REGISTRAR

Royston Engineering Group Limited

Report and Financial Statements

28 February 2011

Directors
L J Brown
S Wade
G R Denholm (appointed 20 April 2011)

Secretary
S Wade (resigned 20 April 2011)
G R Denholm (appointed 20 April 2011)

Auditors
Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne NE1 4JD

Bankers
Bank of Scotland
41/51 Grey Street
Newcastle upon Tyne NE1 6EE

Solicitors
Hay & Kilner
30 Cloth Market
Newcastle upon Tyne NE1 1EE

Registered Office
Unit 3
Walker Riverside
Wincomblee Road
Newcastle upon Tyne NE6 3PF

Directors' report

The directors present their report and financial statements for the year ended 28 February 2011

Results and dividends

The loss for the year after taxation amounted to £69 (2010 – £50,757 profit) An interim dividend of £924,527 was paid on 28 February 2011 The directors do not recommend the payment of a final dividend

Principal activity and review of the business

The principal activity of the company during the year was the holding of group balances however on the 28 February 2011 it became dormant following the settlement of these balances

Directors

The directors who served the company during the year were as follows

L J Brown
S Wade

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were renewed during the year and remain in force at the date of this report

Disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

Small company exemptions

This report has been prepared in accordance with the special provisions applicable to companies subject to the small companies regime within Part 15 of the Companies Act 2006

On behalf of the Board

G R Denholm
Director

29 June 2011

Statement of directors' responsibilities

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year Under that law the director has 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 director must not approve the financial statements unless he is 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 these financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The director is responsible for keeping proper accounting records which 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 to enable him to ensure that the financial statements comply with the Companies Act 2006 He is 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

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

ERNST & YOUNG

Independent auditors' report

to the members of Royston Engineering Group Limited

We have audited the financial statements of Royston Engineering Group Limited for the year ended 28 February 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 15 The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities)

This report is made solely to the company's members, 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 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 Ethical Standards for Auditors, including "APB Ethical Standard – Provisions Available for Small Entities (Revised)", in the circumstances set out in note 1 to the financial statements

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 the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 28 February 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, 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

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

Ernst & Young LLP

Darren Rutherford (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Newcastle upon Tyne
29 June 2011

Profit and loss account

for the year ended 28 February 2011

	Notes	2011 £	2010 £
Turnover – discontinued operations	2	5,932	–
Gross profit		5,932	–
Administrative expenses		(5,319)	(4,585)
Operating profit/(loss)	3	613	(4,585)
Net finance (charges)/income	4	(683)	70,808
(Loss)/profit on ordinary activities before taxation		(70)	66,223
Tax on (loss)/profit on ordinary activities	5	1	(15,466)
(Loss)/profit for the financial year	12	(69)	50,757

All activities derive from discontinued operations

Statement of total recognised gains and losses

for the year ended 28 February 2011

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £69 in the year ended 28 February 2011 (2010 – profit of £50,757)

Balance sheet
at 28 February 2011

	Notes	2011 £	2010 £
Fixed assets			
Tangible assets	7	-	627
Current assets			
Debtors – due within one year	8	-	591
– due after more than one year	8	-	1,301,872
Cash at bank and in hand		1,772	-
		1,772	1,302,463
Creditors amounts falling due within one year	9	(1,768)	(378,490)
Net current assets		4	923,973
Total assets less current liabilities		4	924,600
Creditors amounts falling due after more than one year	10	(2)	(700,000)
Net assets		2	224,600
Capital and reserves			
Called up share capital	11	1	100,000
Profit and loss account	12	1	(175,400)
Capital redemption reserve	12	-	300,000
Shareholders' funds	12	2	224,600

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities

The financial statements were approved by the Board of Directors on 29June 2011 and signed by

G R Denholm

Director

Notes to the financial statements

at 28 February 2011

1. Accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

Statement of cash flows

The company is exempt from the requirement to prepare a statement of cash flows under Financial Reporting Standard No 1 'Statement of Cash Flows (Revised)' as it meets the small company size criteria as defined by section 382 of the Companies Act 2006

Fixed assets

Depreciation is calculated to write off the cost of the fixed assets over their expected useful lives The rate of depreciation on fixtures and fittings is between 15% and 25% per annum on a reducing balance basis

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Deferred taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided in full on timing differences which result in an obligation of the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be covered Deferred tax assets and liabilities are not discounted

Non-equity shares

The company has adopted Financial Reporting Standard 25 'Financial Instruments Disclosure and Presentation' in these financial statements Preferred ordinary shares and cumulative redeemable preference shares are defined as non-equity shares and classified as a financial liability and accordingly the dividends payable are included in finance charges

2. Turnover

Turnover represents the value of services rendered within the United Kingdom excluding value added tax

Notes to the financial statements

at 28 February 2011

3. Operating profit/(loss)

This is stated after charging

	2011	2010
	£	£
Depreciation	112	137
Auditors' remuneration – audit services	1,000	1,779
- tax services	937	779

There were no employees during the year apart from the directors

The directors of the company are also directors of the ultimate parent company and fellow subsidiaries The directors received total remuneration for the year of £188,419 (2010 £188,160), all of which was paid by another group company The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the ultimate parent and fellow subsidiary companies

4. Net finance (charges)/income

	2011	2010
	£	£
Interest payable to group undertakings	-	(24,748)
Bank interest	(683)	(137)
Interest payable and similar charges	(683)	(24,885)
Interest receivable from group undertakings	-	95,693
Interest receivable and similar income	-	95,693
	(683)	70,808

Notes to the financial statements

at 28 February 2011

5. Tax

(a) Tax on (loss)/profit on ordinary activities

The tax (credit)/charge is made up as follows

	2011 £	*2010* £
Current tax		
Contribution (received)/given from another group company in respect of losses surrendered	(3,076)	247
Total current tax (note 5(b))	(3,076)	247
Deferred tax		
Origination and reversal of timing differences	2,966	15,163
Adjustment in respect of prior periods	-	56
Effect of change in tax rate on opening liability	109	-
Total deferred tax	3,075	15,219
Tax on (loss)/profit on ordinary activities	(1)	15,466

(b) Factors affecting current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 28% (2010 – 28%) The differences are explained below

	2011 £	*2010* £
(Loss)/profit on ordinary activities before tax	(70)	66,223
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 – 28%)	(20)	18,543
Effects of		
Disallowed expenses and taxable income	19	-
Depreciation in excess of/(less than) capital allowances	176	(58)
Other timing differences	(3,251)	-
Brought forward tax losses utilised	-	(18,238)
Current tax for the year (note 5(a))	(3,076)	247

A deferred tax asset amounting to £nil (2010 – £3,075) for unrelieved interest losses has been recognised because in the opinion of the directors there will be sufficient interest income in the foreseeable future against which this can be relieved

Notes to the financial statements

at 28 February 2011

5. Tax (continued)

(c) Factors affecting future tax charges

Following announcements in the 2011 Budget on 23 March 2011, it was proposed that the full rate of corporation tax be reduced for four years from 1 April 2011, ultimately bringing the corporation tax rate down to 23% A reduction from 28% to 27% was substantively enacted on 20 July 2010 and was intended to take effect from 1 April 2011, however the 2011 Budget announced that this will be reduced to26% instead and this reduction to 26% was substantively enacted on 29 March 2011 At the balance sheet date, the change in the tax rate has no effect on the current tax liabilities arising prior to the effective date of change The enacted reduction at the balance sheet date to 27% has however applied to the deferred tax asset arising at the balance sheet date

The 2011 Budget also confirmed previously announced proposed changes to capital allowances Amongst these it was proposed that the rate of writing down allowances on the main pool would reduce from 20% to 18% with effect from 1 April 2012 As these proposals have not yet been enacted , there is no effect on these financial statements

6. Dividends

	2011	*2010*
	£	£
Ordinary (equity shares) - Interims paid	924,527	-

Notes to the financial statements

at 28 February 2011

7. Tangible fixed assets

	Fixtures and fittings
	£
Cost	
At 1 March 2010	8,686
Disposal	(8,686)
At 28 February 2011	-
Depreciation	
At 1 March 2010	8,059
Charge for the year	112
On disposals	(8,171)
At 28 February 2011	-
Net book value	
At 28 February 2011	-
At 1 March 2010	627

8. Debtors

	2011	*2010*
	£	*£*
Amounts falling due within one year		
Other debtors	-	591
Amounts falling due after more than one year		
Amount owed by group undertakings	-	1,298,797
Deferred tax asset	-	3,075
	-	1,301,872

Notes to the financial statements
at 28 February 2011

9. Creditors: amounts falling due within one year

	2011	*2010*
	£	*£*
Bank overdraft	-	4,549
Amounts owed to group undertakings	1,768	360,565
Accruals and deferred income	-	13,376
	1,768	378,490

The bank overdraft is secured by fixed and floating charges over the company's assets

10. Creditors: amounts falling due after more than one year

	2011	*2010*
	£	*£*
Preferred ordinary shares of £0 000015 each (2010 £1 each) (note 11)	1	67,000
Cumulative redeemable preference shares of £0 0000016 each (2010 £1 each) (note 11)	1	633,000
	2	700,000

See note 11 for the terms of the non-equity shares

Notes to the financial statements

at 28 February 2011

11. Issued share capital

Allotted, called up and fully paid	*No*	*2011* *£*	*No*	*2010* *£*
Ordinary shares of £0 00001 each (2010 £1 each)	100,000	1	100,000	100,000

The accrued redeemable preference dividends were waived during the year

A redemption premium of 10% of the nominal value is payable

Non-equity shares have no voting rights unless certain conditions attached to the shares, in the company's Articles of Association, are not met

The rights to dividends are as follows

Share	*Dividend rights*	*Priority*
Cumulative redeemable preference shares	Fixed cumulative dividend of 14% per annum from 23 September 2005	1
Preferred ordinary shares	Annual dividends based upon fixed agreement	2
Ordinary shares	No fixed dividend right	3

The priority and amounts on winding up are as follows

Share	*Amounts receivable on winding up*	*Priority*
Cumulative redeemable preference shares	£1 per share plus dividends in arrears	1
Preferred ordinary shares	£1 per share plus dividends in arrears and in addition the right to surplus on winding up on an equal basis to the ordinary shareholders	2
Ordinary shares	Rights to surplus on winding up, after distribution to cumulative redeemable preference and preferred ordinary shareholders, are unlimited and shared equally with preferred ordinary shares	3

Notes to the financial statements

at 28 February 2011

12. Reconciliation of shareholders' funds and movement on reserves

	Share capital	*Profit and loss account*	*Capital redemption reserve*	*Non-equity redemption reserve*	*Total share-holders' funds*
	£	£	£	£	£
At 1 March 2009	100,000	(299,051)	300,000	72,894	173,843
Profit for the year	-	50,757	-	-	50,757
Transfer from reserve for redemption on non-equity shares	-	72,894	-	(72,894)	-
At 1 March 2010	100,000	(175,400)	300,000	-	224,600
Loss for the year	-	(69)	-	-	(69)
Capital reduction	(99,999)	1,099,997	(300,000)	-	699,998
Dividend paid	-	(924,527)	-	-	(924,527)
At 28 February 2011	1	1	-	-	2

Under provisions of the Companies Act 2006 the company effected a capital reduction on 22 February 2011 The shareholders approved the reduction in the nominal value of the Ordinary Shares, the Preferred Ordinary Shares and the Cumulative Redeemable Preference Shares This transaction has led to a reduction in long term creditors of £699,998 as the Preferred Ordinary Shares and the Cumulative Redeemable Preference Shares were classified as debt under FRS 25

13. Contingent liabilities

The company has entered into a cross guarantee covering the bank borrowings, which amount to group credit facilities of up to £1,650,000 with Royston Limited and Royston Power Generation Limited

14. Related party transactions

The company has taken advantage of the exemption available under FRS8 Related Party Disclosures, not to disclose related party transactions with other wholly owned group undertakings

15. Immediate parent undertaking and controlling party

The immediate parent undertaking is Royston Power Generation Limited, a company incorporated in England and Wales Copies of the financial statements are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ Royston Power Generation Limited is the parent of the smallest and largest group of companies for which consolidated financial statements are prepared

The directors do not consider any one person to have overall control of the company