STERLING INDUSTRIES PLC

Directors' Report and Financial Statements

Registered Number: 299644

As at 31 March 2011

Contents

Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2011

Principal activities

The Company's principal activity during the year was that of an industrial holding company

Business review

The company operated satisfactorily during the period, and is expected to continue to do so in the coming year The key financial performance indicators were as follows

	2011 £	2010 £
Profit before financing income	2,041,859	1,743,509
Net financing income	7,248	1,361
Profit before tax	2,049,107	1,744,870

Dividend

The directors recommend the payment of a final dividend on the ordinary shares of £1,500,000 (2010 Nil) The dividend paid during the prior year was an interim dividend of £2,000,000

Directors

The directors who held office during the year were as follows

W P Wyatt
C R Armitage
D H Blunn
C H Edwards (appointed 24 March 2011)

Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report

Political and charitable contributions

The Company made no political contributions or charitable donations during the current or prior year

Going concern

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

Directors' report *(continued)*

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of Companies Act 2006

Auditor

Pursuant to a shareholders' resolution the Company is not obliged to reappoint its auditor annually and Deloitte LLP will therefore continue in office

By order of the board

D H Blunn
Secretary

DL Group Building
George Smith Way
Yeovil
Somerset
BA22 8QR

13 July 2011

Directors' statement of responsibilities in respect of the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, International Accounting Standard 1 requires that directors

- properly select and apply accounting policies,
- 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 IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the company's ability to continue as a going concern

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They 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 AUDITOR'S REPORT TO THE MEMBERS OF STERLING INDUSTRIES PLC

We have audited the financial statements of Sterling Industries PLC for the year ended 31 March 2011 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 18 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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

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 In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs 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 financial statements are prepared is consistent with the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STERLING INDUSTRIES PLC *(continued)*

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

David Hedditch

David Hedditch (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Bristol, United Kingdom

13 July 2011

Income statement
for year ended 31 March 2011

	Note	2011 Continuing Operations £	2010 Continuing Operations £
Investment income		3,475,069	2,502,985
Provision against investment in subsidiary undertakings	7	(910,545)	(109,346)
Provision against balances due from subsidiary undertakings		(131,699)	(80,769)
Management expense	2	(593,966)	(631,361)
Other income	11	203,000	62,000
Profit before net financing costs		2,041,859	1,743,509
Interest income		26,520	21,072
Interest expense		(19,272)	(19,711)
Net financing income		7,248	1,361
Profit before taxation		2,049,107	1,744,870
Taxation credit	5	18,804	455,757
Profit for the year		£2,067,911	£2,200,627

Statement of other comprehensive income
for year ended 31 March 2011

	Note	2011 £	2010 £
Actuarial losses on defined benefit pension scheme	11	(658,000)	(518,000)
Tax on other comprehensive income		184,240	145,040
Net other comprehensive income		(473,760)	(372,960)
Profit for the year		2,067,911	2,200,627
Total comprehensive income		£1,594,151	£1,827,667

Balance sheet
at 31 March 2011

	Note	2011 £	2010 £
Non-current assets			
Property, plant and equipment	6	374,584	375,635
Investments in subsidiaries	7	7,449,070	6,166,498
Deferred tax assets	8	1,469	1,240
		7,825,123	6,543,373
Current assets			
Tax receivable		278,961	600,137
Trade and other receivables	9	223,194	489,082
Cash and cash equivalents		1,534,396	657,936
		2,036,551	1,747,155
Total assets		9,861,674	8,290,528
Current liabilities			
Trade and other payables	10	110,720	133,725
Non-current liabilities			
Other interest bearing borrowings	13	350,000	350,000
Total liabilities		460,720	483,725
Net assets		£9,400,954	£7,806,803
Equity			
Share capital	12	759,310	759,310
Reserves	12	3,806,200	3,806,200
Retained earnings	12	4,835,444	3,241,293
Total equity		£9,400,954	£7,806,803

The financial statements of Sterling Industries PLC, registered number 299644, were approved by the board of directors and authorised for issue on 13 July 2011 and were signed on its behalf by

D H Blunn
Director

Statement of changes in equity
for the year ended 31 March 2011

	Share capital £	Share premium £	Reserves £	Retained earnings £	Total equity £
Balance at 1 April 2009	759,310	3,791,170	15,030	3,413,626	7,979,136
Total comprehensive income	-	-	-	1,827,667	1,827,667
Dividends to shareholders	-	-	-	(2,000,000)	(2,000,000)
Balance 21 March 2010	759,310	3,791,170	15,030	3,241,293	7,806,803
Total comprehensive income	-	-	-	1,594,151	1,594,151
Balance at 31 March 2011	£759,310	£3,791,170	£15,030	£4,835,444	£9,400,954

Cash flow statement
for year ended 31 March 2011

	2011 £	2010 £
Cash flows from operating activities		
Dividends received	3,475,069	2,502,985
Interest received	26,520	23,347
Interest paid	(19,272)	(19,711)
Management and other expenses	(1,073,982)	(1,165,863)
Taxation	523,991	792,136
Decrease (increase) in trade and other receivables	293,305	(138,998)
Decrease in trade and other payables	(23,005)	(101,875)
Net cash from operating activities	3,202,626	1,892,021
Cash flows from investing activities		
Investment in subsidiary undertaking	(2,324,816)	(109,346)
Acquisition of property, plant and equipment	(1,350)	-
Net cash from investing activities	(2,326,166)	(109,346)
Cash flows from financing activities		
Dividends paid	-	(2,000,000)
Net cash used in financing activities	-	(2,000,000)
Net increase (decrease) in cash and cash equivalents	876,460	(217,325)
Cash and cash equivalents at 1 April 2010	657,936	875,261
Cash and cash equivalents at 31 March 2011	£1,534,396	£657,936

Notes
(forming part of the financial statements)

1 Accounting policies

Sterling Industries PLC (the "Company") is a company incorporated in the UK

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS")

No new International Financial Reporting Standards becoming effective in the current year had an impact on the company's financial statements

The following standards and interpretations have been issued but were not effective at 31 March 2011 and have not been applied in preparing these financial statements

- IFRS 13 Fair Value Measurement
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 11 Joint Arrangements
- IFRS 10 Consolidated Financial Statements
- IFRS 9 Financial Instruments
- IAS 28 (revised May 2011) Investments in Associates and Joint Ventures
- IAS 27 (revised May 2011) Separate Financial Statements
- IAS 24 (revised November 2009) Related Party Disclosures
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IAS 12 (December 2010) Deferred Tax Recovery of Underlying Assets
- Amendments to IFRS 1 (December 2010) Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to IFRS 7 (October 2010) Disclosures - Transfers of Financial Assets
- Amendment to IFRS 1 (January 2010) Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- Amendments to IFRIC 14 (November 2009) Prepayments of a Minimum Funding Requirement
- Improvements to IFRSs 2010 (May 2010)

Notes *(continued)*

1 Accounting policies *(continued)*

Measurement convention

The financial statements are prepared on the historical cost basis Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell

Key sources of estimation uncertainty

In applying the accounting policies, management has made appropriate estimates in many areas, and the actual outcome may differ from those calculated

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date Foreign exchange differences arising on translation are recognised in the income statement Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined

Investments in subsidiaries

Investments in subsidiaries are carried at cost less provision for impairment

Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment Land is not depreciated The estimated useful lives are as follows

- fixtures, fittings and equipment 5 years

Trade and other receivables

Trade and other receivables are stated at their nominal amount (discounted if material) less impairment losses

Cash and cash equivalents

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 purpose only of the cash flow statement

Notes *(continued)*

1 Accounting policies *(continued)*

Impairment

The carrying amounts of the Company's assets other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment If any such indication exists, the asset's recoverable amount is estimated

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount Impairment losses are recognised in the income statement

The recoverable amount of assets is the greater of their net selling price and value in use In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs

Employee benefits

Defined contribution plan

Obligations for contributions to the defined contribution pension plan are recognised as an expense in the income statement as incurred

Defined benefit plan

Certain employees are members of a group wide defined benefit pension plan As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the Company which is the sponsoring employer

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date Actuarial gains and losses are recognised in full in the period in which they occur They are recognised outside of the income statement and are presented in the statement of other comprehensive income

Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost and as reduced by the fair value of scheme assets Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability

Notes *(continued)*

1 Accounting policies *(continued)*

Investment income

Dividend income from investments is recognised when the Company's rights to receive payment have been established

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease

Net financing costs

Net financing costs comprise interest payable, interest receivable on funds invested and foreign exchange gains and losses that are recognised in the income statement

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method

Taxation

Tax on the profit or loss for the year comprises current and deferred tax Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised

2 Expenses and auditor remuneration

Included in management expense are the following -

	2011 £	2010 £
Auditor remuneration		
Audit	26,045	24,287
Other services - fees receivable by the auditors and their associates	-	-

Notes *(continued)*

3 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was 4 (2010 4)

The aggregate payroll costs of these persons were as follows -

	2011 £	2010 £
Wages and salaries	578,576	950,813
Social security costs	66,487	117,037
Other pension costs	468,889	466,014
	£1,113,952	£1,533,864

4 Directors' emoluments

	2011 £	2010 £
Directors' emoluments	527,474	907,350
Company contributions to defined contribution pension plan	12,500	11,302
Company contributions to defined benefit plan	28,752	28,374
	£568,726	£947,026

The aggregate emoluments of the highest paid director were £361,781 (2010 £664,228), and company pension contributions of £12,500 (2010 £11,302) were made to the defined contribution plan on his behalf

	Number of directors 2011	2010
Retirement benefits are accruing to the following number of directors under		
Defined contribution scheme	1	1
Defined benefit scheme	1	1

5 Taxation

Recognised in the income statement

	2011 £	2010 £
Current year credit	(94,721)	(600,137)
Prior year expense	76,146	-
Deferred tax credit (expense)	(229)	144,380
Total tax in income statement	(£18,804)	(£455,757)

Notes *(continued)*

5 Taxation *(continued)*

Reconciliation of effective tax rate

	2011 £	2010 £
Profit before tax	2,049,107	1,744,870
Tax using the UK corporation tax rate of 28% (2010 28%)	573,750	488,564
Income not taxable	(973,019)	(700,836)
Non-deductible expenses	304,319	58,597
Relief for special pension contribution	-	(354,200)
Loss carried forward	-	52,118
Under provided in prior years	76,146	-
	(£18,804)	(£455,757)

6 Property, plant and equipment

	Freehold land £	Fixtures, fittings & equipment £	Total £
Cost			
Balance at 1 April 2009 and March 2010	373,500	56,132	429,632
Acquisition	-	1,350	1,350
Disposals	-	(42,675)	(42,675)
Balance at 1 April 2010 and 31 March 2011	£373,500	£14,807	£388,307
Depreciation			
Balance at 1 April 2009	-	51,730	51,730
Depreciation charge for the year	-	2,267	2,267
Balance at 1 April 2010	-	53,997	53,997
Depreciation charge for the year	-	1,150	1,150
Disposals	-	(41,424)	(41,424)
Balance at 31 March 2011	£-	£13,723	£13,723
At 31 March 2009	£373,500	£4,402	£377,902
At 31 March 2010	£373,500	£2,135	£375,635
At 31 March 2011	£373,500	£1,084	£374,584

Notes *(continued)*

7 Investment in subsidaries

	£
Cost	
Balance at 1 April 2009	9,385,347
Additions	109,346
Balance at 1 April 2010	9,494,693
Additions	2,193,117
Balance 31 March 2011	£11,687,810
Provision	
At 1 April 2009	(3,218,849)
Provision s	(109,346)
Balance at 1 April 2010	(3,328,195)
Provision	(910,545)
Balance 31 March 2011	(4,238,740)
At 31 March 2009 and 31 March 2010	£6,166,498
At 31 March 2010 and 31 March 2011	£7,449,070

Additions during the year comprised Bloom (China) LLC and PCC Environmental Equipment (Beijing) Co Ltd A further investment was also made during the year in Bloom Combustion (India) Private Limited

An additional payment in respect of the acquisition of the investment in Bloom China LLC of up to £258,942 may become payable if certain criteria are met before 31 December 2011, of which £72,598 was paid in May 2011

The principal subsidiaries of the Company at 31 March 2011 are listed below

	Country of registration	Nature of business	Proportion of Ordinary Share Capital held
Caledonia Industrial & Services Inc	USA	Investment holding company	100%
Sterling Thermal Technology Limited	England	Process engineering	100%
Argo Flare Services Limited	England	Process engineering	100%
SI Pumps Limited	England	Facilities management	70 08%
Crewkerne Investments Limited	England	Investment holding company	50 5%
Bloom Engineering (China) LLC	USA	Investment holding company	25%
Bloom Combustion (India) Private Limited	India	Process engineering	100%
PCC Environmental Equipment (Beijing) Co Ltd	China	Process engineering	100%

The Company is exempt by virtue of S400 of the Companies Act 2006 from the requirement to prepare group accounts These financial statements present information about the Company as an individual undertaking and not about its group

8 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following -

	Assets 2011	Assets 2010	Liabilities 2011	Liabilities 2010	Net 2011	Net 2010
Plant and equipment	£1,469	£1,240	-	-	£1,469	£1,240

Movement in deferred tax during the year -

	1 April 2010 £	Recognised in income £	Recognised in equity £	31 March 2011 £
Plant and equipment	1,240	229	-	1,469
Employee benefits (note 11)	-	-	-	-
Net tax asset	£1,240	£229	£-	£1,469

Notes *(continued)*

9 Trade and other receivables

	2011 £	2010 £
Receivables due from group undertakings	193,781	166,364
Other trade receivables and prepayments	29,413	322,718
	£223,194	£489,082

Nothing is included within trade receivables that is expected to be settled in more than 12 months (2010 £Nil)

10 Trade and other payables

	2011 £	2010 £
Payables due to group undertakings	61,482	76,420
Non-trade payables and accrued expenses	49,238	57,305
	£110,720	£133,725

11 Employee benefits

Defined benefit pension obligation

The Company has a constructive obligation for a defined benefit pension plan

\	2011 £	2010 £	2009 £	2008 £	2007 £
Present value of funded obligations	17,421,000	17,423,000	13,538,000	15,444,000	16,546,000
Fair value of plan assets	22,041,000	20,645,000	14,479 000	17,956 000	18,673,000
Present value of net surplus	£4,620,000	£3,222,000	£941,000	£2,512,000	£2,127,000

The directors do not consider there are any future economic benefits available to the company from the surplus, £4,620,000 (2010 £3,129,000), hence the surplus as at 31 March 2011 and 31 March 2010 has not been recognised

Changes in the present value of the defined benefit obligations were as follows -

	2011 £	2010 £
Balance at period start	17,423,000	13,538,000
Service cost	132,000	103,000
Interest cost	963,000	890,000
Employee contributions	14,000	17,000
Actuarial loss (gain)	(539,000)	3,559,000
Benefits paid	(572,000)	(684,000)
Balance at period end	£17,421,000	£17,423,000

Changes in the fair value of plan assets were as follows -

	2011 £	2010 £
Balance at period start	20,645,000	14,479,000
Expected return on assets	1,251,000	995,000
Actuarial gain (loss)	201,000	5,324,000
Contributions by employers	502,000	514,000
Contributions by employees	14,000	17,000
Benefits paid	(572 000)	(684,000)
	£22,041,000	£20,645,000

Amounts recognised in the income statement as Other Income were as follows -

	2011 £	2010 £
Current service cost	(132,000)	(103,000)
Interest on obligation	(963,000)	(890,000)
Expected return on plan assets	1,251,000	995,000
Contributions by other employers	47,000	60,000
	£203,000	£62,000

Notes *(continued)*

11 Employee benefits (continued)

Defined benefit pension obligation (continued)

Amounts recognised in other comprehensive income were as follows -

	2011 £	2010 £
Actuarial losses	(£658,000)	(£518,000)

An analysis of plan assets and expected returns at the end of the period (expressed as weighted averages) was as follows -

	2011 £	2010 £
Plan assets		
Equities	12,403,000	12,620,000
Bonds	6,466,000	5,067,000
Cash	2,159,000	2,139,000
Other assets	1,013,000	819,000
	£22,041,000	£20,645,000

	2011	2010
Expected returns		
Equities	7 40%	7 50%
Bonds	5 00%	5 10%
Cash	0 50%	0 50%
Other assets	4 35%	4 50%

Principal actuarial assumptions used at the balance sheet date were as follows -

	2011	2010
Discount rate at period end	5 60%	5 60%
Future salary increases	5 05%	5 25%
Future pension increases	3 30%	3 50%
Price inflation	3 30%	3 50%

Mortality rates in 2010 and 2011 were based on PNA00 year of birth with medium cohort effect, plus a 1% improvement floor

The five-year history of actuarial adjustments is as follows -

	2011 £	2010 £	2009 £	2008 £	2007 £
Actuarial adjustments on scheme liabilities					
Gain (loss) - £	539,000	(3,559,000)	2,458,000	1,743,000	(1,384,000)
- %	3 1	(26 3)	15 9	10 5	(9 4)
Actuarial adjustments on scheme assets					
Gain (loss) - £	201,000	5,324,000	(4,650,000)	(1,835,000)	(166,000)
- %	1 0	36 8	(25 9)	(9 8)	(0 9)

Notes *(continued)*

11 Employee benefits (continued)

Defined contribution plan

The Company operates a defined contribution pension plan

The total expense relating to the plan in the current year was £14,120 (2010 £11,822)

12 Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital £	Share premium £	Reserves £	Retained earnings £	Total parent equity £
Balance at 1 April 2009	759,310	3,791,170	15,030	3,413,626	7,979,136
Total comprehensive income	-	-	-	1,827,667	1,827,667
Dividends to shareholders	-	-	-	(2,000,000)	(2,000,000)
Balance at 1 April 2010	759,310	3,791,170	15,030	3,241,293	7,806,803
Total comprehensive income	-	-	-	1,594,151	1,594,151
Balance at 31 March 2011	£759,310	£3,791,170	£15,030	£4,835,444	£9,400,954

Share capital

	2011	2010
Authorised		
Ordinary shares of 2½p each	73,800,000	73,800,000
Allotted, issued and fully paid		
Ordinary shares of 2½p each	30,372,384	30,372,384

The Company did not pay a dividend on the ordinary shares during the year (2010 £2,000,000)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

13 Other interest bearing borrowings

	2011	2010
350,000 5½% cumulative first preference shares of £1	£350,000	£350,000

14 Operating leases

Non-cancellable operating building lease rentals are payable as follows -	2011 £	2010 £
Less than one year	25,790	24,000
Between one and five years	45,133	66,000
	£70,923	£90,000

The Company leases an office under an operating lease During the year £25,790 (2010 £24,000) was recognised as an expense in the income statement in respect of operating leases

Notes *(continued)*

15 Capital commitments

As at 31 March 2011 the Company had not entered into any contracts to purchase property, plant and equipment (2010 Nil)

16 Related parties

Identity of related parties

The Company has related party relationships with group undertakings and with its key management personnel, being its directors

Transactions with key management personnel

The related party transactions with the directors are disclosed at note 4

Other related party transactions	2011 £	2010 £
Management fees received from group undertakings	360,000	928,000
Management fees payable to parent company	74,400	74,400
Dividend income from group undertakings	3,120,004	2,502,985
Interest received from group undertakings	4,719	5,692

At the year end there were amounts of £61,482 (2010 £76,240) owed to group undertakings and £193,781 (2010 £166,364) owed from group undertakings

17 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Caledonia Investments Plc, incorporated in England

The group in which the results of the Company are consolidated is that headed by Caledonia Investments Plc No other group financial statements include the results of the Company The consolidated financial statements of Caledonia Investments Plc are available to the public and may be obtained from

Caledonia Investments Plc
Cayzer House
30 Buckingham Gate
London
SW1E 6NN

18 Financial instruments

The Company's financial instruments comprise investments in subsidiaries, cash balances, borrowings and receivables that arise from its operations

The Company's activities expose it to various financial risks market risk (fair value interest rate risk, foreign exchange risk and price risk), price risk and cash flow interest rate risk

Notes *(continued)*

18 *Financial instruments* *(continued)*

Market risk

1 Fair value interest rate risk

The Company is exposed to fair value interest rate risk The Company lends to and borrows from group companies at base rate Since interest bearing financial assets and liabilities re-price in the short term, the Company has limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates

2 Price risk

Price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market

Price risk is mitigated by direct involvement in the management of the subsidiary company

3 Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Chinese RMB and the Euro Foreign exchange risk arises primarily from recognised assets, and liabilities and net investments in foreign operations

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company The exposure to credit risk is monitored on an ongoing basis

At 31 March, the financial assets exposed to credit risk were as follows -

	2011	**2010**
	£	**£**
Receivables from group undertakings	193,781	166,364
Other trade receivables	29,413	322,718
	£223,194	£489,082

Fair value

The Company's financial instruments are carried at fair value on the balance sheet For certain other financial instruments, specifically trade and other receivables and payables, the carrying amounts approximate to fair value due to the immediate or short term nature of these financial instruments