

KNOX AND WELLS LIMITED

Report and Financial Statements

31 December 2011



KNOX AND WELLS LIMITED

REPORT AND FINANCIAL STATEMENTS 2011

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KNOX AND WELLS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

| | | |
|-----------|-----------------------|---------------------|
| G O Leach | M A , C Eng , M I C E | (Managing Director) |
| H M Leach | L L B , A C A | |

SECRETARY

| | |
|-----------|------------|
| A H Lewis | BSc, A C A |
|-----------|------------|

REGISTERED OFFICE

Creswell House
Fieldway
Heath
Cardiff
CF14 4UH

BANKERS

Barclays Bank Plc

SOLICITORS

Berry Smith

AUDITOR

Deloitte LLP
Cardiff

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the company is that of building contractors

DIVIDENDS

Before the year-end, the directors declared and approved the payment of a final dividend of £8.64 (2010 - £36.36) per share, amounting to £19,000 (2010 - £80,000)

DIRECTORS

The directors of the company, who served throughout the financial year and subsequently, are as shown on page 1. M F Leach deceased on 31 May 2012

BUSINESS REVIEW

Despite 2011 being another challenging year in the construction industry, with margins remaining extremely competitive, the company has reported a strong operational performance for the year. The gross profit margin for the year at 13.4% is down from the previous year's 14.7% but the profit before tax for the year was £160,104 (2010 - £130,879). These are considered to be the company's key financial measures of performance.

The company is in a healthy financial position with good liquidity, a strong positive net cash position and improving net current assets, up 8% on last year. At the year-end, its cash reserves totalled £1.6m with no debt or bank borrowings.

The directors have acknowledged the guidance 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009' published by the Financial Reporting Council in October 2009. The balance sheet shows that the company has a positive current asset ratio, a substantial positive cash balance and no debt or bank borrowings. As a result of its sound financial position, its strong brand name and the support of its holding company with unencumbered assets generating long-term income streams, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors regularly monitor cash usage and forecast usage to ensure that projected financing needs are supported by adequate cash reserves and banking facilities.

Furthermore, the company has reported a profit for the current financial year and is forecast to continue this in the future. The company's trading activities are forecast to generate positive future cash flows, thus enabling the company to meet its financial obligations as they fall due. On this basis, the directors continue to adopt the going concern basis in preparing the financial statements as they remain confident that the company has more than adequate resources to continue in operating existence for the foreseeable future, and certainly for the next year and well beyond. Further information in relation to going concern is provided in note 1 to the financial statements.

Contract bonding and banking facilities

The company has facilities in place with its relationship bankers and a leading surety company to provide performance and other bonds as necessary. These facilities are more than adequate to meet the company's current and long-term projected bond usage requirements.

Health and safety

Safety is the main priority of the company, with strenuous efforts made to ensure that contracts are managed in a safe, healthy and environmentally controlled manner. The most common indicator for measuring health and safety performance is the Accident Frequency Rate (AFR). The company's continued attention to all areas of safety and its continued commitment to providing a high level of training to all its managers and employees has ensured that its AFR rate in 2011 has continued to decline and is ahead of its continuous improvement plan.

DIRECTORS' REPORT (continued)

BUSINESS REVIEW (continued)

Environmental

The company is committed to protecting the local and global environment and is working hard to achieve the international standard on environmental management ISO 14001. A number of initiatives have already been implemented in order to achieve this standard.

Training

A significant proportion of the company's managers have successfully completed the ISO 14001 training course.

PRINCIPAL RISKS AND UNCERTAINTIES

The company operates in a highly competitive market and is therefore always at risk of losing sales to competitors. It manages this risk by providing value added services to its customers, having fast response times to customer queries and maintaining strong relationships with its customers.

The company operates in the construction industry, involving long-term contracts which could result in losses if costs are not controlled. This risk is managed by closely monitoring costs of projects and engaging in good buying practices through a number of suppliers.

The company's only interest-bearing asset is cash.

The company's principal financial assets are cash, debtors and stocks. The company's credit risk is primarily attributable to its "amounts recoverable on contracts". The amounts are presented net of allowance for doubtful debts. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The company has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations, the company monitors and actively manages its working capital. The company has no bank borrowings and holds considerable reserves of cash. Furthermore, the company enjoys the support of its holding company, which has considerable reserves of unencumbered assets.

DIRECTORS' REPORT (continued)

AUDITOR

In the case of each of the persons who are directors of the company at the date when this report is approved

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have indicated their willingness to continue in office as the company's auditor and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

A H Lewis
Secretary



Date

19 June 2012

DIRECTORS' RESPONSIBILITIES STATEMENT

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 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, 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KNOX AND WELLS LIMITED

We have audited the financial statements of Knox and Wells Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 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 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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.

Andrew Wright

Andrew Wright FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cardiff, United Kingdom

Date *21 June 2012*

KNOX AND WELLS LIMITED**PROFIT AND LOSS ACCOUNT**
Year ended 31 December 2011

| | Note | 2011 £ | 2010 £ |
|--|------|-------------|-------------|
| TURNOVER | 1 | 7,114,703 | 5,685,107 |
| Cost of sales | | (6,162,772) | (4,847,409) |
| GROSS PROFIT | | 951,931 | 837,698 |
| Administrative expenses | | (812,091) | (722,399) |
| OPERATING PROFIT | | 139,840 | 115,299 |
| Interest receivable and similar income | 3 | 20,264 | 15,580 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 4 | 160,104 | 130,879 |
| Tax on profit on ordinary activities | 5 | (30,360) | (23,315) |
| PROFIT FOR THE FINANCIAL YEAR | 14 | 129,744 | 107,564 |

All activities derive from continuing operations

There have been no recognised gains and losses for the current or the prior financial year other than as stated in the profit and loss account and, accordingly, no separate statement of total recognised gains and losses is presented

KNOX AND WELLS LIMITED

BALANCE SHEET 31 December 2011

| | Note | £ | 2011 £ | £ | 2010 £ |
|--|------|-------------|-----------|-------------|-----------|
| FIXED ASSETS | | | | | |
| Tangible assets | 7 | 142,241 | | 94,435 | |
| Investments | 8 | 36,550 | | 36,550 | |
| | | | 178,791 | | 130,985 |
| CURRENT ASSETS | | | | | |
| Stocks | 9 | 117,898 | | 111,147 | |
| Debtors – amounts falling due within one year | 10 | 1,269,619 | | 1,393,029 | |
| – amounts falling due after more than one year | 10 | - | | 100,422 | |
| Current asset investment | 11 | 140,550 | | - | |
| Cash at bank and in hand | | 1,561,376 | | 1,513,092 | |
| | | 3,089,443 | | 3,117,690 | |
| CREDITORS: amounts falling due within one year | 12 | (2,254,173) | | (2,345,358) | |
| NET CURRENT ASSETS | | | 835,270 | | 772,332 |
| TOTAL ASSETS LESS CURRENT LIABILITIES, BEING NET ASSETS | | | 1,014,061 | | 903,317 |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 13 | | 2,200 | | 2,200 |
| Profit and loss account | 14 | | 1,011,861 | | 901,117 |
| SHAREHOLDERS' FUNDS | 14 | | 1,014,061 | | 903,317 |

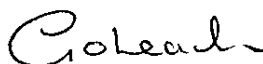
The financial statements of Knox and Wells Limited, registered number 306681, were approved by the Board of Directors and authorised for issue on 19 June 2012

Signed on behalf of the Board of Directors

M F Leach - Director



G O Leach - Director



NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2011

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current and the prior financial year, are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern

In preparing the financial statements, the directors have considered the current financial position of the company and the likely future cash flows. At the date of issuing the financial statements, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis. In forming this conclusion, the directors have considered that the company has reported a profit in the current financial year and is forecast to continue this in the future. Furthermore, the company's trading activities are forecast to generate positive future cash flows, thus enabling the company to meet its financial obligations as they fall due.

The company has no bank borrowings and has considerable reserves of cash. Furthermore, the company enjoys the support of its holding company, which has considerable reserves of unencumbered assets. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Cash flow statement

The company has taken advantage of the exemption in FRS 1 (revised 1996) from the requirement to produce a cash flow statement as the company is a wholly owned subsidiary of Knox and Wells Holdings Limited which presents such a statement in its financial statements.

Turnover

Turnover consists of the amounts of work invoiced for services rendered and the value of certificates issued during the year net of value added tax. All turnover is derived from the UK, from the company's single class of business.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Tangible fixed assets

Tangible fixed assets are depreciated so as to write off their cost over their estimated useful lives. The rates of depreciation are as follows:

| | | |
|---------------------------------------|---|--------------------------------|
| Motor vehicles | - | 25% per annum reducing balance |
| Plant, machinery and office equipment | - | 25% per annum straight-line |

Investments

Investments are stated at cost less provision for impairment. Any provision for diminution in value is charged to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

1. ACCOUNTING POLICIES (continued)

Stocks

i) Stocks

Stock, representing miscellaneous materials, is valued at the lower of cost and net realisable value
Cost represents purchase price

ii) Long-term contract work in progress

Long-term contract work in progress represents costs incurred on contracts, net of amounts transferred to cost of sales in respect of work recorded as turnover, less foreseeable losses and payments on account not matched with turnover. Turnover is determined by reference to the value of work carried out to date

Provision is made for all losses expected to arise on completion of contracts at the date of the balance sheet

iii) Claims

Claims against customers for extensions to time, or for additional work carried out not contracted for, are only added to the valuations when certified by the architect or, if not certified, when cash is received

Pension costs

For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contribution paid in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis

KNOX AND WELLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2011

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

| | 2011 £ | 2010 £ |
|------------------------------|----------------|----------------|
| Directors' emoluments | | |
| Emoluments | 124,966 | 115,661 |
| Pension contributions | 40,000 | - |
| | <u>164,966</u> | <u>115,661</u> |

The directors also receive remuneration from the parent company, Knox and Wells Holdings Limited. It is not practicable to allocate their remuneration between services to each entity and their services to the group as a whole.

| | No. | No. |
|--|----------|----------|
| Number of directors for whom payments were made to money purchase pension scheme | <u>2</u> | <u>-</u> |

| | £ | £ |
|---|------------------|------------------|
| Wages and salaries (including directors' emoluments) | | |
| Wages and salaries | 1,079,892 | 1,014,129 |
| Social security costs | 102,499 | 90,375 |
| Other pension costs | 91,326 | 41,169 |
| | <u>1,273,717</u> | <u>1,145,673</u> |

| | No. | No. |
|------------------------------------|-----------|-----------|
| Average number of employees | | |
| Directors | 3 | 3 |
| Building and construction | 27 | 26 |
| Administration | 13 | 13 |
| | <u>43</u> | <u>42</u> |

3. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2011 £ | 2010 £ |
|---------------|---------------|---------------|
| Bank interest | <u>20,264</u> | <u>15,585</u> |

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 2011 £ | 2010 £ |
|--|--------------|--------------|
| Profit on ordinary activities before taxation is after charging | | |
| Depreciation - owned assets | 23,144 | 22,279 |
| Operating lease rentals hire of plant | 51,458 | 49,980 |
| Auditor's remuneration - audit services | <u>2,750</u> | <u>3,000</u> |

KNOX AND WELLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2011

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 2011 £ | 2010 £ |
|--|-----------|-----------|
| Current taxation | | |
| United Kingdom corporation tax at 20% (2010 – 21%) | (30,360) | (23,315) |

The difference between the current taxation shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

| | £ | £ |
|--|----------|----------|
| Profit on ordinary activities before tax | 160,104 | 130,879 |
| Tax on profit on ordinary activities at standard UK corporation tax rate of 20% (2010 – 21%) | (32,021) | (27,485) |
| Effects of | | |
| Capital allowances in excess of depreciation | 10,046 | 5,908 |
| Expenses not deductible for tax purposes | (8,385) | (1,738) |
| Current tax charge for the year | (30,360) | (23,315) |

6. DIVIDENDS

| | 2011 | | 2010 | |
|-------------------|-------------|--------|-------------|--------|
| | £ per share | £ | £ per share | £ |
| Final | | | | |
| Ordinary shares | 8 636 | 18,136 | 36 36 | 76,364 |
| Management shares | 8 636 | 864 | 36 36 | 3,636 |
| | | 19,000 | | 80,000 |

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2011

7. TANGIBLE FIXED ASSETS

| | Motor vehicles £ | Plant, machinery and office equipment £ | Total £ |
|---------------------------------|---------------------------------|--|--------------------|
| Cost | | | |
| At 1 January 2011 | 238,140 | 445,033 | 683,173 |
| Additions | 11,557 | 59,393 | 70,950 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2011 | 249,697 | 504,426 | 754,123 |
| | <hr/> | <hr/> | <hr/> |
| Accumulated depreciation | | | |
| At 1 January 2011 | 174,197 | 414,541 | 588,738 |
| Charge for the year | 17,844 | 5,300 | 23,144 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2011 | 192,041 | 419,841 | 611,882 |
| | <hr/> | <hr/> | <hr/> |
| Net book value | | | |
| At 31 December 2011 | 57,656 | 84,585 | 142,241 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2010 | 63,943 | 30,492 | 94,435 |
| | <hr/> | <hr/> | <hr/> |

8. INVESTMENTS

| | Other investments £ |
|--|------------------------------------|
| Cost and net book value | |
| At 31 December 2011 and 31 December 2010 | 36,550 |
| | <hr/> |

The other investments relate to WRU debentures

9. STOCKS

| | 2011 £ | 2010 £ |
|------------------|-------------------|-------------------|
| Work-in-progress | 117,898 | 111,147 |
| | <hr/> | <hr/> |

KNOX AND WELLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2011

10 DEBTORS

| | 2011 £ | 2010 £ |
|---|------------------|------------------|
| Due within one year | | |
| Amounts recoverable on contracts | 787,644 | 897,765 |
| Prepayments and accrued income | 4,886 | 1,622 |
| Other debtors | 7,766 | 7,545 |
| Amounts owed by related parties (note 16) | 469,323 | 486,097 |
| | <u>1,269,619</u> | <u>1,393,029</u> |
| Due after more than one year | | |
| Amounts recoverable on contracts | - | 57,196 |
| Amounts owed by related parties (note 16) | - | 43,226 |
| | <u>-</u> | <u>100,422</u> |

11 CURRENT ASSET INVESTMENTS

| | 2011 £ | 2010 £ |
|--------------------------|----------------|-----------|
| Current asset investment | <u>140,550</u> | <u>-</u> |

The current asset investment relates to £200,000 Principality 7% Permanent Interest Bearing Shares and is included at cost. This is regarded by the directors to be part of the company's working capital.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2011 £ | 2010 £ |
|------------------------------------|------------------|------------------|
| Trade creditors | 822,764 | 742,757 |
| Accruals and deferred income | 1,193,434 | 1,210,075 |
| Corporation tax | 30,360 | 23,315 |
| Other taxation and social security | 149,292 | 88,512 |
| Other creditors | 53,955 | 183,911 |
| Amounts owed to parent entity | 4,368 | 96,788 |
| | <u>2,254,173</u> | <u>2,345,358</u> |

13. CALLED UP SHARE CAPITAL

| | 2011 £ | 2010 £ |
|----------------------------------|--------------|--------------|
| Allotted and fully paid | | |
| 2,100 ordinary shares of £1 each | 2,100 | 2,100 |
| 100 management shares of £1 each | 100 | 100 |
| | <u>2,200</u> | <u>2,200</u> |

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2011

14. COMBINED STATEMENT OF MOVEMENTS ON RESERVES AND RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | Share capital £ | Profit and loss account £ | Total 2011 £ | Total 2010 £ |
|-------------------------------|-----------------------|------------------------------------|--------------------|--------------------|
| At 1 January | 2,200 | 901,117 | 903,317 | 875,753 |
| Profit for the financial year | - | 129,744 | 129,744 | 107,564 |
| Dividends | - | (19,000) | (19,000) | (80,000) |
| At 31 December | <u>2,200</u> | <u>1,011,861</u> | <u>1,014,061</u> | <u>903,317</u> |

15. PENSION SCHEME

Contributions are now made to personal pension plans, which are disclosed in note 2 to the financial statements

A liability of £3,881 owed to the pension scheme at 31 December 2011 (2010 - £3,332) is included in other creditors

16. RELATED PARTY TRANSACTIONS

During the year, the company undertook construction work on behalf of Knox and Wells Holdings Limited. These services cost Knox and Wells Holdings Limited £9,555 (2010 - £38,145)

At 31 December 2011, £4,368 is owing to Knox and Wells Holdings Limited (2010 - £96,788)

At 31 December 2011, £57,639 is outstanding from K&W Developments (Wales) Limited (2010 - £237,639)

At the year end, £411,684 (2010 - £291,684) is outstanding from K&W Property Trading, a company with common directors

17. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary of Knox and Wells Holdings Limited, a company registered in England and Wales. The smallest and largest group in which the company has been consolidated is Knox and Wells Holdings Limited. Copies of the consolidated financial statements of Knox and Wells Holdings Limited can be obtained from the registered office at Creswell House, Fieldway, Heath, Cardiff