Norse Group Limited

Private limited with Share Capital

Company No : **05694657**

Registered Address:

280 Fifers Lane
Norwich

NR6 6EQ

Grant Thornton

Financial Statements
Norse Group Limited

For the year ended 31 January 2010

Company No. 05694657

Officers and professional advisers

Company registration number	05694657
Registered office	280 Fifers Lane Norwich Norfolk NR6 6EQ
Directors	M L Britch P M Hawes P W Adams A T Williams
Secretary	A J Merricks
Solicitors	Legal Services Norfolk County Council County Hall Martineau Lane Norwich Norfolk NR1 2DL
Auditor	Grant Thornton UK LLP Chartered Accountants Statutory Auditor Kingfisher House 1 Gilders Way St James Place Norwich NR3 1UB

Contents

Report of the directors

The directors present their report and the financial statements of the group for the year ended 31 January 2010

Principal activities and business review

Norse Group includes Facilities Management provider Norse Commercial Services (NCS), NPS Property Consultants (NPS), and waste management services provider Norfolk Environmental Waste Services Limited All three companies also deliver similar services through subsidiaries The full list of subsidiaries is included in note 14 to the accounts

Facilities Management services include cleaning, printing, building maintenance, waste collection, transport, environmental services and security as well as support services such as human resources and payroll

Property consultancy services include architectural services, CDM and project management, building surveying, valuation and estate management, land agency, quantity surveying, graphic design and archaeological services

Waste management includes operating and maintaining landfill sites, waste transfer stations, and recycling facilities, as well as waste collection and composting services

Overview

The group delivers a comprehensive range of services to both public and private sector clients throughout the UK The group continued to expand and strengthen its position throughout the UK within its core markets, but in addition looked to expand its activities into niche markets to generate added value

The group's client list includes many local authorities and housing associations, government departments, health authorities and emergency services In 2009 the group looked at the significant challenges facing its traditional markets that could impact upon its main sources of turnover and identified 'Building Schools for the Future' (BSF) as an area of challenge and opportunity A firm decision to invest working capital "at risk" was made in an attempt to gain a foothold in this market and this has proven to be a major success

The group strengthened its position throughout the UK within its core markets and has expanded into some new business areas with its acquisition of Hamson Partnership Limited (specialist Chartered Building Surveyors) on 31 March 2009, and Eventguard Limited (Security Services) at the end of the prior year

During the year, there were a number of highlights, the most significant of which were

- In the financial year 2009 the group became an equity shareholder within a consortium bidding for the North Lincolnshire Council BSF In March 2009, the consortium was declared 'Preferred Bidder' The program has a construction value exceeding £80 million and will deliver 7 schools over 4 years, generating significant fees The group is currently working on the first four schemes within this contract which have a construction value in excess of £45 million

Overview (continued)

- On 6 April 2009 Norfolk County Services Limited relocated its main operating base and head office to a 5 5 acre site in Norwich, giving rise to significant efficiency savings, and at the same time changed its name to Norse Commercial Services Limited,
- Expansion of the Group's trading with Waveney District Council following the success of the Waveney Norse partnership which commenced in 2008 Estates Services are now provided by NPS - this commenced 1 August 2009 and is based upon a 5 year term with a possible 2 year extension
- A seven year Building Surveying Contract for Kent County Council,
- Contracts for new Code 5 homes in Swindon and Code 6 in Wakefield,
- Enfield Norse, a new NCS joint venture with London Borough of Enfield, began trading on 1 May 2009, with initial annual contracts for cleaning services in the borough worth over £3 million per annum This also provides an excellent base for securing further contracts in the area
- The success of NPS Humber Limited in its first full year of trading,

In addition, the group continued to build on its previous contracts with clients and have secured new opportunities as well as bidding for and securing individual contracts, commissions and framework appointments

Financial

Once again the impact of FRS 17 (see footnote) affects the results of the Group to a significant degree The directors monitor performance excluding the FRS 17 effect as they feel this gives a clearer indication of underlying performance Excluding FRS 17 adjustments the group made a profit before interest and tax of £2,766,000 (2009 loss of £564,000), and a pre tax profit of £2,383,000 (2009 loss of £730,000) This improvement in Group profitability was due a number of factors including

- Improved trading performance at most group companies
- Significant reduction in losses at Norfolk Environmental Waste Services which was affected in 2008/09 by the write off of major project costs relating to a large waste management contract which did not proceed
- Investment in new offices, depots and staff resources, enabling sales growth to be delivered at improved margins this year

Key performance indicators

The group uses a range of performance measures to monitor and manage the business effectively These are both financial and non-financial and the most significant of these are the key performance indicators (KPI's)

The key financial performance indicators at group level are turnover, gross profit and percentage margin, net profit and percentage margin These KPI's indicate the volume of work the group has undertaken as well as the efficiency and profitability with which this work has been delivered

The key non-financial indicator is the average number of staff employed by the group Because of the diverse nature of the group's activities different indicators are used by different companies within the group The consolidated financial statements of NPS Property Consultants Limited and Norse Commercial Services Limited include detailed commentary in respect of the key performance indicators used by those groups

FRS 17 pension adjustment represents the difference between employer contributions paid of £7,309k (2009 £9,094k) and the pension cost charged to operating profit of £6,954k (2009 £6,292k) plus the net finance charge within interest payable of £2,733k (2009 £359k)

Key performance indicators (continued)

The Board believe that in order to gain a true reflection and appreciation of the group's trading activities, the financial KPI's should be stated before the impact of FRS 17

The KPI's for the year to 31 January 2010, with comparatives, are as follows

	2010	2009 *Restated (note 31)*
Group turnover (£'000)	**174,639**	156,323
Gross profit (£'000)	**40,601**	33,553
Gross profit margin	**23 2%**	21 5%
Net profit /(loss) before tax (£'000)	**2,383**	(730)
Net profit margin	**1 4%**	(0 5%)
Average number of employees	**5,716**	5,376

The results for 2010 show a substantial increase in turnover of £18 million or 11 7% and this is primarily the result of

- Turnover from new acquisitions – Hamson Partnership Limited and Eventguard Limited,
- Turnover from new joint venture Enfield Norse Limited,
- Full year results from operations started in 2008/09, including Waveney Norse Limited, NPS Humber Limited, Barron and Smith Limited and Robson Liddle Limited

Margins at both gross and net levels improved, largely as a result of the factors mentioned earlier

Results and dividends

The loss for the year after taxation, FRS 17 adjustments and minority interests was £460,000 (2009 – loss of £2,774,000) The directors have not recommended a dividend

Outlook

Despite the current economic climate, a number of the group's core markets have improved since the year-end and the outlook is positive The group has a large number of long-term partnership contracts with Local Authorities and government bodies The group aims to strengthen its position by pursuing new partnership agreements, ad-hoc commissions and commercial acquisitions

Outlook (continued)

Since the year-end there have been a number of events that improve the outlook for 2011 and beyond and the most significant of these are,

- The consortium in which NPS is an equity stakeholder has been declared 'Preferred Bidder' in the BSF contract with the London Borough of Lambeth This is a 10-year contract with a construction value of approximately £185 million The 10-year contract, which is not dependent upon external equity or debt funding, comprises a complete end-to-end service solution for education including refurbishment, ongoing maintenance and facilities management, information technology and support, with NPS providing the design expertise for the partnership The fees generated from the core contract and the additional works will be a major source of turnover over the ten year period to the group

- Norse Commercial Services has secured a Building Maintenance contract with Norwich City Council worth around £1 5 million per annum, and increased the number of Park and Ride routes it operates in Norwich for Norfolk County Council

- Discussions with several local authorities are in progress which could lead to further expansion of business activities for the group

The Group aims to maintain existing profit margins in the year ahead

Financial risk management objectives and policies

In common with other businesses, the group aims to minimise financial risk The measures used by the directors to manage this risk include the preparation of profit and cash flow forecasts, regular monitoring of actual performance against these forecasts and ensuring that adequate financing facilities are in place to meet the requirements of the business Trade debtors are also closely monitored to keep the risk of bad debts to a minimum

Credit risk

Credit limits are set for customers based on a combination of credit checks and trading history, the limits are reviewed regularly and the debts are actively chased by the credit control department

Interest rate risk

Borrowings attract interest at both fixed and variable rates, the variable element is agreed at regular intervals with the lending party

Liquidity risk

Working capital requirements are regularly reviewed in conjunction with available financing facilities as part of routine financial management

Currency risk

As the vast majority of both sales and purchases are transacted in sterling, the group has minimal exposure to translation and transaction foreign exchange risk

The directors

The directors who served the company during the year were as follows

M L Britch
P M Hawes
P W Adams
A T Williams
D T Beadle - resigned 19 November 2009

The group maintains liability insurance for its directors and officers The directors and officers have also been granted a qualifying third party indemnity provision under section 234 of the Companies Act 2006 Neither the group's indemnity nor insurance provides cover in the event that a director or officer is proved to have acted fraudulently or dishonestly

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards 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 group will continue in business

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

In so far as each of the directors is aware

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

Donations

During the year the group made the following contributions

	2010	2009
	£'000	£'000
Charitable	406	414

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities In the event of an employee becoming disabled, every effort is made to retain them in order that their employment with the group may continue

Employee involvement

The directors recognise the importance of the employees to the ongoing success of the group and they ensure that they are all suitably qualified to undertake their roles and responsibilities The recruitment and retention of employees is a key company objective and once employees have been recruited, all necessary training is put into place including

- Induction course
- Customer care training
- Continuous training and development for professional employees
- Business related training as identified via the appraisal employees
- Management training as appropriate
- Personal development

Policy on the payment of creditors

The group endeavours to pay all invoices by the end of the month following the month of invoice

BY ORDER OF THE BOARD

A J Merricks
Secretary
16 June 2010

Grant Thornton

Independent auditor's report to the member of Norse Group Limited

We have audited the financial statements of Norse Group Limited for the year ended 31 January 2010 which comprise the accounting policies, the group profit and loss account, the group and parent company balance sheets, the group cash flow statement, the group statement of total recognised gains and losses and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's member 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 member 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 member 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 set out on page 8, 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 (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 January 2010 and of the group's loss 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 report of the directors' for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the member of Norse Group Limited (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or

- the parent company financial statements are not in agreement with the accounting records and returns, or

- certain disclosures of directors' remuneration specified by law are not made, or

- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP

Patrick Harris
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
NORWICH
16.6.2010

Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice)

The group has made a small loss for the year, however this is after FRS 17 pension adjustments of approximately £2 4m These do not represent a cash outflow to the group Forecasts prepared by the directors indicate a return to profitability in the 2010/11 financial year Furthermore the group does not have significant external borrowings other than the bank overdraft and a bank loan to the subsidiary undertaking Norfolk Environmental Waste Services Limited Any finance required is provided by the ultimate parent undertaking, Norfolk County Council, by way of available loan facilities The facility available at the year end was £17m A formal letter has been obtained from Norfolk County Council confirming that it will continue to make available this facility at the current level for a period of at least twelve months from the signing of these financial statements

As a consequence the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook Accordingly, it remains appropriate to prepare the financial statements on a going concern basis

Basis of consolidation

The group financial statements incorporate the financial statements of the company and all group undertakings for the year ended 31 January 2010 These are adjusted, where appropriate, to conform to group accounting policies Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over twenty years from the year of acquisition

The group's share of the results and assets and liabilities of Enfield Norse Limited have been consolidated in these financial statements using the gross equity method of accounting, based on the audited financial statements for the period ended 31 January 2010

The group's share of the results and assets and liabilities of North Lincolnshire Learning Partnership (PSP) Limited and Engage North Lincolnshire Limited have been consolidated in these financial statements using the gross equity method of accounting, based on un-audited management accounts for the period ended 31 January 2010 The first audited accounts for both companies are for the eleven month period ended 31 March 2010

As a group profit and loss account is published, a separate profit and loss for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006

Turnover

Turnover represents the amount derived from the provision of goods and services, excluding VAT and trade discounts, charged on an accruals basis and recognised to the extent that the company has obtained the right to consideration through its performance

Turnover in respect of long-term contracts and contracts for on-going services is recognised by reference to the stage of completion

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Goodwill - straight line over useful economic life of 20 years

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Leasehold property improvements	-	over period of lease
Freehold land	-	not depreciated
Freehold property	-	2% straight line
Office buildings	-	4% straight line
Plant & machinery	-	25% reducing balance
Fixtures & fittings	-	10 - 20% straight line
Motor vehicles	-	25% reducing balance
Commercial vehicles	-	10 - 33% straight line
Computer equipment	-	20 - 25% straight line
Capital development expenditure	-	not depreciated

Stocks

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

Work in progress

The attributable profit on long-term contracts is recognised once their outcome can be assessed with reasonable certainty The profit recognised reflects the proportion of work completed to date on the project Costs associated with long-term contracts are included in stock to the extent that they cannot be matched with contract work accounted for as turnover Long term contract balances included in stock are stated at cost after provision has been made for any foreseeable losses and the deduction of applicable payments on account Full provision is made for losses on all contracts in the year in which the loss is first foreseen

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Finance leases and hire purchase agreements

Assets acquired under finance leases and hire purchase agreements are treated as tangible fixed assets and depreciation is provided accordingly The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding

Pension costs and other post-retirement benefits

Defined benefit scheme

The amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments They are included as part of staff costs Past service costs are recognised immediately in the profit and loss account if the benefits have vested If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the group, in a separate trustee-administered fund Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities The actuarial valuations are prepared on a triennial basis and updated annually The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet Further details regarding the company pensions scheme are contained in note 21 to the financial instruments

Defined benefit schemes treated as money purchase schemes

Employees of NPS London Limited are members of the Norfolk Pension Fund Defined Benefit Scheme The transfer of employees to NPS London Limited from the London Borough of Waltham Forest was on a fully funded actuarial basis, however at the year end the actuary has not allocated the assets and liabilities pertaining to these employees Accordingly, contributions in respect of these employees have been treated as if they are contributions to a money purchase scheme

Employees of NPS Humber Limited are members of the East Riding Pension Fund, a local government pension scheme Under the terms of the transfer agreement, the actuarial risks associated with the scheme remain with Kingston Upon Hull City Council The contributions paid by NPS Humber Limited are set in relation to the current service period only and as such the group has accounted for the contributions to the scheme as if it were a defined contribution scheme

In respect of Waveney Norse Limited, the contributions to the pension scheme have been treated as contributions to a defined contribution scheme, despite the members being part of the Suffolk Pension Fund defined benefit scheme The company is required to pay contributions at a set percentage for the life of the agreement, with any increase or decrease in funding requirements being met in full by Waveney District Council

Defined contribution scheme

Contributions to defined contribution schemes are charged to the profit and loss account when they fall due on an accruals basis

Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised on all timing differences where the transactions or events that give an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred but not reversed by the balance sheet date

Deferred tax assets are recognised when it is more likely than not that they will be recovered Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date and is not discounted

Financial instruments

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Financial costs are calculated so as to produce a constant rate of return on the outstanding liability

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

Restoration provision

Full provision is made for the group's minimum unavoidable costs in relation to restoration liabilities at its landfill sites

Environmental management of landfill sites

The anticipated costs of monitoring for gas levels, ground water quality and site licensing following closure of the sites together with the management of leachate both pre and post-closure of the sites are accrued at their Net Present Value (NPV) and charged to the profit and loss account based on the amount of available airspace consumed The NPV has been calculated using an inflation rate of 3% per annum and a discount rate of 5% per annum The effects of inflation and the discount element on existing provisions are described within the financial statements as 'unwinding of discount on provisions'

Group profit and loss account

	Note	2010 £'000	2009 £'000 *Restated (note 31)*
Gross turnover	1	**177,557**	156,323
Less share of joint venture and associates turnover		**(2,918)**	-
Group turnover		**174,639**	156,323
Cost of sales	3	**(133,683)**	(125,572)
Gross profit		**40,956**	30,751
Other operating charges	2	**(38,053)**	(34,538)
Other operating income	4	**345**	421
Group operating profit/(loss)	5	**3,248**	(3,366)
Share of operating profit in associate		**1**	-
Loss on disposal of freehold property		**(128)**	-
Profit/(loss) before interest		**3,121**	(3,366)
Interest receivable and similar income	8	**73**	382
Interest payable and similar charges	9	**(3,189)**	(907)
Profit/(loss) on ordinary activities before taxation		**5**	(3,891)
Taxation on profit/(loss) on ordinary activities	10	**(291)**	1,028
Loss on ordinary activities after taxation		**(286)**	(2,863)
Minority interests	24	**(174)**	89
Loss for the financial year	26	**(460)**	(2,774)

All of the activities of the group are classed as continuing

Group balance sheet

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Fixed assets					
Intangible assets	12		5,099		3,563
Tangible assets	13		22,354		18,671
Investments in associates and joint ventures					
- share of gross assets	14	909		-	
- share of gross liabilities	14	(901)		-	
			8		-
			27,461		22,234
Current assets					
Stocks	15	1,980		2,199	
Debtors	16	30,633		30,161	
Cash at bank and in hand		4,239		3,955	
		36,852		36,315	
Creditors: amounts falling due within one year	18	(35,125)		(34,836)	
Net current assets			1,727		1,479
Total assets less current liabilities			29,188		23,713
Financed by					
Creditors amounts falling due after more than one year	19	6,288		2,142	
Provisions for liabilities	20	97		194	
Defined benefit pension scheme liability	21	37,266		26,199	
			43,651		28,535
Capital and reserves					
Equity share capital	25	11,964		11,964	
Revaluation reserve	26	855		855	
Profit and loss account	26	(26,884)		(17,335)	
Equity shareholder's deficit	27		(14,065)		(4,516)
Minority interests	24		(398)		(306)
			29,188		23,713

These financial statements were approved by the directors and authorised for issue on 16 June 2010 and signed on their behalf by

M L Britch
Director

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

Company balance sheet

	Note	2010 £'000	2009 £'000
Fixed assets			
Investments	14	**11,964**	11,964
Net assets		**11,964**	11,964
Capital and reserves			
Equity share capital	25	**11,964**	11,964
Equity shareholder's funds		**11,964**	11,964

These financial statements were approved by the directors and authorised for issue on 16 June 2010 and signed on their behalf by

M L Britch
Director

Group cash flow statement

	Note	2010 £'000	2009 £'000
Net cash inflow from operating activities	28	5,284	4,022
Returns on investments and servicing of finance	28	(383)	(166)
Taxation	28	62	(119)
Capital expenditure and financial investment	28	(7,292)	(1,720)
Acquisitions and disposals	28	(689)	(1,314)
Cash (outflow)/inflow before financing		(3,018)	703
Financing	28	2,839	(1,256)
Decrease in cash in the year	28	(179)	(553)

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

Other primary statement

Statement of total recognised gains and losses

	2010 £'000	2009 £'000
Loss for the financial year	**(460)**	(2,774)
Actuarial loss in respect of defined benefit pension scheme	**(12,855)**	(15,766)
Initial recognition of FRS17 defined benefit deficit	**(138)**	-
Deferred tax in respect of defined benefit pension scheme	**3,638**	4,414
Transfer of actuarial loss to minority interest	**266**	65
Total gains and losses recognised for the year	**(9,549)**	(14,061)

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

Notes to the financial statements

1 Turnover

An analysis of turnover by class of business is given below

	2010	2009
	£'000	£'000
Property consultancy and design services	76,606	64,017
Cleaning, catering, repair, maintenance and transport services	91,300	83,715
Waste management services	6,733	8,591
Share of turnover from joint venture - cleaning services	1,391	-
Share of turnover from associate - construction and civil engineering	1,527	-
	177,557	156,323

All turnover has arisen in the United Kingdom

2 Other operating charges

	2010	2009
	£'000	£'000 *Restated (note 31)*
Administrative expenses (note 3)	38,053	34,538

3 Exceptional items

Included within cost of sales in the current year is £879k (2009 £nil) in respect of costs incurred by the NPS Property Consultants group in respect of the bid for the Building Schools for the Future framework contract with the London Borough of Lambeth These were fully expensed in the year as the contract had not been awarded at the year end

Administrative expenses in the prior year included exceptional items of £820k These related to a write down of pre contract costs of £638k and a write down of the value of a landfill site of £182k in the financial statements of the subsidiary undertaking, Norfolk Environmental Waste Services Limited

4 Other operating income

	2010	2009
	£'000	£'000
Other operating income	345	421

5 Group operating profit/(loss)

Group operating profit/(loss) is stated after charging/(crediting)

	2010 £'000	2009 £'000
Amortisation of intangible assets	280	167
Depreciation of owned fixed assets	2,956	3,381
Depreciation of assets held under finance leases and hire purchase agreements	629	621
Loss/(profit) on disposal of fixed assets	68	(22)
Operating lease costs		
- Plant and equipment	3,572	4,570
- Land and buildings	1,759	1,573
Hire of plant and machinery	513	433
Auditor's remuneration - audit of the financial statements	2	2
Auditor's remuneration - other fees	217	213

Auditor's remuneration - other fees

	2010	2009
- Statutory audit of subsidiaries	104	100
- Taxation services	58	58
- Bus service operators grant audits	6	6
- Accountancy advisory services	25	44
- Advisory and business support	24	5
	217	213

6 Particulars of employees

The average number of staff employed by the group during the financial year amounted to

	2010 No	2009 No
Architectural services	402	388
Building surveying group	493	477
Business support	420	403
Estates	104	85
Other	67	312
Production	1,264	879
Catering	1,395	1,421
Cleaning	875	864
Transport	472	491
Security	110	-
Waste management operations	114	56
	5,716	5,376

6 Particulars of employees (continued)

The aggregate payroll costs of the above were

	2010 £'000	2009 £'000
Wages and salaries	85,715	75,918
Social security costs	6,096	5,470
Pension costs	8,477	10,590
	100,288	91,978

Pension costs are amounts charged to operating profit and do not include amounts charged to finance costs (note 9) and amounts recognised in the statement of recognised gains and losses

Pension costs include £1,534k (2009 £1,496k) in respect of members of defined contribution schemes and contributions made in respect of employees where defined benefit scheme information is not available and the contributions have therefore been treated on a defined contribution basis

7 Directors

Remuneration in respect of directors was as follows

	2010 £'000	2009 £'000
Emoluments receivable in respect of services to subsidiary undertakings	294	293

The aggregate emoluments of the highest paid director were £155,000 (2009 £159,000)

The number of directors who accrued benefits under group pension schemes was as follows

	2010 Number	2009 Number
Defined benefit schemes	2	2

8 Interest receivable and similar income

	2010 £'000	2009 £'000
Bank interest receivable	65	366
Other loan interest receivable	8	16
	73	382

9 Interest payable and similar charges

	2010 £'000	2009 £'000
Interest payable on bank borrowing	449	482
Net finance charge in respect of defined benefit pension schemes (note 21)	2,733	359
Other interest payable	7	61
Unwinding of discount on provisions	-	5
	3,189	907

10 Taxation on profit/(loss) on ordinary activities

(a) Analysis of charge/(credit) in the year

	2010 £'000	2009 £'000
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year at 28%	**1,091**	(833)
(Over)/under provision in prior year	**(48)**	66
Share of joint venture and associate	**3**	-
Total current tax (note 10(b))	**1,046**	(767)
Deferred tax		
Origination and reversal of timing differences (note 17)	**(105)**	689
In relation to defined benefit pension scheme (note 17)	**(666)**	(885)
Adjustments in relation to prior periods (note 17)	**16**	(65)
Total deferred tax	**(755)**	(261)
Tax on profit/(loss) on ordinary activities	**291**	(1,028)

(b) Factors affecting current tax charge/(credit)

The tax assessed on the profit/(loss) on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28%

	2010 £'000	2009 £'000
Profit/(loss) on ordinary activities before taxation (excluding joint venture and associate undertaking)	**4**	(3,891)
Profit/(loss) on ordinary activities by rate of tax	**1**	(1,089)
Expenses not deductible for tax purposes	**274**	302
Difference between capital allowances and depreciation	**57**	183
Adjustments to tax charge in respect of prior year	**(48)**	66
FRS 17 pension adjustment	**666**	885
Difference from higher rate of tax	**-**	8
Utilisation of tax losses	**-**	(1,091)
Other timing adjustments	**93**	(31)
Share of joint venture and associate	**3**	-
Total current tax (note 10(a))	**1,046**	(767)

11 Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company was £Nil (2009 £Nil)

12 Intangible fixed assets

Group	Goodwill £'000
Cost	
At 1 February 2009	3,820
Additions (note 30)	1,831
Disposals	(15)
At 31 January 2010	5,636
Amortisation	
At 1 February 2009	257
Charge for the year	280
At 31 January 2010	537
Net book value	
At 31 January 2010	**5,099**
At 31 January 2009	3,563

13 Tangible fixed assets

Group	Freehold & leasehold property £'000	Plant, fixtures & fittings £'000	Motor vehicles £'000	Computer equipment £'000	Capital development expenditure £'000	Total £'000
Cost or valuation						
At 1 Feb 2009	18,291	13,981	2,106	4,899	103	39,380
Reclassification	74	(74)	-	-	-	-
Acquisition	7	77	-	6	-	90
Additions	5,091	1,120	670	934	297	8,112
Disposals	(726)	(1,860)	(125)	(83)	(103)	(2,897)
At 31 Jan 2010	22,737	13,244	2,651	5,756	297	44,685
Depreciation						
At 1 Feb 2009	7,529	8,838	996	3,346	-	20,709
Charge for the year	837	1,579	287	882	-	3,585
On disposals	(66)	(1,702)	(116)	(79)	-	(1,963)
At 31 Jan 2010	8,300	8,715	1,167	4,149	-	22,331
Net book value						
At 31 Jan 2010	**14,437**	**4,529**	**1,484**	**1,607**	**297**	**22,354**
At 31 Jan 2009	10,762	5,143	1,110	1,553	103	18,671

Included within the net book value above is £1,257k (2009 £1,924k) relating to assets held under finance leases and hire purchase agreements The depreciation charged to the financial statements in the year in respect of such assets amounted to £629k (2009 £621k)

Freehold and leasehold property includes land of £4,831 (2009 £2,236k) which is not depreciated The historical cost of the re-valued freehold property amounted to £5,320k (2009 £1,415k)

14 Investments

Subsidiary undertaking	Country of incorporation	Holding	%	Nature of business
NPS Property Consultants Limited	England	Ordinary shares	100%	Property consultants
- NPS North East Limited	England	Ordinary shares	100%	Property consultants
- NPS North West Limited	England	Ordinary shares	100%	Property consultants
- NPS Stockport Limited	England	Ordinary shares	80%	Property consultants
- NPS London Limited	England	Ordinary shares	80%	Property consultants
- NPS South West Limited	England	Ordinary shares	80%	Property consultants
- John Packer Associates Limited	England	Ordinary shares	100%	Building services consultants
- Robson Liddle Limited	England	Ordinary shares	100%	Building services consultants
- Barron and Smith Limited	England	Ordinary shares	100%	Architects
- NPS Humber Limited	England	Ordinary shares	60%	Property consultants
- NPS South East Limited	England	Ordinary shares	100%	Property consultants
- Hamson Partnership Limited	England	Ordinary shares	100%	Property consultants
Norse Commercial Services Limited	England	Ordinary shares	100%	Providing council services
- Norfolk County Services Transport	England	Ordinary shares	-	Providing transport services
- GYB Services Limited	England	Ordinary shares	100%	Providing council services
- Suffolk Coastal Services Limited	England	Ordinary shares	100%	Providing council services
- Waveney Norse Limited	England	Ordinary shares	80%	Providing council services
- Eventguard Limited	England	Ordinary shares	75%	Providing security services
Norfolk Environmental Waste Services Limited	England	Ordinary shares	100%	Waste management services
- Addfill Limited	England	Ordinary shares	100%	Waste management services
- Sustainable Resource Management Limited	England	Ordinary shares	100%	Dormant

Norfolk County Services Transport is Limited by guarantee and, not having any share capital, is controlled by Norse Commercial Services Limited

Joint venture undertaking
Norse Commercial Services Limited owns 60% of the issued share capital of Enfield Norse Limited, a company incorporated in England The remaining 40% of the issued share capital is owned by the London Borough of Enfield The shareholders agreement states that in the event of a winding up the assets are to be distributed equally between both shareholders Furthermore, the voting rights of the directors are such that neither party is able to exercise overall control of the company Accordingly, this is treated as a joint venture in these financial statements

Associate undertaking
During the year the NPS Property Consultants group acquired a 24% shareholding in North Lincolnshire Learning Partnership (PSP) Limited, a company incorporated in England The principal activity of North Lincolnshire Learning Partnership (PSP) Limited is that of a holding company North Lincolnshire Learning Partnership (PSP) Limited owns 80% of the share capital of Engage North Lincolnshire Limited, the principal activity of which is construction and civil engineering

14 Investments (continued)

Group	Investment in associate £'000	Investment in joint venture £'000	Total £'000
Cost and net book value			
At 1 February 2009	-	-	-
Acquired in the year	10	-	10
Share of result for the financial year	1	(3)	(2)
At 31 January 2010	**11**	**(3)**	**8**
The above investments consist of			
Share of gross assets	426	483	909
Share of gross liabilities	(415)	(486)	(901)
	11	**(3)**	**8**

Company	Group companies £'000
Cost and net book value	
At 1 February 2009 and 31 January 2010	**11,964**

15 Stocks

	2010 Group £'000	2010 Company £'000	2009 Group £'000	2009 Company £'000
Raw materials	**938**	-	938	-
Work in progress	**984**	-	1,085	-
Finished goods and goods for resale	**58**	-	176	-
	1,980	-	2,199	-

16 Debtors

	2010 Group £'000	2010 Company £'000	2009 Group £'000	2009 Company £'000
Trade debtors	**16,126**	-	20,152	-
Amounts owed by parent undertaking	**2,556**	-	-	-
Amounts owed by joint venture	**809**	-	-	-
Amounts owed by associate	**96**	-	-	-
Amounts recoverable on contracts	**4,906**	-	3,585	-
Corporation tax	-	-	320	-
Other debtors	**596**	-	704	-
Deferred taxation (note 17)	**189**	-	104	-
Prepayments and accrued income	**5,355**	-	5,296	-
	30,633	-	30,161	-

17 Deferred taxation

The movement in the deferred taxation asset during the year was

	2010		2009	
	Group £'000	Company £'000	Group £'000	Company £'000
Asset brought forward	104	-	728	-
Acquired with subsidiary (note 30)	(4)	-	-	-
Origination and reversal of timing differences	105	-	(689)	-
Adjustment in respect of prior years	(16)	-	65	-
Asset carried forward (note 16)	189	-	104	-

The group's asset for deferred taxation consists of the tax effect of timing differences in respect of

	2010 £'000	2009 £'000
Excess of depreciation on fixed assets over taxation allowances	81	27
Other timing differences	108	77
	189	104

The movement in the deferred tax asset relating to the pension deficit is as follows

	2010 £'000	2009 £'000
Asset brought forward	10,188	4,889
Credit to profit and loss account (note 10)	666	885
Deferred tax on actuarial loss for the year	3,638	4,414
Asset carried forward (note 21)	14,492	10,188

18 Creditors: amounts falling due within one year

	2010 Group £'000	2010 Company £'000	2009 Group £'000	2009 Company £'000
Bank loans and overdrafts	2,421	-	2,282	-
Trade creditors	7,427	-	6,615	-
Loans from ultimate parent undertaking	153	-	106	-
Amounts owed to ultimate parent undertaking	-	-	530	-
Finance lease and hire purchase obligations	306	-	454	-
Corporation tax	911	-	-	-
Other taxation and social security	4,761	-	6,060	-
Other creditors	1,675	-	1,498	-
Accruals and deferred income	17,471	-	17,291	-
	35,125	-	34,836	-

The group
Included within other creditors is £630k (2009 £nil) in respect of outstanding pension contributions

19 Creditors: amounts falling due after more than one year

	2010 Group £'000	2010 Company £'000	2009 Group £'000	2009 Company £'000
Finance lease and hire purchase obligations	427	-	604	-
Loans from ultimate parent undertaking	5,061	-	1,538	-
Loan notes	800	-	-	-
	6,288	-	2,142	-

Analysis of bank loans

	2010 Group £'000	2010 Company £'000	2009 Group £'000	2009 Company £'000
Amounts payable within 1 year	1,062	-	1,386	-

The subsidiary undertaking, Norfolk Environmental Waste Services Limited has two bank loans The first is repayable monthly with the final payment due on 1 November 2011 Interest is payable at a rate of 6 4% per annum and at the year end £393k remained outstanding The second loan is repayable monthly with the final payment due on 27 January 2016 Interest is payable at 1 4% over the bank base rate and at the year end £669k remained outstanding At the year end, Norfolk Environmental Waste Services Limited was in breach of certain covenants in respect of these loans Accordingly, these are classified as being due within one year

The bank loans are secured by way of two first legal charges over commercial freehold property at Costessey, Norwich

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

Analysis of loans from ultimate parent undertaking

	2010		2009	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Amounts payable within 1 year	153	-	106	-
Amounts payable between 2 and 5 years	579	-	424	-
Amounts payable after 5 years	4,482	-	1,114	-
	5,214	-	1,644	-

By virtue of an agreement dated 28 March 2001, Norfolk Environmental Waste Services Limited received a loan from the ultimate parent undertaking, Norfolk County Council The loan is repayable in 46 equal half yearly instalments bearing interest at 4 875% The final payment will be on 31 March 2024

During the year Norse Commercial Services Limited received a loan from the ultimate parent undertaking, Norfolk County Council The loan is repayable in half yearly instalments ending on 31 March 2040 Interest on the loan is charged at 6% per annum

Analysis of obligations under finance leases and hire purchase contracts

	2010		2009	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Amounts payable within 1 year	306	-	454	-
Amounts payable between 2 and 5 years	425	-	602	-
Amounts payable over 5 years	2	-	2	-
	733	-	1,058	-

The liabilities under finance leases and hire purchase contracts are secured upon the respective assets

Analysis of loan notes

	2010		2009	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Amounts payable within 1 year	400	-	-	-
Amounts payable between 2 and 5 years	800	-	-	-
	1,200	-	-	-

Loan notes repayable within one year are included within other creditors

20 Provisions for liabilities

	2010		2009	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Restoration and environmental management				
At beginning of year	**194**	-	661	-
Credit to profit and loss account	-	-	(129)	-
Utilised in year	**(97)**	-	(338)	-
At end of year	97	-	194	-

Site restoration

The site restoration provision relates to operations at the Mayton Wood Compost facility An obligation under the group's planning permission for the operation is to restore the site to a pre-approved restoration plan following cessation of operations in December 2010 The cost of this restoration is estimated to be £97k (2009 £89k)

Environmental management

The environmental management provision of £105k at the end of the prior year related to costs including such items as monitoring, gas and leachate management, and licensing The group no longer has an environmental management provision as a result of responsibility for maintaining all of its landfill sites once closed being transferred to Norfolk County Council

21 Pension commitments

The calculations for FRS 17 disclosures are based on a full actuarial valuation of the scheme as at 31 March 2007 updated to 31 January 2010 by a qualified independent actuary

The main assumptions used by the actuary to calculate scheme liabilities of the company under FRS 17 were

	2010	2009	2008
	%	%	%
Rate of increase in salaries	**4 0**	5 1	5 1 - 5 3
Rate of increase in pensions in payment	**3 5**	3 6	3 5 - 3 6
Discount rate	**5 5**	6 9	5 8 - 6 3
Inflation assumption	**3 5**	3 6	3 5 - 3 6

The post retirement mortality assumptions used to value the benefit obligation at the year end are based on the PFA92 and PMA92 tables, projected to calendar year 2033 for non-pensioners and 2017 for pensioners

The actual return on scheme assets in the year was a gain of £24,129,000 (2009 loss of £27,161,000)

21 Pension commitments (continued)

The fair value of the scheme assets and the expected rate of return, the present value of the scheme liabilities and the resulting deficit are

		2010		2009		2008
	Long-term rate of return expected %	**Value £'000**	Long-term rate of return expected %	Value £'000	Long-term rate of return expected %	Value £'000
Equities	**7 7**	**106,076**	7 5	75,520	7 5 - 7 9	91,192
Bonds	**5 0**	**28,351**	5 7	24,238	4 5 - 5 8	25,307
Property	**5 7**	**15,571**	5 5	12,992	5 6 - 6 5	18,022
Cash	**4 8**	**11,646**	4 0	8,437	4 7 - 7 5	7,903
Total market value of assets		**161,644**		121,187		142,424
Present value of scheme liabilities		**(213,402)**		(157,574)		(159,884)
Deficit in the scheme		**(51,758)**		(36,387)		(17,460)
Related deferred tax asset (note 17)		**14,492**		10,188		4,889
Net pension liability		**(37,266)**		(26,199)		(12,571)

An analysis of the movement in the deficit during the year is shown below

	2010 £'000	2009 £'000
At 1 February 2009	**(36,387)**	(17,460)
Initial recognition of FRS 17 defined benefit deficit	**(138)**	-
Total operating charge	**(6,954)**	(9,094)
Total finance charge	**(2,733)**	(359)
Actuarial losses	**(12,855)**	(15,766)
Employer contributions	**7,309**	6,292
At 31 January 2010	**(51,758)**	(36,387)

The initial recognition of the FRS 17 deficit relates to the subsidiary undertaking, NPS South West Limited In prior years contributions paid to the Norfolk pension scheme were treated as if they were contributions to a defined contribution pension scheme as the actuary had not allocated the assets and liabilities pertaining to these employees The allocation took place in the current year at which point the defined benefit pension deficit was recognised in the financial statements

21 Pension commitments (continued)

An analysis of the defined benefit cost follows

Analysis of the amount charged to operating profit/(loss)

	2010 £'000	2009 £'000
Current service cost	**(6,230)**	(6,740)
Past service costs	**(430)**	(2,354)
Losses on settlements and curtailments	**(294)**	-
Total operating charge	**(6,954)**	(9,094)

Analysis of the amount charged to finance costs

	2010 £'000	2009 £'000
Expected return on assets in the scheme	**8,539**	9,876
Interest costs (note 9)	**(11,272)**	(10,235)
Total finance charge	**(2,733)**	(359)

Analysis of the amount recognised in statement of total recognised gains and losses

	2010 £'000	2009 £'000
Difference between expected and actual return on assets	**15,590**	(37,037)
Experience (losses)/gains arising from scheme liabilities	**(1)**	4,407
Effect on changes in assumptions	**(28,444)**	16,864
Actuarial losses	**(12,855)**	(15,766)

A history of experience gains and losses since the formation of the Norse group is shown below

	2010	2009	2008	2007
Difference between the expected and actual return on scheme assets				
- amount (£'000)	**15,590**	(37,037)	(10,538)	2,346
- % of scheme assets	**10**	(31)	(7)	2
Experience gain on scheme liabilities				
- amount (£'000)	**(1)**	4,407	(7,581)	135
- % of the present value of scheme liabilities	**-**	3	(5)	-
Total amount recognised in statement of total recognised gains and losses				
- amount (£'000)	**(12,855)**	(15,766)	(3,689)	16,544
- % of the present value of scheme liabilities	**(6)**	(10)	(2)	12

21 Pension commitments (continued)

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses at 31 January 2010 was a net loss of £15,766,000 (2009 net loss of £2,911,000)

Analysis of changes in the value of the scheme assets during the year

	2010	2009
	£'000	£'000
Market value of scheme assets at the beginning of the year	**121,187**	142,424
On initial recognition of defined benefit scheme	**9,623**	-
Expected return on scheme assets	**8,539**	9,876
Actuarial gains/(losses)	**15,590**	(37,037)
Employer contributions	**7,309**	6,292
Member contributions	**3,002**	2,543
Benefits paid	**(3,606)**	(2,911)
Market value of the scheme assets at the end of the year	**161,644**	121,187

Analysis of changes in the value of the scheme liabilities during the year

	2010	2009
	£'000	£'000
Present value of scheme liabilities at the start of the year	**157,574**	159,884
On initial recognition of defined benefit scheme	**9,761**	-
Total operating charge	**6,954**	9,094
Interest cost	**11,272**	10,235
Member contributions	**3,002**	2,543
Benefits paid	**(3,606)**	(2,911)
Actuarial losses/(gains)	**28,445**	(21,271)
Present value of the scheme liabilities at the end of the year	**213,402**	157,574

History of scheme assets, liabilities and net deficit position

	2010	2009	2008	2007
	£'000	£'000	£'000	£'000
Market value of plan assets at end of year	**161,644**	121,187	142,424	120,066
Present value of scheme liabilities at end of year	**(213,402)**	(157,574)	(159,884)	(133,288)
Net deficit in the plan at end of year	**(51,758)**	(36,387)	(17,460)	(13,222)

Future funding obligation

The directors anticipate that contributions of approximately £7,335,000 (2009 £6,437,000) will be paid in the year to 31 January 2011

22 Operating lease and capital commitments

Operating lease commitments
At 31 January 2010 the group had annual commitments under non-cancellable operating leases as set out below

The group	**2010** Land and buildings £'000	**2010** Assets other than land and buildings £'000	2009 Land and buildings £'000	2009 Assets other than land and buildings £'000
Operating leases which expire				
Within 1 year	**13**	**77**	8	369
Within 2 to 5 years	**370**	**1,790**	248	1,985
After more than 5 years	**1,409**	**470**	1,481	-
	1,792	**2,337**	1,737	2,354

Capital commitments
At the year end the group was committed to further capital expenditure of £314,000 (2009 £nil)

23 Related party transactions

The group had the following transactions in the normal course of trade with the parent undertaking, Norfolk County Council

2010.	**Sales £'000**	**Purchases £'000**	**Debtor £'000**	**Creditor £'000**
Norfolk County Council	**51,798**	**7,268**	**2,556**	**-**

2009	Sales £'000	Purchases £'000	Debtor £'000	Creditor £'000
Norfolk County Council	50,474	7,294	-	530

The creditor balances above do not include loans from Norfolk County Council These are separately disclosed within note 19

24 Minority interests

	2010 £'000	2009 £'000
At 1 February 2009	**306**	193
Profit/(loss) attributable to minority interest	**(174)**	89
Transfer of share of actuarial loss	**266**	65
Share of assets of acquired subsidiary	**-**	(41)
At 31 January 2010	**398**	306

25 Share capital

Authorised share capital

	2010 £'000	2009 £'000
11,964,404 Ordinary shares of £1 each	**11,964**	11,964

Allotted, called up and fully paid

	2010 Number	£'000	2009 Number	£'000
Ordinary shares of £1 each	**11,964,404**	**11,964**	11,964,404	11,964

26 Reserves

Group	**Revaluation Reserve £'000**	**Profit and loss account £'000**
At 1 February 2009	855	(17,335)
Loss for the year	-	(460)
Actuarial loss in respect of defined benefit pension scheme	-	(9,355)
Transfer of minority interest share of actuarial loss	-	266
At 31 January 2010	855	(26,884)

Company	**Profit and loss account £'000**
At 31 January 2010 and 31 January 2009	-

27 Reconciliation of movements in equity shareholder's deficit

	2010 £'000	2009 £'000
Loss for the financial year	**(460)**	(2,774)
Actuarial loss in respect of defined benefit pension scheme	**(9,355)**	(11,352)
Transfer of actuarial loss to minority interest	**266**	65
Net increase to equity shareholders deficit	**(9,549)**	(14,061)
Opening equity shareholder's deficit	**(4,516)**	9,545
Closing equity shareholder's deficit	**(14,065)**	(4,516)

28 Notes to the statement of cash flows

Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	2010 £'000	2009 £'000
Operating profit/(loss)	3,248	(3,366)
Amortisation	280	167
Depreciation	3,585	4,002
Loss/(profit) on disposal of fixed assets	68	(22)
Decrease/(increase) in stocks	219	(14)
Decrease in debtors	149	811
(Decrease)/increase in creditors	(1,813)	109
Decrease in provisions	(97)	(467)
Provision for service cost of defined benefit pension scheme	6,954	9,094
Defined benefit pension scheme contributions paid	(7,309)	(6,292)
Net cash inflow from operating activities	5,284	4,022

Returns on investments and servicing of finance

	2010 £'000	2009 £'000
Interest received	73	382
Interest paid	(456)	(548)
Net cash outflow from returns on investments and servicing of finance	(383)	(166)

Taxation

	2010 £'000	2009 £'000
Tax paid/(received)	62	(119)

Capital expenditure

	2010 £'000	2009 £'000
Payments to acquire tangible fixed assets	(8,030)	(2,768)
Receipts from sale of fixed assets	738	1,048
Net cash outflow from capital expenditure	(7,292)	(1,720)

Acquisitions

	2010 £'000	2009 £'000
Cash consideration in respect of acquisitions	(617)	(1,322)
Net overdrafts acquired	(62)	8
Purchase of investment in associate	(10)	-
Net cash outflow from acquisitions	(689)	(1,314)

28 Notes to the statement of cash flows (continued)

Financing

	2010 £'000	2009 £'000
Repayment of bank loans	(324)	(334)
New loan from ultimate parent undertaking	3,699	-
Repayment of loan from ultimate parent undertaking	(129)	(106)
Capital element of lease finance and hire purchase	(407)	(816)
Net cash inflow/(outflow) from financing	2,839	(1,256)

Reconciliation of net cash flow to movement in net debt

	2010 £'000	2009 £'000
Decrease in cash in the year	(179)	(553)
Net cash (inflow)/outflow from financing	(2,839)	1,256
Change in net debt arising from cash flows	(3,018)	703
New finance leases and hire purchase agreements	(82)	(759)
Finance leases and hire purchase agreements acquired with subsidiary	-	(24)
Movement in net debt in the year	(3,100)	(80)
Net debt at 1 February 2009	(1,029)	(949)
Net debt at 31 January 2010	(4,129)	(1,029)

Analysis of changes in net debt

	At 1 Feb 2009 £'000	Cash flows £'000	Non-cash movements £'000	At 31 Jan 2010 £'000
Cash in hand and at bank	3,955	284	-	4,239
Bank overdraft	(896)	(463)	-	(1,359)
Net cash	3,059	(179)	-	2,880
Hire purchase agreements	(1,058)	407	(82)	(733)
Loan from ultimate parent undertaking	(1,644)	(3,570)	-	(5,214)
Bank loan	(1,386)	324	-	(1,062)
Net debt	(1,029)	(3,018)	(82)	(4,129)

29 Ultimate controlling undertaking

The ultimate controlling party is Norfolk County Council by virtue of it's ownership of 100% of the ordinary share capital of the company

30 Acquisitions

On 31 March 2009, NPS Property Consultants Limited acquired the entire issued share capital of Hamson Partnership Limited Details of the net assets acquired and the goodwill arising are given below

	Book value and fair value £'000
Tangible fixed assets	90
Debtors	856
Cash at bank	1
Bank overdraft	(62)
Corporation tax creditor	(123)
Other creditors	(601)
Deferred taxation	(4)
Net assets acquired	157
Cash consideration (including costs of acquisition)	617
Loan notes	1,200
Deferred consideration (included in other creditors)	171
Total consideration	1,988
Goodwill arising (note 12)	1,831

Deferred consideration represents the directors best estimate of further amounts payable Additional consideration is payable if profit targets are achieved over the next two financial years

The post acquisition results of the above acquisition have not been separately analysed as "acquisitions" as they are not material to the group

31 Restatement of comparatives

On 1 February 2009, a number of staff and contracts were transferred from NPS Property Consultants Limited to the wholly owned subsidiary undertaking, NPS South East Limited Following this transfer, management reviewed the allocation of costs between cost of sales and administrative expenses and a number of costs that previously were included within cost of sales were transferred to administrative expenses The directors view is that the new allocation of costs more appropriately reflects the nature of these costs To ensure the comparability of the numbers included within the profit and loss account the prior year figures have been amended to reflect the revised cost allocation As a result costs of £3,606k which were previously included within cost of sales have been re-allocated to administrative expenses