with our strategy of increasing investment in product and capability development programmes the company capitalised £194k of development expenditures in the year (2009 £82k) and commenced the amortisation of the splice housing development with a charge to the profit and loss account of £58k (2009 - £nil).

At the year-end the company employed 124 staff (September 2009 - 117).

Defence

In the year to 30 September 2010 the company booked Defence orders of just under £6.4m (2009 - £21.3m). Whilst this appears to be a disappointing outturn when compared to the prior year it should be noted that in 2009 Defence order input included approximately £15.0m of order input relating to Miscellaneous Sonars support tasking and the long term Contracting For Availability (CFA) contract under which the company provides asset support services in return for a fixed fee for a nine and a half year period until 31 March 2019.

This Miscellaneous Sonars CFA contract together with the Towed Array Sonar CFA contract that has been running since 2003 make up the bulk of our naval defence support business providing the company with fixed annual revenues of approximately £3.4m per annum.

In the year to 30 September 2010 the company received orders for incremental asset support for the Towed Array Sonar and Minor Sonars CFA contracts with a value of approximately £1,400k. Other asset support contracts won or renewed in the year included contracts covering support for the Magazine Torpedo Launch System (MTLS) fitted to the Type 23 frigate class, the Landing Aids for the Invincible class of Aircraft Carriers, the Sea Gnat decoy launcher fitted extensively through the surface fleet and the Gravimeters fitted to the hydrographic survey fleet. In aggregate order input of just over £700k was booked on these support contracts.

Directors' report for the year ended 30 September 2010 (continued)

The Highway Controller Health Monitor upgrade programme for the Combat Systems Highway (CSH) which was initiated in the year ended 30 September 2009 with a development contract progressed in the year to the production and ship fit stage with an order for just over £700k for equipment supply of the upgraded system. The CSH is fitted to a number of surface fleet platforms most notably the Type 23 frigate class.

During the year the company also won development and equipment supply orders on a number of other programmes including Echo Sounder fits for the Royal Saudi Navy mine hunter refit programme, a major redesign and production order for the GSA8 camera fitted as part of the GSA8 gun control system on the Type 22 and 23 frigate classes and an obsolescence upgrade for the Command Support System – Combat System Interface (CSS-CSI) fitted to the frigate and destroyer fleets. In aggregate orders with a value of over £1.4m were booked on these programmes.

Overall the trading conditions in the UK naval support market remained challenging with naval support budgets subject to severe cost constraints and the directors expect the UK market conditions to remain tough for some time to come as the 2010 Strategic Defence and Security Review recommendations are implemented and the consolidation of supply of support services via platform led programmes to the fleet continues.

Notwithstanding the weak UK market situation the company is well placed to withstand a prolonged downturn in UK naval support activity given our strong position in the market and the nature of the long-term CFA contracts that form the backbone of our UK naval support business.

In recent years our Defence export activity has developed strongly in both the ex-RN fleet refit programmes for Canada, Chile and Brazil and other key markets such as the Royal Netherlands Navy M class frigate refit programme. However, in the year to 30 September 2010 export activity in all our key markets was subdued with total export orders of barely £0.3m booked (2009 - £2.3m).

In recent months export activity enquiry levels have recovered strongly and the directors have launched a number of export sales initiatives into selected new territories in the Far East and increased the marketing activity into the key existing markets of Canada, Brazil and Chile. As a consequence the directors believe that Defence export order input will recover to more normal levels in the coming year.

During the year the company continued to invest in the development programme to significantly expand the capability of the Combat Systems Highway by increasing the bandwidth available for data transmission and to allow an Open Systems Architecture to operate in tandem with the existing Highway protocols. This programme has recently been demonstrated to Ministry of Defence officials and has been received enthusiastically.

The company also continued to invest in the development of a range of miniaturised sensors and Low Profile Arrays. These arrays have a number of potential applications including delivering a towed array capability to smaller naval vessels such as coastal patrol vessels and Corvettes. The arrays can also be deployed on applications such as cetation monitoring and harbour protection.

Turnover in the Defence sector fell back by 7.4% to just over £8.0m from £8.6m in 2008/9.

At the year-end the Defence sector order backlog stood at just under £21.2m, a £1.7m decrease on the level at the beginning of the year.

Oil & Gas

Demand in the Oil and Gas sector recovered strongly in the second half of the year following a disappointing first half performance as the oil price recovered and our customers resumed their maintenance and capital investment programmes.

J + S Limited

Directors' report for the year ended 30 September 2010 (continued)

During the year the directors focussed the business more strongly around capital investment programmes with a higher engineering content and improved margins than the asset support maintenance programmes that previously made up the bulk of our business. In addition engineers and production staff at the Barnstaple site were increasingly utilised in providing direct support to the Oil & Gas business. The directors believe that it is vital to the continuing development of our Oil & Gas business that engineering and support services are provided from Barnstaple where economically and technically efficient.

Turnover in this sector fell by 14.7% from £1.9m to £1.6m following a poor first half performance as activity in support of Talisman Energy who had previously been our largest customer continued to decline. In the second half of the year activity levels recovered strongly and this trend looks set to continue through the first half of the 2010/11 year.

At the year end the Oil & Gas business order book stood at just over £0.9m, an increase of £0.5m on the level at the beginning of the year.

Marine Renewables

The Marine Renewables business completed the qualification and initial deployments of the splice housing on the EMEC wave and tidal sites situated off the Orkney Islands. By the end of the year we had installed seven housings in cable termination mode and completed two in-line splices. A patent application has been filed covering aspects of the splice housing which the directors believe has the potential to become the industry standard for sub-sea electrical and fibre optic connection systems for Marine Renewables. The engineering team are now working on the development of a high voltage dry mate connector to complement the splice housing and will shortly begin work on the development of the next generation of splice housing.

Turnover in the sector rose by 150.2% from just below £0.3m to just over £0.7m.

At the year end the Marine Renewables order book stood at £0.1m (2009 - £0.2m).

Funding

During the year the company paid down net debt by £607k and closed the year with cash balances net of finance lease and hire purchase commitments of £17k compared to a net debt of £590k at 30 September 2009. Over the last two years the company has paid down over £1.5m of debt and overdraft which the directors believe to be a highly creditable performance.

During the year the company repaid from existing facilities the mezzanine loan provided from the South West Growth Fund.

Since the year-end the company have appointed Clydesdale Bank as the company's bankers and have negotiated a significantly increased working capital and term loan facility over that offered by Royal Bank of Scotland, our previous bankers.

The company has since the year end drawn down £782k of the new term loan facility partly to effect a share buyback and cancellation of the remaining shareholdings of two former directors and to provide additional working capital.

Prospects

In summary, whilst conditions in the UK naval defence support market continue to be challenging the directors believe the company is well positioned in this market with long term support contracts in place and a strong order book. In the Defence export markets there has been a resurgence of activity in recent months and the directors view their selected export markets with some confidence.

Activity in the Oil and Gas sector has recovered strongly over the past few months and the directors anticipate that this will continue well into the 2010/11 year.

Directors' report for the year ended 30 September 2010 (continued)

In the Wave and Tidal Energy sectors of the Marine Renewables marketplace the directors believe that the company is well placed to build on the success of last year with further sub-sea connection opportunities on the EMEC sites and elsewhere. The directors have recently authorised investment in the development of a Position and Load Monitoring system for use in the Wave Energy sector. This development will be undertaken in collaboration with Exeter University.

Overall the directors believe that the actions they have taken in the market sectors in which the company operates should leave the company well positioned to manage the challenges of the Oil & Gas business, the Naval defence export markets and is well placed to take advantage of the continuing consolidation of activity in the UK Naval support market and the emerging wave and tidal energy sectors of the Marine Renewables marketplace.

Risk Management objectives and policies

During the year the directors introduced a formal Risk Management programme for review at their bi-monthly Board Meetings. At these meetings the Managing Director reports on risk management issues in the key areas of bid or pricing risk, execution or delivery risk and reputational risk. The Finance Director updates the Board on liquidity risk issues.

The principal business risks encountered by the company in the ordinary course of its business continue to relate to contract delivery performance particularly on development contracts with a high engineering content and liquidity risk.

Each sales contract is allocated a dedicated project manager whose responsibility it is to ensure the programme is delivered to schedule and to cost. Risk registers are prepared and maintained for all contracts with any degree of technical complexity. Any variances to the programme are reported at least monthly when the forecast cost to complete for each sales contract is revised. Performance on the major sales contracts are reviewed at director and Managing Director level together with the relevant Project Manager at intervals normally no less than bi-monthly.

The contract reviews referred to above include a review of the contract cash flows and Project Managers are tasked to minimise the working capital financing required for their projects wherever appropriate. This is achieved through the negotiation of progress payments from customers and managing the supplier delivery schedules.

As a Small and Medium Sized Enterprise (SME) J+S bears the normal level of liquidity risk of any company of its size. To mitigate this risk the company have recently negotiated an increased working capital facility. To manage this risk the Financial Director prepares monthly a rolling six-month cash flow forecast for review by the Board. The company's bankers receive monthly Management Accounts including cash flow forecasts and a commentary on key performance issues.

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Directors' report for the year ended 30 September 2010 (continued)

Directors

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

H W Warren – Chairman
D L Jeffries - Managing Director
E L Abretti
M Blair
K W Hanley
A V Toms
D A Sedge

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director who is in office at the date the directors' report is approved, under Section 418 of the Companies Act 2006 the following applies:

- a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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Directors' report for the year ended 30 September 2010 (continued)

Independent auditors

PricewaterhouseCoopers LLP were appointed as auditors to the company during the year.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

K W Hanley
Company Secretary
23 November 2010
Registered number 03753462

J + S Limited

Independent auditors' report to the members of J + S Limited

We have audited the financial statements of J + S Limited for the year ended 30 September 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2010 and of its profit and cash flows 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.

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Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Eugene McCann (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Plymouth

2 December 2010

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Profit and loss account for the year ended 30 September 2010

	Note	2010 £'000	2009 £'000
Turnover	2	10,379	10,865
Cost of sales		(7,684)	(8,254)
Gross profit		2,695	2,611
Administrative expenses		(1,635)	(1,796)
Operating profit	3	1,060	815
Interest payable and similar charges	6	(96)	(94)
Profit on ordinary activities before taxation		964	721
Tax on profit on ordinary activities	7	(218)	(165)
Profit for the financial year	20	746	556

All of the above figures, including comparatives, relate to continuing activities.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year as stated above and their historical cost equivalents.

There are no recognised gains or losses other than the profit shown above.

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Balance sheet as at 30 September 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Intangible assets	8	218	82
Tangible assets	9	891	872
		1,109	954
Current assets			
Stock	10	1,621	1,633
Debtors	11	1,840	1,902
Cash at bank and in hand		85	83
		3,546	3,618
Creditors: amounts falling due within one year	12	(2,421)	(2,809)
Net current assets		1,125	809
Total assets less current liabilities		2,234	1,763
Creditors: amounts falling due after one year	13	(36)	(355)
Provisions for liabilities	16	(111)	(67)
Net assets		2,087	1,341
Capital and reserves			
Called up equity share capital	19	172	172
Share premium account	20	303	303
Capital redemption reserve	20	210	210
Profit and loss account	20	1,402	656
Shareholders' funds	20	2,087	1,341

The financial statements on pages 10 to 25 were approved by the board of directors on 23 November 2010 and were signed on its behalf by:

D L Jeffries
Managing Director

Registered number: 03753462

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Cash flow statement for the year ended 30 September 2010

	Note	2010 £'000	2009 £'000
Net cash inflow from operating activities	21	1,176	1,373
Returns on investments and servicing of finance			
Interest paid		(93)	(91)
Interest paid on finance leases		(3)	(3)
Net cash outflow from returns on investment and servicing of finance		(96)	(94)
Taxation		(79)	5
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(140)	(231)
Purchase of intangible assets		(194)	(82)
Sale of tangible fixed assets		-	13
Net cash outflow from capital expenditure and financial investment		(334)	(300)
Net cash inflow before use of liquid resources		667	984
Financing			
Repayment of loan		(638)	(350)
Payment of principal under finance leases		(27)	(36)
Net cash outflow from financing		(665)	(386)
Increase in cash	22	2	598

**Notes to the financial statements
for the year ended 30 September 2010**

1 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and in accordance with the historical cost convention. The directors have considered the accounting policies and estimation techniques detailed below and consider that, in accordance with FRS 18 'Accounting Policies', they are the most appropriate for the Company.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured as 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:

Contract revenue

Revenue is recognised on contracts in line with milestones being achieved.

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.

Interest income

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

Research and development

Development expenditure in clearly defined projects whose outcome can be assessed with reasonable certainty is capitalised. Amortisation is commenced in the year the related project is brought to the market by reference to the life of the project, currently estimated to be three years. All other research and development expenditure is written off in the year in which it is incurred.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and provision for impairment. The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold land and buildings	3 – 10 years
Plant and machinery	4 – 10 years
Motor vehicles	4 years
Fixtures and fittings	3 – 5 years

Stock and work in progress

Stock is valued at the lower of cost and net realisable value. Cost is determined on a first-in first-out method. In the case of finished goods and work in progress, cost comprises direct material and labour and an appropriate proportion of overheads based on a normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

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Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease agreements

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pension costs

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at that balance sheet date. All differences are taken to the profit and loss account.

Share-based payments

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 over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using the Black-Scholes pricing model. At each balance sheet date the cumulative expense is calculated, representing managements' estimate of the extent to which the vesting period had expired.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Deferred tax is determined using tax rates (and laws) that have been enacted, or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying timing difference can be deducted.

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2 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.

Analysis of the company's turnover is set out below:

	2010 £'000	2009 £'000
United Kingdom	9,945	9,691
USA	-	40
Europe and rest of world	434	1,134
	10,379	10,865

Turnover, which is stated net of value added tax, represents the value of work undertaken on contracts and projects.

Turnover is attributable to one continuing activity, the design, manufacture and support of acoustic, electro-mechanical and data network systems.

3 Operating profit

Operating profit is stated after charging:

	2010 £'000	2009 £'000
Amortisation of intangible fixed assets	58	-
Depreciation of owned tangible fixed assets	155	153
Depreciation of tangible fixed assets held under finance leases	26	21
Profit on disposal of fixed assets	-	1
Auditors' remuneration:		
- audit services	22	22
- taxation	3	3
Operating lease rentals:		
- plant and machinery	-	3
- other	409	431
Research and development	5	40

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4 Employee information

The average weekly number of persons (including executive directors) employed by the company during the year was:

By activity	2010 Number	2009 Number
Production staff	81	73
Administrative staff	38	44
	119	117

The aggregate payroll costs of these persons was as follows:

	2010 £'000	2009 £'000
Wages and salaries	3,650	3,629
Social security costs	381	357
Pension costs	201	163
Equity-settled share based payments	-	19
	4,232	4,168

5 Directors' emoluments

	2010 £'000	2009 £'000
Aggregate remuneration	455	465
Company pension contributions to money purchase schemes	71	31
	526	496

Highest paid director

	2010 £'000	2009 £'000
Total remuneration (excluding pension contributions)	92	103
Company pension contributions to money purchase schemes	52	15
	144	118

The number of directors who accrued benefits under money purchase company pension schemes was five (2009: five).

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6 Interest payable and similar charges

	2009 £'000	2008 £'000
Interest payable on bank and other borrowings	93	91
Finance charges payable under finance lease and hire purchase arrangements	3	3
	96	94

7 Taxation on profit on ordinary activities

	2010 £'000	2009 £'000
Current tax:		
UK corporation tax on profits	182	85
Adjustments in respect of earlier years	(8)	-
Total current tax charge	174	85
Deferred tax:		
Origination and reversal of timing differences	46	80
Change in tax laws or rates	(2)	-
Total deferred tax charge (note 16)	44	80
Tax charge for the year	218	165

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7 Taxation on profit on ordinary activities (continued)

The tax assessed for the year is lower (2009: lower) than the standard rate of corporation tax in the UK 28% (2009: 28%). The differences are explained below:

	2010 £'000	2009 £'000
Profit on ordinary activities before taxation	964	721
Profit on ordinary activities multiplied by standard rate in the UK of 28% (2009: 28%)	270	202
Effects of:		
Disallowed expenses and non taxable income	8	17
Capital allowances in excess of depreciation	(12)	(42)
Adjustments in respect of previous period	(8)	-
Additional deduction for R&D expenditure	(87)	(26)
Marginal relief	(14)	(18)
Other timing differences	17	-
Losses utilised	-	(48)
Current tax charge for the year	174	85

8 Intangible fixed assets

	Development expenditure £'000
Cost	
At 1 October 2009	82
Additions	194
At 30 September 2010	276
Amortisation	
At 1 October 2009	-
Charge for the year	58
At 30 September 2010	58
Net book amount	
At 30 September 2010	218
At 30 September 2009	82

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9 Tangible fixed assets

	Leasehold land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 1 October 2009	694	820	58	824	2,396
Additions	37	64	42	57	200
Disposals	-	-	(6)	(4)	(10)
At 30 September 2010	731	884	94	877	2,586
Depreciation					
At 1 October 2009	378	511	41	594	1,524
Charge for the year	52	45	15	69	181
Disposals	-	-	(6)	(4)	(11)
At 30 September 2010	430	556	50	659	1,695
Net book amount					
At 30 September 2010	301	328	44	218	891
At 30 September 2009	316	309	17	230	872

Finance lease and hire purchase agreements

Included within the net book value of £891,000 is £105,000 (2009: £45,000) relating to assets held under finance lease and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £26,000 (2009: £21,000).

Capital commitments

	2010 £'000	2009 £'000
Contracted but not provided for in the financial statements	21	1

10 Stocks

	2010 £'000	2009 £'000
Raw materials	589	575
Work in progress	1,032	1,058
	1,621	1,633

The difference between the purchase price or production cost of stocks and their replacement cost is not material.

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11 Debtors

Amounts falling due within one year:	2010 £'000	2009 £'000
Trade debtors	1,590	1,623
Other debtors	-	6
Prepayments and accrued income	250	273
	1,840	1,902

12 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Mezzanine loan	-	150
Bank loan	-	150
Trade creditors	1,324	1,581
Corporation tax	180	85
Other taxation	368	295
Hire purchase agreements	32	18
Other creditors	264	161
Accruals and deferred income	253	369
	2,421	2,809

13 Creditors: amounts falling due after more than one year

	2010 £'000	2009 £'000
Mezzanine loan	-	338
Hire purchase agreements	36	17
	36	355

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14 Creditors: bank and other loans

Creditors include finance capital which is due for repayment as follows:

Amounts repayable:	2010 £'000	2009 £'000
In one year or less or on demand	-	300
In more than two years but not more than five years	-	338
	-	638

Wholly repayable within five years	2010 £'000	2009 £'000
Bank loan	-	150
Mezzanine loan	-	488
	-	638

The Finance South West (FSW) mezzanine loan was fully repaid on 7 September 2010, ahead of the final repayment date of 7 September 2012. In the event of a trade sale of the company within what would have been the original repayment period of the loan, FSW have the right to convert up to £200,000 of the loan into 5% of the equity of the company – with an allowance for the time elapsed since the early redemption.

15 Commitments under finance lease and hire purchase agreements

Future commitments under finance lease and hire purchase agreements are as follows:

	2010 £'000	2009 £'000
Amounts payable within one year	33	21
Amounts payable between two to five years	38	20
	71	41
Less interest and finance charges relating to future periods	(3)	(6)
	68	35

Finance lease and hire purchase agreements are analysed as follows:

Current obligations	32	18
Non-current obligations	36	17
	68	35

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16 Provisions for liabilities

The movement in the deferred taxation provision during the year was:

	2010 £'000	2009 £'000
At 1 October	67	(13)
Charged to profit and loss account (see note 7)	44	80
At 30 September	111	67

Deferred taxation in the financial statements is as follows

	2010 £'000	2009 £'000
Excess of taxation allowances over depreciation of fixed assets	58	71
Other timing differences	53	(4)
	111	67

17 Equity share-based payments

EMI Share option scheme

Share options were granted to senior executives in respect of 'C' ordinary shares. The exercise price of the options was £5. The options vested if the company achieves a cumulative profit before interest and tax target. The contractual life of each option granted was 10 years from when vesting conditions are met. There were no cash-settlement alternatives. Following the finalisation of these accounts the share options have lapsed with vesting conditions not met. Consequently, the expense recognised for share-based payments in respect of employee services received during the year to 30 September 2010 is £nil (2009: £19,200).

18 Commitments under operating leases

At 30 September 2010 the company had annual commitments under non-cancellable operating leases for land and buildings as set out below.

Operating leases which expire:	2010 £'000	2009 £'000
Within 2 – 5 years	78	150
After more than 5 years	331	331
	409	481

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19 Called up share capital

Authorised	2010 £'000	2009 £'000
232,000 'A' ordinary shares of £1 each	232	232
60,000 'C' ordinary shares of £1 each	60	60
	292	292

Allotted, called up and fully paid	2010 Number	2010 £'000	2009 Number	2009 £'000
Equity shares				
'A' ordinary shares of £1 each	154,202	154	154,202	154
'C' ordinary shares of £1 each	18,000	18	18,000	18
	172,202	172	172,202	172

The 'C' ordinary £1 shares do not carry voting rights but otherwise rank pari passu with the 'A' ordinary £1 shares.

20 Reconciliation of shareholders' funds and movement on reserves

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 October 2009	172	303	210	656	1,341
Profit for the year	-	-	-	746	746
At 30 September 2010	172	303	210	1,402	2,087

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21 Reconciliation of operating profit to net cash inflow from operating activities

	2010 £'000	2009 £'000
Operating profit	1,060	815
Depreciation and amortisation	239	174
Loss on disposal of fixed assets	-	1
Decrease/(increase) in stocks	12	(102)
Decrease/(increase) in debtors	62	(212)
(Decrease)/increase in creditors	(197)	678
Equity-settled share-based payments	-	19
Net cash inflow from operating activities	1,176	1,373

22 Reconciliation of net cash flow to movement in net debt

	2010 £'000	2009 £'000
Increase in cash in the year	2	598
Net cash outflow from loans	638	350
Cash outflow in respect of hire purchase	27	36
Change in net debt resulting from cash flows	667	984
New finance leases	(60)	(31)
Movement in net debt in the period	607	953
Net debt at 1 October	(590)	(1,543)
Net cash/(debt) at 30 September	17	(590)

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23 Analysis of changes in net debt

	At 1 October 2009 £'000	Cash flows £'000	Other changes £'000	At 30 September 2010 £'000
Net cash:				
Cash in hand and at bank	83	2	-	85
	83	2	-	85
Debt				
Debt due within 1 year	(300)	300	-	-
Debt due after 1 year	(338)	338	-	-
Finance lease and hire purchase agreements	(35)	27	(60)	(68)
	(673)	665	(60)	(68)
Net (debt)/cash	(590)	667	(60)	17

24 Post balance sheet event

Subsequent to the year-end, J+S have changed their bankers from Royal Bank of Scotland to Clydesdale Bank and agreed a new overdraft facility of £1 million and drawn-down new loans of £782,000. Further, on 18 October 2010, part of the funds have been used to finance a £382,000 share buy-back. 25,454 'A' ordinary shares were purchased at a price per share of £15.