

**ENTERPRISE (AOL) LIMITED**

**Report and Financial Statements**

**For the year ended 31 December 2011**



**REPORT AND FINANCIAL STATEMENTS 2011**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

M Joyce (resigned 5 March 2012)  
J Evans  
D Atherton  
G Parker (resigned 31 March 2011)  
J Flood  
D Arnold  
A Nelson (resigned 30 June 2011)  
I Fraser (appointed 28 November 2011)  
S Chaston (appointed 5 March 2012)  
J Suggate (appointed 30 June 2011)

**SECRETARY**

P Birch

**REGISTERED OFFICE**

Lancaster House  
Centurion Way  
Leyland  
Lancashire  
PR26 6TX

**AUDITOR**

Deloitte LLP  
Chartered Accountants & Statutory Auditor  
London  
United Kingdom

## **DIRECTORS' REPORT**

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

### **DIRECTORS**

The names of the current directors, together with the names of the directors who served during the year, are shown on page 1

### **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

Enterprise (AOL) Limited's ("AOL") principal activity is the provision of public services. Its operations include managing and maintaining highways, maintaining and improving social housing stock, streetscene activities including waste collection and grounds maintenance, and business services including facilities management and consultancy. The company's main clients are local authorities.

The company's principal activity has not changed during the year under review and the directors are not aware, at the date of this review, of any likely major changes in the next year.

The financial position of the company is set out in the balance sheet on page 8.

Sales for the year ended 31 December 2011 decreased by 6% to £152m. The company's revenues within existing contracts do have a degree of protection, however, as they relate mainly to front-line services and essential tasks such as refuse collection, street cleansing and highways maintenance. The pre-exceptional gross margin is in line with prior year.

The company has taken an exceptional charge to the profit and loss account of £0.5m in the year (2010: £5.4m). In 2010 these related to:

- a) Restructuring and reorganisation costs incurred during 2010 as the company drives through the first stage of its cost efficiency programmes across the business, and
- b) Provisions against outstanding customer balances, where the Board considers it appropriate to reduce carrying values given the continued and unprecedented pressures on Local Authority budgets.

During 2011 the restructuring programme was completed and the company incurred costs principally in relation to redundancies of £1.1m. As a result of favourable settlements on previously provided for amounts, an exceptional credit of £0.6m was also included in 2011.

The company is working with existing and potential new customers in the public sector to improve operational performance. One of the main ways to achieve that goal is for Enterprise to provide a broader range of integrated services, on a long term basis, which improves overhead cost recovery and enables innovative approaches to service delivery.

Market conditions in the public sector are undoubtedly more uncertain than they have been in the past due to the need to reduce government spending. The services the government provides are however essential and the company is seeing an increased interest from customers in using companies such as Enterprise (AOL) Limited to assist performance improvement efforts. Prospects for the company therefore remain strong and the directors are confident that the steps that have been taken to strengthen the implementation of strategy, improve further operational performance and increase the rate of contract wins leave the company well placed to capitalise on these opportunities.

The company made a profit after tax of £2.3m (2010 – loss of £2.7m).

## **DIRECTORS' REPORT (continued)**

### **PRINCIPAL RISKS & UNCERTAINTIES**

Enterprise (AOL) Limited's business model is based around operating long-term, high value partnering contracts with various local authorities, which is delivered by several business units with sufficient managerial and entrepreneurial strength to grow locally through winning additional work to sustain a long term viable business

Although the greater part of the company's income comes from local authorities, the company is potentially exposed to some credit risk in its dealings with the non-local authority customers. Therefore there are controls in place over customer acceptance, invoicing and cash collection

Enterprise (AOL) Limited pays careful attention to the management of its cash and working capital position. Controls are in place to ensure that appropriate payment terms are included in contracts with clients, subcontractors and suppliers. Adequate bank facilities are maintained and appropriate working capital management procedures are in place to ensure the company operates within those facilities

#### *Commercial relationships*

The company has significant commercial relationships with a number of Local Authorities and Government Authorities. The loss of a contractual commercial relationship could have an adverse impact on the company's future profitability and cash flows. The size and scale of the company is such that whilst the loss of a single contract exposes the organisation financially it should not expose the company to an adverse movement in profits and cashflow. The risk is managed through regular reviews and contact with the senior management of these customers in order that we respond to their needs and deliver the expected service, thereby maximising our chances of retaining those contracts. We ensure that we have sufficient alternative contract opportunities so that we can replace swiftly the loss of work. All of our main contracts are with organisations that face a lower risk of bankruptcy or the inability to pay us for agreed essential services

The company also has strong commercial relationships with a number of suppliers and Direct Service Providers. We have policies in place to ensure that these relationships are sustained and, wherever possible, ensure that the failure of one or more suppliers does not jeopardise our service delivery to customers. The financial health of all suppliers is monitored closely and alternative sources of supply are available at all times

#### *Competitor risk*

There are a number of other companies that provide services that are similar to those of the Company. They compete with us in our chosen markets and could succeed in displacing us on contracts resulting in loss of revenue and/or pressure on operating margins. This is the normal competitive environment in which most companies operate. We undertake a regular review of all our markets and the activities of competitors are closely monitored. The development of innovative products and services and building close relationships with our customers are seen as key activities to maintain our competitive advantage. Through the integration of services, the re-engineering of operations and by operating at least cost we believe that we are maintaining a competitive edge

### **GOING CONCERN**

After making enquiries, and based on the assumptions outlined in note 1 to the financial statements, the directors have concluded that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements

### **HEALTH & SAFETY**

The nature of the company's operations means that Health and Safety is a significant risk. The company recognises this fully, and takes all steps necessary to ensure the safety of its employees and the public. The company puts a great deal of emphasis on training, and refresher courses are held to ensure that Health and Safety is a high priority

### **ENVIRONMENT**

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce the damage that might be caused by the group's activities. The company operates within the group policies, which are described in the group's annual report and do not form part of this report. Initiatives designed to minimise the company's impact on the environment include recycling and reducing energy consumption

## DIRECTORS' REPORT (continued)

### PROPOSED DIVIDEND

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

### EMPLOYEES

The directors recognise the benefits which arise from keeping employees informed of the company's progress and plans, and through their participation in the company's performance. The company is therefore committed to providing its employees with information on a regular basis, to consulting them so that their views may be taken into account in taking decisions which may affect their interests and encouraging their participation in schemes through which they will benefit from the company's progress and profitability.

It is the company's policy to ensure that disabled persons are treated fairly and consistently in terms of recruitment, training, career development and promotion and that their employment opportunities should be based on a realistic assessment of their aptitudes and abilities. Wherever possible, the company will continue the employment of persons who become disabled during the course of their employment with the company through retraining, acquisition of special aids equipment or through the provision of suitable alternative employment.

### DIRECTORS

The directors who served during the year and thereafter, are shown on page 1

### AUDITOR

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

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the company's auditor is unaware, and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the company's auditor is aware of that information

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

Deloitte LLP have expressed their willingness to continue as the company's auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting in accordance with section 485 of the Companies Act 2006

Approved by the Board of Directors  
and signed by order of the board,



P. BIRCH  
Secretary

27 April 2012

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENTERPRISE (AOL) LIMITED**

We have audited the financial statements of Enterprise (AOL) Limited for the year ended 31 December 2011 which comprise the profit and loss account, the statement of recognised gains and losses, the balance sheet, and the related notes 1 to 24. 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 Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements

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

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

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

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



**Emma Cox (Senior Statutory Auditor)**  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
27 April 2012



**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 December 2011**

	Note	Pre- exceptional items 2011 £'000	Exceptional items (see note 4) 2011 £'000	Total 2011 £'000	Pre- exceptional items 2010 £'000	Exceptional items (see note 4) 2010 £'000	Total 2010 £'000
<b>Turnover</b>	2	152,190	-	152,190	161,909	-	161,909
Cost of sales		(121,890)	(530)	(122,420)	(129,928)	(4,914)	(134,842)
<b>Gross profit</b>		30,300	(530)	29,770	31,981	(4,914)	27,067
Administrative expenses		(29,989)	56	(29,933)	(30,499)	(533)	(31,032)
<b>Operating profit/(loss)</b>		311	(474)	(163)	1,482	(5,447)	(3,965)
Income from shares in investments		2,000	-	2,000	2,000	-	2,000
Interest receivable and similar income	7	24	-	24	62	-	62
Interest payable and similar charges	8	(67)	-	(67)	(207)	-	(207)
<b>Profit/(loss) on ordinary activities before taxation</b>	3	2,268	(474)	1,794	3,337	(5,447)	(2,110)
Tax credit/(charge) on profit/(loss) on ordinary activities	9	543	-	543	(637)	-	(637)
<b>Profit/(loss) on ordinary activities after taxation</b>	19	2,811	(474)	2,337	2,700	(5,447)	(2,747)

The results for the year are derived from continuing operations

There are no other recognised gains and losses other than the result for the year shown above and as a consequence a separate statement of total recognised gains and losses has not been presented. Similarly there are no other movements in shareholders' funds in either year other than the profit for the year and as a consequence a reconciliation of movements in shareholder's funds statement has not been presented

**BALANCE SHEET**  
**As at 31 December 2011**

	Note	2011 £'000	2010 £'000
<b>Fixed assets</b>			
Intangible assets	10	21,420	24,333
Investments	11	250	250
Tangible assets	12	1,418	2,060
		<u>23,088</u>	<u>26,643</u>
<b>Current assets</b>			
Stocks	13	1,257	768
Debtors	14	54,974	59,312
Cash at bank and in hand		18,484	3,414
		<u>74,715</u>	<u>63,494</u>
<b>Creditors</b> amounts falling due within one year	15	<u>(29,557)</u>	<u>(23,854)</u>
<b>Net current assets</b>		45,158	39,640
<b>Total assets less current liabilities</b>		68,246	66,283
<b>Creditors:</b> amounts falling due after more than one year	16	<u>(1,125)</u>	<u>(1,499)</u>
<b>Net assets</b>		<u>67,121</u>	<u>64,784</u>
<b>Capital and reserves</b>			
Called-up share capital	18	51,800	51,800
Profit and loss account	19	15,321	12,984
<b>Shareholders' funds</b>		<u>67,121</u>	<u>64,784</u>

These financial statements were approved by the board of directors on 27 April 2012 and were signed on its behalf by

  
 Director

## NOTES TO THE FINANCIAL STATEMENTS

For year ended 31 December 2011

### 1. ACCOUNTING POLICIES

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

#### Basis of preparation

The financial statements have been prepared in accordance with applicable law and UK Accounting standards and under the historical cost accounting rules.

#### Cash flow

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

#### Going concern

The performance, financial position and the key risks impacting the company are detailed in the Directors' Report on pages 2 and 3. The company is a subsidiary of Enterprise Group Holdings Limited, which manages its working capital on a pooled basis across the Group. Based on the strong trading relationship between this company and the parent company, the directors of this company have sought and received a confirmation from the parent company that it will provide support as may be necessary for the foreseeable future. In relying on this parent company support, the directors of this company are cognisant of the following going concern disclosure which appears in the financial statements of Enterprise Group Holdings Limited for the year ended 31 December 2011:

*A review of business performance is set out in the Chairman's Statement and Business and Market Review of the ultimate parent company, Enterprise Group Holdings Limited (the "Group"). A description of the Group's borrowing facilities is included in note 19 to those financial statements. As described in that note, the Group's primary borrowings are made up of senior term bank loans not due for repayment until March 2015-2016. Under the senior bank facilities, the Group is required to comply with various financial covenants which are tested quarterly.*

*As described further in the Business and Market Review, the Group has been impacted by the economic environment which has resulted in revenue and operating profit in 2011 at a similar level to 2010. Nonetheless, despite the challenging economic environment, the Group generated strong operating cash-flows which it continues to forecast in the future. The Group has considerable liquidity with cash balances of £172m at 31 December 2011 and the forecasts show that the Group will retain significant cash balances throughout each month of the forecast period. All bank covenants were met during the year and continued to be met subsequent to the year-end.*

*The Directors have prepared forecasts for the purpose of their going concern review which show the Group operating comfortably within its available cash balances and credit facilities (as described above). The Directors have also considered reasonably possible sensitivities to the forecasts, with the principal risks reflecting those described in the Business and Market Review and relating to the impact of continued economic uncertainty on customer demand and unforeseen adverse working capital movements. The Directors have also considered various mitigating actions available to the Group including reducing discretionary expenditure and further active management of working capital.*

*The facilities agreement contains an "equity cure" clause under which the Group can remedy a breach of the key financial covenants through a capital injection from its shareholders. Although the forecasts show that in the period under consideration there could be a breach of a financial covenant, the Directors have obtained formal confirmation from the major shareholder that it would, if required, provide funds to the Group sufficient to cure the level of covenant breach shown in the Directors' sensitivity analysis. Such confirmation of support has been provided for the relevant 12 month period following approval of these financial statements. Beyond this period, the directors are considering a number of options in conjunction with the major shareholder.*

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For year ended 31 December 2011**

**1 ACCOUNTING POLICIES (continued)**

**Going concern (continued)**

*In drawing their conclusions on going concern, the Directors have reviewed the forecasts, sensitivities and mitigating actions described above. They have also reviewed the confirmation of support provided by the major shareholder and have concluded that, in all scenarios that it is reasonable for the Directors to anticipate at the time of signing these financial statements, appropriate support will be provided. As a result of their considerations, the Directors have concluded that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being 12 months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual consolidated financial statements.*

**Investments**

Investments are included at cost. Provision is made for any impairment in the value of investments.

**Goodwill**

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

**Tangible fixed assets and depreciation**

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Short leasehold land and buildings	-	Life of lease
Plant and machinery	-	5 to 8 years
Fixtures, fittings, tools and equipment	-	3 to 4 years

**Pre contract costs**

Pre-contract costs are recognised as expenses in the period in which they were incurred unless it is virtually certain that a contract will be awarded. In this case, any directly attributable costs are recognised as an asset once it seems certain that a contract will be won, and that the asset will be recovered from the contract's net inflows. Costs are amortised over the minimum or best estimate of the contract life.

**Leases**

Assets obtained under hire purchase contracts and finance leases, which transfer to the company substantially all the risks and rewards incidental to ownership, are capitalised in the balance sheet at the present value of the minimum lease payments and depreciated over the shorter of their estimated useful lives or lease term.

The interest element of the repayments is charged to the profit and loss account over the period of the contract and represents a constant proportion of the balance to the capital element outstanding.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

**Post retirement benefits**

The company operates a money purchase scheme for its directors and senior employees. The assets of the scheme are held separately from those of the company in independently administered funds. The unpaid contributions outstanding at the period end are included in "accruals and deferred income".

The company also participates in local government run defined benefit schemes. The risks and rewards remain primarily with the local government so the company accounts for these as defined contribution schemes.

On the defined benefit scheme, the Accord Final Salary Scheme, the company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For year ended 31 December 2011****1. ACCOUNTING POLICIES (continued)****Stocks**

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for re-sale, the FIFO method is used and makes allowance for any obsolete or slow moving stock.

**Contracts**

The activities of the company are largely undertaken through long-term framework contracts under which turnover and profit are recognised in line with each separate supply. Where losses are foreseeable in respect of future supplies committed under those framework contracts, provision is made. In addition, a provision is maintained for future remedial works that may be required in respect of supplies already made.

Amounts recoverable on long term contracts which are not framework contracts represent the excess of recorded turnover over payments on account. Profit is recognised on such contracts where the total profit can be assessed with reasonable certainty. Provision is made for the full amount of foreseeable losses on contracts.

**Exceptional items**

Exceptional items are those that need to be disclosed by virtue of their size or incidence and are charged in arriving at operating profit in the financial statements.

**Taxation**

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are differences between the company's taxable profit and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on the sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets and liabilities have not been discounted.

**2. ANALYSIS OF TURNOVER**

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The turnover and pre-tax profit all arise in the United Kingdom and are attributable to the company's principal activity.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For year ended 31 December 2011**

**3. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2011 £'000	2010 £'000
<b>Profit/(loss) on ordinary activities before taxation is stated after charging:</b>		
Depreciation and other amounts written off tangible fixed assets		
Owned	136	189
Leased	302	350
Amortisation of goodwill	2,913	2,913
Operating lease rentals – plant and machinery	1,888	1,694

Auditor's remuneration was borne by Enterprise Managed Services Limited in the current year (2010 same) There were no non-audit services provided by the auditor in either year

**4. EXCEPTIONAL ITEMS**

	2011 £'000	2010 £'000
Restructuring costs	1,124	533
Provision against uninvoyed receivables	(650)	4,914
	<u>474</u>	<u>5,447</u>

During 2010, the company commenced a cost efficiency program which resulted in £533,000 of redundancy costs being incurred This program continued in 2011 with a further £1 1m of redundancy costs incurred in the year

In addition, during 2010 the company made a provision of £4 9m against outstanding uninvoyed customer balances due to the continued and unprecedented pressure on local authority budgets During 2011, the company has continued to pursue these balances and as a consequence certain recoveries have been made in the year resulting in a credit to exceptional items of £0 6m

**5. REMUNERATION OF DIRECTORS**

The directors did not receive any emoluments for their services to this company in either the current or the prior years The directors are all employees of another group company and are remunerated by that company It is not practicable to split the remuneration between companies within the group

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to nil (2010 nil)

**6 STAFF NUMBERS AND COSTS**

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	2011 Number of employees	2010 Number of employees
Operations	1,111	1,045
Management and administration	326	521
	<u>1,437</u>	<u>1,566</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For year ended 31 December 2011**

**6. STAFF NUMBERS AND COSTS (continued)**

The aggregate payroll costs of these persons were as follows

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	34,940	40,317
Social security costs	2,646	3,139
Other pension costs	1,892	2,254
	<u>39,478</u>	<u>45,710</u>

**7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest receivable	<u>24</u>	<u>62</u>

**8. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans and overdrafts	10	22
Finance charges payable in respect of finance leases and hire purchase contracts	57	185
	<u>67</u>	<u>207</u>

**9. TAXATION**

Analysis of credit/(charge) in the year

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
<i>UK corporation tax</i>		
On current year profits	-	-
Total current tax	-	-
Deferred tax (see note 17)	543	(637)
Tax on profit/(loss) on ordinary activities	<u>543</u>	<u>(637)</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For year ended 31 December 2011**

**9. TAXATION (continued)**

**Factors affecting the tax (credit)/charge for the current year**

The current tax charge (2010 charge) for the year is lower (2010 higher) than the standard rate of corporation tax in the UK 26.5% (2010 28%). The differences are explained below

	2011 £'000	2010 £'000
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	1,794	(2,110)
	<hr/>	<hr/>
Current tax at 26.5% (2010 28%)	475	(591)
Effects of		
Expenses not deductible for tax purposes (primarily goodwill amortisation)	772	816
Capital allowances for year in excess of depreciation	(103)	(133)
Income not taxable	(530)	(560)
Group relief (claimed)/surrendered	(614)	468
	<hr/>	<hr/>
Total current tax charge (see above)	-	-
	<hr/>	<hr/>

**10. INTANGIBLE FIXED ASSETS**

	Goodwill £000
<b>Cost</b>	
At 1 January 2011 and 31 December 2011	43,860
	<hr/>
<b>Amortisation</b>	
At 1 January 2011	19,527
Charged in year	2,913
	<hr/>
At 31 December 2011	22,440
	<hr/>
<b>Net book value</b>	
At 31 December 2011	21,420
	<hr/>
At 31 December 2010	24,333
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The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. They consider the appropriate amortisation period as being 15 years for the businesses acquired.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For year ended 31 December 2011**

**11. INVESTMENTS**

	<b>Investments £000</b>
<b>Cost</b>	
At 1 January 2011 and 31 December 2011	250
<b>Net book value</b>	
At 1 January 2011 and 31 December 2011	250

Investments are stated at cost less any impairment considered necessary by the directors. The directors consider the company's investments are worth at least the amount at which they are included in the financial statements.

The company holds 50% of the share capital of Enterprise Mouchel Partnership Limited (formerly Accord MP Limited), a company registered in England and Wales. The principal activities of Enterprise Mouchel Partnership Limited are to provide integrated highways management and maintenance contracts.

The company has taken advantage of section 400 of the Companies Act 2006 in not producing consolidated financial statements as it is a subsidiary of Enterprise Group Holdings Limited, which itself produces consolidated financial statements. Accordingly these financial statements present information about the company and not the group.

**12. TANGIBLE FIXED ASSETS**

	<b>Short leasehold land and buildings £000</b>	<b>Plant and machinery £000</b>	<b>Fixtures, fittings, tools and equipment £000</b>	<b>Total £000</b>
<b>Cost</b>				
At 1 January 2011	357	7,054	684	8,095
Disposals	-	(24)	(148)	(172)
Transfer to fellow subsidiary	-	(4,216)	(234)	(4,450)
At 31 December 2011	357	2,814	302	3,473
<b>Depreciation</b>				
At 1 January 2011	287	5,108	640	6,035
Charge for year	26	380	32	438
On transfers to fellow subsidiary	-	(4,022)	(234)	(4,256)
Disposals	-	(23)	(139)	(162)
At 31 December 2011	313	1,443	299	2,055
<b>Net book value</b>				
At 31 December 2011	44	1,371	3	1,418
At 31 December 2010	70	1,946	44	2,060

Included in the total net book value of plant and machinery is £1,331,361 (2010: £1,827,655) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £301,916 (2010: £349,551).

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For year ended 31 December 2011**

**13. STOCKS**

	2011 £'000	2010 £'000
Raw materials and consumables	1,257	768

There is no material difference between the balance sheet value of stocks and their replacement cost

**14. DEBTORS**

	2011 £'000	2010 £'000
Amounts due within one year		
Trade debtors	4,677	7,445
Amounts recoverable on contracts	10,995	7,871
Amounts owed by group undertakings	36,871	41,959
Net deferred tax assets (recoverable after more than one year) (see note 17)	545	-
Prepayments and accrued income	1,886	2,037
	<u>54,974</u>	<u>59,312</u>

**15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2011 £'000	2010 £'000
Obligations under finance leases and hire purchase contracts (see note 16)	303	498
Trade creditors	8,240	6,042
Other taxation and social security	3,167	3,017
Accruals and deferred income	14,751	12,824
Amounts owed to group undertakings	3,096	1,473
	<u>29,557</u>	<u>23,854</u>

**16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2011 £'000	2010 £'000
Obligations under finance leases and hire purchase contracts	1,125	1,499
The maturity of obligations under finance leases and hire purchase contracts is as follows		
	2011 £'000	2010 £'000
Within one year	303	498
In the second to fifth years	1,125	1,278
After five years	-	221
	<u>1,428</u>	<u>1,997</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For year ended 31 December 2011**

**17. DEFERRED TAX**

	2011 £'000	2010 £'000
At beginning of year included in debtors	-	637
Credited/(charged) to the profit and loss account relating to estimated recoverability	543	(637)
Transferred in from fellow subsidiary	2	-
	<u>545</u>	<u>-</u>
At end of year (see note 14)	<u>545</u>	<u>-</u>

The elements of deferred taxation are as follows

	2011 £'000	2010 £'000
Difference between accumulated depreciation and amortisation and capital allowances	545	-
Undiscounted deferred tax asset	<u>545</u>	<u>-</u>

The deferred tax asset is recognised as there is reasonable certainty that the asset will be recovered against future profits of the company

**18. CALLED UP SHARE CAPITAL**

	2011 £'000	2010 £'000
<b>Authorised</b>		
100,000,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<b>Allotted, called up and fully paid</b>		
51,800,000 Ordinary shares of £1 each	<u>51,800</u>	<u>51,800</u>

**19. RESERVES**

	Profit and loss account £'000
At 1 January 2011	12,984
Profit for the financial year	<u>2,337</u>
At 31 December 2011	<u>15,321</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For year ended 31 December 2011**

**20. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as set out below

	Other than Land & Buildings 2011 £'000	Other than Land & Buildings 2010 £'000
Operating leases which expire		
Within 1 year	318	180
In the second to fifth years inclusive	863	1,190
	<u>1,181</u>	<u>1,370</u>

**21. CONTINGENT LIABILITIES**

The company is party to a composite guarantee and mortgage debenture in favour of Lloyds TSB Bank plc to secure the borrowings of Enterprise plc. At 31 December 2011 the borrowings of Enterprise plc secured by this guarantee were £540 million (2010 £540 million)

**22. PENSION SCHEME**

The company operates or participates in a number of pension schemes for the benefit of employees and directors. The assets of the schemes are administered by trustees in funds independent of those of the group. Pension costs in respect of schemes offering defined benefits are assessed in accordance with the advice of qualified actuaries. The administration of those schemes is conducted by external companies of professional pension administrators.

*Accord Final Salary Scheme* – offered to eligible staff that have been transferred into the company via acquisition. The deficit in the scheme at 31 December 2011, calculated by the actuary in accordance with FRS 17, was £6,494,000 (2010 £3,421,000). However, the company is unable to accurately identify its share of the scheme assets and liabilities on a consistent and reasonable basis. Therefore, as permitted by FRS 17 the scheme has been accounted for by the company as if it is a defined contribution scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £722,134 (2010 £880,307). Contributions amounting to £61,309 were outstanding at the end of the financial year (2010 £69,300).

*Staffordshire County Council Pension Fund* – contains staff in Staffordshire Accord who transferred to Accord Operations Limited from Staffordshire County Council in April 2004 under TUPE transfer arrangements. The Staffordshire County Council contract is cost reimbursable. Pension contributions paid by Accord are recharged directly and in full to Staffordshire County Council and any variation in pension contribution rates as a result of a surplus or deficit in the scheme is therefore borne by Staffordshire County Council. Because the company is not affected by any surplus or deficit in the Staffordshire County Council Pension Fund it is accounting for its pension costs in respect of the scheme as if it were a defined contribution scheme. The pension cost charge for the year for those members represents contributions payable by the company to the scheme under these arrangements and amounted to £91,771 (2010 £63,885). Contributions amounting to £9,433 were outstanding at the end of the financial year (2010 £6,399).

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For year ended 31 December 2011**

**22 PENSION SCHEME (continued)**

*LAWDC Pension Scheme* – contains staff in Staffordshire Highways and JDM Accord who transferred from Nutalls to Accord Operations Limited under the Staffordshire County Council contract under TUPE transfer arrangements. The Staffordshire County Council contract is cost reimbursable. Pension contributions paid by Accord are recharged directly and in full to Staffordshire County Council and any variation in pension contribution rates as a result of a surplus or deficit in the scheme is therefore borne by Staffordshire County Council. Because the company is not affected by any surplus or deficit in the LAWDC Pension Scheme in relation to members working on the Staffordshire Highways contract, it is accounting for its pension costs in relation to those members as if it were a defined contribution scheme. The pension cost charge for the year for those members represents contributions payable by the company to the scheme under these arrangements and amounted to £178,983 (2010 £182,719). Contributions are not directly reimbursable in relation to members of the scheme working in JDM Accord. However the number of employees concerned is such that the associated net pension asset is not material and has therefore been excluded from the net defined benefits position in these accounts. Contributions amounting to £15,530 were outstanding at the end of the financial year (2010 £16,433).

The company also participates in other local authority pension schemes, which provide benefits based on final pensionable pay. These funds contain staff in Accord Operations Ltd who transferred to the Accord plc group from local authorities under TUPE transfer arrangements. The company is not liable for a number of the key assumptions including the rate of return on investments. This means an accurate valuation cannot be made. The pension costs in respect of the schemes are treated as if they were defined contribution schemes as in those local government schemes any surplus/deficit is passed through to the customer and there is no risk to the Company. The pension cost charge for the year representing contributions to the pension scheme in the year were £1,089,485 (2010 £1,126,605).

**23. RELATED PARTY DISCLOSURES**

The company has taken advantage of the exemption in FRS 8 “Related Party Disclosures” and has not disclosed transactions with group undertakings.

**24. ULTIMATE PARENT COMPANY**

The company’s immediate parent company is Accord Limited, a company incorporated in England and Wales. The company’s ultimate parent company and controlling party is Enterprise Group Holdings Limited, a company registered in England and Wales.

The smallest group in which the results of the company were consolidated was that headed by Enterprise plc. The largest group in which the results of the company were consolidated was that headed by Enterprise Group Holdings Limited. Copies of the Enterprise Group Holdings financial statements can be obtained from its registered office at Lancaster House, Centurion Way, Leyland, Lancashire, PR26 6TX.