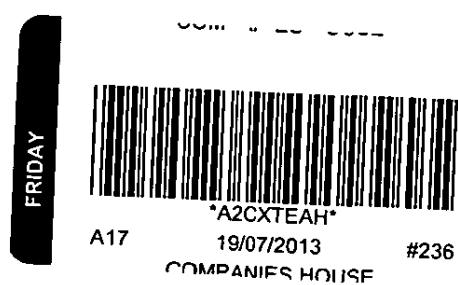


Sure Maintenance Group Limited

Directors' report and financial statements

For the year ended 31 December 2012

Registered number 05319177



# **Sure Maintenance Group Limited**

## **Directors' report and financial statements for the year ended 31 December 2012**

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# **Sure Maintenance Group Limited**

## **Directors and advisors**

|                                   |   |
|-----------------------------------|---|
| <b>Directors:</b>                 | D Cunningham<br>P Cornes<br>N Winks   |
| <b>Company Registered number:</b> | 05319177  |
| <b>Registered office:</b>         | The West Wing<br>The Matchworks<br>Speke Road<br>Liverpool<br>L19 2RF   |
| <b>Bankers:</b>                   | Lloyds Banking Group Plc<br>Level 5 Princess House<br>1 Suffolk Lane<br>London<br>EC4R OAX  |
| <b>Solicitors:</b>                | DWF LLP<br>5 Castle Street<br>Liverpool<br>L2 4XE   |
| <b>Independent auditors.</b>      | PricewaterhouseCoopers LLP<br>Chartered Accountants and Statutory Auditors<br>Donington Court<br>Pegasus Business Park<br>Castle Donington<br>East Midlands<br>DE74 2UZ |

# **Sure Maintenance Group Limited**

## **Directors' report for the year ended 31 December 2012**

The directors present their report and the audited financial statements of the group and Company (company registered number 05319177) for the year ended 31 December 2012

### **Principal activity**

The Company is the ultimate holding company of a group whose principal activity is the maintenance and installation of domestic gas appliances under multi-year contracts with registered social landlords and local authorities. Other continuing activities include facilities management and maintenance of technical assets installed in commercial buildings.

The subsidiary undertakings principally affecting the profits or net assets of the Group are listed in note 12 to these financial statements.

### **Business review and Key Performance Indicators**

On 29 February 2012 the Group completed a refinancing which introduced fresh working capital funding of £0.5m and significantly reduced its dependence on bank debt. The refinancing was supported by the Company's principal shareholders, funds managed by Graphite Capital Management LLP ("Graphite"). Graphite acquired £2,000,000 of bank borrowings together with their related security rights. The debt acquired was immediately converted into a £2m loan repayable on 31st December 2013 bearing interest at 4.5% above bank base rate. In addition Graphite subscribed for £500,000 of Fixed Rate Secured Loan Notes 2013 bearing interest at 10%. At the same time a new £500,000 Revolving Credit Facility was put in place and Graphite acquired the shareholding of Lloyds Banking Group in the Company.

Since the year end, the maturity date of the Graphite loans has been extended to 31<sup>st</sup> December 2015 and other loans of £460,257, including accrued interest, have been discharged using existing resources at a significant discount. The Group's debt restructuring is now complete.

Whilst the market and broader economic conditions in 2012 continued to be challenging, following the sale of its loss-making general contracting business in July 2011 the Group has focussed on Service and Maintenance activities. Both subsidiaries performed well and secured several new term contracts during 2012. The Group has continued to win new contracts in 2013 and expects to see further growth in future.

Sure Maintenance Limited – which derives the significant majority of its revenues from term maintenance activities for Registered Social Landlords – grew turnover by 28.1% in 2012 to £13.5m. F J Jones Heating Engineers Limited completed its repositioning away from working as an intermediate contractor for main contractors and is now entirely focussed on volume installation contracts, directly for Registered Social Landlords, generating acceptable profit margins.

Turnover from continuing operations increased by 16% to £16,250,000 (2011: £14,069,000) and gross margin from continuing businesses improved to 14.5% (2011: 13.8%). Continuing business generated earnings before interest, tax, depreciation and amortisation ("EBITDA") of £280,000 (2011: £88,000) or 1.7% of turnover (2011: 0.6%).

No exceptional costs were recorded in the year. In 2011 exceptional costs of £370,000 comprised operational restructuring and costs arising on resolution of a prior year contract dispute.

Interest costs were £305,000 (2011: £238,000) including payments of £71,000 under an interest rate swap which finished in December 2012 and so will not recur in 2013. The charge for amortisation of consolidation goodwill was £174,000 (2011: £170,000).

In 2011, the exceptional credit attributed to discontinued operations represented a waiver of inter-company loans immediately prior to the disposal of EMS. A corresponding exceptional charge was included in exceptional costs allocated to continuing operations.

The retained loss for the year was £176,000 (2011: £1,791,000) which has been taken to reserves.

Bank debt at the year-end was £465,000 (2011: £2,225,000) drawn down under the Group's revolving Credit Facility. Cash balances at the same time were £679,000 (2011: £535,000).

# **Sure Maintenance Group Limited**

## **Directors' report for the year ended 31 December 2012 (continued)**

### **Future developments**

The Directors consider that there are significant opportunities for the Group in its chosen markets and will seek to grow and develop profitable partnerships with the established client base and pursue new opportunities to grow both organically and through acquisition

### **Principal risks and uncertainties**

The financial health of the Group's clients is a risk. To mitigate these risks the Group has a system of reviewing the credit rating and status of clients on a regular basis. Any new clients are also subject to a new customer credit approval process before agreeing to proceed with the contract.

### **Financial risk management objectives and policies**

The Group's operations expose it to a variety of financial risks including credit risk, liquidity risk and interest rate risk.

#### **Credit risk**

The Group's principal assets are cash, trade debtors and amounts recoverable under contracts ("AROC"). The Group's credit risk is primarily attributable to its trade debtors and AROC. These debtors are spread over a number of clients and are subject to a regular weekly review by the executive management of the Group. This review process comprises of local management reporting on a weekly basis to the Directors of the Group all debtor balances and actions taken to recover overdue amounts. All clients are subject to a credit rating check both in advance of contracts being agreed and at subsequent regular intervals. The Group holds surplus cash with a bank with low credit risk.

#### **Liquidity risk**

The cash flow and working capital of the Group is regularly and strictly monitored by the executive management team and the Board of Directors. Any new contracts are fully appraised and reviewed and subject to executive team approval for working capital requirements.

As already mentioned in the principal risk section earlier, the Directors recognise that there is inherent uncertainty in the timing of cash flows in construction industry and there are also seasonal peaks and troughs in cash generation that need to be managed. During the winter months cash headroom is tighter than during the peak trading periods.

#### **Interest rate risk**

The interest rate on variable rate borrowings is no longer hedged and so the Group faces financial risk relating to interest rate movement. The Directors monitor trends in base rates and will review hedging strategy if it becomes appropriate to do so.

### **Employment policy**

The Group considers that employee involvement is essential to the continuing development and success of its business and uses a variety of methods to inform, consult and involve its employees. The primary communication channels for employees are within the Group's operating units.

Applications for employment by disabled persons are given full consideration, having regard to the capabilities of the applicant. In the event of employees becoming disabled, every effort is made to provide them with employment in the Group and to arrange any necessary re-training. It is the policy of the Group that the training, career development and promotion of disabled persons should as far as possible, be identical to that of a person who does not suffer from any disability. Appropriate access and facilities are also provided for any disabled employees as required. Training programmes are in place to ensure that the Group has suitably qualified individuals to undertake the various operational tasks within the Group.

# **Sure Maintenance Group Limited**

## **Directors' report for the year ended 31 December 2012 (continued)**

### **Going concern**

Following the re-financing completed in February 2012, the Group is no longer subject to any financial covenant tests under the terms of its Revolving Credit Facility. Although the Group's working capital facility is due for renewal at the end of 2013, the Directors believe that the facility will be renewed or replaced with adequate alternative facilities. The Directors have carefully considered the future forecasts of the business and consider headroom against the borrowing facilities of the Group to be adequate. The Directors do not therefore believe there to be significant uncertainty in the Company's ability to continue as a going concern.

### **Directors**

The Directors who served during the year and up to the date of signing the financial statements are as stated below:

D Cunningham  
S J Kerry (Resigned 30<sup>th</sup> April 2012)  
N Winks  
P Cornes

### **Statement of directors' responsibilities**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company Law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company 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 accounting estimates that are reasonable and prudent

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Statement of disclosure of information to auditors**

Each of the Directors at the date of approval of this report confirms that, so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and the directors have taken all the steps that ought to have been taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

# **Sure Maintenance Group Limited**

## **Directors' report for the year ended 31 December 2012 (continued)**

### **Directors' indemnities**

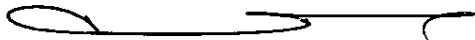
As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

This report has been prepared in accordance with the special provisions relating to medium-sized companies within Part 15 of the Companies Act 2006.

### **Post balance sheet events**

Since the year end, the maturity date of the Graphite loans has been extended to 31<sup>st</sup> December 2015 and other loans of £460,257, including accrued interest, have been repaid at a significant discount. The resultant credit will be reflected in the 2013 accounts.

Signed on behalf of the Board



**D Cunningham**  
Director

11<sup>th</sup> July 2013

## **Independent auditors' report to the members of Sure Maintenance Group Limited**

We have audited the Group and Parent Company financial statements (the "financial statements") of Sure Maintenance Group Limited for the year ended 31 December 2012 which comprise the Group profit and loss account, the Group and Company balance sheets, the Group cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities set out on page 4, 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.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **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 group's and parent 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 director's 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 implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2012 and of the Group's loss and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



## **Independent auditors' report to the members of Sure Maintenance Group Limited (continued)**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



**David Teager (Senior Statutory Auditor)**

For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands



July 2013

# Sure Maintenance Group Limited

## Group profit and loss account for the year ended 31 December 2012

|  | Note | 2012                | 2011                  | 2011                    | 2011         |
|--|------|---------------------|-----------------------|-------------------------|--------------|
|  |      | Total               | Continuing operations | Discontinued operations | Total        |
|  |      | £                   | £                     | £                       | £            |
| <b>Turnover</b>  | 2    | <b>16,250,294</b>   | 14,068,674            | 2,569,525               | 16,638,199   |
| <b>Cost of sales</b>   |      | <b>(13,886,913)</b> | (12,120,681)          | (2,468,903)             | (14,589,584) |
| <b>Gross profit</b>  |      | <b>2,363,381</b>    | 1,947,993             | 100,622                 | 2,048,615    |
| Administrative expenses – excluding exceptional costs and impairment of goodwill |      | <b>(2,428,716)</b>  | (2,198,580)           | (358,772)               | (2,557,352)  |
| Administrative expenses – exceptional costs                                      | 3    | -                   | (1,472,543)           | 1,102,532               | (370,011)    |
| <b>Administrative expenses</b>   |      | <b>(2,428,716)</b>  | (3,671,123)           | 743,760                 | (2,927,363)  |
| <b>Operating (loss)/ profit</b>  | 3    | <b>(65,335)</b>     | (1,723,130)           | 844,382                 | (878,748)    |
| Loss on disposal of discontinued operations                                      | 4    | -                   | -                     | (687,163)               | (687,163)    |
| Interest payable and similar charges   | 5    | <b>(304,857)</b>    | (238,382)             | -                       | (238,382)    |
| <b>Loss on ordinary activities before taxation</b>                               |      | <b>(370,192)</b>    | (1,961,512)           | 157,219                 | (1,804,293)  |
| Tax credit on loss on ordinary activities  | 9    | <b>194,055</b>      | 6,865                 | 6,910                   | 13,775       |
| <b>Loss for the financial year</b>   | 19   | <b>(176,137)</b>    | (1,954,647)           | 164,129                 | (1,790,518)  |

There is no material difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents

There were no recognised gains or losses other than the loss for the financial year and accordingly no separate statement of total recognised gains or losses presented

# Sure Maintenance Group Limited

## Group balance sheet as at 31 December 2012

|  | Note | 2012<br>£          | 2011<br>£          |
|--|------|--------------------|--------------------|
| <b>Fixed assets</b>  |      |                    |                    |
| Intangible assets  | 10   | 2,351,561          | 2,525,561          |
| Tangible assets  | 11   | 320,937            | 396,261            |
|  |      | <b>2,672,498</b>   | 2,921,822          |
| <b>Current assets</b>  |      |                    |                    |
| Debtors  | 14   | 2,524,543          | 1,894,758          |
| Cash at bank and in hand                                       |      | 679,241            | 535,209            |
|  |      | <b>3,203,784</b>   | 2,429,967          |
| <b>Creditors' amounts falling due within one year</b>          | 15   | <b>(6,882,626)</b> | (6,083,885)        |
| <b>Net current liabilities</b>                                 |      | <b>(3,678,842)</b> | (3,653,918)        |
| <b>Total assets less current liabilities</b>                   |      | <b>(1,006,344)</b> | (732,096)          |
| <b>Creditors' amounts falling due after more than one year</b> | 16   | <b>(213,808)</b>   | (311,919)          |
| <b>Net liabilities</b>   |      | <b>(1,220,152)</b> | <b>(1,044,015)</b> |
| <b>Capital and reserves</b>                                    |      |                    |                    |
| Called up share capital  | 18   | 174,404            | 174,404            |
| Share premium account  | 19   | 29,697,651         | 29,697,651         |
| Profit and loss account  | 19   | (31,092,207)       | (30,916,070)       |
| <b>Total shareholders' deficit</b>                             | 20   | <b>(1,220,152)</b> | <b>(1,044,015)</b> |

The financial statements on page 8 to 30 were approved by the Board of Directors on 11th July 2013 and signed on its behalf by



**D Cunningham**  
Director

# Sure Maintenance Group Limited

## Company balance sheet as at 31 December 2012

|  | Note | 2012<br>£          | 2011<br>£          |
|--|------|--------------------|--------------------|
| <b>Fixed assets</b>  |      |                    |                    |
| Investments  | 12   | 2,381,380          | 2,381,380          |
| <b>Current assets</b>  |      |                    |                    |
| Debtors  | 14   | -                  | 2,186,559          |
| Cash at bank and in hand                                       |      | 452                | 30,880             |
|  |      | <b>452</b>         | <b>2,217,439</b>   |
| <b>Creditors: amounts falling due within one year</b>          | 15   | <b>(6,369,141)</b> | <b>(8,220,305)</b> |
| <b>Net current liabilities</b>                                 |      | <b>(6,368,689)</b> | <b>(6,002,866)</b> |
| <b>Total assets less current liabilities</b>                   |      | <b>(3,987,309)</b> | <b>(3,621,486)</b> |
| <b>Creditors: amounts falling due after more than one year</b> | 16   | <b>(90,000)</b>    | <b>(90,000)</b>    |
| <b>Net liabilities</b>   |      | <b>(4,077,309)</b> | <b>(3,711,486)</b> |
| <b>Capital and reserves</b>                                    |      |                    |                    |
| Called up share capital  | 18   | 174,404            | 174,404            |
| Share premium account  | 19   | 29,697,651         | 29,697,651         |
| Profit and loss account  | 19   | (33,949,364)       | (33,583,541)       |
| <b>Total shareholders' deficit</b>                             | 20   | <b>(4,077,309)</b> | <b>(3,711,486)</b> |

The financial statements on page 8 to 30 were approved by the Board of Directors on 11th July 2013 and signed on its behalf by



**D Cunningham**  
Director

# Sure Maintenance Group Limited

## Group cash flow statement for the year ended 31 December 2012

|   | Note | 2012<br>£        | 2011<br>£        |
|---|------|------------------|------------------|
| <b>Reconciliation of operating loss to net cash outflow from operating activities</b> |      |                  |                  |
| Operating loss  |      | (65,335)         | (878,748)        |
| Depreciation charge   |      | 171,035          | 195,879          |
| Amortisation of goodwill  |      | 174,000          | 170,014          |
| Loss on sale of tangible fixed assets   |      | 7,782            | 885              |
| (Increase)/ decrease in debtors   |      | (435,730)        | 1,748,608        |
| (Decrease) in creditors   |      | (117,873)        | (2,109,392)      |
| <b>Net cash outflow from operating activities</b>                                     |      | <b>(266,121)</b> | <b>(872,754)</b> |

### Cash flow statement

|   |    |                  |                    |
|---|----|------------------|--------------------|
| Net cash outflow from operating activities        |    | (266,121)        | (872,754)          |
| Returns on investments and servicing of finance   | 25 | (196,949)        | (182,479)          |
| Taxation  | 25 | -                | (6,910)            |
| Capital expenditure                               | 25 | (41,369)         | (27,993)           |
|   |    | <b>(504,439)</b> | <b>(1,090,136)</b> |
| Disposals Costs on sale of subsidiary undertaking | 25 | -                | (80,871)           |
| Financing   | 25 | 648,471          | (227,797)          |
| <b>Increase/ (decrease) in cash in the year</b>   |    | <b>144,032</b>   | <b>(1,398,804)</b> |

### Reconciliation of net cash flow to movement in net funds

|   |           |                    |                    |
|---|-----------|--------------------|--------------------|
| <b>Increase/ (decrease) in cash in the year</b> |           | <b>144,032</b>     | <b>(1,398,804)</b> |
| Cash (inflow)/ outflow from financing           |           | (648,471)          | 227,797            |
| Change in net debt resulting from cash flows    |           | (504,439)          | (1,171,007)        |
| New finance leases and hire purchase contracts  |           | (62,125)           | (318,454)          |
| Interest accrued on other loans                 |           | (35,744)           | (33,650)           |
| <b>Movement in net debt in the year</b>         |           | <b>(602,308)</b>   | <b>(1,523,111)</b> |
| Net debt at 1 January                           | 26        | (2,451,286)        | (928,175)          |
| <b>Net debt at 31 December</b>                  | <b>26</b> | <b>(3,053,594)</b> | <b>(2,451,286)</b> |

# **Sure Maintenance Group Limited**

## **Notes to the financial statements**

### **for the year ended 31 December 2012**

#### **1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently throughout the year, is set out below.

##### **Accounting convention**

The financial statements are prepared under the historical cost convention and on the going concern basis. The group has consistently applied all relevant accounting standards.

##### **Basis of consolidation**

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2011. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Uniform accounting policies have been adopted across the Group and profit/losses on intragroup transactions have been eliminated.

No profit and loss account for Sure Maintenance Group Limited has been presented as permitted by section 408 of the Companies Act 2006. The Company loss for the financial year was £365,823 (2011: £375,581). No dividends were paid in the year (2011: nil) and accordingly a retained loss of £365,823 (2011: £375,581) was transferred from reserves.

##### **Fixed asset investments**

Fixed asset investments are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment. Provisions for impairment are booked as required to reduce the net book value of investments to recoverable value.

##### **Turnover**

Turnover represents the total invoice value, excluding value added tax and trade discounts, of goods and services supplied by the Company during the year. Turnover comprises of amounts earned for the provision of services including Annual Service, Reactive Maintenance and Installation of new heating systems.

Annual Service turnover is recognised once the service is completed and accepted by the customer. Reactive Maintenance turnover under annual contracts is recognised in equal monthly amounts as the contract year progresses. Installation turnover is recognised on completion of installation and acceptance by the customer or on a percentage of completion basis for contracts long term contracts.

##### **Long term contracts**

Certain Installation contracts may be completed over several months. Profit on such long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. Any profit recognised is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

# **Sure Maintenance Group Limited**

## **Notes to the financial statements**

### **for the year ended 31 December 2012 (continued)**

#### **1 Principal accounting policies (continued)**

##### **Goodwill**

Goodwill arising on the acquisition of subsidiary undertakings, representing an excess of the fair value of the consideration given over the fair value of the separate net assets acquired, is capitalised as an intangible asset and written off to the profit and loss account on a straight line basis over its useful economic life, up to a maximum of twenty years. Provision is made for any impairment.

The directors consider each acquisition separately for the purpose of determining the amortisation period of goodwill that arises. Goodwill is amortised over 20 years. The reason for selecting this period is that the directors believe the estimated useful economic life is at least 20 years, influenced by such factors as the stable environment within which the business operates and the type and length of contracts carried out by the group. In the company's financial statements, investments in subsidiary undertakings are stated at cost less provision for impairment.

##### **Impairment**

A review for the impairment of investments is carried out if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment review comprises an analysis of market value of the assets and the future expected profits of the investment in order to arrive at an appropriate valuation.

In assessing value in use, the estimated future cash flows arising from the use of the asset are discounted to their present value using a discount rate which reflects current market assessments of the time value of money and the risks specific to the asset.

To the extent that the carrying amount exceeds the recoverable amount, the investment is impaired and an impairment loss is recognised in the profit and loss account.

##### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at historical purchase cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

|                                  |   |
|----------------------------------|---|
| Leasehold improvements           | - 33% straight line or over term of lease |
| Plant and machinery              | - 20% straight line                       |
| Fixtures, fittings and equipment | - 12.5% to 50% straight line              |
| Motor vehicles                   | - 15% to 33% straight line                |

##### **Related party disclosures**

The company has taken advantage of the exemption in paragraph 3 (c) of Financial Reporting Standard 8 "Related party disclosures" and has not disclosed details of transactions with wholly owned undertakings within the Sure Maintenance Group Limited group of companies.

##### **Leases**

Where a lease entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

# **Sure Maintenance Group Limited**

## **Notes to the financial statements**

### **for the year ended 31 December 2012 (continued)**

#### **1 Principal accounting policies (continued)**

##### **Prepayments and accrued income**

Prepayments and accrued income comprise payments made in advance relating to the following year, and income relating to the current year not invoiced until after the balance sheet date

##### **Accruals and deferred income**

Accruals and deferred income comprise expenses relating to the current year, which will not be invoiced until after the balance sheet date, and income received in advance

##### **Defined contribution pension scheme**

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge disclosed in note 8 represents contributions payable by the group to the fund.

##### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

##### **Financial instruments**

The group uses derivative financial instruments such as interest rate swaps to reduce its exposure to interest rate movements. The group does not hold or issue derivative financial instruments for speculative purposes.

For an interest rate swap to be treated as a hedge the instrument must relate to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting new interest payable over the periods of the contracts.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

##### **Going concern**

Following the re-financing completed in February 2012, the Group is no longer subject to any financial covenant tests under the terms of its Revolving Credit Facility. Although the Group's working capital facility is due for renewal at the end of 2013, the Directors believe that the facility will be renewed or replaced with adequate alternative facilities. The Directors have carefully considered the future forecasts of the business and consider headroom against the borrowing facilities of the Group to be adequate. The Directors do not therefore believe there to be significant uncertainty in the Company's ability to continue as a going concern.



**Sure Maintenance Group Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2012 (continued)**

**2 Turnover**

All turnover derives from the Group's principal activity which is wholly undertaken in the UK

**3 Operating loss**

Operating loss is stated after charging/ (crediting)

|   | <b>2012</b>    | 2011    |
|---|----------------|---------|
|   | £              | £       |
| Administrative expenses – exceptional items                         |                |         |
| - operational restructuring   | -              | 265,440 |
| - contract dispute resolution costs                                 | -              | 104,571 |
| Amortisation of consolidation goodwill (note 10)                    | <b>174,000</b> | 170,013 |
| Depreciation (note 11)  |                |         |
| - on owned tangible fixed assets                                    | <b>79,131</b>  | 134,805 |
| - on tangible fixed assets on hire purchase contracts/finance lease | <b>91,904</b>  | 61,074  |
| Loss on disposal of tangible fixed assets                           | <b>7,782</b>   | 885     |
| Operating lease rentals   |                |         |
| - Land and buildings  | <b>113,501</b> | 117,500 |
| - Plant & machinery - motor vehicles                                | <b>150,920</b> | 104,028 |
| - Plant & machinery - plant and office equipment                    | <b>5,074</b>   | 10,883  |
| Auditors remuneration   |                |         |
| - audit of the parent company and consolidated financial statements | <b>6,000</b>   | 11,000  |
| - audit of subsidiary undertakings pursuant legislation             | <b>21,000</b>  | 25,000  |
| - tax compliance services   | -              | 5,900   |

The 2011 exceptional items had no impact on the tax charge for that year

**Sure Maintenance Group Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2012 (continued)**

**4 Loss on disposal of discontinued operations**

|  | <b>2012</b> | <b>2011</b> |
|--|-------------|-------------|
|  | <b>£</b>    | <b>£</b>    |
| Loss on disposal of subsidiary undertaking (note 13) | -           | 687,163     |

On 1 July 2011 the Group sold the entire issued share capital of its wholly owned subsidiary, Evans Mechanical Services Limited, for £1

**5 Interest payable and similar charges**

|  | <b>2012</b>    | <b>2011</b> |
|--|----------------|-------------|
|  | <b>£</b>       | <b>£</b>    |
| On bank loans and overdrafts                               | <b>115,727</b> | 191,162     |
| On Shareholder loan and Fixed Rate Secured Loan Notes 2013 | <b>125,753</b> | -           |
| On finance leases and hire purchase agreements             | <b>23,580</b>  | 13,570      |
| On other loans   | <b>39,797</b>  | 33,650      |
|  | <b>304,857</b> | 238,382     |

Bank interest includes £71,000 of payments made under an interest rate swap (2011 £88,000) The swap expired on 31<sup>st</sup> December 2012

**Sure Maintenance Group Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2012 (continued)**

**6 Employee information**

The monthly average number of employees (including directors) by activity during the year was

|                | <b>2012</b>   | 2011   |
|----------------|---------------|--------|
|                | <b>Number</b> | Number |
| Administration | <b>78</b>     | 68     |
| Engineers      | <b>164</b>    | 150    |
|                | <b>242</b>    | 218    |

Employment costs during the year comprised

|                        | <b>2012</b>      | 2011      |
|------------------------|------------------|-----------|
|                        | <b>£</b>         | £         |
| Wages and salaries     | <b>6,348,040</b> | 5,579,490 |
| Social security costs  | <b>628,453</b>   | 550,008   |
| Pension costs (note 8) | <b>52,488</b>    | 58,451    |
|                        | <b>7,028,981</b> | 6,187,949 |

## Sure Maintenance Group Limited

### Notes to the financial statements

#### for the year ended 31 December 2012 (continued)

#### 7 Directors' emoluments

|  | 2012    | 2011    |
|--|---------|---------|
|  | £       | £       |
| Aggregate emoluments   | 283,430 | 357,247 |
| Pension contributions  | 13,568  | 13,169  |
|  | 296,998 | 370,416 |
|  | Number  | Number  |
| Number of directors to whom retirement benefits are accruing under a money purchase scheme | 2       | 2       |

#### Highest paid director

|                               | 2012    | 2011    |
|-------------------------------|---------|---------|
|                               | £       | £       |
| Emoluments and other benefits | 125,180 | 131,964 |
| Pension contributions         | 8,628   | 8,619   |
|                               | 133,808 | 140,583 |

#### 8 Pension costs

The Group operates a defined contribution pension scheme in respect of directors and employees. The scheme and its assets are held by independent managers. The pension charge represents contributions payable by the Group of £52,488 (2011: £58,451) of which £5,553 (2011: £8,154) was outstanding at the year end.

**Sure Maintenance Group Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2012 (continued)**

**9 Tax on loss on ordinary activities**

The tax credit for the year comprises

|  | <b>2012</b>    | <b>2011</b>   |
|--|----------------|---------------|
|  | <b>£</b>       | <b>£</b>      |
| <b>Current tax</b>                                     |                |               |
| UK corporation tax                                     | -              | -             |
| Adjustments in respect of previous years               | -              | 6,910         |
| <b>Total - current tax</b>                             | <b>-</b>       | <b>6,910</b>  |
| <b>Deferred tax</b>                                    |                |               |
| Tax losses not previously recognised                   | <b>194,055</b> | -             |
| Origination and reversal of timing differences         | -              | 10,744        |
| Change in tax rate                                     | -              | (5,340)       |
| Prior year adjustments                                 | -              | 1,461         |
| <b>Total - deferred tax (note 17)</b>                  | <b>194,055</b> | <b>6,865</b>  |
| <b>Total tax credit on loss on ordinary activities</b> | <b>194,055</b> | <b>13,775</b> |

**Sure Maintenance Group Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2012**

**9 Tax on loss on ordinary activities (continued)**

**Factors affecting tax charge for year**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below

|   | 2012             | 2011               |
|---|------------------|--------------------|
|   | £                | £                  |
| <b>Loss on ordinary activities before taxation</b>  | <b>(370,192)</b> | <b>(1,804,293)</b> |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%) | <b>(90,697)</b>  | <b>(478,138)</b>   |
| Effects of  |                  |                    |
| Expenses not deductible for tax purposes  | <b>49,825</b>    | 238,442            |
| Capital allowances less than depreciation   | <b>43,811</b>    | 44,680             |
| Adjustments in respect of previous years  | -                | (6,910)            |
| Short term timing differences   | <b>11,062</b>    | 1,325              |
| Utilisation of losses   | <b>(31,279)</b>  | (23,448)           |
| Losses not recognised   | <b>17,278</b>    | 217,139            |
| <b>Total current tax credit for the year</b>  | <b>-</b>         | <b>(6,910)</b>     |

**Factors affecting current and future tax charges**

Effective from 1 April 2012, the main rate of corporation tax was reduced from 26% to 24%. The Finance Act 2012 reduced the main rate of corporation tax from 24% to 23% from 1 April 2013. Deferred tax reflected in these financial statements has been provided at 23%, which was the rate at the balance sheet date.

Since the year end it has been announced that the main rate will, subject to enactment of the Finance Act 2013, fall to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

**Sure Maintenance Group Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2012**

**10 Intangible fixed assets**

| <b>Group</b>                              | <b>Goodwill</b>   |
|---|-------------------|
|   | <b>£</b>          |
| <b>Cost</b>                               |                   |
| At 1 January 2012 and at 31 December 2012 | <b>24,418,069</b> |
| <b>Accumulated amortisation</b>           |                   |
| At 1 January 2012                         | 21,892,508        |
| Amortisation charge for the year          | 174,000           |
| At 31 December 2012                       | <b>22,066,508</b> |
| <b>Net book amount</b>                    |                   |
| <b>At 31 December 2012</b>                | <b>2,351,561</b>  |
| At 31 December 2011                       | 2,525,561         |

The carrying value of consolidation goodwill relates to F J Jones Heating Engineers Limited and Sure Maintenance Limited. The forecast net realisable value of each of these wholly owned subsidiary undertakings supports the carrying value.

**Sure Maintenance Group Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2012**

**11 Tangible fixed assets**

| Group                           | Leasehold<br>improve-<br>ments | Plant and<br>machinery | Fixtures,<br>fittings and<br>equipment | Motor<br>vehicles | Total            |
|---------------------------------|--------------------------------|------------------------|--|-------------------|------------------|
| Cost                            | £                              | £                      | £                                      | £                 | £                |
| At 1 January 2012               | 17,328                         | 27,188                 | 657,010                                | 487,581           | 1,189,107        |
| Additions                       | 1,824                          | 486                    | 40,093                                 | 65,381            | 107,784          |
| Disposals                       | -                              | -                      | -                                      | (28,360)          | (28,360)         |
| <b>At 31 December 2012</b>      | <b>19,152</b>                  | <b>27,674</b>          | <b>697,103</b>                         | <b>524,602</b>    | <b>1,268,531</b> |
| <b>Accumulated Depreciation</b> |                                |                        |  |                   |                  |
| At 1 January 2012               | 17,328                         | 14,405                 | 589,068                                | 172,045           | 792,846          |
| Charged for the year            | 608                            | 5,422                  | 51,753                                 | 113,252           | 171,035          |
| Disposals                       | -                              | -                      | -                                      | (16,287)          | (16,287)         |
| <b>At 31 December 2012</b>      | <b>17,936</b>                  | <b>19,827</b>          | <b>640,821</b>                         | <b>269,010</b>    | <b>947,594</b>   |
| <b>Net book amount</b>          |                                |                        |  |                   |                  |
| <b>At 31 December 2012</b>      | <b>1,216</b>                   | <b>7,847</b>           | <b>56,282</b>                          | <b>255,592</b>    | <b>320,937</b>   |
| At 31 December 2011             | -                              | 12,783                 | 67,942                                 | 315,536           | 396,261          |

Included above are assets held under finance leases and hire purchase contracts as follows

| Asset description | 2012              |                        | 2011              |                        |
|-------------------|-------------------|------------------------|-------------------|------------------------|
|                   | Net book<br>value | Depreciation<br>charge | Net book<br>value | Depreciation<br>charge |
|                   | £                 | £                      | £                 | £                      |
| Equipment         | -                 | -                      | -                 | 6,325                  |
| Motor vehicles    | 233,926           | 91,904                 | 263,706           | 54,749                 |
|                   | <b>233,926</b>    | <b>91,904</b>          | 263,706           | 61,074                 |



**Sure Maintenance Group Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2012**

**12 Fixed asset investments**

**Company**

|  | Subsidiary<br>undertaking<br>shares |
|--|-------------------------------------|
| At 1 January 2012 and 31 December 2012 | £                                   |
| Cost                                   | 26,088,812                          |
| Provision for impairment               | (23,707,432)                        |
| <b>Net book amount</b>                 | <b>2,381,380</b>                    |

The directors believe that the carrying value of the investments is supported by their projected future cash flows

The Company holds 20% or more of the share capital of the following companies

| Company/<br>subsidiary undertaking       | Country of<br>registration | Nature of business                                   | Shares held<br>class         | Proportion<br>of shares<br>held |
|--|----------------------------|--|------------------------------|---------------------------------|
| Speedfit Limited                         | England and Wales          | Intermediate holding<br>company (non-trading)        | Ordinary and<br>'A' Ordinary | 100%                            |
| F J Jones Holdings Limited               | England and Wales          | Intermediate holding<br>company (non-trading)        | Ordinary                     | 100%                            |
| Sure Maintenance Limited                 | England and Wales          | Maintenance and<br>installation of gas<br>appliances | Ordinary                     | 100%<br>(indirect)              |
| F J Jones (Heating Engineers)<br>Limited | England and Wales          | Maintenance and<br>installation of gas<br>appliances | Ordinary                     | 100%<br>(indirect)              |

**Sure Maintenance Group Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2012**

**13 Disposal of subsidiary undertaking**

On 1<sup>st</sup> July 2011 the Company sold the entire issued share capital of Evans Mechanical Services Limited for £1. The business had been significantly loss making in recent times and disposal allowed the Group to focus on its core activities. The loss on disposal reflected net assets at the date of sale and disposal costs as follows

|   | £              |
|---|----------------|
| Fixed assets                                  | 47,696         |
| Stocks  | 7,180          |
| Debtors                                       | 1,476,101      |
| Creditors amounts falling due within one year | (924,685)      |
| <b>Book value of net assets sold</b>          | <b>606,292</b> |
| Disposal proceeds                             | (1)            |
| Disposal costs                                | 80,872         |
| <b>Loss on disposal</b>                       | <b>687,163</b> |

**14 Debtors**

|  | Group            |                  | Company  |                  |
|--|------------------|------------------|----------|------------------|
|  | 2012             | 2011             | 2012     | 2011             |
|  | £                | £                | £        | £                |
| Trade debtors                              | 1,429,785        | 956,095          | -        | -                |
| Amounts recoverable on long term contracts | 400,080          | 682,934          | -        | -                |
| Amounts owed by group undertakings         | -                | -                | -        | 2,181,089        |
| Other debtors                              | -                | 58,230           | -        | 5,470            |
| Prepayments and accrued income             | 431,301          | 128,177          | -        | -                |
| Deferred tax (note 17)                     | 263,377          | 69,322           | -        | -                |
|  | <b>2,524,543</b> | <b>1,894,758</b> | <b>-</b> | <b>2,186,559</b> |

Amounts owed to the Company to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand

**Sure Maintenance Group Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2012**

**15 Creditors: amounts falling due within one year**

|  | <b>Group</b>     |             | <b>Company</b>   |             |
|--|------------------|-------------|------------------|-------------|
|  | <b>2012</b>      | <b>2011</b> | <b>2012</b>      | <b>2011</b> |
|  | <b>£</b>         | <b>£</b>    | <b>£</b>         | <b>£</b>    |
| Bank loan (secured)  | <b>465,000</b>   | 2,225,000   | <b>465,000</b>   | -           |
| Shareholder loan (secured)   | <b>2,000,000</b> | -           | <b>2,000,000</b> | -           |
| Fixed Rate Secured Loan Notes 2013 (secured)                               | <b>500,000</b>   | -           | <b>500,000</b>   | -           |
| Other loans (unsecured)  | <b>460,257</b>   | 424,513     | <b>460,257</b>   | 424,513     |
| Net obligations under finance leases and hire purchase contracts (secured) | <b>93,770</b>    | 77,054      | -                | -           |
| Trade creditors  | <b>2,284,738</b> | 2,088,369   | -                | -           |
| Amounts owed to group undertakings   | -                | -           | <b>2,871,720</b> | 7,770,792   |
| Taxation and social security   | <b>587,865</b>   | 731,743     | -                | -           |
| Other creditors  | <b>21,498</b>    | 45,069      | -                | -           |
| Accruals and deferred income   | <b>469,498</b>   | 492,137     | <b>72,164</b>    | 25,000      |
|  | <b>6,882,626</b> | 6,083,885   | <b>6,369,141</b> | 8,220,305   |

The bank loan is secured by cross guarantees and debentures given by all group companies, by an omnibus guarantee and set off agreement between all group companies and Lloyds Banking Group, and by a charge over a keyman policy

The shareholder loan is secured and bears interest at 4.5% over bank base rate which is paid quarterly. The Fixed Rate Secured Loan Notes 2013 bear interest at 10% pa which is rolled up and payable on repayment. Since the year end the repayment of both loans, which was due on 31<sup>st</sup> December 2013, has been rescheduled to 31<sup>st</sup> December 2015.

Other loans comprise a principal amount of £285,488 together with accrued interest of £174,769 (2011: £139,025). Since the year end this loan, including accrued interest, has been settled for a payment of £85,000.

Hire purchase contracts and finance lease creditors are secured on the assets financed, details of which are shown in note 11 to the financial statements.

Amounts owed by the Company to group undertakings are unsecured, interest free and are repayable on demand.

**Sure Maintenance Group Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2012**

**16 Creditors: amounts falling due after more than one year**

|  | <b>Group</b>   |             | <b>Company</b> |             |
|--|----------------|-------------|----------------|-------------|
|  | <b>2012</b>    | <b>2011</b> | <b>2012</b>    | <b>2011</b> |
|  | <b>£</b>       | <b>£</b>    | <b>£</b>       | <b>£</b>    |
| Accruals   | <b>90,000</b>  | 90,000      | <b>90,000</b>  | 90,000      |
| Net obligations under finance leases and hire purchase contracts | <b>123,808</b> | 169,928     | -              | -           |
| Other creditors  | -              | 51,991      | -              | -           |
|  | <b>213,808</b> | 311,919     | <b>90,000</b>  | 90,000      |

Accruals represent interest of £90,000 (2011 £90,000) due to funds managed by Graphite Capital Management LLP which is secured by debentures given by all group companies

Net obligations under finance leases and hire purchase contracts fall due for repayment between 2 and 5 years

**17 Deferred taxation**

| <b>Group</b>  | <b>2012</b>    | <b>2011</b> |
|---|----------------|-------------|
|   | <b>£</b>       | <b>£</b>    |
| The deferred tax asset recognised at a rate of 23% (2011 24%) comprises |                |             |
| Accelerated capital allowances  | <b>66,080</b>  | 67,044      |
| Losses  | <b>194,055</b> | -           |
| Short term timing differences   | <b>3,242</b>   | 2,278       |
|   | <b>263,377</b> | 69,322      |
| Movements in the year comprised   |                |             |
| Deferred tax asset at 1 January   | <b>69,322</b>  | 62,457      |
| Deferred tax credit in profit and loss account (note 9)                 | <b>194,055</b> | 6,865       |
| <b>Deferred tax asset at 31 December</b>                                | <b>263,377</b> | 69,322      |

In 2011, a deferred tax asset of £234,000 in respect of trading tax losses carried forward by a subsidiary was not recognised since it was not expected to be utilised in the foreseeable future

**Sure Maintenance Group Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2012**

**18 Called up share capital**

|   | 2012           | 2011    |
|---|----------------|---------|
|   | £              | £       |
| <b>Authorised and fully paid</b>              |                |         |
| 3,434,444 "A1" ordinary shares of £0.01 each  | <b>34,345</b>  | 34,345  |
| 14,184,191 "A2" ordinary shares of 0.01p each | <b>1,418</b>   | 1,418   |
| 10,803,830 "B1" ordinary shares of £0.01 each | <b>108,038</b> | 108,038 |
| 823,760 "B2" ordinary shares of 0.01p each    | <b>82</b>      | 82      |
| 3,020,240 "C1" ordinary shares of £0.01 each  | <b>30,203</b>  | 30,203  |
| 3,183,505 "C2" ordinary shares of 0.01p each  | <b>318</b>     | 318     |
|   | <b>174,404</b> | 174,404 |

The A1, B1 and C1 shares rank equally on a return of capital, voting and dividend rights. A2, B2 and C2 shares are non-voting and have limited rights to a return of capital and dividends.

**19 Reserves**

| Group                       | Share<br>premium<br>account | Profit and<br>loss<br>account | Total              |
|-----------------------------|-----------------------------|-------------------------------|--------------------|
|                             | £                           | £                             | £                  |
| At 1 January 2012           | 29,697,651                  | (30,916,070)                  | (1,218,419)        |
| Loss for the financial year | -                           | (176,137)                     | (176,137)          |
| <b>At 31 December 2012</b>  | <b>29,697,651</b>           | <b>(31,092,207)</b>           | <b>(1,394,556)</b> |

| Company                     | Share<br>premium<br>account | Profit and<br>loss<br>account | Total              |
|-----------------------------|-----------------------------|-------------------------------|--------------------|
|                             | £                           | £                             | £                  |
| At 1 January 2012           | 29,697,651                  | (33,583,541)                  | (3,885,890)        |
| Loss for the financial year | -                           | (365,823)                     | (365,823)          |
| <b>At 31 December 2012</b>  | <b>29,697,651</b>           | <b>(33,949,364)</b>           | <b>(4,251,713)</b> |

**Sure Maintenance Group Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2012**

**20 Reconciliation of movements in shareholders' funds**

|                                    | <b>Group</b>       |             | <b>Company</b>     |             |
|------------------------------------|--------------------|-------------|--------------------|-------------|
|                                    | <b>2012</b>        | <b>2011</b> | <b>2012</b>        | <b>2011</b> |
|                                    | <b>£</b>           | <b>£</b>    | <b>£</b>           | <b>£</b>    |
| Loss for the financial year        | <b>(176,137)</b>   | (1,790,518) | <b>(365,823)</b>   | (375,581)   |
| Opening shareholders' funds        | <b>(1,044,015)</b> | 746,503     | <b>(3,711,486)</b> | (3,335,905) |
| <b>Closing shareholders' funds</b> | <b>(1,220,152)</b> | (1,044,015) | <b>(4,077,309)</b> | (3,711,486) |

**21 Financial commitments**

At 31 December 2012 the Group had annual commitments under non-cancellable operating leases as follows

|                            | <b>Land and buildings</b> |             | <b>Other</b>  |             |
|----------------------------|---------------------------|-------------|---------------|-------------|
|                            | <b>2012</b>               | <b>2011</b> | <b>2012</b>   | <b>2011</b> |
|                            | <b>£</b>                  | <b>£</b>    | <b>£</b>      | <b>£</b>    |
| Leases expiring            |                           |             |               |             |
| Within one year            | -                         | -           | <b>45,862</b> | 71,168      |
| Between one and five years | <b>107,100</b>            | 107,100     | <b>22,402</b> | 22,548      |
|                            | <b>107,100</b>            | 107,100     | <b>68,264</b> | 93,717      |

The Company had no operating lease commitments (2011 £nil)

**22 Related Party Transactions**

During the year the Company purchased marketing and consultancy services from Eden Lifestyle Limited, a company controlled by the wife of Darren Cunningham, a director of the Company. Expenditure in the year was £18,287 (2011 £36,000) of which £270 was outstanding at the year-end (2011 £nil).

During the year interest of £125,753 was charged on the £2m Shareholder loan and Fixed Rate Secure Loan Notes 2013 of which £72,164 is unpaid and included in accruals at the year end. Trade creditors include management fees owed to Graphite Capital Management LLP of £42,172 (2011 £67,672). No management fees were charged in the year (2011 £nil).

As part of the debt restructuring in February 2012, Lloyds Banking Group, the Group's bank, sold its entire equity holding in the Company to funds managed by Graphite Capital Management LLP and was not a shareholder at the year end.

**Sure Maintenance Group Limited**  
**Notes to the financial statements**  
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**23 Interest rate swap contract**

The Group had an interest rate swap contract which expired on 31<sup>st</sup> December 2012. The market value of the interest rate swap contract at the year-end was £nil (2011 liability of £67,157)

**24 Ultimate controlling party**

The Company is owned by several discrete private equity funds managed by Graphite Capital Management LLP. In the opinion of the directors there is no ultimate controlling party. The largest and smallest group in which the results of the company are consolidated in is Sure Maintenance Group Limited. The consolidated financial statements of Sure Maintenance Group Limited are available to the public and may be obtained from The West Wing, The Matchworks, Speke Road, Liverpool, L19 2RF.

**25 Analysis of cash flows netted in cash flow statement**

**Group**

|   | <b>2012</b>        | 2011      |
|---|--------------------|-----------|
|   | <b>£</b>           | <b>£</b>  |
| <b>Returns on investments and servicing of finance</b>        |                    |           |
| Interest paid   | <b>(196,949)</b>   | (182,479) |
| <b>Taxation</b>   |                    |           |
| Corporation tax paid  | -                  | (6,910)   |
| <b>Capital expenditure</b>                                    |                    |           |
| Payments to acquire tangible fixed assets                     | <b>(45,660)</b>    | (31,827)  |
| Receipts from sales of tangible fixed assets                  | <b>4,291</b>       | 3,834     |
|   | <b>(41,369)</b>    | (27,993)  |
| <b>Disposal costs of disposal of subsidiary undertaking</b>   |                    |           |
| Disposal costs  | -                  | (80,871)  |
| <b>Financing</b>  |                    |           |
| Fixed Rate Secured Loan Notes 2013 issued                     | <b>500,000</b>     | -         |
| Shareholder loan issued                                       | <b>2,000,000</b>   | -         |
| Repayment of loan notes                                       | -                  | (150,000) |
| Repayment of bank loans                                       | <b>(1,760,000)</b> | -         |
| Capital element of finance leases and hire purchase contracts | <b>(91,529)</b>    | (77,797)  |
|   | <b>648,471</b>     | (227,797) |

**Sure Maintenance Group Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2012**

**26 Analysis of changes in net debt**

| Group  | 1st<br>January<br>2012 | Cash flow        | Non-cash<br>changes | 31st<br>December<br>2012 |
|--|------------------------|------------------|---------------------|--------------------------|
|  | £                      | £                | £                   | £                        |
| Cash at bank and in hand                               | 535,209                | 144,032          | -                   | <b>679,241</b>           |
| Bank loan  | (2,225,000)            | 1,760,000        | -                   | <b>(465,000)</b>         |
|  | (1,689,791)            | 1,904,032        | -                   | <b>214,241</b>           |
| Shareholder loan                                       | -                      | (2,000,000)      | -                   | <b>(2,000,000)</b>       |
| Fixed Rate Secured Loan Notes 2013                     | -                      | (500,000)        | -                   | <b>(500,000)</b>         |
| Other loans and accrued interest – due within one year | (424,513)              | -                | (35,744)            | <b>(460,257)</b>         |
| Accrued interest - due after one year                  | (90,000)               | -                | -                   | <b>(90,000)</b>          |
| Finance lease obligations                              |                        |                  |                     |                          |
| - due within one year                                  | (77,054)               | 77,054           | (93,770)            | <b>(93,770)</b>          |
| - due after one year                                   | (169,928)              | 14,475           | 31,645              | <b>(123,808)</b>         |
|  | (761,495)              | (2,408,471)      | (97,869)            | <b>(3,267,835)</b>       |
| <b>Net debt</b>  | <b>(2,451,286)</b>     | <b>(504,439)</b> | <b>(97,869)</b>     | <b>(3,053,594)</b>       |

Non-cash changes reflect accruing interest on loans and new finance leases entered into in the year

**27 Post Balance Sheet Events**

Since the year end, the maturity date of the Graphite loans has been extended to 31<sup>st</sup> December 2015 and other loans of £460,257, including accrued interest, have been repaid at a significant discount. The resultant credit will be reflected in the 2013 accounts.