

Company Registration No. 3538796

KILLBY & GAYFORD GROUP LIMITED

Report and Financial Statements

Year ended 31 December 2005



KILLBY & GAYFORD GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2005

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KILLBY & GAYFORD GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J A Roberts (Chairman) *
T L Smith (Chief Executive)
C J Chivers
J P H Vickers

SECRETARY

G Williams Hamer

REGISTERED OFFICE

Osborne House
9-11 Macaulay Road
London SW4 0QP

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
London

* Non-executive

KILLBY & GAYFORD GROUP LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 December 2005.

BUSINESS REVIEW

The activities of the Group during the year were those of building, joinery, electrical and security contractors.

The Group performed well in a competitive market, increasing turnover to £67,303,770 (2004 - £58,913,816) and operating profit to £1,744,846 (2004 - £1,601,294). All preference shares were redeemed and all loans repaid, leaving gearing at historically low levels.

Ongoing business opportunities enabled the Group to secure a substantial forward order book including a high volume of repeat business enabling it to look forward progressively and with confidence.

RESULTS AND DIVIDENDS

The profit for the year before taxation was £1,636,418 (2004 - £1,388,386). A dividend of £9,583 (2004 - £33,291) was paid on 8% 'A' preference shares, £11,042 (2004 - £36,833) on 8% 'B' preference shares, and £84,585 (2004 - £105,470) is proposed on 'A' ordinary shares. The directors recommend a dividend for the year on the ordinary shares of £134,556 (2004 - £167,793).

DIRECTORS AND THEIR INTERESTS

The members of the Board throughout the year are shown on page 1.

Directors' interests are as follows:

The Company	31 December 2005	1 January 2005
T L Smith		
£1 ordinary shares	201,000	201,000
'B' preference shares	-	200,000
C J Chivers		
£1 ordinary shares	45,000	45,000

No other director had any interests in shares in the Company or any group company during the year.

CHARITABLE DONATIONS

The Group's charitable donations for the year amounted to £5,000.

HEALTH AND SAFETY

The policy of the Group is to comply with all current health, safety and welfare legislation by ensuring that as part of the proactive management of the Group's health and safety system, everyone involved in or affected by its activities is embraced within safe systems of work, based upon stringent risk assessment and procedures which are internally audited to ensure continuous compliance and improvement.

The London Building Safety Group acts as Safety Adviser to the Group providing support, guidance and training. Safety Committees, representing all aspects of the business and ultimately reporting to the Board, have regularly met throughout the year.

DIRECTORS' REPORT (continued)

ENVIRONMENTAL

The policy of the Group is to carry out its operations and activities in an environmentally responsible manner. The Group aims to support the environmental policies of its Clients and to comply with relevant legislation and regulations to minimise waste, conserve energy and to use natural and sustainable resources.

EMPLOYMENT

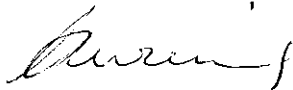
The Group is committed to equality in its employment practices. Therefore the Group gives full and fair consideration to applicants for employment, who are disabled and for continuing the employment of those who become disabled. High priority is given to training and development and opportunities are provided for all employees free from discrimination.

During the financial year open and fair communication with employees continued. Employees were consulted, using various media, on matters concerning them, to enable them to understand the financial, economic and strategic developments which effect the business and to allow them to benefit from its positive financial performance through bonus and profit share schemes.

AUDITORS

Deloitte & Touche LLP has signified their willingness to remain in office. In accordance with section 384 of the Companies Act 1985, a resolution proposing their reappointment as auditors of the Company will be put to the Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



G Williams Hamer
Secretary

28 April 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 the Group as at the end of the financial year 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KILLBY & GAYFORD GROUP LIMITED

We have audited the group and individual company financial statements (the "financial statements") of Killby & Gayford Group Limited for the year ended 31 December 2005, which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the notes to the consolidated cash flow statement and the related notes 1 to 23. These financial statements have been prepared under 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 auditors' 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 Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 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 other transactions is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 and the Group'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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the individual Company's affairs as at 31 December 2005 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

United Kingdom

28 April 2006

KILLBY & GAYFORD GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 31 December 2005

	Note	2005 £	Restated 2004 £
TURNOVER	1	67,303,770	58,913,816
Cost of sales		(55,791,526)	(48,256,195)
GROSS PROFIT		11,512,244	10,657,621
Administrative expenses		(9,767,398)	(9,056,327)
OPERATING PROFIT	3	1,744,846	1,601,294
Interest receivable and similar income	6	1,537	42,634
Interest payable and similar charges	6	(109,965)	(255,542)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,636,418	1,388,386
Tax on profit on ordinary activities	7	(908,000)	(427,908)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		728,418	960,478
Dividends	2	(293,888)	(173,540)
Retained profit for the financial year	17	434,530	786,938

All transactions derive from continuing operations.

There are no recognised gains or losses in either the current or preceding financial year other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses is required.

Comparative amounts for dividends in 2004 have been restated to comply with the new requirements prescribed by FRS 21, detailed in Note 1.

KILLBY & GAYFORD GROUP LIMITED

CONSOLIDATED BALANCE SHEET 31 December 2005


	Note	2005 £	Restated 2004 £
FIXED ASSETS			
Tangible assets	9	2,542,668	2,647,428
Goodwill	10	2,660,236	2,871,646
		<u>5,202,904</u>	<u>5,519,074</u>
CURRENT ASSETS			
Stocks	12	686,987	651,980
Debtors	13	14,807,128	14,355,994
Cash at bank and in hand		165,739	53,910
		<u>15,659,854</u>	<u>15,061,884</u>
CREDITORS: amounts falling due within one year	14	<u>(15,575,504)</u>	<u>(15,418,602)</u>
NET CURRENT ASSETS		<u>84,350</u>	<u>(356,718)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,287,254</u>	<u>5,162,356</u>
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>(10,049)</u>	<u>(28,868)</u>
NET ASSETS		<u>5,277,205</u>	<u>5,133,488</u>
CAPITAL AND RESERVES			
Called up share capital	16	540,000	540,000
Share premium	17	1,163,250	1,163,250
Profit and loss account	17	2,340,355	2,524,575
Capital redemption reserve	17	1,353,750	1,025,813
Investment in own shares	17	<u>(120,150)</u>	<u>(120,150)</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	18	<u>5,277,205</u>	<u>5,133,488</u>

Comparative balances for 2004 have been restated to comply with the new requirements prescribed by FRS 21 and FRS 25, as detailed in Note 1.

The Board of Directors approved these financial statements on 28 April 2006.

Signed on behalf of the Board of Directors


T L Smith
Director


J P H Vickers
Director

KILLBY & GAYFORD GROUP LIMITED

COMPANY BALANCE SHEET 31 December 2005

	Note	2005 £	Restated 2004 £
FIXED ASSETS			
Investments	11	14,046,166	14,046,166
CURRENT ASSETS			
Cash at bank and in hand		18,887	-
CREDITORS: amounts falling due within one year	14	(8,225,319)	(8,548,309)
NET CURRENT LIABILITIES		(8,206,432)	(8,548,309)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,839,734	5,497,857
NET ASSETS		5,839,734	5,497,857
CAPITAL AND RESERVES			
Called up share capital	16	540,000	540,000
Share premium	17	1,163,250	1,163,250
Profit and loss account	17	2,782,734	2,768,794
Capital redemption reserve	17	1,353,750	1,025,813
TOTAL EQUITY SHAREHOLDERS' FUNDS	18	5,839,734	5,497,857

Comparative balances for 2004 have been restated to comply with the new requirements prescribed by FRS 21 and FRS 25, as detailed in Note 1.

The Board of Directors approved these financial statements on 28 April 2006.

Signed on behalf of the Board of Directors



T L Smith
Director



J P H Vickers
Director

KILLBY & GAYFORD GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT Year ended 31 December 2005

	Note	2005 £	2004 £
Net cash inflow from operating activities	19	2,673,042	2,503,881
Returns on investments and servicing of finance			
Interest received		1,537	42,634
Interest paid		(109,965)	(235,376)
Dividends paid to preference shareholders		(24,750)	(74,250)
Net cash outflow from returns on investments and servicing of finance		(133,178)	(266,992)
Taxation			
UK corporation tax paid in respect of the year ended 31 December 2004 /31 December 2003		(310,709)	(466,935)
UK corporation tax paid in respect of the year ended 31 December 2005 /31 December 2004		(179,462)	(135,000)
		(490,171)	(601,935)
Capital expenditure and financial investments			
Purchase of tangible fixed assets		(306,003)	(332,884)
Sale of tangible fixed assets		8,093	13,741
Net cash outflow from capital expenditure and financial investments		(297,910)	(319,143)
Acquisitions and disposals			
Equity dividends paid		(273,263)	(103,416)
Net cash inflow before financing		1,478,520	1,212,395
Financing			
Redemption of preference share capital		(618,750)	(618,750)
Repayment of loans		(293,750)	(698,750)
Net cash outflow from financing		(912,500)	(1,317,500)
Net cash inflow/(outflow) in the year	20	566,020	(105,105)

KILLBY & GAYFORD GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT Year ended 31 December 2005

Reconciliation of net cash inflow to movement in net debt (note 20)

	2005 £	2004 £
Increase/(decrease) in cash in the year	566,020	(105,105)
Cash outflow from loans	293,750	698,750
Amortisation of cost of loans	-	(20,166)
	<hr/>	<hr/>
Change in net debt per cash flow	859,770	573,479
Net debt at 1 January 2005	(1,408,658)	(1,982,137)
	<hr/>	<hr/>
Net debt at 31 December 2005	(548,888)	(1,408,658)
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

1. ACCOUNTING POLICIES

The following accounting policies have been used consistently unless otherwise noted below throughout the current and preceding financial years in dealing with items which are considered material in relation to the Group and Company's accounts.

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. All companies prepare accounts to 31 December.

The Company has implemented FRS 21 "Events after the balance sheet" and the presentation requirements of FRS 25 "Financial Instruments: Disclosure and Presentation" during the year, which is a mandatory requirement for accounting records commencing on or after 1 January 2005.

Compliance requires restatement of prior year comparatives. The impact on the financial statements is set out in Notes 2, 14, 16, 17 and 18.

In accordance with section 230 of the Companies Act 1985 a separate profit and loss account has not been presented for the Company. The profit for the Company is given in Note 8.

Goodwill

Goodwill arising on acquisition, is capitalised on the balance sheet and written off over twenty years. Provision is made for any impairment.

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and provision for any impairment.

Depreciation is provided on tangible fixed assets, apart from freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, which is reviewed annually. The following rates have been used:

Freehold property	2% straight line basis
Motor vehicles	20% straight line basis
Computer Equipment	25% straight line basis
Plant and machinery	15% reducing balance basis
Fixtures and fittings	10% reducing balance basis

Stocks

Stocks are valued at the lower of cost and net realisable value.

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

1. ACCOUNTING POLICIES (continued)

Long-term contracts

Long-term contract balances are stated at cost plus, where the outcome can be assessed with reasonable certainty, estimated profits attributable to the stage of completion, less provision for any known or expected losses and progress payments receivable on account, and are included as amounts recoverable on contracts under debtors.

Advance and progress payments are included under creditors to the extent that they exceed the related long-term contract balances.

Taxation

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

Deferred taxation is provided on all timing differences that result in an obligation at 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 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 more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Turnover

Group turnover is the amount of accounts rendered (excluding value added tax) after adjusting for the value of work in progress at the beginning and the end of the year in the UK.

Pensions

Payments are made on behalf of various employees to money purchase pension schemes. These payments are charged to the profit and loss account as they fall due.

2. DIVIDENDS – restated for adoption of FRS 21

	2005 £	2004 £
Non equity dividends:		
‘A’ 8% preference shares (paid)	9,583	33,291
‘B’ 8% preference shares (paid)	11,042	36,833
Equity dividends:		
‘A’ ordinary shares proposed	-	105,470
Ordinary shares proposed	-	167,793
	<hr/>	<hr/>
	20,625	343,387
Restate proposed dividends declared after the balance sheet date per FRS 21 as detailed in Note 1:		
‘A’ ordinary shares proposed in 2004	-	(105,470)
Ordinary shares proposed in 2004	-	(167,793)
‘A’ ordinary shares (paid)	105,470	103,416
Ordinary shares (paid)	167,793	-
	<hr/>	<hr/>
	293,888	173,540
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

3. OPERATING PROFIT

	2005	2004
	£	£
Operating profit is stated after charging/(crediting):		
Depreciation of fixed assets	403,742	399,392
Amortisation of goodwill	211,410	211,410
Net loss/(profit) on disposal of fixed assets	(1,072)	3,880
Auditors' remuneration - audit services	48,000	45,000
- non audit services	11,000	22,690
	<u> </u>	<u> </u>

4. DIRECTORS' EMOLUMENTS

	2005	2004
	£	£
Total directors' emoluments as executives including benefits in kind	479,635	432,400
Pension contributions	47,313	46,492
	<u> </u>	<u> </u>
	526,948	478,892
	<u> </u>	<u> </u>
Highest paid director:		
Remuneration	216,076	190,384
Pension contributions	29,942	29,643
	<u> </u>	<u> </u>
	246,018	220,027
	<u> </u>	<u> </u>

Three directors accrued benefits under defined contribution pension schemes (2004 – three).

5. PARTICULARS OF EMPLOYEES

The average number of employees of the Group (including directors) during the year was:

	2005	2004
	No.	No.
Production	168	177
Administration and management	124	115
	<u> </u>	<u> </u>
	292	292
	<u> </u>	<u> </u>
Staff costs (including directors) during the year amounted to:	£	£
Wages, salaries and bonus	10,506,534	10,150,851
Social security costs	1,111,246	1,101,030
Other pension costs	226,681	216,674
	<u> </u>	<u> </u>
	11,844,461	11,468,555
	<u> </u>	<u> </u>

The Killby & Gayford Group contributes to a number of defined contribution pension schemes. The assets of these schemes are held independently from those of the Group and are independently administered. The costs incurred on behalf of the employees of the Group are shown above under 'other pension costs'. Unpaid contributions included in the balance sheet amounted to £nil (2004 - £nil).

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

6. INTEREST RECEIVABLE AND PAYABLE

	2005	2004
	£	£
Interest receivable and similar income		
Bank interest	1,537	42,634

	2005	2004
	£	£
Interest payable and similar charges		
Bank overdraft, loans and other interest	109,965	235,376
Amortised loan costs	-	20,166
	<u>109,965</u>	<u>255,542</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of tax charge on ordinary activities		
	2005	2004
	£	£
UK corporation tax at 30% (2004 – 30%)	606,836	441,220
Adjustment in respect of prior years	319,983	(2,323)
	<u>926,819</u>	<u>438,897</u>
Deferred tax charge (see Note 15):		
Timing differences, origination and reversal	(18,819)	(10,989)
	<u>908,000</u>	<u>427,908</u>

Factors affecting tax charge for the current period

	2005	2004
	£	£
Profit on ordinary activities before tax	1,636,418	1,388,386
Tax at 30% thereon:	490,925	416,516
Effects of:		
Expenses not deductible for tax purposes	92,340	22,443
Depreciation in excess of capital allowances	29,262	10,040
Movements in short term differences	696	(193)
Small companies rate	(6,709)	(8,749)
Profit on disposal of fixed assets	322	1,163
Prior period adjustments	319,983	(2,323)
Current tax charge	<u>926,819</u>	<u>438,897</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

8. PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY

The amount included in the Group profit after tax before dividends paid, dealt with in the accounts of the parent company is a profit of £926,578 (2004 – £1,211,378). In accordance with section 230 of the Companies Act 1985 a separate profit and loss account has not been presented for the Company.

9. TANGIBLE FIXED ASSETS

The Group	Freehold property £	Motor vehicles £	Computer Equipment £	Plant and machinery £	Fixtures and fittings £	Total £
Cost:						
At 1 January 2005	1,890,563	903,839	1,014,844	433,317	615,846	4,858,409
Additions	56,873	150,680	91,365	-	7,085	306,003
Disposals	-	(227,790)	-	-	-	(227,790)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2005	1,947,436	826,729	1,106,209	433,317	622,931	4,936,622
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation:						
At 1 January 2005	298,853	586,575	670,743	312,032	342,778	2,210,981
Charge for year	38,254	118,498	201,195	18,171	27,624	403,742
Disposals	-	(220,769)	-	-	-	(220,769)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2005	337,107	484,304	871,938	330,203	370,402	2,393,954
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value:						
At 31 December 2005	1,610,329	342,425	234,271	103,114	252,529	2,542,668
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	1,591,710	317,264	344,101	121,285	273,068	2,647,428
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Under the transitional rules of FRS 15 the value of the freehold properties has not been updated from the 31 December 1997 valuation.

10. GOODWILL

The Group	£
Cost:	
At 1 January and 31 December	4,228,193
	<hr/>
Amortisation:	
At 1 January 2005	1,356,547
Charge for the year	211,410
	<hr/>
At 31 December 2005	1,567,957
	<hr/>
Net book value:	
At 31 December 2005	2,660,236
	<hr/>
At 31 December 2004	2,871,646
	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

11. INVESTMENTS

	2005 £	2004 £
Company		
(a) Subsidiary companies		
Shares at cost		
At 1 January and 31 December	14,046,166	14,046,166

The subsidiary undertakings are as follows:	% of shares and voting rights held	Principal activities
Killby & Gayford (Holdings) Limited		
30,000 management shares of £1 each (voting)	100	
26,207 cumulative preference shares of £1 each (non-voting)	100	Building, joinery, electrical and security contractors
Killby & Gayford (Building) Limited		
23,335 ordinary shares of £1 each	100	Dormant company
Crownedge Limited		
2 ordinary shares of £1 each	100	Trustee of employee incentive trust
Subsidiaries of Killby & Gayford (Holdings) Limited		
Killby & Gayford Limited		Building, and specialist contractors
20,000 management shares of 25p each (voting)	100	
Killby & Gayford (Joinery & Security) Limited		
2,513 4.2% cumulative preference shares of £1 each	100	Dormant company
500 ordinary shares of £1 each	100	
Killby & Gayford (Electrical & Mechanical) Limited		
10,000 ordinary shares of £1 each	100	Dormant company
Killby & Gayford (Developments) Limited		
2 ordinary shares of £1 each	100	Dormant company
Comsec Security Systems Limited		
100 ordinary shares of £1 each	100	Dormant company
Killby-Tann Limited		
3,000 ordinary shares of £1 each	100	Dormant company

All of the above undertakings are incorporated in Great Britain and registered in England and Wales.

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

12. STOCKS

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Raw materials and consumables	686,987	651,980	-	-

The directors do not consider there to be a material difference between the carrying value and replacement cost of stocks.

13. DEBTORS

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Amounts recoverable on contracts	11,219,006	10,633,487	-	-
Trade debtors	3,325,698	3,481,595	-	-
Other debtors	174,079	155,367	-	-
Prepayments and accrued income	88,345	85,545	-	-
	<u>14,807,128</u>	<u>14,355,994</u>	<u>-</u>	<u>-</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2005	Restated 2004	2005	Restated 2004
	£	£	£	£
Bank overdraft	714,627	1,168,818	-	1,538,145
Other loans	-	293,750	-	293,750
Trade creditors	12,280,936	11,463,254	-	-
Amounts owed to group undertakings	-	-	8,059,945	6,248,993
Other taxes and social security costs	1,000,914	990,236	-	-
Corporation tax	712,357	275,710	-	-
'A' and 'B' preference shares (see Note 16)	-	327,937	-	327,937
Other creditors	282,404	412,604	-	-
Accruals and deferred income	584,266	486,293	165,374	139,484
	<u>15,575,504</u>	<u>15,418,602</u>	<u>8,225,319</u>	<u>8,548,309</u>

The above 'A' and 'B' preference shares have been reclassified as short term liabilities from equity in line with the requirements of FRS 25 set out in Note 1. Accordingly, Called Up Share Capital detailed in Note 16 has also been restated.

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

15. PROVISIONS FOR LIABILITIES AND CHARGES

Group	Deferred tax £
Balance at 1 January 2005	28,868
Released in year	(18,819)
Balance at 31 December 2005	<u>10,049</u>

The amounts of deferred taxation provided in the accounts are as follows:

	2005 £	2004 £
Deferred taxation		
Accelerated capital allowances	18,041	36,164
Other timing differences	(7,992)	(7,296)
	<u>10,049</u>	<u>28,868</u>

16. CALLED UP SHARE CAPITAL

	Group and Company Restated 2005 £	2004 £
Authorised:		
402,000 ordinary shares of £1 each	402,000	402,000
198,000 'A' ordinary shares of £1 each	198,000	198,000
1,175,000 8% 'A' preference shares of 1p each	11,750	11,750
1,300,000 8% 'B' preference shares of £1 each	1,300,000	1,300,000
	<u>1,911,750</u>	<u>1,911,750</u>
Called up, allotted and fully paid:		
342,000 ordinary shares of £1 each	342,000	342,000
198,000 'A' ordinary shares of £1 each	198,000	198,000
	<u>540,000</u>	<u>540,000</u>

Both the ordinary shares and 'A' ordinary shares carry one vote per share. The preference shares have no voting rights and attract a cumulative dividend of 8%.

'A' and 'B' preference shares were redeemable by class in four equal annual instalments from 31 May 2002. The final repayment was made on 31 May 2005.

As detailed in Note 1, A and B preference shares of £nil (2004 – £327,937) have been reclassified to creditors in Note 14 in accordance with FRS 25.

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

16. CALLED UP SHARE CAPITAL (continued)

Capital repayment

In the event of a capital repayment the amounts available for payment to shareholders will be the subscription price on each share in the following order:

- (a) 'A' ordinary shares
- (b) Ordinary shares

The surplus goes to 'A' ordinary and ordinary shares as if the shares were the same class. If any share has dividend arrears these must be cleared prior to return of capital or an equivalent sum added to the amount of capital returned.

17. STATEMENT OF MOVEMENT ON RESERVES

Group	Share premium £	Capital redemption reserve £	Investment in own shares £	Profit and loss account £	Total £
At 1 January 2005	1,163,250	1,025,813	(120,150)	2,251,312	4,320,225
Restatement of dividends paid under FRS 21 (Note 2)	-	-	-	273,263	273,263
Restated at 1 January 2005	1,163,250	1,025,813	(120,150)	2,524,575	4,593,488
Retained profit for year	-	-	-	434,530	434,530
Capital redemption	-	327,937	-	(618,750)	(290,813)
At 31 December 2005	<u>1,163,250</u>	<u>1,353,750</u>	<u>(120,150)</u>	<u>2,340,355</u>	<u>4,737,205</u>
Company					
At 1 January 2005	1,163,250	1,025,813	-	3,635,531	5,824,594
Restatement of dividends paid under FRS 21 (note 2)	-	-	-	273,263	273,263
Inter-company dividend receivable relating to 2004, restated under FRS 21 as detailed in Note 1	-	-	-	(1,140,000)	(1,140,000)
Restated at 1 January 2005	1,163,250	1,025,813	-	2,768,794	4,957,857
Retained profit for year	-	-	-	632,690	632,690
Capital redemption	-	327,937	-	(618,750)	(290,813)
At 31 December 2005	<u>1,163,250</u>	<u>1,353,750</u>	<u>-</u>	<u>2,782,734</u>	<u>5,299,734</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	Restated 2004 £
Opening shareholders' funds as previously stated	-	5,189,821
Restatement of dividends paid under FRS 21 (Note 2)	-	103,416
Reclassification of preference shares to creditors per FRS 25, as detailed in Note 1	-	(655,875)
	<u>5,133,488</u>	<u>4,637,363</u>
Opening shareholders' funds restated		
Profit on ordinary activities after taxation	728,418	960,478
Dividends paid	(293,888)	(173,540)
Re-purchase of shares during the year	(290,813)	(290,813)
	<u>143,717</u>	<u>496,125</u>
Net increase in shareholders' funds:		
	<u>5,277,205</u>	<u>5,133,488</u>
Closing shareholders' funds		

The Killby & Gayford Employee Incentive Trust ("The Trust") was established to hold shares in the Group for the benefit of employees. The Trust currently owns 27,000 ordinary shares at £4.45 per share.

19. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2005 £	2004 £
Operating profit	1,744,846	1,601,294
Depreciation of fixed assets	403,742	399,392
Amortisation of goodwill	211,410	211,410
(Profit)/Loss on sale of fixed assets	(1,072)	3,880
Increase in creditors	800,258	135,280
(Increase)/decrease in debtors	(451,135)	16,265
(Increase)/decrease in stock	(35,007)	136,360
	<u>2,673,042</u>	<u>2,503,881</u>
Net cash inflow from operating activities		

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

20. ANALYSIS OF NET DEBT

	1 January 2005 £	Cash flow £	31 December 2005 £
Cash at bank	53,910	111,829	165,739
Overdraft	(1,168,818)	454,191	(714,627)
	<u>(1,114,908)</u>	<u>566,020</u>	<u>(548,888)</u>
Debt due before one year	<u>(293,750)</u>	<u>293,750</u>	<u>-</u>
	<u><u>(1,408,658)</u></u>	<u><u>859,770</u></u>	<u><u>(548,888)</u></u>

21. CAPITAL COMMITMENTS

There were no capital commitments contracted for but not provided for at 31 December 2005 (2004 – £nil).

22. RELATED PARTY TRANSACTIONS

No related party transactions have been disclosed between this Company and the other Group companies as permitted by Section 17 of the Financial Reporting No. 8 – Related Party Disclosure.

23. ULTIMATE CONTROLLING PARTY

There is no single controlling party. Ultimate control is exercised by the shareholders.