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KDC Holdings Limited

Report and Financial Statements

Period ended 31 December 2008

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BDO Stoy Hayward

KDC Holdings Limited

**Annual report and financial statements
for the period ended 31 December 2008**

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Directors

I Smithson
P Higon
G Gurney

Secretary and registered office

G Gurney, Sharston Green Business Park ,1 Robeson Way, Manchester, M22 4SW

Company number

06396708

Auditors

BDO Stoy Hayward LLP, Commercial Buildings, 11-15 Cross Street, Manchester, M2 1WE

Bankers

Yorkshire Bank, The Chancery, 58 Spring Gardens, Manchester, M2 1YB

KDC Holdings Limited

Report of the directors for the period ended 31 December 2008

The directors present their first report together with the audited financial statements for the period from the date of incorporation on 11 October 2007 to 31 December 2008. The company changed its name from Inhoco 3421 Limited to KDC Holdings Limited on 19 March 2008.

Principal activities

The company was incorporated on 11 October 2007. On 31 March 2008 it acquired the entire issued share capital of KDC Contractors Limited and its subsidiary company, K – Land Solutions Limited. The principal activity of the group is to engage in specialist decommissioning, demolition and land remediation in the UK. The group operates in the nuclear, petrochemical, industrial and pharmaceutical markets from offices in Manchester, Falkirk and Reading.

The company's principal activity is that of a holding company.

Results and dividends

The profit and loss account is set out on page 6 and shows the profit for the period.

The directors do not recommend the payment of a dividend.

Review of the business

The KDC Group was created on 31 March 2008 when the existing Management purchased the entire issued share capital of KDC Contractors Limited from Mr B Kilroe who left the business at that time. KDC Holdings Limited is the parent company of the KDC Group which consists of KDC Contractors Limited and its wholly owned subsidiary K-Land Solutions Limited. Finance for the deal was provided by a mixture of private equity investment and bank debt, the details of which are displayed in the balance sheets set out on page 7 and 8 and in the accompanying notes.

In the 9 months to 31 December 2008 the turnover for the Group was £19.3m, resulting in the Group returning a £1.6m operating profit. The directors consider that operating profit is the principal financial key performance indicator by which performance of the business is monitored.

In December 2008 the Group took possession of new leasehold premises at Sharston Green Business Park, Manchester. The business subsequently moved its Manchester head office from Denton to the new premises in early January 2009. The move allows the business to operate from larger more bespoke premises that better suit its needs going forward.

Principal risks and uncertainties

All financial and operational risks inherent in contracts are managed through careful selection and appropriate due diligence when tendering for a contract. These principal risks and uncertainties, together with the actions the company undertakes to mitigate these, are summarised below.

Financial Risks

The Group's objective is to reduce the risk of financial loss due to a counter party's failure to honour its obligations. Standard payment terms for decommissioning contracts provide for regular monthly payments against the full contract value. The credit worthiness of new customers is assessed by the Group prior to entering into a contract. The Group actively manages the collection of payments to ensure that they are received promptly and in accordance with agreed terms, thereby ensuring that the Group's exposure to bad debts is not significant. The Group finances its activities with a combination of hire purchase contracts and cash deposits. Overdrafts are used to satisfy short-term cash flow requirements. Other financial assets and liabilities such as trade debtors and trade creditors, arise directly from the Group's operating activities.

KDC Holdings Limited

Report of the directors for the period ended 31 December 2008 (*Continued*)

Financial risks (continued)

Interest rate risk associated with bank debt that was taken on by the holding company is mitigated via hedging instruments which effectively fix the floating Libor rates on which this debt is based; there are two instruments in place at present which fix Libor at 6.25% for part of the debt to 2010 and 2.75% for part of the debt through to 2012. Non bank debt is at fixed rates and so hedging is not required.

The Group does not trade outside the United Kingdom and is not exposed to any foreign currency risk.

Operational Risks

In order to ensure that the Group matches operational costs to contracts, reducing the possibility of carrying unproductive overhead, we utilise the services of third party contractors. The Group identifies contractors who have been proved to supply a high standard of service, allowing us to mitigate the risk of non-delivery by our suppliers. We vet all suppliers thoroughly prior to engaging their services, to ensure that they meet our requirements for health & safety, quality and financial stability.

We recognise our responsibility to provide our workforce and contractors with a safe place of work and provide an adequate degree of training suitable to their needs. In recognition of this, the Group holds ISO 180001 accreditation for safety procedures.

Future developments

The directors are optimistic for the future of the business with the markets in which KDC work continuing to provide a high level of enquiries and orders. The structure of the business operating from three geographically well positioned offices in Manchester, Falkirk and Reading, provide a base to consolidate the performance of the Group in 2009.

Directors

The directors of the group during the period were:

I Smithson	(appointed 31 March 2008)
P Higon	(appointed 31 March 2008)
G Gurney	(appointed 4 June 2008)
Inhoco Formations Limited	(appointed 11 October 2007 and resigned 31 March 2008)

KDC Holdings Limited

Report of the directors for the period ended 31 December 2008

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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.

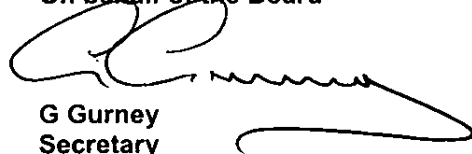
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and company, and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

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

BDO Stoy Hayward LLP were appointed as auditors of the company during the period and have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the next annual general meeting.

On behalf of the Board



G Gurney
Secretary

Date: 25th March 2009

KDC Holdings Limited

Report of the independent auditors

To the shareholders of KDC Holdings Limited

We have audited the consolidated financial statements of KDC Holdings Limited for the period ended 31 December 2008 which comprise the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet, the consolidated cashflow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the consolidated financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the consolidated financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the consolidated financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

KDC Holdings Limited

Report of the independent auditors (*Continued*)

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 31 December 2008 and of the group's profit for the period then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP
*Chartered Accountants
and Registered Auditors*
Manchester

Date: *25 March 2009*

KDC Holdings Limited

Consolidated profit and loss account for the period ended 31 December 2008

	Note	Period from 11 October 2007 to 31 December 2008 £'000
Turnover	2	19,267
Cost of sales		(15,466)
Gross profit		<u>3,801</u>
Administrative expenses		(2,289)
Operating profit	3	<u>1,512</u>
Interest receivable and similar income	6	53
Interest payable and similar charges	7	(731)
Profit on ordinary activities before taxation		<u>834</u>
Taxation on profit from ordinary activities	8	(211)
Profit on ordinary activities after taxation		<u><u>623</u></u>

All amounts relate to continuing activities acquired in the period.

There are no recognised gains and losses other than those passing through the profit and loss account.

The profit on ordinary activities before taxation and the retained profit have been calculated on the historical cost basis.

The notes on pages 10 to 24 form part of these financial statements.

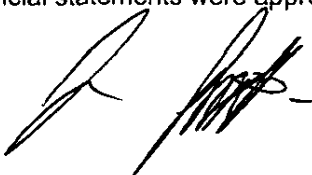
KDC Holdings Limited

Consolidated balance sheet as at 31 December 2008

	Note	2008 £'000	2008 £'000
Fixed assets			
Intangible assets	10	8,755	
Tangible assets	11	3,305	
			12,060
Current assets			
Stocks	13	1,482	
Debtors	14	1,261	
Cash at bank and in hand		821	
		3,564	
Creditors: amounts falling due within one year	15	(4,744)	
Net current liabilities			(1,180)
Total assets less current liabilities			10,880
Creditors: amounts falling due after more than one year	16	(9,862)	
Provision for liabilities and charges	17	(295)	
			(10,157)
			723
Capital and reserves			
Called up share capital	18		100
Profit and loss account	19		623
Shareholders' funds			723

The financial statements were approved by the board of directors and authorised for issue on 25 March 2009.

Director



The notes on pages 10 to 24 form part of these financial statements.

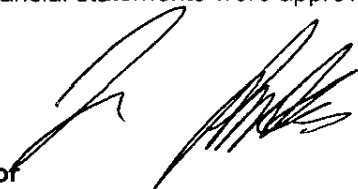
KDC Holdings Limited

Company balance sheet as at 31 December 2008

	Note	2008 £'000	2008 £'000
Fixed assets			
Fixed asset investments	12		9,690
Current assets			
Debtors	14	256	
Cash at bank and in hand		8	
		<u>264</u>	
Creditors: amounts falling due within one year	15	<u>(1,564)</u>	
Net current liabilities			<u>(1,300)</u>
Total assets less current liabilities			8,390
Creditors: amounts falling due after more than one year	16		<u>(8,912)</u>
			<u>(522)</u>
Capital and reserves			
Called up share capital	18		100
Profit and loss account	19		<u>(622)</u>
Shareholders' deficit			<u>(522)</u>

The financial statements were approved by the board of directors and authorised for issue on 25 March 2009

Director



The notes on pages 10 to 24 form part of these financial statements.

KDC Holdings Limited

Consolidated cash flow statement for the period ended 31 December 2008

	Note	Period ended 31 December 2008 £'000
Net cash inflow from operating activities	23	1,908
Returns on investments and servicing of finance	24	(282)
Corporation tax paid		(78)
Capital expenditure	24	(919)
Acquisitions and disposals	24	(8,914)
Financing	24	9,106
Increase in cash		<u>821</u>

Reconciliation of net cash flow to movement in net debt

		Period ended 31 December 2008 £'000
Increase in cash in the period		821
Finance leases acquired		(1,857)
Bank loans and finance leases taken out in the period		(3,795)
Issue of loan notes		(6,400)
Cash repaying loans and finance leases		1,188
Non cash movements	24	(352)
Net debt at 31 December 2008	24	<u>(10,395)</u>

The notes on pages 10 to 24 form part of these financial statements.

KDC Holdings Limited

Notes forming part of the financial statements for the period ended 31 December 2008

1 Accounting policies

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

Basis of consolidation

The consolidated financial statements incorporate the results of KDC Holdings Limited and all of its subsidiary undertakings as at 31 December 2008 using the acquisition method of accounting. Results of subsidiary undertakings are included from the date of acquisition.

Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives, as follows:

Tenants improvements to leasehold property	-	Life of the lease
Plant and machinery	-	15% per annum straight line
Computer equipment	-	33% per annum straight line
Motor vehicles	-	20% per annum straight line

Intangible assets - goodwill

Goodwill arising on acquisitions of a business or company is the difference between consideration paid and the fair value of the assets and liabilities acquired. Goodwill arising on acquisition is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life which is 20 years.

Impairment of intangible fixed assets and goodwill

The need for any fixed asset impairment write-down is assessed by comparing the carrying value of the asset against the higher of realisable value and value in use.

Purchased goodwill and intangible assets are reviewed for impairment at the end of the first year of acquisition and at the end of each year only when there is an indication that assets are impaired.

Investments

Investments in group undertakings are stated at cost less any provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase at the latest purchase price. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

KDC Holdings Limited

Notes forming part of the financial statements for the period ended 31 December 2008 (*Continued*)

1 Accounting policies (*Continued*)

Finance costs

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

Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Long-term contracts

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen, irrespective of the amount of work carried out at the balance sheet date.

Pension costs

The company operates a money purchase (defined contribution) pension scheme. Contributions payable to this scheme are charged to the profit and loss account in the period to which they relate. These contributions are invested separately from the company's assets.

Deferred taxation

Deferred tax is recognised in respect of all timing differences which have originated but not reversed at the balance sheet date. Timing differences are differences between taxable profits and the results as stated in the financial statements which arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates which are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws which have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

KDC Holdings Limited

Notes forming part of the financial statements
for the period ended 31 December 2008 (Continued)

2 Turnover

The turnover for the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit

Period ended
31 December
2008
£'000

Operating profit is stated after charging/(crediting):

Depreciation of tangible fixed assets	623
Amortisation of intangible fixed assets - goodwill	341
Loss on disposal of tangible fixed assets	18
Operating lease rentals – plant and machinery	98
Operating lease rentals – land and buildings	67
Auditors' remuneration:	
- fees payable to the company's auditor for the audit of the company's annual accounts	30
- all other services	8

4 Employees

Period ended
31 December
2008
Group
£'000
Company
£'000

Staff costs, including directors, consist of:

Wages and salaries	4,365	-
Social security costs	403	-
Other pension costs	33	-
	4,801	-

The average number of employees of the group including directors, during the period was as follows:

Period ended
31 December
2008
Group
Number
Company
Number

Site Management & Operatives		
Administration	83	-
	36	-
	119	

KDC Holdings Limited

Notes forming part of the financial statements for the period ended 31 December 2008 (Continued)

5 Directors

Included in the employee cost for Group are the following costs for directors:

	Period ended 31 December 2008 £000
Emoluments for qualifying services	418
Company pension contributions to money purchase schemes	21
	<u>439</u>

The number of directors for whom retirement benefits were accruing at 31 December 2008 under money purchase pension schemes amounted to 5.

Emoluments disclosed above include the following amounts paid to the highest paid director:

	£000
Emoluments for qualifying services	80
Company pension contributions to money purchase schemes	3
	<u>83</u>

The Directors of KDC Holdings Limited are paid for their services by KDC Contractors Limited, details of which are contained in the report and accounts of that company.

6 Interest receivable and similar income

	Period ended 31 December 2008 £'000
Bank interest	47
Other interest received	6
	<u>53</u>

7 Interest payable and similar charges

	Period ended 31 December 2008 £'000
Bank loans and overdrafts	601
Hire purchase	87
Other charges (unwinding of bank arrangement fee)	43
	<u>731</u>

KDC Holdings Limited

Notes forming part of the financial statements for the period ended 31 December 2008 (*Continued*)

8 Taxation on profit from ordinary activities

	Period ended 31 December 2008 £'000
<i>Current tax</i>	
UK corporation tax on profit for the period	379
Total current tax	379
<i>Deferred tax</i>	
Origination and reversal of timing differences (note 17)	(168)
Taxation on profit on ordinary activities	211

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	Period ended 31 December 2008 £'000
Profit on ordinary activities before tax	834
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28%	234
Effect of:	
Expenses not deductible for tax purposes	5
Capital allowances in excess of depreciation	152
Group adjustments	(12)
Current tax charge for the period	379

9 Profit for the financial year

The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group result for the period includes a loss after tax of £622,000 which is dealt with in the financial statements of the parent company.

KDC Holdings Limited

Notes forming part of the financial statements
for the period ended 31 December 2008 (*Continued*)

10 Intangible assets

Group	Goodwill £'000
<i>Cost</i>	
Additions and at 31 December 2008	9,096
<i>Amortisation</i>	
Provided for the period and at 31 December 2008	(341)
<i>Net book value</i>	
At 31 December 2008	8,755

Further details of acquisitions in the period are provided in note 30.

11 Tangible assets

Group	Tenants improvements to leasehold property £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
<i>Cost or valuation</i>				
Acquisition of subsidiaries (note 30)	17	2,653	264	2,934
Additions	94	763	256	1,113
Disposals	-	(32)	(124)	(156)
At 31 December 2008	111	3,384	396	3,891
<i>Depreciation</i>				
Provided for the period	17	533	73	623
Disposals	-	(25)	(12)	(37)
At 31 December 2008	17	508	61	586
<i>Net book value</i>				
At 31 December 2008	94	2,876	335	3,305

The company has no fixed assets.

KDC Holdings Limited

Notes forming part of the financial statements
for the period ended 31 December 2008 (Continued)

11 Tangible assets (continued)

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery £'000	Motor vehicles £'000	Total £'000
<i>Net book value</i>			
At 31 December 2008	1,637	315	1,952
<i>Depreciation charge for the year</i>			
At 31 December 2008	261	30	291

Net obligations under finance leases and hire purchase contracts are secured on the assets acquired.

12 Fixed asset investments

Company	Group undertakings £'000
<i>Cost</i>	
Additions and at 31 December 2008	9,690

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

Subsidiary undertakings	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
KDC Contractors Limited	England	100%	Specialist decommissioning, demolition and land remediation contractors.
K-Land Solutions Limited	England	100%*	Civil engineers and land remediation contractors.

The results of the above companies are included within these consolidated financial statements.

*Shareholding owned by KDC Contractors Limited.

13 Stocks

	2008 Group £'000	2008 Company £'000
Raw materials and consumables	388	-
Salvaged equipment for resale	1,094	-
	1,482	-

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

KDC Holdings Limited

Notes forming part of the financial statements
for the period ended 31 December 2008 (*Continued*)

14 Debtors

	2008 Group £'000	2008 Company £'000
Trade debtors	835	-
Other taxation	-	2
Prepayments	321	254
Other debtors	105	-
	1,261	256

All amounts shown under debtors fall due for payment within one year.

15 Creditors: amounts falling due within one year

	2008 Group £'000	2008 Company £'000
Bank loans and overdrafts (secured - see note 16)	480	480
Trade creditors	601	-
Amounts received on account	538	-
Amounts owed to group undertakings	-	842
Other taxation and social security	403	-
Corporation tax	583	-
Obligations under finance leases and hire purchase contracts	874	-
Accruals and deferred income	488	242
Deferred consideration	219	-
Other creditors	558	-
	4,744	1,564

16 Creditors: amounts falling due after more than one year

	2008 Group £'000	2008 Company £'000
Bank loans (secured)	2,160	2,160
Obligations under finance leases	950	-
Loan notes (secured)	6,752	6,752
	9,862	8,912

KDC Holdings Limited

Notes forming part of the financial statements
for the period ended 31 December 2008 (Continued)

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

Group	Loans and overdrafts 2008 £'000	Finance leases 2008 £'000	Loan notes 2008 £'000	Total 2008 £'000
In one year or less, or on demand	480	874	-	1,354
In more than one year but not more than two years	480	554	332	1,366
In more than two years but not more than five years	1,680	396	4,512	6,588
In more than five years	-	-	1,908	1,908
	<u>2,160</u>	<u>950</u>	<u>6,752</u>	<u>9,862</u>
Company	Loans and overdrafts 2008 £'000	Finance leases 2008 £'000	Loan notes 2008 £'000	Total 2008 £'000
In one year or less, or on demand	480	-	-	480
In more than one year but not more than two years	480	-	332	812
In more than two years but not more than five years	1,680	-	4,512	6,192
In more than five years	-	-	1,908	1,908
	<u>2,160</u>	<u>-</u>	<u>6,752</u>	<u>8,912</u>

Bank loans comprise an A loan of £2,400,000 and a B loan of £600,000; the A loan is repayable by quarterly instalments through to March 2013, the B loan is a bullet repayment loan of £600,000 which is due in September 2013. The bank debt is secured by a fixed and floating charge over the property and assets of the Group.

Details of Loan notes are as follows:

- £5,257,000 of loan notes which are repayable by three equal instalments in December of 2012, 2013 & 2014; these are secured by a fixed and floating charge on property and assets of the Group.
- £996,500 of loan notes which are repayable by six equal instalments over the period from March 2010 to September 2012; these are secured by a fixed and floating charge on property and assets of the Group.
- £146,500 of loan notes that are unsecured and repayable only when the ownership of the Group changes.

KDC Holdings Limited

Notes forming part of the financial statements
for the period ended 31 December 2008 (Continued)

17 Provisions for liabilities and charges

	Group £'000	Company £'000
<i>Deferred taxation</i>		
Recognised on acquisition	463	-
Credited to profit and loss account	(168)	-
At 31 December 2008	295	-

	2008 Group £'000	2008 Company £'000
Accelerated capital allowances	295	-

18 Share capital

	2008 Number	Authorised 2008 £'000
Ordinary shares of £1 each	100,000	100
	100,000	100
	2008 Number	Allotted, called up and fully paid 2008 £'000
Ordinary A shares of £1 each	43,000	43
Ordinary B shares of £1 each	53,500	54
Ordinary C shares of £1 each	3,500	3
	100,000	100

On incorporation the authorised share capital was 1,000 ordinary shares of £1. All shares were issued and fully paid at the time of incorporation.

On 31 March 2008 the authorised share capital was increased to 100,000 ordinary shares of £1 and re-designated to 43,000 Ordinary A shares of £1 each, 53,500 Ordinary B shares of £1 each and 3,500 Ordinary C shares of £1 each. All Ordinary A and C shares were issued on 31 March 2008 along with 49,500 Ordinary B shares. The remaining 4000 Ordinary B shares were issued on 2 July 2008.

KDC Holdings Limited

Notes forming part of the financial statements
for the period ended 31 December 2008 (*Continued*)

19 Reserves

	Group profit and loss account £'000	Company profit and loss account £'000
Issue of shares	100	100
Retained profit/(loss) for period	623	(622)
At 31 December 2008	723	(522)

20 Pensions

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension charge represents contributions payable by the Group to the fund and amounted to £44,000.

21 Related party transactions

There were no related party transactions during the period.

22 Transactions with directors

There were no transactions with directors during the period.

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

	Period ended 31 December 2008 £'000
Operating profit	1,512
Depreciation	623
Amortisation	341
Loss on Fixed Asset Disposals	18
Increase in stocks	(1,482)
Increase in debtors	(1,261)
Increase in creditors	2,157
Net cash inflow from operating activities	1,908

KDC Holdings Limited

Notes forming part of the financial statements
for the period ended 31 December 2008 (Continued)

24 Notes to the cash flow statement

i) Gross cash flows

Period ended
31 December
2008
£'000

Returns on investment and servicing of finance

Interest paid	(329)
Interest received	47
	<u>(282)</u>

Capital expenditure

Payments to acquire tangible fixed assets	(1,041)
Proceeds from sale of tangible fixed assets	122
	<u>(919)</u>

Acquisitions and disposals

Purchase of subsidiary undertaking	(9,310)
Cash acquired with subsidiary undertaking	396
	<u>(8,914)</u>

Financing

New bank loans taken out during the period	3,000
New finance on acquired fixed assets	795
Capital element of finance leases repaid	(829)
Repayment of loans	(360)
Loan notes issued	6,400
Issue of ordinary and preferred ordinary shares	100
	<u>9,106</u>

ii) Analysis of changes in net debt

	Cash flows £000	Non-cash movements* £000	At 31 December 2008 £000
Cash at bank and in hand	821	-	821
Bank loans			
- due within one year	(480)	-	(480)
- due after one year	(2,160)	-	(2,160)
Loan notes			
- due after one year	(6,400)	(352)	(6,752)
Finance leases			
- due within one year	(874)	-	(874)
- due after one year	(950)	-	(950)
Total	<u>(10,043)</u>	<u>(352)</u>	<u>(10,395)</u>

* Non cash movement is accrued interest on loan notes.

KDC Holdings Limited

Notes forming part of the financial statements for the period ended 31 December 2008 (*Continued*)

25 Contingent liabilities

Neither the group nor any of its wholly owned subsidiaries have any contingent liabilities at 31 December 2008.

26 Financial commitments

As at 31 December 2008, the group and company were committed to making the following payments under non-cancellable operating leases in the year to 31 December 2009.

	2008 Land and buildings £000	Group 2008 Other £000	2008 Land and buildings £000	Company 2008 Other £000
Operating leases which expire:				
Within one year	-	-	-	-
In two to five years	140	108	-	-
	<u>140</u>	<u>108</u>	<u>-</u>	<u>-</u>

27 Post balance sheet event

There were no post balance events.

28 Capital commitments

There were no capital commitments as at the balance sheet date.

29 Control

The directors are deemed to be the ultimate controlling party by virtue of their directorship and shareholdings.

KDC Holdings Limited

Notes forming part of the financial statements for the period ended 31 December 2008 (Continued)

30 Acquisitions

On 31 March 2008 the company acquired KDC Contractors Limited and its subsidiary, K – Land Solutions Limited, for an overall consideration of £9,690,000 satisfied through the issue of shares and loans in addition to cash.

In calculating the goodwill arising on acquisition, the fair value of net assets of KDC Contractors Limited and K – Land Solutions Limited have been assessed and adjustments from book value have been made where necessary. These are summarised in the following table:

	Book value £'000	Adjustments £'000	Provisional fair value £'000
Fixed assets			
Tangible	3,290	(356)	2,934
Investments	-	-	-
Current assets			
Stocks	-	-	-
Debtors	2,894	-	2,894
Cash at bank and in hand	396	-	396
Total assets	<u>6,580</u>	<u>(356)</u>	<u>6,224</u>
Creditors			
Due within one year	(3,114)	(195)	(3,309)
Creditors			
Due after one year	(1,857)	-	(1,857)
Provisions for liabilities and charges	(464)	-	(464)
Total liabilities	<u>(5,435)</u>	<u>(195)</u>	<u>(5,630)</u>
Net assets	<u>1,145</u>	<u>(551)</u>	<u>594</u>

The adjustments to the Book value noted above relate to the following:

- Adjustment to Fixed assets to reflect the revised depreciation policy that allows for book value of assets to be more aligned to market values;
- Adjustment to creditors less than one year to reflect the actual for the corporation tax and social taxes liabilities due at the time of acquisition.

	£'000
Consideration:	
Cash (including expenses of £942,000)	9,690
Net assets acquired	594
Goodwill arising on acquisition (note 10)	<u>9,096</u>

KDC Holdings Limited

Notes forming part of the financial statements
for the period ended 31 December 2008 (*Continued*)

30 Acquisitions (*continued*)

The results of KDC Contractors Limited prior to its acquisition were as follows:

Profit and loss account

	1 January To 31 March 2008 £'000	12 months to 31 December 2007 £'000
Turnover	5,923	14,159
Operating profit	1,097	610
Net interest	(44)	(346)
Profit on ordinary activities before taxation	1,055	264
Taxation on profit from ordinary activities	(317)	(111)
Profit for the period/year	738	153

Cash flows

The net outflow of cash arising from the acquisition of KDC Contractors Limited was as follows:

	£'000
Cash consideration, as above	(9,690)
Cash acquired	396
Net outflow of cash	(9,294)