

Company Registration No. 3538796

KILLBY & GAYFORD GROUP LIMITED

Report and Financial Statements

Year ended 31 December 2006



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KILLBY & GAYFORD GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2006

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KILLBY & GAYFORD GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2006

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 2006

PRINCIPAL ACTIVITIES

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

The subsidiary undertakings affecting the profits or net assets of the Group are listed in note 11.

BUSINESS REVIEW

The Group performed well in a competitive market, increasing sales, operating margin and profit, whilst advancing the public profile of the business, developing its management structure and remaining debt free

Key Performance Indicators

- Sales of £69.1m (2005 - £67.3m)
- Operating profit of £2.1m (2005 - £1.7m)
- Operating margin 3.02% (2005 - 2.59%)
- Tender success 38.11% (2005 - 23.99%)
- Order book £62.8m (2005 - £34.0m)
- Reportable incidents 2 (2005 - 3)

Operational

The Group's strategy of developing long term associations and maximising core business opportunities, whilst seeking to develop further sector diversification, continued with a strong presence in the financial, heritage, education, health and commercial sectors, resulting in significant repeat business and a strong order book going into 2007

The Group recognises that continued success depends on developing the resources upon which its reputation, viability and profitability have been achieved. Investment in infrastructure, training and the development of people will therefore be key to Group strategy going forward and the realisation of future corporate objectives

Risks and Uncertainties

The Group has an established structured approach to all risk management, based upon the operation of sound business processes and procedures. Financially this is managed by reviewing all contracts for credit risk prior to commencement and obtaining appropriate surety

Dividends

The directors propose a dividend on 'A' ordinary shares of £128,082 (2005 - £84,585) and recommend a dividend for the year on the ordinary shares of £204,413 (2005 - £134,556)

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 2006	1 January 2006
T L Smith		
£1 ordinary shares	201,000	201,000
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

KILLBY & GAYFORD GROUP LIMITED

DIRECTORS' REPORT (continued)

CHARITABLE DONATIONS

The Group's charitable donations for the year amounted to £1,340 (2005 - £5,000)

HEALTH AND SAFETY

Health & Safety processes and procedures are continuously monitored and reviewed at regular meetings of Safety Committees, representing all aspects of the business. Health & Safety issues are considered at all Board meetings held during the year.

The London Building Safety Group continues to provide external support, guidance and training as appropriate.

ENVIRONMENTAL

The environment is viewed as an essential corporate responsibility and the Group's policy is to conduct its operations in an environmentally responsible manner, in compliance with all relevant legislation and regulations and with due regard to the efficient use of sustainable resources, to minimise waste and conserve energy.

EMPLOYMENT

The Group is committed to Equal Opportunities in its employment practices and in the services it provides and to establishing and maintaining a working environment in which recruitment, terms and conditions, appraisal, training and promotion within the Group are based upon merit, free from discrimination, this includes those who are or who may become disabled.

The Group seeks to consult openly and fairly with employees on matters concerning them, using various media, to enable them to understand the financial, economic and strategic developments, which affect the business and to allow them to benefit from its positive financial performance through bonus and profit sharing schemes.

Disclosure of information to auditors

In the case of each of the persons who are directors of the company at the date when this report was approved:

- So far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- Each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

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

27 April 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these 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 UK 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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible 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 parent company financial statements (the "financial statements") of Killby & Gayford Group Limited for the year ended 31 December 2006, which comprise the consolidated profit and loss account and balance sheets, 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 the 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 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 and consider the implications for our report if we become aware of any apparent misstatements within it.

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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent company's affairs as at 31 December 2006 and of the Group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte + Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
United Kingdom
27 April 2007

KILLBY & GAYFORD GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 31 December 2006

	Note	2006 £	2005 £
TURNOVER	1	69,072,916	67,303,770
Cost of sales		(57,217,582)	(55,791,526)
GROSS PROFIT		11,855,334	11,512,244
Administrative expenses		(9,766,189)	(9,767,398)
OPERATING PROFIT	3	2,089,145	1,744,846
Interest receivable and similar income	6	19,668	1,537
Interest payable and similar charges	6	(117,352)	(109,965)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,991,461	1,636,418
Tax on profit on ordinary activities	7	(779,741)	(908,000)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,211,720	728,418
Dividends	2	(219,141)	(293,888)
Retained profit for the financial year	17	992,579	434,530

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

KILLBY & GAYFORD GROUP LIMITED

CONSOLIDATED BALANCE SHEET 31 December 2006

	Note	2006 £	2005 £
FIXED ASSETS			
Tangible assets	9	2,409,075	2,542,668
Goodwill	10	2,448,826	2,660,236
		<u>4,857,901</u>	<u>5,202,904</u>
CURRENT ASSETS			
Stocks	12	680,900	686,987
Debtors	13	18,935,437	14,807,128
Cash at bank and in hand		23,349	165,739
		<u>19,639,686</u>	<u>15,659,854</u>
CREDITORS: amounts falling due within one year	14	<u>(18,226,794)</u>	<u>(15,575,504)</u>
NET CURRENT ASSETS		<u>1,412,892</u>	<u>84,350</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,270,793</u>	<u>5,287,254</u>
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>(1,009)</u>	<u>(10,049)</u>
NET ASSETS		<u>6,269,784</u>	<u>5,277,205</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	3,332,934	2,340,355
Capital redemption reserve	17	1,353,750	1,353,750
Investment in own shares	17	<u>(120,150)</u>	<u>(120,150)</u>
TOTAL SHAREHOLDERS' FUNDS	18	<u>6,269,784</u>	<u>5,277,205</u>

The Board of Directors approved these financial statements on 27 April 2007

Signed on behalf of the Board of Directors



T L Smith
Director



J P H Vickers
Director

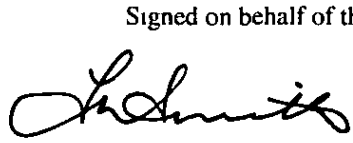
KILLBY & GAYFORD GROUP LIMITED

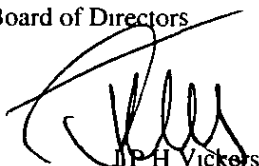
COMPANY BALANCE SHEET 31 December 2006

	Note	2006 £	2005 £
FIXED ASSETS			
Investments	11	<u>14,046,166</u>	<u>14,046,166</u>
CURRENT ASSETS			
Cash at bank and in hand		99,601	18,887
CREDITORS: amounts falling due within one year	14	<u>(7,703,505)</u>	<u>(8,225,319)</u>
NET CURRENT LIABILITIES		<u>(7,603,904)</u>	<u>(8,206,432)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,442,262	5,839,734
NET ASSETS		<u>6,442,262</u>	<u>5,839,734</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	3,385,262	2,782,734
Capital redemption reserve	17	<u>1,353,750</u>	<u>1,353,750</u>
TOTAL SHAREHOLDERS' FUNDS		<u>6,442,262</u>	<u>5,839,734</u>

The Board of Directors approved these financial statements on 27 April 2007

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 2006

	Note	£	2006 £	£	2005 £
Net cash (outflow)/inflow from operating activities	19		(688,324)		2,673,042
Returns on investments and servicing of finance					
Interest received		19,668		1,537	
Interest paid		(117,352)		(109,965)	
Dividends paid to preference shareholders		-		(24,750)	
Net cash outflow from returns on investments and servicing of finance			(97,684)		(133,178)
Taxation					
UK corporation tax paid in respect of the year ended 31 December 2005 /31 December 2004		(425,017)		(310,709)	
UK corporation tax paid in respect of the year ended 31 December 2006 /31 December 2005		(227,470)		(179,462)	
UK corporation tax paid in respect of chargeable gain for the year ended 31 December 2002		(336,412)		-	
			(988,899)		(490,171)
Capital expenditure and financial investments					
Purchase of tangible fixed assets		(193,323)		(306,003)	
Sale of tangible fixed assets		5,660		8,093	
Net cash outflow from capital expenditure and financial investments			(187,663)		(297,910)
Acquisitions and disposals					
Dividends paid			(219,141)		(273,263)
Net cash (outflow)/inflow before financing			(2,181,711)		1,478,520
Financing					
Redemption of preference share capital		-		(618,750)	
Repayment of loans		-		(293,750)	
Net cash outflow from financing			-		(912,500)
Net cash (outflow)/inflow in the year	20		(2,181,711)		566,020

KILLBY & GAYFORD GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT Year ended 31 December 2006

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

	2006 £	2005 £
(Decrease)/ Increase in cash in the year	(2,181,711)	566,020
Cash outflow from loans	-	293,750
	<u>(2,181,711)</u>	<u>859,770</u>
Change in net debt per cash flow	(2,181,711)	859,770
Net debt at 1 January 2006	(548,888)	(1,408,658)
	<u>(548,888)</u>	<u>(1,408,658)</u>
Net debt at 31 December 2006	<u>(2,730,599)</u>	<u>(548,888)</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

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.

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.

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.

KILLBY & GAYFORD GROUP LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2006

1. ACCOUNTING POLICIES (continued)

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

	2006 £	2005 £
Non equity dividends		
'A' 8% preference shares (paid)	-	9,583
'B' 8% preference shares (paid)	-	11,042
	-	20,625
Equity dividends		
'A' ordinary shares (paid)	84,585	105,470
Ordinary shares (paid)	134,556	167,793
	219,141	293,888

3. OPERATING PROFIT

	2006 £	2005 £
Operating profit is stated after charging/(crediting)		
Depreciation of fixed assets	322,451	403,742
Amortisation of goodwill	211,410	211,410
Net profit on disposal of fixed assets	(1,194)	(1,072)
Auditors' remuneration - audit services	50,000	48,000
- non audit services	13,600	11,000

KILLBY & GAYFORD GROUP LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2006

4. DIRECTORS' EMOLUMENTS

	2006 £	2005 £
Total directors' emoluments as executives including benefits in kind	526,181	479,635
Pension contributions	48,252	47,313
	<u>574,433</u>	<u>526,948</u>
Highest paid director		
Remuneration	242,317	216,076
Pension contributions	30,250	29,942
	<u>272,567</u>	<u>246,018</u>

Three directors accrued benefits under defined contribution pension schemes (2005 – three)

5. PARTICULARS OF EMPLOYEES

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

	2006 No.	2005 No.
Production	162	168
Administration and management	117	124
	<u>279</u>	<u>292</u>
Staff costs (including directors) during the year amounted to	£	£
Wages, salaries and bonus	10,670,590	10,506,534
Social security costs	1,154,788	1,111,246
Other pension costs	212,539	226,681
	<u>12,037,917</u>	<u>11,844,461</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 (2005 - £nil).

KILLBY & GAYFORD GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

6. INTEREST RECEIVABLE AND PAYABLE

	2006 £	2005 £
Interest receivable and similar income		
Bank interest	19,668	1,537

	2006 £	2005 £
Interest payable and similar charges		
Bank overdraft, loans and other interest	117,352	109,965
	<u>117,352</u>	<u>109,965</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of tax charge on ordinary activities

	2006 £	2005 £
UK corporation tax at 30 % (2005 – 30%)	739,891	606,836
Adjustment in respect of prior years	48,890	319,983
	<u>788,781</u>	<u>926,819</u>
Deferred tax charge (see Note 15)		
Timing differences, origination and reversal	(9,040)	(18,819)
	<u>779,741</u>	<u>908,000</u>

Factors affecting tax charge for the current period

	2006 £	2005 £
Profit on ordinary activities before tax	<u>1,991,461</u>	<u>1,636,418</u>
Tax at 30% thereon	597,438	490,925
Effects of		
Expenses not deductible for tax purposes	137,896	92,340
Depreciation in excess of capital allowances	14,737	29,262
Movements in short term differences	440	696
Small companies rate	(10,978)	(6,709)
Profit on disposal of fixed assets	358	322
Prior period adjustments	48,890	319,983
Current tax charge	<u>788,781</u>	<u>926,819</u>

KILLBY & GAYFORD GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

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 £821,669 (2005 – £926,578) 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 2006	1,947,436	826,729	1,106,209	433,317	622,931	4,936,622
Prior year reclassification	-	18,456	-	139,942	-	158,398
Additions	-	124,046	65,781	-	3,496	193,323
Disposals	-	(79,356)	-	-	-	(79,356)
At 31 December 2006	<u>1,947,436</u>	<u>889,875</u>	<u>1,171,990</u>	<u>573,259</u>	<u>626,427</u>	<u>5,208,987</u>
Accumulated depreciation:						
At 1 January 2006	337,107	484,304	871,938	330,203	370,402	2,393,954
Prior year reclassification	-	18,456	-	139,942	-	158,398
Charge for year	38,885	120,267	122,403	15,470	25,426	322,451
Disposals	-	(74,891)	-	-	-	(74,891)
At 31 December 2006	<u>375,992</u>	<u>548,136</u>	<u>994,341</u>	<u>485,615</u>	<u>395,828</u>	<u>2,799,912</u>
Net book value:						
At 31 December 2006	<u>1,571,444</u>	<u>341,739</u>	<u>177,649</u>	<u>87,644</u>	<u>230,599</u>	<u>2,409,075</u>
At 31 December 2005	<u>1,610,329</u>	<u>342,425</u>	<u>234,271</u>	<u>103,114</u>	<u>252,529</u>	<u>2,542,668</u>

Under the transitional rules of FRS 15 the value of the freehold properties has not been updated from the 31 December 1997 valuation. The Prior year reclassification relates to a re-analysis between cost and depreciation brought forward. There is no impact on net book value or on the profit and loss account.

KILLBY & GAYFORD GROUP LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2006

10. GOODWILL

The Group	£
Cost:	
At 1 January and 31 December 2006	<u>4,228,193</u>
Amortisation:	
At 1 January 2006	1,567,957
Charge for the year	<u>211,410</u>
At 31 December 2006	<u>1,779,367</u>
Net book value:	
At 31 December 2006	<u>2,448,826</u>
At 31 December 2005	<u>2,660,236</u>

KILLBY & GAYFORD GROUP LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2006

11. INVESTMENTS

	2006 £	2005 £
Company		
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	Building, joinery,
26,207 cumulative preference shares of £1 each (non-voting)	100	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
20,000 management shares of 25p each (voting)	100	contractors
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

KILLBY & GAYFORD GROUP LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2006

12. STOCKS

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Raw materials and consumables	680,900	686,987	-	-

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

13. DEBTORS

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Amounts recoverable on contracts	12,167,342	11,219,006	-	-
Trade debtors	6,157,429	3,325,698	-	-
Other debtors	421,398	174,079	-	-
Prepayments and accrued income	189,268	88,345	-	-
	18,935,437	14,807,128	-	-

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Bank overdraft	2,753,943	714,627	-	-
Trade creditors	12,601,141	12,280,936	-	-
Amounts owed to group undertakings	-	-	7,514,565	8,059,945
Other taxes and social security costs	1,035,623	1,000,914	-	-
Corporation tax	512,239	712,357	-	-
Other creditors	338,897	282,404	-	-
Accruals and deferred income	984,951	584,266	188,940	165,374
	18,226,794	15,575,504	7,703,505	8,225,319

KILLBY & GAYFORD GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

15. PROVISIONS FOR LIABILITIES AND CHARGES

Group	Deferred tax £
Balance at 1 January 2006	10,049
Released in year	(9,040)
	<hr/>
Balance at 31 December 2006	1,009
	<hr/>

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

	2006 £	2005 £
Deferred taxation		
Accelerated capital allowances	9,001	18,041
Other timing differences	(7,992)	(7,992)
	<hr/>	<hr/>
	1,009	10,049
	<hr/>	<hr/>

16. CALLED UP SHARE CAPITAL

	2006 £	2005 £
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
	<hr/>	<hr/>
	1,911,750	1,911,750
	<hr/>	<hr/>
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
	<hr/>	<hr/>
	540,000	540,000
	<hr/>	<hr/>

Both the ordinary shares and 'A' ordinary shares carry one vote per share. '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.

KILLBY & GAYFORD GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

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 2006	1,163,250	1,353,750	(120,150)	2,340,355	4,737,205
Retained profit for year	-	-	-	992,579	992,579
At 31 December 2006	<u>1,163,250</u>	<u>1,353,750</u>	<u>(120,150)</u>	<u>3,332,934</u>	<u>5,729,784</u>
Company					
At 1 January 2006	1,163,250	1,353,750	-	2,782,734	5,299,734
Retained profit for year	-	-	-	602,528	602,528
At 31 December 2006	<u>1,163,250</u>	<u>1,353,750</u>	<u>-</u>	<u>3,385,262</u>	<u>5,902,262</u>

KILLBY & GAYFORD GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Opening shareholders' funds	5,277,205	5,133,488
Profit on ordinary activities after taxation	1,211,720	728,418
Dividends paid	(219,141)	(293,888)
Re-purchase of shares during the year	-	(290,813)
Net increase in shareholders' funds	992,579	143,717
Closing shareholders' funds	6,269,784	5,277,205

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

	2006 £	2005 £
Operating profit	2,089,145	1,744,846
Depreciation of fixed assets	322,451	403,742
Amortisation of goodwill	211,410	211,410
Net profit on sale of fixed assets	(1,194)	(1,072)
Increase in creditors	812,092	800,258
Increase in debtors	(4,128,315)	(451,135)
Decrease / (Increase) in stocks	6,087	(35,007)
Net cash (outflow)/ inflow from operating activities	(688,324)	2,673,042

KILLBY & GAYFORD GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

20. ANALYSIS OF NET DEBT

	1 January 2006 £	Cash flow £	31 December 2006 £
Cash at bank	165,739	(142,390)	23,349
Overdraft	(714,627)	(2,039,321)	(2,753,948)
	<u>(548,888)</u>	<u>(2,181,711)</u>	<u>(2,730,599)</u>

21. CAPITAL COMMITMENTS

There were no capital commitments contracted for but not provided for at 31 December 2006 (2005 – £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