Company number: 3626335

# FIELD SYSTEMS DESIGNS HOLDINGS PLC

## GROUP FINANCIAL STATEMENTS

## 31 MAY 2012

## DIRECTORS AND OFFICERS

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### DIRECTORS

| | |
|---|---|
| D K Bird | Chairman |
| P J Haines | |
| D F Lower | |
| B D Smith | |
| R M Hunter | |
| N M Billings | |
| M H Engler | Non-executive |

### SECRETARY

B D Smith

### REGISTERED OFFICE

Spring Court
Station Road
Dorking
Surrey
RH4 1EB

### AUDITORS

Grant Thornton UK LLP
Chartered Accountants
The Explorer Building
Fleming Way
Manor Royal
Crawley
West Sussex
RH10 9GT

### BANKERS

HSBC Bank Plc
168 High Street
Guildford
Surrey
GU1 3YU

## CHAIRMAN'S STATEMENT

I am pleased to announce the results of Field Systems Designs Holdings plc for the year ended 31 May 2012 which show good progress and reflect another solid year in an increasingly difficult operating climate.

The group's focus on electrical activities in industries where it has proven experience is driving its success and is providing resilience in these challenging times.

The group continues to underpin its leading market position in sectors such as the Water Industry, where it has established a strong reputation in delivering complex solutions on target.

The Water Industry's fifth 5-year build and refurbishment Asset Management Programme (AMP5) running to April 2015 has driven volume in the water sector in the current year.

It is new work in the Energy for Waste (EfW) market that is the focus of Group investment in sales and efforts in this area are starting to produce results.

This year the Group boosted turnover by taking on Mechanical and Electrical (M&E) contracts in a response to customer preference for placing single contracts. Consequently the Group established a new mechanical business after the year end, based in the Midlands, to give an in-house mechanical fabrication and erection capability.

The group remains very cautious about the outlook for performance in 2012/2013, given the current economic climate, but it is still well-positioned with a good opening order book and robust cash position to maximise the benefits from future opportunities.

D K Bird
Chairman

26 October 2012

## REVIEW OF OPERATIONS

### OPERATIONAL PERFORMANCE

The group achieved a turnover of £15.4 million for the year to 31 May 2012, up significantly from last year as a consequence of significantly higher revenues deriving from the Water Industry.

| Turnover was generated as follows: | 2012<br>£ | 2011<br>£ |
|---|---|---|
| Water and Sewerage | 12,726,310 | 5,292,659 |
| Power generation and Waste to Power | 1,798,662 | 6,940,570 |
| Rail, Transport and Tunnels | 137,855 | 323,228 |
| Building services, Maintenance, Security, Instrumentation, Controls and Automation | 709,511 | 306,519 |
| | 15,372,338 | 12,862,976 |

Gross profit margins fell significantly to 7.7% from 10.4%. Gross profits came under intense pressure as projects from the Water Industry increased with their associated difficulties in recovering value from additional works as the Water Utilities and their Tier One contractors continue to focus on cost following their OFWAT determination.

The group achieved a reduced but fair operating profit for the year of £372,444 (2011: £470,115).

In view of the economic climate the directors are pleased to report a solid group profit after tax of £260,767 for the year ended 31 May 2012 (2011: £312,496)

### MAJOR PROJECTS

***Water***

Field Systems Designs (FSD) focuses on delivering specialist electrical design and installation works.

This year the company boosted turnover by taking on Mechanical and Electrical (M&E) contracts in a response to customer preference for placing single contracts. Volumes were dominated by the Water Industry where 83% of turnover in 2012 was derived (2011:42%). The AMP5 spend in England took-off during the year, and water-related works emanated from large-scale treatment works, multi-centre projects, from specialist works on pumping stations and on continued Ultra-Violet water analysis.

The group continues to be involved in a number of high profile prestigious projects and following on from the completion of the UK's first large-scale desalination plant at Beckton last year, FSD was awarded the innovative high profile project to undertake the electrical installation for the new Peacehaven sewage works. Southern Water and its delivery partner 4D - a consortium of Costain, MWH and Veolia Water – together with a select team of contractors including FSD are nearing the end of a £300M scheme. It will ensure that 95Ml of wastewater generated each day is treated for the main population centre of Brighton & Hove at a green-field site at Peacehaven whilst maintaining the picturesque nature of the Downs.

## MAJOR PROJECTS (continued)

**Power**

FSD retains its experienced skill-base in the power industry, where 12% of turnover in 2012 was derived (2011:55%).

FSD completed its work during the year on the Energy from Waste (EfW) project at Riverside in London, where a substantial high quality project was completed to the benefit of its Swiss customer. This landmark EfW Project was a highly complex and carefully structured development of a large facility at Belvedere constructed for Cory Environmental and Riverside Resource Recovery and operated now by a fleet of tugs and barges delivering waste on the Thames. The proposed new facility will be London's first river-served EfW plant making a significant contribution to renewable energy. The business development team are continuing to invest time in meeting potential clients to better understand the potentially huge EfW market and we are confident that we are well placed to secure numerous projects in the future over a number of diverse technologies such as Gasification and Energy from Waste in both Incineration and Anaerobic Digestion.

FSD also continued work for National Grid and Chubb where highly trained operatives worked under conditions of high security.

**Rail, Transport and Tunnelling**

FSD maintained its reputation for quality work in the Rail, Transport and Tunnelling sector at 1% of turnover (2011:3%).

Investment in this sector has been focussed on the major Cross Rail projects while other areas have declined, FSD continues to service the rail industry, both overground and underground, and undertook a variety of rail related works around the country. FSD also continues to work on tunnel and shaft projects where it has established a niche specialism, using its trained operatives experienced in working in these difficult conditions.

**Building Services**

FSD Electrical Services (FSDe), which focuses on delivering commercial electrical installation services continued to operate as a specialist electrical installer in the commercial and rail sectors, building its reputation by offering its growing customer base quality, timeliness and value for money.

FSDe has been involved in a variety of minor works, and small and intermediate projects working on the underground infrastructure for TFL (Transport for London). FSDe has been further involved in the rail sector with companies specialising in the no-dig repair of drainage systems and in the geological movement monitoring of infrastructure monitoring the impact of surrounding construction and tunnelling projects on the integrity of the Underground infrastructure.

The aquisition of Tom Finney Services in the NorthWest has expanded the security division which will assist the growth of the commercial sector. FSDe has expanded its involvement with traditional fit-out projects offering the full range of services including lighting, power distribution, fire alarm systems, security and door entry systems, CCTV and AV systems, maintenance and air-conditioning services.

## QUALITY ASSURANCE

FSD Group is approved to the Quality Management Standard BS EN ISO 9001:2008. The British Standards Institute (BSI) and Achilles, the Utilities Sector procurement performance assessor, regularly review the company's processes for managing and installing electrical services, as well as its fault resolution procedures. Recent assessments have again been successfully completed with the following comment made in a recent Achilles audit : "A robust management system is in place with commendable documentation, there is an overwhelming ethos of continual improvement and constant change."

The group is committed to a strategy that provides its clients with a high-quality service that conforms to the client's requirements. This strategy includes a strong management commitment to quality, the recruitment and retention of high calibre, experienced and well-trained staff, properly documented procedures, processes and controls, and compliance with all regulatory and legal requirements.

Quality Audits continue to be carried out across company sites on a regular basis to ensure compliance and to improve the company's activities. The annual management review meeting assesses the group's performance against targets and sets new targets.

## ENVIRONMENT

FSD group has an environmental management system approved to the international environment standard, ISO 14001:2004. The BSI and Achilles regularly review the group's processes for managing its impact on the environment. The group has engaged in a programme to achieve CEMARS as it strives to minimise harm to the environment, prevent pollution and use best practice environment solutions wherever possible to minimise its carbon foot-print. A risk assessment approach is used to manage environmental matters, and to identify and assess key environmental hazards arising from business activities and manage them appropriately.

## HEALTH AND SAFETY

A commitment to Health and Safety is the Group's number one priority. Every Board meeting starts by focusing on preserving high safety standards and promoting a positive safety culture within the Group, to ensure that our employees, customers, suppliers and the public are kept safe.

FSD group has a safety management system implemented across all sites that is approved to the Health and Safety Management System BS OHSAS 18001:2007, (the internationally recognised standard for management of occupational health and safety risks). The company achieved its second ROSPA Gold Award this year.

There is a strong commitment at Board level, supported by a highly qualified health and safety specialist, which endorses the importance of vigilant health and safety practices and the investment in training for site and management to broaden the competence, knowledge and experience of its employees. This is supported by expert guidance provided by the EEF, ECA and CITB. The group continues to establish safety initiatives and objectives and these are currently on target with a good overall safety record.

## EMPLOYEES

Group employee numbers have reduced from an average of 102 in 2011 to 80 in 2012 reflecting a different mix of work during the year.

We are pleased to place on record the appreciation of the efforts and support given to the group by its employees, who continue to make a significant contribution to the group.

## PENSIONS

The group's pension deficit as at 31 May 2012 was £175,200 net of deferred tax, an increase of 55% from 31 May 2011. This is derived from the group's most recent FRS17 actuarial review and reflects market conditions on that date.

## CORPORATE RESPONSIBILITY

The group recognises its responsibilities to the people it employs, its customers and suppliers, its shareholders, the wider community and to the environment. We are a well-managed, responsible and ethical company and are determined to be widely recognised for our quality of installation, the skills of our people and the seriousness with which we take our corporate responsibilities.

## OUTLOOK

The group entered the new financial year with a strong opening order book of £5.2million (2011: £5.7 million).

The group is mostly reliant on the fortunes of the Water Industry and it is from this industry that the majority of turnover is derived.

The current AMP5 (Asset Management Programme), runs for five years from April 2010, it has been slow to start but has now started up strongly.

FSD continues to participate on frameworks and strategic alliances with water process companies, even now some framework decisions are still to be made or are being re-evaluated.

The group promotes joint venture and other working arrangements with like-minded quality partners to offer a turn-key solution and enhance its position in the sector. FSD established a new mechanical business after the year end, based in the Midlands, to further enhance its turn-key capability and attract joint Mechanical and Electrical (M&E) contracts in response to its customers' demands.

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**OUTLOOK (Continued)**

Sales effort remains committed to industries outside of water and new technology sectors such as Energy for Waste and Gasification remain key targets.

The Group continues to enhance its personnel's capabilities through appropriate training to ensure the continued quality of service and maintain the depth of its experience. Accordingly FSD can offer an added-value service to the rail, underground, power, waste and tunnelling sectors and differentiate itself from its competition and this should ensure further future success.

The Group has maintained its investment in specialised engineering software and the efficiencies this gives have helped the group to offer an enhanced design resource to supplement its installation capabilities.

The Group's head office premises in Dorking are now fully functional and generate rental income from tenants occupying surplus space.

The Board continues to react to customer demands and keep standards high, whilst creating operational efficiencies to best position the business for the tougher trading conditions ahead.

P J Haines
Managing Director

26 October 2012

**DIRECTORS' REPORT**

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The directors submit their report and the group financial statements of Field Systems Designs Holdings plc for the year ended 31 May 2012.

**PRINCIPAL ACTIVITIES**

The principal activity of the company is investment holding.

The principal activities of the subsidiaries during the year were the design, project management, supply, installation, commissioning, servicing and maintenance of mechanical and electrical projects, including HV and LV cabling with associated cable management systems, controls, instrumentation, pipework, steelwork and building services primarily in the power, water, rail, commercial, security and transport industries.

**REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

The group achieved a turnover of £15.4 million for the year to 31 May 2012, an increase on last year.

A detailed review of the group's activities during the year and of its prospects is contained within the Chairman's Statement and the Review of Operations.

**RESULTS AND DIVIDENDS**

The consolidated profit for the year after taxation was £260,767 (2011: £312,496).

The directors do not recommend the payment of a dividend.

**DIRECTORS**

The following directors served throughout the year:

D K Bird (Non-executive)
M H Engler (Non-executive)
P J Haines
D F Lower
B D Smith
R M Hunter
N Billings

The directors are not required to retire by rotation.

**ORDINARY SHARES**

The company's shares have been quoted on the PLUS trading platform since December 1998 and have been quoted with a mid-price of 14.5p during the year, ending the year at 15.5p.

## KEY PERFORMANCE INDICATORS (KPI's)

The board uses both financial and non-financial (operational) performance indicators in the analysis and management of the business. The indicators relate both to financial and contractual performance and to other non-financial areas, including but not limited to, employees, health and safety, quality assurance, customer satisfaction and the environment.

KPI's are used by the management to run and monitor the business and many of the trends and results provide information which is commercially sensitive or is confidential in nature.

### Financial

The main financial KPI used by the board is the measure of gross profit margin (being the gross project contribution as a percentage of turnover), as overheads can largely be controlled in line with budget, however margins on contractual activity are key to annual profitability.

An overall target margin is set annually in advance and subsequently represents the average bid margin used in pricing projects. It is designed to cover group overheads plus an element of profit. The gross profit margin used in the annual budgeting process is used to benchmark monthly performance and provides for a degree of margin erosion due to difficulties in fully recovering the value of additional works requested by customers. This varies according to market conditions.

The actual margin experience is reflected in the reported results and came under pressure during 2012 as customers in the water industry exerted downward pressure on their supply chain to reduce costs. The move to a greater number of projects in the Water Industry led to falling margins as typically recovering costs for extra works is extremely difficult.

### Non-financial

The Board measures customer satisfaction using an independent on-line survey assessment. A rolling 12 month record is kept of customer feedback on project completion with charitable donations used to encourage participation. Customers are asked to complete answers to a number of questions regarding Group performance including such areas as the focus on Safety and the Environment, completion of site work to programme, contract financial management and standard of workmanship.

The responses are used by the board as an independent confirmation of Group performance levels and negative feedback is vigorously followed up and improvement measures implemented.

The ongoing independent assessments of the Group's Safety, Quality and Environmental Standards are key to it maintaining the efficiency of its operational performance and adherence to high levels of site safety and environmental awareness.

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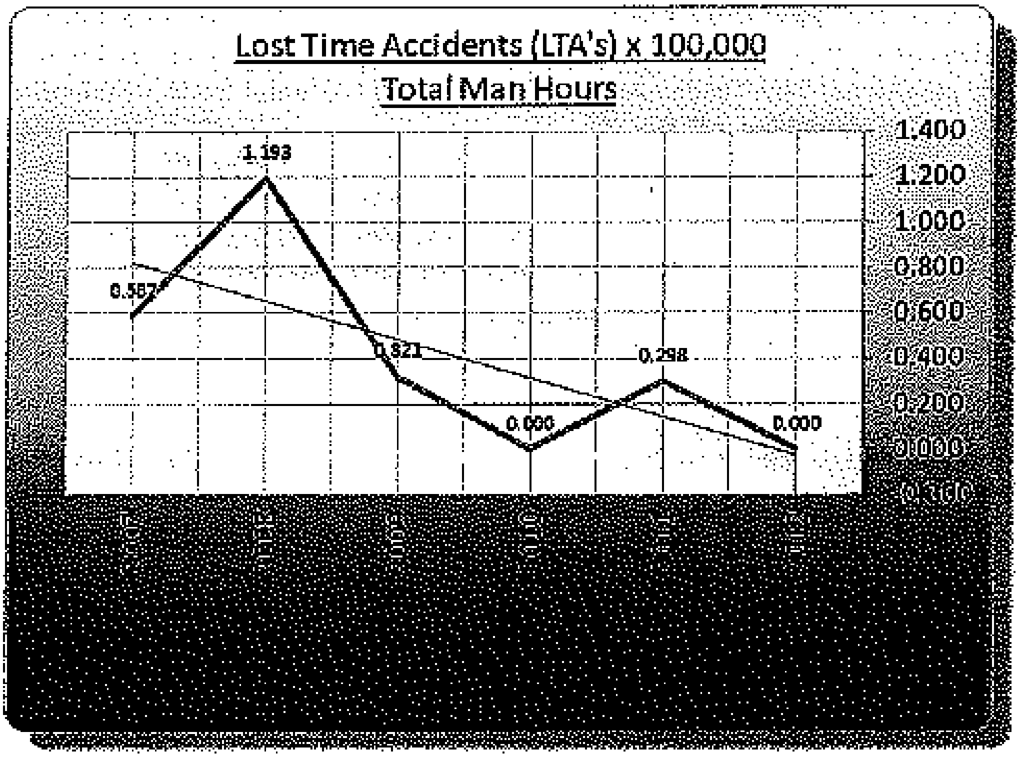
## KEY PERFORMANCE INDICATORS (KPI's) (Continued)

The Group is approved to the Quality Management Standard ISO 9001:2008, has an environmental management system approved to ISO 14001:2004, and a safety management system based on OHSAS 18001:2007. Achilles UVDB, the Utilities Sector procurement performance assessor, regularly review the group's processes for managing and installing electrical services, as well as its fault resolution procedures. The results of the 2012 Achilles audit were again excellent, reflecting high scores for both management systems and site evaluation, in the assessed areas of health & safety, environment and quality.

The Group board has both corporate and personal responsibility to ensure that its operations are managed in a safe and environmentally controlled manner. In common with its industry the Group measures its record on Health & Safety using an annual Accident Frequency Rate (AFR) chart. The group targets a year on year decline in the AFR, which charts the number of lost time accidents per 100,000 man hours worked. This year FSD are extremely pleased to achieve an ongoing reduction during 2012:-




## PRINCIPAL RISK MANAGEMENT

The board regularly undertakes a review of business risks and uncertainties confronting the group and evaluates the significant project risks affecting its business.

**Economic**

The group's business may be affected by market forces beyond its control, as in a downturn all competing companies operating in the same industry sectors will be impacted by economic and political change that will alter the volume and value of available work. The group mitigates these uncertainties by reviewing regularly forecasted sales opportunities and continually monitoring changes in its market sector.

## PRINCIPAL RISK MANAGEMENT (continued)

**Skilled personnel**

The group is dependent on the quality, attention and diligence of its personnel across the full spectrum of its skill disciplines. The group's successful ability to attract, retain, train and motivate its skilled management and personnel will be reflected by business growth, profitability and a reputation for quality work. The board reviews personnel issues on a monthly basis and the SHEQ manager ensures there is investment in training programmes for site and management to broaden the competence, knowledge and experience of its employees.

**The environment, health and safety, and regulation**

The commitment to enforcing safe working and adherence to regulation is strong at Board level and flows through the organisation through qualified specialists, continual instruction and training. The group is extremely aware of the potential for an 'incident' to damage the group and gives constant attention to ensuring that this risk is kept to a minimum. The Board, supported by a highly qualified health and safety specialist, endorses the importance of vigilant health and safety practices.

**Long term contracts – bidding and costing**

There are specific risk management procedures in place to ensure that prices estimated for fixed price contracts are accurate and to ensure the correct costing of successful bids as the work progresses. The Tender Approval Procedure (TAP) and Project Summary Report (PSR) are examples of the key risk management tools used. The TAP completion process identifies tender project risks, assesses the probability of their occurrence, their impact if they do occur and actions necessary to manage them down to an acceptable level. The PSR completion process quantifies the value of project work undertaken after successful contract award, reviews the potential commercial risks and highlights any safety, technical, operational and environmental risks. These procedures and tools are used to ensure that commercial and contractual risks are monitored and managed by the board.

**Competitiveness**

The group has a leading market position in sectors such as the Water Industry, and has also penetrated other sectors such as the rail industry, power industry and Waste to Energy market to ensure a constant pipeline of enquiries. Nevertheless in an increasingly competitive environment and with cyclical volumes, accurate and competitive pricing is key to a successful contract award. The board constantly monitors the competitiveness of its cost base to ensure that its pricing remains competitive. Regular benchmarking and framework submissions also assist this process of review.

**Cash flow**

The group has a strong balance sheet and access to additional debt funding, and trades comfortably within its current working capital. Customers may require additional project work to be undertaken and the group may be required to fund this work for a period of time until the additional costs can be formally approved and funds received. The group may also experience an increase in the level of credit given to customers as a consequence of a change in their financial status or payment systems. In such circumstances there are short-term cash-flow consequences which are managed carefully by the finance department and any consequences mitigated.

## FINANCIAL INSTRUMENTS

The group's financial instruments consist primarily of short term debtors, creditors, cash and certain derivatives used for hedging. The directors regularly review the group's cash position to ensure effective cash management. The directors believe this policy effectively manages the group's liquidity and cash flow risk. Further details are provided in note 13 to the accounts.

Derivative financial instruments are used in order to manage risks arising in foreign exchange rates. Certain derivative financial instruments are designated as hedges in line with established risk management policies. These instruments hedge the exposure of the group to changes in the costs of a known asset or liability and are matched when the hedging instrument expires or is sold. The group does not undertake hedge accounting,

Income and expenditure on financial instruments is recognised on an accruals basis and taken to the profit and loss account in the appropriate period. Financial assets are recognised in the balance sheet at the lower of cost and net realisable value with provision made for diminution in value.

## CHARITABLE AND POLITICAL DONATIONS

The group made no political donations but made donations to charitable institutions amounting to £1,259 during the year (2011: £1,567). The group undertakes a number of initiatives to generate charitable donations including donations to encourage feedback from customers on tender proposals and anonymous feedback from site on safety issues. The group generally supports the Rainbow Trust, a local children's charity that provides practical and emotional support to families who have a child with a life threatening or terminal illness.

## POLICY ON PAYMENT OF CREDITORS

The group values its relationship with suppliers and sub-contractors and makes every effort to settle suppliers' accounts on time. It is group policy to ensure that wherever possible suppliers accounts are settled in accordance with the settlement terms agreed with the supplier at the time of the supply once goods or services have been provided in accordance with the contract terms and conditions. At the year end the average credit taken from suppliers for the group was 107 days (2011: 93 days).

## AUDITOR

Grant Thornton UK LLP have expressed willingness to continue in office. In accordance with Section 489(4) of the Companies Act 2006, a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

On behalf of the board

Bruce Smith
Director
26 October 2012

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and Applicable Laws). 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 and profit or loss of the company and group 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;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 group'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.

The directors confirm that:

- so far as each director is aware there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Bruce Smith
Director

26 October 2012

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIELD SYSTEMS DESIGNS HOLDINGS PLC

We have audited the financial statements of Field Systems Designs Holdings plc for the year ended 31 May 2012 which comprise the consolidated Profit and Loss Account, the consolidated and company Balance Sheets, the consolidated Cash Flow Statement, the consolidated Statement of Total Recognised Gains and Losses, the principal accounting policies 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 set out on page 13, 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 our 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 web-site 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 May 2012 and of the group's 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 matters 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 AUDITOR'S REPORT TO THE MEMBERS OF FIELD SYSTEMS DESIGNS HOLDINGS PLC (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.

Eleanor Walsh
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor
Chartered Accountants
Gatwick

26 October 2012

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**
**for the year ended 31 May 2012**

| | Notes | 2012 £ | 2011 £ |
|---|---|---|---|
| **TURNOVER** | 1 | 15,372,338 | 12,862,976 |
| Cost of sales | | (14,194,001) | (11,529,525) |
| **GROSS PROFIT** | | 1,178,337 | 1,333,451 |
| Net operating expenses | 2 | (805,893) | (863,336) |
| **OPERATING PROFIT** | | 372,444 | 470,115 |
| Interest receivable | 3 | 2,798 | 1,545 |
| Interest payable | 4 | (35,938) | (27,767) |
| **PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION** | 5 | 339,304 | 443,893 |
| Taxation | 7 | (78,537) | (131,397) |
| **PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION** | 17 | 260,767 | 312,496 |
| Minority interest | 17 | (1,343) | (3,484) |
| **PROFIT FOR THE YEAR** | | 259,424 | 309,012 |
| **EARNINGS PER SHARE** | | | |
| Basic | 15 | 4.8p | 5.7p |
| Diluted | 15 | 4.8p | 5.7p |

All operations are continuing.
The accompanying accounting policies and notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
**for the year ended 31 May 2012**

| | Notes | 2012 £ | 2011 £ |
|---|---|---|---|
| Profit for the year | 17 | 259,424 | 309,012 |
| Actuarial (losses)/gains on defined benefit pension scheme | 20 | (126,000) | 52,000 |
| Deferred tax movement on actuarial (losses)/gains | 20 | 22,900 | (10,900) |
| | | (103,100) | 41,100 |
| Total recognised gains and losses for the year | 18 | 156,324 | 350,112 |

**CONSOLIDATED BALANCE SHEET**
**As at 31 May 2012**

| | Notes | 2012 £ | 2011 £ |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Tangible assets | 8 | 1,524,406 | 1,514,714 |
| Intangible assets | 8 | 33,332 | - |
| **CURRENT ASSETS** | | | |
| Debtors | 10 | 5,169,383 | 3,250,501 |
| Cash at bank and in hand | | 1,708,999 | 1,613,566 |
| | | 6,878,382 | 4,864,067 |
| **CREDITORS** | | | |
| Amounts falling due within one year | 11 | 6,123,214 | 4,285,742 |
| **NET CURRENT ASSETS** | | 755,168 | 578,325 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 2,312,906 | 2,093,039 |
| **PROVISIONS FOR LIABILITIES** | | | |
| Deferred tax | 12 | 19,000 | 19,000 |
| Pension obligations | 20 | 175,200 | 113,000 |
| | | 2,118,706 | 1,961,039 |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | 14 | 569,250 | 569,250 |
| Share premium account | 17 | 158,750 | 158,750 |
| Profit and loss account | 17 | 1,012,013 | 855,689 |
| Other reserves | 17 | 370,033 | 370,033 |
| Minority interests | | 8,660 | 7,317 |
| **SHAREHOLDERS' FUNDS** | 18 | 2,118,706 | 1,961,039 |

Approved and authorised for issue on 26 October 2012 by:-

P J Haines...................................Director

B D Smith...................................Director

## COMPANY BALANCE SHEET
As at 31 May 2012

| | Notes | 2012 | 2011 |
|---|---|---|---|
| | | £ | £ |
| **FIXED ASSETS** | | | |
| Tangible assets | 8 | 1,427,554 | 1,439,552 |
| Investments | 9 | 478,085 | 478,085 |
| | | 1,905,639 | 1,917,637 |
| **CURRENT ASSETS** | | | |
| Debtors | 10 | 3,795 | 4,638 |
| Cash at bank and in hand | | 21,076 | - |
| | | 24,871 | 4,638 |
| **CREDITORS** | | | |
| Amounts falling due within one year | 11 | 10,389 | 31,101 |
| **NET CURRENT ASSETS/(LIABILITIES)** | | 14,482 | (26,463) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 1,920,121 | 1,891,174 |
| **CREDITORS** | | | |
| Amounts falling due after one year | 11 | 1,041,371 | 1,017,610 |
| | | 878,750 | 873,564 |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | 14 | 569,250 | 569,250 |
| Share premium account | 17 | 158,750 | 158,750 |
| Profit and loss account | 17 | 150,750 | 145,564 |
| **SHAREHOLDERS' FUNDS** | 18 | 878,750 | 873,564 |

Approved and authorised for issue on 26 October 2012 by:-

P J Haines.......................................Director

B D Smith.......................................Director

Company number: 3626335

## CONSOLIDATED CASH FLOW STATEMENT
**for the year ended 31 May 2012**

| | 2012 £ | 2011 £ |
|---|---|---|
| **NET CASH INFLOW FROM OPERATING ACTIVITIES** | 279,031 | 736,595 |
| **RETURNS ON INVESTMENTS AND SERVICING OF FINANCE** | | |
| Interest received | 2,798 | 1,545 |
| Interest paid | (938) | (767) |
| Net cash inflow from returns on investments and servicing of finance | 1,860 | 778 |
| **TAXATION PAID** | (71,337) | (99,097) |
| **CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT** | | |
| Purchase of fixed assets | (118,521) | (65,144) |
| Sale of fixed assets | 4,400 | 300 |
| Net cash outflow from capital expenditure and financial investment | (114,121) | (64,844) |
| **INCREASE IN CASH** | 95,433 | 573,432 |

The notes to the cashflow statement are contained in notes 21 to 23.

PRINCIPAL ACCOUNTING POLICIES

## BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards (United Kingdom Generally Accepted Accounting Practice). The group has taken advantage of the exemption conveyed by S408 Companies Act 2006 and has not presented an individual profit and loss account for the parent company. The principal accounting policies of the group which are unchanged from the previous year are set out below.

## GOING CONCERN

The directors have considered cash flow forecasts for the financial years to 2014 for the purposes of assessing going concern, and given that there are no material uncertainties about the group's ability to continue trading, the financial statements have been prepared on the going concern basis. These forecasts take into consideration expected revenues and expenditures from existing contracts as well as from new contracts anticipated to be secured by the Group subsequent to the year end. On the basis that the forecasts show results consistent with performance to date, and given current banking facilities, the directors are of the opinion that the Group will have sufficient cash to fund its operations for a period of at least 12 months following the date of approval of the financial statements.

## BASIS OF CONSOLIDATION

Transactions with subsidiary companies have been eliminated on consolidation in the group accounts. All financial statements are made up to the year ended 31 May 2012. The consolidated financial statements account for business combinations using acquisition accounting. Accordingly, the identifiable assets and liabilities of companies acquired are included in the consolidated balance sheet at their fair value at the date of acquisition.

## TURNOVER

Turnover is the total amount receivable by the group for goods and services provided, excluding VAT and trade discounts. Turnover is recognised when the goods and services are provided or when the work is certified by the customer, as appropriate.

Revenue from long term contracts is assessed on a contract by contract basis. Turnover is ascertained in a manner appropriate to the stage of completion of each contract, and credit taken for profit earned to date when the outcome of the contract can be assessed with reasonable certainty. The amount by which turnover exceeds payments on account is classified as amounts recoverable on contracts and included in debtors; to the extent that payments on account exceed relevant turnover, the excess is included as a creditor.

Full provision is made for losses on all contracts in the year in which they are first foreseen. Where the outcome of long term contracts cannot be assessed with reasonable certainty before the conclusion of the contract the profit on the contract is recognised on completion.

## TURNOVER

All rental income received or receivable in respect of property assets available for rental is accounted for on an accruals basis. Income from the rental of these assets is credited to other operating income on a strict time-apportioned basis.

Foreseeable losses on long-term contracts are recognised in full, as soon as they are foreseen.

## TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful economic life, as follows:

| | |
|---|---|
| Plant and machinery | over 3 to 5 years |
| Motor vehicles | over 4 years |
| Freehold property | over 50 years |

## INTANGIBLE ASSETS

Intangible fixed assets (including purchased goodwill and licences/patents) are amortised at rates calculated to write off the assets over their estimated useful economic lives. Impairment of intangible assets is reviewed where circumstances indicate that the carrying value of an asset may not be fully recoverable.

## DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date. Discounting is applied if material.

## ACCOUNTING POLICIES

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### RETIREMENT BENEFITS

**Defined benefit scheme**
Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the group. The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs. Actuarial gains and losses are reported in the statement of total recognised gains and losses.

**Defined contribution scheme**
Contributions to the group personal pension plan are charged to the profit and loss account as incurred.

### FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

### FINANCIAL INSTRUMENTS

The group does not trade in financial derivatives. Income and expenditure on financial instruments is recognised on an accruals basis and taken to the profit and loss account in the appropriate period. Financial assets are recognised in the balance sheet at the lower of cost and net realisable value with provision made for diminution in value.

### EMPLOYEE BENEFIT TRUST

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the group accounts. Any assets held by the EBT cease to be recognised on the group balance sheet when the assets vest unconditionally in identified beneficiaries.

The costs of purchasing own shares held by the EBT are shown as a deduction against shareholders' funds. The proceeds from the sale of own shares held increase shareholders' funds. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the group profit and loss account.

### SHARE OPTIONS

The company currently operates both an approved share option scheme and an unapproved share option scheme. Charges and related disclosures in respect of FRS20 have not been made as the amounts are immaterial.

## 1. TURNOVER

The group's turnover was derived from its principal activities in the United Kingdom. The group operates within a number of key industries, being water, power, rail and transport. Disclosure of turnover by business segment has been made on page 3, additional disclosure of results and net assets has not been made since, in the opinion of the directors, it would be seriously prejudicial to the group's competitiveness to do so.

## 2. NET OPERATING EXPENSES

| | 2012<br>£ | 2011<br>£ |
|---|---|---|
| Sales costs | 214,322 | 208,037 |
| Administrative expenses: | | |
| - defined benefit pension cost | 23,000 | 26,000 |
| - other administrative expenses | 585,557 | 665,899 |
| | 822,879 | 899,936 |
| Other operating income | (16,986) | (36,600) |
| | 805,893 | 863,336 |

## 3. INTEREST RECEIVABLE

| | 2012<br>£ | 2011<br>£ |
|---|---|---|
| Bank interest | 2,798 | 1,545 |

## 4. INTEREST PAYABLE

| | 2012<br>£ | 2011<br>£ |
|---|---|---|
| Other interest | 938 | 767 |
| Net interest on pension fund liabilities | 35,000 | 27,000 |
| | 35,938 | 27,767 |

| | 2012<br>£ | 2011<br>£ |
|---|---|---|
| **5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION** | | |
| Profit on ordinary activities before taxation is stated after charging/(crediting): | | |
| Depreciation on owned assets | 104,945 | 121,319 |
| Amortisation of goodwill | 6,668 | - |
| Profit on sale of fixed assets | (516) | (300) |
| Operating lease rentals on land and buildings | 10,400 | 10,400 |
| Audit fees payable for the group audit | 2,500 | 2,500 |
| Audit fees payable for the subsidiaries' audit | 15,000 | 15,000 |
| Fees payable to the company's auditor for taxation services | 4,000 | 4,000 |

## 6. EMPLOYEES

| The average monthly number of persons employed by the group during the year was: | No. | No. |
|---|---|---|
| Operations | 72 | 94 |
| Administration and management | 8 | 8 |
| | 80 | 102 |

| | 2012<br>£ | 2011<br>£ |
|---|---|---|
| Staff costs for the above persons: | | |
| Wages and salaries | 3,451,217 | 3,993,334 |
| Social security costs | 365,268 | 421,387 |
| Other pension costs | 299,566 | 294,667 |
| | 4,116,051 | 4,709,388 |

## 6. EMPLOYEES (Continued)

The group operates a funded pension scheme with defined benefits and also a defined contribution group personal pension plan. Contributions payable during the year to the defined benefits scheme amounted to £108,000 (2011 £108,000) and contributions payable to the group personal pension plan amounted to £191,566 (2011 £189,676). Retirement benefits accrued to 5 directors (2011:5) under the defined contribution scheme and 4 directors under the defined benefit scheme (2011: 4).

| | 2012 | 2011 |
|---|---|---|
| | £ | £ |
| **DIRECTORS' REMUNERATION** | | |
| Emoluments for qualifying services | 436,996 | 431,102 |
| Contributions to defined contribution pension | 65,059 | 59,582 |
| **HIGHEST PAID DIRECTOR** | | |
| Emoluments for qualifying services | 100,743 | 100,023 |
| Contributions to defined contribution pension | 13,950 | 12,814 |

**DIRECTORS' INTERESTS IN SHARES AND OPTIONS**

The directors' interests in the shares of the company, including family interests, were as follows:-

Ordinary shares of 10p each

| | 31 May 2012 | 1 June 2011 |
|---|---|---|
| P J Haines | 873,332 | 873,332 |
| D F Lower | 873,332 | 873,332 |
| B D Smith | 703,336 | 703,336 |
| M H Engler | 100,000 | 100,000 |
| R M Hunter | 50,000 | 50,000 |
| N Billings | 50,000 | 50,000 |

Company share option plan-
Ordinary shares of 10p

| | 31 May 2012 | 1 June 2011 |
|---|---|---|
| D K Bird | 5,250 | 5,250 |
| P J Haines | 5,250 | 5,250 |
| D F Lower | 5,250 | 5,250 |
| B D Smith | 5,250 | 5,250 |
| R M Hunter | 5,250 | 5,250 |
| N Billings | 5,250 | 5,250 |

The directors were granted 31,500 (2011:31,500) options on 4 January 2000 under the unapproved company scheme mostly at a strike price of 10p per share which have been exercisable since 4 January 2003. No options have been exercised to date.

## 7. TAXATION

| | 2012 | 2011 |
|---|---|---|
| | £ | £ |
| Based on the profit of the year: | | |
| UK Corporation tax at 25% (2011:25%) | 76,100 | 78,000 |
| Prior year tax | (6,663) | 97 |
| Deferred tax at 21% (2011:21%) | - | 19,000 |
| FRS17 Deferred tax adjustments (note 20) | 9,100 | 34,300 |
| | 78,537 | 131,397 |

| | 2012 | 2011 |
|---|---|---|
| Factors affecting corporation tax charge for the year:- | | |
| Profit on ordinary activities before tax | 339,304 | 443,893 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax of 25% (2011: 25%) | 85,000 | 109,000 |
| Effects of: | | |
| Origination and reversal of timing differences | (10,000) | (24,000) |
| Transactions not chargeable to tax | 1,100 | (7,000) |
| | 76,100 | 78,000 |

## 8. INTANGIBLE FIXED ASSETS

**Group**

| | Goodwill |
|---|---|
| | £ |
| Cost: | |
| Acquisition | 40,000 |
| 31 May 2012 | 40,000 |
| Amortisation: | |
| Charge in the year | 6,668 |
| 31 May 2012 | 6,668 |
| Net book value: | |
| 31 May 2012 | 33,332 |

Arising on the acquisition of Tom Finney Services Limited.

## 8. TANGIBLE FIXED ASSETS

| Group | Freehold Property | Plant and machinery | TOTAL |
|---|---|---|---|
| Cost: | £ | £ | £ |
| 1 June 2011 | 1,453,104 | 620,142 | 2,073,246 |
| Additions | 3,603 | 114,918 | 118,521 |
| Disposals | - | (48,760) | (48,760) |
| 31 May 2012 | 1,456,707 | 686,300 | 2,143,007 |
| Depreciation: | | | |
| 1 June 2011 | 51,105 | 507,427 | 558,532 |
| Charge in the year | 29,100 | 75,845 | 104,945 |
| Disposals | - | (44,876) | (44,876) |
| 31 May 2012 | 80,205 | 538,396 | 618,601 |
| Net book value: | | | |
| 31 May 2012 | 1,376,502 | 147,904 | 1,524,406 |
| 31 May 2011 | 1,401,999 | 112,715 | 1,514,714 |

| Company | Freehold Property | Plant and machinery | TOTAL |
|---|---|---|---|
| Cost: | £ | £ | £ |
| 1 June 2011 | 1,453,104 | 119,477 | 1,572,581 |
| Additions | 3,603 | 37,613 | 41,216 |
| 31 May 2012 | 1,456,707 | 157,090 | 1,613,797 |
| Depreciation: | | | |
| 1 June 2011 | 51,105 | 81,924 | 133,029 |
| Charge in the year | 29,100 | 24,114 | 53,214 |
| 31 May 2012 | 80,205 | 106,038 | 186,243 |
| Net book value: | | | |
| 31 May 2012 | 1,376,502 | 51,052 | 1,427,554 |
| Net book value: | | | |
| 31 May 2011 | 1,401,999 | 37,553 | 1,439,552 |

**NOTES TO THE GROUP FINANCIAL STATEMENTS**
**for the year ended 31 May 2012**

## 9. FIXED ASSET INVESTMENTS

| | 2012 £ | 2011 £ |
|---|---|---|
| Subsidiary undertakings | | |
| At 1 June 2011 and as at 31 May 2012 | 478,085 | 478,085 |

The group and the company hold more than 50% of the equity of the following material undertakings:

| Undertaking | Country of incorporation | Class of shares held | Proportion held | Nature of business |
|---|---|---|---|---|
| Field Systems Designs Ltd | England | Ordinary | 100% | Electrical contracting |
| FSD Electrical Services Ltd | England | Ordinary | 85 % | Electrical building Services |
| Tom Finney Services Ltd | England | Ordinary | 100% | Dormant |

**Related party disclosures**

The Company has taken advantage of FRS 8 Related Party Disclosures exempting the disclosure of transactions with wholly owned subsidiaries. During the year the year Field Systems Designs Limited made purchases amounting to £17,000 (2011: £3,373) from FSD Electrical Services Limited and at the year end the amount owing from FSD Electrical Services Limited was £122,440 (2011:£71,552).

## 10. DEBTORS

| | 2012 £ | 2011 £ |
|---|---|---|
| **Group** | | |
| Due within one year: | | |
| Trade debtors | 4,639,640 | 2,886,055 |
| Amounts recoverable on contracts | 232,200 | 190,531 |
| Other debtors | 8,962 | 39,615 |
| Prepayments and accrued income | 76,503 | 67,774 |
| | 4,957,305 | 3,183,975 |
| Due after one year: | | |
| Trade debtors | 212,078 | 66,526 |
| | 5,169,383 | 3,250,501 |
| **Company** | | |
| Due within one year: | | |
| Other debtors | 3,795 | 3,291 |
| Prepayments and accrued income | - | 1,347 |
| | 3,795 | 4,638 |

**NOTES TO THE GROUP FINANCIAL STATEMENTS**
**for the year ended 31 May 2012**

| | 2012 | 2011 |
|---|---|---|
| | £ | £ |
| **11. CREDITORS** | | |
| Amounts falling due within one year: | | |
| **Group** | | |
| Trade creditors | 3,070,904 | 1,300,643 |
| Payments received in advance | 884,136 | 1,501,873 |
| Corporation tax | 76,100 | 78,000 |
| Other taxation and social security costs | 1,226,611 | 490,259 |
| Other creditors | 724,473 | 759,331 |
| Accruals and deferred income | 140,990 | 155,636 |
| | 6,123,214 | 4,285,742 |

Included in accruals and deferred income is a provision for lease termination of £Nil (2011: £75,000)

| | 2012 | 2011 |
|---|---|---|
| **Company** | | |
| Amounts falling due within one year: | | |
| Corporation tax | 6,400 | 14,000 |
| Other creditors | 3,989 | 17,101 |
| | 10,389 | 31,101 |

**CREDITORS**
Amounts falling due after more than one year:

| | 2012 | 2011 |
|---|---|---|
| **Company** | | |
| Amount due to subsidiary undertaking | 1,041,371 | 1,017,610 |

## 12. PROVISIONS FOR LIABILITIES

| Group | Deferred Tax | | | |
|---|---|---|---|---|
| | Recognised | | Not recognised | |
| | 2012 | 2011 | 2012 | 2011 |
| | £ | £ | £ | £ |
| Accelerated capital allowances | - | - | (9,000) | (13,000) |
| Other timing differences | 19,000 | 19,000 | - | - |
| | 19,000 | 19,000 | (9,000) | (13,000) |

**Deferred tax**

| | 2012 | 2011 |
|---|---|---|
| | £ | £ |
| 1 June | 19,000 | - |
| Charged to profit and loss in the year | - | 19,000 |
| 31 May | 19,000 | 19,000 |

## 13. FINANCIAL INSTRUMENTS

The group uses financial instruments to provide a financing base for the group's operations. The operating risks arising from these financial instruments relate mainly to fluctuating interest rates, liquidity risk and on occasion foreign exchange risk. Derivatives are used to hedge against known commodity price and exchange rate exposures in contractual arrangements secured by the group.

The group's financial assets and liabilities comprise cash and cash equivalents, debtors (Note 10) and creditors (Note 11). The fair values of such financial instruments are not materially different from their book values.

**Financial Risks and capital management**

The group finances its operations through a mixture of share capital and reserves and has access to bank borrowings if required. The group currently has positive cash balances which are used to finance the group's working capital requirements. The group seeks to ensure continuity of funding and manage operational cash flows to produce sufficient liquidity to meet foreseeable needs.

**Financial Assets and Liabilities**

The group has no financial assets other than debtors which arise from the operations of the group and cash at bank and in hand.

## 13. FINANCIAL INSTRUMENTS (Continued)

**Interest rate**

The directors do not consider that the group is exposed to material interest rate risk. The group finances its operations through cash reserves. The cash reserves held by the group are with a major bank and have negated the need to use significant interest bearing short-term borrowings.

**Currency risk**

The group conducted some transactions in foreign currencies during the year. The table below shows the extent to which group companies have monetary assets and liabilities in currencies other than their local currency.

Foreign exchange differences on retranslation of the assets and liabilities are taken to the profit and loss account of the group.

| | 2012 | 2011 |
|---|---|---|
| | € | € |
| **Group** | | |
| Cash balances denominated in euros | 793 | 8,088 |

**Hedges**

Last year the group had foreign currency forward contracts and copper forward contracts in place at the year end designated as hedges. Whilst the aim is to achieve an economic hedge the company does not adopt an accounting policy of hedge accounting for these financial statements. Foreign currency and copper purchase contracts outstanding at 31 May 2012 are as follows:

| | 2012 | 2011 |
|---|---|---|
| US Dollar forward currency contracts | - | $425,000 |
| US Dollar copper contracts | - | 46.7 tonnes |

**Maturity**

The group financial assets and liabilities are payable on demand except as disclosed below:

| | 2012 | 2011 |
|---|---|---|
| **Group** | £ | £ |
| Trade debtors due within 1 year | 4,639,640 | 2,886,055 |
| Trade debtors due between 2 and 5 years | 212,078 | 66,526 |
| Other creditors - due in less than one year | - | 5,000 |
| **Company** | | |
| Amounts due to subsidiary undertakings due after more than 5 years | 1,041,371 | 1,017,610 |

There are no material un-drawn committed borrowing facilities.

## 14. SHARE CAPITAL

| | 2012 | 2011 |
|---|---|---|
| | £ | £ |
| Authorised: | | |
| 50,000,000 ordinary shares of 10p each | 5,000,000 | 5,000,000 |
| Allotted, issued and fully paid: | | |
| 5,692,500 ordinary shares of 10p each | 569,250 | 569,250 |

## 15. EARNINGS PER SHARE

The basic earnings per share disclosure on the face of the profit and loss account is calculated using the weighted average number of shares of 5,395,000 (2011: 5,395,000), being the ordinary shares in issue, less shares held by the Field Systems Designs Holdings plc Employee Benefit Trust.

The diluted earnings per share disclosure on the face of the profit and loss account is calculated using the weighted average number of shares of 5,411,875 (2011: 5,411,875) taking into account the dilutive impact of the employee share options and the weighted average number of shares held by the Employee Benefit Trust.

There were 297,500 (5%) ordinary 10p shares held by the Field Systems Designs Holdings PLC Employee Benefit Trust as at 31 May 2012 and 31 May 2011 for the benefit of employees under current and proposed share option schemes. There were 110,250 (2011: 110,250) ordinary 10p shares held under option for employee share option schemes.

## 16. ACQUISITION

A Group company acquired 100% of the ordinary share capital of Tom Finney Services on 31 January 2012.

| **Acquisition** | **£** |
|---|---|
| Debtors | 20,000 |
| Creditors | (20,000) |
| Net assets acquired | - |
| Goodwill | 40,000 |
| | 40,000 |
| Discharged by: | |
| Deferred consideration | 40,000 |
| | 40,000 |

**NOTES TO THE GROUP FINANCIAL STATEMENTS**
**for the year ended 31 May 2012**

## 17. RESERVES

| | 2012 | 2011 |
|---|---|---|
| | £ | £ |
| **SHARE PREMIUM ACCOUNT** | | |
| **Group & Company** | | |
| At 1 June 2011 and 31 May 2012 | 158,750 | 158,750 |

**PROFIT & LOSS ACCOUNT**

| Group | 2012 | 2011 |
|---|---|---|
| | £ | £ |
| At 1 June | 855,689 | 505,577 |
| Profit for the year | 260,767 | 312,496 |
| Minority interests | (1,343) | (3,484) |
| Other recognised gains and losses | (103,100) | 41,100 |
| At 31 May | 1,012,013 | 855,689 |
| **OTHER RESERVES** | | |
| Merger reserve | 408,033 | 408,033 |
| Employee Benefit Trust | (38,000) | (38,000) |
| At 31 May | 1,382,046 | 1,225,722 |

**PROFIT & LOSS ACCOUNT**
**Company**

| | 2012 | 2011 |
|---|---|---|
| | £ | £ |
| At 1 June | 145,564 | 129,923 |
| Profit for the year | 5,186 | 15,641 |
| At 31 May | 150,750 | 145,564 |

## 18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| GROUP | £ | £ |
|---|---|---|
| Opening shareholders' funds | 1,953,722 | 1,603,610 |
| Total recognised gains and losses for the year | 156,324 | 350,112 |
| Closing shareholders' funds | 2,110,046 | 1,953,722 |

## 19. CONTINGENT LIABILITIES

The group has arranged bonding facilities in respect of contract duration and maintenance periods amounting to £348,000 as at 31 May 2012 (2011:£738,000).

## 20. PENSION FUNDS

| Group | 2012 | 2011 |
|---|---|---|
| | £ | £ |
| Pension fund liability | 175,200 | 113,000 |

A group subsidiary operates a funded pension scheme with defined benefits and a defined contribution group personal pension plan. The group personal pension plan commenced on 1 April 1999 and is open to all new eligible employees of this subsidiary.

Membership of the defined benefit scheme was offered to all permanent employees including executive directors until 31 March 1999 when it was closed to new entrants. The scheme was closed to future service accrual on 8 April 2002 when contributions ceased and liabilities for future service are no longer accruing.

**NOTES TO THE GROUP FINANCIAL STATEMENTS**
**for the year ended 31 May 2012**

**20. PENSION FUNDS (continued)**

The assets of the scheme are held separately from those of the subsidiary. Contributions were determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method to meet the cost of employees' future service benefits..

The pension scheme assets and liabilities for employees transferring to the subsidiary were transferred to the pension scheme in November 1995.

**Actuarial valuation**

The last actuarial valuation for the fund was as at 31 March 2009 and the next valuation is due as at 31 March 2012.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on future investments and the level of future discount rates.

It was assumed for the 2009 valuation that the rate of interest secured on the assets of the scheme would be 6% (2006: 6.15%) per annum, and that benefits would be revalued at the rate of 2.8% (2006: 2.7%) per annum.

The actuarial valuation of the scheme's assets as at 31 March 2009 was £2,216,000 (2006:£1,990,000) which was 72% of the benefits that had accrued to members at the valuation date leaving a deficit of assets over past service liabilities amounting to £859,000 (2006: £788,000).

Following consideration of the recommendations of the actuary, the subsidiary company board agreed to make additional contributions to the scheme of £76,000 per annum for 8 years, which are expected to reduce the deficit on the fund and to eliminate the shortfall by 31 March 2017.

The actual overall contribution payments made by the group total £108,000 per annum (2011:£108,000) in order to make provision for the significant levies being charged by the Pension Protection Fund.

**NOTES TO THE GROUP FINANCIAL STATEMENTS**
**for the year ended 31 May 2012**

## 20. PENSION FUNDS (continued)

### FRS17 Valuation

Financial Reporting Standard 17 (FRS17) has been used to assess the liabilities of the group's defined benefit scheme as at 31 May 2012. The FRS17 valuation assumptions, asset allocation and rates of return were as follows:

| FRS17 Valuation Assumptions | 2012 | 2011 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Increase for pensions in payment | 2.85% | 3.3% | 3.35% | 3.5% | 3.6% |
| Discount rate | 4.3% | 5.3% | 5.55% | 6.3% | 6.2% |
| Inflation assumption | 2.9% | 3.45% | 3.5% | 3.6% | 3.9% |

| Scheme Assets (£) | 2012 | 2011 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Equities | 1,881,000 | 1,041,000 | 1,322,000 | 1,344,000 | 1,282,000 |
| Bonds | 1,434,000 | 1,805,000 | 1,255,000 | 814,000 | 765,000 |
| Other assets | 245,000 | 321,000 | 141,000 | 136,000 | 188,000 |
| | 3,560,000 | 3,167,000 | 2,718,000 | 2,294,000 | 2,235,000 |

| Scheme Assets | 2012 | 2011 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Equities | 53% | 33% | 49% | 59% | 57% |
| Bonds | 40% | 57% | 46% | 35% | 34% |
| Other assets | 7% | 10% | 5% | 6% | 9% |

| Rates of return | 2012 | 2011 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Equities | 4.65% | 6.4% | 6.6% | 6.7% | 7.5% |
| Bonds | 2.15% | 3.9% | 4.1% | 4.2% | 5.2% |
| Other assets | 0.5% | 0.5% | 0.5% | 0.5% | 5.0% |

The assumptions used in determining the overall expected return of the scheme refer to yields available on government bonds and appropriate risk margins.

### Mortality

The post-retirement mortality assumptions used to value the benefit obligation at 31 May 2012 are based on the PCA00 table with a current year of use and medium cohort projections, subject to a minimum annual improvement of 1% per annum. This is the same post-retirement mortality assumption as used at 31 May 2011. The life expectancy of a male member reaching age 65 in 2012 is projected to be 22.5 years compared to an expectation of 22.4 years used in 2011. The life expectancy of a female member reaching age 65 in 2012 is projected to be 24.9 years compared to an expectation of 24.8 years used in 2011. For scheme members who have not reached pensionable age, the rates are adjusted to reflect changes in mortality rates that are expected to arise over the period to pensionable age. The life expectancy of a male member reaching age 65 in 2032 is projected to be 24.4 years compared to an expectation of 24.3 years for a member reaching age 65 in 2031. The life expectancy of a female member reaching age 65 in 2032 is projected to be 26.8 years compared to an expectation of 26.7 years for a member reaching age 65 in 2031.

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 May 2012

## 20. PENSION FUNDS (continued)

The funded status of the scheme as at 31 May 2012 was as follows:

| Funded Status (£) | 2012 | 2011 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Market value of assets | 3,560,000 | 3,167,000 | 2,718,000 | 2,294,000 | 2,235,000 |
| Scheme liabilities | 3,779,000 | 3,310,000 | 3,076,000 | 2,687,000 | 2,668,000 |
| **Deficit in the scheme** | (219,000) | (143,000) | (358,000) | (393,000) | (433,000) |
| Deferred tax asset | 43,800 | 30,000 | 75,200 | 82,500 | 86,600 |
| **Net pension liability** | (175,200) | (113,000) | (282,800) | (310,500) | (346,400) |

The FRS17 valuation is a market-based valuation and therefore extremely volatile as it is significantly affected by the state of the markets at the valuation date. The above increase in deficit was mainly created by an increase in liabilities caused by a change in the assumptions underlying the present value of scheme liabilities. The fall in the discount rate assumptions again having had a negative impact on the value the liabilities of the scheme. Contributions in the current year totalling £108,000 were the main factor in keeping the deficit under control.

**Deferred tax movements resulting from FRS17 were as follows:**

| Deferred tax asset (£) | 2012 | 2011 |
|---|---|---|
| Balance at 1 June 2011 | 30,000 | 75,200 |
| Profit and loss charge | (9,100) | (34,300) |
| STRGL charge | 22,900 | (10,900) |
| Balance at 31 May 2012 | 43,800 | 30,000 |

An analysis of the movement in the deficit is set out below:

| (£) | 2012 | 2011 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Current service cost | (23,000) | (26,000) | (35,000) | (43,000) | (41,000) |
| Contributions | 108,000 | 216,000 | 108,000 | 264,000 | 134,000 |
| Other finance costs | (35,000) | (27,000) | (41,000) | (17,000) | (14,000) |
| Actuarial gain/(loss) | (126,000) | 52,000 | 3,000 | (164,000) | 171,000 |
| | (76,000) | 215,000 | 35,000 | 40,000 | 250,000 |
| Opening net deficit | (143,000) | (358,000) | (393,000) | (433,000) | (683,000) |
| **Closing net deficit** | (219,000) | (143,000) | (358,000) | (393,000) | (433,000) |

## 20. PENSION FUNDS (continued)

The effect of FRS17 on the profit and loss account is as follows:

**Operating profit**

| (£) | 2012 | 2011 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Current service cost | 23,000 | 26,000 | 35,000 | 43,000 | 41,000 |

Pension expenses, particularly the levy payable to the Pension Protection Fund (PPF) amounting to £3,000 (2011: £6,500), have fallen as the sponsoring company's credit rating has improved and consequently the current service cost has reduced.

**Finance income**

| (£) | 2012 | 2011 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Expected asset return | 139,000 | 142,000 | 126,000 | 147,000 | 134,000 |
| Interest on liabilities | (174,000) | (169,000) | (167,000) | (164,000) | (148,000) |
| | (35,000) | (27,000) | (41,000) | (17,000) | (14,000) |

The effect of FRS17 on the statement of total recognised gains and losses is as follows:

| | 2012 | 2011 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Actual return less expected asset return | 224,000 | 176,000 | 274,000 | (228,000) | 47,000 |
| | 6% | 6% | 10% | 10% | 2% |
| Experience gains and Losses on liabilities | (62,000) | 7,000 | 89,000 | (4,000) | (36,000) |
| | (2%) | 0% | 3% | 0% | 1% |
| Changes in assumptions underlying the liabilities | (288,000) | (131,000) | (360,000) | 68,000 | 160,000 |
| | (8%) | (4%) | (12%) | 3% | 6% |
| Actuarial gain/(loss) | (126,000) | 52,000 | 3,000 | (164,000) | 171,000 |

**Next year's estimated profit & loss entries in respect of FRS17**

| Operating profit (£) | 2013 | Finance income (£) | 2013 |
|---|---|---|---|
| Current service cost | 23,000 | Expected asset return | 118,000 |
| Past service cost | - | Interest on liabilities | (160,000) |
| | 23,000 | | (42,000) |

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### 21. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 2012 £ | 2011 £ |
|---|---|---|
| Operating profit | 372,444 | 470,115 |
| Depreciation | 104,945 | 121,319 |
| Profit on sale of fixed assets | (516) | (300) |
| (Increase)/reduction in debtors | (1,918,882) | 219,923 |
| Increase/(reduction) in creditors | 1,721,040 | (74,462) |
| | 279,031 | 736,595 |

### 22. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

| | 2012 £ | 2011 £ |
|---|---|---|
| Increase in cash | 95,433 | 573,432 |
| Net funds at 1 June | 1,613,566 | 1,040,134 |
| Net funds at 31 May | 1,708,999 | 1,613,566 |

### 23. ANALYSIS OF NET FUNDS

| | 2011 £ | Cash flows £ | 2012 £ |
|---|---|---|---|
| Cash at bank | 1,613,566 | 95,433 | 1,708,999 |

### 24. ULTIMATE CONTROLLING PARTY

The company is quoted on the PLUS trading platform and its shares are held by a number of independent investors and consequently there is no single controlling party.