ESA McIntosh Limited

Directors' Report and Financial Statements

Registered Number 90149

31 December 2007



Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the independent auditors to the members of ESA McIntosh Limited	4
Income Statement	5
Balance sheet	6
Cash flow statement	7
Notes	8

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

Principal activity and business review

The principal activity of the group continued to be the manufacture and supply of educational furniture

The company has achieved a lower than expected result for the year to 31 December 2007 Operating profit decreased from £3 7 million in the previous year to £0 8 million due to a lower level of activity and operational challenges Profit before tax decreased by £2 9 million to £0 5 million Turnover was £1 8 million down (6%) on the previous year, though turnover on PFI business was up £1 2m (6%) The reduction has been driven by Scottish election activity which has contributed to delays in spending by Councils and local authorities A recovery in this sector is expected in 2008 with orders carrying forward already exceeding previous best levels PFI and now Building Schools for the Future ("BSF") continues to offer excellent opportunities in growth as Government policy continues to commit to education spend, particularly in the English BSF and Scottish PFI markets

The principal risks and uncertainties affecting the business include the following

- Contract delays the company is a supplier to major construction projects which can be subject to time delays and slippage caused by commercial and weather related issues The business addresses this risk by building allowance for slippage into its production forecasts and budgets
- Sub contractor status the company works as a sub contractor under industry standard written contracts The risks involved in working under such contracts are controlled by the employment of qualified and knowledgeable contract managers and quantity surveyors
- The Company's business has a strong seasonal element with a peak of activity in the middle and second half of the year This could result in peak output requirements exceeding the available capacity The Company manages this risk by detailed and regular capacity planning reviews with additional shifts and early production being planned

Key areas of strategic development and performance of the business include·

- Sales and marketing new and replacement business is being won continually, new markets have been developed in line with the group's strategy, key customer relationships are monitored on a regular basis
- Health and safety the company continues to seek ways of ensuring that a safe and healthy working environment is progressively improved
- Competitive advantage, the company focuses on areas where it has a competitive advantage, which places it well in terms of superior long term income/cash flow growth potential

The directors monitor a range of financial and non financial indicators, reported on a periodic basis, to measure the company's performance over time

Of these, the key performance indicators are

	2007	2006	Measure
Financial			
Return on capital	10 9%	77 9%	Profit before tax/net assets
Current ratio	1 18	1 18	Current assets current liabilities
Sales per employee (£000)	133 7	141 6	Turnover/average number of employees
Operating profit per employee (£000)	3 7	16 2	

Financial instruments

The Company's policy is to minimise the use of complex financial instruments

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Dividends

No dividend was declared (2006 £nil)

Directors

The directors who held office during the year were as follows

H Balfour
G Findlay
R McDonald
H Plaut (appointed 3 12 07)
A Clow (appointed 3 12 07)
A Dougherty (resigned 12 11 07)
K Munro (resigned 12 11 07)

Health and Safety

Strenuous efforts continue to be made throughout the company to improve our good record in this field

Disabled persons

The company's policy in respect of the employment of disabled persons is

a to give full and fair consideration of all types of vacancies,

b to retain newly disabled employees wherever possible for rehabilitation and training, and

c to give equal opportunities for training, career development and promotion and, where applicable, to modify equipment and premises to use special equipment aids or to restructure jobs

Employee involvement

During the year employees have been briefed with information on matters of concern to them regarding the company's activities and progress

Political and charitable contributions

The company made no political contributions during the year Donations to UK charities amounted to £nil *(2006 £nil)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board

G Findlay
Director

Mossway
Hillend Industrial Park
Dalgety Bay
Fife
6 October 2008

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable laws

The financial statements are required by law to present fairly the financial position and the performance of the company, the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation

In preparing these financial statements, the directors are required to
- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Independent auditors' report to the members of ESA McIntosh Limited

We have audited the financial statements of ESA McIntosh Limited for the year ended 31 December 2007 which comprise the Income Statement, the Statement of Recognised Income and Expense, the Balance Sheet, the Cash Flow Statement and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 3

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

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

Basis of audit opinion

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

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

Opinion

In our opinion
- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc 10 October 2008
Chartered Accountants
Registered Auditor
191 West George Street
Glasgow G2 2LJ

Income statement
For the year ended 31 December 2007

	Note	2007 £000	2006 £000
Revenue		30,890	32,703
Cost of sales		(25,411)	(25,000)
Gross profit		5,479	7,703
Administrative expenses		(4,632)	(3,970)
Operating profit		847	3,733
Financial expenses	5	(318)	(275)
Profit before tax		529	3,458
Income tax expense	6	(132)	(1,071)
Profit for the year	16	397	2,387

Statement of recognised income and expense
For the year ended 31 December 2007

The Company has no recognised income and expense other than the profit for the current and previous years

Balance sheet
As at 31 December 2007

	Note	2007 £000	2006 £000
Assets			
Non current assets			
Property, plant and equipment	8	3,505	3,346
Intangible assets	9	138	104
Total non current assets		3,643	3,450
Current assets			
Inventories	11	2,793	2,570
Trade and other receivables	12	9,747	8,346
Income tax	7	94	
Cash and cash equivalents	13		532
Total current assets		12,634	11,448
Total assets		16,277	14,898
Liabilities			
Current liabilities			
Bank overdraft	13	(1,669)	
Interest bearing loans and borrowings	15	(33)	(30)
Income tax	7		(476)
Trade and other payables	14	(9,030)	(9,184)
Total current liabilities		(10,732)	(9,690)
Non current liabilities			
Interest bearing loans and borrowings	15	(98)	(135)
Other payables	14	(287)	(287)
Deferred tax liabilities	10	(324)	(347)
Total non-current liabilities		(709)	(769)
Total liabilities		(11,441)	(10,459)
Net assets		4,836	4,439
Equity			
Issued share capital	16	100	100
Capital redemption reserve	16	1,381	1,381
Other reserves	16	356	356
Revenue reserves	16	2,999	2,602
Total equity attributable to equity holders of the parent		4,836	4,439

These financial statements were approved by the board of directors on 6 October 2008 and were signed on its behalf by

Grant Findlay
Director

Statement of cash flows

For the year ended 31 December 2007

	Note	2007 £000	2006 £000
Cash flows from operating activities			
Profit before tax		**529**	3,458
Adjustments for			
Depreciation of property, plant and equipment	2	**431**	376
Amortisation of intangible assets	2	**35**	38
Financial expenses	5	**318**	275
Gain on sale of property, plant and equipment	2		(7)
Operating profit before changes in working capital		**1,313**	4,140
(Increase)/decrease in trade and other receivables and other taxes	12	**(1,401)**	2,243
Increase in inventories	11	**(223)**	(489)
(Decrease)/increase in trade and other payables	14	**(154)**	5,581
Cash (absorbed by)/ generated from operations		**(465)**	11,475
Interest paid	5	**(318)**	(275)
Income taxes paid	7	**(725)**	(789)
Net cash inflow from operating activities		**(1,508)**	10,411
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	2		11
Acquisition of property, plant and equipment	8	**(590)**	(441)
Acquisition of intangible assets	9	**(69)**	(66)
Net cash outflow from investing activities		**(659)**	(496)
Cash flows from financing activities			
Repayment of finance lease liabilities	15	**(34)**	
Dividends paid			(10,900)
Net cash outflow from financing activities		**(34)**	(10,900)
Net (decrease)/increase in cash and cash equivalents		**(2,201)**	(985)
Cash and cash equivalents at 1 January		**532**	1,517
Cash and cash equivalents at 31 December		**(1,669)**	532

Notes to the financial statements

1 Accounting policies

ESA McIntosh Limited (the "Company") is a company incorporated and domiciled in the United Kingdom

Statement of compliance

In accordance with European law the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU ("Adopted IFRSs")

Basis of preparation

The financial statements are prepared on the historical cost basis and presented in pounds sterling, rounded to the nearest thousand except for certain fixed assets stated at deemed cost

The preparation of financial statements in conformity with IFRS requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense The estimates and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is contained in note 18 – valuation of financial instruments

The accounting policies set out below have been applied consistently to all periods presented in these financial statements

Foreign currency translation

Transactions and balances
Transactions in currencies other than pounds sterling are recorded at the exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the foreign exchange rate ruling at that date Non monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the rates prevailing at the dates when the fair value was determined Non monetary assets and liabilities that are measured at historical cost in a foreign currency (e g property, plant and equipment purchased in a foreign currency) are translated using the exchange rate prevailing at the date of the transaction Exchange differences arising on translation are recognised in the income statement for the period

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and net of any accumulated impairment losses Certain items of property, plant and equipment that had been revalued under UKGAAP on or prior to 1 January 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the fair value at the date of transition

Land is not depreciated For all other property, plant and equipment depreciation is calculated on a straight line basis to allocate cost less residual values of the assets over their estimated useful lives on the following bases

• Freehold and long leasehold buildings	2 5%
• Plant and equipment	10% – 20%
• Fixtures and fittings	10%
• Motor vehicles	25% – 33%

Residual values and useful lives are reassessed annually Assets held under finance leases are capitalised and depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease

Intangible assets

Intangible assets acquired by the Company are stated at cost less accumulated amortisation and accumulated impairment losses The cost of separately acquired intangible assets, including computer software, comprises the purchase cost and any directly attributable costs of preparing the asset for use Amortisation of other intangible assets is charged to the income statement on a straight line basis when the asset is available for use so as to allocate the carrying amounts of the intangible assets over their estimated useful lives as follows

• Computer software	5 years

Impairment of assets

The carrying amounts of the Company's non current assets, other than deferred tax, are reviewed at each balance sheet date to determine whether there is any indication of impairment

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount Recoverable amount is the higher of fair value, less costs to sell, and value in use In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs Impairment losses are recognised in the income statement

Inventories

Inventories are stated at the lower of cost and net realisable value using weighted average cost Cost comprises directly attributable purchase and conversion costs and an allocation of production overheads based on normal operating capacity Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, which is available for immediate withdrawal or on short term deposit, and cash in hand Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows

Dividends

Final equity dividends to the shareholders of ESA McIntosh Limited are recognised as a liability in the period that they are declared and approved Interim equity dividends are recognised as a liability in the period that they are paid

Financial instruments

Trade and other receivables
Trade and other receivables are stated at amortised cost less impairment losses (an allowance for irrecoverable amounts)

Trade and other payables
Trade and other payables are stated at amortised cost

Interest bearing borrowings
Interest bearing borrowings are recognised initially at the fair value of the consideration received, net of attributable transaction costs Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest method

Borrowing costs
Borrowing costs are recognised in the income statement as an expense in the period in which they are incurred

Employee benefits

Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of trade discounts, cash discounts and volume rebates and excluding value added tax Revenue from the sale of goods is recognised in the income statement when the Company has transferred the significant risks and rewards of ownership of the goods and services to the customer, the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company Revenue from goods shipped subject to installation is recognised when the customer accepts delivery and installation is complete No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods and continuing involvement with the goods such that the risks and rewards of ownership remain with the Company

Leases

Operating leases
Leases other than finance leases are classified as operating leases Payments made under operating leases are recognised in the income statement on a straight line basis over the lease term

Taxation

Current and deferred tax is recognised in the income statement, unless the tax relates to items recognised directly in shareholders' equity, in which case the tax is recognised directly in shareholders' equity through the statement of recognised income and expense

Current tax expense is the expected tax payable on the taxable income for the reporting period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to the tax payable in respect of prior years

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements Deferred tax arising from initial recognition of an asset or liability, other than a business combination, that affects neither accounting or taxable profit nor loss, is not recognised Deferred tax is calculated using tax rates that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised

IFRS not yet applied
A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007 and have not been applied in preparing these financial statements

The following standards have been endorsed by the EU and will require to be applied in subsequent periods
IFRS 8: Operating segments introduces the management approach to segment reporting IFRS 8 applies only to listed entities

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions requires a share based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity settled share based payment transaction, regardless of how the equity instruments are obtained It is not expected to have any significant impact on the company's financial statements
The following standards and interpretations have not yet been endorsed by the EU but may apply in subsequent periods if endorsed

Revised IAS 23: Borrowing costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the production of a qualifying asset as part of the cost of that asset The revised IAS 23 will become mandatory for the company's 2009 financial statements but will have no impact
Amendments to IAS 1 Presentation of Financial Statements: A revised presentation – This standard will require the Company to present a statement of comprehensive income and may require additional disclosures around changes in equity

Amendments to IAS 27 Consolidated and Separate Financial Statements and IFRS 3 (revised) Business combinations – These amendments make some changes to accounting for business combinations The standard will affect the Company if it is involved in business combinations in future financial periods

IFRIC 14 IAS 19· The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets It also addresses when an MFR might give rise to a liability IFRIC 14 will become mandatory for the Group's 2008 financial statements, with retrospective application required This will not impact the Company

2. Profit before tax

	Note	Cost of sales 2007 £000	Cost of sales 2006 £000	Administrative costs 2007 £000	Administrative costs 2006 £000	Total 2007 £000	Total 2006 £000
Profit before tax is stated after charging/ (crediting)							
Depreciation of property, plant and equipment	8	**409**		**21**	376	**431**	376
Amortisation of intangible assets	9			**35**	38	**35**	38
Gain on sale of property, plant and equipment					(7)		(7)
Operating lease charges							
Plant and machinery		**32**			23	**32**	23
Other		**14**		**306**	310	**320**	310
Fees paid to auditors							
Audit fees							
audit of these financial statements				**21**	26	**21**	26

Non audit fees are borne by the ultimate parent

3 Directors' remuneration

	2007 £000	2006 £000
Directors' emoluments including pensions	451	405

The remuneration of the highest paid director was £211,657 (2006 £161,833)

4. Personnel expenses

The average number of employees (including directors) was

	2007	2006
Direct	87	94
Indirect	150	137
	237	231

Their aggregate remuneration comprised

	2007 £000	2006 £000
Wages and salaries	6,831	5,942
Social security costs	710	606
Contributions to defined contribution pension plan	36	18
	7,577	6,566

The Company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the Company in an independently administered fund

5. Net financing (costs)/income

	2007 £000	2006 £000
Interest expense		
On loan from group companies	(318)	(275)
Financial expenses	(318)	(275)
Net financing (costs)/income	(318)	(275)

6. Income tax expense

Recognised in the income statement

	Note	2007 £000	2006 £000
Current tax expense			
Current year		(168)	(1,049)
Adjustments for prior years		13	10
		(155)	(1,039)
Deferred tax expense			
Origination and reversal of temporary differences		30	(32)
Adjustments for prior years		(7)	
	10	23	(32)
Total income tax expense in the income statement		(132)	(1,071)

Reconciliation of effective tax rate

	2007 %	2007 £000	2006 %	2006 £000
Profit before tax		529		3,458
Income tax using the UK corporation tax rate	30 0	159	30 0	1,037
Non deductible expenses	1 1	6	0 2	6
Effect of change in tax rate	(5 1)	(27)		
Other items			1 1	38
(Over)/under provided in prior years	(1 1)	(6)	(0 3)	(10)
	24 9	132	31 0	1,071

7. Current tax assets and liabilities

The current tax assets of £94,000 (tax liability 2006 £476,000) represents instalments paid in excess of the charge for the current period

8. Property, plant and equipment

Cost	Land and buildings £000	Plant and machinery £000	Motor Vehicles £000	Computer equipment £000	Total £000
Balance at 1 January 2006	2,130	3,437	139	744	6,450
Additions	45	517		44	606
Disposals		(58)	(31)		(89)
Balance at 31 December 2006	2,175	3,896	108	788	6,967
Balance at 1 January 2007	2,175	3,896	108	788	6,967
Additions		508		82	590
Balance at 31 December 2007	2,175	4,404	108	870	7,557
Depreciation and impairment losses					
Balance at 1 January 2006	194	2,429	108	599	3,330
Depreciation for the year	55	255	19	47	376
Disposals		(54)	(31)		(85)
Balance at 31 December 2006	249	2,630	96	646	3,621
Balance at 1 January 2007	249	2,630	96	646	3,621
Depreciation for the year	64	296	7	64	431
Balance at 31 December 2007	313	2,926	103	710	4,052
Carrying amounts					
At 1 January 2006	1,936	1,008	31	145	3,120
At 31 December 2006	1,926	1,266	12	142	3,346
At 1 January 2007	1,926	1,266	12	142	3,346
At 31 December 2007	1,862	1,478	5	160	3,505

Capital commitments
At 31 December 2007, the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £58,000 (2006 £453,000)

9 Intangible assets

Cost	Computer software £000
Balance at 1 January 2006	382
Additions	66
Balance at 31 December 2006	448
Balance at 1 January 2007	448
Additions	69
Balance at 31 December 2007	517
Amortisation and impairment losses	
Balance at 1 January 2006	306
Amortisation for the year	38
Balance at 31 December 2006	344
Balance at 1 January 2007	344
Amortisation for the year	35
Balance at 31 December 2007	379
Carrying amounts	
At 1 January 2006	76
At 31 December 2006	104
At 1 January 2007	104
At 31 December 2007	138

Amortisation charge
The amortisation charge is recognised in cost of sales in the income statement

10. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following

	Assets		Liabilities		Net	
	2007 £000	2006 £000	2007 £000	2006 £000	2007 £000	2006 £000
Property, plant and equipment			(324)	(347)	(324)	(347)

Movement in deferred tax during the year

	Balance 1 Jan 07 £000	Recognised in income £000	Balance 31 Dec 07 £000
Property, plant and equipment	(347)	23	(324)

Movement in deferred tax during the prior year

	Balance 1 Jan 06 £000	Recognised in income £000	Balance 31 Dec 06 £000
Property, plant and equipment	(315)	(32)	(347)

11. Inventories

	2007	2006
	£000	£000
Raw materials and consumables	1,007	679
Work in progress	355	260
Finished goods and goods for resale	1,431	1,631
	2,793	2,570

Inventories are shown net of write downs amounting to £44,000 (2006 £16,000)

12 Trade and other receivables

	2007	2006
	£000	£000
Trade receivables	9,148	8,132
Other receivables	277	7
Prepayments	322	207
Amounts due from ultimate parent undertaking		
	9,747	8,346

An allowance has been made for estimated irrecoverable amounts from the sale of goods of £100,000 (2006 £nil)

13. Cash and cash equivalents

	2007	2006
	£000	£000
Bank Overdraft	(1,669)	
Cash at bank and in hand		532

14. Trade and other payables

Amounts disclosed in current liabilities

	2007	2006
	£000	£000
Trade payables	3,097	2,302
Other taxes and social security	253	531
Amounts owed to group undertakings	5,514	5,538
Accruals and deferred income	166	813
	9,030	9,184

Amounts disclosed in non current liabilities

	2007	2006
	£000	£000
Holding company loan	287	287

The holding company loan is interest free and there are no fixed repayment terms

15. Interest bearing loans and borrowings

Current liabilities

	2007	2006
	£000	£000
Obligations under finance leases	33	30

Non current liabilities

	2007	2006
	£000	£000
Obligations under finance leases	98	135

Finance lease liabilities are payable as follows

	Minimum lease payments 2007 £000	Interest 2007 £000	Principal 2007 £000	Minimum lease payments 2006 £000	Interest 2006 £000	Principal 2006 £000
Less than one year	40	7	33	40	10	30
Between one and five years	106	8	98	151	16	135
	146	15	131	191	26	165

16. Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital £000	Capital redemption reserve £000	Other reserve £000	Revenue reserve £000	Total £000
Balance at 1 January 2006	100	1,381	356	215	2,052
Profit for the year				2,387	2,387
Balance at 31 December 2006	100	1,381	356	2,602	4,439
Balance at 1 January 2007	100	1,381	356	2,602	4,439
Profit for the year				397	397
Balance at 31 December 2007	100	1,381	356	2,999	4,836

Share capital

	2007 £000	2006 £000
Authorised:		
500,000 (2006 500,000) ordinary shares of £1 each	500	500
Allotted, issued and fully paid		
100,000 (2006 100,000) ordinary share of £1 each	100	100

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company All shares rank equally with regards to the Company's residual assets

The Company's policy is to maintain a strong capital base to sustain future development of the business

Capital redemption reserve

The capital redemption reserve comprises the amount by which the Company's issued share capital has been diminished on cancellation of shares purchased out of Company profits or redeemed out of Company profits or redeemed by fresh issue

Other reserve

Following the transition to IFRS the Company no longer revalues its property The balance on the revaluation reserve on transition from UKGAAP was transferred to the other reserve

Dividends

No dividends were proposed or paid in the current year or prior year

17 Operating leases

Non cancellable operating lease rentals are payable as follows

	2007 £000	2006 £000
Less than one year	194	314
Between one and five years	157	288
	351	602

The Company leases plant and machinery, motor vehicles and office equipment under operating leases Typical lease terms are shown below

Plant and machinery	3 – 6 years
Motor vehicles	3 – 7 years
Office equipment	3 years

During the year ended 31 December 2007, £352,000 was recognised as an expense in the income statement in respect of operating leases (2006 £333,000)

18 Financial instruments

The Company is exposed to credit risk in the normal course of its business It does not have any material interest rate risk or foreign currency exposure

Credit risk

Credit risk is the risk of financial loss to the company if a customer fails to meet its contractual obligations and arises from the company's receivables from customers

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer

Customers are expected to make payment within 30, 60 or 90 days of the date of invoice, all invoices being raised in the month of supply of the relevant goods The company has a dedicated credit controller who is responsible for ensuring that debtors are followed up rigorously Additionally, the company has a policy of insuring certain debtors
The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables The general allowance is determined based on historical experience of the company's credit control function including payment statistics for similar financial assets

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure The maximum exposure to credit risk at the reporting date was

	At 31 December 2007 £000	At 31 December 2006 £000
Trade and other receivables	9,425	8,139
Cash and cash equivalents		532

Credit risk for trade and other receivables at the reporting date was in relation to the United Kingdom

The ageing of trade and other receivables at the reporting date was

	2007 Gross £000	2007 Impairment £000	2006 Gross £000	2006 Impairment £000
Not past due	7,330		6,216	
Past due 0 60 days	411		909	
More than 60 days	1,785	(101)	1,014	
	9,526	(101)	8,139	

The movement in the allowance for impairment in respect of trade receivables during the year was as follows

	2007 £000	2006 £000
Balance at 1 January		
Impairment loss recognised	101	
Balance at 31 December	101	

The impairment loss at 31 December 2007 of £101,000 (2006 £nil) is a provision for receivables due from customers

The allowance account in respect of trade receivables is used to record impairment losses unless the company is satisfied that no recovery of the amount owing is possible, at that point the amount is considered irrecoverable and is written off against the financial asset directly

Liquidity risk

The following are the contractual maturities of financial liabilities at the balance sheet date, including estimated interest payments based on the position at the balance sheet date

31 December 2007

	Carrying amount £000	Contractual cash flows £000	6 mths or less £000	6 12 mths £000	1 2 yrs £000	2 5 yrs £000	More than 5 yrs £000
Financial liabilities							
Finance leases	131	(151)	(20)	(20)	(40)	(71)	
Trade payables	3,097	(3,097)	(3,097)				

31 December 2006

	Carrying amount £000	Contractual cash flows £000	6 mths or less £000	6 12 mths £000	1 2 yrs £000	2 5 yrs £000	More than 5 yrs £000
Financial liabilities							
Finance leases	165	(191)	(20)	(20)	(40)	(111)	
Trade payables	2,302	(2,302)	2,302)				

As a member of the Havelock Europa group of companies, ESA McIntosh participates in the credit facilities negotiated by the parent company At the year end, the following lines of credit were maintained

- £10 million revolving credit facility
- £10 million overdraft facility

Fair values

The fair values together with the carrying amounts shown in the balance sheet are as follows

	Note	Carrying amount 2007 £000	Fair value 2007 £000	Carrying amount 2006 £000	Fair value 2006 £000
Trade and other receivables	12	9,747	9,747	8,346	8,346
Cash and cash equivalents	13	(1,669)	(1,669)	532	532
Trade and other payables	14	(9,030)	(9,030)	(9,184)	(9,184)
Obligations under finance leases	15	(131)	(131)	(165)	(165)
		(1,083)	(1,083)	(471)	(471)

Estimation of fair values

The following summarises the methods and assumptions used in estimating the fair values of financial instruments reflected in the above table

Trade and other receivables/ payables
For receivables/ payables with a remaining life of less than one year or that are receivable or payable on demand, the carrying amount is deemed to reflect the fair value

Receipts from customers and payments to suppliers on undisputed invoices are within allowable credit terms

Cash and cash equivalents
The carrying amount of these assets approximates their fair value

Obligations under finance leases
The carrying amount of these liabilities approximates their fair value

19. Employee benefits

Pension schemes

Until 30 April 1999, the Company contributed to a pension scheme which provided benefits based on final pensionable salary The scheme was closed at that date and the directors do not consider that any material further contributions will be required by the Company to meet its statutory and other obligations

Since 1 May 1999, the Company has contributed to employees' pensions through defined contribution arrangements Contributions to the scheme during the year were £36,000 (2006 £18,000)

20 Related party transactions

Identity of related parties

The Company has a related party relationship with the following companies within the Havelock Europa PLC group

Company	Relationship
Havelock Europa PLC	Ultimate parent company
McIntosh 88 Limited	Parent company
Clean Air Limited	Fellow subsidiary company
TeacherBoards (1985) Limited	Fellow subsidiary company
Stage Systems (Holdings) Limited	Fellow subsidiary company
Stage Systems Limited	Fellow subsidiary company

The Company has a related party relationship with its pension fund and its directors

Transactions with group companies

	2007	2006
Sales to	**£000**	£000
Havelock Europa PLC	239	100
Clean Air Limited	68	
	307	100
Purchases from		
Havelock Europa PLC	794	327
Clean Air Limited	678	552
TeacherBoards (1985) Limited	1,195	1,050
Stage Systems Limited	57	
	2 724	1,929
Amounts owed to group companies as at 31 December		
Havelock Europa PLC	5,257	5,371
McIntosh 88 Limited	287	287
Clean Air Limited	198	120
TeacherBoards (1985) Limited	59	47
	5,801	5,825

Intra group transactions are determined on an arm's length basis and settlement of amounts owed and owing is through the inter company accounts

Transactions with directors

Information on directors' emoluments is contained in note 3 The directors' interests in the shares of Havelock Europa PLC are set out below

The directors, according to the register to be kept under Section 325 of the Companies Act 1985, did not have, at the beginning or end of the year, any interest in the shares of the company

The interests of G Findlay and H Balfour in the share capital of the parent company, Havelock Europa PLC, are disclosed in the accounts of that company R McDonald and A Clow had the following interests in the ordinary shares of Havelock Europa PLC

	Ordinary shares of 10p each	
	31 December 2007	31 December 2006
R McDonald	50,040	50,040

	Ordinary shares of 10p each	
	31 December 2007	At date of appointment 3 December 2007
A Clow	20,000	20,000

Transactions with pension fund

Contributions to the Company's defined contribution pension plan are disclosed in note 4

21 Ultimate parent company and parent company of larger group

The company is a subsidiary undertaking of McIntosh 88 Limited, incorporated in England and Wales The largest group in which the results of the Company are consolidated is that headed by Havelock Europa PLC, incorporated in England The consolidated financial statements of this Group are available to the public and may be obtained from Havelock Europa PLC, Group Head Office, Mossway, Hillend Industrial Park, Dalgety Bay, Fife KY11 9JS No other group financial statements include the results of the Company

22. Intra group guarantees

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements, and accounts for them as such In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee