

TES PROJECTS LTD
(FORMERLY TAUNTON ELECTRICAL SERVICES LTD)

COMPANY NUMBER 2849975

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

Directors: C Winter (Chairman)
A Rainger
D Cardy
K Tomlinson
A F Hanson

Secretary: A F Hanson

Registered Office: Tauntfield
South Road
Taunton
Somerset
TA1 3ND



TES PROJECTS LTD

DIRECTORS' REPORT

The Directors submit herewith their report and financial statements for the year ended 31 December 2005.

Review of the business

The company experienced difficulties on a number of large projects during the year where it was unable to fully recover its costs. These contracts have now been completed and the company has returned to normal trading. Taunton Electrical Services Ltd changed its name to TES Projects Ltd and formed itself into three divisions from 2 January 2006, TES Projects Ltd for main contracts, Taunton Electrical Services for small works and TES Maintenance and Testing for testing and maintenance works.

Results and Dividends

The company lost £30020 on ordinary activities. The dividend in relation to last year has been paid and no dividend is being recommended relating to this year.

Principal Activity

The company's principal activity during the year was that of electrical contracting.

Directors and their Interests

The Directors who served during the year were:

C Winter
D J Cardy
A Rainger
K Tomlinson
A F Hanson

No director was beneficially interested in the shares of the company at any time during the year nor, with the exception of the company's holding company, in the shares of any other company in the group. Interests of directors in the holding company are disclosed in the financial statements of that company.

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.
- In determining how amounts are presented within items in the profit and loss account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.

TES PROJECTS LTD

DIRECTORS' REPORT - Continued

Directors' Responsibilities (Cont'd)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution to re-appoint Messrs Amherst & Shapland as Auditors will be put to the members at the Annual General Meeting.

So far as each of the directors at the time the Directors' Report is approved are aware:

- a) there is no relevant audit information of which the company's auditors are unaware, and
- b) 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 auditors are aware of that information

Small Company Provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

By Order of the Board



A F Hanson
Secretary.

24 April 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

TES PROJECTS LTD

We have audited the financial statements of TES Projects Ltd for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes set out on pages 1 to 8. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 Financial Statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the statement of Directors' Responsibilities in the Directors' Report.

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 and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the Financial Statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read other information presented with the Financial Statements and consider whether it is consistent with the audited Financial Statements. The other information comprises the Directors' Report and the detailed profit and loss account. 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 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 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 Financial Statements give a true and fair view of the state of the Company's affairs as at 31 December 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Amherst & Shapland
Chartered Accountants
Registered Auditors
Castle Lodge
Castle Green
Taunton
Somerset
TA1 4AD

24 April 2006

TES PROJECTS LTD**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005**

	<u>Note</u>	<u>2005</u> £	<u>2004</u> £
TURNOVER	1	2697978	3124497
Cost of sales		2261625	2504386
GROSS PROFIT		436353	620111
Administrative expenses		473315	467886
OPERATING (LOSS)/PROFIT	2	(36962)	152225
Interest payable	4	216	1225
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(37178)	151000
Taxation on Profit on ordinary activities	5	(7158)	(78032)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		£(30020)	£229032

There are no recognised gains or losses other than the profit for the year.



The notes on Pages 3 to 8 form part of these financial statements.

TES PROJECTS LTD**BALANCE SHEET AS AT 31 DECEMBER 2005**

	<u>Notes</u>	£	<u>2005</u> £	£	<u>2004</u> £
FIXED ASSETS					
Tangible Assets					
Plant, Vehicles and Equipment	9		79852		67762
Investments			1		-
			-----		-----
TOTAL FIXED ASSETS			79853		67762
CURRENT ASSETS					
Stocks and Work in Progress	10	3975		1992	
Debtors	11	996303		1213598	
Cash at bank and in hand		113		263916	
		-----		-----	
		1000391		1479506	
CREDITORS - Amount falling due within one year	12	678915		1040419	
		-----		-----	
NET CURRENT ASSETS			321476		439087
			-----		-----
NET ASSETS			£401329		£506849
			=====		=====
CAPITAL AND RESERVES					
Called up share capital					
Equity share capital	13		16000		16000
Profit and loss account	14		385329		490849
			-----		-----
SHAREHOLDERS' FUNDS			£401329		£506849
			=====		=====

The financial statements have been prepared in accordance with (i) the special provisions of Part VII of the Companies Act 1985 relating to small companies and (ii) the Financial Reporting Standard for Smaller Entities (effective January 2005).

These financial statements were approved by the Board of Directors on 24 April 2006.

C Winter )
) Directors
 D Cardy )

The notes on Pages 3 to 8 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005**1. ACCOUNTING POLICIES****Basis of preparation**

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the Financial Reporting Standard for Smaller Entities (effective January 2005) – FRSSE 2005. This replaces FRSSE 2002 with effect from 1 January 2005.

The adoption of FRSSE 2005 has resulted in changes in the accounting policies relating to distributions made to equity shareholders. Dividends paid and proposed before the balance sheet date are now charged directly to equity net of any related tax benefit and are no longer shown on the face of the Profit and Loss Account. Dividends declared after the balance sheet date are no longer recognised as a liability at the balance sheet date and are disclosed in the notes to the financial statements.

Depreciation

Depreciation is provided on all tangible fixed assets to write off the cost less estimated residual value of each asset over its expected useful economic life, and is calculated at the following annual rates:

Motor vehicles	30% on reducing balance
Plant, machinery and office equipment	20% on reducing balance
Computers	30% on cost

Stocks and work in progress***Stocks and short-term contract work in progress:***

Stocks and short-term contract work in progress are stated at the lower of cost and net realisable value. Cost comprises direct materials, labour, stores, sub-contract work, transport and machinery.

Long-term contract work in progress:

Long-term contract work in progress is stated at valuation, comprising total costs incurred, net of amounts transferred to the profit and loss account in respect of work carried out to date, less foreseeable losses and applicable payments on account. Cost comprises direct materials, labour, stores, sub-contract work, transport and machinery.

Profit on long-term contracts is accounted for once the outcome of a contract can be assessed with reasonable certainty and is based on the appropriate stage of completion of the contract.

Provision is made for foreseeable losses on all contracts based on the loss which is currently estimated to arise over the duration of any contract, irrespective of the amount of work carried out at the balance sheet date.

Contract valuations include the value of approved variations. Where the amount to be received in respect of these variations has not been settled, valuation is based on an estimate of the most likely settlement outcome in the light of current negotiations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 20051. ACCOUNTING POLICIES (cont'd)Stocks and work in progress (Cont'd)

Contract valuations also include claims to the extent that negotiations have reached an advanced stage and there is sufficient evidence of the acceptability of the claim in principle to the client with an indication of the amount involved also being available. Valuation is based on an estimate of the most likely settlement outcome in the light of current negotiations.

Amounts receivable on long-term contracts are included in trade debtors. The excess of the value of work done over amounts receivable is shown as amounts recoverable on contracts under the heading of debtors, and the excess of amounts receivable over the value of work done is shown as payments on account under the heading of creditors.

Turnover

Turnover represents the amounts invoiced, excluding valued added tax, for work completed during the period, adjusted for opening and closing work in progress.

Financial Instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Deferred Tax

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.

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.

2. OPERATING PROFIT

	<u>2005</u>	<u>2004</u>
	£	£
This is arrived at after charging:		
Depreciation	31323	30230
Loss on disposal of fixed assets	1356	346
Auditors' remuneration	4300	2200
	=====	=====

3. DIRECTORS EMOLUMENTS

	£	£
The emoluments paid to the directors comprise:		
Emoluments for directors' services	127971	181814
Money purchase pension scheme contributions	5827	5261
	-----	-----
	£133798	£187075
	=====	=====

The number of directors for whom money purchase pension scheme contributions were paid during the year was

3	3
==	==

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

4. <u>INTEREST PAYABLE</u>	<u>2005</u>	<u>2004</u>
	£	£
On bank overdraft	55	661
On hire purchase obligations repayable within five years	161	564
	<u>216</u>	<u>1225</u>

5. <u>TAXATION ON PROFIT ON ORDINARY ACTIVITIES</u>	<u>2005</u>	<u>2004</u>
(a) Analysis of charge in period	£	£
<i>Current tax:</i>		
UK corporation tax on profits of the period	-	-
<i>Total current tax (note 5b)</i>	£ -	£ -
<i>Deferred Tax:</i>		
Excess of depreciation over taxation allowances	(6724)	(32802)
Losses carried forward	(434)	(45230)
	<u>£(7158)</u>	<u>£(78032)</u>
(b) Factors affecting the taxation charge for the period		

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	<u>2005</u>	<u>2004</u>
	£	£
(Loss)/Profit on ordinary activities before tax	£(37178)	£151000
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2004 : 30%)	(11153)	45300
<i>Effects of:</i>		
Expenses not deductible for tax purposes	736	759
Depreciation for period in excess of capital allowances	9397	9173
Utilisation of tax losses	-	(55232)
Additional losses carried forward	1020	-
<i>Current tax charge for period (note 5a)</i>	£ -	£ -

6. <u>DIVIDENDS</u>	<u>2005</u>	<u>2004</u>
	£	£
Dividends paid on equity shares		
Paid during the year:		
Final dividend for previous year	£75500	£36350
7. <u>PROPOSED DIVIDENDS</u>	<u>2005</u>	<u>2004</u>
	£	£
Proposed dividends on equity shares		
Final dividend proposed	£ -	£75500

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

8. DEFERRED TAXATION

<u>2005</u>	<u>2004</u>
£	£

The deferred tax consists of the tax effect of timing differences now expected to be reversed as follows:

Excess of depreciation over taxation allowances	39526	32802
Losses carried forward	45664	45230
	<u>£85190</u>	<u>£78032</u>

9. PLANT, VEHICLES AND EQUIPMENT

<u>Motor vehicles</u>	<u>Plant and Machinery</u>	<u>Total</u>
£	£	£

COST

At 1 January 2005	115701	98168	213869
Additions	36997	14622	51619
Disposals	(28887)	-	(28887)
	<u>£123811</u>	<u>£112790</u>	<u>£236601</u>

DEPRECIATION

At 1 January 2005	68910	77197	146107
Charge for the year	18685	12638	31323
Disposals	(20681)	-	(20681)
	<u>£66914</u>	<u>£89835</u>	<u>£156749</u>

NET BOOK VALUE

At 31 December 2005	<u>£56897</u>	<u>£22955</u>	<u>£79852</u>
At 31 December 2004	<u>£46791</u>	<u>£20971</u>	<u>£67762</u>

Included within the above are assets held under hire purchase costs amounting to £Nil (2004: £20542) accumulated depreciation of £Nil (2004: £13496) and net book value £Nil (2004: £7046). The depreciation charge for the year in respect of these assets was £Nil (2004: £3020).

10. STOCKS AND WORK IN PROGRESS

<u>2005</u>	<u>2004</u>
£	£

Stocks : raw materials and consumables	3975	1992
	<u>£3975</u>	<u>£1992</u>

TES PROJECTS LTD**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005****11. DEBTORS**

	<u>2005</u> £	<u>2004</u> £
Trade debtors	568735	746666
Amounts recoverable on contracts	263038	237835
Prepayments	44092	27805
Owed by group undertakings	25948	101882
Owed by associated undertakings	9102	21181
Corporation tax recoverable	198	197
Provision for deferred tax asset	85190	78032
	----- £996303	----- £1213598
	=====	=====

Included in the above are amounts that are due to be recovered outside one year £85190 (2004 : £78032)

12. CREDITORS: Amounts falling due within one year

	<u>2005</u> £	<u>2004</u> £
Trade creditors	442960	683258
Payments on account of contracts	127881	165573
Social security and other taxes	49438	24187
Other creditors	277	13839
Accruals	16402	128399
Owed to group undertakings	8427	10266
Owed to associated undertakings	13509	12113
Hire purchase obligations	-	2784
Bank overdraft	20021	-
	----- £678915	----- £1040419
	=====	=====

13. SHARE CAPITAL

	<u>Authorised</u> <u>2005 & 2004</u>	<u>Allotted, called up,</u> <u>Issued and fully paid</u> <u>2005 & 2004</u>
Ordinary shares of £1 each	£16000	£16000
	=====	=====

14. PROFIT AND LOSS ACCOUNT

	<u>2005</u> £	<u>2004</u> £
Balance brought forward	490849	298167
(Loss)/Profit for the financial year	(30020)	229032
Equity dividends paid (note 6)	(75500)	(36350)
	----- £385329	----- £490849
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005**15. PRIOR YEAR ADJUSTMENT**

As a result of changes in accounting policy following the adoption of FRSSE 2005 the treatment of dividends proposed after the balance sheet date has changed. Such dividends may no longer be treated as liabilities as at the balance sheet date, and are shown in the financial statements in the year in which they are actually paid or become an obligation to pay. As a result of this the comparative figures for 2004 have been restated as follows:-

	<u>Original Figures</u>	<u>As Re stated</u>
	£	£
Debtors	1190948	1213598
Total current assets	1456856	1479506
Creditors	1093269	1040419
Net current assets	363587	439087
 Total assets less current liabilities/shareholders' funds	 431349	 506849
Profit and loss account	415349	490849

16. PENSION SCHEME

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents the contribution payable by the company to the fund and amounted to £15840 (2004: £9787).

17. ULTIMATE PARENT UNDERTAKING

Tauntfield Limited is the ultimate parent undertaking.

18. SECURITIES

The bank borrowings are secured by a fixed charge on book debts and by a floating charge on other assets of the company.

Hire purchase and leasing obligations are secured by a fixed charge on the relevant assets.

19. FINANCIAL COMMITMENTS

At 31 December 2005 and 2004 there were no capital commitments contracted for.

20. RELATED PARTY TRANSACTIONS

The company is controlled by Tauntfield Limited, its parent company.

The company is taking advantage of the disclosure exemption conferred by FRSSE2005, regarding related party transactions, on the grounds that its voting shares are more than 90% controlled within the Tauntfield Group. Consequently details of the company are included in the publicly available consolidated accounts of Tauntfield Limited.

During the year, no contracts or transactions were entered into by the company in which the directors had a material interest.

During the year transactions with an associated company, Summerfield Developments Ltd, amounted to sales of £130154 and management charges paid of £28231. At the year end amounts due by Summerfield Developments Ltd were £9102.

DETAILED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

This schedule does not form part of the statutory financial statements:

<u>TURNOVER</u>	<u>2005</u>	<u>2004</u>
	£	£
Invoiced sales	2650113	3127240
Work in progress at end of year after adjusting payments on account and amounts recoverable on contracts	30639	(17227)
	-----	-----
	2680752	3110013
Work in progress at beginning of year after adjusting payments on account and amounts recoverable on contracts	(17226)	(14484)
	-----	-----
	<u>£2697978</u>	<u>£3124497</u>
	=====	=====
 COST OF SALES		
Purchases	1144223	1488435
Add raw materials stocks at beginning of year	1992	1500
	-----	-----
	1146215	1489935
Less raw materials stocks at end of year	3975	1992
	-----	-----
	1142240	1487943
Wages	620636	638935
Sub-contractor charges	455370	338647
Transport	40682	48668
Other direct charges	4430	7194
	-----	-----
	2263358	2521387
Surplus on re-charging plant, etc.	1733	17001
	-----	-----
	2261625	2504386
	-----	-----
GROSS PROFIT	436353	620111
% Gross profit to turnover	<u>16.2%</u>	<u>19.8%</u>
ADMINISTRATION AND OTHER OPERATING EXPENSES	473315	467886
	-----	-----
OPERATING PROFIT	(36962)	152225
INTEREST RECEIVABLE	-	-
INTEREST PAYABLE	(216)	(1225)
	-----	-----
	(37178)	151000
TAXATION ON THE PROFIT FOR THE YEAR	(7158)	(78032)
	-----	-----
PROFIT AFTER TAXATION	<u>£(30020)</u>	<u>£229032</u>
	=====	=====

TES PROJECTS LTD**ADMINISTRATION AND OTHER OPERATING EXPENSES****FOR THE YEAR ENDED 31 DECEMBER 2005**

This schedule does not form part of the statutory financial statements:

	<u>2005</u>	<u>2004</u>
	£	£
Sick pay	2482	(105)
Holiday pay	-	6020
Salaries	291050	298983
Pension, life assurance, etc	21253	14782
Insurance	41252	35127
Telephone and postage	12342	9706
Printing and stationery	6533	6297
Advertising and publications	7170	5166
Subscriptions	2982	4278
Motor car expenses	13500	13650
Travelling and entertainment expenses	1111	5114
Audit	4300	2200
Other professional fees	2171	378
Management charge	28840	25465
Sundry expenses	1019	891
Bad debts	3824	-
Depreciation	31323	30230
Loss/(Profit) on sale of assets	1356	346
Discounts allowed, less received	(39491)	(28163)
Bank charges	1723	1792
Rent and rates	18473	16500
Office equipment maintenance, hiring etc.	1782	1270
Training	4388	4994
Health and safety etc.	6033	5081
Property repairs & maintenance	-	1897
Redundancy/ Ex gratia payments	2017	-
Loose Tools	5882	5987
	-----	-----
	£473315	£467886
	=====	=====

INTEREST PAYABLE

Bank overdraft	55	661
Hire purchase	161	564
	-----	-----
	£216	£1225
	=====	=====