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**KINGERLEE HOLDINGS
LIMITED**

**CONSOLIDATED FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED

31 DECEMBER 2011

Company Number 984588

KINGERLEE HOLDINGS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

Company registration number 984588

Registered office Thomas House
Langford Locks
Kidlington
Oxfordshire
OX5 1HR

Directors D H Kingerlee
G J Kingerlee
J C Kingerlee
D J Warlow
R J Wilsdon

Secretary D H Kingerlee

Bankers HSBC Bank plc
65 Cornmarket Street
Oxford
OX1 3HY

Clydesdale Bank PLC
Seacourt Tower
Westway
Botley
Oxford
OX2 0JJ

Solicitors Darbys Solicitors
52 New Inn Hall Street
Oxford
OX1 2QA

Auditor Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
3140 Rowan Place
John Smith Drive
Oxford Business Park South
Oxford
OX4 2WB

KINGERLEE HOLDINGS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

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KINGERLEE HOLDINGS LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 2011

The directors present their report together with the consolidated financial statements for the year ended 31 December 2011

Principal activity

Kingerlee Holdings Limited is the holding Company co-ordinating the activities of subsidiaries engaged primarily in the businesses of general building contracting and speculative property development. The general contracting business includes a special projects department undertaking smaller contracts and a joinery division. Additionally, the Group maintains portfolios of properties and listed investments.

Presentation of financial statements

The Group's financial statements are presented on a consolidated basis in accordance with Company law and relevant accounting standards. Consequently, the Group's interest in Highcroft Investments PLC, which is considered to be an associated Company, is included under the equity method of accounting. This method results in the Group's share of its associate's profits and the Group's share of its associate's valuation surpluses or deficits being reflected in the Group's profit and loss account and the Group's statement of recognised gains and losses respectively. In addition, the Group's investment in its associate is shown at the Group's share of net assets on the Group's balance sheet. During the prior year the Group increased its holding in Natural Building Technologies Limited and therefore the results of that Company are included on a full subsidiary basis.

Business Review

Group

A review of the Group's business is included in the Chief Executive's Review.

The Group recorded a profit for the year after taxation amounting to £3,809,000 (2010 profit of £700,000). The directors have recommended a dividend of £2 per share (total payable £115,000) in respect of 2011 which will be paid during 2012.

Company

In addition to owning and co-ordinating the activities of its subsidiary trading companies, Kingerlee Holdings Limited owns certain property and investment assets. The most notable of these are the Group's premises in Kidlington currently used by the business as headquarters office, joinery shop, builder's yard and plant and vehicle maintenance yard, along with an equity portfolio of predominantly listed investments. The Company maintains a cautious and long-term approach to its investment strategies.

For the Company only, there was a profit for the year after taxation amounting to £3,420,000 (2010 loss of £178,000).

Financial risk management and objectives

Exposure to credit and interest rate risks arise in the normal course of the Group's business. The Group has no derivative financial instruments.

Cash and cash equivalents

Cash and cash equivalents comprises cash held by the Group and short-term deposits. The carrying amount of these assets approximate to their fair value.

KINGERLEE HOLDINGS LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 2011

Credit risk

The Group's credit risk is attributable to its trade receivables. The amounts presented in the balance sheet are net of any allowance for doubtful debtors, based on prior experience and assessment of specific circumstances by the directors. The Group has no significant concentration of credit risk, with exposure spread over a number of clients.

Interest rate risks

The Group finances its operations through retained profits, project loans and the use of overdraft facilities. Interest rates are at both fixed and variable percentages over base rate. The Group places any cash balances on deposit at rates which are fixed in the short term.

Liquidity risk

Short-term flexibility is achieved by overdraft facilities.

Key performance indicators

The Group uses several performance indicators to monitor its progress. The focus of the Group continues to be improving efficiency, product quality, turnover and margins.

The development companies continually measure their development costs and turnover against project appraisals and budgets. The development companies are committed to engage in sustainable and environmentally friendly property development, notably but not exclusively by reducing CO2 emissions arising from the construction of buildings, the embodied emissions associated with the building materials and energy usage once the buildings are in operation. The development companies aim to achieve Level 4 within the new "Code for Sustainable Homes" in all their residential developments.

The construction Company operates in a low margin/high risk sector. Consequently its most important financial performance indicators are turnover, gross margin and net margin. These are monitored on a regular basis, as is the underlying performance of each contract.

Risks and uncertainties

The Group has a risk management process in place to identify and effectively manage risk across all businesses. The following principal risks have been identified and may have an impact on the Group and its operations.

As the Group grows it is critical that talented individuals are attracted, developed and retained by the business at all levels as these individuals are key to the Group's future success. We are constantly reviewing our policies in the areas of recruitment, training and development with the intention of improving our effectiveness in managing the risk.

Sub-contractors perform the vast majority of the work carried out on site. We vet all subcontractors thoroughly prior to working with them to ensure that they meet our requirements for environmental impact, health and safety, quality and financial stability. We prefer to establish regular patterns of works with each subcontractor to ensure smooth operations on and off site.

As a Group we need to ensure that we provide safe working conditions for our employees, subcontractors and the public. We recognise that any shortcomings in our health and safety approach will have a negative impact on individuals, attract financial penalties and adversely impact on our reputation. The Group has a comprehensive framework in place to manage health and safety and has an in-house health and safety specialist who provides training and site reviews.

KINGERLEE HOLDINGS LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 2011

The construction Company undertakes many contracts each year and the commercial risk we take on each contract will depend on the nature and complexity of the works, the duration of the contract, the credit risks and the contractual terms under which the work is carried out. In order to manage this risk we have a rigorous approach to contract selection to ensure that the works we undertake match our capabilities and resources, that the contractual terms are acceptable and that the contracts are approved by the appropriate level of management. Inevitably contract disputes do arise, in which case the Company has a proactive and non-adversarial approach to resolve such disputes.

The number of homes and commercial developments we are able to build in a year is dependent on the granting of suitable planning permissions. Due to the time taken to obtain planning permissions on land we hold a landbank to provide a greater certainty of the number of plots available to be developed in the following twelve months.

Delays to the expected timescale for planning on a site may result in a reduction in the number of units that we may have available for sale. Planners may also impose conditions within planning consents, which may lead to additional costs of developing a site. Our land and planning specialists mitigate these risks by working closely with the relevant planning authorities and through the structure of land purchase agreements.

The Company maintains a balanced landbank endeavouring to broaden its portfolio geographically, by type and phasing of work and also entering into Joint Arrangement developments in order to reduce its risk.

Going concern

The directors have prepared the financial statements on the going concern basis as they believe that the Group can continue to meet its liabilities as and when they fall due. The directors have prepared forecasts for a period of more than 12 months from the date of approval of these financial statements which indicate that the Group is able to operate within its funding constraints.

Directors

The current members of the Board are set out below:

D H Kingerlee
G J Kingerlee
J C Kingerlee
D J Warlow (appointed on 25 February 2011)
R J Wilsdon

All of the directors above served throughout the year, except as where noted. In addition, P J Goddard served until 24 February 2011.

KINGERLEE HOLDINGS LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 2011

Directors' Responsibility Statement

The directors are responsible for preparing the Report of the directors 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 the Group and of the profit or loss of the Group for that year. 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 Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the Group's website and accordingly the auditor accepts no responsibility for the information published.

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notice under section 488(1) of the Companies Act 2006.

ON BEHALF OF THE BOARD


J.C. Kingerlee
Director
2 August 2012

KINGERLEE HOLDINGS LIMITED

CHIEF EXECUTIVE'S REVIEW

For the year ended 31 December 2011

Group

Group turnover decreased to £36.6m from £45.8m in 2010, while profit on ordinary activities after tax and including minority interests increased to £3.8m compared with £0.7m in 2010

Construction

The Group's construction subsidiary consolidated on the good progress made during the previous year, despite the difficult economic trading environment. Turnover fell to £26.7m compared with £40.2m in 2010 and gross profit reduced to £3.2m from £3.7m. Despite the decrease in turnover, the business still achieved a profit before tax of 1.5%.

The subsidiary's accounting policies reflect the Group's prudent approach to the recognition of profit and losses. By the year end several important projects had reached the stage where profitable outcomes could be assessed with reasonable certainty, while the early recognition of losses was required in only two contracts.

Market conditions are likely to remain difficult for some time. The directors believe, however, that the Group's construction subsidiary is well placed to build on its relatively strong order book and to maintain levels of both turnover and profitability.

Construction Division

The Construction Division accounted for approximately 81% of construction turnover during the year, with projects ranging in size from £1.5m to £35m. Recent strategies positioning this Division so that a higher proportion of work is secured from larger projects appear to have been productive, with turnover margin and order book remaining at satisfactory levels.

Special Projects

Special Projects accounted for approximately 18% of construction turnover, with sales showing an increase from £4.7m to £4.8m. The division carries out projects ranging in size from £100k to £1.5m which are generally completed within one year. Health, education and local authority projects contributed to the total, along with a number of private client projects.

Joinery

Joinery division activity decreased from £1.3m to £1.1m in the year. This lower turnover followed a reorganisation early in the year, however a greater focus on cost control and efficiency led to improved margins being earned.

Property Development

The Group maintained a cautious approach to its development activities in light of both the difficult economic conditions that continue to prevail and the uncertain housing market. The directors undertook an extensive review of the carrying value of all its development assets and write downs of £55k were considered necessary.

Residential Developments

During the year construction work was completed on two large residential units in Sutton Courtenay, Oxfordshire. One was sold in 2011, the remaining unit was sold in early 2012.

During the year three residential sites, in Oxford, Droitwich and Brackley, were sold.

Work is underway to re-plan sites in Moseley, Birmingham and in Banbury with the intention of either making further disposals or commencing construction works later in 2012.

KINGERLEE HOLDINGS LIMITED

CHIEF EXECUTIVE'S REVIEW

For the year ended 31 December 2011

The parcel of farm land adjoining the Oxfordshire village of Brightwell-cum-Sotwell is to be promoted during the medium term for residential use

Mixed Used Schemes

Outline planning consent was granted during 2010 for the redevelopment of 36 acres of land in North Yorkshire. Along with commercial and healthcare uses, the construction of 288 dwellings is permitted. During the year terms were conditionally agreed with a national house builder for the disposal of the residential portion of the site, and this disposal was completed after the year end. The Group holds 42.75% of this project in joint venture.

Commercial Developments

During the year an agreement for lease was made for the remaining two of the three retail units consented at the Group's former office and yard premises in Oxford. Construction work commenced during the last quarter of 2011, and was completed during 2012. Following an external valuation, the directors reversed previous write downs on this development of £3.6m. The Group also retains undeveloped commercial land neighbouring its current headquarters in Kidlington.

Funding

The Group continues to enjoy support from its two principal bank funders, and maintained during the year good levels of funding headroom in the form of cash balances and unused borrowing facilities. This situation has continued since the year end.

Sustainability

The Group seeks to establish itself as a leading environmental contractor and developer. It hopes to be influential in defining the places and spaces in which we live and work, ensure that those places operate efficiently in terms of energy use, and that the resources used during their creation are applied effectively. For any building to be considered sustainable it needs to be well designed and constructed, which is a strong fit with the Group's emphasis on quality and craftsmanship.



J.C. Kinglerlee
Chief executive
2 August 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KINGERLEE HOLDINGS LIMITED

We have audited the financial statements of Kingerlee Holdings Limited for the year ended 31 December 2011 which comprise the consolidated profit and loss account, the consolidated and parent company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses 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 6, 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 (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2011 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KINGERLEE HOLDINGS
LIMITED (CONTINUED)**

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Grant Thornton UK LLP

Kathleen Fidgeon
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford

2 August 2012

KINGERLEE HOLDINGS LIMITED

PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 December 2011

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards

The principal accounting policies of the Group are set out below and have remained unchanged from the previous year

GOING CONCERN

The Group's business activities, performance and position are set out in the Report of the directors and in the Chief Executive's review. In addition, the Report of the directors includes details of the Group's financial risk management and objectives as well as an analysis of the Group's key risks and uncertainties

The Group's forecasts and projections, which have been prepared by the directors for a period of more than 12 months from the date of approval of these financial statements, take account of a range of possible changes in trading performance based on various assumptions that the directors consider are reasonable given their knowledge of the business, and indicate that the Group is able to operate within its funding constraints. Further, during May and June 2012, the Group reached agreement with its bankers to extend the terms of its loan obligations which had been due for repayment within 12 months. The terms have been extended again for a further 12 months and the directors are confident that further extension or revision of the facilities will be agreed on the next review dates in May and June 2013.

In light of the above, and their plans for the Group's trading over the next 12 months, the directors are confident that the Group will have adequate resources to meet its liabilities as and when they fall due for the foreseeable future and have therefore prepared the financial statements on a going concern basis.

BASIS OF CONSOLIDATION

The Group financial statements consolidate the financial statements of Kingerlee Holdings Limited and its subsidiary undertakings. These are adjusted, where appropriate, to conform to Group accounting policies. All intra-group profits and transactions are eliminated on consolidation. Where the Group owns less than 100% of subsidiary undertakings, the element attributable to minority interest is shown separately within shareholders' funds.

INVESTMENTS

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

Associated undertakings

Undertakings other than subsidiary undertakings, in which the Group has an investment representing at least 20% of the voting rights and over which it exerts significant influence, are treated as associates.

The Group's share of profits and other recognised gains and losses of the associated undertakings are included in the Group profit and loss account and statement of total recognised gains and losses.

The Group balance sheet includes investments in associated undertakings at the Group's share of net assets.

JOINT ARRANGEMENTS

The Group has interests in joint arrangements to develop freehold property sites. These are each accounted for as a "joint arrangement that is not an entity" under FRS 9 Associates and Joint Ventures. The Group accounts for its own share of assets, liabilities, income, expenditure and cash flows measured according to the terms of the agreement governing the arrangement.

KINGERLEE HOLDINGS LIMITED

PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 December 2011

TURNOVER

Turnover is the total amount receivable by the Group, net of value added tax, in the ordinary course of business. In the case of properties sold and exchanged during the year but not completed until after the year end, such turnover is only recognised if contractual completion takes place within three months of the year end. No turnover is recognized on non-contractual reservations, and any reservation deposits are included in creditors.

Turnover from construction work is recognised based on the extent to which the Group has fulfilled its contractual obligations.

INCOME FROM INVESTMENTS

Investment income comprises dividends and interest received on listed investments, rents receivable from land and interest receivable on short-term deposits.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land, by equal annual instalments over their expected useful lives. The rates generally applicable are:

Freehold buildings and property improvements	50 years
Plant and machinery	4 - 10 years
Motor vehicles	3 - 4 years

GOODWILL

Positive purchased goodwill arising on acquisitions and goodwill arising on consolidation representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, is capitalised and amortised on a straight line basis over its useful economic life as follows:

Goodwill on consolidation	5 years
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STOCKS AND WORK IN PROGRESS

Stocks are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items.

Development land and property and developments in progress are stated at the lower of cost and net realisable value. Cost consists of land, direct materials, direct labour and subcontractors and attributable overheads.

In the case of raw materials and consumable stores, cost means purchase price including transport and handling costs, less trade discounts, calculated on a first in first out basis. In the case of short-term work in progress, cost consists of direct materials, direct labour and attributable overheads. The amount of work in progress has been reduced by progress payments.

Net realisable value means estimated selling price (less trade discounts) less all further costs to complete and all costs to be incurred in marketing and selling.

Profit on long-term contract work in progress is accounted for once the outcome of a contract can be assessed with reasonable certainty and is based on the stage of completion of the contract.

Costs incurred to carry out work on long-term contracts are matched with long-term contract work included in turnover. Where costs cannot be matched with contract work accounted for as turnover, such amounts are included in stock.

KINGERLEE HOLDINGS LIMITED

PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 December 2011

Provision is made for foreseeable losses on all contracts based on the loss which is currently estimated to arise over the duration of any contract, irrespective of the amount of work carried out at the balance sheet date

Ground rents arise where the Company retains a long term freehold interest in a development. The capital value is calculated to be the equivalent of five times the annual ground rent receivable

DEFERRED TAXATION

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

Deferred taxation in respect of gains on sales of assets is provided on those sales arising after the year end from binding sales agreements made prior to the year end. Unprovided deferred taxation would crystallise on the sale of assets at their balance sheet value.

CONTRIBUTIONS TO PENSION SCHEMES

Defined Contribution Scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

FINANCIAL INSTRUMENTS

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

KINGERLEE HOLDINGS LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Turnover	1	36,649	45,843
Cost of sales		<u>(28,096)</u>	<u>(41,234)</u>
Gross profit		8,553	4,609
Administrative expenses		(4,900)	(3,740)
Other operating income		<u>127</u>	<u>78</u>
Operating profit	2	3,780	947
Share of profits and losses of associates		549	422
Net interest payable	3	<u>(358)</u>	<u>(743)</u>
Profit on ordinary activities before taxation		3,971	626
Tax on profit on ordinary activities	5	<u>(396)</u>	<u>(1)</u>
Profit on ordinary activities after taxation		3,575	625
Minority interests		<u>234</u>	<u>75</u>
Profit for the financial year	18	<u>3,809</u>	<u>700</u>

All of the activities of the Group are classed as continuing


The accompanying accounting policies and notes form an integral part of these financial statements

KINGERLEE HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2011

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Fixed assets					
Tangible assets	7	2,420		2,349	
Intangible assets	8	73		530	
Investments					
Associates	9	9,541		9,476	
			12,034		12,355
Current assets					
Properties awaiting disposal	10	4		4	
Stock	11	16,478		18,772	
Debtors	12	4,207		4,158	
Cash at bank and in hand		2,777		2,012	
		23,466		24,946	
Creditors amounts falling due within one year	13	(16,363)		(20,818)	
Net current assets			7,103		4,128
Total assets less current liabilities			19,137		16,483
Creditors amounts falling due after more than one year	14		(1,254)		(1,838)
Provisions for liabilities and charges	15		(162)		(308)
			17,721		14,337
Capital and reserves					
Called up share capital	17		29		29
Share premium account	18		28		28
Revaluation reserve	18		1,386		1,902
Other reserves	18		3,798		3,387
Profit and loss account	18		13,118		9,395
Minority interests			(638)		(404)
Shareholders' funds	19		17,721		14,337

These financial statements were approved by the directors and authorised for issue on 2 August 2012, and are signed on their behalf by


 J C Kingerlee
 Director
 Company Number: 984588

The accompanying accounting policies and notes form an integral part of these financial statements

KINGERLEE HOLDINGS LIMITED

COMPANY BALANCE SHEET AT 31 DECEMBER 2011

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Fixed assets					
Tangible assets	7	2,025		2,057	
Investments	9	99		366	
			2,124		2,423
Current assets					
Properties awaiting disposal	10	4		4	
Stock	11	6,501		3,277	
Debtors	12	1,116		1,221	
		7,621		4,502	
Creditors amounts falling due within one year	13	(394)		(397)	
Net current assets			7,227		4,105
Total assets less current liabilities			9,351		6,528
Creditors: amounts falling due after more than one year	14		(4,725)		(5,236)
			4,626		1,292
Capital and reserves					
Called up share capital	17		29		29
Share premium account	18		28		28
Other reserves	18		1,279		1,279
Profit and loss account	18		3,290		(44)
Shareholders' funds			4,626		1,292

These financial statements were approved by the directors and authorised for issue on 2 August 2012, and are signed on their behalf by


J C Kingerlee
Director

Company Number 984588

The accompanying accounting policies and notes form an integral part of these financial statements

KINGERLEE HOLDINGS LIMITED**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Net cash inflow from operating activities	20	7,640	4,015
Dividends received from joint ventures and associates		382	353
Returns on investments and servicing of finance			
Net interest paid		(358)	(743)
Net cash outflow from returns on investments and servicing of finance		(358)	(743)
Taxation		(338)	(22)
Equity dividends paid		(86)	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(177)	(106)
Purchase of fixed asset investments		-	(220)
Sale of tangible fixed assets		37	39
Net bank and cash on acquisition of subsidiary undertakings		-	20
Net cash (outflow)/ inflow from capital expenditure and financial investment		(140)	(267)
Financing			
Capital repayments in respect of finance lease and hire purchase		(27)	(76)
Net decrease in bank borrowings		(6,299)	(5,532)
Net cash outflow from financing		(6,326)	(5,608)
Increase / (decrease) in cash	21	774	(2,272)

The accompanying accounting policies and notes form an integral part of these financial statements

KINGERLEE HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2011

	2011 £'000	2010 £'000
Profit for the financial year	3,809	700
Share of associate's unrealised (deficit) / surplus on revaluation of investment properties and revaluation of investments	(516)	41
Share of associate's realised surplus in capital reserve	411	400
Total gains and losses recognised since last financial statements	3,704	1,141

The accompanying accounting policies and notes form an integral part of these financial statements

KINGERLEE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1 TURNOVER AND OPERATING PROFIT

All turnover is attributable to the Group's principal activities and is generated in the United Kingdom

2 OPERATING PROFIT

The operating profit is stated after

	2011 £'000	2010 £'000
Profit on disposal of fixed assets	30	34
Amortisation	457	-
Depreciation		
Tangible fixed assets, owned	<u>162</u>	<u>159</u>
Auditors' remuneration		
Fees payable to the Group's auditor for the audit of the company's financial statements	8	7
Fees payable to the Group's auditor for other services		
For audit of the Group's subsidiaries	30	22
Other services		
Tax compliance services	12	12
Tax advisory services	<u>-</u>	<u>20</u>

Fees paid to Grant Thornton UK LLP for non-audit services are not disclosed in the individual subsidiary accounts because the Group's consolidated accounts are required to disclose such fees on a consolidated basis

3 NET INTEREST PAYABLE

	2011 £'000	2010 £'000
Interest payable on bank loans and overdrafts	(366)	(743)
Other interest receivable and similar income	<u>8</u>	<u>-</u>
	<u>(358)</u>	<u>(743)</u>

KINGERLEE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

4 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows

	2011 £'000	2010 £'000
Wages and salaries	4,830	4,685
Social security costs	531	505
Other pension costs	405	354
	<u>5,766</u>	<u>5,544</u>

The average number of employees of the Group during the year was 128 (2010 120)

Remuneration in respect of directors was as follows

	2011 £'000	2010 £'000
Emoluments	345	524
Pension contributions to money purchase pension schemes	45	33
	<u>390</u>	<u>557</u>

During the year 4 directors (2010 4) participated in money purchase pension schemes

The amounts set out above include remuneration in respect of the highest paid director as follows

	2011 £'000	2010 £'000
Emoluments	111	274
Pension contributions to money purchase pension schemes	11	10
	<u>122</u>	<u>284</u>

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the result for the year and represents

	2011 £'000	2010 £'000
Corporation tax at 28% (2010 28%)	153	88
Share of tax charge of associate	(2)	(38)
	<u>151</u>	<u>50</u>
Adjustments in respect of prior periods	43	21
Total current tax	194	71
Total deferred tax (note 16)	202	(70)
Tax on loss on ordinary activities	<u>396</u>	<u>1</u>

KINGERLEE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

5 TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 26.49% (2010: 28%)
The differences are explained as follows:

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	3,971	626
Profit on ordinary activities multiplied by standard rate of tax of 26.49% (2010: 28%)	1,052	175
Effect of:		
Expenses not chargeable or deductible for tax purposes	187	-
Income not liable to taxation	(101)	(69)
Depreciation in excess of capital allowances	(39)	(34)
Adjustments in respect of share of tax charge of associate	(2)	(67)
Utilisation of tax losses	(996)	(11)
Losses carried forward	52	58
Other short term timing differences	(2)	(2)
Adjustments to tax charge in respect of prior periods	43	21
Current tax charge for period	194	71

The Group has tax losses available for set off against future profits of approximately £10,593,000 (2010: £10,738,000).
The recognition of a deferred tax asset in relation to these losses is set out in note 16.

6 PROFIT FOR THE FINANCIAL YEAR

The parent company has exercised its option under section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Group profit before taxation for the year includes a profit of £3,420,000 (2010: loss of £178,000) which is dealt with in the financial statements of the company.

KINGERLEE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

7 TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2011	2,471	2,440	568	5,479
Additions	-	176	64	240
Disposals	-	(290)	(223)	(513)
At 31 December 2011	2,471	2,326	409	5,206
Depreciation				
At 1 January 2011	419	2,190	521	3,130
Provided in the year	41	88	33	162
Eliminated on disposals	-	(284)	(222)	(506)
At 31 December 2011	460	1,994	332	2,786
Net book amount at 31 December 2011	2,011	332	77	2,420
Net book amount at 31 December 2010	2,052	250	47	2,349

Company	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2011 and 31 December 2011	2,417	768	3,185
Depreciation			
At 1 January 2011	360	768	1,128
Provided in the year	32	-	32
At 31 December 2011	392	768	1,160
Net book amount at 31 December 2011	2,025	-	2,025
Net book amount at 31 December 2010	2,057	-	2,057

8 INTANGIBLE FIXED ASSETS

Group	Goodwill on consolidation £'000	Purchased goodwill £'000	Total £'000
Cost			
At 31 December 2011 & 1 January 2011	440	171	611
Amortisation			
At 1 January 2011	-	81	81
Amortisation charge for the year	440	17	457
At 31 December 2011	440	98	538
Net book amount at 31 December 2011	-	73	73
Net book amount at 31 December 2010	440	90	530

KINGERLEE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

9 FIXED ASSET INVESTMENTS

	Group 2011 £'000	2010 £'000	Company 2011 £'000	2010 £'000
Total fixed asset investments comprise				
Interests in associate (note 9 1)	9,541	9,476	-	-
Shares in Group undertakings (note 9 2)	-	-	99	366
	<u>9,541</u>	<u>9,476</u>	<u>99</u>	<u>366</u>

9 1 Interests in associate

At 31 December 2011 the Group had interests in the following associate

Name of undertaking	Country of incorporation	Class of share capital held	Proportion held	Nature of business
Highcroft Investments PLC	England and Wales	Ordinary	25.4%	Investment and property holding
Group				Share of net assets £'000
At 1 January 2011				9,476
Share of undistributed profits and losses				65
Net book amount at 31 December 2011				<u>9,541</u>
Net book amount at 31 December 2010				<u>9,476</u>

The Group's aggregate share in its associate comprises

	2011 £'000	2010 £'000
Fixed assets	9,432	9,209
Current assets	544	650
Liabilities	<u>(435)</u>	<u>(383)</u>

The Group's aggregate share in its greater than 25% shareholding in associate comprises

	2011 £'000	2010 £'000
Turnover	464	521
Profit after tax	<u>551</u>	<u>144</u>

If the investments in associate had been included at cost, they would have been included at the following amounts

	2011 £'000	2010 £'000
Cost and net book value	<u>2,370</u>	<u>2,360</u>

KINGERLEE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

Interests in associate at net book amount include

	2011 £'000	Group 2010 £'000	2011 £'000	Company 2010 £'000
Investments listed on a recognised investment exchange	9,541	9,476	-	-
Listed investments at market value	6,102	6,486	-	-

At 31 December 2011, the market value of the Group's holding in listed investments is lower than the carrying value of those investments in the balance sheet. The directors do not consider that a provision against the carrying value is necessary as the intention is to hold the investments over the long term and the directors remain confident that the market value will recover.

9.2 Shares in Group undertakings

Cost and net book value	Company £'000
At 1 January 2011 and at 31 December 2011	99

At 31 December 2011 the Company held more than 20% of the allotted equity share capital of the following

Name of undertaking	Country of registration and incorporation	Class of share capital held	Proportion held by		Nature of business
			Parent company	Group	
T H Kingerlee & Sons Limited	England and Wales	Ordinary	100%	100%	Property development
Kingerlee Limited	England and Wales	Ordinary	100%	100%	Building and contracting
Kingerlee Homes Limited	England and Wales	Ordinary	100%	100%	Property development
Natural Building Technologies Limited	England and Wales	Ordinary	55.6%	55.6%	Supply and manufacture of environmental building products
Green Clay Limited	England and Wales	Ordinary	21.7%	55.1%	The development of unfired clay building blocks
Arnold Developments Limited	England and Wales	Ordinary	100%	100%	Dormant
Statmite Limited	England and Wales	Ordinary	100%	100%	Dormant
NBT Fired Clay Limited	England and Wales	Ordinary	55.6%	55.6%	Dormant

During the prior year the Group acquired a further investment in Natural Building Technologies Limited for £220,000, taking its shareholding to 55.6%. Consequently this company has been included as a subsidiary undertaking in these financial statements. The acquisition gave rise to goodwill on consolidation of £440,000 (see note 8), which has been fully written down during the year.

KINGERLEE HOLDINGS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2011

10 PROPERTIES AWAITING DISPOSAL

Other current assets represent the cost of one property awaiting disposal amounting to £4,000 (2010 one property £4,000)

11 STOCKS

	2011 £'000	Group 2010 £'000	2011 £'000	Company 2010 £'000
Development land and property	16,205	18,116	6,501	3,277
Long-term contract balances				
Cost less provision for foreseeable losses	-	355	-	-
Short-term work in progress	-	45	-	-
Raw materials and consumable stores	222	244	-	-
Ground rents	51	12	-	-
	16,478	18,772	6,501	3,277

12 DEBTORS

	2011 £'000	Group 2010 £'000	2011 £'000	Company 2010 £'000
Trade debtors	2,088	1,478	-	-
Amounts recoverable on contracts	1,381	1,840	-	-
Amounts owed by Group undertakings	-	-	607	871
Other debtors	74	174	-	12
Director's loan accounts	509	317	509	317
Corporation tax recoverable	-	-	-	21
Deferred tax asset (note 16)	-	202	-	-
Prepayments and accrued income	155	147	-	-
	4,207	4,158	1,116	1,221

Included within Amounts owed by Group undertakings is £607,000 (2010 £871,000) which is due after one year

KINGERLEE HOLDINGS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2011

13 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011	Group	2011	Company
	£'000	2010	£'000	2010
		£'000		£'000
Bank loans and overdrafts	6,090	11,799	-	9
Invoice discount facility	153	245	-	-
Trade creditors	3,551	3,025	16	9
Shareholder loans	378	-	-	-
Corporation tax	146	88	55	-
Social security and other taxes	236	348	-	-
Obligations under finance leases and hire purchase contracts	32	8	-	-
Other creditors	393	410	245	320
Accruals and deferred income	5,384	4,895	78	59
	16,363	20,818	394	397

The bank loan is repayable on demand (within one year)

The bank loans are secured by legal charges over certain freehold properties included within stock and fixed assets, and other assets of the Group

14 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011	Group	2011	Company
	£'000	2010	£'000	2010
		£'000		£'000
Amounts owed to Group undertakings	-	-	4,725	5,236
Bank loan	1,219	1,295	-	-
Other loans	-	523	-	-
Obligations under finance leases and hire purchase contracts	35	20	-	-
	1,254	1,838	4,725	5,236

At the balance sheet date the bank loan falling due after more than one year is a term loan and is secured by legal charges over certain freehold properties included within stock and other assets of the Group. The loan is repayable by quarterly instalments over a 15 year period with interest being charged at 1.5% above LIBOR, fixed at 5.9% until November 2013. In addition to the current portion of the loan, £76,000 is repayable after one and within two years, £259,000 after two and within five years and £960,000 in greater than five years.

In May and June 2012 the Group renegotiated certain loans which were due to expire within 12 months of the balance sheet date. Loan facilities totalling £8.2m were renegotiated with interest rates ranging from LIBOR plus 2.38% to LIBOR plus 4.5%. Of the renegotiated loans, loans of £6.6m are due for renewal in May 2013 and £1.6m in June 2013. The Group's overdraft facility of £1m was also renewed, with a renewal date of June 2013.

KINGERLEE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

15 PROVISIONS FOR LIABILITIES AND CHARGES

	2011 £'000	Group 2010 £'000	2011 £'000	Company 2010 £'000
Warranty provisions				
At 1 January 2011	308	133	-	-
Movement during the year	(146)	175	-	-
At 31 December 2011	162	308	-	-

A provision of £162,000 (2010 £308,000) has been recognised for expected construction defect claims on construction works performed during the last three financial years. It is expected that most of this expenditure will be incurred in the next financial year, and all will be incurred within two years of the balance sheet date.

16 DEFERRED TAXATION

The movement in the deferred taxation asset during the year was

	2011 £'000	Group 2010 £'000	2011 £'000	Company 2010 £'000
At 1 January 2011	202	-	-	-
Movement in the year	(202)	-	-	-
Movement in profit and loss account on tax charge of associates (note 5)	-	70	-	-
On acquisition of subsidiary undertakings	-	132	-	-
At 31 December 2011	-	202	-	-

Deferred taxation consists of the tax effect of timing differences in respect of tax losses available to the subsidiary undertaking, Natural Building Technologies Limited. Deferred tax assets are recognised only to the extent to which the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. The directors expect that the trading losses will be relieved against future trading profits, although this is not expected to take place in the period 2012 – 2014.

No provision has been made for deferred tax on gains recognised on revalued assets in accordance with FRS 19 'Deferred tax'.

17 SHARE CAPITAL

	2011 £'000	2010 £'000
Authorised		
62,500 Ordinary shares of £0.50 each	31	31
Allotted, called up and fully paid		
57,500 Ordinary shares of £0.50 each	29	29

KINGERLEE HOLDINGS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2011

18 SHARE PREMIUM ACCOUNT AND RESERVES

Group	Share premium account £'000	Revaluation reserve £'000	Other reserves £'000	Profit and loss account £'000
At 1 January 2011	28	1,902	3,387	9,395
Profit for the year	-	-	-	3,809
Share of associate's surplus on revaluation of investment property and investments	-	(516)	-	-
Share of associate's surplus on realised capital reserve	-	-	411	-
Dividends paid	-	-	-	(86)
At 31 December 2011	28	1,386	3,798	13,118

Other reserves comprise a capital redemption reserve and a capital reserve, which includes revaluation gains and losses
Both of these reserves are non-distributable

Company	Share premium account £'000	Other reserves £'000	Profit and loss account £'000
At 1 January 2011	28	1,279	(44)
Profit for the year	-	-	3,420
Dividends paid	-	-	(86)
At 31 December 2011	28	1,279	3,290

Other reserves comprise a capital redemption reserve of £2,000 (2010 £2,000) and a capital reserve of
£1,277,000 (2010 £1,277,000) Both of these reserves are non-distributable

KINGERLEE HOLDINGS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011 £'000	2010 £'000
Profit for the financial year	3,809	700
Share of associate's net (loss) / gain on revaluation of property and investments and capital reserve	(105)	441
Equity dividends paid	(86)	
Minority interests on acquisition	-	(329)
Minority interest in profit for the year	(234)	(75)
Net increase in shareholders' funds	3,384	737
Shareholders' funds at 1 January 2011	14,337	13,600
Shareholders' funds at 31 December 2011	17,721	14,337

20 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2011 £'000	2010 £'000
Operating profit	3,780	947
Depreciation and amortisation	619	159
(Profit) on sale of tangible fixed assets	(30)	(34)
Decrease in stocks	2,294	3,481
(Decrease)/increase in debtors	(49)	1,474
Decrease/(increase) in creditors	1,026	(2,012)
Net cash inflow from continuing operating activities	7,640	4,015

21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2011 £'000	2010 £'000
Increase / (decrease) in cash in the year	774	(2,272)
Cash outflow from finance in the year	6,324	5,608
Movement in net debt from cash-flows in the year	7,098	3,336
Non-cash movements		
Addition of other loan on acquisition of subsidiary undertakings	-	(599)
New finance leases	(64)	(28)
Movement in net debt in the year	7,034	2,709
Net debt at 1 January 2011	(11,633)	(14,342)
Net debt at 31 December 2011	(4,599)	(11,633)

KINGERLEE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

22 ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2011 £'000	Cash flow £'000	Non-cash movements £'000	At 31 December 2011 £'000
Cash in hand and at bank	2,003	774	-	2,777
Bank loans	(13,085)	6,299	(523)	(7,309)
Other loans	(523)	-	523	-
Finance leases	(28)	27	(66)	(67)
Net debt	(11,633)	7,100	(66)	(4,599)

23 CAPITAL COMMITMENTS

Amounts contracted for but not provided for in the financial statements were £nil (2010 £110,000)

24 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2011 or 31 December 2010

25 PENSIONS

Defined Contribution Scheme

The Group operates a defined contribution pension scheme for the benefit of the employees. The pension cost charge for the year was £405,000 (2010 £354,000)

26 TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

The Group owns 25.4% (2010 25.4%) of the ordinary share capital of Highcroft Investments PLC. D H Kingerlee and J C Kingerlee are directors of both Kingerlee Holdings Limited and Highcroft Investments PLC. During the year the Group received franked investment income of £381,000 (2010 £353,000) from Highcroft Investments PLC.

Highcroft Investments PLC made purchases amounting to £11,700 (2010 £13,926) from Kingerlee Limited during the year in respect of rent and office services. At 31 December 2011 Highcroft Investments PLC owed £nil (2010 £nil) to Kingerlee Limited.

At 31 December 2011 a Director's loan of £221,742 (2010 £317,301) was due to Kingerlee Holdings Limited. No interest is charged on this loan and there are no fixed repayment terms.

At 31 December 2011 a loan of £285,955 (2010 £nil) was due to Kingerlee Holdings Limited from Kingstrust Limited, a Company of which J C Kingerlee is the sole director and shareholder. No interest is charged on this loan and there are no fixed repayment terms.

Included within other creditors for the Group and Company are balances totalling £245,353 (2010 £318,706) due to directors and other members of their families.

During the year the Company loaned £280,000 (2010 £350,000) to Natural Building Technologies Limited, during the year a provision of £280,000 (2010 £350,000) was made against this balance.

During the year Natural Building Technologies made sales to the Group totalling £31,508 (2010 £33,664). At 31 December 2011 the outstanding balance was nil (2010 nil).