# Annual Report **2010**

OGLESBY & BUTLER

GROUP PLC

# Annual Report **2010**

*Registered number: 124871*

OGLESBY & BUTLER
GROUP PLC

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# Directors and other information





### Directors

N.O. Dowling *(Chairman-Non-Executive)*
A.P. Oglesby *(Chief Executive)*
J. Oglesby *(Deputy Managing Director)*

### Secretary

J. Bailey

### Auditor

KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2

### Solicitors

Arthur Cox Solicitors
Earlsfort Centre
Earlsfort Terrace
Dublin 2

### Stockbrokers

Bloxham Stockbrokers
2/3 Exchange Place
IFSC
Dublin 1

Davy Stockbrokers
Davy House
49 Dawson Street
Dublin 2

### Bankers

Allied Irish Banks, plc
Bankcentre
Ballsbridge
Dublin 4

### Registrar and Transfer Office

Computershare Services (Ireland) Limited
Heron House
Corrig Road
Sandyford
Dublin 18

### Registered Office

Industrial Estate
O'Brien Road
Carlow

# Directors' biographies

**N.O. Dowling**

*Chairman (non-executive)*

Chartered accountant, aged 72, is a business consultant and was formerly the Chief Executive Officer of Oglesby & Butler Group plc, and Chief Executive of Bord Gáis Éireann, and is a Director of a number of private companies. In addition to his duties as non-executive Chairman, Mr. Dowling is Chairman of the Audit Committee and a member of the Remuneration Committee.

**A.P. Oglesby**

*Chief Executive and Managing Director*

Design engineer, aged 64, was one of the founders of Oglesby & Butler Group plc. Mr. Oglesby worked previously in the General Electric Co. Group, the Thorn Electronics Group and Braun Ireland Limited.

Mr. Oglesby is a member of the Remuneration Committee.

**J. Oglesby**

*Deputy Managing Director*

Ms. Oglesby, aged 40, is the current Deputy Managing Director of the Group. She has previously worked in the production, accounts, sales and marketing departments of the Group. She also previously worked for Gilbeys of Ireland and Diageo Ireland as a business and financial analyst for wines and spirits. Ms. Oglesby holds an MBA and an MSc in Industrial Mathematics.

# *Chairman's statement*

I refer to the Group's Interim Management Statements issued in September 2009 and February 2010 in which it was advised that revenues, largely due to a significant contribution by new consumer products, had increased by 25% and 38% respectively. I am pleased to report that this trend continued in the final quarter and that the Group has recorded revenues of €7m, an increase for the year of some 42%, resulting in an operating profit of €763,060 as compared to a prior year loss of €519,494. Based on our research and gas patented intellectual property, a range of products have been developed providing a smokeless alternative for smokers. The products have been successfully launched and have made a significant contribution to Group revenues. Further research is ongoing with regard to alternative uses of our technology. As virtually all sales are exported, the Group's revenues are exposed to currency fluctuations in US dollar and Pound Sterling. Discussions which I referred to previously regarding a further phase of a development contract have concluded without reaching an agreement. The range of gas powered products have been enhanced by the launching of a car repair kit and an agricultural product. The research department continues to work on enhancement of existing products and development of new and innovative uses of our patented gas technology.

**Business review**

The financial statements have been prepared in accordance with the Group's accounting policies under IFRS as adopted by the EU as set out in pages 17 to 23.

Group sales for the year were €7m *(2009: €4.9m)*, an increase of some 42%, and the profit for the year was €911,263 (including a tax credit of €172,752 compared with a net loss of €751,677 last year (including a tax charge of €216,557). Profit per share was 7.40c *(2009: 6.10c loss)*.

The reorganisation and strengthening of marketing and distribution to which I referred to last year has enabled the Group to compete effectively in an international market which continues to be difficult.

Research is ongoing on development of new products based on existing technology, and upgrading of existing products. The programme carried out in conjunction with the University of Limerick in respect of reengineering of existing products is ongoing and has helped to augment our technical skills.

**Dividends**

In light of the results for the year and taking into account the free cash flow generation this year, current trading and foreseeable future capital requirements of the Group, your Board is proposing a final dividend of 1.0c per ordinary share, a level which we are confident is sustainable and from which it could grow.

Subject to approval of the shareholders at the Annual General Meeting to be held on 24 September 2010, this final dividend for 2010 will be paid on 29 September to holders of shares on the register as of 23 July 2010.

**Outlook**

The Board is encouraged by the success to date of new products and the progress being made by our gas powered hand tools in difficult and challenging international markets. The Board is confident that the Group will continue to be competitive and trade profitably and deliver a better future for all our stakeholders.

I thank my fellow directors and staff for their commitment and continued support in what has been a demanding and challenging year.

**N.O. Dowling**
*Chairman*

7 July 2010

# *Operating and financial review*

### Introduction

This has been a year of two halves, with steady growth in the first half followed by significant growth arising in the third and fourth quarters of the year. Our staff responded magnificently to the challenges arising from the unprecedented growth in demand for our products. Obviously, the launch of new products gave rise to significant expenditure particularly in relation to setup, initial production cost and marketing spend, but overall our systems of cost control remained robust and effective.

### Production

Staffing levels were maintained throughout the year at last year's levels, but due to increasing demand for products, it has been necessary to recruit post year end an additional 30 operatives. Our remuneration costs continue to outstrip those of our overseas competitors and have adversely affected trading in certain markets. All costs and products are kept under review and we continue to seek to improve productivity and reduce manufacturing costs. Further investment has been made in additional automated machinery.

### Research and development

The programme to reengineer certain products in conjunction with the University of Limerick is ongoing based on our patented gas technology.

### Marketing and sales

The sales and U.S. marketing initiatives which were introduced during the year are operating satisfactorily. Our new industrial and customer products have been well received by the market. Good progress has been made in a very competitive market to win back sales of existing products. We actively promote all our products internationally by participation in trade fairs and sales conferences of major distributors.

### Finance

Details of the Group's cash flow for 2010 are set out in the consolidated cash flow statement on page 26 and show an increase in cash of €395,484 as compared to an increase of €116,639 in 2009.

Net cash provided by operating activities amounted to €838,408 in the year *(2009: €496,362)* and these funds were primarily used for investment in ongoing product development and upgrades in the manufacturing processes.

### Environment

The Group endeavours at all times to comply with applicable environmental regulations.

### Future

It is expected that while technically the world recession is over, there will continue to be uncertainty internationally in the markets in which we trade and the possibility of adverse currency fluctuations are likely. We anticipate that markets for our products will continue to be competitive. Our strategy will be to build on the new markets we have developed, contain costs, improve efficiency and continue to introduce new and innovative products in the market place which we develop and manufacture inhouse.

**A.P. Oglesby**
*Chief Executive*

7 July 2010

# Directors' report



The Directors have pleasure in submitting their Annual Report to the Shareholders, together with the audited financial statements for the year ended 31 March 2010.

### Principal activities, review of business and future developments

The Company is an industrial holding company. The principal activity of the Group is the manufacture and export of gas powered hand tools and products. There have been no significant changes in these activities during the year, and the Directors have no plans to change them significantly in the foreseeable future.

Key performance indicators that are focused on by management include profitability levels and revenue levels to various parts of the world. These are discussed against budget at regular management and board meetings throughout the year.

A review of the operations for the year, and of future developments, is set out on page 6.

### Group undertakings

A listing of the Company's subsidiary undertakings is set out in note 30 to the financial statements.

### Results

Details of the results for the year are set out in the consolidated statement of comprehensive income on page 24.

### Research and development

During the year, €73,912 *(2009: €167,949)* was invested in research and development, which has been dealt with in the statement of comprehensive income for the year. In addition a further €60,845 *(2009: €99,024)* was expended in securing patents. The main thrust of these activities is to further develop the potential of our new vapouriser products and cordless gas powered catalytic range of soldering irons, while at the same time developing the Agri-product lines with the particular application of thermostatic temperature control.

### Dividends

It is proposed to seek approval from the shareholders to pay a final dividend of 1.0c per share. In view of the prior year loss it is necessary to seek shareholder approval for the payment of a dividend accordingly.

Subject to approval of the shareholders at the Annual General Meeting to be held on 24 September 2010, this final dividend for 2010 will be paid on 29 September to holders of shares on the register as of 23 July 2010.

No dividends were declared during the year ended 31 March 2009.

### Annual General Meeting

Notice of the Annual General Meeting will be issued under separate cover. Shareholders will be asked to renew the authority to disapply the statutory pre-emption provisions (valid until the next Annual General Meeting) up to a maximum of 1,231,508 Ordinary Shares of 12c each (being 10% of the nominal value of the Company's issued share capital at the date hereof).

Except for the issue of shares pursuant to the Company's share option schemes (should options be exercised), the Directors do not have any current intention to issue shares.

In addition, shareholders will be asked to renew the authority of the Company or any of its Group undertakings, which was originally given at the Annual General Meeting held on 11 September 2009, to purchase the Company's own shares and to re-issue treasury shares. The terms of the authority will be the same as that given at the Annual General Meeting on 11 September 2009 including the terms relating to the maximum and minimum prices at which shares may be purchased, and that such purchases may not exceed 10% of the existing share capital of the Company within any period of 12 months. The Directors do not have any current intention to exercise these powers.

## Interests of Directors and Secretary

The interests (all of which were beneficially owned) of the Directors and Company Secretary, and their spouses and minor children, in the share capital of the Company and its Group undertakings at 31 March 2010 and 31 March 2009 were as follows:

| | Oglesby & Butler Group plc | | Oglesby & Butler Investments | | |
|---|---|---|---|---|---|
| | Ordinary Shares of 12c each | | Ordinary Shares 31 March 2009 and 31 March 2010 | | |
| | *At beginning of year* | *At end of year* | *Class* | *€ per share* | *Number* |
| N.O. Dowling | 210,000 | 210,000 | A | €0.03 | 25,000 |
| A.P. Oglesby | 2,876,188 | 2,876,188 | B | €0.04 | 20,000 |
| J. Oglesby* | 9,000 | 9,000 | R | €1.80 | 1 |
| J. Bailey (secretary) | – | – | W | €6.00 | 1 |

** The shares held by J. Oglesby are jointly held with relatives.*

There were no changes in the interests of Directors and Secretary since 31 March 2010.

There has not been any contract or arrangement in relation to the business of the Company or any Group undertaking during the year in which a Director or the Secretary of the Company was materially interested or which was significant in relation to the Company's business.

### Substantial share interests

In addition to the holdings indicated above, the following shareholders held in excess of 3% of the issued ordinary share capital of the Company at 7 July 2010:

*Oglesby & Butler Group plc Ordinary Shares of 12c each*

| | Number | % Holding |
|---|---|---|
| Mr. K. Anderson | 3,688,132 | 29.95% |
| Mr. J.P. Oglesby | 2,224,685 | 18.06% |

As far as the Directors are aware, no other person or company held 3% or more of the issued ordinary share capital of the Company at 31 May 2010.

### Corporate governance

The Directors are committed to achieving compliance with the 2008 Combined Code on Corporate Governance ("the 2008 Combined Code"), which sets out principles of good governance and a code of best practice and which was appended to the listing rules of the Irish Stock Exchange.

The Directors have developed a code of practice which deals with among other matters, issues of corporate governance. This code of practice is designed to ensure that the main principles and supporting principles of governance set out in Section 1 of the 2008 Combined Code are applied in the Group.

*The Board and Directors*

The Board is comprised of two executive and one non-executive Directors. The Board has nominated N.O. Dowling as the senior independent non-executive Director. The non-executive Director is considered independent by the Board. In arriving at its conclusion, the Board considered many factors including, *inter-alia*, whether any of the non-executive Directors:

- has been an employee of the Group;
- receives remuneration from the Group other than a director's fee; or
- represents a significant shareholder.

With regard to the non-executive Director, the Board has determined that notwithstanding that he was previous CEO and is currently Chairman, he is independent and he discharges his duties in a proper and consistent independent manner. He consistently and appropriately challenges the executive Directors and the Board.

The Board meets regularly, in accordance with a pre-determined schedule of meetings and also meets on other occasions as necessary.

Directors, other than the Chairman and Chief Executive, are subject to retirement by rotation every three years at the Company's Annual General Meeting. Procedures are in place for Directors in furtherance of their duties to receive appropriate training and to take independent professional advice if necessary, at the Company's expense. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed. Non-executive Directors are appointed for specific terms through a formal selection process.

The Board has a formal schedule of matters specifically reserved to it for decision. Matters reserved for decision by the Board include all significant commercial, trading and strategic matters, approval of capital and revenue budgets, approval of the financial statements, membership of the Board and Board Committees, acquisitions and disposals, capital expenditure, risk management and treasury policies.

All Directors receive full Board papers in sufficient time in advance of Board meetings and any further back up papers and information are available to Directors on request. The Chairman of each Committee of the Board is available to give a report on the Committees' proceedings at Board meetings if required. All Directors receive the Group's monthly financial statements and comparisons to budgets. Management accounts are presented to the Board on a regular basis.

***Board Committees***

The Board has established a number of Committees which operate within defined terms of reference. The terms of reference of the Board Committees are available on request from the Company Secretary.

***Meetings***

There were eight meetings of the Board during the year. The Chairman in conjunction with the Company Secretary sets the agenda for each meeting. Meetings are held on site at our premises in Carlow and at other designated venues during the year.

Details of Directors' attendance at Board and Committee meetings are set out on page 13.

***Performance appraisal***

The non-executive Director annually conducts a review of the performance of the Board and its Committees. The Chairman appraises the performance of Directors and Secretary through individual discussions.

***Terms of appointment of non-executive Directors***

The standard terms of letter for appointment of non-executive Directors is available on request from the Company Secretary.

***Election and appointment of Directors***

Election of Directors is in accordance with the Company's Articles of Association and is carried out at the Annual General Meeting.

***Chairman***

Mr. N.O. Dowling has been Chairman of the Group since 1991, and is responsible for the efficient and effective working of the Board. In this he ensures that all Board agendas cover major strategic issues concerning the Group and also that the Board evaluates and approves management plans for the Group. Mr. N.O. Dowling holds a number of other directorships external to the Group. The Board considers that this does not interfere with his duties as Chairman.

The Board has delegated authority to the following Committees on a number of specific matters as detailed on the following pages.

***Audit Committee***

The Audit Committee consists of the Chairman and the Company Secretary. The Audit Committee met eight times during the year. The external auditor attends as required.

The Audit Committee reviews the services provided by the external auditor, in respect of audit, audit related and non-audit services. Audit related services are services carried out by the external auditor by virtue of their role as external auditor and include assurance related work and accounting advice. The non-audit services provided principally related to tax advice and assistance with company secretarial matters. In line with best practice the external auditor does not provide services such as financial information system design and valuation work which could be considered inconsistent with the audit role.

*Main functions of the Committee are:*

- reviewing the Group's financial statements and monitoring financial reporting issues
- reviewing the Group's internal control systems
- advising as to the appointment of external auditor.

### *Remuneration Committee*

This Committee is comprised of the Chairman and the Chief Executive. The Committee met twice during the year.

*Main functions of the Committee are:*

- determining the Group's policy on executive and non-executive Directors pay
- determining the remuneration of executive and non-executive Directors
- monitoring the level and structure of remuneration for senior management
- reviewing and approves the design of all incentive share plans
- the Committee also reviews and approves the report on Directors' remuneration as set out in note 6, on page 34 of this report.

The Group has in place procedures which are consistent with Section A of the Irish Stock Exchange's Best Practice Provisions on Directors' Remuneration, save that the Chief Executive is a member of the Remuneration Committee, and these procedures have operated throughout the year. In preparing its Remuneration Committee report, the Board has followed the provisions of the 2008 Combined Code.

The executive Directors do not hold any external directorships. No share options were granted during the year ended 31 March 2010.

### *Finance Committee*

The Finance Committee consists of the Chairman and Chief Executive. This Committee met four times during the year.

The Finance Committee has been appointed by the Board to advise it on matters relating to the following:

- financial requirements of the Group
- funding arrangements with banks and lending institutions.

### *Nomination Committee*

This Committee sits as part of the full Board and assists with advice that ensures that the structures of both the Board itself and the various Committees are appropriate to the needs of the Group.

*Main functions are:*

- assessment of Board requirements in terms of skills, experience, and diversity needed
- process of identification for suitable candidates for appointment to the Board.

### *Relations with shareholders*

The Company has regular dialogue with institutional shareholders, and encourages communication with private shareholders, welcoming their participation at general meetings. All Directors are made aware of shareholder views through the Chairman, as they arise.

All Board members attend the Annual General Meeting and are available to answer questions. Separate resolutions are proposed on substantially different issues and the agenda of business to be conducted at the Annual General Meeting includes a resolution to receive and consider the annual report and financial statements.

The Directors comply with the 2008 Combined Code as it relates to the disclosure of proxy votes, the separation of resolutions and the attendance of Directors at the Annual General Meeting. The Directors intend to comply with the provisions of the 2008 Combined Code concerning the giving of twenty one days notice of the Annual General Meeting.

*Internal control*

The Board of Directors has overall responsibility for the Group's system of internal financial control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, but not absolute, assurance against material misstatement or loss.

The 2008 Combined Code has a requirement that Directors annually review the effectiveness of the Group's system of internal controls. This requires a review of the system of internal financial controls to cover all controls including financial, operational, compliance and risk management.

Formal guidance for the implementation of the requirement entitled "Internal Control: Guidance for Directors on the Combined Code" (the Turnbull Guidance) was published in September 1999.

The Group achieved full compliance with the Turnbull Guidance throughout the year ended 31 March 2010.

The Directors have reviewed the effectiveness of the Group's system of internal control. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that has been in place for the year under review and up to the date of these financial statements. This process is regularly reviewed by the Board in accordance with the Turnbull Guidance.

The key internal control policies and procedures in the Group include the following:

- an organisational structure with formally defined lines of responsibility and delegation of authority. The Board has a schedule of matters referred to it for decision
- a comprehensive budgeting system, with annual financial budgets which are approved by the Board
- actual performances are measured against budget on a monthly basis
- the Board conducts regular assessments of key business risks, including research and development and the production of new products
- the Board oversees marketing initiatives and sets and monitors sales targets
- there is ongoing review of production capabilities
- an extensive system of quality control is in place to ensure continued high product standards
- there are clearly defined guidelines for investment in plant and equipment and appropriate levels of authorisation for all transactions
- the Audit Committee reviews the interim and annual financial statements and the nature and extent of external audit and reports to the Board
- the Audit Committee also reviews, on behalf of the Board, reports from management and the external auditor, dealing with internal financial control matters and reports to the Board

The Directors confirm that they have reviewed at least annually the effectiveness of the system of internal financial control which operated during the period covered by the financial statements and up to the date on which the financial statements were signed. In particular, they have considered the significant risks affecting the business and the way in which these risks are managed, collected and monitored.

Given the size of the Group, an internal audit function has not been set up.

### Service contracts

The Company and Group have entered into service contracts with the executive Directors. A.P. Oglesby and J. Oglesby have service contracts, which exist for three years to 31 December 2011 and 31 July 2011 respectively and may be terminated by the Group by giving six months written notice. Provisions include predetermined compensation payments on termination of one year's salary.

The Remuneration Committee is satisfied that the terms of those service contracts continue to be appropriate and necessary to retain the services of the executive Directors.

### Directors' emoluments and interests

Details of Directors' emoluments, including pension contributions to the defined contribution scheme, are set out on page 34, and details of the interests of Directors in the share capital of the Group are set out on page 8.

### Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### Principal risks and uncertainties

The Directors consider that the principal risks and uncertainties faced by the Company and its subsidiaries are in the following categories:

*Economic risk*

- The risk of global and local economic downturn having an adverse impact on served markets.
- The risk of unrealistic increases in wages or infrastructural cost impacting adversely on competitiveness of the Group and its principal customers.
- The risk of adverse currency exchange movements.

These risks are managed by innovative product sourcing and strict control on costs. They are also discussed at management and Board meetings. A detailed review of the current economic position of the Group is described in the Chairman's statement on page 5 of the Annual Report.

*Competition risk*

The Directors of the Company and its subsidiaries manage competition risk through close attention to customer service levels and product innovation.

*Financial risk*

Each of the companies within the Group have budgetary and financial reporting procedures, supported by appropriate key performance indicators, to manage credit, liquidity and other financial risk.

A financial risk management objective of the Company is to protect the Group from significant currency fluctuations. The Company policy is to negotiate settlement terms with significant suppliers in local currency where possible. In the event that the Group is exposed to currency transactions the Group tends to enter into forward contracts when considered appropriate.

### Statement of compliance

The Directors fully adopted the provisions of the 2008 Combined Code, and have set out the compliance with the code as follows:

- the directors' and auditors' responsibility statements are included in the annual report
- the board, at least annually, conducted a review of the effectiveness of the Group's system of internal controls and reported to shareholders that they have done so
- the board has not established an audit committee of at least three members who all are independent non-executive directors due to the limited number of non-executive directors, however at least one member of the audit committee has recent and relevant financial experience
- the main role and responsibilities of the audit committee are set out in written terms of reference
- the terms of reference of the audit committee has been made available. The responsibilities of the audit committee are detailed on pages 9 and 10
- the audit committee reviewed arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters
- the audit committee has not monitored and reviewed the effectiveness of the internal audit activities as there is no internal audit function due to the size of the Company
- the audit committee has primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors
- the annual report explains to shareholders in circumstances where the auditor provides non-audit services, auditor objectivity and independence has been safeguarded.

*Attendance at Board and Committee meetings during the financial year ended 31 March 2010*

| | Board | | Audit | | Finance | | Remuneration | |
|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B |
| *Director/secretary:* | | | | | | | | |
| N.O. Dowling | 8 | 8 | 8 | 8 | 4 | 4 | 2 | 2 |
| A.P. Oglesby | 8 | 8 | – | – | 4 | 4 | 2 | 2 |
| J. Oglesby | 8 | 8 | – | – | – | – | – | – |
| J. Bailey (secretary) | 8 | 8 | 8 | 8 | – | – | – | – |

*Column A – indicates the number of meetings held during the period the director/secretary was a member of the Board and/or Committee*

*Column B – indicates the number of meetings attended during the period the director/secretary was a member of the Board and/or Committee.*

### Share options

The Company has not participated in any share option arrangements with the Directors or employees of the Group during the current or prior year.

### Accounting records

The Directors believe that they have complied with Section 202 of the Companies Act, 1990 with regard to books of account by employing financial personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the Company are maintained at the registered office of the Company at Industrial Estate, O'Brien Road, Carlow.

### Subsequent events

In the opinion of the Directors, there have been no significant subsequent events past 31 March 2010, not otherwise disclosed in the financial statements, that would materially affect the Group on these financial statements.

### Auditor

In accordance with Section 160(2) of the Companies Act, 1963, the auditor, KPMG, Chartered Accountants, will continue in office.

On behalf of the Board:

**N.O. Dowling**
*Director*

**A.P. Oglesby**
*Director*

7 July 2010

# *Statement of directors' responsibilities*

*in respect of the Annual Report and the Financial Statements*

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2009.

The Group and Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Group and Company. The Companies Acts 1963 to 2009 provide in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the EU as applied in accordance with the Companies Acts 1963 to 2009; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

Under applicable law and the requirements of the Listing Rules issued by the Irish Stock Exchange, the Directors are also responsible for preparing a Directors' Report and reports relating to Directors' remuneration and corporate governance that comply with that law and those Rules. In particular, in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 (the Transparency Regulations), the Directors are required to include in their report a fair review of the business and a description of the principal risks and uncertainties facing the Group and the Company and a responsibility statement relating to these and other matters, included below.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2009 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

### Responsibility Statement, in accordance with the Transparency Regulations

Each of the Directors, whose names and functions are listed on page 4 of the Annual Report confirm that, to the best of each person's knowledge and belief:

- the Group financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Group at 31 March 2010 and its profit for the year then ended;
- the Company financial statements, prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2009, give a true and fair view of the assets, liabilities and financial position of the Company at 31 March 2010; and
- the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board:

**N.O. Dowling**
*Director*

**A.P. Oglesby**
*Director*

# *Independent auditor's report*

*to the members of Oglesby & Butler Group plc*





We have audited the Group and Company financial statements (the "financial statements") of Oglesby & Butler Group plc for the year ended 31 March 2010 which comprise of the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of cash flows, the consolidated and company statements of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out on pages 17 to 23.

This report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act 1990. 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

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 14.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with IFRSs as adopted by the EU, and have been properly prepared in accordance with the Companies Acts 1963 to 2009 and, in the case of the Group financial statements, Article 4 of the IAS Regulation. We also report to you, in our opinion whether proper books of account have been kept by the Company; whether at the reporting date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the Company statement of financial position is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law, or the Listing Rules of the Irish Stock Exchange regarding Directors' remuneration and Directors' transactions is not disclosed and, where practicable, include such information in our report.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2008 FRC Combined Code specified for our review by the Listing Rules of the Irish Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, Chairman's Statement and the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 March 2010 and of its profit for the year then ended;
- the Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Acts 1963 to 2009, of the state of the Company's affairs as at 31 March 2010;
- the Group financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2009 and Article 4 of the IAS Regulation; and
- the Company financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2009.

***Other matters***

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company statement of financial position is in agreement with the books of account.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

The net assets of the Company, as stated in the Company statement of financial position are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 March 2010 a financial situation which under Section 40 (1) of the Companies (Amendment) Act 1983 would require the convening of an extraordinary general meeting of the Company.

KPMG

*Chartered Accountants*
*Registered Auditor*

7 July 2010

St. Stephen's Green
Dublin 2

# Statement of accounting policies

*for the year ended 31 March 2010*





The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements. Oglesby & Butler Group plc is a Company domiciled in Ireland. The address of the Company's registered office is Industrial Estate, O'Brien Road, Carlow. The Group financial statements for the year ended 31 March 2010 consolidate the individual financial statements of the Company and its subsidiaries (together referred to as "the Group").

The Company and Group financial statements were authorised for issue by the Directors on 7 July 2010.

The accounting policies applied in the preparation of the financial statements for the year ended 31 March 2010 are set out below. These have been applied consistently except for the adoption of the two new standards which have been adopted in the current year as set out on page 23.

## Basis of preparation

### *(a) Statement of compliance*

As required by European Union (EU) law from 1 January 2005, the Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations issued by the International Accounting Standards Board (IASB) as adopted by the EU. The individual financial statements of the Company ('Company financial statements') have been prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2009 which permits a company, that publishes its company and group financial statements together, to take advantage of the exemption in Section 148(8) of the Companies Act 1963 from presenting to its members its company statement of comprehensive income and related notes that form part of the approved company financial statements.

The IFRSs adopted by the EU applied by the Company and the Group in the preparation of these financial statements are those that were effective for accounting periods beginning on or before 1 April 2009.

### *(b) Basis of measurement*

The financial statements have been prepared under the historical cost convention, except in the case of derivatives which are carried at fair value.

### *(c) Use of estimates and judgments*

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 10 – measurement of the recoverable amounts of patents
- Note 12 – measurement of the recoverable amounts of property, plant and equipment
- Note 13 – measurement of the recoverable amounts of cash generating units
- Note 14 – inventory
- Note 15 – trade receivables
- Note 19 – measurement of the recoverable amount of deferred tax assets

## Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Group financial statements include the financial statements of the holding company and all its Group undertakings made up to the end of the financial year. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### Revenue

Revenue represents the fair value of goods and services supplied to external customers and is recognised to the extent that it is subject to reliable measurement, that it is probable economic benefits will flow to the Group and that the significant risks and rewards of ownership have passed to the buyer. It excludes sales related taxes and intra-group transactions. No revenue is recognised if there is uncertainty regarding recovery of the consideration due at the outset of the transaction, associated costs or the possible return of goods. Development income represents the fair value of development services supplied and is recognised to the extent that it is subject to reliable measurement, that it is probable economic benefits will flow to the Group and that the significant risks and rewards have passed to the buyer.

### Government grants

A government grant relating to a non-current asset is recognised in the statement of financial position initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions attaching to it. Grants that compensate the Group for expenses incurred are recognised as revenue in the statement of comprehensive income on a systematic basis in the same period in which the expenses are incurred. Grants that compensate the Group for the cost of the asset are recognised in the statement of comprehensive income as other operating income on a systematic basis over the useful life of the asset. Grants in relation to the employment subsidy scheme operated by Enterprise Ireland are recognised as other operating income on a receipts basis.

### Leases

*Finance lease payments*

Leases under the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The equipment acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

*Operating lease payments*

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives paid are recognised in the statement of comprehensive income as an integral part of the total lease expense over the term of the lease.

### Property, plant and equipment

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. On transition to IFRS as adopted by the EU, freehold land and buildings previously carried at a revalued amount, continued to be carried at that amount as their deemed cost at that date. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Depreciation is calculated to write-off the cost less estimated residual value of property, plant and equipment on the straight-line basis over their expected useful lives. The remaining useful lives of the assets are reviewed on a regular basis.

Depreciation is provided on additions with effect from the first day of the month following commissioning and on disposals up to the end of the month prior to retirement, at the following annual rates:

| Land | Not depreciated |
|---|---|
| Buildings | *2%* |
| Plant and machinery | 7-20% |
| Fixtures and fittings | 10-15% |
| Motor vehicles | 20% |

## Inventories

Inventories are valued, on the first-in, first-out basis, at the lower of cost and estimated net realisable value. Cost includes all expenditure which has been incurred in the normal course of business in bringing the products to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business (net of trade discounts) of inventories on hand, less all further costs to completion and selling expenses.

## Impairment

The carrying amounts of the Group's 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 and an impairment provision is recorded in the statement of comprehensive income.

## Foreign currency translation

*Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Group financial statements are presented in Euro, which is the functional and presentation currency of the Company and all its operating subsidiaries.

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

## Share capital

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a reduction from equity.

## Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares, details of which can be found in note 9.

## Finance income and expense

Finance income includes interest income which is recognised in the statement of comprehensive income as it accrues, using the effective interest rate method, and changes in fair value of financial assets at fair value through profit or loss. Finance expenses include interest expense on borrowings and unwinding of discount on provisions, and are recognised in the statement of comprehensive income using the effective interest rate method.

## Investments in subsidiaries

Investments in subsidiaries are stated at cost less provisions for impairment.

## Advertising and promotional expenditure

Advertising and promotional expenditure is written-off to the statement of comprehensive income in full in the financial year in which the costs are incurred.

## Patents

Direct costs associated with taking out patents are capitalised and are amortised, on the straight-line basis, over their expected useful lives (20 years) from the date the costs are incurred. Provisions for impairment are made as required.

## Dividends

Dividend distributions to the Company's shareholders are recognised in the financial statements as they are paid or if they have been approved by the shareholders before the end of the financial period. Dividends approved but unpaid before the end of the financial period are recognised as a liability in the Group's financial statements.

### Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of comprehensive income as an expense incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products or processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the statement of comprehensive income as an expense incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

### Pensions

The pension obligations of the Group are met by payments to a defined contribution pension plan, the annual contributions to which are dealt with in the statement of comprehensive income in the financial year to which they relate.

### Income tax

Income tax expenses on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case the related tax is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws that have been enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet 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. If the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting nor taxable profit or loss, it is not recognised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. 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 reporting 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. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### Other income

Other operating income in the statement of comprehensive income represents development income and income received under an employment subsidy scheme and is recognised on a receipts basis.

### Derivative financial instruments

Derivatives are entered into in order to economically hedge recognised foreign currency monetary assets or liabilities and are not accounted for under hedge accounting but rather any gains or losses arising are recognised in the statement of comprehensive income in financial income.

The fair value of trade and other receivables is considered to equal the carrying value. The Group's exposure to credit risk, currency risk and impairment losses related to trade and other receivables are disclosed in note 26.

### 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.

*Trade and other receivables and payables*

Trade and other receivables and payables are initially recorded at fair value, and thereafter at amortised cost, which approximates their fair value given the short-term nature of these assets and liabilities. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivables.

*Cash and cash equivalents*

Cash and cash equivalents, comprise cash balances and call deposits, including bank deposits of less than three months maturity. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

*Loans and borrowings*

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

## Determination of fair values

Certain of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

*Trade and other receivables*

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. To the extent that they are receivable within 6 months, the carrying value is assumed to approximate fair value.

*Derivatives*

The fair value of forward contracts is based on their listed market price, if available.

*Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

## Financial risk management

The Group has exposure to the various risks from its use of financial instruments, mainly being:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The financial risks with which the Group is faced are managed by the Finance Manager, within parameters defined formally and regularly reviewed by the Board of Directors. Consistent with Group policy, the Group does not engage in speculative activity. Financial instruments, if required, are used to raise finance and to manage the financial risks resulting from the Group's operations. The main financial risks that the Group is exposed to from time to time include credit risk, liquidity risk and market risk. The Board reviews and agrees policies for managing these risks and these are summarised below.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Management oversees compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

#### *Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

Credit risk arises due to the Group's policy to extend credit terms to its customers. Group policy is that all customers are assigned credit limits, with all accounts also reviewed on a regular basis by the Group credit control function. Where credit defaults arise in relation to individual accounts, it is Group policy to provide in full for all impaired debts. In addition, credit risk results from the placement of Group funds with its banking counterparties. Group policy is to place excess funds on deposit with major banking groups only.

#### *Guarantees*

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries.

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. It is Group policy to maintain, at all times, access to sufficient liquid resources capable of meeting all foreseeable short-term financial obligations. At 31 March 2010 the Group had net cash balances of €768,622 *(2009: €373,138)*.

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### *Foreign exchange risk*

In relation to transactional exposures, Group policy is to assess the use of forward foreign exchange contracts where appropriate to hedge cash flows denominated in foreign currencies, where these cash flows are deemed to be of sufficient magnitude to give rise to significant foreign currency risk.

#### *Interest rate risk*

Details of the Group's exposure to interest rate risk is set out in note 26. The Group has minimal borrowings therefore is not exposed to significant interest rate risk.

### Capital management

The Group considers that its capital comprises of share capital, share premium and other reserves.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business as a going concern. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

### Adoption of new standards and interpretations

- IFRS 8 – Operating Segments
- Revised IAS 1 – Presentation of Financial Statements

These standards and interpretations are considered relevant to the Group and were effective for the first time in the current financial year. Their implementation had no significant impact on the results or financial position of the Group. The first time adoption of IFRS 8 resulted in a change in the presentation of segmental information from previous financial periods. As a result of the revised IAS 1, the Group income statement has been renamed as the consolidated statement of comprehensive income. Also the consolidated balance sheet has been renamed as the consolidated statement of financial position.

The financial information is presented in Euro.

### Standards and interpretations not yet adopted

There are a number of new standards, amendments to standards and interpretations published but not yet effective, and not applied in preparing these consolidated financial statements. These new standards and interpretations are IFRS 3: Business Combinations (2008), Amended IAS 27: Consolidated and Separate Financial Statements (2008), IAS 39: Eligible Hedged Items, IFRIC 17: Distribution of Non-cash Assets to Owners and IFRIC 18: Transfers of Assets from Customers. These new standards and interpretations are not expected to have a material impact on the Group financial statements.

### Segment information

The Group has two reportable segments, as described below, which are the Group's strategic business units. For each of the strategic business units, the Group's Managing Director reviews internal management reports on at least a monthly basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on revenues of each segment, which are derived from the same cost base, and overall profit for the Group before income tax, as included in the internal management reports that are reviewed by the Managing Director. Material items of income and expense are disclosed within note 2 to the Annual Report. Segment results, assets and liabilities include items directly attributable to the Group.

The following describes the operations of the Group's reportable segments:

***Consumer products***

These products are sold to end consumers who do not use them to earn income.

***Industrial products:***

These products are sold to professionals who work in the service and repair industries and use them to generate income.

# Consolidated statement of comprehensive income

*for the year ended 31 March 2010*

| | Notes | 2010 € | 2009 € |
|---|---|---|---|
| Revenue | 1 | **6,993,013** | 4,911,314 |
| Operating costs | 2 | **(6,442,201)** | (5,716,291) |
| | | **550,812** | (804,977) |
| Other operating income | 3 | **212,248** | 285,483 |
| Operating profit/(loss) before finance costs | | **763,060** | (519,494) |
| Finance income | 4 | **–** | 397 |
| Financial expenses | 4 | **(24,549)** | (16,023) |
| **Profit/(loss) before income tax** | | **738,511** | (535,120) |
| Income tax credit/(charge) | 7 | **172,752** | (216,557) |
| Profit/(loss) for the year | 24 | **911,263** | (751,677) |
| **Total comprehensive income/(expense) attributable to equity holders of the Group** | 24 | **911,263** | (751,677) |
| Basic profit/(loss) per share | 9 | **7.40c** | (6.10c) |
| Diluted profit/(loss) per share | 9 | **7.40c** | (6.10c) |

On behalf of the Board:

**N.O. Dowling**
*Director*

**A.P. Oglesby**
*Director*

# *Consolidated statement of financial position*

*as at 31 March 2010*

| | *Notes* | **2010 €** | **2009 €** |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | *10* | **733,946** | 738,804 |
| Property, plant and equipment | *12* | **3,208,086** | 3,195,642 |
| **Total non-current assets** | | **3,942,032** | 3,934,446 |
| **Current assets** | | | |
| Inventories | *14* | **1,146,295** | 943,024 |
| Trade and other receivables | *15* | **1,030,634** | 1,041,749 |
| Cash and cash equivalents | *25* | **768,622** | 373,138 |
| **Total current assets** | | **2,945,551** | 2,357,911 |
| **Total assets** | | **6,887,583** | 6,292,357 |
| **Equity** | | | |
| **Capital and reserves attributable to the company's equity holders** | | | |
| Called up share capital | *20* | **1,477,808** | 1,477,808 |
| Share premium | *21* | **1,066,503** | 1,066,503 |
| Other reserves | *22* | **857,423** | 868,626 |
| Retained earnings | *24* | **2,240,725** | 1,318,259 |
| **Total equity** | | **5,642,459** | 4,731,196 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Finance lease obligations | *17* | **69,113** | 124,908 |
| Deferred government grants | *18* | **124,365** | 128,479 |
| Deferred tax liabilities | *19* | **69,961** | 242,713 |
| **Total non-current liabilities** | | **263,439** | 496,100 |
| **Current liabilities** | | | |
| Finance lease obligations | *17* | **112,252** | 88,443 |
| Trade and other payables | *16* | **869,433** | 976,618 |
| **Total current liabilities** | | **981,685** | 1,065,061 |
| **Total liabilities** | | **1,245,124** | 1,561,161 |
| **Total equity and liabilities** | | **6,887,583** | 6,292,357 |

On behalf of the Board:

**N.O. Dowling**
*Director*

**A.P. Oglesby**
*Director*

# *Consolidated statement of cash flows*

*for the year ended 31 March 2010*

| | Note | 2010 € | 2009 € |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss) after taxation | | **911,263** | (751,677) |
| *Adjusting items:* | | | |
| Income tax (credit)/charge | | **(172,752)** | 216,557 |
| Amortisation of intangible assets | | **65,703** | 62,660 |
| Depreciation of property, plant and equipment | | **337,649** | 333,447 |
| Amortisation of government grants | | **(4,114)** | (4,114) |
| Finance income and expenses | | **24,549** | 16,023 |
| Decrease in trade and other receivables | | **11,115** | 517,141 |
| Increase in inventories | | **(203,271)** | (5,851) |
| Decrease in derivatives | | **–** | 13,556 |
| (Decrease)/increase in trade and other payables | | **(107,185)** | 106,281 |
| Total cash flow from operating activities | | **862,957** | 504,023 |
| Net interest paid | | **(24,549)** | (16,023) |
| Income tax received/(paid) | | **–** | 8,362 |
| **Net cash provided by operating activities** | | **838,408** | 496,362 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(279,136)** | (230,358) |
| Purchase of intangible assets | | **(60,845)** | (99,024) |
| **Net cash used in investing activities** | | **(339,981)** | (329,382) |
| **Cash flows from financing activities** | | | |
| Payment of finance lease liabilities | | **(102,943)** | (50,241) |
| **Net cash used in financing activities** | | **(102,943)** | (50,241) |
| **Net increase in cash and cash equivalents** | *25* | **395,484** | 116,739 |
| **Cash and cash equivalents at beginning of year** | *25* | **373,138** | 256,399 |
| **Cash and cash equivalents at end of year** | *25* | **768,622** | 373,138 |

# *Consolidated statement of changes in equity*

*for the year ended 31 March 2010*

| | Share capital € | Capital reserves € | Share premium € | Retained earnings € | Capital redemption reserve € | Revaluation reserve € | Total equity € |
|---|---|---|---|---|---|---|---|
| Balance at 31 March 2008 | 1,477,808 | 170,415 | 1,066,503 | 2,058,733 | 50,903 | 658,511 | 5,482,873 |
| Loss for the year | – | – | – | (751,677) | – | – | (751,677) |
| Transfers | – | – | – | 11,203 | – | (11,203) | – |
| Balance at 31 March 2009 | 1,477,808 | 170,415 | 1,066,503 | 1,318,259 | 50,903 | 647,308 | 4,731,196 |
| Profit for the year | – | – | – | 911,263 | – | – | 911,263 |
| Transfers | – | – | – | 11,203 | – | (11,203) | – |
| **Balance at 31 March 2010** | **1,477,808** | **170,415** | **1,066,503** | **2,240,725** | **50,903** | **636,105** | **5,642,459** |

# Company statement of financial position

*at 31 March 2010*

| | Note | 2010 € | 2009 € |
|---|---|---|---|
| **Assets** | | | |
| **Non-current** | | | |
| Investment in subsidiaries | *11* | **1,327,261** | 1,327,261 |
| **Total non-current assets** | | **1,327,261** | 1,327,261 |
| **Current** | | | |
| Trade and other receivables | *15* | **3,196,207** | 3,196,207 |
| **Total current assets** | | **3,196,207** | 3,196,207 |
| **Total assets** | | **4,523,468** | 4,523,468 |
| **Equity** | | | |
| Called-up share capital | *20* | **1,477,808** | 1,477,808 |
| Share premium | *21* | **1,066,503** | 1,066,503 |
| Other reserves | *23* | **136,788** | 136,788 |
| Retained earnings | *24* | **186,309** | 186,309 |
| **Total equity attributable to equity shareholders of parent** | | **2,867,408** | 2,867,408 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | *16* | **1,656,060** | 1,656,060 |
| **Total liabilities** | | **1,656,060** | 1,656,060 |
| **Total equity and liabilities** | | **4,523,468** | 4,523,468 |

On behalf of the Board:

**N.O. Dowling**
*Director*

**A.P. Oglesby**
*Director*

# Company statement of cash flows

*for the year ended 31 March 2010*

| | 2010 € | 2009 € |
|---|---|---|
| **Cash flows from operating activities** | | |
| Increase in trade and other receivables | – | (50,791) |
| **Net cash outflow from operating activities** | – | (50,791) |
| **Net decrease in cash and cash equivalents** | – | (50,791) |
| **Cash and cash equivalents at beginning of year** | – | 50,791 |
| **Cash and cash equivalents at end of year** | – | – |

# Company statement of changes in equity

*for the year ended 31 March 2010*

| | Share capital € | Capital reserves € | Share premium € | Retained earnings € | Capital redemption reserve € | Total equity € |
|---|---|---|---|---|---|---|
| Balance at 31 March 2008, 31 March 2009 and 31 March 2010 | **1,477,808** | **85,885** | **1,066,503** | **186,309** | **50,903** | **2,867,408** |

# Notes

*forming part of the financial statements*

## 1 Segment information

*Business segments for the year ended 31 March 2010*

| | Republic of Ireland € | United Kingdom € | Rest of Europe € | North America € | Rest of World € | Total € |
|---|---|---|---|---|---|---|
| Consumer products revenue | 97,059 | 102,197 | 410,393 | 2,206,184 | 352,959 | 3,168,792 |
| Industrial products revenue | 50,528 | 691,901 | 1,194,418 | 1,239,184 | 648,190 | 3,824,221 |
| **Total segment revenue** | **147,587** | **794,098** | **1,604,811** | **3,445,368** | **1,001,149** | **6,993,013** |
| Operating costs | | | | | | (6,442,201) |
| Other operating income | | | | | | 212,248 |
| Finance expenses | | | | | | (24,549) |
| Income tax credit | | | | | | 172,752 |
| **Profit after income tax** | | | | | | **911,263** |
| **As at 31 March 2010** | | | | | | |
| Reportable segment assets | 6,783,402 | – | – | 104,181 | – | 6,887,583 |
| **Total assets** | | | | | | **6,887,583** |
| **As at 31 March 2010** | | | | | | |
| Reportable segment liabilities | 1,245,124 | – | – | – | – | 1,245,124 |
| **Total liabilities** | | | | | | **1,245,124** |

## 1 Segment information (continued)

*Business segments for the year ended 31 March 2009*

| | Republic of Ireland € | United Kingdom € | Rest of Europe € | North America € | Rest of World € | Total € |
|---|---|---|---|---|---|---|
| Consumer products revenue | 17,643 | 54,384 | 81,857 | 366,683 | 57,220 | 577,787 |
| Industrial products revenue | 77,177 | 776,544 | 1,633,567 | 1,299,468 | 546,771 | 4,333,527 |
| **Total segment revenue** | **94,820** | **830,928** | **1,715,424** | **1,666,151** | **603,991** | **4,911,314** |
| **Unallocated income and expense** | | | | | | |
| Operating costs | | | | | | (5,716,291) |
| Other operating income | | | | | | 285,483 |
| Finance income | | | | | | 397 |
| Finance expenses | | | | | | (16,023) |
| Income tax charge | | | | | | (216,557) |
| **Loss after income tax** | | | | | | **(751,677)** |
| **As at 31 March 2010** | | | | | | |
| Reportable segment assets | 6,292,357 | – | – | – | – | 6,292,357 |
| **Total assets** | | | | | | **6,292,357** |
| **As at 31 March 2010** | | | | | | |
| Reportable segment liabilities | 1,561,161 | – | – | – | – | 1,561,161 |
| **Total liabilities** | | | | | | **1,561,161** |

## 2 Operating costs

| | 2010 € | 2009 € |
|---|---|---|
| *Expenses by function* | | |
| Cost of sales | **4,356,150** | 3,056,056 |
| Distribution costs | **742,155** | 410,845 |
| Administration costs | **1,343,896** | 2,249,390 |
| | **6,442,201** | 5,716,291 |

| | 2010 € | 2009 € |
|---|---|---|
| *Expenses by nature* | | |
| Raw materials recognised as an expense | **1,321,498** | 1,129,714 |
| Operating lease rentals – equipment | **20,631** | 11,892 |
| Auditors remuneration – audit related services | **52,400** | 50,500 |
| – other services | **20,250** | 22,500 |
| Amortisation of intangible assets | **65,703** | 62,660 |
| Depreciation of property, plant and equipment | **337,649** | 333,447 |
| Marketing costs | **34,146** | 18,504 |
| Amortisation of government capital grants | **(4,114)** | (4,114) |
| Foreign exchange gain | **(16,947)** | (32,407) |
| Light and heating | **94,117** | 133,194 |
| Professional fees/consultancy | **89,766** | 102,434 |
| Repairs and renewals | **160,870** | 134,788 |
| Staff costs | **3,020,074** | 2,751,911 |
| Research and development costs | **73,912** | 167,949 |
| Carriage | **65,462** | 52,203 |
| Insurance | **92,583** | 78,174 |
| Consumables | **92,599** | 49,975 |
| Sales/marketing expenses | **101,344** | 21,652 |
| Freight out | **134,093** | 97,615 |
| Other costs | **686,165** | 533,700 |
| | **6,442,201** | 5,716,291 |

## 3 Other operating income

Other operating income represents development income and reimbursement of expenses in relation to a contract with a major international company of a heat (not burn) smoking device. It also includes grant income received from Enterprise Ireland in respect of an employment subsidy scheme.

## 4 Finance income and expenses

| | 2010<br>€ | 2009<br>€ |
|---|---|---|
| *Finance income* | | |
| Fair value movement in derivatives | – | (397) |
| *Finance expenses* | | |
| Interest on bank overdraft | **8,695** | 8,432 |
| Interest on finance lease | **15,854** | 7,591 |
| | **24,549** | 16,023 |
| **Net finance expenses** | **24,549** | 15,626 |

All interest is dealt with in the statement of comprehensive income. No interest was capitalised during the year.

## 5 Employees and remuneration

The average number of persons employed by the Group (including executive directors) during the year, analysed by category, was as follows:

| | 2010<br>Numbers | 2009<br>Numbers |
|---|---|---|
| Administration and management | **10** | 10 |
| Selling and distribution | **5** | 4 |
| Production | **66** | 65 |
| Research and development | **2** | 2 |
| | **83** | 81 |

## 5 Employees and remuneration (continued)

The aggregate payroll costs of these employees were as follows:

| | 2010 € | 2009 € |
|---|---|---|
| Wages and salaries | **2,681,424** | 2,477,763 |
| Social welfare costs | **265,592** | 204,457 |
| Other pension costs | **73,058** | 69,691 |
| | **3,020,074** | 2,751,911 |

## 6 Statutory and other information

***Report on directors' remuneration:***

*Executive directors*

| | Total | | Salaries | | Benefits in kind | | Fees | |
|---|---|---|---|---|---|---|---|---|
| | 2010 € | 2009 € | 2010 € | 2009 € | 2010 € | 2009 € | 2010 € | 2009 € |
| A.P. Oglesby | **192,479** | 188,880 | 188,715 | 181,964 | 3,764 | 6,916 | – | – |
| J. Oglesby | **106,249** | 79,463 | 104,391 | 78,553 | 1,858 | 910 | – | – |
| | **298,728** | 268,343 | 293,106 | 260,517 | 5,622 | 7,826 | – | – |
| Number of executive directors | **2** | 2 | | | | | | |

*Non-executive directors*

| | Total | | Salaries | | Benefits in kind | | Fees | |
|---|---|---|---|---|---|---|---|---|
| | 2010 € | 2009 € | 2010 € | 2009 € | 2010 € | 2009 € | 2010 € | 2009 € |
| N.O. Dowling | **27,571** | 27,571 | 20,950 | 20,950 | – | – | 6,621 | 6,261 |
| T.P. Byrne | **–** | 18,000 | – | – | – | – | – | 18,000 |
| | **27,571** | 45,571 | 20,950 | 20,950 | – | – | 6,621 | 24,261 |
| Number of non-executive directors | **1** | 2 | | | | | | |

## 7 Income tax credit

*Analysis of credit in period*

| | 2010 € | 2009 € |
|---|---|---|
| *Current tax:* | | |
| Corporation tax | **–** | – |
| *Total current tax* | **–** | – |
| *Deferred tax:* | | |
| Origination and reversal of temporary differences (note 19) | **(172,752)** | 216,557 |
| *Total deferred tax* | **(172,752)** | 216,557 |
| **Tax (credit)/charge on ordinary activities** | **(172,752)** | 216,557 |

*Factors affecting tax credit for year*

The tax credit assessed for the year is different than the standard rate of corporation tax in the Republic of Ireland. The differences are explained below:

| | 2010 € | 2009 € |
|---|---|---|
| Profit/(loss) before tax | **738,511** | (535,120) |
| Profit/(loss) for year multiplied by the standard rate of tax of 12.5% | **92,314** | (66,890) |
| *Effects of:* | | |
| Income not taxable for tax purposes | **(28,175)** | (55,332) |
| Expenses not allowable for tax purposes | **8,123** | 7,667 |
| Other differences | **–** | 57,560 |
| Other items | **3,199** | 2,087 |
| Unrecognised losses used during the year | **(65,135)** | – |
| Unrecognised current year deferred tax asset | **–** | – |
| Release of prior period deferred tax assets | **–** | 273,552 |
| Prior year losses recognised | **(181,383)** | – |
| Release of derivatives | **(1,695)** | – |
| **Total tax (credit)/charge for year** | **(172,752)** | 216,557 |

## 8 Dividends

The Group or Company has not paid any dividends during the year *(2009: €Nil)*.

## 9 Profit/(loss) per share

| | 2010<br>€ | 2009<br>€ |
|---|---|---|
| Profit/(loss) attributable to ordinary shareholders | **911,263** | (751,677) |
| Weighted average number of ordinary shares in issue during the year | **12,315,082** | 12,315,082 |
| Basic profit/(loss) per share | **7.40c** | (6.10c) |
| Fully diluted profit/(loss) per share | **7.40c** | (6.10c) |

The calculation of fully diluted loss per share is based on the profit attributable to ordinary shareholders of €911,263 *(2009: loss of €751,677)* and the weighted average number of ordinary shares of 12,315,082 *(2009: 12,315,082)*.

## 10 Intangible assets

| | 2010<br>€ | 2009<br>€ |
|---|---|---|
| **Patents – Group** | | |
| *Cost* | | |
| At beginning of year | **1,253,207** | 1,154,183 |
| Additions | **60,845** | 99,024 |
| **At end of year** | **1,314,052** | 1,253,207 |
| *Amortisation* | | |
| At beginning of year | **514,403** | 451,743 |
| Charged during year | **65,703** | 62,660 |
| **At end of year** | **580,106** | 514,403 |
| **Net book value** | | |
| **At 31 March** | **733,946** | 738,804 |

## 11 Investment in subsidiaries

| | 2010 € | 2009 € |
|---|---|---|
| **Company** | | |
| Shares at cost | **1,327,515** | 1,327,515 |
| Less: provisions for impairment in value | **(254)** | (254) |
| | **1,327,261** | 1,327,261 |

In the opinion of the Directors, the value of the investments is at least equal to their carrying amount.
Details of Group undertakings are set out in note 30.

## 12 Property, plant and equipment

| 2010 Group | Freehold land & buildings € | Plant equipment & motor vehicles € | Total € |
|---|---|---|---|
| *Cost* | | | |
| At beginning of year | 2,462,989 | 6,719,544 | 9,182,533 |
| Additions | – | 350,093 | 350,093 |
| **At end of year** | **2,462,989** | **7,069,637** | **9,532,626** |
| *Depreciation* | | | |
| At beginning of year | 382,046 | 5,604,845 | 5,986,891 |
| Charged during year | 57,735 | 279,914 | 337,649 |
| **At end of year** | **439,781** | **5,884,759** | **6,324,540** |
| **Net book value** | | | |
| **At 31 March 2010** | **2,023,208** | **1,184,878** | **3,208,086** |
| At 31 March 2009 | 2,080,943 | 1,114,699 | 3,195,642 |

## 12 Property, plant and equipment (continued)

| 2009<br>Group | Freehold land & buildings<br>€ | Plant equipment & motor vehicles<br>€ | Total<br>€ |
|---|---|---|---|
| *Cost* | | | |
| At beginning of year | 2,462,989 | 6,489,186 | 8,952,175 |
| Additions | – | 230,358 | 230,358 |
| **At end of year** | **2,462,989** | **6,719,544** | **9,182,533** |
| *Depreciation* | | | |
| At beginning of year | 341,472 | 5,311,972 | 5,653,444 |
| Charged during year | 40,574 | 292,873 | 333,447 |
| **At end of year** | **382,046** | **5,604,845** | **5,986,891** |
| **Net book value** | | | |
| **At 31 March 2009** | **2,080,943** | **1,114,699** | **3,195,642** |
| At 31 March 2008 | 2,121,517 | 1,177,214 | 3,298,731 |

***Security***

At 31 March 2010 and 31 March 2009 a charge was registered over the Group's interest in land based in Carlow in relation to the overdraft facility in place of which the balance was €Nil *(2009: €Nil)*.

***Other***

The depreciable element of freehold land and buildings, namely buildings, amounted to €1,755,018 *(2009: €1,755,018)*.

Assets held under finance leases, at cost less accumulated depreciation, included in plant equipment and motor vehicles, amounted to €418,694 *(2009: €388,777)*. The depreciation charge during the year on such assets amounted to €69,883 *(2009: €46,532)*.

On 18 March 2010, the freehold and long leasehold land and buildings were valued by Southern Real Estate Alliance (formerly Southern Auctioneers Limited) M.I.A.I. of 37 Dublin Street, Carlow, using an existing open market basis. The freehold and long leasehold land and building are stated at not more than their recoverable amounts.

## 13 Impairment of intangible and other fixed assets

Given the current economic climate and prior years operating results, the directors conducted a formal review on the carrying value of intangible assets, and property, plant and equipment, in accordance with IFRS.

An impairment loss is recognised for the amount, if any, by which an assets carrying amount exceeds its recoverable amount. The recoverable amount is based on the discounted present values of the future cash flows expected to arise from the cash generating unit to which the asset relates or from the individual asset or asset group. A cash generating unit is based on locations of assets within the Group.

The cash flow forecasts employed are extracted from the budget for 2011 and cash flows for the subsequent four years are projected based on a current assessment of anticipated market conditions over that period.

This involves making assumptions concerning growth and cost saving assumptions and also margins. Cash flows beyond this five year period are estimated, in accordance with IFRS, into perpetuity using a terminal growth rate of 2%. The recoverable amount resulting from this exercise represents the present value of future cash flows, including terminal value, discounted at a weighted average cost of capital of 15.0 per cent.

Key assumptions used in the impairment tests are as follows:

Growth rates years 2 to 5: 1- 2%
Terminal value growth rate 2%
Cost based synergies 1.5%
Discount rate (post tax) 15.0%

The impairment test described above did not result in an impairment charge in the current year.

The Group performed a sensitivity analysis review and any reasonable changes to the inputs would not give rise to material impairment losses.

## 14 Inventories

| | 2010 € | 2009 € |
|---|---|---|
| **Group** | | |
| Finished goods | **115,603** | 21,566 |
| Work in progress | **578,052** | 470,705 |
| Raw materials | **452,640** | 450,753 |
| | **1,146,295** | 943,024 |

The replacement cost of inventories is not considered to be materially different from the stated value.
The total movement on inventories has been recognised in operating costs.

## 15 Trade and other receivables

| | Group | |
|---|---|---|
| | **2010 €** | **2009 €** |
| *Amounts falling due within one year:* | | |
| Trade receivables | **878,670** | 671,319 |
| Less: provisions for trade receivables | **(102,877)** | (75,358) |
| | **775,793** | 595,961 |
| Prepayments | **254,841** | 264,591 |
| Other receivables | **–** | 181,197 |
| | **1,030,634** | 1,041,749 |

| | Company | |
|---|---|---|
| | **2010 €** | **2009 €** |
| Amounts owed by group undertakings | **3,196,207** | 3,196,207 |

The fair value of trade and other receivables is considered to equal the carrying value above. The Group's exposure to credit risk, currency risk and impairment losses related to trade and other receivables are disclosed in note 26.

Amount owed by group undertakings are interest free and repayable upon demand.

## 16 Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2010 €** | **2009 €** | **2010 €** | **2009 €** |
| Trade payables | **418,726** | 472,923 | **–** | – |
| Accruals and other payables | **450,707** | 503,695 | **–** | – |
| Inter-group payables | **–** | – | **1,656,060** | 1,656,060 |
| | **869,433** | 976,618 | **1,656,060** | 1,656,060 |
| Total taxation and social welfare creditors included above | | | | |
| PAYE/PRSI | **35,420** | 33,392 | **–** | – |

The carrying value of trade and other payables above approximate to their fair values. Inter-group payables are interest free and repayable upon demand.

## 17 Finance lease obligations

Finance lease liabilities are payable as follows:

| | Minimum lease payments 2010 € | Interest 2010 € | Principal 2010 € | Minimum lease payments 2009 € | Interest 2009 € | Principal 2009 € |
|---|---|---|---|---|---|---|
| Less than one year | **125,206** | **12,954** | **112,252** | 100,011 | 11,568 | 88,443 |
| Between one and five years | **77,283** | **8,170** | **69,113** | 141,876 | 16,968 | 124,908 |
| | **202,489** | **21,124** | **181,365** | 241,887 | 28,536 | 213,351 |

## 18 Deferred government grants

| | 2010 € | 2009 € |
|---|---|---|
| **Group** | | |
| *Received and receivable* | **524,484** | 524,484 |
| *Amortisation* | | |
| At beginning of year | **396,005** | 391,891 |
| Released during year | **4,114** | 4,114 |
| At end of year | **400,119** | 396,005 |
| **Net book value** | **124,365** | 128,479 |

## 19 Deferred taxation

*Recognised deferred tax assets and liabilities*

| | Group | | | Group | | |
|---|---|---|---|---|---|---|
| | Assets 2010 € | Liabilities 2010 € | Net (assets)/ liabilities 2010 € | Assets 2009 € | Liabilities 2009 € | Net (assets)/ liabilities 2009 € |
| Property, plant and equipment | – | **251,344** | **251,344** | – | 241,018 | 241,018 |
| Derivatives | – | – | – | – | 1,695 | 1,695 |
| Deferred government grants | – | – | – | – | – | – |
| Other payables | – | – | – | – | – | – |
| Other items | – | – | – | – | – | – |
| Tax value of losses | **(181,383)** | – | **(181,383)** | – | – | – |
| Tax (asset)/liability | **(181,383)** | **251,344** | **69,961** | – | 242,713 | 242,713 |

*Analysis of deferred tax liability*

| | Group | | | Group | | |
|---|---|---|---|---|---|---|
| | Balance at 1 April 2009 € | Recognised in income € | Balance at 31 March 2010 € | Balance at 1 April 2008 € | Recognised in income € | Balance at 31 March 2009 € |
| Property, plant and equipment | **241,018** | **10,326** | **251,344** | 255,914 | (14,896) | 241,018 |
| Derivative | **1,695** | **(1,695)** | – | 1,695 | – | 1,695 |
| Deferred government grants | – | – | – | (16,574) | 16,574 | – |
| Other payables | – | – | – | – | – | – |
| Other items | – | – | – | (10,304) | 10,304 | – |
| Tax value of losses | – | **(181,383)** | **(181,383)** | (204,575) | 204,575 | – |
| Tax liability/(asset) | **242,713** | **(172,752)** | **69,961** | 26,156 | 216,557 | 242,713 |

## 20 Issued capital

*Group and Company*

| | 2010 € | 2009 € |
|---|---|---|
| *Authorised* | | |
| 50,000,000 *(2009: 50,000,000)* ordinary shares of 12c each | **6,000,000** | 6,000,000 |
| *Allotted, called up and fully paid* | | |
| Ordinary shares of 12c each – 12,315,082 *(2009: 12,315,082)* ordinary shares | **1,477,808** | 1,477,808 |

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.

## 21 Share premium account

*Group and Company*

| | 2010 € | 2009 € |
|---|---|---|
| At beginning and end of year | **1,066,503** | 1,066,503 |

## 22 Reserves

*Capital reserve*

The capital reserve includes €84,530 of a non-distributable reserve set up by a Group undertaking, under the terms of a government grant agreement.

*Capital redemption reserve fund*

This reserve arose on the redemption of shares in the Company in prior years.

*Revaluation reserve fund*

The revaluation reserve relates to the revaluation surplus arising on a revaluation of property, plant and equipment which took place on 31 March 1999. The freehold and long leasehold land and buildings were valued by independent valuers, Sothern Auctioneers Ltd. M.I.A.V.I. of 37 Dublin Street, Carlow, using an existing use open market basis. The valuation resulted in a surplus over book amount of €1,383,763 which was then credited to other reserves. An annual amount of €11,203 is transferred from revaluation reserve to retained earnings to take account of the amortisation of the revaluation surplus in line with depreciation on the revalued property. At the date of transition to IFRS the valuation of land and buildings was considered at deemed cost.

## 23 Other reserves – Company

| | Capital redemption reserve € | Capital reserve € | Total € |
|---|---|---|---|
| At beginning and end of year | **50,903** | **85,885** | **136,788** |

## 24 Movement in retained earnings

*Group*

| | 2010 € | 2009 € |
|---|---|---|
| Balance at beginning of year | **1,318,259** | 2,058,733 |
| Profit/(loss) for the year | **911,263** | (751,677) |
| Transfer from revaluation reserve | **11,203** | 11,203 |
| **Balance at end of year** | **2,240,725** | 1,318,259 |

*Company*

| | 2010 € | 2009 € |
|---|---|---|
| Balance at beginning and end of year | **186,309** | 186,309 |

## 25 Analysis of funds

| | At beginning of year € | Non-cash movements € | Cash flow € | At end of year € |
|---|---|---|---|---|
| Cash at bank and in hand | 373,138 | – | 395,484 | **768,622** |
| Cash and cash equivalents | 373,138 | – | 395,484 | **768,622** |
| *Obligations under finance leases:* | | | | |
| due within one year | (88,443) | (126,752) | 102,943 | **(112,252)** |
| due after one year | (124,908) | 55,795 | – | **(69,113)** |
| | (213,351) | (70,957) | 102,943 | **(181,365)** |
| Net funds | 159,787 | – | 427,470 | **587,257** |

## 26 Financial instruments

*31 March 2010*

| | Note | Loans & receivables € | Liabilities at amortised cost € | Total carrying amount € | Fair value € |
|---|---|---|---|---|---|
| Trade receivables | *15* | 878,670 | – | 878,670 | 878,670 |
| Cash and cash equivalents | *25* | 768,622 | – | 768,622 | 768,622 |
| | | **1,647,292** | **–** | **1,647,292** | **1,647,292** |
| Trade and other payables | *16* | – | (869,433) | (869,433) | (869,433) |
| Finance lease obligations | *17* | – | (181,365) | (181,365) | (179,048) |
| | | **–** | **(1,050,798)** | **(1,050,798)** | **(1,048,481)** |

*31 March 2009*

| | Note | Loans & receivables € | Liabilities at amortised cost € | Total carrying amount € | Fair value € |
|---|---|---|---|---|---|
| Trade receivables | *15* | 671,319 | – | 671,319 | 671,319 |
| Cash and cash equivalents | *25* | 373,138 | – | 373,138 | 373,138 |
| | | **1,044,457** | **–** | **1,044,457** | **1,044,457** |
| Trade and other payables | *16* | – | (976,618) | (976,618) | (976,618) |
| Finance lease obligations | *17* | – | (213,351) | (213,351) | (209,718) |
| | | **–** | **(1,189,969)** | **(1,189,969)** | **(1,186,336)** |

*Exposure to credit risk – Group*

The carrying amount of financial assets, net of impairment provisions represents the Group's maximum exposure, as follows:

| | Carrying Amount | |
|---|---|---|
| | **2010 €** | **2009 €** |
| Trade debtors and other receivables (excluding prepayments) | **775,793** | 777,158 |
| Cash and cash equivalents | **768,622** | 373,138 |
| | **1,544,415** | 1,150,296 |

## 26 Financial instruments (continued)

*Impairment losses – Group*

The ageing of trade debtors was as follows:

| | Gross 2010 € | Impairment 2010 € | Gross 2009 € | Impairment 2009 € |
|---|---|---|---|---|
| Not past due | **395,826** | **–** | 348,441 | – |
| *Past due:* | | | | |
| 0-30 days | **191,829** | **–** | 154,586 | – |
| 30-60 days | **86,140** | **–** | 41,078 | – |
| +60 days | **204,875** | **102,877** | 127,214 | 75,358 |
| | **878,670** | **102,877** | 671,319 | 75,358 |

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

| | 2010 € | 2009 € |
|---|---|---|
| At 1 April | **75,358** | 67,049 |
| Utilised in the year | **–** | (12,642) |
| Charged to the statement of comprehensive income | **27,519** | 20,951 |
| **At 31 March** | **102,877** | 75,358 |

A provision for impairment of trade receivables is established when there is evidence that the Group will not be able to collect all assets due according to the original term of the receivables.

## 26 Financial instruments (continued)

***Liquidity risk***

The following are the contractual maturities of financial liabilities:

*Group*

| 31 March 2010 | Carrying amount € | Contractual cash flows € | Less than 1 year € | 1-2 years € | 2-5 years € |
|---|---|---|---|---|---|
| *Non-derivative financial liabilities* | | | | | |
| Finance lease liabilities | 181,365 | 202,489 | 125,206 | 77,283 | – |
| Trade and other payables | 869,433 | 869,433 | 869,433 | – | – |
| | **1,050,798** | **1,071,922** | **994,639** | **77,283** | **–** |

| 31 March 2009 | Carrying amount € | Contractual cash flows € | Less than 1 year € | 1-2 years € | 2-5 years € |
|---|---|---|---|---|---|
| *Non-derivative financial liabilities* | | | | | |
| Finance lease liabilities | 213,351 | 241,887 | 100,011 | 89,108 | 52,768 |
| Trade and other payables | 946,863 | 946,863 | 946,863 | – | – |
| | **1,160,214** | **1,188,750** | **1,046,874** | **89,108** | **52,768** |

Liquidity risk is reviewed and managed by the Directors at Board meetings where expected cash inflows are reviewed in comparison to expected cash outflows. At 31 March 2010 the Group has an agreed overdraft facility with its bankers of €300,000 and has cash reserves of €768,622 *(2009: €373,138)*.

***Interest rate risk profile of interest bearing financial assets and liabilities***

The Group holds both interest bearing assets and interest bearing liabilities. In general, the approach employed by the Group to manage its interest exposure is to maintain the majority of its cash, short term bank deposits and interest bearing borrowings on floating rates. Rates are generally fixed for relatively short periods in order to match funding requirements while being able to benefit from opportunities due to movement in longer term rates.

## 26 Financial instruments (continued)

*Interest rate risk profile of interest bearing financial assets and liabilities (continued)*

At year-end, the interest rate profile of the Group's interest-bearing financial instruments was:

| | Rate 31 March 2010 | Carrying amount 2010 € | Fair value 2010 € | Carrying amount 2009 € | Fair value 2009 |
|---|---|---|---|---|---|
| *Fixed rate instruments:* | | | | | |
| Finance lease liabilities | **10.8%** | **(181,365)** | **(179,048)** | (213,351) | (209,718) |
| Period for which fixed rate | | **1.67 years** | **–** | 2.43 years | – |
| *Variable rate instruments:* | | | | | |
| Cash and cash equivalents | | **768,622** | **768,622** | 373,138 | 373,138 |
| | | **587,257** | **615,805** | 568,489 | 582,856 |

### Group

*Foreign currency risk*

The following table sets out the Group's exposure to foreign currency risk at the balance sheet date:

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Sterling € | U.S. Dollar € | Sterling € | U.S. Dollar € |
| Trade receivables | **92,341** | **363,214** | 58,232 | 224,634 |
| Cash and cash equivalents | **3,727** | **26,742** | 20,613 | 76,023 |
| Trade payables | **(92,648)** | **(544)** | (36,602) | – |
| | **3,420** | **389,412** | 42,243 | 300,657 |

The majority of Group sales are denominated in foreign currencies while the Group sources raw materials from Ireland and the UK. The Group's policy is to eliminate any net currency exposure on its purchases and sales through forward currency contracts as appropriate. The Group has no forward currency contracts in place at year end.

*Sensitivity analysis*

A 10% strengthening of the Euro against the U.S. Dollar and Sterling, based on outstanding assets and liabilities at 31 March 2010 would have decreased profits and equity by €35,741 *(2009: €24,664)*. This analysis assumes that all other variables, including interest rates, remain constant. A 10% weakening would have an equal but opposite effect.

## 27 Financial commitments

*Capital commitments*

Capital expenditure commitments existing at the balance sheet date which was not provided for in the financial statements amounted to €Nil *(2009: €Nil)*.

*Currency commitments*

There were no forward rate currency commitments at the balance sheet date *(2009: €Nil)*.

*Finance leases*

There were no commitments at the balance sheet date in respect of finance leases which had been entered into but which commenced after the year ended *(2009: €Nil)*.

*Operating leases*

Total commitments under non-cancellable operating leases in respect of plant, fixtures and motor vehicles were as follows:

| | 2010<br>€ | 2009<br>€ |
|---|---|---|
| *Due:* | | |
| Within one year | **1,374** | 11,892 |
| Between two and five years | **–** | 1,374 |
| | **1,374** | 13,266 |

## 28 Pensions

Pensions for employees arise from a defined contribution scheme. These pensions are funded through an external pension scheme for the sole benefit of qualifying employees or their dependants. The pension fund charge for the period was €73,058 *(2009: €69,691)* and outstanding contributions at the balance sheet date amounted to €Nil *(2009: €Nil)*.

## 29 Contingent liabilities

The Group is, in the ordinary course of business, involved in certain litigious matters at year end. The Directors are confident that the Group has taken steps to minimise potential exposure, are vigorously defending the Group's position in such matters, and are confident that all matters are appropriately provided for at 31 March 2010.

## 30 Group undertakings

The following are the Group undertakings of Oglesby & Butler Group plc, all of which are included in the consolidated financial statements, and which are incorporated and operating in the Republic of Ireland unless otherwise stated.

| Name and registered office | Principal activity | Percentage held by: | |
|---|---|---|---|
| | | Company | Group undertaking |
| **Oglesby & Butler Limited**<br>Industrial Estate, O'Brien Road, Carlow | Manufacture and distribution of power tools | 100% | – |
| **Oglesby & Butler Technology Limited**<br>Industrial Estate, O'Brien Road, Carlow | Patent licensing | 100% | – |
| **Oglesby & Butler Ireland**<br>Industrial Estate, O'Brien Road, Carlow | Investment holding | 100% | – |
| **Oglesby & Butler Investments**<br>Industrial Estate, O'Brien Road, Carlow | Investment holding | 100% | – |
| **Portagas Limited**<br>Industrial Estate, O'Brien Road, Carlow | Non-trading | – | 100% |
| **Portasol Inc.** (United States of America)<br>Corporation Trust Centre, 1209 Orange Street,<br>Wilmington, New Castle, Delaware, U.S.A. | Non-trading | 100% | – |
| **Oglesby & Butler Research & Development Limited**<br>Industrial Estate, O'Brien Road, Carlow | Non-trading | 100% | – |

All shareholdings in Group undertakings consist of ordinary shares.

## 31 Related party transactions

Under IAS 24 *Related party disclosures*, the Group has a related party relationship with its key management. The Group and Company has defined its key management as its directors and senior managers. Details of the compensation of key management are set out below:

***Key management remuneration including non-executives***

| | 2010<br>Number | 2009<br>Number |
|---|---|---|
| Number of individuals | **6** | 7 |

| | € | € |
|---|---|---|
| *Salaries and other short-term employee benefits charged to the statement of comprehensive income:* | | |
| Short-term employee benefits | **646,457** | 631,908 |
| Post employment benefits | **–** | 1,450 |
| | **646,457** | 633,358 |
| Comprising the following: | | |
| Directors | **326,299** | 313,914 |
| Other key management personnel | **320,158** | 319,444 |
| | **646,457** | 633,358 |

## 32 Board approval

The financial statements were approved by the Board of directors on 7 July 2010.

# *Five year summary*

| | 2010 €'000 | 2009 €'000 | 2008 €'000 | 2007 €'000 | 2006 €'000 |
|---|---|---|---|---|---|
| Revenue | **6,993** | 4,911 | 4,723 | 5,413 | 5,130 |
| Operating profit/(loss) | **790** | (519) | (315) | 244 | (153) |
| Finance income and expenses | **(25)** | (16) | 1 | (28) | (49) |
| Profit/(loss) on ordinary activities before income tax | **739** | (535) | (314) | 216 | (202) |
| Tax credit/(charge) | **172** | (217) | 72 | 6 | 2 |
| Profit/(loss) for the financial year | **911** | (752) | (242) | 222 | (200) |
| Dividends per share (cent) | **Nil** | Nil | Nil | Nil | Nil |
| Dividend cover (times) | **n/a** | n/a | n/a | n/a | n/a |
| Basic earnings/(loss) | **7.40c** | (6.10c) | (1.97c) | 1.81c | (1.47c) |
| Depreciation (Euro '000) | **337.6** | 333.4 | 394.3 | 402.1 | 418.8 |
| Net assets per share (cent) | **45.8** | 38.7 | 54.7 | 46.48 | 44.68 |

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