

Kershaw Mechanical Services Limited

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

Registered number 540706

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.

Principal activities

The principal activities of the company continue to be the design, installation and maintenance of heating, ventilation and air conditioning systems.

Directors' report (continued)

Business review

The directors have developed a number of ongoing client focused partnerships, securing a number of orders for 2011 and beyond, in turn enabling the company to support its supply chain partners. This partnership approach has enabled the company to maintain the strong performance reported in 2009, despite the difficult trading conditions in the wider economy, once again reporting an increase in profitability in 2010.

The company's performance depends upon securing contracts to enable the company not only to survive, but to achieve the directors' strategic objective of sustained organic growth. To mitigate the difficult trading position, the company is further diversifying, by investing in its Service & Maintenance operations, together with capitalising on Special Projects opportunities. Whilst trading conditions may continue to prove difficult, this diversification, together with a strong pipeline of work and the low gearing reported on the company's balance sheet support the Directors' confidence for overcoming 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 6 to 15. The company profit for the year, after taxation, amounted to £803,468 (2009 - £805,238).

Ordinary dividends for the year of 314 pence per ordinary share amounted to £785,000 (2009 - 312 pence per ordinary share, totalling £780,000).


Directors

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

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 Mechanical Services Limited
Registered number 540706
Beadle Trading Estate
Ditton Walk
Cambridge
CB5 8PD

1 April 2011

Auditor's report

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

We have audited the financial statements of Kershaw Mechanical 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		18,528,756	20,950,143
Cost of sales		(14,534,320)	(16,993,246)
Gross profit		3,994,436	3,956,897
Other operating expenses		(2,873,114)	(2,848,335)
Operating profit		1,121,322	1,108,562
Finance charges (net)	1	(3,029)	(2,952)
Profit on ordinary activities before taxation	2	1,118,293	1,105,610
Tax on profit on ordinary activities	5	(314,825)	(300,372)
Profit on ordinary activities after taxation	13	803,468	805,238

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	149,238	143,656
Current assets			
Stocks	8	17,414	27,568
Debtors:			
amounts falling due within one year	9	3,700,679	4,248,690
amounts falling due after more than one year	9	17,338	170,669
Cash at bank and in hand		609,365	570,087
		<u>4,344,796</u>	<u>5,017,014</u>
Creditors: Amounts falling due within one year	10	<u>(3,848,609)</u>	<u>(4,472,396)</u>
Net current assets		<u>496,187</u>	<u>544,618</u>
Total assets less current liabilities		<u>645,425</u>	<u>688,274</u>
Creditors: Amounts falling due after more than one year	11	<u>(37,749)</u>	<u>(99,066)</u>
Net assets		<u>607,676</u>	<u>589,208</u>
Capital and reserves			
Called-up share capital	12	250,000	250,000
Revaluation reserve		44,706	44,706
Profit and loss account	13	312,970	294,502
Shareholders' funds	13	<u>607,676</u>	<u>589,208</u>

The financial statements on pages 6 to 15 were approved by the board of directors and authorised for issue on 1 April 2011 and signed on its behalf by:



G D Smith

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 (modified to include the revaluation of freehold land and buildings) 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 its 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

Land and buildings are stated at original historical cost or subsequent valuation as set out in note 7. Other fixed assets are shown at cost.

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

Freehold buildings	-	2% per annum
Short leasehold buildings	-	term of lease
Plant and machinery	-	20%-30% per annum
Motor vehicles	-	25% per annum
Fixtures and fittings	-	10% - 33% per annum
Computers	-	25% - 33% per annum

d) Revaluation of properties

From 1 April 1999, all new tangible fixed assets are recorded at historic cost less accumulated depreciation and any provisions for impairment (see accounting policy above). The company's freehold property had, prior to that date, been restated at its open market value and subsequently reduced by depreciation on that new value. Under the provisions of Financial Reporting Standard 15 "Tangible Fixed Assets", the property continues to be treated on that basis. It is stated at its open market value as at 17 November 1989, less accumulated depreciation to date, and that valuation has not been updated.

e) 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.

f) 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.

Statement of accounting policies (continued)

g) Deferred taxation

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;

* 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.

h) 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 building services 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.

i) 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.

j) 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

	2010	2009
	£	£
Interest receivable and similar income		
Other interest receivable and similar income	270	1,170
	<u>270</u>	<u>1,170</u>
Interest payable and similar charges		
Finance lease and hire purchase contracts	(3,299)	(4,122)
	<u>(3,299)</u>	<u>(4,122)</u>
Finance charges (net)	<u>(3,029)</u>	<u>(2,952)</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	27,756	31,594
- Held under finance lease contracts (see note 7)	20,836	23,095
(Profit)/loss on sale of fixed assets	(2,613)	(1,500)
Operating lease rentals		
- Property rentals	170,100	170,614
- Vehicles and other rentals	83,966	90,455
	<u>170,100</u>	<u>170,614</u>
	<u>83,966</u>	<u>90,455</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	2,941,361	3,124,783
Social security costs	323,194	338,725
Other pension costs	44,356	55,464
	<u>3,308,911</u>	<u>3,518,972</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	45	50
Administrative staff	42	47
	<u>87</u>	<u>97</u>

Notes to financial statements (continued)

31 December 2010

4. Directors' remuneration

	2010	2009
	£	£
Emoluments	198,957	201,188
Pension contributions	9,462	9,462
	<u>208,419</u>	<u>210,650</u>

During the year two directors accrued benefits under a defined contribution pension scheme (2009 - 2 directors).

Directors' emoluments

The total emoluments and pension contributions attributable to the highest paid director were as follows:

	2010	2009
	£	£
Emoluments	120,947	118,136
Pension contributions	5,493	5,493
	<u>126,440</u>	<u>123,629</u>

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	330,000	330,000
Adjustments in respect of previous years	(15,175)	(29,628)
	<u>314,825</u>	<u>300,372</u>

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

	2010	2009
	£	£
Profit on ordinary activities before tax	1,118,293	1,105,610
Corporation tax on profits on ordinary activities at the UK standard rate of 28% (2009: 28%)	313,122	309,571
<i>Adjusted by:</i>		
Expenses not deductible for tax purposes	25,861	15,419
Depreciation in excess of capital allowances/ (capital allowances in excess of depreciation)	(8,983)	5,010
Adjustments in respect of previous years	(15,175)	(29,628)
Current tax charge for the year (note 5 (a))	<u>314,825</u>	<u>300,372</u>

Notes of financial statements (continued)

31 December 2010

6. Dividends

	2010	2009
	£	£
Equity ordinary dividends paid in the year amounted to 314 pence (2009 – 312 pence) per share	<u>785,000</u>	<u>780,000</u>

7. Tangible fixed assets

	Freehold land and buildings	Short leasehold buildings	Plant, office equipment and motor vehicles	Total
	£	£	£	£
Cost or valuation				
At 1 January 2010	102,164	274,111	665,019	1,041,294
Additions	-	-	54,174	54,174
Transfers	-	-	(12,280)	(12,280)
Disposals	-	-	(54,856)	(54,856)
At 31 December 2010	<u>102,164</u>	<u>274,111</u>	<u>652,057</u>	<u>1,028,332</u>
Depreciation				
At 1 January 2010	40,187	257,641	599,810	897,638
Charge for the year	2,043	11,843	34,706	48,592
Transfers	-	-	(12,280)	(12,280)
Disposals	-	-	(54,856)	(54,856)
At 31 December 2010	<u>42,230</u>	<u>269,484</u>	<u>567,380</u>	<u>879,094</u>
Net book value				
At 31 December 2010	<u>59,934</u>	<u>4,627</u>	<u>84,677</u>	<u>149,238</u>
At 31 December 2009	<u>61,977</u>	<u>16,470</u>	<u>65,209</u>	<u>143,656</u>

Included in plant, office equipment and motor vehicles at 31 December 2010 are items held under finance agreements with a net book value of £47,080 (2009 - £40,331).

Freehold land and buildings were professionally valued on an open market existing use basis in 1989, with subsequent additions at cost, as follows:

	2010	2009
	£	£
At valuation	95,000	95,000
At cost	7,164	7,164
	<u>102,164</u>	<u>102,164</u>

Notes to the financial statements (continued)

31 December 2010

8. Stocks

	2009	2009
	£	£
Raw materials and consumables	17,414	16,182
Work in progress	-	11,386
	<u>17,414</u>	<u>27,568</u>

9. Debtors

	2010	2009
	£	£
Amounts falling due within one year:		
Trade debtors	2,204,907	1,697,702
Amounts recoverable on contracts	68,391	9,976
VAT recoverable	-	30,829
Amounts owed by parent undertaking	1,336,023	2,411,031
Prepayments and accrued income	80,085	79,420
Other debtors	11,273	19,732
	<u>3,700,679</u>	<u>4,248,690</u>
Amounts falling due after more than one year:		
Trade debtors	17,338	170,669
	<u>17,338</u>	<u>170,669</u>
	<u>3,718,017</u>	<u>4,419,359</u>

10. Creditors: Amounts falling due within one year

	2010	2009
	£	£
Obligations under finance lease contracts	20,663	25,547
Payments received on account	-	160,417
Trade creditors	3,187,264	3,802,226
Taxation and social security		
- UK corporation tax payable	140,000	40,372
- VAT	189,584	-
- PAYE and social security	129,688	128,449
Other creditors	123,126	102,789
Accruals and deferred income	58,284	212,596
	<u>3,848,609</u>	<u>4,472,396</u>

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

Notes to the financial statements (continued)

31 December 2010

11. Creditors: Amounts falling due after more than one year

	2010	2009
	£	£
Obligations under finance lease contracts due within two to five years	29,314	26,372
Trade creditors	8,435	72,694
	<u>37,749</u>	<u>99,066</u>

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

12. Called-up share capital

	2010	2009
	£	£
<i>Authorised</i>		
250,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
<i>Allotted, called-up and fully paid</i>		
250,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

13. Profit and loss account and shareholders' funds

	Profit and Loss account		Shareholders' funds	
	2010	2009	2010	2009
	£	£	£	£
Profit for the financial year	803,468	805,238	803,468	805,238
Equity dividends paid	(785,000)	(780,000)	(785,000)	(780,000)
	<u>18,468</u>	<u>25,238</u>	<u>18,468</u>	<u>25,238</u>
Net addition to shareholders' funds				
At 1 January 2010	294,502	269,264	589,208	563,970
	<u>312,970</u>	<u>294,502</u>	<u>607,676</u>	<u>589,208</u>
At 31 December 2010:				
All equity interests	<u>312,970</u>	<u>294,502</u>	<u>607,676</u>	<u>589,208</u>

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.

Notes to financial statements (continued)

31 December 2010

15. Guarantees and other financial commitments

a) Capital commitments

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

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		Others	
	2010	2009	2010	2009
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	20,470	12,583
Within two to five years	170,100	170,100	47,009	67,539
	<u>170,100</u>	<u>170,100</u>	<u>67,479</u>	<u>80,122</u>

16. Ultimate parent undertaking

The company is a wholly owned subsidiary of Kershaw Services Limited. Kershaw Services Limited itself 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.