

GSH UK Limited

**Directors' report and financial statements
for the year ended 31 July 2010**

Company registration number 04207721

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GSH UK Limited

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GSH UK Limited

Directors and advisers

Directors

J Davy
I Davidson
P Cottam
I Crook

Company Secretary

I Davidson

Registered office

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Company registration number 04207721

Solicitors

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Victoria Square House
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Birmingham
B2 4DL

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37 Peter Square
Manchester M2 5GB

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Donington Court
Pegasus Business Park
Castle Donington
East Midlands
DE74 2UZ

Tax advisers

Baker Tilly Tax and Accounting Limited
Festival Way
Stoke-on-Trent
Staffordshire
ST1 5BB

Bankers

Yorkshire Bank
Temple Point
1 Temple Row
Birmingham B2 5YB

GSH UK Limited

Directors' report for the year ended 31 July 2010

The directors submit their report and the audited financial statements of GSH UK Limited for the year ended 31 July 2010

Principal activities

The principal activity of the Company is the provision of facilities management services, building fabrication, property maintenance, energy and asset management

Review of business

We remain focused on the contracted-out facilities management market place and we continue to be driven by our ability to collaborate with our clients to drive developments in the facilities management market place. The Company continues to benefit from the activities of GSH Group plc, its ultimate parent company.

The Company once again achieved strong growth in revenue, up 10% to £172.8m. The growth has arisen from a combination of existing and new clients.

Future developments

The Company has a clear strategy of growing its market share and maintaining profitability. As part of the ongoing growth strategy the Company is focused on organic growth including cross selling across operating divisions and delivering benefits from strategic acquisitions to enhance and extend the current service offering.

During the year the Company continued its investment in training and employee development. The ongoing investment in Information Communication Technology will support the Company's drive for further efficiencies and ensure best practice in the company's service offering.

Results

The Company's trading profit for the year, after taxation, was £2,450,000 (2009: loss of £6,702,000). The financial results are shown in the statement of comprehensive income on page 9.

Dividends

During the year the Company paid a dividend of £nil (2009: £nil).

Key performance indicators

	2010	2009
Growth in Revenue	11%	13%
Growth in Gross Profit	46%	(31%)
Growth in Operating Profit	140%	(169%)
Cash generated/(used in) operations	£3,019,000	(£1,053,000)

GSH UK Limited

Directors' report for the year ended 31 July 2010 (continued)

Risks and uncertainties

Risks and uncertainties are inherent in all businesses and our Company is no exception. Risk management is seen as an important element of internal control and is used to mitigate the Company's exposure to such risks.

The key risks facing the business and how we address them are outlined below.

Commercial

Risk from losing out to our competitors is minimised by us ensuring that we maintain our competitive edge through innovation and quality of service delivery. We do this by allocating sufficient resources to developing our service, developing our customer relationships by assigning key account directors solely servicing each of our major customers, and reacting quickly to any issues raised in our regular customer satisfaction surveys.

Our exposure to market risks is also limited by the fact that we operate through a wide range of contracts servicing a diverse range of customers in a variety of business sectors.

Supply chain

The risk of reliance on key suppliers is minimised by implementing a system of approved suppliers, which is regularly reviewed to ensure that it services our needs without imposing undue risk on our supply chain. In order to achieve approved supplier status, there are extensive reviews carried out, particularly with subcontractors, to ensure quality of service, adherence to appropriate health and safety legislation and verification of industry licences and standards.

Human Resources

Our people are an important element of our service and having a resource pool of appropriately qualified technicians helps us to mitigate the risk of poor service delivery. Training and personal development programmes are in place to ensure that this is addressed and, where possible, on new or extended contracts we seek to transfer technical staff to GSH Group under the Transfer of Undertaking for the Protection of Employees arrangements.

Management continually reviews the talent pool in the organisation and identifies and addresses succession risks.

Regulatory and legal

The board recognises that non-compliance with relevant laws and regulations may result in substantial fines or penalties. Control mechanisms are in place for monitoring compliance and are built into our service delivery processes.

GSH UK Limited

Directors' report for the year ended 31 July 2010 (continued)

Regulatory and legal (continued)

Health and safety compliance is of paramount importance in mitigating our risks. All new employees undergo a comprehensive health and safety induction with subsequent review as part of our continuous development process. Accidents and incidents are reported to local board directors and, where appropriate, to the board.

Our insurances are reviewed regularly to ensure that all identified risks on contracts and any liability through our service delivery are adequately covered. Before we take on a major contract, a process of contract review is in place to assess all potential risks in order that they can be reduced to an acceptable level.

Information, communication and technology systems

Development and continuous review of business continuity plans and back-up procedures occurs to maximise business continuity in the event of threats to operations.

Pension

The Company operates a defined contribution pension scheme. There are also defined benefit pension schemes – see note 21 to the financial statements for details. These defined benefit pension schemes are closed to new members.

Financial Risk Management

The Company's policy is to finance its operations through a mixture of retained profits, equity and borrowings. The Company does not trade in financial instruments.

Value of land and buildings

Valuations of the Group's land and buildings were undertaken at the end of the year and there are no material differences between their market value and their book value.

Directors

The directors who have held office during the year and up to the date of signing the financial statements are as follows:

J Davy
CI McLain (resigned 4/8/2009)
J Reynolds (resigned 20/10/2009)
E Chandler (resigned 15/11/2009)
CP Riley (resigned 15/11/2009)

I Davidson (appointed 5/10/2009)
P Cottam (appointed 5/3/2010)
I Crook (appointed 5/3/2010)

Company secretary

I Davidson

GSH UK Limited

Directors' report for the year ended 31 July 2010 (continued)

Employee involvement

The Company's policy is to consult and discuss with employees matters likely to affect employees' interests. Information on matters of concern to employees is given through information bulletins and reports.

The Company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled to enable them to perform work identified as appropriate to their aptitudes.

Political and charitable contributions

The Company made no political contribution during the year (2009 £nil).

Donations to UK charities amounted to £3,000 (2009 £nil). Donations to UK charities in the year comprised £2,000 (2009 £nil) to a number of disability and illness charities, £1,000 (2009 £nil) to a number of children's charities and £nil (2009 £nil) to youth and community service charities.

Directors' responsibilities in the preparation of financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GSH UK Limited

Directors' report for the year ended 31 July 2010 (continued)

Statement as to disclosure of information to auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Independent auditors

During the year Baker Tilly UK Audit LLP resigned as auditors and PricewaterhouseCoopers LLP were appointed to fill the vacancy. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the board



I Davidson
Company secretary

GSH House
Forge Lane
Stoke-on-Trent
Staffordshire
ST1 5PZ
8 October 2010

GSH UK Limited

Independent auditors' report to the members of GSH UK Limited

We have audited the financial statements of GSH UK Limited for the year ended 31 July 2010 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flow, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

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 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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.

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 July 2010 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, 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.

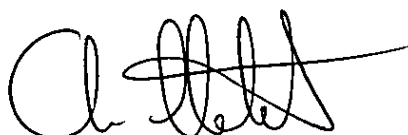
GSH UK Limited

Independent auditors' report to the members of GSH UK 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, 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



Christopher Hibbs (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

11 October 2010

GSH UK Limited

Statement of comprehensive income for the year ended 31 July 2010

	Note	2010 £000	2009 £000
Revenue	2	172,832	156,628
Cost of Sales		(139,853)	(134,100)
Gross profit		32,979	22,528
Administrative expenses		(29,345)	(31,522)
Profit/(loss) from operations	3	3,634	(8,994)
Finance income	4	94	184
Finance costs	5	(289)	(180)
Profit/(loss) before taxation		3,439	(8,990)
Income tax (expense)/credit	7	(989)	2,288
Profit/(loss) for the financial year attributable to equity holders of the parent		2,450	(6,702)
Actuarial gain/(loss) on retirement benefit obligations		158	(710)
Deferred tax on actuarial loss		(44)	199
Total Comprehensive Income/(loss) for the financial year		2,564	(7,213)

GSH UK Limited

Statement of changes in equity for the year ended 31 July 2010

	Share capital	Share based payment reserve	Retained earnings	Total
	£000	£000	£000	£000
At 1 August 2008	-	565	10,759	11,324
Total comprehensive loss	-	-	(7,213)	(7,213)
Loss for the financial year	-	-	(6,702)	(6,702)
Actuarial gain on retirement benefit obligations	-	-	(710)	(710)
Deferred tax on actuarial loss	-	-	199	199
Share awards	-	(565)	565	-
At 31 July 2009	-	-	4,111	4,111
Total comprehensive income	-	-	2,564	2,564
Profit for the financial year	-	-	2,450	2,450
Actuarial loss on retirement benefit obligations	-	-	158	158
Deferred tax on actuarial loss	-	-	(44)	(44)
At 31 July 2010	-	-	6,675	6,675

GSH UK Limited

Statement of financial position as at 31 July 2010

	Note	2010 £000	2009 £000
Assets			
Non current assets			
Intangible assets	9	10,471	10,483
Property, plant and equipment	10	3,098	3,689
Investments	11	44	44
Deferred taxation asset	12	445	566
Total non current assets		14,058	14,782
Current assets			
Inventories	13	8,516	4,601
Trade and other receivables	14	29,448	27,696
Cash and cash equivalents	15	8,727	9,311
Current taxation	17	177	324
Total current assets		46,868	41,932
Total assets		60,926	56,714
Liabilities			
Current liabilities			
Trade and other payables	16	(52,851)	(40,234)
Provisions	20	(500)	-
Total current liabilities		(53,351)	(40,234)
Non current liabilities			
Financial liabilities	18	-	(11,161)
Provisions	20	(158)	(158)
Retirement benefit obligations	21	(742)	(1,050)
Total non current liabilities		(900)	(12,369)
Total liabilities		(54,251)	(52,603)
Net assets		6,675	4,111
Equity			
Share capital	22	-	-
Share based payment reserve		-	-
Retained earnings		6,675	4,111
Total equity attributable to equity holders of the parent		6,675	4,111

The financial statements on pages 9 to 49 were approved by the board of directors and authorised for issue on 8 October 2010 and were signed on its behalf by



I Davidson
Director

Company registration number 04207721

GSH UK Limited

Statement of cash flow for the year ended 31 July 2010

	Note	2010	2009
		£000	£000
Cash flows from operating activities			
Profit/(loss) before taxation		3,439	(8,990)
Adjustments for			
Depreciation	3	942	792
Amortisation and impairment of intangibles	3	12	23
Loss on disposal of property, plant and equipment	3	71	2
Finance income	4	(94)	(184)
Finance costs	5	289	180
Waiver of loan to group undertaking		-	1,524
		1,220	2,337
Cash flows from operations before working capital		4,659	(6,653)
Changes in working capital			
(Increase) in inventories	13	(3,915)	(1,430)
(Increase)/decrease in trade and other receivables		(2,946)	6,171
Increase in trade and other payables		4,721	1,045
Increase/(decrease) in provisions	20	500	(186)
Cash generated from/(used in) operations		3,019	(1,053)
Finance costs paid	5	(289)	(180)
Income tax received/(paid)		2,319	(2,052)
Net cash generated from/(used in) operating activities		5,049	(3,285)
Cash flows from investing activities			
Finance income received	4	94	184
Purchase of property, plant and equipment	10	(552)	(1,268)
Sale of property, plant and equipment		91	16
Transfers to other group undertakings	10	39	-
Net cash used in investing activities		(328)	(1,068)
Cash flows from financing activities			
Payment to group undertakings		(5,305)	(600)
Net cash used in financing activities		(5,305)	(600)
Net decrease in cash and cash equivalents		(584)	(4,953)
Cash and cash equivalents at start of year	15	9,311	14,264
Cash and cash equivalents at end of year	15	8,727	9,311

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010

1 Accounting policies

General information

GSH UK Limited is incorporated in the UK

Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with International financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies under IFRS. The financial statements have been prepared under the historical cost convention, (as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss).

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 28.

Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other (losses)/gains – net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the fair value reserve in equity.

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

1 Accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration receivable and represents amounts for goods supplied and services provided by the Company excluding sales taxes

Facilities management

Facilities management revenue includes both maintenance contracts and extra works

Maintenance contracts are agreements for services to be supplied over a fixed duration for a fixed fee chargeable on a straight line basis. Accordingly revenue is recognised evenly over the duration of the contract

Extra works are individual smaller jobs falling outside the services covered by a maintenance contract for which extra charges are made. Revenue and associated profit are recognised at the point that work is completed and invoiced to the client

Projects

Projects are individually separable larger jobs, each with their own independent pricing and costings. Revenue and associated profit are recognised at the point that work is completed and invoiced to the client

energyplus

energyplus revenue relates to energy charges on contracts for the management of energy consumption. Revenue is recognised as defined in each individual agreement which is either on a straight line basis over the contract period or in a profile to match the energy consumption

Finance income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount

Finance costs

Net finance costs comprise interest payable, net foreign exchange losses, pension related interest and finance charges on finance leases. Interest payable is recognised in the statement of comprehensive income as it accrues, using the effective interest method

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

1 Accounting policies (continued)

Research and development

Research expenditure is charged against income in the year in which it is incurred. An internally generated intangible asset arising from development expenditure would only be recognised if

- the asset can be separately identified,
- it is probable that the asset will generate future economic benefits,
- the development costs of the asset can be measured reliably,
- the product or process is technically and commercially feasible, and
- sufficient resources are available to complete the development and to either sell or use the asset

Development activities are currently directed towards tailoring software packages to improve functionality and increasing the use of technology throughout the business to improve efficiencies. No development expenditure has been capitalised to date.

Leasing

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the fair value or, if lower, the present value of the minimum lease payments, payable during the lease term. The corresponding leasing commitments are shown as finance lease obligations to the lessor.

Lease payments are apportioned between finance charges and reduction of lease obligations, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the statement of comprehensive income.

All other leases are operating leases and the annual rentals are charged to the statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Taxation

Taxation expense includes the amount of current income tax payable and the charge for the year in respect of deferred taxation.

The income tax payable is based on an estimation of the amount due on the taxable profit for the year. Taxable profit is different from net profit as reported in the statement of comprehensive income because it excludes items of income or expenditure which are not taxable or deductible in the year as a result of either the nature of the item or the fact that it is taxable or deductible in another period. The Company's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is accounted for on the basis of temporary differences arising from the differences between the tax base and accounting base of assets and liabilities.

Deferred tax is recognised for all taxable temporary differences, except to the extent where it arises from the initial recognition of an asset or liability in a transaction that is not a business combination. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available, against which temporary differences can be utilised.

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

1 Accounting policies (continued)

Taxation (continued)

Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case it is dealt with within equity. It is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Intangible assets

Intangible assets purchased separately from a business are capitalised at their cost.

The Company makes an assessment of the fair value of intangible assets arising on acquisitions. An intangible asset will be recognised as long as the asset is identifiable and its fair value can be measured reliably. An intangible asset is identifiable if it is separable or if it was obtained through contractual or legal rights. Amortisation is provided on the fair value of the asset and is calculated on a straight line basis over its useful life.

Provisions

Provisions are recognised when GSH UK Limited has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated.

The time value of money is not expected to be material and therefore future outflows have not been discounted.

Goodwill

Goodwill on acquisitions, being the excess of the fair value of the cost of acquisition over the Company's interest in the fair value of the identifiable assets and liabilities acquired, is capitalised and tested for impairment on an annual basis. Goodwill arising on acquisitions in earlier periods was in accordance with the accounting standards then in force. Goodwill amortised through the statement of comprehensive income prior to 1 August 2005 has not been restated in the statement of financial position.

Computer licences

Computer licences capitalised are amortised by equal annual instalments over their expected useful life of 4 years, down to their residual values.

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

1 Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and provision for impairments

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use

Depreciation is provided on the costs less estimated residual value and is calculated on a straight line basis over the following estimated useful lives of the assets

Short leasehold property	-	over the life of the lease
Plant and machinery	-	4-5 years
Fixtures, fittings and equipment	-	2-5 years
Motor vehicles	-	4 years

Impairment of assets

At each statement of financial position date, the Company reviews the carrying value of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount is the higher of fair value, less costs to sell and value in use. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, for which the estimates of future cash flows have not been adjusted.

Except in the case of goodwill, an impairment loss is only reversed if there is a subsequent increase in the recoverable amount that can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss in respect of goodwill is not subsequently reversed.

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

1 Accounting policies (continued)

Inventory and work in progress

Inventory and work in progress are valued at the lower of cost and net realisable value. In determining the cost of raw materials and consumables the actual purchase price is used. Work in progress comprises all costs incurred to date on incomplete jobs for which further work is necessary in order to achieve a right to the revenue. As such, no profit margin is included in the valuation of work in progress. For work in progress and finished goods, cost is taken as cost incurred to date, which includes an appropriate proportion of directly attributable overheads. Net realisable value is determined as estimated selling price less all costs of completion.

Provision is made where necessary for obsolete, slow moving inventory or work in progress where it is deemed that the costs incurred may not be recoverable.

Financial instruments

Classification of financial instruments

Financial instruments are classified as financial assets, financial liabilities or equity instruments.

Following the adoption of IAS 32, 'Financial Instruments: Presentation' financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

They include no contractual obligations upon the Company to deliver cash or other financial assets that are potentially unfavourable to the Company, and

Where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the instrument is classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to these shares.

Finance payments associated with financial liabilities are dealt with as part of finance costs.

Recognition and valuation of financial assets

Financial assets are initially recorded at their fair value net of transaction costs. At each statement of financial position date, the company reviews the carrying value of its financial assets to determine whether there is objective evidence of an indication of impairment. If any such indication exists the recoverable amount is estimated and any identified impairment loss is recognised in the statement of comprehensive income.

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

1 Accounting policies (continued)

Financial Instruments (continued)

Investments

Non current asset investments, which include debentures held with sporting venues, are stated at amortised cost. Provision is made for any impairment in the value of non current investments.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash deposits.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within 'selling and marketing costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the statement of comprehensive income.

Ordinary share capital

Equity instruments are recorded initially at fair value. For ordinary share capital, the par value is recognised in share capital and the premium in the share premium reserve.

Recognition and valuation of financial liabilities

Equity instruments are initially stated at their fair value net of transaction costs and are not subsequently remeasured.

Bank borrowings

Interest bearing bank overdrafts and loans are recorded at the proceeds received using the effective interest method. Finance charges are accounted for on an accruals basis in the statement of comprehensive income.

Trade payables

Trade payables are not interest bearing and are stated at their amortised cost.

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

1 Accounting policies (continued)

Retirement benefits

Defined contribution schemes

A defined contribution scheme is a pension plan under which GSH UK Limited pays a fixed contribution to a scheme with an external provider. The amount charged to the statement of comprehensive income in respect of pension costs and other post retirement benefits is the contributions payable in the year.

Differences between contributions payable in the year and contributions actually paid are shown as either other payables or other receivables in the statement of financial position. GSH UK Limited has no further payment obligations once the contributions have been paid.

Defined benefit schemes

A defined benefit scheme is a pension plan under which the Company pays contributions in order to fund a defined amount of pension that the employees under the scheme will receive on retirement. The cost of providing the benefits is determined using the projected unit credit method, with actuarial valuations being carried out to 31 July each year.

Actuarial gains and losses are recognised in the statement of recognised income and expense in the year in which they occur. Service costs are spread over the working lives of the employees within the scheme, within profits from operations. Financing costs are recognised in the years they arise as an element of financing.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of plan assets.

Share based payment

The company has historically operated a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options was recognised as an expense. The total amount expensed over the vesting period was determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions were included in assumptions about the number of options that were expected to vest. At each balance sheet date, the entity revised its estimates of the number of options that were expected to vest. It recognised the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs were credited to share capital (nominal value) and share premium when the options were exercised.

All share based payment schemes were closed during the year.

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

1 Accounting policies (continued)

IFRS issued but not yet effective

The following IFRSs and International Financial Reporting Interpretations Committee (IFRICs) have been issued and endorsed by the EU but have not been adopted by the Company in these financial statements as they are not yet effective. The directors do not believe the adoption will have a material impact on the business.

Annual improvements 2009 were issued in April 2009 and is effective for periods commencing on or after 1 January 2010.

Amendments to IFRS 2, 'Share based payments group cash settled transactions' was issued 18 June 2009 and is effective for periods commencing on or after 1 January 2010.

Amendments to IFRS 1, 'First time adoption' – additional exemptions was issued 23 July 2009 and is effective for periods commencing on or after 1 January 2010. This has yet to be endorsed by the EU.

Amendment to IAS 32, 'Financial instruments: Presentation', - classification of rights issues was issued 8 October 2009 and is effective for periods commencing on or after 1 January 2010.

IFRS issued but not yet effective (continued)

Amendments to IFRS 1, 'First time adoption' – financial instrument disclosures issued January 2011 and effective for periods commencing on or after this date. This has yet to be endorsed by the EU.

Amendment to IAS 24, 'Related party disclosures' was issued November 2009 and is effective for periods commencing on or after 1 January 2011. This has yet to be endorsed by the EU.

Annual improvements 2010 were issued May 2010 and is effective for periods commencing on or after 1 January 2011. This has yet to be endorsed by the EU.

IFRS 9, 'Financial instruments' - classification and measurement' was issued November 2009 and is effective for accounting periods commencing on or after 1 January 2013. This has yet to be endorsed by the EU.

IFRIC 15, 'Agreements for construction of real estates' was issued July 2008 and is effective for periods commencing on or after 1 January 2010.

IFRIC 18, 'Transfer of assets from customers' was issued January 2009 and is effective for transfers on or after 1 July 2009.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments' was issued November 2009 and is effective for periods commencing on or after 1 July 2010. This has yet to be endorsed by the EU.

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

2 Revenue

	2010	2009
	£000	£000
Facilities management	132,312	106,645
energyplus	40,520	49,983
	172,832	156,628

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

3 Profit/(loss) from operations

	2010	2009
	£000	£000
Profit/(loss) from operations includes the following expenses		
Depreciation and amounts written off property, plant and equipment		
Charge for the year		
Owned assets	942	792
Loss on disposal of property, plant and machinery	71	2
Amortisation of intangible assets	12	23
Operating lease rentals Property, plant and equipment	4,237	3,442
Exchange losses	2	224

Amounts payable to PricewaterhouseCoopers LLP (2009 Baker Tilly) and their associates in respect of audit services

	2010	2009
	£000	£000
Audit services		
- Specialist VAT services	9	-
- Statutory audit	144	90
	153	90

4 Finance income

	2010	2009
	£000	£000
Bank interest	30	184
Other interest received	64	-
	94	184

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

5 Finance costs

	2010	2009
	£000	£000
Bank interest	-	59
Other interest payable	37	-
Interest on group loans	222	89
Expected returns on pension scheme assets	(183)	(174)
Interest on pension scheme liabilities	213	206
	289	180

6 Employees

	2010	2009
	Number	Number
Average monthly number (including executive directors) – continuing operations		
Administration and management	523	456
Other operatives	1,102	1,026
	1,625	1,482

	2010	2009
	£000	£000
Employment costs – continuing operations		
Wages and salaries	48,766	43,320
Social security costs	5,219	4,762
Retirement benefits	678	825
	54,663	48,907

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

6 Employees (continued)

Key management

The key management of the company include statutory and associate directors.

	2010	2009
	£000	£000
Salaries and short term employee benefits	631	838
Post employment benefits	42	52
Total emoluments	673	890

Directors' remuneration

	2010	2009
	£000	£000
Emoluments	365	811
Money purchase pension contributions	9	52
Total emoluments	374	863

Directors' emoluments disclosed above include the following payments

	Highest paid director	
	2010	2009
	£000	£000
Emoluments	124	193
Money purchase pension contributions	2	14
	126	207

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

6 Employees (continued)

Number of directors to whom retirement benefits are accruing under

	2010	2009
	Number	Number
Money purchase pension schemes	2	4

7 Income tax expense/(credit)

	2010	2009
	£000	£000
Current tax.		
UK corporation tax on profits of the year	1,000	(2,126)
Adjustments in respect of previous years	(88)	(333)
Total current tax	912	(2,459)
Deferred tax:		
Origination and reversal of timing differences	(13)	41
Pension scheme	42	32
Adjustments in respect of previous years	48	98
Total deferred tax	77	171
Income tax expense/(credit)	989	(2,288)

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

7 Income tax expense/(credit) (continued)

Factors affecting tax charge for the year:

The tax assessed for the year is higher (2009 higher) than the standard rate of corporation tax in the UK (28%). The differences are explained below

	2010	2009
	£000	£000
Profit/(loss) before tax	3,439	(8,990)
Profit/(loss) multiplied by standard rate of corporation tax in the UK 28% (2009 28%)	963	(2,517)
Effects of		
Expenses not deductible for tax purposes	66	500
Impact of change in tax rate	-	(36)
Adjustments in respect of previous year	(40)	(235)
Income tax expense/(credit) for the year	989	(2,288)

8 Dividends

	2010	2009
	£000	£000
Equity		
Ordinary shares	-	-

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

9 Intangible assets

	Positive goodwill	Computer licences	Total
2010	£000	£000	£000
Cost			
At beginning and end of year	10,754	86	10,840
Accumulated amortisation and impairments			
At beginning of year	301	56	357
Amortisation charged in the year	-	12	12
At end of year	301	68	369
Net book value			
At end of year	10,453	18	10,471
At beginning of year	10,453	30	10,483

	Positive goodwill	Computer licences	Total
2009	£000	£000	£000
Cost			
At beginning and end of year	10,754	86	10,840
Accumulated amortisation and impairments			
At beginning of year	301	33	334
Amortisation charged in the year	-	23	23
At end of year	301	56	357
Net book value			
At end of year	10,453	30	10,483
At beginning of year	10,453	53	10,506

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

9 Intangible assets (continued)

Goodwill impairment

The UK business is inherently one cash generating unit due to the integrated nature of the contracts

Goodwill is not amortised but is tested annually for impairment. To the extent that the carrying value exceeds the value in use, determined from estimated discounted future net cash flows or recoverable amount, goodwill is written down to the value in use and an impairment charge is recognised.

During the year, goodwill was tested for impairment in accordance with IAS 36 'Impairment of assets'. The recoverable amounts for the cash generating unit exceeded the carrying amount of goodwill recorded. The recoverable amount for the cash generating unit has been measured on a value in use calculation.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates, and expected changes to selling price and direct costs during the period. A growth rate of 1% and a discount rate of 6.5% were used in the calculation. Changes in selling prices and direct costs are based on management's expectations of future changes in the market. The assumptions, used in these calculations, have historically proved to be materially accurate.

Amortisation and impairment are recognised with administrative expenses.

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

10 Property, plant and equipment

	Short leasehold property	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
2010	£000	£000	£000	£000	£000
Cost					
At beginning of year	1,428	1,371	2,758	10	5,567
Additions	2	44	496	10	552
Disposals	(20)	(203)	(636)	(7)	(866)
Transfers	-	(14)	(66)	-	(80)
At end of year	1,410	1,198	2,552	13	5,173
Accumulated depreciation					
At beginning of year	124	645	1,106	3	1,878
Charged in the year	57	61	821	3	942
Disposals	(16)	(98)	(588)	(2)	(704)
Transfers	-	(3)	(38)	-	(41)
At end of year	165	605	1,301	4	2,075
Net book value					
At end of year	1,245	593	1,251	9	3,098
At beginning of year	1,304	726	1,652	7	3,689

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

10 Property, plant and equipment (continued)

	Short leasehold property	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
2009	£000	£000	£000	£000	£000
Cost					
At beginning of year	1,281	1,150	1,895	6	4,332
Additions	147	221	893	7	1,268
Disposals	-	-	(30)	(3)	(33)
At end of year	1,428	1,371	2,758	10	5,567
Accumulated depreciation					
At beginning of year	70	597	431	3	1,101
Charged in the year	54	48	688	2	792
Disposals	-	-	(13)	(2)	(15)
At end of year	124	645	1,106	3	1,878
Net book value					
At end of year	1,304	726	1,652	7	3,689
At beginning of year	1,211	553	1,464	3	3,231

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

11 Investments

	Other unlisted investments	Shares in joint ventures	Total
2010 and 2009	£000	£000	£000
Cost and net book value at beginning and end of year	43	1	44

12 Deferred taxation asset

	2010	2009
	£000	£000
At beginning of year	566	538
Charge for the year recognised in income statement	(77)	(171)
(Charge)/credit for the year recognised in statement of changes in equity	(44)	199
At end of year	445	566

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

12 Deferred taxation asset (continued)

The elements of the deferred tax asset are as follows

	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
	£000	£000	£000	£000	£000	£000
Property, plant and equipment – timing differences on capital allowances	222	79	-	-	222	79
Other temporary differences	15	32	-	-	15	32
Pension scheme	208	294	-	-	208	294
Employee Benefit Trust	-	161	-	-	-	161
	445	566	-	-	445	566

13 Inventories

	2010	2009
	£000	£000
Raw materials and consumables	50	52
Work in progress	8,466	4,549
	8,516	4,601
	2010	2009
	£000	£000
Total gross inventories	8,910	5,085
Inventory impairment	(394)	(484)
	8,516	4,601

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

13 Inventories (continued)

	2010	2009
	£000	£000
Inventory impairment		
At beginning of year	484	157
Charge for the year	-	327
Utilised during the year	(90)	-
At end of year	394	484

Inventories with a historical cost of £nil (2009 £nil) were written down in the year. The cost of inventories recognised as an expense and included in direct costs amounted to £53,000,000 (2009 £52,000,000)

14 Trade and other receivables

	2010	2009
	£000	£000
Due within one year		
Trade receivables	20,118	18,470
Amounts owed by group undertakings	6,323	5,178
Other receivables	74	85
Prepayments and accrued income	2,933	3,963
	29,448	27,696

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

14 Trade and other receivables (continued)

An analysis of the provision for impairment of receivables is as follows

	2010	2009
	£000	£000
At beginning of year	80	166
Charge for the year	170	(86)
Utilised during the year	(80)	-
At end of year	170	80

The age profile of the net trade receivables for the Company at the year end was as follows

		Debt age – “days overdue”					
2010	Current	0-30 days	31-60 days	61-90 days	91-120 days	Over 120 days	Total
Trade receivables							
Value (£000)	15,426	3,534	720	393	160	(115)	20,118
%	77%	18%	3%	2%	1%	(1%)	100%

		Debt age – “days overdue”					
2009	Current	0-30 days	31-60 days	61-90 days	91-120 days	Over 120 days	Total
Trade receivables							
Value (£000)	5,776	6,291	3,868	1,448	404	683	18,470
%	31%	34%	21%	8%	2%	4%	100%

All trade and other receivables are denominated in sterling (£)

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

14 Trade and other receivables (continued)

Trade receivables of £15,426,000 (2009 £5,776,000) were fully performing

Trade receivables of £1,954,000 (2009 £9,265,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

Trade receivables of £2,908,000 (2009 £3,509,000) were impaired and provided for. The amount of the provision was £170,000 (2009 £80,000).

15 Cash and cash equivalents

	2010	2009
	£000	£000
Cash at bank	8,721	9,308
Cash in hand	6	3
	8,727	9,311

16 Trade and other payables

	2010	2009
	£000	£000
Trade payables	28,349	26,460
Amounts owed to group undertakings	8,081	-
Other taxation and social security costs	3,351	2,978
Other payables	-	155
Accruals and deferred income	13,570	10,641
	53,351	40,234

17 Current taxation

The current tax receivable of £177,000 (2009 £324,000) represents the amount of income taxes receivable in respect of current and prior years.

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

18 Non current financial liabilities

	2010	2009
	£000	£000
Amounts owed to group undertakings	-	11,161
Maturity analysis		
	2010	2009
	£000	£000
The amounts owed to group undertakings are as follows		
On demand or within one year	8,081	-
In the second year	-	-
In the third to fifth years inclusive	-	11,161
	8,081	11,161
Less amounts due for settlement within 12 months (shown under current liabilities)	(8,081)	-
Amounts due for settlement after 12 months	-	11,161

19 Financial instruments

All financial instruments held by the Company, as detailed in this note, are classified as "Loans and Receivables" (trade and other receivables and cash and cash equivalents) and "Financial Liabilities Measured at Amortised Cost" (trade and other payables) under IAS 39

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of foreign exchange risk, credit risks, liquidity and interest rates. The Company has in place risk management policies that seek to limit the adverse effects on the financial performance of the company by using various instruments and techniques.

Risk management policies have been set by the board and applied by the Company.

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

19 Financial instruments (continued)

Interest rate risk

The Company operates an interest rate policy designed to minimise interest costs and reduce volatility in reported earnings

As at 31 July 2010 £8,721,000 (2009 £9,308,000) was on deposit with various banks. A 2% increase in interest rates would have a minimal impact on the loss before tax as these deposits are short term and form part of the Company's working capital

Credit risk

The Company's financial assets are bank balances, cash and trade and other receivables, which represent the Company's maximum exposure to credit risk in relation to financial assets

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's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and their assessment of the present value of estimated future cash flows. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers

Note 14 sets out the impairment provision for credit losses on trade receivables and the ageing analysis of overdue trade receivables. There are no impairment losses recognised on other financial assets

Liquidity risk

The company actively maintains facilities that are designed to ensure the company has sufficient funds for operations and planned expansions. The maturity analysis of financial liabilities is given in note 18

Foreign exchange risk

The Company does not trade in overseas jurisdictions and is therefore not exposed to foreign exchange risk other than that relating to intercompany trade

Analysis by currency

	Cash and cash equivalents	
	2010	2009
	£000	£000
Sterling	8,727	9,311

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

19 Financial instruments (continued)

Undrawn committed borrowing facilities

At the year end the Company had no undrawn committed borrowing facilities (2009 £nil)

Interest rate exposure

The interest rate exposure of the Company is as follows

				2010
	Fixed rate	Floating rate	Non bearing	Total
	£000	£000	£000	£000
Cash and cash equivalents	-	8,721	6	8,727

				2009
	Fixed rate	Floating rate	Non bearing	Total
	£000	£000	£000	£000
Cash and cash equivalents	-	9,308	3	9,311

Fair value of borrowings and cash and cash equivalents

The comparison of book and fair values of all the company's financial assets and liabilities at the year end is set out below

	2010		2009	
	Book value	Fair value	Book value	Fair value
	£000	£000	£000	£000
Cash at bank and in hand	8,727	8,727	9,311	9,311
Trade and other receivables	29,448	29,448	27,696	27,696
Trade and other payables	(53,351)	(53,351)	(40,234)	(40,234)
Long term borrowings	-	-	(11,161)	(11,161)
	(15,176)	(15,176)	(14,388)	(14,388)

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

19 Financial instruments (continued)

Cash, trade and other receivables, trade and other payables and short term borrowings and cash approximate to book value due to their short maturities

Long term borrowings in 2009 fall due within three years and therefore the fair value is estimated to approximate to book value

20 Provisions

	Property provisions	Other Provisions	Total
2010	£000	£000	£000
At beginning of year	158	-	158
Charge in year	-	500	500
At end of year	158	500	658

	Property provisions	Pension and similar obligations	Total
2009	£000	£000	£000
At beginning of year	157	187	344
Utilised in year	-	(187)	(187)
Charge in year	1	-	1
At end of year	158	-	158

The property provisions have been made to provide for future costs on leased properties from which the Company no longer operates. Where the property has been sub-let, a provision is made for the deficit between amounts paid on the head lease and income from the sub-lease. The provision will be utilised at the end of the lease in 2012 and all are classified as over one year liabilities.

The provision for pension costs is made against back service contributions to the Trillium pension scheme.

Other provisions comprise management's best estimate in respect of amounts in respect of contract claims.

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

21 Retirement benefit obligations

The Company operates a number of defined contribution pension schemes whose assets are held separately from those of the Company in independently administered funds. The Company also operates or participates in five defined benefit schemes.

The pension charge represents contributions payable in respect of the various schemes by the Company and amounted to £678,000 (2009: £825,000). Contributions totalling £77,000 (2009: £83,000) were payable to the funds at the year end and are included in accruals within trade and other payables.

The Company operates five defined benefit schemes as follows:

The George S Hall BBC Staff Retirement Benefits Scheme: There are no active members of the scheme.

The Company operates a funded defined benefit scheme in the UK. A formal actuarial valuation was carried out at 12 November 2007 and updated to 31 July 2010 by a qualified independent actuary. The present value of the defined benefit obligation, the related current service cost and past service cost were reasoned using the projected unit credit method. The expected return on scheme assets was derived from the assumption that long-term equity outperforms government bonds by 2.8% per annum. The major assumptions used by the actuary were:

	2010	2009	2008
	%	%	%
Discount rate	5.50	5.90	6.62
Expected return on plan assets	6.59	6.88	6.39
Inflation	3.30	3.50	3.60
Future pension increases	3.30	3.50	3.60
Mortality	PXA92 Medium Cohort with Birth Year Projection		

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment portfolio. Expected yields on bonds are based on gross redemption yields at the statement of financial position date whilst the expected returns on the equity and property investments reflect the long-term real rates of return experienced in the respective markets.

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

21 Retirement benefit obligations (continued)

Analysis of amount charged to the statement of comprehensive income

	2010	2009
	£000	£000
Current service cost	-	-
Past service cost	-	-
Total operating charge	-	-

Analysis of amount credited to other finance income

	2010	2009
	£000	£000
Expected returns on pension scheme assets	183	174
Interest on pension scheme liabilities	(213)	(206)
Net finance charge	(30)	(32)

Analysis of amount recognised in statement of changes in equity (SOCE)

	2010	2009
	£000	£000
Actual return less expected return on pension scheme assets	207	(332)
Experience gains and losses arising on scheme liabilities	129	33
Changes in assumptions underlying the present value of the scheme liabilities	(178)	(411)
Actuarial gain/(loss) recognised in SOCE	158	(710)

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

21 Retirement benefit obligations (continued)

Changes in the present value of the defined benefit obligation

	2010	2009
	£000	£000
Opening defined benefit obligation	(3,663)	(3,141)
Interest cost	(213)	(206)
Actuarial loss	(49)	(378)
Benefits paid	90	62
Closing defined benefit obligation	(3,835)	(3,663)

Changes in the fair value of plan assets

	2010	2009
	£000	£000
Opening plan assets	2,613	2,688
Expected return on scheme assets	183	174
Actuarial loss on scheme assets	207	(332)
Contributions by employer	180	145
Benefits paid	(90)	(62)
Closing plan assets	3,093	2,613

	2010	2009
	£000	£000
Present value of funded obligations	(3,835)	(3,663)
Fair value of plan assets	3,093	2,613
Deficit	(742)	(1,050)
Related deferred tax asset	208	294
Net pension liability	(534)	(756)

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

21 Retirement benefit obligations (continued)

The actual return on plan assets was £390,000 (2009 £158,000)

There is no reimbursement right recognised as an asset (2009 nil)

Analysis of cumulative amount recognised in statement of changes in equity (SOCE)

	Cumulative 2010 £000	Cumulative 2009 £000
Actual return less expected return on pension scheme assets	(685)	(892)
Experience gains and losses arising on scheme liabilities	109	(20)
Changes in assumptions underlying the present value of the scheme liabilities	(369)	(191)
Cumulative actuarial gain recognised in SOCE	(945)	(1,103)

Major categories of plan assets as a percentage of fair value of total plan assets

	2010		2009	
	£000	%	£000	%
Equities	1,974	64	1,580	60
Bonds	1,119	36	1,033	40
	3,093	100	2,613	100

The five year history of experience adjustments are as follows

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Defined benefit obligation	(3,835)	(3,663)	(3,141)	(3,229)	(3,309)
Plan assets	3,093	2,613	2,688	2,914	2,738
Deficit	(742)	(1,050)	(453)	(315)	(571)
Experience adjustments on plan liabilities	129	33	(6)	42	(50)
Experience adjustments on plan assets	207	(332)	(487)	(22)	(14)

The Company expects to contribute £180,000 to its defined benefit plans in 2010

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

21 Retirement benefit obligations (continued)

The Trillium Pension Plan

The Company operates this defined benefit scheme in the UK. There are currently only five members in this scheme. As a consequence, IAS 19 calculations have not been obtained this year on the basis that the adjustments would not be material to the Company.

The Prudential Platinum Pension

The Company participates in this multi-employer, defined benefit scheme in the UK. The Company commenced participation in the scheme in May 2004. IAS 19 calculations have not been obtained this year on the basis that the adjustments would not be material to the Company.

The George S Hall Limited 1996 (Contracts) Retirement Benefit Scheme

The Company operates this defined benefit scheme in the UK. There are currently only two deferred members and one annuitant in this scheme. As a consequence, IAS 19 calculations have not been obtained this year on the basis that the adjustments would not be material to the Company.

The George S Hall Limited (CSC) 1998 Retirement Benefit Scheme

The Company operates this defined benefit scheme in the UK. There is currently only one member in this scheme. As a consequence, IAS 19 calculations have not been obtained this year on the basis that the adjustments would not be material to the Company.

22 Share capital

	Authorised	Allotted, called up and fully paid
	Number	Number
Number of equity shares of £1 each:		
At 31 July 2009	10,000	2
At 31 July 2010	10,000	2
Value of shares:		
	£	£
At 31 July 2009	10,000	2
At 31 July 2010	10,000	2

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

23 Capital management

For the years ended 31 July 2009 and 31 July 2010, the Company had net funds with minimal borrowings

Capital is managed by maximising retained profits across the GSH Group plc group as a whole. Working capital is managed in order to generate maximum conversion of these profits into cash and cash equivalents and dividends are paid from current year profits, thereby maintaining capital.

Capital includes share capital, capital contribution reserve and retained reserves. There are no externally imposed capital requirements on the Company.

24 Share schemes

The company's employees participate in a number of group share based payment schemes. The details of the schemes are described in the 2010 GSH Group Plc Annual Report and Accounts, which are available from the address detailed in note 29.

25 Capital commitments

There were no capital commitments at the end of the financial year (2009: £nil).

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

26 Operating leases payable

	2010	2009
	£000	£000
Minimum lease payments under operating leases recognised as an expense in the year	4,237	3,442

Total of future minimum lease payments of non-cancellable operating leases -

Land and buildings

Within one year	633	710
In the second to fifth year inclusive	1,467	2,623
After five years	2,494	3,461

Plant and machinery

Within one year	3,421	495
In the second to fifth year inclusive	4,372	12,466
	12,387	19,755

Operating lease payments represent rentals payable by the Company for certain of its properties and equipment. Leases have varying terms and renewal rights. The above leasing arrangements do not contain any restrictive covenants, contingent rents or purchase options.

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

27 Related party transactions

During the financial year the Company had the following transactions with related parties as defined by IAS 24 'Related Party Disclosures'

Related entity	Nature of transactions	2010		2009	
		Aggregate value for financial year	Net amount owed to/(by) the company	Aggregate value for financial year	Net amount owed to/(by) the company
		£000	£000	£000	£000
Ultimate parent	Recharges and dividends	(1,629)	(3,397)	(4,547)	(9,650)
Fellow subsidiary companies	Sales/(purchases)	125	2,315	(894)	3,668
		(1,504)	(1,082)	(5,441)	(5,982)

During the year, GSH UK Limited paid for the use of facilities at Amhuirnsuidhe Castle Estate which is owned by I Scarr-Hall who is major shareholder of the GSH Group plc the parent company of GSH UK Limited. The total value of these transactions was £7,120 (2009 £nil). The amount outstanding at the year end was £nil (2009 £nil).

28 Accounting estimates and judgements

Some asset and liability amounts reported in the financial statements are based on management estimates and assumptions. There is therefore a risk of significant changes to the carrying amounts for these assets and liabilities within the next financial year. The estimates and assumptions are made on the basis of information and conditions that exist at the time of the valuation.

Classification of leases

The Company utilises assets subject to operating leases. The classification of these leases is based on a number of factors, such as risk and reward, length of use and the fair value of minimum lease payments. Lease classification is made at the inception of the lease.

Share based payment transactions

The charge to the statement of comprehensive income in relation to options and incentive plans is based on the Black-Scholes valuation technique. This technique requires a number of assumptions to be made, such as those in relation to share price volatility, movement in interest rates, dividend yields and staff behavioural patterns.

GSH UK Limited

Notes to the financial statements for the year ended 31 July 2010 (continued)

28 Accounting estimates and judgements (continued)

Property provisions

The Company occupies leasehold properties for which a provision is made for dilapidations or other future expenditure commitments. At 31 July 2010 the provisions are £158,000 (2009 £158,000). These provisions reflect conditions existing at the year end, and are judgemental by their nature.

Impairment provisions

No impairment provisions have been made in relation to cash generating units as management have calculated the recoverable amount in each case to be in excess of the carrying values of assets therein. The impairment tests require a number of assumptions and judgements to be made. An explanation of these judgements and estimations are detailed in the impairment test accounting policies.

Inventory impairment provisions

The Company makes provision for work in progress deemed to be irrecoverable. This provision is established on a specific contract by contract basis, based on management's prior experience and their assessment of the present value of estimated future cash flows.

Receivables impairment provisions

The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Company's management, based on prior experience and their assessment of the present value of estimated future cash flows.

Pension valuation assumptions

Assumptions are used in the actuarial valuation of the Company's defined benefit pension schemes. Details of these assumptions are disclosed in note 21.

Depreciation and amortisation

Assets are written down over their useful economic lives in accordance with the accounting policies set out in note 1.

Contract claims

These comprise management's best estimate of the amounts in respect of contract claims and are expected to be settled within 1 year of the balance sheet date.

29 Ultimate parent company

The immediate parent undertaking is GSH Group plc.

The ultimate parent undertaking and controlling party is GSH Group plc, a company incorporated and registered in the United Kingdom.

GSH Group plc is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 July 2010. The consolidated financial statements of GSH group plc are available from GSH House, Forge Lane, Stoke-on-Trent, Staffordshire, ST1 5PZ.