

#### **Basis of preparation**

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

The directors have reviewed cash flow projections for the period of more than twelve months from the date of approval of these accounts and are satisfied that the group has sufficient finances to continue as a going concern. The gearing ratio is very conservative and this gives the group ready access to financial resources. Despite the disappointing 2009 results the Board are confident the business will return to profitability.

The principal accounting policies of the group have remained unchanged from the prior year and are set out below.

#### **Basis of consolidation**

The group financial statements consolidate the accounts of the company and its subsidiaries using acquisition accounting.

#### **Goodwill**

Consolidation goodwill represents the excess of purchase consideration for an acquired business over the fair value attributed to its constituent net assets. Such goodwill is capitalised in the year of acquisition and amortised over its estimated useful life subject to a maximum period of twenty years. Purchased goodwill is capitalised in the year of acquisition and amortised over its estimated useful life subject to a maximum period of ten years.

Figures for both consolidation goodwill and purchased goodwill are subjected to an impairment review at the end of the first full year following the acquisition and at other times if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### **Turnover**

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

#### **Tangible fixed assets and depreciation**

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets over their expected useful lives. The rates generally applicable are:

Leasehold improvements	Remaining life of lease
Plant and machinery	10% per annum straight line
Motor vehicles	25% per annum reducing balance
Computer equipment	25% per annum straight line

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items.

#### **Hire purchase and similar agreements**

Assets held under hire purchase and lease 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.

#### **Operating lease agreements**

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

#### **Deferred taxation**

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

#### **Foreign currency**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Any contract for the supply of currency at future dates that subsequently shows a significant adverse position is provided for.

#### **Contributions to pension schemes**

The group operates two pensions schemes:

##### **Defined contribution pension scheme**

The assets of the scheme are held separately from those of the group. The annual contributions payable are charged to the profit and loss account.

##### **Defined benefit scheme**

The company operates a defined benefit scheme. The company has applied the Amendment to FRS 17 Retirement Benefits which is effective for accounting periods commencing on or after 6 April 2007. The amendment to FRS 17 primarily affects disclosures in relation to defined benefit pension schemes. However for quoted securities the fair value is now taken to be the current bid price rather than the mid-market value. The service cost of pension provision relating to the period, together with the cost of any benefits relating to past service, is charged to the profit and loss account. A charge equal to the increase in the present value of the scheme liabilities (because the benefits are close to settlement) and a credit equivalent to the company's long-term expected return on assets (based on the market value of the scheme assets at the start of the period) are included in the profit and loss account under 'other finance income'. The difference between the market value of the assets of the scheme and the present value of accrued pension liabilities is shown as an asset or liability on the balance sheet, with an asset recognised to the extent that it is deemed recoverable. Any difference between the expected return on assets and that actually achieved is recognised in the statement of total recognised gains and losses along with the differences which arise from experience or assumption changes.

#### **Financial instruments**

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

**Deferred revenue expenditure**

Expenditure is incurred on product and packaging design. To the extent that a project is abandoned, the cost is expensed immediately. To the extent that a project has come on stream or is likely to in the near future, the cost is carried forward and amortised over 3 years. The carrying value is subject to annual review and any impairment in value is written off.