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**E R H COMMUNICATIONS LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2011**

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31/08/2012  
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## **E R H COMMUNICATIONS LIMITED**

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### **COMPANY INFORMATION**

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#### **DIRECTORS**

Mr G R Smith (resigned 30 November 2011)  
Mr A Groves  
Mr D A Neale (resigned 30 November 2011)  
Mr D Bird (resigned 28 April 2011)  
Mr S Butler (resigned 28 April 2011)  
Mr R Castle (appointed 4 January 2011)  
Mr D T Jones (appointed 14 January 2011)  
Mr L C Beattie (appointed 2 May 2011)  
Mr N Howell (appointed 2 May 2011)  
Mr R Evans (appointed 2 May 2011)  
Mr L Emery (appointed 2 May 2011)

#### **COMPANY SECRETARY**

Mr N Howell

#### **COMPANY NUMBER**

02697046

#### **REGISTERED OFFICE**

Dean Road  
Yate  
Bristol  
BS37 5NR

#### **AUDITOR**

Nexia Smith & Williamson  
Chartered Accountants & Statutory Auditor  
Portwall Place  
Portwall Lane  
Bristol  
BS1 6NA

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**E R H COMMUNICATIONS LIMITED**

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## **E R H COMMUNICATIONS LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011**

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The directors present their report and the financial statements for the year ended 31 December 2011

#### **PRINCIPAL ACTIVITIES**

The principal activities of the company during the year were, Civil Engineering, Fibre Optic Engineering and Communications Systems Installation and associated Maintenance, Surveillance Systems, Traffic Management, Street Lighting and Tunnel Maintenance

#### **BUSINESS REVIEW**

Despite challenging market conditions during 2011 the business has continued to perform well, maintaining strong contract margins despite a slight fall in turnover. E R H Communications successfully delivered a number of asset management frameworks during the year and these will continue to run through into 2012. The business also secured a number of larger highways contracts as a main contractor.

Further development of our North Wales office, through our ability to integrate and generate new software whilst providing systems management services, has begun to open new business sectors. This, aligned with our ability to deliver frameworks, puts E R H Communications Ltd in a strong position to grow in a market which is increasingly looking to outsource in these areas.

#### **RESULTS**

The profit for the year, after taxation, amounted to £248,696 (2010 - £322,491)

#### **DIRECTORS**

The directors who served during the year were

Mr G R Smith (resigned 30 November 2011)  
Mr A Groves  
Mr D A Neale (resigned 30 November 2011)  
Mr D Bird (resigned 28 April 2011)  
Mr S Butler (resigned 28 April 2011)  
Mr R Castle (appointed 4 January 2011)  
Mr D T Jones (appointed 14 January 2011)  
Mr L C Beattie (appointed 2 May 2011)  
Mr N Howell (appointed 2 May 2011)  
Mr R Evans (appointed 2 May 2011)  
Mr L Emery (appointed 2 May 2011)

#### **FINANCIAL RISK MANAGEMENT**

##### **Objectives**

The financial risk management objectives of the company are set by the board of directors with a view to minimising the company's exposure to price risk, credit risk, liquidity risk and cash flow risk.

##### **Policies**

The company finances its operations through the generation of cash from operating activities, bank and group borrowings. Interest rate exposure is managed through regular reviews of borrowing agreements. Liquidity risk is managed through forecasting the future cash flow requirements of the business and maintaining sufficient cash at bank balances.

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## **E R H COMMUNICATIONS LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011**

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#### **STATEMENT OF 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 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- 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.

#### **PROVISION OF INFORMATION TO AUDITOR**


Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

#### **AUDITOR**

Nexia Smith & Williamson are deemed to be reappointed as auditors.

This report was approved by the board on 2<sup>nd</sup> July 2012 and signed on its behalf



**Mr R Castle**  
Director

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## **E R H COMMUNICATIONS LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF E R H COMMUNICATIONS LIMITED**

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We have audited the financial statements of E R H Communications Limited for the year ended 31 December 2011, which comprise the Profit and Loss Account, the Balance Sheet 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 AUDITOR**

As explained more fully in the Directors' Responsibilities Statement, 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.

#### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at [www.frc.org.uk/apb/scope/private.cfm](http://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 company's affairs as at 31 December 2011 and of its profit 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.

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**E R H COMMUNICATIONS LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF E R H COMMUNICATIONS LIMITED**

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**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

*Nexia Smith & Williamson*

Michael Neale (Senior statutory auditor)

for and on behalf of

**Nexia Smith & Williamson**

Chartered Accountants & Statutory Auditor  
Registered Auditors

Portwall Place

Portwall Lane

Bristol

BS1 6NA

Date *13 July 2012*

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**E R H COMMUNICATIONS LIMITED**

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**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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	<b>Note</b>	<b>2011 £</b>	<b>2010 £</b>
<b>TURNOVER</b>	1,2	<b>15,803,866</b>	<b>19,169,556</b>
Cost of sales		<b>(13,027,772)</b>	<b>(16,129,382)</b>
<b>GROSS PROFIT</b>		<b>2,776,094</b>	<b>3,040,174</b>
Administrative expenses		<b>(2,449,209)</b>	<b>(2,585,957)</b>
<b>OPERATING PROFIT</b>	3	<b>326,885</b>	<b>454,217</b>
Interest receivable and similar income		<b>-</b>	<b>10</b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>326,885</b>	<b>454,227</b>
Tax on profit on ordinary activities	6	<b>(78,189)</b>	<b>(131,736)</b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	11	<b>248,696</b>	<b>322,491</b>

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the profit and loss account

The notes on pages 7 to 12 form part of these financial statements

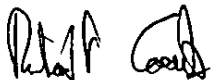


**E R H COMMUNICATIONS LIMITED**  
**REGISTERED NUMBER: 02697046**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2011**

	Note	£	2011 £	£	2010 £
<b>CURRENT ASSETS</b>					
Stocks	7	95,058		41,505	
Debtors	8	3,010,154		2,474,947	
Cash at bank		1,684,421		2,722,233	
		<u>4,789,633</u>		<u>5,238,685</u>	
<b>CREDITORS:</b> amounts falling due within one year	9	<u>(3,956,936)</u>		<u>(4,654,684)</u>	
<b>NET CURRENT ASSETS</b>			<u>832,697</u>		<u>584,001</u>
<b>NET ASSETS</b>			<u>832,697</u>		<u>584,001</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	10		10,000		10,000
Profit and loss account	11		822,697		574,001
<b>EQUITY SHAREHOLDERS' FUNDS</b>	12		<u>832,697</u>		<u>584,001</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on  
2nd JULY 2012



**Mr R Castle**  
Director

The notes on pages 7 to 12 form part of these financial statements

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## **E R H COMMUNICATIONS LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011**

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#### **1. ACCOUNTING POLICIES**

##### **1.1 Basis of preparation of financial statements**

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

##### **1.2 Cash flow statement**

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with Financial Reporting Standard 1

##### **1.3 Turnover**

Turnover, which is stated net of value added tax, represents the value of services provided to third parties except in respect of long term contract work in progress where turnover represents the sales value of work done in the year

##### **1.4 Operating leases**

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term

##### **1.5 Stocks**

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks

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

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included 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.

##### **1.7 Pensions**

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

##### **1.8 Deferred taxation**

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred taxation balance has not been discounted.

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**E R H COMMUNICATIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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**2. TURNOVER**

The whole of the turnover is attributable to the principal activity of the company

All turnover arose within the United Kingdom

**3. OPERATING PROFIT**

The operating profit is stated after charging

	2011 £	2010 £
Auditors' remuneration	<u>6,400</u>	<u>6,200</u>

**4. STAFF COSTS**

Staff costs, including directors' remuneration, were as follows

	2011 £	2010 £
Wages and salaries	3,956,856	4,186,634
Social security costs	284,916	299,627
Other pension costs	91,821	115,520
	<u>4,333,593</u>	<u>4,601,781</u>

The average monthly number of employees, including the directors, during the year was as follows

	2011 No.	2010 No
Direct	66	57
Management and office	38	53
	<u>104</u>	<u>110</u>

**5. DIRECTORS' REMUNERATION**

	2011 £	2010 £
Emoluments	<u>614,767</u>	<u>779,580</u>
Company pension contributions to defined contribution pension schemes	<u>48,563</u>	<u>74,166</u>

During the year retirement benefits were accruing to 7 directors (2010 - 4) in respect of defined contribution pension schemes

# **E R H COMMUNICATIONS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011**

### **5. DIRECTORS' REMUNERATION (continued)**

The highest paid director received remuneration of £143,839 (2010 - £287,863) including pension contributions of £8,000 (2010 - £24,000)

### **6. TAXATION**

	2011 £	2010 £
<b>Analysis of tax charge in the year</b>		
UK corporation tax charge on profit for the year	77,992	131,736
Adjustments in respect of prior periods	197	-
	<u>78,189</u>	<u>131,736</u>
<b>Tax on profit on ordinary activities</b>		

#### **Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2010 - higher than) the standard rate of corporation tax in the UK of 26.49% (2010 - 21%). The differences are explained below

	2011 £	2010 £
Profit on ordinary activities before tax	326,885	454,227
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.49% (2010 - 21%)	86,602	127,184
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	5,354	6,654
Capital allowances for year in excess of depreciation	(110)	580
Marginal relief	(1,189)	(80)
Adjustments to tax charge in respect of prior periods	197	-
Other short term timing differences	1,455	4,301
Other provision in prior year	-	(6,903)
Group relief	(14,120)	-
	<u>78,189</u>	<u>131,736</u>
<b>Current tax charge for the year (see note above)</b>		

### **7. STOCKS**

	2011 £	2010 £
Raw materials	95,058	41,505

**E R H COMMUNICATIONS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**8. DEBTORS**

	2011 £	2010 £
Trade debtors	1,182,232	1,252,629
Amounts owed by group undertakings	-	4,010
Other debtors	3,577	6,220
Prepayments and accrued income	23,568	61,243
Amounts recoverable on long term contracts	1,800,777	1,150,845
	<u>3,010,154</u>	<u>2,474,947</u>

**9. CREDITORS:  
Amounts falling due within one year**

	2011 £	2010 £
Payments received on account	318,213	607,082
Trade creditors	1,700,694	1,700,606
Amounts owed to group undertakings	1,317,919	1,373,355
Corporation tax	77,992	138,638
Social security and other taxes	321,765	356,616
Accruals and deferred income	220,353	478,387
	<u>3,956,936</u>	<u>4,654,684</u>

**DEFERRED TAXATION**

No provision has been made in the financial statements and the amounts unprovided at the end of the year are as follows

	2011 £	2010 £
Short term timing differences	<u>7,018</u>	<u>6,209</u>

**10. SHARE CAPITAL**

	2011 £	2010 £
<b>Allotted, called up and fully paid</b>		
10,000 Ordinary Shares of £1 each	<u>10,000</u>	<u>10,000</u>

**E R H COMMUNICATIONS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**11. RESERVES**

	<b>Profit and loss account £</b>
At 1 January 2011	<b>574,001</b>
Profit for the year	<b>248,696</b>
At 31 December 2011	<b>822,697</b>

**12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	<b>2011 £</b>	<b>2010 £</b>
Opening shareholders' funds	<b>584,001</b>	<b>381,510</b>
Profit for the year	<b>248,696</b>	<b>322,491</b>
Dividends (Note 13)	<b>-</b>	<b>(120,000)</b>
Closing shareholders' funds	<b>832,697</b>	<b>584,001</b>

**13. DIVIDENDS**

	<b>2011 £</b>	<b>2010 £</b>
Dividends paid on equity capital	<b>-</b>	<b>120,000</b>

**14. OPERATING LEASE COMMITMENTS**

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as follows

	<b>Land and buildings 2011 £</b>	<b>2010 £</b>	<b>2011 £</b>	<b>Other 2010 £</b>
<b>Expiry date:</b>				
Between 2 and 5 years	<b>70,000</b>	<b>70,000</b>	<b>-</b>	<b>-</b>

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## **E R H COMMUNICATIONS LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011**

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#### **15. CONTINGENCIES**

The company has a group cross guarantee with E R H (Holdings) Limited, E R Hemmings (Building) Limited and HemTech Systems Limited in respect of bank borrowings. At the year end these companies had borrowings as below

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
E R H (Holdings) Limited	<b>524,153</b>	395,676
E R Hemmings (Building) Limited	<b>1,630,754</b>	1,504,392
HemTech Systems Limited	-	-

#### **16. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the Financial Reporting Standard 8 exemption from providing details of related party transactions with group companies as it is a wholly owned subsidiary and the ultimate parent company prepares consolidated financial statements

During the year E R H Communications Limited paid rent of £81,700 (2010 - £81,700) to E R Hemmings (Building) Executive Pension Scheme, of which certain directors are trustees and members. As at 31 December 2011 £2,067 (2010 - £nil) was outstanding

During the year E R H Communications Limited made purchases of £74,083 (2010 - £320,861) from R M Hemmings Plant Hire Limited, a company owned by the son of the ultimate controlling party. As at 31 December 2011, the company owed R M Hemmings Plant Hire Limited £10,488 (2010 - £20,339)

#### **17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The ultimate parent company is E R H (Holdings) Limited, a company registered in England & Wales. The ultimate controlling party is Mr E R Hemmings, a director of the parent company. Copies of the group financial statements of E R H (Holdings) Limited are available from Companies House, Crown Way, Mandy, Cardiff CF4 3UZ