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UK Services Network Limited

Report and Financial Statements

Period Ended

31 December 2010

Company Number 07046026



BDO

UK Services Network Limited

Report and financial statements for the period ended 31 December 2010

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Directors

D Harland
S Hitchcock
S Pace
G P Beech
J E Rhodes
R Elder

Registered office

The Chapel, Pinewood Court, Coleshill Road, Marston Green, Solihull, West Midlands, B37 7HG

Company number

07046026

Auditors

BDO LLP, 125 Colmore Row, Birmingham, B3 3SD

UK Services Network Limited

Report of the directors for the period ended 31 December 2010

The directors present their report together with the audited financial statements for the period ended 31 December 2010

Results and dividends

The profit and loss account is set out on page 8 and shows the profit for the period

Change of accounting reference date

During the period the board took the decision to change the accounting reference date. The accounts comprise the eleven month period from 1 February 2010 to 31 December 2010. The comparative figures were made up for the twelve month period from 1 February 2009 to 31 January 2010.

Principal activities and review of business

The Company's principal activity is to act as a holding company for its subsidiary undertaking, and therefore it does not use KPIs to monitor its business. A review of the business of its subsidiary undertaking, including KPIs, and principal risks and uncertainties are included in the director's report within the Report and Financial Statements of its subsidiary undertaking, The UK Drainage Network Limited (UKDN). The subsidiary company has traded profitably during the period under review, and the directors are satisfied with the overall business performance.

Principal activities and review of the group

The principal activity of the Group is the provision of national drainage blockage clearance and CCTV investigation, clean water and drainage repair services through both excavation and no-dig technologies. In addition the Group provides drainage and clean water claims management services for the insurance sector.

The 11 months ended 31 December 2010 for the main trading subsidiary was an excellent period. Even though there was a shorter accounting period sales revenue for the 11 months increased by 6% to £20,416,103 when compared to the 12 months prior. In the same period gross profit increased by 18% to £9,535,500.

In January 2010 the Group's management took the decision to partner with Lyceum Capital Partners LLP (Lyceum) on the basis that the proposed strategy was the most appropriate for the future development of the group. Lyceum is an owner managed business whose partners have a successful track record of acquiring, building and developing businesses, collectively backing in excess of 40 Management Buy-Outs and Buy-Ins over the past 20 years. Lyceum are currently investing Lyceum Capital Fund II, a £255 million fund dedicated to developing leading UK service companies.

Reflecting on the first year with our investors at Lyceum, the business has grown and developed significantly. These results are testament to this and clearly demonstrate the effectiveness of the management team. Indeed the business has outperformed its first full year budget - achieved by organic growth alone. This was also despite the treacherous weather conditions experienced in the UK during both January and December 2010.

2010 has also seen UKDN re-secure two major client contracts and sign up several new clients. Renewing these contracts is a tribute to the excellent service delivery that UKDN has provided to those clients and their customers over the years. UKDN are uniquely positioned to provide the very highest levels of service, advice and reporting available in the market. Importantly UKDN is not a franchised business model is wholly owned by its management team and investors, giving complete control of a job from initial instruction through to completion.

Operating from 12 locations, UKDN is strategically located to be within a short travelling distance of all large population centres across the country. Such is the nature of this infrastructure, the Group is readily able to service any incremental contract wins. The greater density of work by postcode will further enable the Group to leverage its infrastructure investments whilst at the same time enhancing productivity. The very latest drainage techniques are being employed to minimise the cost, inconvenience and completion time of any works.

UK Services Network Limited

Report of the directors for the period ended 31 December 2010 (*continued*)

On the basis of their assessment of the Group's financial position the Directors have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. Positive cash flows have enabled the Group to meet all of its required interest loan repayments throughout the year. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Looking to the year ahead, excellent performance has been noted in the period to 31 March 2011. Sales revenue is again ahead of budget for the group. Gross profit and net profit before taxation are also improved in comparison to the year ended 31 December 2010.

In light of the current economic conditions and despite the ongoing increased pressure from clients to reduce costs, along with intense market competition, the Group continues to out-perform. The Group aims to consolidate its position as the leading provider of drainage services within the market place.

Future developments

In December 2008 after several years of discussion and consultation lead by DEFRA, the Government announced that the ownership and hence responsibility for the maintenance and repair of Private Drains and Sewers (PDaS) in England and Wales would transfer to the Water & Sewerage Companies (WaSCs).

In August 2010, following further uncertainty due to the change of Government, DEFRA announced that subject to final consultation and final Parliamentary approval, an automatic overnight transfer of these assets would take place on October 1, 2011. All sewers and lateral drains that connect to the public sewerage system will transfer into the ownership of the English & Welsh sewerage undertakers (Scottish Water already has this ownership and responsibility). This will include sewers and lateral drains draining both residential and commercial premises. At a later date, all pumping stations necessary to link to those sewers and lateral drains will also transfer.

It is clear that this major shift in ownership will impact upon the Group's core business within the Insurance sector. Whilst this may be considered as a threat and merits careful consideration as such, the opportunities presented have the potential to not only mitigate this threat but indeed create positive outcomes for the business.

The Group has spent considerable time partnering with WaSCs and their Tier 1 contracting partners. This strategy is intended to ensure that any work previously completed on behalf of the insurer client will now be completed on behalf of the WaSC - either directly or indirectly through the Tier 1 contracting partners.

The style of work that the Group will carry out for the WaSC market has precipitated a marked shift in the business' underlying strategy. It is now clear that the business will greatly benefit from specialising in the drainage only market in order to create a total drainage solution provider. The Group had already recognised the requirement to diversify its risk away from the Insurance sector. Indeed the business has placed considerable focus on the commercial drainage market both from a sales strategy and acquisition lead approach.

The Group is now able to provide a comprehensive reactive solution for its clients and has already secured a major client win, with work commencing during April 2011. The business sees the reactive work as a key opportunity given the highly fragmented nature of the market.

The acquisition strategy will bolster the Group's capabilities in targeting WaSCs, their Tier 1 suppliers, the commercial market and the reactive market. The business is currently negotiating key terms with three very realistic acquisition opportunities that will all diversify the Group's core capabilities and client base.

Principal risks and uncertainties

The main risk associated with the Group relates to the loss of a major client. As discussed above, steps are being implemented in order to diversify the product offering, de-risk the business and reduce reliance on revenue through individual insurer clients. Furthermore, the Group continues to strive to be ahead of the competition from both a service delivery and innovation perspective. As such client retention has been

UK Services Network Limited

Report of the directors for the period ended 31 December 2010 (continued)

Principal risks and uncertainties (continued)

extremely impressive over the past 2 years. No major contracts have been lost and indeed several new incremental contracts have been secured.

The Group's credit risk is attributable to its trade debtors. Credit risk is managed by running credit checks on new customers and by monitoring payments against contractual agreements, with management review of old debts taking place at least monthly.

Furthermore, after ongoing review of the credit management resource available within the business, steps continue to be taken to strengthen the team. Additional members of staff and management were employed during 2010 to augment the existing finance function within The UK Drainage Network Limited. As a result the Group has benefited from a significant reduction in debtor days and reduction in aged debt. This has subsequently reduced the risk associated with aged debt and significantly improved the Group's cash position.

There is pressure on the Group to constantly reduce its charges from the insurance industry. To counteract this, the Group is continually monitoring its performance and strives to find ways to lower its cost and boost efficiency and performance.

The Group maintains strong systems of financial control which are supplemented by the reporting of detailed financial and key performance information monthly against budget. This information is reviewed by the Directors and senior staff, which enables the business to react quickly to any changing trends that occur, with forecasts updated as appropriate each quarter.

Financial instruments

As a result of the transaction taking place on 8 January 2010, a specific private equity and senior bank debt funding structure was set up.

Lyceum, management and HSBC have jointly backed the newly formed Group. Funding has been provided in the way of investor equity, investor loan notes, management loan notes and senior HSBC term debt. In addition HSBC have provided a mortgage facility and a management equity, revolving facility.

Lyceum have provided an equity and investor loan note structure to fund the Group with an aggregate value of £5,650,000. Management have provided £357,140 in loan notes. HSBC have provided a £4,000,000 term loan fully drawn on 8 January 2010. HSBC have made available a revolving credit facility to the value of £500,000. As of the balance sheet date none of the revolving facility was drawn. In addition HSBC have provided a secured bank loan to the Group.

Notes 15 and 16 provide further detail regarding the structure and repayment of the Group's debt.

Other financial instruments held are trade debtors and trade creditors arising directly from the Group's operations. Operations and working capital are funded principally out of retained profits.

Charitable and political contributions

During the period the group made charitable contributions of £2,150 (2010: £1,625). There were no political contributions.

Employment of disabled persons

The Group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the Group. Particular attention is given to the training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the group.

UK Services Network Limited

Report of the directors for the period ended 31 December 2010 (*continued*)

Employee involvement

Regular meetings with employees are held to inform them of the development of the business

Corporate and social responsibility

The business is acutely aware of its corporate social responsibility particularly in respect of sustainability and the environment. The Group already recycles much of its waste. Understanding the importance of the environmental, ethical trading and sustainability issues for many of its highly visible blue chip clients, the business is committed to working with its clients on a partnership basis, to deliver qualified and realistic results, rather than any short term statements of intent.

UKDN has been developing and refining its Environmental Management System (EMS) for several months following Acorn BS 8555, a government recommended standard operated by the Institute of Environmental Management and Assessment (IEMA).

With regard to health and safety, the Group employs lost time and reportable accident metrics. This data is reported to senior management on a monthly basis, together with commentary regarding remedial, corrective and continuous improvement actions.

Directors

The directors of the Company during the period were

D Harland
S Hitchcock
S Pace
G P Beech
J E Rhodes
R Elder (appointed 18 March 2010)

UK Services Network Limited

Report of the directors for the period ended 31 December 2010 (*continued*)

Directors' responsibilities

The directors are responsible for preparing the directors' 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 elected to prepare the group and 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 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,
- 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 company will continue in business.

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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the board

J E Rhodes



Director

20 April 2011

UK Services Network Limited

Independent auditor's report

TO THE MEMBERS OF UK SERVICES NETWORK LIMITED

We have audited the financial statements of UK Services Network Limited for the period ended 31 December 2010 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2010 and of the group's profit for the period 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 period for which the financial statements are prepared is consistent with the financial statements.

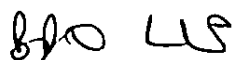
UK Services Network Limited

Independent auditor's report (*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



Thomas Lawton (*senior statutory auditor*)
For and on behalf of BDO LLP, statutory auditor
Birmingham
United Kingdom

Date 21 April 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

UK Services Network Limited

Consolidated profit and loss account for the period ended 31 December 2010

	Note	11 months ended 31 December 2010 £	4 months ended 31 January 2010 £
Turnover	3	20,416,103	1,555,824
Cost of sales		10,880,603	930,115
Gross profit		9,535,500	625,709
Administrative expenses- including exceptional costs of £Nil (2010 - £40,297)	2	6,433,643	617,772
Group operating profit	4	3,101,857	7,937
Interest payable and similar charges	7	(1,189,044)	(84,417)
Profit/(loss) on ordinary activities before taxation		1,912,813	(76,480)
Taxation on profit/(loss) on ordinary activities	8	(721,843)	(18,321)
Profit/(loss) on ordinary activities after taxation		1,190,970	(94,801)

All amounts relate to continuing activities

All recognised gains and losses in the current and prior period are included in the profit and loss account

The notes on pages 12 to 29 form part of these financial statements

UK Services Network Limited

Consolidated balance sheet at 31 December 2010

<i>Company number 07046026</i>	Note	31 December 2010 £	31 December 2010 £	31 January 2010 £	31 January 2010 £
Fixed assets					
Intangible assets	10		8,382,451		8,786,843
Tangible assets	11		1,343,197		1,304,487
			<u>9,725,648</u>		<u>10,091,330</u>
Current assets					
Stocks	13	257,714		325,260	
Debtors	14	3,424,784		3,239,641	
Cash at bank and in hand		2,659,758		1,209,795	
		<u>6,342,256</u>		<u>4,774,696</u>	
Creditors: amounts falling due within one year	15	3,446,436		3,772,069	
		<u>3,446,436</u>		<u>3,772,069</u>	
Net current assets			<u>2,895,820</u>		<u>1,002,627</u>
Total assets less current liabilities			<u>12,621,468</u>		<u>11,093,957</u>
Creditors: amounts falling due after more than one year	16		9,117,303		8,800,762
			<u>9,117,303</u>		<u>8,800,762</u>
			<u>3,504,165</u>		<u>2,293,195</u>
Capital and reserves					
Called up share capital	18		19,588		19,388
Share premium account	19		2,388,408		2,368,608
Profit and loss account	19		1,096,169		(94,801)
			<u>3,504,165</u>		<u>2,293,195</u>
Shareholders' funds	20		<u>3,504,165</u>		<u>2,293,195</u>

The financial statements were approved by the board of directors and authorised for issue on 20 April 2011

J E Rhodes

J E Rhodes
Director

The notes on pages 12 to 29 form part of these financial statements

UK Services Network Limited

Company balance sheet at 31 December 2010

Company number 07046026	Note	31 December 2010 £	31 December 2010 £	31 January 2010 £	31 January 2010 £
Fixed assets					
Fixed asset investments	12		600,464		600,464
Current assets					
Debtors	14	1,798,984		1,637,007	
Cash at bank and in hand		8,512		150,525	
			1,807,496		1,787,532
Total assets			2,407,960		2,387,996
Capital and reserves					
Called up share capital	18		19,588		19,388
Share premium account	19		2,388,408		2,368,608
Profit and loss account	19		(36)		-
Shareholders' funds	20		2,407,960		2,387,996

The financial statements were approved by the board of directors and authorised for issue on **20 April 2011**

J E Rhodes

J E Rhodes
Director

The notes on pages 12 to 29 form part of these financial statements

UK Services Network Limited

Consolidated cashflow statement for the period ended 31 December 2010

	Note	11 months ended 31 December 2010 £	11 months ended 31 December 2010 £	4 months ended 31 January 2010 £	4 months ended 31 January 2010 £
Net cash inflow from operating activities	23		3,354,006		1,383,436
Returns on investments and servicing of finance					
Interest paid bank loans		(226,064)		(16,171)	
Interest paid hire purchase		(8,074)		(949)	
Net cash outflow from returns on investments and servicing of finance			(234,138)		(17,120)
Taxation					
Corporation tax paid			(720,416)		-
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(448,380)		-	
Receipts from sale of tangible fixed assets		52,106		-	
Net cash outflow from capital expenditure and financial investment			(396,274)		-
Acquisitions and disposals					
Purchase of business operations			-		(823,810)
Cash inflow before use of financing			2,003,178		542,506
Financing					
Share capital issued		200		11,853	
Share premium thereon		19,800		588,611	
New loans		-		4,000,000	
Loans repaid		(521,986)		-	
Issue of loan notes		-		5,150,000	
FRS4 costs on issue of loan notes and loans		-		(685,411)	
Repayment of loans connected to sale of the business		-		(8,392,072)	
Capital element of finance leases repaid		(52,226)		(5,692)	
Net cash (outflow)/inflow from financing			(554,212)		667,289
Increase in cash	24		1,448,966		1,209,795

The notes on pages 12 to 29 form part of these financial statements

UK Services Network Limited

Notes forming part of the financial statements for the period ended 31 December 2010

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

The following principal accounting policies have been applied

Basis of consolidation

The consolidated financial statements incorporate the results of UK Services Network Limited and all of its subsidiary undertakings as at 31 December 2010 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition.

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful life of 20 years. Impairment tests on the carrying value of goodwill are undertaken

- at the end of the first full financial year following acquisition,
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for freehold land, evenly over their expected useful lives. It is calculated at the following rates

Freehold property	- 2% straight line
Leasehold property	- over the term of the lease
Plant and machinery	- 25% straight line
Motor vehicles	- 25% straight line
Fixtures and fittings	- 20% straight line
Computer equipment	- 25% straight line
Computer software	- 20% straight line

No depreciation is provided on freehold land

Valuation of investments

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

Stocks and Work in progress

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price.

Work in progress is stated at the lower of cost and net realisable value

UK Services Network Limited

Notes forming part of the financial statements for the period ended 31 December 2010 (*continued*)

1 Accounting policies (*continued*)

Finance costs

Finance costs are charged to profit over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pension costs

Contributions to the Group's defined contribution pension scheme are charged to the profit and loss account in the period in which they become payable.

2 Exceptional item

Administrative costs include exceptional costs of £nil (31 January 2010 - £40,297) incurred by UK Services Network (Holdings) Limited, a fully owned subsidiary of UK Services Network Limited, which relate to deal costs incurred on the acquisition of The UK Drainage Network Limited.

3 Turnover

Turnover is wholly attributable to the principal activity of the group and arises solely within the United Kingdom.

UK Services Network Limited

Notes forming part of the financial statements
for the period ended 31 December 2010 (*continued*)

4 Operating profit

	11 months ended 31 December 2010 £	4 months ended 31 January 2010 £
This is arrived at after charging		
Depreciation of tangible fixed assets	359,777	23,641
Amortisation of positive goodwill	404,392	36,260
Hire of other assets - operating leases	823,465	81,670
Auditors' remuneration		
- fees payable to the Group's auditor for the audit of the Group's annual accounts	35,000	7,500
- other taxation services	5,500	2,375
- services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or any of its associates	40,000	225,658
- all other services	18,950	5,000
	823,465	81,670

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis

5 Employees

Staff costs (including directors) consist of

	Group 11 months ended 31 December 2010 £	Group 4 months ended 31 January 2010 £
Wages and salaries	7,853,864	625,364
Social security costs	735,563	59,847
Other pension costs	13,243	1,416
	8,602,670	686,627

UK Services Network Limited

Notes forming part of the financial statements
for the period ended 31 December 2010 (*continued*)

5 Employees (*continued*)

The average number of employees (including directors) during the period was as follows

	Group 11 months ended 31 December 2010 Number	Group 4 months ended 31 January 2010 Number
Administration and management	110	99
Engineers	189	179
	<u>299</u>	<u>278</u>

6 Directors' remuneration

	11 months ended 31 December 2010 £	4 months ended 31 January 2010 £
Directors' emoluments	472,411	39,041
Company contributions to money purchase pension schemes	2,095	190
	<u>474,506</u>	<u>39,231</u>

There was 1 director in the Group's defined contribution pension scheme during the period (2010 - 1)

The total amount payable to the highest paid director in respect of emoluments was £179,377 (2010 - £11,788) Company pension contributions of £2,095 (2010 - £190) were made to a money purchase scheme on their behalf

7 Interest payable and similar charges

	11 months ended 31 December 2010 £	4 months ended 31 January 2010 £
Bank loans and overdrafts	226,064	16,171
Finance leases and hire purchase contracts	8,074	949
Other loans	755,909	56,524
Amortisation of FRS 4 costs	198,997	10,773
	<u>1,189,044</u>	<u>84,417</u>

UK Services Network Limited

Notes forming part of the financial statements
for the period ended 31 December 2010 (*continued*)

8 Taxation on profit/(loss) on ordinary activities

	11 months ended 31 December 2010 £	4 months ended 31 January 2010 £
<i>UK Corporation tax</i>		
Current tax on profits of the period	746,500	8,321
Adjustment in respect of previous periods	(57)	-
Total current tax	746,443	8,321
<i>Deferred tax</i>		
Origination and reversal of timing differences	(24,600)	10,000
Taxation on profit/(loss) on ordinary activities	721,843	18,321

The tax assessed for the period is higher than the standard rate of corporation tax in the UK applied to profit/(loss) before tax. The differences are explained below

	11 months ended 31 December 2010 £	4 months ended 31 January 2010 £
Profit/(loss) on ordinary activities before tax	1,912,813	(76,480)
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 28% (2010 - 28%)	535,588	(21,414)
Effect of		
Expenses not deductible for tax purposes	184,815	16,641
Depreciation for period in excess of capital allowances	25,836	4,351
Overprovision of current tax	261	-
Adjustment to tax charge in respect of previous periods	(57)	-
Other short term timing differences	-	8,743
Current tax charge for the period	746,443	8,321

9 Profit for the financial year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Group profit for the period includes a loss after tax of £36 (2010 - £Nil) which is dealt with in the financial statements of the parent company.

UK Services Network Limited

Notes forming part of the financial statements
for the period ended 31 December 2010 (*continued*)

10 Intangible fixed assets

Group

	Goodwill on consolidation £
<i>Cost or valuation</i>	
At 1 February 2010 and 31 December 2010	8,823,103
	<hr/>
<i>Amortisation</i>	
At 1 February 2010	36,260
Provided for the period	404,392
	<hr/>
At 31 December 2010	440,652
	<hr/>
<i>Net book value</i>	
At 31 December 2010	8,382,451
	<hr/>
At 31 January 2010	8,786,843
	<hr/>

UK Services Network Limited

Note forming part of the financial statements
for the period ended 31 December 2010 (*continued*)

11 Tangible fixed assets

Group

	Freehold land and buildings £	Leasehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Other fixed assets £	Total £
<i>Cost or valuation</i>								
At 1 February 2010	802,733	9,983	858,055	272,799	81,340	206,563	-	2,231,473
Additions	23,405	-	149,572	-	8,345	41,519	225,539	448,380
Disposals	-	-	-	(186,174)	-	(15,405)	-	(201,579)
At 31 December 2010	826,138	9,983	1,007,627	86,625	89,685	232,677	225,539	2,478,274
<i>Depreciation</i>								
At 1 February 2010	52,010	5,823	501,326	175,428	52,310	140,089	-	926,986
Provided for the period	10,078	2,204	253,616	30,678	17,406	45,795	-	359,777
Disposals	-	-	-	(138,041)	-	(13,645)	-	(151,686)
At 31 December 2010	62,088	8,027	754,942	68,065	69,716	172,239	-	1,135,077
<i>Net book value</i>								
At 31 December 2010	764,050	1,956	252,685	18,560	19,969	60,438	225,539	1,343,197
At 31 January 2010	750,723	4,160	356,729	97,371	29,030	66,474	-	1,304,487

UK Services Network Limited

Notes forming part of the financial statements for the period ended 31 December 2010 (continued)

11 Tangible fixed assets (continued)

The net book value of tangible fixed assets includes an amount of £87,605 (2010 - £181,898) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the period was £41,666 (2010 - £7,029).

The cost of freehold buildings in which depreciation is charged amounts to £549,722 (31 January 2010 £549,722).

12 Fixed asset investments

Company

	Group undertakings £
<i>Cost or valuation</i>	
At 1 February 2010 and 31 December 2010	600,464

Subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which the Company's interest at the period end is 20% or more are as follows

	Class of share capital held	Proportion of share capital held	Nature of business
<i>Subsidiary undertakings</i>			
UK Services Network (Holdings) Limited*	Ordinary	100%	Intermediary holding company
The UK Drainage Network Limited **	Ordinary	100%	Provision of drainage repair services

* This company is a direct subsidiary of UK Services Network Limited

** This company is a subsidiary of UK Services Network (Holdings) Limited

13 Stocks and work in progress

	Group 31 December 2010 £	Group 31 January 2010 £	Company 31 December 2010 £	Company 31 January 2010 £
Raw materials and consumables	82,824	72,788	-	-
Work in progress	174,890	252,472	-	-
	<u>257,714</u>	<u>325,260</u>	<u>-</u>	<u>-</u>

There is no material difference between the replacement cost of stocks and the amounts stated above

UK Services Network Limited

Notes forming part of the financial statements
for the period ended 31 December 2010 (*continued*)

14 Debtors

	Group 31 December 2010 £	Group 31 January 2010 £	Company 31 December 2010 £	Company 31 January 2010 £
Amounts receivable within one year				
Trade debtors	2,641,016	2,766,408	-	-
Prepayments and accrued income	549,232	317,447	-	-
Other debtors	199,936	145,786	-	-
Deferred taxation	34,600	10,000	-	-
	<u>3,424,784</u>	<u>3,239,641</u>	<u>-</u>	<u>-</u>
Amounts receivable after more than one year				
Amounts owed by Group undertakings	-	-	1,798,984	1,637,007
Total debtors	<u>3,424,784</u>	<u>3,239,641</u>	<u>1,798,984</u>	<u>1,637,007</u>

	Group Deferred taxation £	Company Deferred taxation £
At 1 February 2010	10,000	-
Credited to profit and loss account	24,959	-
Adjustment arising from discounting	(359)	-
	<u>34,600</u>	<u>-</u>
At 31 December 2010	<u>34,600</u>	<u>-</u>

Deferred taxation

	Group 31 December 2010 £	Group 31 January 2010 £
The amount of deferred tax provided for is as follows		
Accelerated capital allowances	<u>34,600</u>	<u>10,000</u>

UK Services Network Limited

Notes forming part of the financial statements
for the period ended 31 December 2010 (*continued*)

15 Creditors: amounts falling due within one year

	Group 31 December 2010 £	Group 31 January 2010 £	Company 31 December 2010 £	Company 31 January 2010 £
Bank loans (secured - see note 16)	756,882	534,005	-	-
Trade creditors	839,076	916,063	-	-
Taxation and social security	837,758	1,084,533	-	-
Obligations under finance lease and hire purchase contracts	42,289	56,531	-	-
Other creditors	267,016	370,423	-	-
Accruals and deferred income	703,415	810,514	-	-
	<u>3,446,436</u>	<u>3,772,069</u>	<u>-</u>	<u>-</u>

16 Creditors: amounts falling due after more than one year

	Group 31 December 2010 £	Group 31 January 2010 £	Company 31 December 2010 £	Company 31 January 2010 £
Bank loans (secured- see below)	2,890,029	3,374,810	-	-
Investor loan notes	5,046,245	5,014,902	-	-
Obligations under finance lease and hire purchase contracts	15,926	53,910	-	-
Management loan notes	357,140	357,140	-	-
Accrued interest	807,963	-	-	-
	<u>9,117,303</u>	<u>8,800,762</u>	<u>-</u>	<u>-</u>

UK Services Network Limited

Notes forming part of the financial statements
for the period ended 31 December 2010 (continued)

16 Creditors: amounts falling due after more than one year (continued)

Maturity of debt

	Loans and overdrafts 31 December 2010 £	Loans and overdrafts 31 January 2010 £	Finance leases 31 December 2010 £	Finance leases 31 January 2010 £
In one year or less, or on demand	756,882	534,005	42,289	56,531
In more than one year but not more than two years	757,126	734,005	15,926	40,582
In more than two years but not more than five years	3,631,449	3,834,159	-	13,328
In more than five years	3,547,699	3,821,548	-	-
	7,936,274	8,389,712	15,926	53,910

Included in creditors due after more than one year are the following amounts repayable in more than five years

	Group 31 December 2010 £	Group 31 January 2010 £	Company 31 December 2010 £	Company 31 January 2010 £
Loans	3,547,699	3,821,548	-	-

UK Services Network Limited

Notes forming part of the financial statements for the period ended 31 December 2010 (*continued*)

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

Bank loans

The bank loans of £3,229,111 are repayable in quarterly instalments of £200,000 per quarter, with the first instalment paid 31 July 2010. Interest is charged at 4% + 3m LIBOR. The Group has hedged 90% of this loan, swapping the 3m LIBOR floating position for 2.005% fixed.

The bank loans are secured by a charge over the freehold property, owned by the trading subsidiary, The UK Drainage Network Limited, and a debenture incorporating a fixed and floating charge. The bank loans are also secured by joint and several guarantees given by Direct Drains Limited, Multijet (Cardiff) Limited, Drainmasters (East Anglia) Limited, Pentagon Water Limited, Drintech Limited, The UK Drainage Network Limited, UK Services Network (Holdings) Limited and UK Services Network Limited.

Costs of £371,886 have been netted against this bank loan in accordance with Financial Reporting Standard 4 Capital Instruments.

The mortgage of £417,800 on the Group's Head Office, of which £379,273 is payable in after more than one year, is repayable over a ten year period effective from 8 January 2010. Interest is payable monthly at a rate of 2.75% in excess of the applicable base rate as published by HSBC.

Investor loan notes

These relate to loan notes payable to Lyceum Capital Partners LLP, the majority shareholder. The original drawdown date was 8 January 2010 for a capital amount of £5,150,000. Costs of £103,755 have been netted against this balance in accordance with Financial Reporting Standard 4 Capital Instruments.

The first repayment is due on the fifth anniversary of the drawdown date, with 33% of the loan notes outstanding at this date to be paid.

The second repayment is due on the sixth anniversary of the drawdown date, with 50% of the remaining loan notes outstanding at this date to be paid.

The third repayment is due on the seventh anniversary of the drawdown date, with all remaining loan notes outstanding at this date to be paid.

Interest is charged at 15% per annum.

Management loan notes

These relate to loan notes payable to management. The original drawdown date was 8 January 2010 for an amount of £357,140. The balance is payable in full at par on the earlier of a sale or quotation. Interest is charged at 15% per annum.

UK Services Network Limited

Notes forming part of the financial statements for the period ended 31 December 2010 (*continued*)

17 Pensions

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 charge amounted to £13,243 (2010 - £1,416). There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

18 Share capital

	31 December 2010 £	31 January 2010 £
<i>Allotted, called up and fully paid</i>		
Ordinary "A" shares of £0.01 each	10,993	10,993
Ordinary "B" shares of £0.01 each	7,535	7,535
Ordinary "C" shares of £0.01 each	1,060	860
	<u>19,588</u>	<u>19,388</u>

All ordinary shares have full voting rights, full dividend rights and full distribution rights (including on winding up). They do not confer any rights of redemption. They each rank *pari passu* in all respects.

19 Reserves

Group

	Share premium account £	Profit and loss account £
At 1 February 2010	2,368,608	(94,801)
Premium on shares issued during the period	19,800	-
Profit for the period	-	1,190,970
	<u>2,388,408</u>	<u>1,096,169</u>
At 31 December 2010		

UK Services Network Limited

Notes forming part of the financial statements
for the period ended 31 December 2010 (*continued*)

19 Reserves (*continued*)

Company

	Share premium account £	Profit and loss account £
At 1 February 2010	2,368,608	-
Premium on shares issued during the period	19,800	-
Loss for the period	-	(36)
	<hr/>	<hr/>
At 31 December 2010	2,388,408	(36)
	<hr/>	<hr/>

20 Reconciliation of movements in shareholders' funds

	Group 31 December 2010 £	Group 31 January 2010 £	Company 31 December 2010 £	Company 31 January 2010 £
Profit/(loss) for the period	1,190,970	(94,801)	(36)	-
Issue of shares	200	19,388	200	19,388
Premium on shares issued during the period	19,800	2,368,608	19,800	2,368,608
	<hr/>	<hr/>	<hr/>	<hr/>
Net additions to shareholders' funds	1,210,970	2,293,195	19,964	2,387,996
Opening shareholders' funds	2,293,195	-	2,387,996	-
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	3,504,165	2,293,195	2,407,960	2,387,996
	<hr/>	<hr/>	<hr/>	<hr/>

UK Services Network Limited

Notes forming part of the financial statements for the period ended 31 December 2010 (*continued*)

21 Commitments under operating leases

The Group and Company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 31 December 2010 £	Other 31 December 2010 £	Land and buildings 31 January 2010 £	Other 31 January 2010 £
Operating leases which expire				
Within one year	29,301	25,917	15,992	32,243
In two to five years	71,948	510,546	36,560	535,816
After five years	109,000	-	163,027	-
	<u>210,249</u>	<u>536,463</u>	<u>215,579</u>	<u>568,059</u>

22 Related party disclosures

Loans and transactions concerning directors and officers of the company

Mr R Beech and Mrs L Beech, the brother and wife, respectively, of Mr G P Beech who is a director of The UK Drainage Network Limited and shareholder/director of The UK Services Network Limited, are shareholders and directors of Direct General Maintenance Limited. During the trading period, The UK Drainage Network Limited purchased services to the value of £Nil (31 January 2010 £1,321) from Direct General Maintenance Limited. The purchases were on an arms' length basis. Trade creditors at the balance sheet date include £Nil (31 January 2010 £Nil) owed to Direct General Maintenance Limited.

Mr A Beech, the father of Mr G P Beech who is a director of The UK Drainage Network Limited and shareholder/director of The UK Services Network Limited, leases Unit 14, Burhill Way to The UK Drainage Network Limited through James Hay Pension Trustees Limited for 10 years from 4 August 2000 at an annual rent of £13,650. This is conducted on an arms' length basis. The lease is currently in the process of being renegotiated for the next 5 years. The UK Drainage Network Limited sub-let part of Unit 14, Burhill Way to Direct General Maintenance Ltd for an annual rent of £2,700 until 4th December 2009.

Mr G P Beech and Mr R Thomas, who are directors of The UK Drainage Network Limited and shareholders of The UK Services Network Limited, have a beneficial interest in the freehold property at Unit 10, Burhill Way leased by The UK Drainage Network Limited for 10 years from 28 February 2007 at an annual rent of £28,000.

Mr P Tidey, who was a director and shareholder of The UK Drainage Network Limited until 8th January 2010, has a beneficial interest in the freehold property at Kern House, Breakspear Road leased by the company for 25 years from 15 June 2006 at an annual rent of £51,000.

Mr D Leaman, who was a director and shareholder of The UK Drainage Network Limited and Mr S Pace, who is a director of The UK Drainage Network Limited and shareholder/director of The UK Services Network Limited, have a beneficial interest in the freehold property at Unit 10, Springmeadow Road leased to The UK Drainage Network Limited by JLT Trustees Limited for 10 years from 28 February 2007 at an annual rent of £30,000. The company sublets part of Unit 10, Springmeadow Road to MJD Maintenance Ltd for no rent.

Mr C Horrix, the stepson of Mr P Tidey who was a shareholder and director of The UK Drainage Network Limited until 8th January 2010, was a director of Kelsea Utilities Ltd until December 2009. During the trading period, The UK Drainage Network Limited purchased services to the value of £Nil (31 January 2010 £8,424) from Kelsea Utilities Ltd. The purchases were on an arms' length basis. Trade creditors at the balance sheet date include £Nil (31 December 2010 £Nil) owed to Kelsea Utilities Ltd.

UK Services Network Limited

Notes forming part of the financial statements
for the period ended 31 December 2010 (continued)

22 Related party disclosures (continued)

Shareholder loans

On 8 January 2010 loan notes were issued for an amount of £357,140. The balance is payable in full at par on the earlier of sale or quotation. Interest is charged at 15% per annum and is included within 'Accruals and deferred income'.

	Loans and maximum amount in the period £	Accrued interest £	Total £
31 December 2010			
G P Beech	71,430	10,480	81,910
S Pace	68,925	10,113	79,038
R C Thomas	71,430	10,480	81,910
R J Bulkeley	71,425	10,478	81,903
W Hunter	2,500	367	2,867
N M Powell	71,430	10,480	81,910
Total	357,140	52,397	409,537
31 January 2010			
G P Beech	71,430	675	72,105
S Pace	68,925	652	69,577
R C Thomas	71,430	675	72,105
R J Bulkeley	71,425	675	72,100
W Hunter	2,500	24	2,524
N M Powell	71,430	675	72,105
Total	357,140	3,376	360,516

UK Services Network Limited

Notes forming part of the financial statements
for the period ended 31 December 2010 (*continued*)

23 Reconciliation of operating profit to net cash inflow from operating activities

	11 months ended 31 December 2010 £	4 months ended 31 January 2010 £
Operating profit	3,101,857	7,937
Amortisation of intangible fixed assets	404,392	36,260
Depreciation of tangible fixed assets	359,777	23,641
Profit on sale of tangible fixed assets	(2,213)	-
Decrease/(increase) in stocks	67,546	(6,988)
(Increase)/decrease in debtors	(160,543)	322,005
(Decrease)/increase in creditors	(416,810)	989,808
Amortisation of FRS4 costs	-	10,773
Net cash inflow from operating activities	<u>3,354,006</u>	<u>1,383,436</u>

24 Reconciliation of net cash flow to movement in net debt

	11 months ended 31 December 2010 £	4 months ended 31 January 2010 £
Increase in cash	1,448,966	1,209,795
Cash inflow/(outflow) from changes in debt	482,781	(9,034,158)
Movement in net debt resulting from cash flows	1,931,747	(7,824,363)
Amortisation of loan arrangement fees	(198,997)	-
Movement in net debt	1,732,750	(7,824,363)
Opening net debt	(7,824,363)	-
Closing net debt	<u>(6,091,613)</u>	<u>(7,824,363)</u>

UK Services Network Limited

Notes forming part of the financial statements
for the period ended 31 December 2010 (*continued*)

25 Analysis of net debt

	At 1 February 2010 £	Cash flow £	Other non- cash items £	Amortisation of FRS4 costs £	At 31 December 2010 £
Cash at bank and in hand	1,209,795	1,449,963	-	-	2,659,758
Bank overdrafts	-	(997)	-	-	(997)
		<u>1,448,966</u>			
Debt due within one year	(534,005)	(476,366)	453,483	(198,997)	(755,885)
Debt due after one year	(8,389,712)	906,921	(453,483)	-	(7,936,274)
Finance leases	(110,441)	52,226	-	-	(58,215)
		<u>482,781</u>			
Total	<u>(7,824,363)</u>	<u>1,931,747</u>	<u>-</u>	<u>(198,997)</u>	<u>(6,091,613)</u>

Loan arrangement fees amounting to £198,997 were amortised in the period