

Kershaw Contracting Services Limited

**Financial statements 31 December 2010
together with directors' and auditor's reports**

Registered number 1076715

KERSHAW CONTRACTING SERVICES LIMITED

Registration No. 1076715

Directors

I J Macklin **Managing Director**

E L Bird

A C E Crouch

M S Finlay

P McLeish

Secretary

K E Smith

Auditor

MacIntyre Hudson LLP
Statutory Auditor
Chartered Accountants
Equipoise House
Grove Place
Bedford
MK40 3LE

Registered Office

Beadle Trading Estate
Ditton Walk
Cambridge
CB5 8PD

Directors' report

For the year ended 31 December 2010

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report for the year ended 31 December 2010.

Directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' report (continued)

Principal activities

The principal activities of the company continue to be the provision of energy saving solutions, including the design and installation of heating systems, insulation and renewable energy systems, together with fire protection, asbestos surveys and subsequent removal.

Business review

The company experienced a fall in turnover under the grant funded heating refurbishment work in 2010. This reduction has been offset significantly by increased turnover arising from insulation and renewable energy systems. This movement in the operations of the company has resulted in an overall fall in gross profit of around 23% compared to the results reported for 2009, primarily as a result of the government's fiscal constraints and a general lack of funding due to the economic uncertainty encountered throughout 2010.

Whilst difficult trading conditions may continue in 2011, the directors continue to explore new products and services to complement its existing activities, with a number of opportunities already having been established for 2010 and beyond. This pipeline of work combined with the low gearing reported on the company's balance sheet supports the Directors' confidence of meeting the challenges of the coming year.

The group is mindful of its impact upon the environment and has undertaken audit procedures and implemented quality assurance programmes in order to minimise its carbon footprint. The directors remain committed to the continued development of environmental policies and welcome the involvement of its employees and supply chain partners in this process.

Results and dividends

The audited financial statements for the year ended 31 December 2010 are set out on pages 7 to 16. The company profit for the year, after taxation, amounted to £434,550 (2009 - £478,585).

Ordinary dividends for the year were paid of 247 pence per ordinary share, amounting to £420,000 (2009 - £460,000 at 271 pence per ordinary share).

Directors

All the directors listed on page 1 held office throughout the year.

Directors' report (continued)

Auditor

MacIntyre Hudson LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

By order of the Board,



K E Smith
Secretary

Kershaw Contracting Services Limited
Registered number 1076715
Beadle Trading Estate
Ditton Walk
Cambridge
CB5 8PD

1 April 2011

Auditor's report

Independent Auditor's Report to the Shareholder of Kershaw Contracting Services Limited:

We have audited the financial statements of Kershaw Contracting Services Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, Balance Sheet, Accounting Policies and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholder, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholder 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 shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year ended 31 December 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Auditor's report (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Brian Neil Richens FCA (Senior Statutory Auditor)

For and on behalf of

MacIntyre Hudson LLP

Statutory Auditor

Chartered Accountants

Equipoise House

Grove Place

Bedford

MK40 3LE

Date: 05/04/2011

Profit and loss account

For the year ended 31 December 2010

	Notes	2010 £	2009 £
Turnover		5,338,971	8,453,814
Cost of sales		<u>(3,327,432)</u>	<u>(5,827,449)</u>
Gross profit		2,011,539	2,626,365
Other operating expenses		<u>(1,488,635)</u>	<u>(1,966,152)</u>
Operating profit		522,904	660,213
Finance charges (net)	1	<u>(8,359)</u>	<u>(8,922)</u>
Profit on ordinary activities before taxation	2	514,545	651,291
Tax on profit on ordinary activities	5	<u>(79,995)</u>	<u>(172,706)</u>
Profit on ordinary activities after taxation	13	<u>434,550</u>	<u>478,585</u>

There are no recognised gains or losses other than those shown above and therefore a statement of total recognised gains and losses has not been included in these financial statements.

All amounts relate to continuing activities.

The accompanying notes are an integral part of this profit and loss account.

Balance Sheet

31 December 2010

	Notes	2010 £	2009 £
Fixed assets			
Tangible assets	7	204,246	249,546
Current assets			
Stocks	8	58,949	44,713
Debtors	9	665,484	990,082
Cash at bank and in hand		513,982	482,523
		1,238,415	1,517,318
Creditors: Amounts falling due within one year	10	(936,799)	(1,267,505)
Net current assets		301,616	249,813
Total assets less current liabilities		505,862	499,359
Creditors: Amounts falling due after more than one year	11	(70,923)	(78,970)
Net assets		434,939	420,389
Capital and reserves			
Called-up share capital	12	170,000	170,000
Profit and loss account	13	264,939	250,389
Shareholders' funds	13	434,939	420,389

The financial statements on pages 7 to 16 were approved by the board of directors and authorised for issue on 1 April 2011 and signed on its behalf by:



I J Macklin

Managing Director

The accompanying notes are an integral part of this balance sheet.

Statement of accounting policies

31 December 2010

The principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, are summarised below.

a) Basis of accounting

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

b) Cash flow statement

Under the provisions of Financial Reporting Standard No. 1 "Cash Flow Statements (Revised 1996)", the company has not prepared a cash flow statement because the ultimate parent undertaking, Kershaw Group Limited, which is incorporated in England, has prepared consolidated financial statements which are publicly available and which include the results of the company for the year.

c) Tangible fixed assets

Tangible fixed assets are stated at original historical cost, net of depreciation and any provision for impairment as set out in note 7.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Plant and machinery	-	20% - 100% per annum
Motor vehicles	-	25% per annum
Fixtures and fittings	-	10% - 15% per annum
Computers	-	25% - 33% per annum

d) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition is based on:

Raw materials and consumables - purchase cost on a first-in, first-out basis, including transport.

Work in progress - cost of materials and labour plus attributable overheads.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

e) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

The taxation liabilities of certain group companies are reduced wholly or in part by the surrender of losses by fellow group undertakings.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

* provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

Statement of accounting policies (continued)

31 December 2010

e) Taxation (continued)

* deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

f) Turnover and long-term contracts

Turnover comprises the contract sales valuation (excluding VAT and trade discounts) of goods and services in the normal course of business. Turnover is derived entirely from the provision of specialist contracting activities for the building industry within the United Kingdom.

Turnover represents, in the case of long-term contracts, the proportion of contract value applicable to the activity in the year, ascertained by reference to the costs incurred to-date. These costs are matched with the turnover, resulting in the reporting of attributable profit proportionate to the contract activity. Where the outcome of a contract cannot be foreseen with reasonable certainty but no loss is expected, turnover and costs are recorded as the activity progresses using a zero estimate of profit. In respect of short-term contracts the turnover is recorded at cost plus attributable overheads.

Estimates of total contract costs and revenues are reviewed periodically and the cumulative effects of changes are recognised in the period in which they are identified. All known or anticipated losses are provided for in full as soon as they are foreseen.

All costs incurred are recorded as cost of sales. Revenues recognised in excess of amounts billed are classified as amounts recoverable on contracts and included in debtors. Where cash is received in advance of the contract valuation, the balance is recognised as part of creditors due within one year, as payments received on account.

g) Leases

The company enters into operating and finance leases.

Assets held under finance leases and other similar contracts are initially reported at the fair value of the asset, with the capital elements of future lease obligations categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease. Finance lease rentals are apportioned between finance charges and reduction of the liability and allocated to cost of sales and other operating expenses as appropriate.

Rentals under operating leases are charged on a straight-line basis over the lease term even if the payments are not made on such a basis.

h) Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the group profit and loss account at a constant rate of charge on the balance of capital repayments outstanding.

i) Pension costs

The group provides pensions through defined contribution pension schemes. Under the defined contribution schemes the amount charged to the profit and loss account in respect of the pension cost and other post retirement benefits is the contributions payable in the year. Differences between the contributions payable in the year and contributions actually paid are disclosed as either accruals or prepayments in the balance sheet.

Notes to the financial statements

31 December 2010

1 Finance charges (net)

	2010	2009
	£	£
Interest receivable and similar income		
Other interest receivable and similar income	4	-
Interest payable and similar charges		
Finance lease contracts	(8,363)	(8,922)
	<u>(8,359)</u>	<u>(8,922)</u>
Finance charges (net)	<u><u>(8,359)</u></u>	<u><u>(8,922)</u></u>

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2010	2009
	£	£
Depreciation and amounts written off tangible fixed assets:		
- Owned	60,647	51,404
- Held under finance lease and lease purchase contracts (see note 7)	49,425	50,253
(Profit)/loss on sale of fixed assets	(16,843)	(5,275)
Operating lease rentals		
- Property rentals	37,393	37,635
- Vehicles and other rentals	39,045	47,565
	<u><u>39,045</u></u>	<u><u>47,565</u></u>

Amounts payable to MacIntyre Hudson LLP for audit and non-audit services are borne by the ultimate parent undertaking.

3 Staff costs

The aggregate remuneration of employees (including executive directors) comprised:

	2010	2009
	£	£
Wages and salaries	1,673,691	1,657,284
Social security costs	171,480	178,250
Other pension costs	19,076	27,434
	<u><u>1,864,247</u></u>	<u><u>1,862,968</u></u>

The average monthly number of persons (including executive directors) employed by the company during the year was as follows:

	2010	2009
	Number	Number
Operatives	38	30
Administrative staff	24	29
	<u><u>62</u></u>	<u><u>59</u></u>

Notes to the financial statements (continued)

31 December 2010

4 Directors' remuneration

The total amounts for directors' remuneration and other benefits were as follows:

	2010	2009
	£	£
Emoluments	183,964	170,159
Pension contributions	8,252	9,492
	<u>192,216</u>	<u>179,651</u>

During the year three directors accrued benefits under defined contribution pension schemes (2009 - 3 directors).

5 Tax on profit on ordinary activities

a) The tax charge for the year comprises:

	2010	2009
	£	£
UK corporation tax on profits for the year	90,000	190,000
Adjustments in respect of previous years	(10,005)	(17,294)
	<u>79,995</u>	<u>172,706</u>

b) A reconciliation of the factors affecting the tax charge for the year includes:

	2010	2009
	£	£
Profit on ordinary activities before tax	514,545	651,291
Corporation tax on profits on ordinary activities at the UK standard rate of 28% (2009: 28%)	144,073	182,361
<i>Adjusted by:</i>		
Expenses not deductible for tax purposes	8,554	12,966
Depreciation in excess of capital allowances/ (capital allowances in excess of depreciation)	3,156	(5,327)
Utilisation of group tax losses	(64,564)	-
Adjustments in respect of previous periods	(10,005)	(17,294)
Tax relief at the marginal rate	(1,219)	-
Current tax charge for the period (note 5 (a))	<u>79,995</u>	<u>172,706</u>

Notes to the financial statements (continued)

31 December 2010

6 Dividends

	2010	2009
	£	£
Equity ordinary shares dividends paid amounted to 247 pence (2009 – 271 pence) per ordinary share	<u>420,000</u>	<u>460,000</u>

7 Tangible fixed assets

	Plant and Machinery £	Motor Vehicles £	Office Equipment £	Total £
Cost				
At 1 January 2010	124,612	354,633	138,615	617,860
Additions	25,091	37,760	800	63,651
Transfers	0	11,391	0	11,391
Disposals	(5,500)	(95,687)	(2,250)	(103,437)
At 31 December 2010	<u>144,203</u>	<u>308,097</u>	<u>137,165</u>	<u>589,465</u>
Depreciation				
At 1 January 2010	89,092	192,978	86,244	368,314
Charge for the year	13,942	65,791	30,339	110,072
Transfers	0	9,013	0	9,013
Disposals	(5,500)	(94,430)	(2,250)	(102,180)
At 31 December 2010	<u>97,534</u>	<u>173,352</u>	<u>114,333</u>	<u>385,219</u>
Net book value				
At 31 December 2010	<u>46,669</u>	<u>134,745</u>	<u>22,832</u>	<u>204,246</u>
At 31 December 2009	<u>35,520</u>	<u>161,655</u>	<u>52,371</u>	<u>249,546</u>

Included in plant and machinery, office equipment and motor vehicles at 31 December 2010 are items held under finance leases and lease purchase contracts with a net book value of £107,784 (2009 - £122,698).

8 Stocks

	2010	2009
	£	£
Raw materials and consumables	<u>58,949</u>	<u>44,713</u>

Notes to financial statements (continued)

31 December 2010

9 Debtors

	2010	2009
	£	£
Amounts falling due within the year:		
Trade debtors	613,494	814,139
Other debtors	3,641	6,633
Amounts owed by parent undertaking	-	124,718
Prepayments and accrued income	36,303	36,422
	<u>653,438</u>	<u>981,912</u>
Amounts falling due after more than one year:		
Trade debtors	12,046	8,170
	<u>12,046</u>	<u>8,170</u>
	<u>665,484</u>	<u>990,082</u>

10 Creditors: Amounts falling due within one year

	2010	2009
	£	£
Obligations under finance lease contracts	43,394	58,887
Payments received on account	1,616	2,534
Trade creditors	388,123	574,551
Amounts owed to parent undertaking	129,356	-
Taxation and social security		
- UK corporation tax payable	97,500	197,500
- PAYE and social security	82,161	114,952
- VAT	61,314	72,628
Other creditors	125,788	238,188
Accruals and deferred income	7,547	8,265
	<u>936,799</u>	<u>1,267,505</u>

Each finance lease is secured against the assets to which the specific finance agreement relates.

11 Creditors: Amounts falling due after more than one year

	2010	2009
	£	£
Obligations under finance lease contracts due within two to five years	70,923	78,970

Each finance lease is secured against the assets to which the specific finance agreement relates.

Notes to financial statements (continued)

31 December 2010

12 Called-up share capital

	2010	2009
	£	£
<i>Authorised</i>		
172,000 ordinary shares of £1 each	172,000	172,000
<i>Allotted, called-up and fully paid</i>		
170,000 ordinary shares of £1 each	170,000	170,000

13 Profit and loss account and shareholders' funds

	Profit and Loss account		Shareholders' funds	
	2010	2009	2010	2009
	£	£	£	£
Profit for the financial year	434,550	478,585	434,550	478,585
Equity dividends	(420,000)	(460,000)	(420,000)	(460,000)
Net addition to shareholders' funds	14,550	18,585	14,550	18,585
At 1 January 2010	250,389	231,804	420,389	401,804
At 31 December 2010	264,939	250,389	434,939	420,389

14 Pension arrangements

The company contributed to a group pension scheme operated through Kershaw Group Limited. Note 3 provides details of the employer contributions for the year. There were no prepaid or outstanding contributions at the balance sheet date.

15 Guarantees and other financial commitments

a) Capital commitments

At the end of the year, there were no amounts contracted for but not provided in the financial statements (2009 - £Nil).

Notes to financial statements (continued)

31 December 2010

15 Guarantees and other financial commitments (continued)

b) Contingent liabilities

A cross composite guarantee agreement exists between the company, its parent undertaking and fellow subsidiary undertakings whereby each company has guaranteed the bank accounts of the others. The cross composite guarantee is secured by a debenture in the name of the parent undertaking in the bank's standard form.

c) Lease commitments

The annual commitments under non-cancellable operating leases are as follows:-

	Land and buildings		Other	
	2010	2009	2010	2009
	£	£	£	£
Operating leases which expire:				
Within one year	1,208	1,208	5,242	6,991
Within two to five years	24,485	-	13,018	29,552
After five years	-	24,485	-	-
	<u>25,693</u>	<u>25,693</u>	<u>18,260</u>	<u>36,543</u>

16 Ultimate parent undertaking

The company is a wholly owned subsidiary of Kershaw Services Limited. Kershaw Services Limited in turn is a wholly owned subsidiary of the ultimate parent undertaking Kershaw Group Limited

The only group in which the results of the company have been consolidated is that headed by Kershaw Group Limited. The consolidated financial statements of Kershaw Group Limited are available to the public and may be obtained from Beadle Trading Estate, Ditton Walk, Cambridge, CB5 8PD.

17 Related party transactions

As a 100% subsidiary undertaking within Kershaw Group Limited, the company has taken advantage of the exemption in Financial Reporting Standard No. 8 "Related party disclosures" not to disclose transactions with other members of the group headed by Kershaw Group Limited.