

HAVELOCK EUROPA PLC PRELIMINARY ANNOUNCEMENT

Havelock Europa (the 'Group'), (AIM:HVE.L), the retail and educational interiors provider announces its results for the year to 31 December 2010.

A year of transition

Financial highlights

- Group revenue decreased by 9% to £99.2m (2009: £108.5m)
- The Group made an operating profit before exceptional items of £0.6m (2009: £1.2m loss)
- The loss before exceptional items and taxation reduced to £0.6m (2009: £2.3m loss)
- The reported pre-tax loss was £4.6m (2009: £5.9m loss)
- Cash generated from operating activities of £0.4m (2009: outflow of £4.7m), debt levels stabilised

Operational highlights

- Integration of Retail Interiors and ESA McIntosh showing positive signs as losses reduced to £1.3m (2009: £3.8m)
- Point of Sale Printing division revenue increased by 6% to £20.9m (2009: £19.7m) reflecting higher levels of activity and the securing of new high street customers
- Revenue from Educational Supplies fell by 16% to £9.2m (2009: £10.9m) and produced a profit of £0.6m (2009: £0.8m)

Outlook

- Group will increasingly benefit from the substantial cost savings made during 2009 and 2010
- Encouraging and increased levels of enquiries from customers in the retail and educational sectors
- Signs indicate further overseas work will become a feature, with projects being undertaken in China and Hong Kong as well as continental Europe

Eric Prescott, Havelock CEO, said:- "This has been a year of transition in which losses have been substantially reduced, and there are encouraging signs of increased inquiries from new customers and of further potential new work overseas. I'd like to thank all our employees for their efforts towards reshaping the company over the past year."

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Preliminary Statement

2010 was a year of transition for the Group. We have made substantial changes to the business to deliver efficiencies and cost savings and we have also made progress in securing new contracts. While Havelock recognises it continues to operate in a difficult economic environment, the rationalisation of the business and an improved order book provide the foundations for a full recovery.

Financial Overview

Group revenue for the 12 months ended 31 December 2010 decreased by 9% to £99.2m (2009: £108.5m). The Group made an operating profit before exceptional items of £0.6m (2009: £1.2m loss). The underlying loss before exceptional items and taxation reduced to £0.6m (2009: £2.3m loss) which is reflected in a fully diluted loss per share of 1.8p (2009: 3.7p loss). The reported pre-tax loss was £4.6m (2009: £5.9m loss) and, on this basis, the fully diluted loss per share amounted to 10.9p (2009: 10.7p loss).

The Group incurred net exceptional items of £3.9m (2009: £3.6m), which comprise a charge for the impairment of goodwill on the Clean Air Ltd business of £2.0m and charges of £3.1m relating to the completion of the reorganisation of the Group in 2010, mainly consisting of redundancy, property closure and refinancing costs. In addition, exceptional items include an off-setting credit of £1.2m arising from the cessation of further benefits accrual in the Group's closed Final Salary Pension Scheme and the re-basing of benefits from the Retail Prices Index to the Consumer Prices Index.

The Group generated net cash from operating activities of £0.4m (2009: outflow of £4.7m), despite the sizeable pre-tax loss. Following continued investment to increase efficiency, year end net debt increased marginally to £19.7m (2009: £19.4m).

Dividends

No dividend is proposed for this year. When the Group returns to profitability and debt levels have reduced, the Board will consider the resumption of dividend payments.

Financial Position

The Group's bankers remain supportive and, subsequent to the year end, have agreed a renewal on amended terms of its working capital facility. During the next 12 months, the Board will be examining opportunities to reduce the Group's debt.

The Board

During 2010 there have been significant changes to the Board with Eric Prescott joining as Chief Executive in September and David MacLellan and Richard Sweetman joining as Non-executive Directors. These individuals bring a wealth of relevant experience in contracting and finance which will greatly help Havelock to reshape its business and return to profitability. I would like to thank the five Directors who resigned during the year for their contribution.

Since the year-end, Richard Lowery has intimated his wish to retire from the Board following nearly 14 years of service with the Company and it has now been agreed that he will leave on 30 June 2011. During his time with Havelock, Richard has been involved in a number of important management roles and, in particular, in the planning and implementing of a great amount of change. I would like to pay tribute to Richard and thank him for his significant contribution.

Finally, it is my intention to step down from the Board in 2012. A search for a new Chairman will commence shortly.

Trading Review

Interiors

During the year, the Group completed the establishment of its Interiors business through the integration of Retail Interiors (the HCl store fit-out business) and ESA McIntosh, which specialises in education furniture.

Overall revenue decreased by 11% to £69.0m (2009: £77.9m). This was a consequence of the cessation of a very large PFI programme in Scotland which had generated record revenues in 2009. ESA's activities are now mainly directed to the English market which, despite some uncertainty on Direct to School sales, generated healthy revenues as a result of an increased market share. Retail customers were busier during the year and their share of total revenue increased. Much of this activity was derived from framework agreements with a number of strong customers.

Overall, the Division made a reduced loss, before exceptionals, of £1.3m (2009: £3.8m). The combined businesses have performed at an improved level throughout the year and substantial cost savings have been made. Operationally, further benefit will be seen from these cost savings in future years, which now amount to in excess of £3.0m on an annualised basis.

Point of Sale

Revenue in Point of Sale Printing increased by 6% to £20.9m (2009: £19.7m) reflecting higher levels of activity from customers, particularly at the time of the World Cup in the earlier part of the year. During the period a number of new high street customers were won resulting in a stronger portfolio of clients and, as a result, the Division has withstood the loss of what once was its principal customer, Somerfield, following its takeover by the Co-operative Group. As a consequence of the loss of the Somerfield business, the Division closed its printing factory in Bristol during the summer and all production activity is now carried out from Letchworth. This has reduced costs and increased efficiency.

Educational Supplies

Revenue from the three smaller educational supplies businesses fell by 16% to £9.2m (2009: £10.9m). This reflected lower direct sales to schools, which reduced their spending in anticipation of cuts in their budget from Government. Whilst uncertainty continues in the market, the rate of decline was most severe in the early part of 2010. Cost savings have been made at these businesses and, as a result, profits before exceptional items continued to be earned, with the Division generating £0.6m, only slightly down from the 2009 result of £0.8m.

Current Trading and Prospects

During 2011 the Group will benefit fully from the substantial cost savings made during 2009 and 2010. Levels of enquiries from customers are encouraging and the Board expects that these will translate into an increase in revenue. This increase in activity comes from both retail clients and those in the educational area. Nevertheless, the market remains competitive and there is a degree of margin pressure which the Group is counteracting through increased efficiency.

Overseas work continues to grow, with projects being undertaken in China and Hong Kong as well as continental Europe. This is likely to be a continuing feature of the Group's activities.

Overall, the Board is encouraged by the success of the actions it has taken to enable the Group's recovery and although, as is normal, a loss will be incurred in the first half of 2011, the outlook for the full year is in line with the Board's expectations.

Malcolm Gourlay
Chairman
27 June 2011

Consolidated Income Statement
for the year ended 31 December 2010

		2010	2010	2010	2009	2009	2009
		Before	Exceptional	Total	Before	Exceptional	Total
		exceptional	items and		exceptional	items	
		items and	goodwill		items	(note 5)	
		goodwill	impairment				
		impairment	(note 5)				
	Note	£000	£000	£000	£000	£000	£000
Revenue	3	99,179	-	99,179	108,480	-	108,480
Cost of sales		(83,780)	(2,443)	(86,223)	(94,024)	(2,683)	(96,707)
Gross profit		15,399	(2,443)	12,956	14,456	(2,683)	11,773
Administrative expenses		(14,824)	(1,048)	(15,872)	(15,670)	(778)	(16,448)
Operating profit/(loss)		575	(3,491)	(2,916)	(1,214)	(3,461)	(4,675)
Finance costs		(1,202)	(437)	(1,639)	(1,041)	(180)	(1,221)
Loss before income tax		(627)	(3,928)	(4,555)	(2,255)	(3,641)	(5,896)
Income tax (charge)/credit	6	(59)	552	493	893	1,020	1,913
Loss for the year (attributable to equity holders of the parent)		(686)	(3,376)	(4,062)	(1,362)	(2,621)	(3,983)
Basic loss per share	7			(10.9p)			(10.7p)
Diluted loss per share	7			(10.9p)			(10.7p)

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

	2010 £000	2009 £000
Loss for the year	(4,062)	(3,983)
Actuarial gain on defined benefit pension plan	<u>251</u>	<u>474</u>
Tax on items taken directly to equity	(121)	(133)
Cash flow hedges:		
Effective portion of changes in fair value	124	48
Net income recognised directly in equity	<u>254</u>	<u>389</u>
Total comprehensive income (attributable to equity holders of the parent)	<u>(3,808)</u>	<u>(3,594)</u>

Consolidated Balance Sheet

as at 31 December 2010

	Note	2010 £000	2009 £000
Assets			
Non-current assets			
Property, plant and equipment		10,745	11,780
Intangible assets		12,265	14,641
Deferred tax assets		1,981	1,478
Total non-current assets		24,991	27,899
Current assets			
Inventories	8	11,056	10,551
Non-current assets classified as held for sale		773	-
Trade and other receivables	9	25,756	28,431
Income tax receivable		-	1,971
Cash and cash equivalents		4,830	461
Total current assets		42,415	41,414
Total assets		67,406	69,313
Liabilities			
Current liabilities			
Interest-bearing loans and borrowings	10	(2,581)	(2,572)
Derivative financial instruments		(227)	(351)
Trade and other payables	11	(23,096)	(23,382)
Total current liabilities		(25,904)	(26,305)
Non-current liabilities			
Interest-bearing loans and borrowings	10	(21,937)	(17,311)
Retirement benefit obligations		(2,992)	(5,279)
Deferred tax liabilities		(501)	(556)
Total non-current liabilities		(25,430)	(23,146)
Total liabilities		(51,334)	(49,451)
Net assets		16,072	19,862
Equity			
Issued share capital		3,853	3,853
Share premium		7,013	7,013
Other reserves		2,951	2,827
Revenue reserves		2,255	6,169
Total equity attributable to equity holders of the parent		16,072	19,862

Consolidated Cash Flow Statement
for the year ended 31 December 2010

	2010	2009
	£000	£000
Cash flows from operating activities		
Loss for the year	(4,062)	(3,983)
Adjustments for:		
Depreciation of property, plant and equipment	1,803	1,821
Amortisation of intangible assets	561	475
(Gain)/loss on sale of property, plant and equipment	(34)	157
Net financing costs (before exceptional items)	1,202	1,041
IFRS 2 charge and net movements relating to equity-settled plans	18	(330)
Non-recurring pension credit	(1,205)	-
Impairment of goodwill	2,000	-
Income tax credit	(493)	(1,913)
Operating cash flows before changes in working capital and provisions	(210)	(2,732)
Decrease in trade and other receivables	2,675	3,802
(Increase)/decrease in inventories	(505)	2,042
Decrease in trade and other payables	(1,266)	(4,788)
Movement relative to defined benefit pension scheme	(869)	(1,017)
Cash used in operations	(175)	(2,693)
Interest paid	(1,184)	(691)
Income taxes repaid/(paid)	1,785	(1,365)
Net cash from/(used in) operating activities	426	(4,749)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	34	-
Disposal of discontinued operation net of cash disposed of	-	(91)
Acquisition of property, plant and equipment	(541)	(733)
Acquisition of intangible assets	(185)	(402)
Net cash used in investing activities	(692)	(1,226)
Cash flows from financing activities		
Increase in bank loans	7,500	5,000
Repayment of bank borrowings	(2,293)	(996)
Repayment of finance lease/HP liabilities	(572)	(532)
Dividends paid	-	(1,772)
Net cash from financing activities	4,635	1,700
Net increase/(decrease) in cash and cash equivalents	4,369	(4,275)
Cash and cash equivalents at 1 January	461	4,736
Cash and cash equivalents at 31 December	4,830	461

Consolidated Statement of Changes in Equity

	Share capital £000	Share premium £000	Merger reserve £000	Hedging reserve £000	Other reserve £000	Revenue reserve £000	Total £000
Current period							
At 1 January 2010	3,853	7,013	2,184	(351)	994	6,169	19,862
Total comprehensive income for the period	-	-	-	124	-	(3,932)	(3,808)
Movements relating to share-based payments and the ESOP trust	-	-	-	-	-	18	18
At 31 December 2010	<u>3,853</u>	<u>7,013</u>	<u>2,184</u>	<u>(227)</u>	<u>994</u>	<u>2,255</u>	<u>16,072</u>
Previous period							
At 1 January 2009	3,853	7,013	2,184	(399)	994	11,913	25,558
Total comprehensive income for the period	-	-	-	48	-	(3,642)	(3,594)
Movements relating to share-based payments and the ESOP trust	-	-	-	-	-	(330)	(330)
Dividends to shareholders	-	-	-	-	-	(1,772)	(1,772)
At 31 December 2009	<u>3,853</u>	<u>7,013</u>	<u>2,184</u>	<u>(351)</u>	<u>994</u>	<u>6,169</u>	<u>19,862</u>

Notes to the financial statements

1. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2010 or 2009 but is derived from the 2010 accounts. Statutory accounts for 2009 have been delivered to the Registrar of Companies and those for 2010 will be delivered in due course. The auditors have reported on those accounts; their reports (i) were unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under either section 498(2) or section 498(3) of the Companies Act 2006.

2. Basis of preparation

The consolidated financial statements comprise Havelock Europa PLC and its subsidiaries. The financial statements of subsidiaries are prepared to the same reporting date using accounting policies consistent with those of the parent company. Intra-group transactions and balances, including any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in full.

Cash flow forecasts have been prepared for the period through to 31 December 2012, including sensitivity analyses, taking account of the risks and uncertainties facing the group. The group's bankers remain supportive and, subsequent to the year end, the directors have agreed a relaxation in certain covenant tests in relation to the relevant forecast period reviewed by directors along with a step down in the level of the working capital facility from £4.5 million, at the year end, to £3 million by 1 July 2012. The group is currently in compliance with these revised borrowing covenants, continues to operate within its facility requirements and is forecast to remain covenant compliant during the relevant forecast period, if necessary by taking mitigating steps in periods when the headroom is small. Notwithstanding this, the directors nevertheless believe the level of overall group net debt should be reduced and are currently considering relevant options to give effect to this.

While the directors cannot envisage all possible circumstances that may impact the group in the future, the directors believe that, taking account of the forecasts, sensitised forecasts, future plans and committed funding levels, the group has sufficient resources to remain compliant with the relevant covenants and conditions attached to the group's banking facilities and to meet all debts as they fall due for the foreseeable future.

Accordingly, after making reasonable enquiries the directors have a reasonable expectation that the group can continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

3. Segment reporting

Management information is presented to the main board (the chief operating decision maker) based upon business segments. The composition of the reported segments was revised with effect from 1 January 2010. The figures for prior periods have been restated accordingly. Following the integration in 2009 of the Retail Interiors business with ESA McIntosh, the principal business within the Educational Interiors division, the integrated business is now reported as a separate Interiors segment. The Educational Supplies segment now includes only the three smaller Supplies businesses: TeacherBoards, Clean Air and Stage Systems. The reported segments are:

- Interiors – design, manufacture and installation of interiors for schools, retail, financial services, hotels and other accommodation premises;
- Educational Supplies – design, manufacture, supply and installation of teaching aids, display boards and fume cupboards for the education sector;
- Point of Sale – printing of promotional graphics for use in retail, financial services and branded goods businesses.

	Interiors		Educational Supplies		Point of Sale		Elimination		Total	
	2010	2009 Restated - see above	2010	2009 Restated - see above	2010	2009 Restated - see above	2010	2009 Restated - see above	2010	2009 Restated - see above
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
External sales	69,037	77,855	9,193	10,923	20,949	19,702	-	-	99,179	108,480
Inter-segment sales	6	18	1,410	2,557	11	34	(1,427)	(2,609)	-	-
	69,043	77,873	10,603	13,480	20,960	19,736	(1,427)	(2,609)	99,179	108,480
Operating (loss)/ profit before net exceptional costs and impairment of goodwill	(1,321)	(3,795)	572	830	2,813	3,105	-	-	2,064	140
Net exceptional costs (excluding central exceptional costs)	(326)	(3,247)	(62)	(91)	(329)	(78)	-	-	(717)	(3,416)
Impairment of goodwill			(2,000)						(2,000)	-
Central exceptional costs									(774)	(45)
Other unallocated costs									(1,489)	(1,354)
(Loss)/profit from operations	(1,647)	(7,042)	(1,490)	739	2,484	3,027	-	-	(2,916)	(4,675)
Net financing costs									(1,202)	(1,041)
Exceptional finance costs									(437)	(180)
Loss before tax									(4,555)	(5,896)
Tax									493	1,913
Loss for the year									(4,062)	(3,983)
Depreciation and amortisation	1,109	1,054	345	349	865	837	-	-	2,319	2,240
Unallocated depreciation									45	56
Total amortisation and depreciation									2,364	2,296

Segment assets

	Interiors		Educational Supplies		Point of Sale		Unallocated		Total	
	2010	2009 Restated - see above	2010	2009 Restated - see above	2010	2009 Restated - see above	2010	2009 Restated - see above	2010	2009 Restated - see above
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Stock and debtors	28,637	31,079	2,592	2,803	5,227	4,588	356	512	36,812	38,982
Property, plant, equipment, software and assets held for sale	5,496	5,965	295	389	5,920	5,676	470	565	12,181	12,595
Total segment assets	34,133	37,044	2,887	3,192	11,147	10,264	826	1,077	48,993	51,577
Intangible assets (excluding software)									11,602	13,826
Deferred tax assets									1,981	1,478
Current tax assets									-	1,971
Cash and cash equivalents									4,830	461
Total assets									67,406	69,313

4. Loss before tax

	Cost of sales		Administrative costs		Total	
	2010	2009	2010	2009	2010	2009
	£000	£000	£000	£000	£000	£000
Loss before tax is stated after charging/(crediting):						
Depreciation of property, plant and equipment	1,257	881	546	940	1,803	1,821
Amortisation of intangible assets	-	-	561	475	561	475
(Gain)/loss on sale of property, plant and equipment	(34)	157	-	-	(34)	157

5. Exceptional costs

An analysis of exceptional costs is as follows:

	2010 £000	2009 £000
Cost of integration of business units (note(a))	1,301	3,260
Re-organisation of the Board (note (b))	462	-
Other restructuring costs (note (c))	933	201
Goodwill impairment (note(d))	2,000	-
Non-recurring pension curtailment gain	(1,205)	-
	<u>3,491</u>	<u>3,461</u>
Charged to financing costs (note (e))	437	180
Total exceptional costs	<u>3,928</u>	<u>3,641</u>

(a) The integration of the Havelock Interiors business with ESA McIntosh, which commenced in 2009, was completed during the period. The costs comprise redundancy and exceptional operating costs directly related to the integration.

(b) Compensation for loss of office and fees related to recruitment of new CEO.

(c) Redundancy and other costs were incurred in the closure of the Bristol Point of Sale Printing facility and the Paisley administration centre and in the restructuring of the Educational Supplies businesses.

(d) Impairment recognised in the carrying amount of goodwill in relation to Clean Air Limited.

(e) Fees relating to and in connection with the renewal of banking facilities.

6. Income tax expense

Recognised in the income statement

	2010 £000	2009 £000
Current tax (expense)/credit		
Current year	-	1,684
Adjustments for prior years	(186)	70
	<u>(186)</u>	<u>1,754</u>
Deferred tax credit		
Origination and reversal of temporary differences	535	8
Adjustments for prior years	107	151
Adjustments for change in deferred tax rate – prior year	37	-
	<u>679</u>	<u>159</u>
Total income tax credit recognised in the consolidated income statement	<u>493</u>	<u>1,913</u>

7. Earnings per share

The calculation of basic earnings per share and underlying earnings per share at 31 December 2010 is based on the profit attributable to ordinary shareholders as follows:

	2010 Loss £000	2009 Loss £000	2010 per share pence	2009 per share pence
Basic	(4,062)	(3,983)	(10.9)	(10.7)
Adjusted for:				
Exceptional items (net of associated tax credit)	3,376	2,621	9.1	7.0
Adjusted	<u>(686)</u>	<u>(1,362)</u>	<u>(1.8)</u>	<u>(3.7)</u>
Diluted loss per share			(10.9)	(10.7)
Diluted adjusted loss per share			(1.8)	(3.7)

The weighted average number of shares used in each calculation is as follows:

Undiluted earnings per share

In thousands of shares

	2010	2009
Issued ordinary shares at 1 January	38,532	38,532
Effect of own shares held	<u>(1,254)</u>	<u>(1,264)</u>
Weighted average number of ordinary shares for the year ended 31 December	<u>37,278</u>	<u>37,268</u>

Diluted earnings per share

In thousands of shares

	2010	2009
Weighted average number of ordinary shares for the year ended 31 December	37,278	37,268
Effect of share options in issue	<u>632</u>	<u>1,085</u>
Weighted average number of ordinary shares (diluted) for the year ended 31 December	<u>37,910</u>	<u>38,353</u>

8. Inventories

	2010 £000	2009 £000
Raw materials and consumables	3,459	3,975
Work in progress	2,208	2,202
Finished goods	5,389	4,374
	<u>11,056</u>	<u>10,551</u>

9. Trade and other receivables

	2010 £000	2009 £000
Trade receivables and accrued income	24,565	27,157
Other receivables	209	216
Prepayments	982	1,058
	<u>25,756</u>	<u>28,431</u>

10. Interest-bearing loans and borrowings

Current liabilities	2010 £000	2009 £000
Secured bank loans	2,000	2,000
Obligations under hire purchase contracts and finance leases	581	572
	<u>2,581</u>	<u>2,572</u>

Non-current liabilities	2010 £000	2009 £000
Secured bank loans	21,500	16,001
Arrangement fees to be amortised over term of loans	(312)	(20)
Obligations under hire purchase contracts and finance leases	749	1,330
	<u>21,937</u>	<u>17,311</u>

11. Trade and other payables

Amounts disclosed in current liabilities

	2010 £000	2009 £000
Trade payables	15,553	15,692
Other taxes and social security	2,810	2,285
Accruals	4,733	5,405
	<u>23,096</u>	<u>23,382</u>

12. Bank facilities

At the year end, the following facilities were available to the Group:

- A committed working capital facility of £4.5 million which was due for renewal on 31 July 2011.
- A committed revolving credit facility of £12.5 million which is available until 31 July 2012.
- A term loan on which £11 million remains outstanding with annual repayments of £2.0 million which ends in September 2013.
- HP drawings which, at 31 December 2010, amounted to £1.3 million.

The Group's bankers remain supportive and, subsequent to the year end, the directors have agreed a relaxation in certain covenant tests in relation to the relevant forecast period reviewed by directors, along with a step down in the level of the working capital facility from £4.5 million, at the year end, to £3 million by 1 July 2012.

13. Principal risks

The Group's loan facilities contain covenants as to EBITDA, asset cover and cash performance. These covenants are tested quarterly and failure to meet these constitutes an event of default under the facility agreement giving the Bank the right to require immediate repayment of all amounts lent. The Group's financial forecasts show that these covenants can be met. However, any material disruption to operational and financial performance could result in a shortfall against the standard of performance required. The Group addresses this risk by detailed monitoring of financial performance and the expected outcome for each measurement period.

The Group's businesses have a strong seasonal element, with a peak of activity in the middle and second half of the year. This could result in peak output requirements exceeding the available capacity. The Group manages this risk by detailed and regular capacity planning reviews, with additional shifts and early production being planned.

In the current economic climate, there is less certainty for all businesses about future trading. This is particularly true in the retail sector, where customers may change their plans and programmes at short notice. The Group manages this risk by reviewing trading outlook more frequently, including the review of weekly order intake figures.

The Retail Interiors business operates in a highly competitive market and deals with major customers which increasingly employ procurement strategies designed to ensure that all purchases, and not just those of stock items, are acquired at the lowest possible cost. The business is addressing this risk by seeking production cost savings including, where appropriate, procurement from lower cost overseas suppliers.

The Educational Interiors business is involved as a supplier to major construction projects which can be subject to time delays and slippage caused by both commercial and weather-related issues. The business addresses this risk by building allowance for slippage into its production forecasts and budgets.

The Retail and Educational Interiors businesses work as sub-contractors under industry standard written contracts. The risks involved in working under such contracts are controlled by the employment of qualified and knowledgeable contract managers and quantity surveyors.

The Point of Sale business operates in a market where new digital printing technology to produce the product is increasingly sophisticated and, unless regular investment takes place, the business could lose competitive advantage. The Group has an ongoing investment plan for the Point of Sale business which has seen the acquisition of new digital presses.

The largest element of working capital employed by the Group is trade receivables. These are subject to credit risk and, as a consequence, the Group employs credit insurance to cover the risk on most of its commercial debtors. However, in addition to debt owed by the public sector and local government, the Group bears the credit risk on a proportion of receivables where its credit insurers are unwilling to provide cover. At present, credit insurers continue to be prudent with the amount of cover they are willing to provide and consequently the level of uninsured debtors has increased. The Group's procedures require that material uninsured credit limits are approved by the Board. The Group also monitors the credit status of its major customers.

14. The accounts for the year ended 31 December 2010 were approved by the Directors on 27 June 2011.