

# **Avesco Services Limited**

## **Annual report and financial statements**

**for the year ended 30 September 2011**

Registered in England and Wales number 02285513



**Avesco Services Limited**  
**Annual report and financial statements for the year ended 30**  
**September 2011**  
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## **Avesco Services Limited**

### **Directors and advisers**

Directors	DJ Nicholson JL Christmas NS Conn
Company secretary	NS Conn
Registered office	Unit E2, Sussex Manor Business Park Gatwick Road Crawley West Sussex RH10 9NH
Independent auditors	Ernst & Young LLP, Apex Plaza Forbury Road, Reading RG1 1YE
Solicitors	Norton Rose LLP 3 More London Riverside London SE1 2AQ

**Avesco Services Limited**  
**Registered in England and Wales number 02285513**  
**Directors' report for the year ended 30 September 2011**

The directors present their annual report and the audited financial statements of the company for the year ended 30 September 2011

**Business review, principal activities and future developments**

The principal activity of the company is the management of Avesco Group plc and its subsidiaries

A loss before tax of £448,000 was recorded during the year (2010 profit before tax of £137,000), as a result of interest payable on loans to Avesco group companies, offsetting an increase in value of management services supplied by the company to the Avesco Group

Future developments of Avesco Group plc, which includes the company, are discussed in the Chief Executive's Review of the group's annual report which does not form part of this report

**Key Performance Indicators ("KPIs")**

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

**Dividends**

The directors do not recommend the payment of a dividend (2010 £nil)

**Directors**

The names of the directors who held office during the year are given on page 1

**Principal risks and uncertainties**

The directors of Avesco Group plc manage the group's principal risks (including financial risks) and uncertainties at group level, rather than on an individual company basis. For this reason, the directors believe that a discussion of the group's risks would not be appropriate for an understanding of the performance of Avesco Services Limited's business. The principal risks and uncertainties of Avesco Group plc, which include those of the company, are discussed in the Financial Review of the group's annual report which does not form part of this report

**Going concern**

The directors believe, after making appropriate enquiries, that the company has adequate resources to continue in operation for the foreseeable future. The principal creditors are group companies and have agreed not to require payment whilst shareholders' funds remain negative. For these reasons the directors continue to adopt the going concern basis in preparing the financial statements

**Avesco Services Limited**  
**Registered in England and Wales number 02285513**  
**Directors' report for the year ended 30 September 2011**  
**(continued)**

**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 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.

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

**Disclosure of information to auditors**

The directors confirm, so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The Company's former auditors, PricewaterhouseCoopers LLP, resigned on 7 July 2011 and the Directors appointed Ernst & Young LLP to fill the casual vacancy.

By order of the board



NS Conn  
**Company Secretary**  
12 January 2012

# **Avesco Services Limited**

## **Independent auditors' report to the members of Avesco Services Limited for the year ended 30 September 2011**

We have audited the financial statements of Avesco Services Limited for the year ended 30 September 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 set out on page 3, 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**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report and accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2011 and of its loss 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.

### **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.

*Ernst & Young LLP*

Debbie O'Hanlon (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP  
Chartered Accountants and Statutory Auditors  
Reading  
12 January 2012

**Avesco Services Limited**  
**Profit and loss account for the year ended 30 September 2011**

	Note	2011 £'000	2010 £'000
<b>Turnover</b>	2	3,233	2,428
<b>Gross profit</b>		3,233	2,428
Administrative expenses		(3,303)	(2,401)
<b>Operating (loss) / profit</b>	3	(70)	27
Net interest (payable) / receivable and similar charges	6	(378)	110
<b>Loss / profit on ordinary activities before taxation</b>		(448)	137
Tax on (loss)/profit on ordinary activities	7	41	12
<b>(Loss) / profit for the year</b>	14	(407)	149

All amounts relate to continuing operations

The company has no recognised gains and losses other than those above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the results stated above and their historical cost equivalents

**Avesco Services Limited**  
**Balance sheet as at 30 September 2011**

	Note	2011 £'000	2010 £'000
<b>Fixed assets:</b>			
Tangible assets	9	29	3
		29	3
<b>Current assets:</b>			
Debtors amounts falling due within one year	10	15,233	14,098
Debtors amounts falling due after more than one year	10	163	122
Cash at bank and in hand		1,502	1,214
		16,898	15,434
<b>Creditors: amounts falling due within one year</b>	11	(25,314)	(23,417)
<b>Net current liabilities</b>		(8,416)	(7,983)
<b>Total assets less current liabilities</b>		(8,387)	(7,980)
<b>Net liabilities</b>		(8,387)	(7,980)
<b>Capital and reserves</b>			
Called up share capital	13	50	50
Profit and loss account	14	(8,437)	(8,030)
<b>Total shareholders' deficit</b>	15	(8,387)	(7,980)

The financial statements on pages 5 to 14 were approved by the board of directors on 12 January 2012 and were signed on its behalf by

JL Christmas  
Director





# **Avesco Services Limited**

## **Notes to the financial statements for the year ended 30 September 2011**

### **1 Accounting policies**

These financial statements have been prepared under the historical cost convention and on the going concern basis in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards. A summary of the more important accounting policies is set out below. These have been applied consistently throughout the year and the preceding year.

The company is a wholly owned subsidiary of Avesco Group plc and is included in the consolidated financial statements of Avesco Group plc which are publicly available (see note 17). Consequently the company has taken advantage of the following exemptions from

- Preparation of a cash flow statement in accordance with paragraph 5(a) of Financial Reporting Standard 1 (revised 1996) Cash flow statements
- Disclosure of transactions with other members of the Avesco group or investees of the Avesco group qualifying as related parties in accordance with paragraph 3(c) of Financial Reporting Standard 8 Related party disclosures
- Preparation of consolidated financial statements in accordance with section 228 of the Companies Act 2006

#### **Deferred taxation**

Full provision is made for deferred tax liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition for tax purposes (except as otherwise required by Financial Reporting Standard 19). Deferred tax assets are also recognised in full subject to them being regarded as more likely than not to be recoverable. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax balances are not discounted.

#### **Foreign currencies**

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

#### **Going concern**

The directors believe, after making appropriate enquiries, that the company has adequate resources to continue in operation for the foreseeable future. The principal creditors are group companies and have agreed not to require payment whilst shareholders' funds remain negative. For these reasons the directors continue to adopt the going concern basis in preparing the financial statements.

#### **Long Term Incentive Plan**

The fair value of the employee services received in exchange for the grant of options or shares is recognised as an expense. The total amount to be expensed rateably over the vesting year is determined by reference to the fair value of the options or shares determined at the grant date, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable or the number of shares that the employee will ultimately receive. This estimate is revised at each balance sheet date and the difference is charged or credited to the income statement, with a corresponding amount to equity. The proceeds received on exercise of the options net of any

# **Avesco Services Limited**

## **Notes to the financial statements for the year ended 30 September 2011 (continued)**

directly attributable transaction costs are credited to equity. A charge is also recognised in respect of the employers' National Insurance contributions as a result of the Long Term Incentive Plan. The charge is based on the intrinsic value at the balance sheet date and is spread over the performance year.

### **Post retirement benefits**

The post retirement benefits policy is a group operated defined pension contribution scheme and the assets of the scheme are held separately from those of the company in an independently administered fund. Costs in respect of the pension arrangements are charged on an accruals basis in line with the amounts payable in respect of each accounting year. The company does not provide any other post retirement benefits.

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

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. The cost of tangible assets includes those costs which are directly attributable to purchasing the assets and bringing them into working condition. The company does not capitalise interest or internal costs as part of the cost of tangible assets.

Depreciation of tangible fixed assets is calculated at rates estimated to write off the cost to nil residual value using the straight line method over the following estimated useful economic lives:

Plant, equipment and vehicles	3 - 5 years
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The company reviews its depreciation rates regularly to take account of any changes in circumstances. When setting useful economic lives, the principal factors the company takes into account are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are expected to be used.

### **Turnover and revenue recognition**

Turnover represents the value of management services supplied by the company to the Avesco group. Revenue is recognised proportionally over the duration of the service.

## **2 Turnover**

Turnover relates to the company's one class of business, being management services supplied to the Avesco group. Turnover by geographical market is as follows:

	2011 £'000	2010 £'000
United Kingdom	1,876	1,367
Rest of the World	1,357	1,061
<b>Total</b>	<b>3,233</b>	<b>2,428</b>

**Avesco Services Limited**  
**Notes to the financial statements for the year ended 30**  
**September 2011 (continued)**

**3 Operating (loss) / profit**

Operating (loss) / profit is stated after charging

	2011 £'000	2010 £'000
Depreciation	9	12
Auditors' remuneration for audit of financial statements	10	42
Total auditors' remuneration	10	42

**4 Directors' emoluments**

Two of the directors were also directors of Avesco Group plc, the ultimate parent company (2010 two of the directors). Their remuneration was for services to the group as a whole and this was paid by another group company. It is not possible to determine the amount relating to the company. Details of their remuneration for their services to the Avesco Group plc group are disclosed in the Avesco Group plc accounts, which are available as set out in note 17.

One of the non Avesco Group plc directors (2010 one) was also an employee of Avesco Group plc and did not receive any remuneration in relation to their services for the company.

**5 Employee information**

The average monthly number of staff including directors employed by the company during the year was

By activity	2011 Number	2010 Number
Administration	18	20

The aggregate payroll cost of these employees was as follows

	2011 £'000	2010 £'000
Wages and salaries	1,885	1,603
Social security costs	228	186
Other pension costs	126	119
Total	2,239	1,908

The company participates in a Group pension scheme and the Avesco Group has made Group Personal Pension arrangements for its UK employees which provide benefits on a defined contribution basis. The assets of the scheme are held separately from those of the company by the pension providers. At the balance sheet date there were no outstanding contributions (2010 £nil) awaiting payment to the pension providers.

**Avesco Services Limited**  
**Notes to the financial statements for the year ended 30**  
**September 2011 (continued)**

**6 Net interest payable / (receivable) and similar charges**

	2011 £'000	2010 £'000
Interest receivable on intercompany loans	(685)	(498)
Interest payable on intercompany loans	1,063	388
Net interest payable / (receivable) and similar charges	378	(110)

**7 Tax on profit on ordinary activities**

**Analysis of tax charge for the year**

	2011 £'000	2010 £'000
UK corporation tax on profits for the year	-	-
Current tax	-	-
Deferred tax (note 12)	(41)	(12)
Total tax	(41)	(12)

**Factors affecting the tax charge**

The tax assessed for the year is different (2010 different) to the standard rate of corporation tax in the UK of 27%

	2011 £'000	2010 £'000
<b>(Loss) / profit before tax</b>	<b>(448)</b>	<b>137</b>
(Loss)/profit before tax multiplied by the standard rate of Corporation tax of 27% (2010 28%)	(121)	38
Effects of		
Expenses not deductible for tax purposes	145	2
Utilisation of losses	(122)	(7)
Difference between depreciation and capital allowances	(4)	(2)
Group relief (claimed) / surrendered for nil payment	102	(31)
Current tax charge for the year	-	-

The directors believe that the future effective tax rate will be reduced below the UK standard rate by the availability of group relief carried forward for which deferred tax has not been recognised as at the balance sheet date

**Factors affecting current and future tax charges**

Budget 2011 introduced a reduction in the rate of corporation tax from 28% to 26% from 1 April 2011. The rate had previously been reduced from 28% to 27% by F(No2)A 2010. This reduction was substantively enacted on 29 March 2011 and fully enacted on 19 July 2011 and the rate at which current tax has been measured is therefore a blended rate based on the reduction from 28% to 26% on 1 April 2011.

**Avesco Services Limited**  
**Notes to the financial statements for the year ended 30**  
**September 2011 (continued)**

**7 Tax on profit on ordinary activities (continued)**

A further reduction in the UK corporation tax rate to 25% will be effective from 1 April 2012. This reduction was substantively enacted on 5 July 2011 and fully enacted on 19 July 2011. At the relevant balance sheet date (ie 30 September 2011), the 25% tax rate was substantively enacted and this is the correct rate to apply for deferred tax quantification purposes.

Further rate reductions are also planned for future Finance Acts. These will be enacted in the relevant Finance Acts and the effect of these will be reflected in Company's financial statements as they become substantively enacted.

**8 Investments**

	<b>Shares in subsidiary companies £'000</b>
<b>Cost</b>	
At 1 October 2010 and at 30 September 2011	1,964
<b>Provisions for impairment</b>	
At 1 October 2010 and at 30 September 2011	1,964
<b>Net book value</b>	
At 30 September 2010 and at 30 September 2011	-

**Subsidiary undertakings**

Name	Country of incorporation	Main activity	Percentage ownership
Dimension Audio Limited	England & Wales	Dormant	100%
Screenco Group Limited	England & Wales	Dormant	100%

**9 Tangible assets**

	<b>Plant, equipment and vehicles £'000</b>
<b>Cost</b>	
At 1 October 2010	318
Additions	35
<b>At 30 September 2011</b>	<b>353</b>
<b>Accumulated depreciation</b>	
At 1 October 2010	315
Charge	9
<b>At 30 September 2011</b>	<b>324</b>
<b>Net book value</b>	
<b>At 30 September 2011</b>	<b>29</b>
At 30 September 2010	3

**Avesco Services Limited**  
**Notes to the financial statements for the year ended 30**  
**September 2011 (continued)**

**10 Debtors**

Amounts falling due within one year	2011 £'000	2010 £'000
Amounts due from other Avesco group companies	14,923	13,765
Other debtors	55	69
Taxation and social security	217	230
Prepayments	38	34
<b>Total</b>	<b>15,233</b>	<b>14,098</b>

£14,866,000 (2010 £13,734,000) of the amounts due from other Avesco group companies are unsecured, repayable on demand and bear interest at 1.5% above LIBOR. The remaining £57,000 (2010 £31,000) are unsecured, interest free and repayable on demand.

Amounts falling due after more than one year	2011 £'000	2010 £'000
Deferred tax (note 12)	163	122

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

	2011 £'000	2010 £'000
Trade creditors	110	40
Amounts owed to other Avesco group companies	24,541	23,004
Taxation and social security	55	52
Accruals	608	321
<b>Total</b>	<b>25,314</b>	<b>23,417</b>

The amounts owed to other Avesco group companies are unsecured, repayable on demand and either bear interest based on UK base rates or are non interest bearing. Although repayable on demand, due to the company being in a net liability position the group companies have agreed not to require payment whilst shareholders' funds remain negative.

**Avesco Services Limited**  
**Notes to the financial statements for the year ended 30**  
**September 2011 (continued)**

**12 Deferred taxation**

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date

No deferred tax liability exists at the balance sheet date (2010 £nil) The current position with respect to deferred tax assets is as follows

	Accelerated capital allowances £'000	Tax losses carried forward £'000	Total deferred tax assets £'000
Recognised deferred tax assets			
At 1 October 2010	-	122	122
Impact of change in UK tax rate	-	(9)	(9)
Credited to profit and loss account	8	42	50
At 30 September 2011	8	155	163
Unrecognised deferred tax assets			
At 30 September 2011	9	1,230	1,239
At 30 September 2010	22	1,495	1,517

An element of the total deferred tax assets is unrecognised due to uncertainties concerning the extent and timing of recoverability, which are dependant upon the generation of taxable profits by the company's operations

**13 Called up share capital**

	2011 £'000	2010 £'000
<b>Allotted, called up and fully paid</b>		
50,000 ordinary shares of £1 each	50	50

**14 Profit and loss account**

	£'000
At 1 October 2010	(8,030)
Loss for the financial year	(407)
At 30 September 2011	(8,437)

**Avesco Services Limited**  
**Notes to the financial statements for the year ended 30**  
**September 2011 (continued)**

**15 Reconciliation of movements in equity shareholders' deficit**

	2011 £'000	2010 £'000
(Loss)/ profit for the year	(407)	149
Opening shareholders' deficit	(7,980)	(8,129)
Closing shareholders' deficit	(8,387)	(7,980)

**16 Commitments and contingent liabilities**

The company had no (2010 £nil) annual commitments under non-cancellable operating leases

The company is a member of the Avesco value added tax group and is a party to the cross guarantee arrangements the Avesco group has in respect of its UK borrowings with HSBC Bank Plc. The total HSBC borrowings as at 30 September 2011 are £10,020,000 (2010 £12,363,000)

The company is also party to cross guarantee arrangements Avesco group has in respect of some of its hire purchase obligations. The total group hire purchase commitments as at 30 September 2011 are £9,620,000 (2010 £8,528,000)

**17 Ultimate parent and controlling party**

The company's immediate parent company is Avesco Holdings Ltd, a company registered in England & Wales. The ultimate parent company and controlling party is Avesco Group plc, a company registered in England & Wales. Avesco Group plc is the parent undertaking of the largest and only group of undertakings to consolidate these financial statements at 30 September 2011.

The consolidated financial statements of Avesco Group plc may be obtained from The Company Secretary, Avesco Group plc, Unit E2, Sussex Manor Business Park, Gatwick Road, Crawley, West Sussex, RH10 9NH