

COMPANIES HOUSE

TALARIS LIMITED

Financial Statements

31 March 2011

(Registered Number: 06569621)

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COMPANIES HOUSE

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 March 2011 for Talaris UK Limited, registered number 06569621, (the 'Company')

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company operates in the worldwide cash handling market. Talaris provides global cash optimisation across multiple sectors including banking, retail and gaming.

It also performs the bulk of the research and development function for the Talaris Topco Limited Group ('Talaris Group')

The Company organises its solution suite under four main areas of expertise

Talaris Platforms Technology

Talaris has a 40 year heritage of innovation, delivering a comprehensive range of technology systems encompassing cash dispensing and recycling, note and coin counting, self service solutions and integrated technology (OEM) mechanisms.

Individually, each technology platform addresses specific market needs and when combined within a complete Talaris solution they drive business efficiency, enhance service and enable cost reduction.

Talaris Total Support Services

The Talaris service provision is a key differentiator for the business and covers both own manufactured and third party installations. The nature of service is changing and expanding, and globally within Talaris, over 1100 field engineers, customer service specialists and other support staff install, commission, maintain, upgrade and provide specialist services and expertise to ensure the availability of mission critical systems.

Talaris Professional Services

Professional services represents the Group's ability to dynamically affect customer efficiency, and ultimately profitability, through the adoption of a consultative approach.

Talaris delivers unique insight into the entire cash cycle, incorporating needs assessment and pilot projects through to full scale deployment, bench-marking and return on investment analysis.

Talaris has built relationships with a number of strategic partners in this area to deliver optimum business value to customers including the areas of workforce optimisation and branch design.

Talaris Software Systems

Increasingly, customers need to integrate potentially diverse cash management technology. Connectivity solutions delivered by Talaris, and carefully selected strategic partners, improve communications and increase access to key performance data delivering valuable business intelligence.

During the year the Company has acquired the business of Talaris UK (Flen) AB and Talaris Cash Dispensing Systems AB, which previously had carried out the Talaris Group trading for cash dispensing and recycling and OEM mechanisms.

RESULTS AND DIVIDENDS

Results are presented for the year ended 31 March 2011

Revenue for the period was £118,925,000 (2010 £46,907,000) resulting in a gross profit of £28,264,000 (2010 £8,426,000), giving a gross margin of 23.7% (2010 18.0%). Administrative, selling and distribution costs excluding amortisation and exceptional items were £25,149,000 (2010 £21,153,000).

Operating profit excluding amortisation of trade name, customer relationships and technology and exceptional items was £11,501,000 (2010 £3,619,000) which is 9.7% of turnover (2010 7.7%).

DIRECTORS' REPORT

Total finance income for the period was £635,000 including £239,000 for changes in the fair value of interest rate swaps (2010 income of £184,000). Total finance charges for the period were £8,484,000 (2010 £5,602,000) of which £5,918,000 (2009 £5,602,000) represented interest expense and £2,353,000 (2010 gain of £1,199,000) was foreign exchange revaluation losses. After taxation, financing costs, exceptional items, amortisation and management charges the Company made a loss of £5,744,000 (2010 £3,316,000). The loss has been taken to reserves. No dividends have been paid during the period.

The Company operates pension schemes across its operations. Details of the schemes are disclosed in note 17 to the accounts. The scheme administered for employees based in the United Kingdom is a defined contribution scheme. The scheme administered for employees based in Switzerland is defined contribution in nature but under IFRS is reported as a defined benefit scheme.

KEY PERFORMANCE INDICATORS

The business monitors a number of financial and operational Key Performance Indicators ('KPIs') as part of the ongoing management of its operations. These include:

Finance – The Company's key financial and other performance indicators (excluding intangible amortisation and exceptional items) during the year were as follows:

	2011	2010
Turnover	£118.9m	£46.9m
Percentage of turnover		
Gross profit	23.7%	18.0%
Administrative expenses	7.0%	17.5%
Operating profit	9.7%	7.7%
EBITDA	12.7%	13.4%

EMPLOYEE MATTERS

The Company is committed to continuing its record as an equal opportunities employer and encourages diverse and inclusive approaches to employment within its international business. Employees are actively encouraged to develop their skills and capabilities through performance appraisal and individual development programmes. The Company continues to invest globally in a range of employee learning programmes including leadership, sales and technical training.

Talaris promotes an open communication culture across the business in terms of one-to-one contact on a day-to-day basis. In turn, this is supported by employee forums/work councils whereby elected employees represent broader employee interests through engagement with management. The Company's 'Great Place To Work' (GPTW) scheme also actively encourages the expression of employee views and opinions, acting as a channel for feedback on the working environment and as a means for employee participation in effecting change. The survey is run regularly with the next survey scheduled in the coming 12 months. The previous survey resulted in a response rate of over 90% against the GPTW average benchmark of 74%. Globally, the Talaris Group rated highly in the areas of equal opportunities in terms of diversity (age, sex, race etc) and pride in working for Talaris. Both areas saw a significant increase from the last survey results and compare favourably with the Top 50 EU company benchmark.

The Company has a defined Internal Communications programme and is committed to ensuring employees are actively informed and engaged on areas of particular importance to the business. Regular internal news communications and quarterly updates from the CEO are distributed to all employees in local language via the employee Intranet.

The health and well being of employees is of prime importance and the Company has in place a number of global initiatives including web based training for all service engineers. A system of audits that review

DIRECTORS' REPORT

Health and Safety ('H&S') processes in all sites and the employment of a third party property risk consultant help ensure working environments that protect employees. The Company continues to monitor H&S KPIs at both site and board level. The Company uses the UK standard metric of 'reportable injury rate per 100,000 employees' to report incidents. The Company maintained a very low level of reportable incidents, with the actual figure being a total of 10 over three day events for all of its worldwide employees. None of these occurrences could be classified as serious.

The Company also encourages the promotion of local initiatives which range from one-to-one driver training for service personnel, third party evaluations and assessments of workshop facilities and service operations, blood pressure screenings, access to sport activities and free flu vaccines.

The Company promotes a healthy work-life balance and will consider individual flexible work arrangements. These arrangements require management approval and must be aligned with the operational workload.

Company policy documentation in relation to all areas of employment is available on the Intranet and includes Human Rights, Health & Safety, Young Workers, Equal Opportunities, Disciplinary, Anti-Corruption, Whistle Blowing & Grievance.

ENVIRONMENTAL MATTERS

The Company has a solid foundation in environmental management and is committed to a process of continuous performance improvement in this area.

Talaris complies with all current environmental legislation and is committed to a process of continual improvement, including the ongoing assessment and reduction in use of raw materials and CO2 footprint.

In respect of product design, the Company continues to retain the services of a world renowned eco consultancy and several products have been evaluated with a view to reducing carbon burden. This applies to both the manufacturing phase and also during the 'in use' part of the life cycle - where, for example, projects are being launched to ensure machines enter standby mode when not in use. The Company has introduced formal product stewardship guidelines into the design phase of its product development system. This has included formal training of the Company's design teams.

The Company continually monitors and implements initiatives to address environmental issues such as reduction of electrical and water consumption, recycling of materials, motion sensitive light switches and the centralising of facilities such as copiers and printers. The service operation utilises electronic management processes to ensure minimal travel distances for engineers, thus making more efficient use of fuel and thereby reducing the Company's carbon footprint.

In terms of Waste Electrical and Electronic Equipment ('WEEE') Regulations, Talaris actively assists customers with compliance for products deemed to be end of life. Talaris also complies with the RoHS, REACH and Battery EU Directives.

Initiatives have been undertaken to reduce packaging levels and to ensure that parts used in the manufacturing process are shipped more efficiently. Within the supply chain processes used by the Company, major tier one partners also hold ISO14001 registration.

SOCIAL AND COMMUNITY ISSUES

The Company strives to play an active role in social and community issues and encourages staff to be involved with community projects. A commitment from both management and staff in this regard is considered an important part of Talaris' role as a responsible corporate citizen.

At the beginning of each fiscal year the management will determine the focus for social collaboration throughout the year.

DIRECTORS' REPORT

The community investment has 4 main components.

Charitable Donations

Talaris is an active sponsor of social causes donating money and goods to registered charitable organisations.

Furthermore, the Company encourages employees to undertake individual or group fund raising activities using the framework of the business as a means to communicate and promote the activity and raise donations

The total amount donated by the Company to charitable causes in the last financial period was over £29,000.

Voluntary Work

Within operational constraints the Company will allow staff to donate their time to local causes and will accommodate requests for time away from the office (on an unpaid basis or in own time) to engage in community activities, in particular where there is a learning opportunity for the employee in addition to a benefit for the charitable organisation.

Tax Efficient Charitable Schemes

The Company runs Payroll Giving or Give as You Earn Schemes. These are an extremely easy and cost-effective way for employees to make charitable contributions without the administrative and cost implications usually involved. Talaris encourages this kind of employee initiative as a way of participating in community projects.

Expertise Exchange

Talaris has an established program with universities and research centres, in which students are supported and coached by our employees. This has the dual benefit of providing Talaris with access to the latest research whilst providing interesting internship opportunities to the students.

RESEARCH AND DEVELOPMENT

Talaris has a heritage of innovation which continues to be developed through enhancements to existing products, enabling the business to maintain market leadership within an evolving industry. The Company is dedicated to the development of new inventive solutions, to align with customer needs and developments in technology.

Talaris has over 250 patents and designs granted across 28 countries and the Company remains committed to an extensive programme of Research and Development. This investment is undertaken in order to build new capability to satisfy customers' current and future needs and enlarge the Company's intellectual property portfolio. Example areas include broadening engineering skills to cover software, electromechanical and detection capability. During the year, several new product extensions and features were delivered to market and a future plan for further investments in technology is in place.

Talaris firmly believes that the wealth of knowledge and inherent expertise of employees is one of the main contributing factors to the Company's success in this area and recognises this contribution through the Talaris Patent Incentive Award Scheme. The scheme focuses on technical innovation and is designed to reward employees who originate a patentable idea which has commercial potential.

Working closely with currency issuers, prototyping and research continues in key detection capabilities. In terms of software development and connectivity, Talaris is engaged in a number of projects both internally and with partners to continually enhance the ability to connect Talaris products into the evermore demanding customer IT environments.

KEY CONTRACTUAL ARRANGEMENTS

Talaris has a significant number of long term relationships with customers around the globe, providing a combination of service, solutions and technology.

Talaris has formed an alliance with the Venture Group, a subsidiary of Venture Corporation Limited, a global electronics services provider based in Singapore. The centrepiece is a state-of-the art facility in Talaris Limited.

DIRECTORS' REPORT

Pudong, Shanghai, which will employ more than 850 workers, including approximately 40 Talaris employees. The manufacturing facility is being used for the production of the Vertera® teller cash recycler, used in bank branches across the world.

The relationship is governed by a Managed Service Agreement, as is a similar arrangement in Sweden with a major engineering corporation relating to Talaris' teller cash dispenser. These arrangements ensure Talaris retains control over design, specification and quality whilst benefiting from the scale of these partners' procurement and other supply chain operations and their state of the art assembly facilities. The Agreements reinforce Talaris' intellectual property rights by automatically assigning to Talaris any jointly developed inventions.

FUTURE DEVELOPMENTS

The Company continues to strive to be the partner of choice for customers in its target markets through end-to-end cash management solutions which deliver real business benefits to its customer base. The continued growth of cash in circulation and the forecast increase in demand for solutions to enable it's effective and efficient handling, provide the confidence for the continued growth of Talaris. The geographic coverage of the Company ensures it is ideally placed to take advantage of the forecast signs of economic recovery whilst the business critical service provision provides a key differentiator in the marketplace. Both factors provide a solid platform to continue to deliver revenue and profit growth.

OWNERSHIP

The equity is made up of 18,442,466 ordinary shares. All shares are of £1 value fully paid. Talaris Holdings Limited owns 100% of the share capital of the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are responsible for the identification and management of key business risks. A risk management policy for the Talaris Group has been approved by the Board of Talaris Topco Limited. Talaris Limited has adopted this policy. The key aspects of this policy can be summarised as follows:

Risk management is the systematic process to positively identify, assess, treat and manage risks – which either threaten the Company's resources or provide beneficial opportunities – in order to enable the Company's business objectives to be achieved.

Risks are owned and managed at the designated functions where the risk resides. A common Risk Management System and reporting procedures have been implemented to allow overall risk to be identified and managed.

The operation of the Risk Management System enables the Company to understand and communicate the risks which the Company faces and accepts in order to ensure that these are positively managed at every level.

The key risks facing the Company are analysed into four categories below:

Market Risks

The business operates in competitive markets. It addresses the associated risks by actively promoting the Talaris brand, predominantly via marketing collateral and customer events, designing and developing market leading hardware and software solutions and close contact with the end customer to fully understand their requirements.

Financing Risks

The Talaris Group carries a substantial amount of loan finance which attracts interest. The Company is a joint and several guarantor for £185 million of this debt. Consequently, the Company is exposed to the performance of the Talaris Group as a whole. The Company carries a substantial amount of inter-company loan finance which attracts interest based on a floating rate.

DIRECTORS' REPORT

To ensure liquidity the Company has access to the Talaris Group's committed £26 million revolving credit facility. As at 31 March 2011, this remains undrawn.

Operational Risks

The Company faces a number of manufacturing and supply chain exposures.

Product development programmes are managed through a central, gated process. Sufficient technical skills are maintained within the company to sustain and develop its range of products and solutions. On major projects, external sources of advice and expertise are generally engaged. Talaris' process features early modelling and simulation, allowing the Company to identify potential design and implementation shortcomings well before the first prototypes are finished. Quality risks commonly appear first in Manufacturing. Moving Sustaining Engineering closer to Manufacturing provides Talaris with a proactive and efficient risk mitigation structure.

Where the product is outsourced, partners are selected only after a process of operational and financial due diligence. Long term relationships are built with key suppliers and contingency plans for potential supplier failure are reviewed regularly.

End of line quality assurance processes are a feature of Talaris' supply chain management whether product is manufactured in-house or built to Talaris' design by third party partners. In China, where a number of Talaris' partners are located, there is a Talaris team responsible for transitioning new products into the supply base and managing these suppliers.

Business continuity plans are in place to cover a break in supply. Fire risk is managed by an experienced firm of external consultants, supervised by the Company's Environmental Health & Safety ("EHS") Manager.

Health and Safety is a standing item on the agenda of the Talaris Group's Management Board. Performance is benchmarked against similar manufacturing and service organisations. EHS co-ordinators on each site are trained to recognised international standards.

CONTROL RISKS

A number of key powers are reserved to the Talaris Group Board, the shareholders or require syndicate bank approval under the main constitutional documents governing the operations of the Company.

Authority is then delegated to senior management via both powers of attorney and the Company authority schedule. Senior management have significant industry experience and possess the relevant technical qualifications to perform their roles. Additional technical and legal training is provided as required by changes in the external environment.

Since 2009, the Company has engaged an external provider of internal audit services to carry out a programme of internal control reviews across the business. To date, three sites/functions have been subject to audit. These reports are reviewed by Talaris Group's Audit and Risk Committee and recommendations are being monitored.

Through the processes noted above and by making specific enquiries of key management and commercial personnel, the Directors have satisfied themselves that the control processes within the Company are operating properly and key risks are being managed in a cost effective manner.

DIRECTORS' REPORT

DIRECTORS

The directors of the company since 1 April 2010 to the date of these accounts are as follows

Mike Wilson appointed 1 September 2008

Gary Cust appointed 31st March 2010

Tim Robinson appointed 6th October 2010

DIRECTORS' INTERESTS AND INDEMNITY ARRANGEMENTS

At no time during the year did any Director hold a material interest in any contract of significance with the Company other than an indemnity provision between each Director and the Company and service contracts between each Director and a Group company.

The Company has purchased and maintained throughout the year Directors' and Officers' liability insurance in respect of itself and its Directors. The Directors also have the benefit of the indemnity provision contained in the Company's articles of association. The Company has in place further indemnities for the benefit of each Director of the Company and each person who was a Director of the Company during the year in respect of liabilities which may attach to them in their capacity as Directors of the Company or of associated companies. These indemnities were granted at different times according to the law in place at the time and where relevant, are qualifying third-party indemnity provisions as defined by Section 234 of the Companies Act 2006. These indemnities were in force throughout the year and are currently in force.

PAYMENTS TO SUPPLIERS

The Company's policy is that suppliers are paid on the basis of agreed terms. The average number of days credit provided by suppliers to the Company has been calculated at 29 days as at 31 March 2011 (2010: 51 days).

DISCLOSURE OF INFORMATION TO THE AUDITORS

Each current Director has made enquiries of their fellow Directors and the Company's auditor and taken all the steps that they are obliged to take as a Director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Relevant audit information is that information needed by the auditor in connection with preparing its report. So far as each Director approving this report is aware, and based on the above steps, there is no relevant audit information of which the auditor is unaware.

GOING CONCERN

The Company's business activities and factors likely to affect its future development, performance and position are set out earlier in this report. In addition the financial statements include notes on the Company's debt, contingent liabilities and other risk factors.

The Company is also linked with the factors affecting the Talaris Group, the long term loan facilities and the business activities of the Talaris Group.

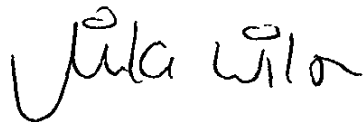
After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the accounts.

DIRECTORS' REPORT

RE-APPOINTMENT OF AUDITORS

Ernst & Young LLP were re-appointed as auditors by the members of the Board in accordance with the provisions of the Companies Act 2006.

By order of the Board

A handwritten signature in black ink, appearing to read 'Mike Wilson', written in a cursive style.

Mike Wilson

Director

19 December 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the Company financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ('IFRS') as adopted by the European Union

The Directors are required to prepare Company financial statements for each financial year which present fairly the financial position of the Company and cash flows of the Company for that period. In preparing those Company financial statements, the Directors are required to

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance, and
- state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company 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.

Independent auditors' report to the shareholders of Talaris Limited

We have audited the financial statements of Talaris Limited for the year ended 31 March 2011 which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related Notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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 Directors' Responsibilities Statement set out on page 9, the Directors are responsible for the preparation of the Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Company 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.

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 Company financial statements

- give a true and fair view of the state of the Company's affairs as at 31 March 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, 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 Company financial statements are prepared is consistent with the Company 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, 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.

Ernst & Young LLP

Andy Glover (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London x xxxxxxxxxxxx 2011

20 December 2011

Income statement
for the year ended 31 March 2011

		2011			2010		
		Before exceptional items	Exceptional items (Note 6 8)	Total	Before exceptional items	Exceptional items (Note 6 8)	Total
Continuing Operations	Notes	£000	£000	£000	£000	£000	£000
Revenue	6 1	118,925	-	118,925	46,907	-	46,907
Cost of sales		(90,661)	-	(90,661)	(38,481)	-	(38,481)
Gross profit		28,264	-	28,264	8,426	-	8,426
Other income	6 2	8,386	-	8,386	16,346	3,287	19,633
Selling and distribution costs		(16,864)	-	(16,864)	(12,966)	-	(12,966)
Administrative expenses		(8,285)	(6,288)	(14,573)	(8,187)	(3,072)	(11,259)
Operating profit/(loss) before amortisation of customer relationships and technology		11,501	(6,288)	5,213	3,619	215	3,834
Amortisation of customer relationships and technology	9	(4,998)	-	(4,998)	(5,017)	-	(5,017)
Operating profit/(loss)		6,503	(6,288)	215	(1,398)	215	(1,183)
Financial income	6 3	635	-	635	1,549	-	1,549
Financial expenses	6 4	(8,484)	-	(8,484)	(5,602)	-	(5,602)
Loss before tax		(1,346)	(6,288)	(7,634)	(5,451)	215	(5,236)
Taxation	7	129	1,761	1,890	1,980	(60)	1,920
(Loss)/profit for the period		(1,217)	(4,527)	(5,744)	(3,471)	155	(3,316)

There were no discontinued operations during the year

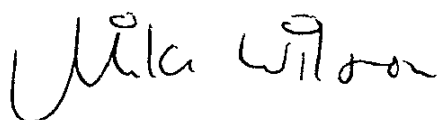
Statement of comprehensive income
for the year ended 31 March 2011

	2011	2010
	£000	£000
Loss for the period	(5,744)	(3,316)
Other comprehensive income		
Foreign currency translation difference for foreign operations	133	14
Actuarial (losses)/gains on retirement benefit obligations	(368)	18
Income tax on income and expenses recognised directly in equity	103	(4)
Equity settled share based incentive scheme	27	-
Other comprehensive income for the year	(105)	28
Total comprehensive income for the year	(5,849)	(3,288)

Statement of financial position

as at 31 March 2011

	Notes	2011 £000	2010 £000
Assets			
Non-current assets			
Property, plant and equipment	8	1,564	966
Intangible assets	9	161,981	62,046
Deferred Tax Asset	7	-	2,664
		163,545	65,676
Current assets			
Inventories	11	6,942	3,876
Trade and other receivables	12	55,952	24,023
Cash and short-term deposits	13	22,714	7,532
		85,608	35,431
Total assets		249,153	101,107
Liabilities			
Current liabilities			
Borrowings due to parent	14	(46,219)	(41,030)
Other borrowings	14	(912)	(392)
Other financial liabilities	14	(93)	(344)
Trade and other payables	15	(48,767)	(27,229)
Income tax payable		(210)	(68)
Provisions	16	(4,204)	(2,927)
		(100,405)	(71,990)
Non-current liabilities			
Borrowings	14	(11,549)	(13,096)
Deferred tax liability	7	(1,848)	-
Other non-current liabilities	15	(125,031)	-
Retirement benefit obligations	17	(702)	(554)
		(139,130)	(13,650)
Total liabilities		(239,535)	(85,640)
Net assets		9,618	15,467
Equity			
Ordinary Share capital	19	18,442	18,442
Foreign currency translation reserve		435	302
Retained earnings		(9,259)	(3,277)
Total equity		9,618	15,467



Mike Wilson, Director

19 December 2011

Statement of changes in equity

For the year ended 31 March 2011

	Share capital	Retained earnings	Foreign currency translation reserve	Total
	£000	£000	£000	£000
At 1 April 2010	18,442	(3,277)	302	15,467
Loss for the year	-	(5,744)	-	(5,744)
Currency translation difference	-	-	133	133
Other recognised income and expense	-	(238)	-	(238)
At 31 March 2011	18,442	(9,259)	435	9,618

For the year ended 31 March 2010

	Share capital	Retained earnings	Foreign currency translation reserve	Total
	£000	£000	£000	£000
At 1 April 2009	18,442	25	288	18,755
Loss for the year	-	(3,316)	-	(3,316)
Currency translation difference	-	-	14	14
Other recognised income and expense	-	14	-	14
At 31 March 2010	18,442	(3,277)	302	15,467

Statement of cash flows
for the year ended 31 March 2011

	Notes	2011 £000	2010 £000
Operating activities			
Net cash flows from operating activities	23	11,878	17,871
Investing activities			
Purchase of property, plant and equipment	8	(1,083)	(674)
Purchase of intangible assets	9	(5,610)	(2,153)
Acquisition of a business net of cash acquired	5	(110,140)	-
Net cash flows used in investing activities		(116,833)	(2,827)
Financing activities			
Payment of finance lease liabilities		(19)	(146)
Repayment of borrowings		(417)	(6,917)
Funding from fellow group undertakings		127,212	3,286
Interest received		226	21
Interest paid		(6,060)	(5,365)
Net cash flows from financing activities		120,942	(9,121)
Net increase in cash and cash equivalents		15,987	5,923
Net foreign exchange difference		(805)	(971)
		15,182	4,952
Cash and cash equivalents at 1 April	13	7,532	2,580
Cash and cash equivalents at 31 March	13	22,714	7,532

Notes to the Company Financial Statements

1. CORPORATE INFORMATION

The financial statements of Talaris Limited ('the Company') for the year ended 31 March 2011 were authorised for issue in accordance with a resolution of the directors on 19 December 2011. The Company is a limited company incorporated and domiciled in England. The registered office is located at Talaris House, Crockford Lane, Chineham Business Park, Basingstoke in England.

2.1 BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The financial statements are presented in British Pounds and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

Going concern

The Company's business activities and factors likely to affect its future development, performance and position are set out earlier in the Directors' Report. In addition the financial statements include notes on the Company's debt, contingent liabilities and other risk factors.

The Company's performance is also linked with the factors affecting the Talaris Group, the long term loan facilities and the business activities of the Talaris Group. The Directors believe that the Company, 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 has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the accounts.

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU and the Companies Act 2006.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

The accounting policies adopted are consistent with those of the previous financial year except as follows.

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 April 2010.

- IFRIC 17 'Distributions of Non-cash Assets to Owners' effective for periods beginning 1 July 2009.
- IFRIC 18 'Transfers of Assets from Customers' effective for periods beginning 1 July 2009.
- IFRS 2 Share-based Payment Group Cash-settled Share-based Payment Transactions effective for periods beginning 1 January 2010.
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39 effective for periods beginning 1 July 2009.
- IAS 39 Financial Instruments Recognition and Measurement – Eligible Hedged items effective for periods beginning 1 July 2009.
- Improvements to IFRSs (April 2009) effective for periods beginning 1 January 2010.
- IAS 32 Financial Instruments Presentation, Classification of Rights issues effective for periods beginning 1 February 2010.

Notes to the Company Financial Statements

The revisions to IFRS 3 and IAS 27 have introduced significant changes in the accounting for future business combinations. Changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. The changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

The adoption of the other standards and interpretations has not had a material impact on the financial statements.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Acquisition costs incurred are expensed. When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date.

Goodwill is initially measured at cost being the excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If the consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Company's cash generating unit that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Foreign currency translation

The Company's financial statements are presented in British pounds, which is the Company's functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date of the initial transactions.

The assets and liabilities of foreign operations are translated into pounds at the rate of exchange prevailing at the balance sheet date and their income statements are translated at average exchange rates for the period. The exchange differences arising on the translation of non-monetary assets are recognised in other comprehensive income and accumulated in a separate component of equity.

The main rates used are

	2011	2011	2010	2010
	GBP – CHF	GBP – USD	GBP – CHF	GBP – USD
Balance Sheet	1.47	1.60	1.60	1.52
Income Statement	1.57	1.56	1.69	1.58

Revenue recognition

Revenue represents sales to external customers of manufactured products and services which fall within the Company's ordinary trading activities. This excludes VAT and other sales taxes. Revenue is recognised in the income statement to the extent that it is probable that the economic benefits associated with the transaction will flow into the Company and the amount can be reliably measured. Where amounts have been invoiced in advance the portion not recognised in revenue is included in deferred income.

Notes to the Company Financial Statements

Sale of goods:

When goods and software are supplied, revenue is recognised in accordance with the terms of sale, when the significant risks and rewards of ownership have been transferred to the customer. For the majority of product sold directly to the end user this is when the product has been installed and functions correctly. Where the product is sold via a third party revenue is recognised once the product has been delivered.

Sale of services:

When services are supplied, revenue is recognised either when the service has been completed or for maintenance contracts on a straight-line basis over the length of the contract.

Where products and services are supplied together, the revenue is apportioned as if they had been sold separately in accordance with the policy described above.

Interest:

Interest income is recognised as it accrues using the effective interest method.

Taxes

Current income tax.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax:

Deferred tax is provided using the liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured using tax rates that have been enacted or substantively enacted by the balance sheet date and that are expected to apply when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Pensions and other post employment benefits

The Company operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

The current service cost and gains and losses on settlements and curtailments are included in operating costs in the Company's income statement. Past service costs are similarly included where the benefits have vested, otherwise they are amortised on a straight line basis over the vesting period. The expected return on assets of funded defined benefit pension schemes and the imputed interest on pension scheme liabilities are disclosed as retirement benefit obligation finance income and retirement benefit obligation finance expense respectively in the income statement.

Notes to the Company Financial Statements

Differences between the actual and expected return on assets, changes in the retirement benefit obligation due to experience and changes in actuarial assumptions are included in other comprehensive income in full in the period in which they arise.

The liability recognised on the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation less the fair value of the scheme assets at the balance sheet date

The Company's contributions to defined contribution plans are charged to the income statement in the period that they relate

Share-based compensation

During the year, Talaris TopCo Limited (the ultimate parent of Talaris Limited) has implemented a long term incentive plan. A small number of senior employees employed by subsidiaries of Talaris Topco Limited are members of this scheme. The company participates in this scheme. As the company has no obligation to settle the share based payment transaction, the company has measured the services received as an equity settled share based payment scheme with the corresponding credit to reserves, following the requirements of IFRS 2.

The cost of equity settled transactions with employees is measured at fair value at the grant date using a Black Scholes model. The fair value is expensed over the period until the vesting date, which ends on the date on which the relevant employees become fully entitled to the award. In valuing equity-settled transactions, no account is taken of non-market vesting conditions. At each balance sheet date before vesting the cumulative expense is calculated representing the extent to which the vesting period has expired. The movement in the cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Exceptional items

Items which are both material by size and/or by nature and non recurring are presented as exceptional items within their relevant income statement category. The separate reporting of exceptional items charged to operating profit helps provide an indication of the Company's underlying business performance. Events which may give rise to a classification of items as exceptional include gains or losses on the disposal of businesses, restructuring of businesses and asset impairments.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables. Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows. Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Trade and other receivables and payables are discounted when the time value of money is considered material.

Derivative financial instruments

The Company holds derivative financial instruments, which include interest rate swaps and foreign exchange contracts, to hedge its interest rate and foreign currency exposures. Derivatives are recognised initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value. Any gains or losses arising from changes in fair value of derivative financial instruments not designated as hedges are recognised immediately in the consolidated income statement.

No derivatives are designated as hedges.

Notes to the Company Financial Statements

Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the income statement.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet ready for use, the recoverable amount is estimated at each reporting date.

Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. In addition, goodwill is tested at least annually for impairment. Impairment tests are performed on the Cash Generating Units ('CGUs') to which goodwill has been allocated at the balance sheet date or whenever there is indication of impairment. For all other intangible assets, an impairment test is performed whenever an indicator of impairment exists.

An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount, the latter being the higher of the asset's fair value less costs to sell and value in use. Value in use calculations are performed using cash flow projections for the asset (or group of assets where cash flows are not identifiable to specific assets), discounted at a rate which reflects the asset-specific risks and the time value of money.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of their respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as fixtures and fittings at an amount equal to the fair value of the leased asset or, if lower, the present value of minimum lease payments at the inception of the lease, and then depreciated over their useful economic lives. Lease payments are apportioned between repayment of capital and interest. The capital element of future lease payments is included in the balance sheet as a liability. Interest is charged to the income statement so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease term. Operating lease incentives are recognised as a reduction in the rental expense over the lease term.

Notes to the Company Financial Statements

Inventories

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis. Cost comprises directly attributable purchase and conversion costs and an allocation of production overheads based on normal operating capacity. Raw materials are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Intangible assets (excluding goodwill)

All intangible assets, except goodwill, are stated at cost less accumulated amortisation and any impairment losses. Goodwill is not amortised and is stated at cost less any accumulated impairment losses.

Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- its intention to complete and its ability to use or sell the asset,
- how the asset will generate future economic benefits,
- the availability of resources to complete the asset, and
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Other intangible assets

Intangible assets purchased separately, such as software licenses that do not form an integral part of the related hardware, are capitalised at cost and amortised on a straight line basis over the shorter of their useful economic life or their licence period at rates which vary between three and five years. Customer relationships are amortised over 26 years and technology between 10 and 15 years. The amortisation period and method are reviewed at least annually.

Property, plant and equipment

Fixtures and fittings are stated at cost or valuation, less accumulated depreciation and any accumulated impairment losses.

The Company's policy is to write off the cost or valuation of fixtures and fittings evenly over their estimated remaining useful life at rates which vary between eight per cent and 50 per cent per annum. The principal annual rates of depreciation used are 10 per cent on plant and machinery, 10 per cent on fixtures and fittings, and 33 per cent on tooling and computer equipment. No depreciation is provided for assets in the course of construction.

Residual values and useful lives are reviewed at least at each financial year end.

Notes to the Company Financial Statements

Borrowings

Loans:

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. After initial measurement, interest bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate method (EIR). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance expense in the income statement.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted.

Warranty

Warranty costs are accrued at the time of sale by the Company selling to the external customer. The cost is accrued as a percentage of sales based on the past warranty experience for that particular product group and contractual warranty period and cover provided. Past warranty experience is reviewed each year and the accrual rates adjusted accordingly. Warranty on new products which have not yet established a warranty experience pattern are accrued at an appropriate rate for that type of product for the first 18 months and then the accrual rate is adjusted to the level determined by experience.

Waste Electric and Electronic Equipment ('WEEE')

The Company is a provider of electrical equipment that falls under the EU Directive on WEEE. A provision is recognised when the Company becomes responsible for the costs of this waste management, with the costs recognised as cost of sales.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Company's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognised in the financial statements:

Impairment of intangibles

The Company's impairment test for goodwill and intangible assets with indefinite useful lives is based on value in use calculations that use a discounted cash flow model. This requires the Company to estimate future cash flows and to identify a suitable discount rate. The key assumptions used to determine the recoverable amount for the different cash generating units are further explained in Note 10.

Income taxes

The Company is subject to income taxes in the jurisdictions of United Kingdom and Switzerland. Some judgement is required in determining the provision for income taxes. There are various transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Notes to the Company Financial Statements

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Pension benefits

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return of assets, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate management considers the interest rates of high quality corporate bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Development costs

Development costs are capitalised in accordance with the accounting policy in Note 2.3. Initial capitalisation of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At 31 March 2011, the carrying amount of capitalised development costs was £12,038,000 (2010 £8,884,000).

4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The following IFRS, interpretations and amendments to IFRS and IAS are not yet effective and have not been early adopted:

- IAS 24 Related Party Disclosures (Amendment) effective for periods beginning 1 January 2011.
- IFRIC 14 Prepayments of a Minimum Funding Requirement effective for periods beginning 1 January 2011
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments effective for periods beginning 1 July 2010
- IFRS 9 Financial Instruments effective for periods beginning 1 January 2013
- Improvements to IFRSs (issued May 2010) effective for periods beginning 1 July 2010 or 1 January 2011.

The adoption of these standards and interpretations is not expected to have a material impact on the consolidated financial statements.

Notes to the Company Financial Statements

5. BUSINESS COMBINATIONS (IN 2011)

Acquisition of assets from Talaris UK (Flen) AB

On 1 June 2010, the Company acquired the majority of the assets of Talaris UK (Flen) AB.

The fair value of the identifiable assets and liabilities as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were translated from Swedish Krona to Sterling at a rate of 10 92, and were:

	Previous carrying value £000	Provisional fair value recognised on acquisition £000
Cash and cash equivalents	6,397	6,397
Trade and other receivables	17,334	17,334
Inventories	1,598	1,598
Trade and other payables	(15,188)	(15,188)
Total net assets acquired	10,141	10,141
 Goodwill arising on acquisition		41,852
Total consideration		51,993
Cost:		
		£000
Amount paid to Talaris UK (Flen) AB		51,993
Total		51,993

Cash outflow on acquisition

	£000
Net cash acquired with the subsidiary	6,397
Cash paid	(51,993)
Net cash outflow	(45,596)

Acquisition of assets from Talaris Cash Dispensing Systems AB

On 1 October 2010, the Company acquired the majority of the assets of Talaris Cash Dispensing Systems AB

The fair value of the identifiable assets and liabilities as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were translated from Swedish Krona to Sterling at a rate of 10 61, and were

	Previous carrying value £000	Provisional fair value recognised on acquisition £000
Property, plant and equipment (note 8)	189	189
Intangible assets		
Customer relationships	-	23,467
Technology		1,566
Cash and cash equivalents	2,987	2,987
Trade and other receivables	16,846	16,846
Inventories	2,412	2,412
Trade and other payables	(7,336)	(7,336)
Deferred Tax liability	-	(7,009)
Provisions (note 16)	(108)	(108)
Total net assets acquired	14,990	33,014
 Goodwill arising on acquisition		34,517
Total consideration	14,990	67,531

Notes to the Company Financial Statements

Cost:

	£000
Amount paid to Talaris Cash Dispensing Systems AB	67,531
Total	67,531

Cash outflow on acquisition:

	£000
Net cash acquired with the subsidiary	2,987
Cash paid	(67,531)
Net cash outflow	(64,544)

Total net cash outflow arising from acquisitions:

	£000
Talaris UK (Flen) AB	(45,596)
Talaris Cash Dispensing Systems AB	(64,544)
Total net cash outflow	(110,140)

6. OTHER INCOME/EXPENSES AND ADJUSTMENTS

6.1 Revenue

	2011 £000	2010 £000
Sale of goods	106,104	40,094
Rendering of services	12,821	6,813
	118,925	46,907

	2011 £000	2010 £000
External sales	81,166	42,344
Sales to fellow subsidiary undertakings	37,759	4,563
	118,925	46,907

6.2 Other income

	2011 £000	2010 £000
Management charge to parent undertakings (Note 20)	2,751	4,366
Management charge to fellow subsidiary undertakings (Note 20)	5,635	10,115
Royalty charge to fellow subsidiary undertakings (Note 20)	-	5,152
Total other income	8,386	19,633

6.3 Finance income

	2011 £000	2010 £000
Interest income on cash	136	51
Gain on financial assets and liabilities at fair value through profit and loss (note 14)	239	184
Foreign exchange revaluation gains	158	1,199
Expected return on pension plan assets (Note 17)	102	115
Total finance income	635	1,549

Notes to the Company Financial Statements

6.4 Finance costs

	2011	2010
	£000	£000
Interest on debts and borrowings	648	934
Interest on balances due to parent undertakings (note 20)	4,550	4,344
Interest on balances due to fellow group undertakings (note 20)	483	70
Amortisation of borrowing costs	110	113
Finance charges payable under finance leases and hire purchase contracts	5	8
Pension plan interest cost (Note 17)	122	133
Total interest expense	5,918	5,602
Loss on financial assets and liabilities at fair value through profit and loss (Note 14)	213	-
Foreign exchange revaluation losses	2,353	-
Total finance costs	8,484	5,602

6.5 Operating profit is stated after charging

	2011	2010
	£000	£000
Staff costs	16,551	13,886
Directors' emoluments (Note 20)	702	469
Depreciation (Note 8)	422	491
Amortisation of development costs (Note 9)	2,821	1,694
Amortisation of finite life intangible assets and software (Note 9)	5,349	5,502
Operating lease charges – land and buildings	360	285
Operating lease charges – plant and machinery	354	432
Amounts received by auditors and their associates in respect of Audit of these financial statements	31	21

6.6 Employee benefits

	2011	2010
	£000	£000
Wages and salaries	14,578	12,049
Social security costs	1,180	1,061
Pension costs – defined benefit (Note 17)	176	209
Pension costs – defined contribution (Note 17)	617	567
	16,551	13,886

The average monthly number of employees in the period was 240 (2010 236).

6.7 Research and development costs

Research and development costs recognised as an expense in the income statement during the period amount to £9,856,000 (2010 £6,547,000) £5,074,000 (2010 £2,121,000) has been capitalised during the period (Note 9)

Notes to the Company Financial Statements

6.8 Exceptional items

	2011 Total £000	2010 Total £000
(I) China Manufacturing Outsourcing	6,112	-
(II) Restructuring	218	718
(III) Other	252	2,354
(IV) Curtailment gain on Defined Benefit Pension	(294)	-
(V) Recharged to group companies	-	(3,287)
Total	6,288	(215)

(I) In 2011 the Group embarked on the transfer of its main manufacturing operation from Sweden to China

(II) During 2011, restructuring activity led to severance and related costs.

(III) Costs associated with the ill health retirement of the Group CEO in March 2010. The majority of these costs were incurred in the year ended 31 March 2010

(IV) The income from the curtailment of certain pension obligations has led to an exceptional income of £294,000

(V) In the previous financial year, exceptional costs were recharged to other group companies at a mark-up. This recharge to other group companies was not repeated in the year ended 31 March 2011

Notes to the Company Financial Statements

7. INCOME TAX

	2011 Total £000	2010 Total £000
Current tax charge		
UK corporation tax at 28%	-	-
Overseas tax charges	504	120
Total current tax	264	120
Deferred tax credit		
Origination and reversal of temporary differences		
Tax rate change	(142)	-
Current year	(2,884)	(1,653)
Prior year	632	(387)
Total deferred tax	(2,394)	(2,040)
Total tax credit	(1,890)	(1,920)

The tax on the Company's loss before tax differs from the UK tax rate of 28 per cent as follows

	2011 Before exceptional items £000	2011 Exceptional items £000	2011 Total £000	2010 Before exceptional items £000	2010 Exceptional items £000	2010 Total £000
Loss before tax	(1,346)	(6,288)	(7,634)	(5,451)	215	(5,236)
Tax credit calculated at the UK rate of 28%	(377)	(1,761)	(2,138)	(1,526)	60	(1,466)
Enhanced relief for R&D	(792)	-	(792)	(174)	-	(174)
Expenses not deductible for tax purposes	201	-	201	21	-	21
Foreign tax	349	-	349	86	-	86
Prior year items	632	-	632	(387)	-	(387)
Tax rate change	(142)	-	(142)	-	-	-
Tax credit	(129)	(1,761)	(1,890)	(1,980)	60	(1,920)

Deferred taxation

The deferred tax balances are

	2011 £000	2010 £000
Deferred tax (liability)/asset	(1,848)	2,664
Total	(1,848)	2,664

Notes to the Company Financial Statements

The movement in deferred tax balance during the year is as follows

Asset/(liability)	Accelerated depreciation £000	Retirement benefit obligations £000	Fair value losses £000	Tax losses £000	Amortisation of intangible assets £000	Total £000
At 31 March 2009	377	111	140	-	-	628
Credited to the income statement	(236)	89	(47)	341	1,893	2,040
Charged directly to equity	-	(4)	-	-	-	(4)
At 31 March 2010	141	196	93	341	1,893	2,664
Credited/(charged) to the income statement	24	(103)	(67)	5,286	(2,888)	2,252
Charged directly to equity	-	103	-	-	-	103
Credited/(charged) on acquisition	-	-	-	-	(7,009)	(7,009)
Tax rate change	(12)	(14)	(2)	(402)	572	142
At 31 March 2011	153	182	24	5,225	(7,432)	(1,848)

The Budget 2011 announced a reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011. This was substantively enacted from 29 March 2011. As such, the deferred tax balances have been measured using the enacted rate of 26%. The reduction in the tax rate resulted in a tax charge of £142,000.

It has also been announced that the rates will reduce by a further 1% per annum to a minimum of 23% effective from 1 April 2014.

Deferred tax assets are recognised to the extent that realisation is probable. There are no unrecognised deferred tax assets at 31 March 2011.

Notes to the Company Financial Statements

8. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £000
Cost	
At 31 March 2009	1,131
Additions	674
Disposals	(83)
Exchange differences	20
At 31 March 2010	1,742
Acquired (Note 5 – Talaris Cash Dispensing Systems AB)	189
Additions	1,083
Disposals	(410)
Exchange differences	55
At 31 March 2011	2,659
At 31 March 2009	(307)
Exchange differences	(4)
Disposals	26
Depreciation charge for the period	(491)
At 31 March 2010	(776)
Exchange differences	(27)
Disposals	130
Depreciation charge for the period	(422)
At 31 March 2011	(1,095)
Net book value	
At 31 March 2010	966
At 31 March 2011	1,564

Included in fixtures and fittings are vehicles held under finance leases with a net book value of £27,000 (2010: Nil)

Notes to the Company Financial Statements

9. INTANGIBLE ASSETS

	Development costs £000	Customer relationships £000	Technology £000	Goodwill £000	Software £000	Total £000
Cost						
At 31 March 2009	9,014	10,071	49,099	1,386	1,349	70,919
Additions (note 6 7)	2,121	-	-	-	32	2,153
Exchange differences	276	-	-	48	-	324
At 31 March 2010	11,411	10,071	49,099	1,434	1,381	73,396
Acquisitions (note 5)						
- Talaris UK (1 len) AB	-	-	-	41,852	-	41,852
- Talaris Cash Dispensing Systems AB	-	23,467	1,566	34,517	-	59,550
Additions	5,074	-	276	-	260	5,610
Exchange differences	1,414	-	-	231	-	1,645
At 31 March 2011	17,899	33,538	50,941	78,034	1,641	182,053
Amortisation						
At 31 March 2009	(734)	(740)	(2,170)	-	(411)	(4,055)
Charge for the period	(1,694)	(1,305)	(3,712)	-	(485)	(7,196)
Exchange differences	(99)	-	-	-	-	(99)
At 31 March 2010	(2,527)	(2,045)	(5,882)	-	(896)	(11,350)
Charge for the period	(2,821)	(1,210)	(3,788)	-	(351)	(8,170)
Additions	-	-	-	-	(39)	(39)
Exchange differences	(513)	-	-	-	-	(513)
At 31 March 2011	(5,861)	(3,255)	(9,670)	-	(1,286)	(20,072)
Net book value						
At 31 March 2010	8,884	8,026	43,217	1,434	485	62,046
At 31 March 2011	12,038	30,283	41,271	78,034	355	161,981

The amortisation of development costs and software are included in selling and distribution costs
Customer relationships include the value of customer contracts and non contractual customer relationships

Amortisation of customer relationships and technology	2011 £000	2010 £000
Customer relationships	1,210	1,305
Technology	3,788	3,712
	4,998	5,017

Notes to the Company Financial Statements

10. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES

Goodwill acquired through business combinations and licences with indefinite lives have been allocated to one cash-generating unit for impairment testing. The carrying amount of the goodwill at the year end is £78,034,000 (2010 £1,434,000).

The recoverable amount of the unit has been determined based on a value in use calculation using cash flow projections from the Company's budget and five year strategic plan. The growth rate used to extrapolate beyond the five year plan is 2%. The pre-tax discount rate applied to the cash flow projections is 12.2% (2010 12.5%).

The calculation of the value in use is most sensitive to the following assumptions:

Gross margin
Sales volumes
Discount rates
Terminal value

Gross margins – gross margins are based on pricing and cost assumptions. The estimation for pricing has been carried out on a market by market basis, taking into account the different characteristics of each market. Costs in the value in use calculation are based on the current cost base in the business.

Sales volumes – sales volumes have been estimated based on a market by market basis taking into account the different conditions in each market.

Discount rate – the discount rate was estimated based on the average percentage of a weighted average cost of capital for the industry. The rate has been updated for current interest rates.

Terminal value – the value-in-use calculation for the years beyond the strategy is derived from the cash flows in the last year of the strategy period.

With regard to the assessment of value in use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

11. INVENTORIES

	2011	2010
	£000	£000
Work in progress	432	105
Finished goods	6,510	3,771
Total inventories	6,942	3,876

The amount of write-down of inventories recognised as an expense is £185,547 (2010 £248,000) which is recognised in cost of sales. All inventories are carried at cost.

Notes to the Company Financial Statements

12. TRADE AND OTHER RECEIVABLES (CURRENT)

	2011	2010
	£000	£000
Trade receivables	12,623	5,578
Prepayments and accrued income	1,924	1,672
Amounts due from fellow group undertakings (Note 20)	39,826	16,538
Other taxation	678	124
Other debtors	901	111
	<u>55,952</u>	<u>24,023</u>

The ageing of trade receivables at 31 March 2011 is as follows

	Gross 2011 £000	Impairment 2011 £000	Net 2011 £000	Gross 2010 £000	Impairment 2010 £000	Net 2010 £000
Not past due	9,905	-	9,905	4,359	-	4,359
Past due 0-30 days	2,236	(16)	2,220	1,225	(6)	1,219
Past due 31-120 days	807	(310)	497	119	(119)	-
More than 120 days	100	(99)	1	224	(224)	-
Total	<u>13,048</u>	<u>(425)</u>	<u>12,623</u>	<u>5,927</u>	<u>(349)</u>	<u>5,578</u>

The movement in the impairment is

	2011 £000	2010 £000
As at 1 April	(349)	(402)
Impairment loss released/(recognised)	(76)	53
As at 31 March	<u>(425)</u>	<u>(349)</u>

13. CASH AND SHORT-TERM DEPOSITS

	2011 £000	2010 £000
Cash at banks and on hand	<u>22,714</u>	<u>7,532</u>
	22,714	7,532

Cash at banks earns interest at floating rates based on daily bank deposit rates

For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 31 March.

	2011 £000	2010 £000
Cash at banks and on hand	22,714	7,532

14. OTHER FINANCIAL LIABILITIES

Other financial liabilities

	2011 £000	2010 £000
Financial liabilities at fair value through profit or loss (Note 6.3)	93	344
Total current other financial liabilities	<u>93</u>	<u>344</u>

At 31 March 2011, the Company had an interest rate swap agreement in place with a notional amount of USD 8 million (2010 USD 16 million) whereby the Company receives a variable interest and pays a fixed rate of interest on the notional amount. The swap does not qualify for hedge accounting. During the year half of the swap expired.

The increase in fair value of the interest rate swap of £239,000 (2010 £184,000) has been recognised in finance expense as financial assets and liabilities at fair value through the profit and loss.

Notes to the Company Financial Statements

Interest-bearing loans and borrowings

	Maturity	2011 £000	2010 £000
Non-current liabilities			
External debt	2012-2017	11,926	13,552
Obligations under finance leases and hire purchase contracts (Note 21)		10	29
Less costs of raising finance		(387)	(485)
		11,549	13,096
Current liabilities			
Amounts due to parent undertakings (Note 20)		46,219	41,030
Other borrowings			
External debt		949	428
Obligations under finance leases and hire purchase contracts (Note 21)		71	71
Less costs of raising finance		(108)	(107)
		912	392
		47,131	41,422

The maturity of the Senior debt is

		Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	More than 5 years £000	Total £000
2011	Senior	949	1,169	3,981	6,776	12,875
2010	Senior	428	999	4,280	8,273	13,980

At 31 March 2011 there were un-drawn borrowing facilities of £26.0 million (2010 £26.0 million)

The senior finance agreement requires the Talaris Group to meet certain financial covenants.

Fair values

The fair values together with the carrying amounts of financial assets and liabilities as shown in the balance sheet are as follows

	2011		2010	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Trade and other receivables	55,876	55,876	24,023	24,023
Cash and short term deposits	23,161	23,161	7,532	7,532
Borrowings	(58,680)	(58,680)	(54,518)	(54,518)
Other financial liabilities	(93)	(93)	(344)	(344)
Trade and other payables	(173,912)	(173,912)	(27,229)	(27,229)
	(153,648)	(153,648)	(50,536)	(50,536)

Estimation of fair values

The following summarises the methods and assumptions of estimating the fair values of the above financial instruments

Trade and other receivables and payables, cash and short term deposits

Approximate their carrying amounts largely due to the short-term maturities of these instruments

Other current financial assets and other financial liabilities

Derivative interest rate contracts – The fair value of derivative interest rate contracts (i.e. interest rate swap agreements) are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument

Borrowings

Borrowings are valued at amortised cost using the effective interest method

Notes to the Company Financial Statements

15. TRADE AND OTHER PAYABLES

	2011 £000	2010 £000
Current liabilities		
Trade payables	3,354	3,327
Payments received on account	626	514
Social security and other taxation	186	175
Accrued expenses	7,203	4,610
Deferred income	4,049	2,167
Other creditors	1,002	325
Balances due to fellow group undertakings (Note 20)	32,347	16,111
	48,767	27,229
Other non-current liabilities		
Balances due to fellow group undertakings (Note 20)	125,031	-
	125,031	-

Payments received on account relate to monies received from customers under contract prior to commencement of production of goods

Where amounts have been invoiced in advance, the portion not recognised in revenue is included in deferred income

The loan payable with fellow subsidiary undertakings in 2011 is in respect of the acquisition of assets from Talaris UK (Flen) AB and Talaris Cash Dispensing Systems AB (note 5) and is included within other non-current liabilities

16. PROVISIONS

	Warranties	Waste electrical and electronic equipment	Restructuring	Legal claims	Total
	£000	£000	£000	£000	£000
At 31 March 2009	388	52	-	1,000	1,440
Charge for the year	57	25	3,072	175	3,329
Utilised in year	(196)	-	(627)	(1,000)	(1,823)
Released in year	(19)	-	-	-	(19)
At 31 March 2010	230	77	2,445	175	2,927
Acquired (Note 5)	108	-	-	-	108
Charge for the year	308	-	6,582	-	6,890
Utilised in year	-	-	(5,527)	(175)	(5,702)
Released in year	(19)	-	-	-	(19)
At 31 March 2011	627	77	3,500	-	4,204

Warranties

A provision is recognised for expected warranty claims on products sold based on past experience of the level of repairs and returns

Waste electrical and electronic equipment

The provision for waste electrical and electronic equipment is calculated based on sales in the current year (new waste) and expected disposals of old waste (sales before August 2005)

Restructuring

The restructuring provision relates to various reorganisations within the Company

Notes to the Company Financial Statements

Legal claims

The Company has provided for a variety of claims from customers where it is anticipated that there will be a probable outflow of resources to settle the claim

17. PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

The Company operates a pension plan covering the employees located in Switzerland. This plan is devised in accordance with local conditions and practices in Switzerland. The assets of the Company's plans are held in separately administered trusts or are insured.

Defined benefit pension plans

Changes in the present value of the defined benefit obligation are as follows

Amounts recognised in the balance sheet

Benefit asset/(liability)

	2011 £000	2010 £000
Defined benefit obligation	(4,349)	(3,680)
Fair value of plan assets	3,647	3,126
Net deficit	(702)	(554)

Net benefit expense (recognised in cost of sales)

The following tables summarise the components of net benefit expense recognised in the income statement

	2011 £000	2010 £000
Amounts recognised in the income statement		
Current service cost	(176)	(209)
Expected return on plan assets (Note 6.3)	102	115
Interest cost (Note 6.4)	(122)	(133)
Net finance cost	(20)	(18)
Total cost recognised in the income statement	(196)	(227)
Amounts recognised in the statement of comprehensive income		
Actuarial (losses)/gains on plan assets	52	(73)
Actuarial gains on defined benefit pension obligations	(420)	91
Total recognised in the statement of comprehensive income	(368)	18

The principal assumptions used in determining pension benefit obligations for the Company's plans are shown below

	2011 %	2010 %
Future salary increases	1.0%	1.0%
Future pension increases	0.0%	1.0%
Discount rate	2.8%	3.3%
Inflation rate	1.0%	1.0%
Expected rate of return on assets	2.8%	3.2%

The Company used standard mortality rates

The overall expected rate of return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled

Notes to the Company Financial Statements

Changes in the fair value of plan assets

	£000
As 31 March 2009	3,732
Exchange differences	34
Expected return on plan assets	115
Actuarial losses	(73)
Employee contributions	525
Employer contributions	171
Benefits paid	(1,378)
As 31 March 2010	3,126
Exchange differences	292
Expected return on plan assets	102
Actuarial gains	52
Employee contributions	286
Employer contributions	177
Benefits paid	(388)
As 31 March 2011	3,647

Changes in the fair value of defined benefit pension obligations

	£000
Defined benefit obligation at 31 March 2009	(4,236)
Exchange differences	(47)
Current service cost	(209)
Interest cost	(133)
Actuarial gains	91
Cash contributions and benefits paid	854
Defined benefit obligation at 31 March 2010	(3,680)
Exchange differences	(347)
Current service cost	(176)
Interest cost	(122)
Actuarial loss	(420)
Curtailment gains	294
Cash contributions and benefits paid	102
Defined benefit obligation at 31 March 2011	(4,349)

The split of plan assets was as follows

	2011	2010
Bonds	72.2%	68.4%
Property	10.8%	11.3%
Other	17.0%	20.3%

Defined contribution pension plans

The Company operates a defined contribution plan for which the charge in the income statement for the period was £617,000 (2010 £567,000)

Notes to the Company Financial Statements

18. SHARE BASED PAYMENTS

Employee equity settled share based incentive scheme

Talaris Topco Limited (the ultimate parent of Talaris Limited) has implemented a long term incentive plan which involves potential cash-settled share based payments to a small number of senior employees. The value of these payments will ultimately be determined with reference to the ordinary equity value of the Talaris Topco Limited on an exit event. This is defined in the plan rules as the earliest of:

- a Sale,
- a Listing, or
- a Liquidation

The incentive will vest over the period from the grant date to the estimated date of the exit event. Employees must be employed by a subsidiary of Talaris Topco Limited at the date of the exit event to be eligible to receive payments under the plan. The scheme has no maximum term.

The employees covered by this scheme are employed by a number of subsidiaries of Talaris Topco Limited, including Talaris Limited. As the company has no obligation to settle the share based payment transaction, the company has measured the services received as an equity settled share based payment scheme with the corresponding credit to a capital contribution reserve, following the requirements of IFRS 2.

The key assumptions used by the company in determining the fair value of the share-based cash settled scheme are as follows:

Assumption

Underlying price of Talaris Topco ordinary equity
Exercise price of Talaris Topco ordinary equity
Date of grant
Probable vesting date
Historical volatility

Risk free yield
Forecast dividend yield

Source/Basis for Estimation

Based on a leveraged buy out model at the date of grant
Based on a leveraged buy out model at the vesting date
For all employees in the scheme as at 28th July 2010
Estimated date of exit event
Derived from the actual share price volatility of a quoted comparator group of Talaris Topco Limited
Bank of England base rate
Based on likely Talaris Topco Limited dividend payments up to vesting date

There are 6 employees of the company that are covered by this scheme as at 31 March 2011 (March 2010: nil). The amount charged by the company to the income statement for the year is £36,000 (March 2010: £nil).

Deferred tax is calculated on the charge to profit, with the credit for the current year of £9,000 (March 2010: £nil).

The amount taken to reserves in relation to this scheme amounts to £27,000 as at 31 March 2011 (March 2010: £nil).

19. ISSUED CAPITAL

Authorised shares

	Number of shares 2011	Number of shares 2010
Ordinary Shares of £1 each	18,442,466	18,442,466

Ordinary Shares issued and fully paid

	No. of shares	£
At 31 March 2009, 2010 and 2011	18,442,466	18,442,466

Notes to the Company Financial Statements

20. RELATED PARTY DISCLOSURES

The ultimate parent

CEP III Participations S à r l SICAR is the ultimate parent entity CEP III Participations S à r l SICAR owns 87.7% (2010 89.5%) of Talaris Topco Limited

Further parent companies

Talaris Midco Limited, a company registered in the United Kingdom, is the intermediate parent company for which consolidated financial statements are prepared

Talaris Holdings Limited, a company registered in the United Kingdom, is the immediate parent company

Related party transactions

During the period the Company entered into the following trading transactions with related parties

	Sale of goods	Purchase of goods	Management fee	Royalty income/(expense)	Research & Development cross charge	Interest expense
	£000	£000	£000	£000	£000	£000
2011						
Parent undertakings	-	-	2,751	-	-	(4,550)
Fellow subsidiary undertakings	37,759	(59,097)	5,635	-	394	(483)
2010						
Parent undertakings	-	-	4,366	-	-	(4,344)
Fellow subsidiary undertakings	4,563	(24,721)	10,115	5,152	633	(70)

Sale and purchase transactions

Sales of goods to related parties, and purchases of goods from related parties, were made at Talaris Group's usual list price

Management fee (Note 6.2)

On behalf of the Talaris group, the Company performs a head office and support function and a research and development function for which it charges a management fee The management fee is based on costs incurred plus a 7% mark up.

Royalty income/(expense) (Note 6.2)

The Company owned the intellectual property rights for various products sold externally by other companies in the Talaris Group until 26 June 2010 When these products were sold a royalty was passed to the Company On 26 June 2010, Talaris Limited took over the manufacture directly and royalties ceased

Research and Development cross charge

The Company also performs specific research and development tasks for other group companies The fee charged for this work is based on costs incurred plus a 7% mark up

Interest on loans with other group undertakings (Note 6.4)

Interest is charged on various loans payable with other group companies Interest on the balance with the fellow subsidiary undertaking was charged at Libor plus 2.75% This being the external borrowing rate attributable, equally, to Talaris Limited and its fellow subsidiaries under the revolving credit facility Interest on balances with the parent undertaking was charged at Libor plus 10.5% This being the external cost of this portion of the groups external debt

Notes to the Company Financial Statements

Loans and balances with connected parties

	Balances receivable (Note 12) £000	2011 Balances payable (Note 15) £000	Loans payable (Note 14) £000	Balances receivable (Note 12) £000	2010 Balances payable (Note 15) £000	Loans payable (Note 14) £000
Parent undertakings	24,169	(7,710)	(46,219)	11,222	(5,678)	(41,030)
Fellow subsidiary undertakings	15,657	(149,668)	-	5,316	(10,433)	-
Fellow group undertakings	39,826	(157,378)	(46,219)	16,538	(16,111)	(41,030)

Compensation of key management personnel of the Company

	2011 £000	2010 £000
Salaries and other short term employee benefits	624	384
Post-employment benefits	78	85
Total compensation paid to key management personnel	702	469

	2011 £000	2010 £000
In respect of highest paid director		
Aggregate remuneration in respect of qualifying services	240	196
Aggregate value of company contributions paid into a pension scheme	33	48
Total	273	244

Key management comprises members of the Board (including fees of non-executive Directors)

21. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Company as lessee

The Company has entered into commercial leases on certain buildings, motor vehicles and items of machinery. There are no restrictions placed upon the Company by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 March are as follows:

	2011 £000	2010 £000
Within one year	712	597
After one year but not more than five years	564	1,096
More than five years	-	-
	1,276	1,693

Notes to the Company Financial Statements

Finance lease and hire purchase commitments

The Company has finance leases and hire purchase contracts for vehicles. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the company. The present value of the net minimum lease payments are as follows:

	2011 Minimum payments £000	2011 Present value of payments (Note 14) £000	2010 Minimum payments £000	2010 Present value of payments (Note 14) £000
Within one year	75	71	75	71
After one year but not more than five years	11	10	32	29
Total minimum lease payments	86	81	107	100
Less amounts representing finance charges	(5)	-	(7)	-
Present value of minimum lease payments	81	81	100	100

Capital commitments

At 31 March 2011, the Company had capital commitments of £87,741 (2010: £nil)

The Company has a bank guarantee in place to cover its liability for import duty up to £40,000 (2010: £40,000)

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Please refer to the discussion in the Directors' Report.

23. NOTES TO CASH FLOW STATEMENT

	2011 £000	2010 £000
Loss before tax	(7,634)	(5,236)
Adjustment to reconcile loss before tax to cash generated from operations		
Depreciation of property, plant and equipment	Note 8 422	491
Amortisation of intangible assets	Note 9 8,170	7,196
Equity settled share based incentive scheme	27	-
Loss on disposal of property, plant and equipment	318	57
Finance income	(635)	(1,549)
Finance cost	8,484	5,602
Net increase in provisions and pensions	894	1,542
Decrease in trade and other receivables and prepayments	2,250	6,881
Decrease in inventories	944	1,061
Increase/(Decrease) in trade and other payables	(985)	1,826
Taxation paid	(377)	-
Net cash flows from operating activities	11,878	17,871