

**Inviron Limited**

**Report and Accounts**

**31 December 2010**

**Registered Number: 4956673**

**Inviron Limited**

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**Registered Number: 4956673**

**DIRECTORS**

G J Metcalfe  
D Chauhan  
R A Varney  
R Plummer

**COMPANY SECRETARY**

R A Varney

**REGISTERED OFFICE**

3100 Park Square  
Solihull Parkway  
Birmingham Business Park  
Birmingham  
B37 7YN

**AUDITORS**

Ernst & Young LLP  
No.1 Colmore Square  
Birmingham  
B4 6HQ

**BANKERS**

Lloyds TSB Bank Plc  
P O Box 908  
125 Colmore Row  
Birmingham  
B3 2DS

**SOLICITORS**

Wragge & Co. LLP  
55 Colmore Row  
Birmingham  
B3 2AS

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010**

The Directors present their report and financial statements for the year ended 31 December 2010.

### **PRINCIPAL ACTIVITIES**

Inviron Limited maintain, install and manage the systems and services that support the operation of buildings and infrastructure in a wide variety of environments, predominantly within the UK.

The Company operates within the Building Services sector, reliably delivering agreed services in pursuit of our vision to become the most respected Building Services provider in the UK. Four focussed business areas serve the specialist needs of customers:

- Facilities Management & Service
- Building Systems
- Airports & Aviation Services
- Marine Systems

### **RESULTS AND DIVIDENDS**

The results for the Company for the year are set out on page 8.

Dividends of £488,000 (2009: £469,000) were paid during the year. On 5 January 2011 a dividend of £1,288,000 was approved and subsequently paid in respect of the current year.

### **REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

The directors anticipated and have responded to a challenging economic climate, one that displays few signs of significant change in the short term. As market volumes have reduced, pricing levels have tightened, but a focus on margin has seen gross profit percentage increase slightly and turnover reduce. It is particularly pleasing to report growth in activity in our core service activities, despite the worsening climate, offset by a continued fall in large project activities and smaller additional works that many clients are deferring or shelving altogether. We continued to experience growth in business from existing customers with whom we have built strong relationships, enhanced by our unique in-house process referred to as Inviron DNA, our proprietary method of capturing and then ensuring we meet customer expectations.

In terms of financial performance, turnover reduced by 5% (2009: increase 5%) to £130,120,000 (2009: £137,236,000) reflecting market conditions and avoiding opportunities where we believe pricing levels are not matched to risk. In spite of tough conditions, in a number of areas we were able to grow our business, particularly with existing customers.

At the operating level gross profit increased to 11.7% (2009: decrease to 11.5%) despite margin pressure due to the economic climate.

Included in net operating expenses is a charge for share based payments of £350,000 (2009: £nil).

After excluding the charge for share based payments shown above the underlying profit before taxation reduced to £1,563,000 (2009: £1,610,000) mainly as a result of reduced volume.

Cash balances reduced by (£1,270,000) (2009: increased by £48,000) during 2010 to £7,903,000 (2009: £9,173,000) of which £337,000 (2009: £608,000) was in respect of a loan for the purchase and refurbishment of a property for use by the company, the balance to fund working capital.

**REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)**

The directors are satisfied with the financial performance for the current year in difficult economic conditions, which we continue to believe will prevail for some time. We are, however, confident that actions taken to date, in particular reducing the scale of certain business units rather than pursuing very low margin work will ensure we emerge in a strong position to continue to take advantage of opportunities that arise from this protracted period of economic uncertainty.

The principal business risks and uncertainties are identified and managed through both formal and informal systems and processes. There are no risks or uncertainties beyond those normally associated with a business operating within our industry sector, principally;

*Competition* – securing revenues from both existing and new customers

*Operational* – meeting contractual obligations at the levels of risk priced

*Financial* – credit worthiness of customers

*Legislation* – identifying and managing key health, safety and environmental risks

The group did not draw on an established credit facility. The directors have deemed it prudent to renew the facility, providing further financial resilience at a time when access to credit for many companies is restricted.

The Company is a wholly owned subsidiary of Inviron Holdings Limited, which in turn is fully owned by Inviron Limited employees and directors. This provides the opportunity for employees to contribute to, and participate in, the success of the Company, in a way that is unique within our business sector.

**GOING CONCERN**

The Company's business activities, together with the factors likely to affect its future development, its financial position and its exposure to principal risks are described in the business review above.

The Company has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

**DIRECTORS**

The following served as Directors of the Company during the year and up until the date of this report:

G J Metcalfe  
D Chauhan  
R A Varney  
R Plummer

## **QUALITY, SAFETY AND ENVIRONMENTAL**

Inviron is committed to managing quality, safety, health and environmental issues in a proficient and diligent manner to ensure the well being of employees, clients, subcontractors and others affected by the Company's actions. The Company undertakes operations in accordance with current legislation using its own internal management systems designed to ensure compliance, and has procedures that drive continual improvements to quality, safety, health and environmental performance.

Within the current year 44 (2009: 36) employees were trained to the IOSH standard bringing the total number of employees holding IOSH qualifications to 220 (2009: 270). In addition 56 (2009: 127) employees have been trained this year to meet the requirements of the IEE wiring regulations, 17<sup>th</sup> edition bringing the total number of employees holding IEE wiring regulations, 17<sup>th</sup> edition to 338 (2009: 303).

The directors accept ultimate responsibility for the effective implementation and communication of the Company's health and safety policy.

The Company maintains management systems to meet the requirements of ISO 9001, ISO 14001 and OHSAS 18001 (2008 updated version) for quality, environmental and safety management.

## **SUPPLIER PAYMENT POLICY**

The Company agrees payment terms with all of its main suppliers and abides by these terms subject to satisfactory performance by the supplier.

Trade creditors of the company at 31 December 2010 were equivalent to 46 days' purchases (2009: 48), based on an average daily amount invoiced by suppliers during the year.

## **DISABLED EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that all employees be given opportunities in respect of training, career development and promotion.

## **EMPLOYEE CONSULTATION**

The Company places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company.

There are established arrangements involving face-to-face communication, employee newsletters and consultative committees.

It is Company policy that there be no discrimination in respect of age, sex, colour, religion, race, nationality or ethnic origin and that equal opportunity shall be given to all employees.

## **CHARITABLE AND POLITICAL DONATIONS**

During the year the Company made various charitable contributions totalling £5,259 (2009: £10,055). The Company made no political donations in the current or prior year.

**DISCLOSURE OF INFORMATION TO THE AUDITORS**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing their report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

**AUDITORS**

A resolution to reappoint Ernst & Young LLP as auditors to the Company will be proposed at the Annual General Meeting.

**By order of the Board**



**R A Varney  
Secretary**

Dated: 25 February 2011

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

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

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

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

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

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INVIRON LIMITED**

We have audited the financial statements of Inviron Limited for the year ended 31 December 2010, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Statement of Cash Flows and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state 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**

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

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

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



**Adrian Roberts (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Birmingham**

Dated: 25 February 2011

**PROFIT AND LOSS ACCOUNT**

for the year ended 31 December 2010

	<i>Notes</i>	<i>2010</i> <i>£'000</i>	<i>2009</i> <i>£'000</i>
<b>TURNOVER</b>	<b>2</b>	<b>130,120</b>	137,236
Cost of sales		<b>(114,878)</b>	(121,397)
<b>GROSS PROFIT</b>		<b>15,242</b>	15,839
Net operating expenses	<b>3</b>	<b>(14,083)</b>	(14,352)
<b>OPERATING PROFIT</b>	<b>4</b>	<b>1,159</b>	1,487
Interest receivable	<b>7</b>	<b>84</b>	171
Interest payable and similar charges	<b>8</b>	<b>(30)</b>	(48)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>1,213</b>	1,610
Tax on profit on ordinary activities	<b>9</b>	<b>(542)</b>	(543)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND ATTRIBUTABLE TO THE MEMBERS</b>	<b>19</b>	<b>671</b>	1,067

All the activities of the Company are continuing.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

for the year ended 31 December 2010

	<i>Notes</i>	<i>2010</i> <i>£'000</i>	<i>2009</i> <i>£'000</i>
Profit for the financial year attributable to the members		<b>671</b>	1,067
Actuarial loss on defined benefit pension scheme	<b>6</b>	<b>(19)</b>	(34)
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>		<b>652</b>	1,033

**BALANCE SHEET**  
at 31 December 2010

		<i>2010</i>	<i>2009</i>
		<i>£'000</i>	<i>£'000</i>
	<b>Notes</b>		
<b>FIXED ASSETS</b>			
Intangible fixed assets	<b>10</b>	<b>149</b>	190
Tangible fixed assets	<b>12</b>	<b>625</b>	654
		<u>774</u>	<u>844</u>
<b>CURRENT ASSETS</b>			
Stocks	<b>13</b>	<b>5,788</b>	6,893
Debtors	<b>14</b>	<b>25,195</b>	21,951
Cash at bank and in hand		<b>7,903</b>	9,173
		<u>38,886</u>	<u>38,017</u>
<b>Creditors:</b> amounts falling due within one year	<b>15</b>	<u>(27,573)</u>	<u>(27,255)</u>
<b>NET CURRENT ASSETS</b>		<u>11,313</u>	10,762
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>12,087</b>	11,606
Provisions for liabilities	<b>16</b>	<b>(581)</b>	(654)
<b>NET ASSETS BEFORE PENSION LIABILITIES</b>		<u>11,506</u>	10,952
Pension liabilities	<b>6</b>	<b>(133)</b>	(93)
<b>NET ASSETS INCLUDING PENSION LIABILITIES</b>		<u>11,373</u>	<u>10,859</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	<b>17</b>	<b>3,903</b>	3,903
Profit and loss account	<b>19</b>	<b>7,470</b>	6,956
<b>EQUITY SHAREHOLDER'S FUNDS</b>	<b>19</b>	<u>11,373</u>	<u>10,859</u>

These accounts were approved on behalf of the Board of Directors on the date shown below and the following was authorised to sign the accounts on behalf of the Board.



**G J Metcalfe**  
**Director**

Dated: 25 February 2011

**STATEMENT OF CASH FLOWS**

for the year ended 31 December 2010

	<i>Notes</i>	<i>2010</i> <i>£'000</i>	<i>2009</i> <i>£'000</i>
<b>Net cash (outflow) / inflow from operating activities</b>	<b>21(a)</b>	<b>(541)</b>	1,463
<b>Returns on investments and servicing of finance</b>			
Interest receivable and similar income		<b>83</b>	138
Interest payable and similar charges	<b>8</b>	<b>(24)</b>	(43)
<b>Taxation</b>		-	-
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets	<b>12</b>	<b>(311)</b>	(443)
Receipts from sale of tangible fixed assets	<b>4/12</b>	<b>11</b>	74
<b>Acquisition of unincorporated business</b>		-	(672)
<b>Equity dividends paid</b>	<b>19</b>	<b>(488)</b>	(469)
<b>(Decrease) / Increase in cash in the year</b>		<b>(1,270)</b>	<b>48</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH**

	<i>Notes</i>	<i>2010</i> <i>£'000</i>	<i>2009</i> <i>£'000</i>
(Decrease) / Increase in cash	<b>21(b)</b>	<b>(1,270)</b>	48
Net cash at 1 January	<b>21(b)</b>	<b>9,173</b>	9,125
Net cash at 31 December	<b>21(b)</b>	<b>7,903</b>	9,173

## NOTES TO THE ACCOUNTS for the year ended 31 December 2010

### 1. ACCOUNTING POLICIES

A summary of the more important accounting policies is set out below, which have been consistently applied throughout the year and prior years unless otherwise stated.

#### ***Basis of Preparation and Accounting Convention***

The accounts have been prepared under the historical cost convention and are prepared in accordance with applicable UK accounting standards.

#### ***Depreciation***

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

Fixtures and Fittings	-	up to 5 years
Computer Equipment	-	up to 3 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### ***Goodwill***

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 5 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or disposal.

#### ***Stocks***

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value.

Work in progress and finished goods are valued at cost of direct materials and labour plus attributable overheads, or at net realisable value if lower.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and sale.

#### ***Long Term Contracts***

Profit on long-term contracts is recognised as the work is carried out when the outcome can be assessed with reasonable certainty. Profit is recognised on a basis to reflect the proportion of the work carried out at the year-end, by recording turnover and related costs (as defined in Stocks, above) as contract activity progresses. Turnover is based on third party certifications and where applicable, sales invoices. Full provision is made for all losses on all contracts in the year in which they are first foreseen.

#### ***Research and Development***

Research and development expenditure is written off as incurred.

#### ***Foreign Currencies***

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

**NOTES TO THE ACCOUNTS for the year ended 31 December 2010 (continued)**

***Deferred Taxation***

The charge for taxation is based on the profit for the year 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 in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only when the replacement assets are sold; and
- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

***Leasing and Hire Purchase Commitments***

Rentals paid under operating leases are charged to income on a straight-line basis over the term of the lease.

***Pensions***

The company operates defined contribution and defined benefit pension schemes on behalf of its employees.

***Defined Contribution Scheme***

The Inviron Pension Plan is an occupational pension scheme ("defined contribution"). The assets of the Scheme are held separately from those of the Company in an independently administered fund.

The cost of providing these pension benefits is charged to the Company profit and loss account. Differences between the amount charged in the profit and loss account and the payment made to the Inviron Pension Plan are treated as either accruals or prepayments in the Company balance sheet.

Certain employees participate in industry schemes such as JIB and remain members of such schemes. Contributions to these schemes are included in the defined contribution scheme costs for the year.

***Defined Benefit Scheme***

Certain transferring employees were members of the ESPS section of the ABB Limited Pension Scheme and are now members of the Inviron Pension Plan. Inviron has promised to provide the ESPS members with the same benefits they would have enjoyed had they remained in the ESPS section of the ABB Limited Pension scheme. Each member's defined contribution account will be used to purchase benefits at retirement. If these benefits are lower than they would have received under the previous arrangements, Inviron will provide sufficient extra monies to make up the difference in benefits.

From April 2004 this undertaking given has been reflected in these accounts as a defined benefit scheme under FRS 17.

The financial statements in the current and prior year have been prepared on the basis that no member would decide to transfer their benefits accrued prior to April 2004 across from the ABB Limited Pension Scheme.

**NOTES TO THE ACCOUNTS for the year ended 31 December 2010 (continued)**

***Pensions (continued)***

*FRS 17*

Following the full adoption of FRS 17, the regular service cost of providing retirement benefits to certain employees during the year, together with the cost of any benefits relating to past service is charged to operating profit in the year. A credit representing the expected return on the assets of the retirement benefit scheme during the year is included within other finance income. This is based on the market value of the assets of the scheme at the start of the financial year. A charge within other finance charges represents the expected increase in the liabilities of the retirement benefit scheme during the year and is included within net interest. This arises from the liabilities of the scheme being one year closer to payment. The difference between the market value of assets and the present value of accrued pension liabilities is shown as an asset or liability in the balance sheet. Differences between actual and expected returns on assets during the year are recognised in the statement of total recognised gains and losses in the year, together with differences arising from changes in assumptions.

***Contract Related Provisions and Liabilities***

Other contract related provisions and liabilities are set up at the date of closure of contracts to recognise the cost of rectifying any outstanding defects.

***Share Based Payments***

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award, using an appropriate pricing model.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

**2. TURNOVER**

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties, except in respect of long-term contracts where turnover represents the sales value of work done in the year, including appropriate revenue accruals. Turnover in respect of long-term contracts is based on third party certifications and where applicable, sales invoices.

An analysis of turnover by geographical market is given below:

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>GEOGRAPHICAL MARKET:</b>		
UK	<b>127,540</b>	134,399
Singapore	<b>2,530</b>	2,774
Ireland	<b>50</b>	63
	<b>130,120</b>	<b>137,236</b>

**NOTES TO THE ACCOUNTS for the year ended 31 December 2010 (continued)**

**3. NET OPERATING EXPENSES**

	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>
Sales and marketing expenses	2,255	2,203
Administration costs	11,828	12,149
	<u>14,083</u>	<u>14,352</u>

**4. OPERATING PROFIT**

This is stated after charging / (crediting) the following:

	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>
Auditors' remuneration		
- for audit services	77	77
- for tax related services	13	18
	<u>90</u>	<u>95</u>
Amortisation of goodwill	41	17
Depreciation of tangible fixed assets	339	299
(Profit) / Loss on disposal of fixed assets (CFS/note 12)	(10)	10
Operating lease rentals		
- plant, equipment and vehicles	1,648	1,657
- land and buildings	1,114	1,021
	<u>1,114</u>	<u>1,021</u>

**5. DIRECTORS' EMOLUMENTS**

	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>
Emoluments (excluding performance related bonuses)	468	468
Performance related bonuses	18	-
	<u>486</u>	<u>468</u>
Company contributions paid to defined contribution pension scheme	<u>41</u>	<u>63</u>

Four Directors (2009: four) are members of the Inviron defined contribution pension scheme.

	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>
The amounts in respect of the highest paid Director were as follows:		
Emoluments (excluding performance related bonuses)	170	170
Performance related bonuses	10	-
	<u>180</u>	<u>170</u>
Company contributions to a defined contribution pension scheme	<u>16</u>	<u>22</u>

**NOTES TO THE ACCOUNTS for the year ended 31 December 2010 (continued)**

**6. STAFF COSTS**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	<b>41,347</b>	42,381
Social security costs	<b>4,683</b>	4,857
Other pension costs	<b>1,366</b>	1,450
	<b>47,396</b>	48,688

Included within wages and salaries is a total expense of share based payments of £350,000 (2009: £nil).

Other pension costs comprise:

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Defined benefit schemes – current service cost	<b>34</b>	34
Defined contribution schemes	<b>1,332</b>	1,416
	<b>1,366</b>	1,450

The current service cost has been calculated using the projected unit method.

Other pension costs include contributions to the Inviron Pension Plan for the amount of £1,181,000 (2009: £1,290,000) and the balance is to other defined contribution industry schemes. Included within other creditors is £163,000 (2009: £153,000) representing one month's pension contributions accrued but not paid over to the relevant schemes.

The average number of employees during the year was made up as follows:

	<b>2010</b>	<b>2009</b>
	<b>No.</b>	<b>No.</b>
Administrative staff	<b>384</b>	381
Frontline operatives	<b>718</b>	735
	<b>1,102</b>	1,116

There are nine employees who were formerly members of the ESPS section of the ABB Limited Pension Scheme and joined the Inviron Plan on 1 April 2004 on special terms. Those terms are that Inviron has promised to provide these members with the same benefits they would have enjoyed had they remained in the ABB Scheme. Each member's defined contribution account will be used to purchase benefits at retirement, but if these benefits are lower than those promised Inviron will provide sufficient extra monies to make up the differences in benefits.

The valuation used has been based on the most recent actuarial valuation and was updated to assess the liabilities of the scheme at 31 December 2010 and 31 December 2009. Scheme assets are shown at their market values at the respective balance sheet dates

The financial statements in the current and prior year have been prepared on the basis that no member would decide to transfer their benefits accrued prior to April 2004 across from the ABB Limited Pension Scheme.

The valuation has been performed in order to assess the disclosures required under FRS 17 as at 31 December 2010 by an independent qualified actuary.

**NOTES TO THE ACCOUNTS for the year ended 31 December 2010 (continued)**

**6. STAFF COSTS (continued)**

The main assumptions on which these figures have been based are:

**Actuarial assumptions**

	<b>31 December 2010</b>	31 December 2009
Rate of general increases in salaries	<b>5.00%p.a</b>	4.30%p.a
Rate of increase in pensions in payment and deferred pensions	<b>3.50%p.a</b>	3.80%p.a
Discount rate	<b>5.40%p.a</b>	5.70%p.a
Inflation assumption	<b>3.50%p.a</b>	3.80%p.a

Recent studies have shown that mortality varies significantly by occupation, location and pension size. Therefore, the mortality assumption this year has been assumed to be in line with the latest 00 series tables issued by the Institute of Actuaries less an assumption that members will live for 1 (2009: 3) years less than predicted using an age rating of 1 (2009: 3) years to reflect such studies.

The overall effect of this change on the Scheme's liabilities is to increase those liabilities by around 6% (2009: 2%).

The assets and estimated liabilities of the pension scheme are shown below:

	<b>2010</b>	2009
	<b>£'000</b>	£'000
Total fair value of assets	<b>249</b>	205
Present value of scheme liabilities	<b>(382)</b>	(298)
Deficit in the scheme	<b>(133)</b>	(93)

**Future expected rates of return**

	<b>31 December 2010</b>	31 December 2009
Equity and Property	<b>7.40%p.a</b>	7.70%p.a
Bonds	<b>5.40%p.a</b>	5.70%p.a
Cash	<b>0.50%p.a</b>	0.50%p.a

**Analysis of amount recognised in statement of total recognised gains and losses (STRGL):**

	<b>2010</b>	2009
	<b>£'000</b>	£'000
Actual return less expected return on pension scheme assets	<b>3</b>	11
Experience gains and losses arising on pension scheme liabilities	<b>13</b>	13
Changes in assumptions underlying the present value of the liabilities	<b>(35)</b>	(58)
Actuarial loss recognised in STRGL	<b>(19)</b>	(34)

Contributions paid by the Company to the Scheme during the year ended 31 December 2010 amounted to £19,000 (2009: £22,000).

NOTES TO THE ACCOUNTS for the year ended 31 December 2010 (continued)

6. STAFF COSTS (continued)

Analysis of movement in deficit during the year	2010 £'000	2009 £'000
Deficit in scheme at beginning of the year	(93)	(42)
Movement in the year:		
Current service cost	(34)	(34)
Contributions	19	22
Other finance income (note 8)	(6)	(5)
Actuarial loss	(19)	(34)
Deficit in respect of the scheme at end of the year	<u>(133)</u>	<u>(93)</u>

History of experience gains and losses	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
<i>Difference between the expected and actual return on Pension scheme assets:</i>					
Amount	3	11	(19)	(1)	66
Percentage of Pension scheme assets	1.7%	5.2%	(12.4%)	(0.8%)	23.0%
<i>Experience gains / (losses) on Pension scheme liabilities:</i>					
Amount	13	13	(16)	(14)	(122)
Percentage of the present value of the Pension scheme liabilities	3.3%	4.4%	(8.0%)	(9.7%)	(43.0%)
<i>Total amount recognised in the statement of total recognised gains and losses:</i>					
Amount	(19)	(34)	(22)	(17)	(9)
Percentage of the present value of the Pension scheme liabilities	(5.0%)	(11.5%)	(11.0%)	(11.7%)	(3.5%)

7. INTEREST RECEIVABLE

	2010 £'000	2009 £'000
Interest received on bank accounts	<u>84</u>	<u>171</u>

NOTES TO THE ACCOUNTS for the year ended 31 December 2010 (continued)

8. INTEREST PAYABLE AND OTHER FINANCE COSTS

	2010 £'000	2009 £'000
Bank charges	24	43
Other finance income – pension scheme:		
Expected return on pension scheme assets	(12)	(9)
Interest on pension scheme liabilities	18	14
	<u>6</u>	<u>5</u>
	<u>30</u>	<u>48</u>

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2010 £'000	2009 £'000
The tax charge is made up as follows:		
<b>Current tax</b>		
UK Corporation tax at 28.0% (2009: 28.0%)	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	558	543
Effect of changes in tax rate on opening liability	(16)	-
	<u>542</u>	<u>543</u>

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28.0% (2009: 28.0%). The differences are reconciled below:

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	1,213	1,610
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.0% (2009: 28.0%).	340	451
Effect of:		
Expenses not deductible for tax purposes	190	100
Capital allowances in excess of depreciation	(24)	(31)
Other timing differences	(31)	(22)
Utilisation of brought forward tax losses	(475)	(498)
Total current tax	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010 was enacted in July 2010 and reduces the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions are proposed to be enacted separately each year with the aim of reducing the rate by 1% per annum to 24% by 1 April 2014. The deferred tax balance at 31 December 2010 reflects the change in rate to 27%.

**NOTES TO THE ACCOUNTS for the year ended 31 December 2010 (continued)**

**9. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)**

The Company has tax losses of £2,308,000 (2009: £3,750,000) available for use against future trading profits. A deferred tax asset is held in respect of these losses as shown below.

**Deferred taxation**

The movements in deferred taxation during the current year are as follows:

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January	<b>(1,448)</b>	(1,991)
Origination and reversal of timing differences	<b>564</b>	551
Adjustments in respect of prior years	<b>(22)</b>	(8)
At 31 December (note 14)	<b>(906)</b>	(1,448)

The deferred tax asset recognised in the accounts at 28% is as follows:

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation in excess of capital allowances	<b>230</b>	300
Other timing differences	<b>676</b>	1,148
	<b>906</b>	1,448

There is an un-provided deferred tax asset of £138,000 (2009: £nil) in respect of other timing differences.

**10. INTANGIBLE FIXED ASSETS**

	<b>Goodwill</b>
	<b>£'000</b>
Cost:	
At 1 January 2010 and 31 December 2010	207
Amortisation:	
At 1 January 2010	17
Provided during the year	41
At 31 December 2010	<b>58</b>
Net book value at 31 December 2010	<b>149</b>
Net book value at 31 December 2009	190

The goodwill arising on the acquisition of the trade and assets of Commtech Limited (see note 11) is being amortised over the directors' estimate of its useful economic life of 5 years.

**NOTES TO THE ACCOUNTS for the year ended 31 December 2010 (continued)**

**11. ACQUISITION**

Inviron Limited, with effect from 31 July 2009, acquired the trade and certain assets from Commtech Limited, a subsidiary of the IMI Group, for cash consideration of £672,000.

**Analysis of the acquisition:**

Net assets at the date of acquisition:

	<b>Book and fair value to company £'000</b>
Tangible Fixed Assets	97
Stocks	146
Debtors	561
Creditors	(339)
Total	<u>465</u>
Goodwill arising on acquisition	<u>207</u>
	<u><b>672</b></u>
<b>Discharged by:</b>	
Cash consideration	652
Costs associated with acquisition	20
	<u><b>672</b></u>

The directors have considered the fair value of the assets acquired and have concluded that this is equal to their book value.

During the year, the above acquisition contributed £3,361,000 (2009: £1,282,000) of the company's turnover and £83,000 (2009: £105,000) gross profit. The directors are of the opinion that these amounts are not material to the company and therefore disclosure in relation to the acquisition has not been presented on the face of the profit and loss account.

NOTES TO THE ACCOUNTS for the year ended 31 December 2010 (continued)

12. FIXED ASSETS

	Transfers to Inviron Property Ltd	Fixtures and Fittings	Computer Equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost:</b>				
At 1 January 2010	-	1,602	437	2,039
Additions during the year	373	306	5	684
Transfers to group company	(373)	-	-	(373)
Disposals during the year	-	(44)	-	(44)
At 31 December 2010	<u>-</u>	<u>1,864</u>	<u>442</u>	<u>2,306</u>
<b>Depreciation:</b>				
At 1 January 2010	-	1,018	367	1,385
Charged during the year	-	301	38	339
Written back on disposals	-	(43)	-	(43)
At 31 December 2010	<u>-</u>	<u>1,276</u>	<u>405</u>	<u>1,681</u>
<b>Net book value at 31 December 2010</b>	<u>-</u>	<u>588</u>	<u>37</u>	<u>625</u>
Net book value at 31 December 2009	-	584	70	654

13. STOCKS

	2010 £'000	2009 £'000
Work in progress:		
Costs to date less provision for contract losses	8,184	8,438
Less: applicable payments on account	(2,396)	(1,545)
	<u>5,788</u>	<u>6,893</u>

14. DEBTORS

	2010 £'000	2009 £'000
Trade debtors	21,984	17,393
Amounts owed by group companies	884	443
Amounts recoverable on contracts	381	963
Other debtors	351	823
Prepayments and accrued income	689	881
Deferred tax (note 9)	906	1,448
	<u>25,195</u>	<u>21,951</u>

The deferred tax asset is expected to be utilised within five years.

**NOTES TO THE ACCOUNTS for the year ended 31 December 2010 (continued)**

**14. DEBTORS (continued)**

Amounts falling due after one year included in other debtors above are:

	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>
Rent deposit deed	<u>33</u>	<u>59</u>

The rent deposit deed is subject to a legal charge against the full balance.

**15. CREDITORS:** Amounts falling due within one year

	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>
Trade creditors	<b>20,602</b>	18,639
Amounts owed to group companies	-	20
Other taxes and social security costs	<b>2,837</b>	2,357
Other creditors	<b>1,971</b>	3,234
Accruals and deferred income	<b>2,163</b>	3,005
	<u><b>27,573</b></u>	<u>27,255</u>

**16. PROVISIONS FOR LIABILITIES**

	<i>Contract Related £'000</i>
Provision at 1 January 2010	654
Arising during the year	292
Utilised during the year	(365)
Provision at 31 December 2010	<u><b>581</b></u>

Other contract related provisions are set up at the date of closure of contracts to recognise the cost of rectifying any outstanding defects. They are expected to be settled over the contractual period over which the liability relates to.

**17. SHARE CAPITAL**

***Allotted, called up and fully paid***

	<i>No.</i>	<i>£</i>
Ordinary shares of £1 each at 31 December 2010 and 31 December 2009	<u><b>3,902,853</b></u>	<u><b>3,902,853</b></u>

NOTES TO THE ACCOUNTS for the year ended 31 December 2010 (continued)

18. DIVIDENDS

	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2008: 12.00p	-	469
Final dividend for 2009: 12.50p	488	-
	<u>488</u>	<u>469</u>

19. RECONCILIATION OF SHAREHOLDER'S FUNDS AND MOVEMENT ON RESERVES

	<i>Share Capital</i>	<i>Profit and Loss Account</i>	<i>Total Shareholder's Funds</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 1 January 2009	3,903	6,392	10,295
Retained profit for the year	-	1,067	1,067
Dividends paid in the year	-	(469)	(469)
Actuarial loss on pension scheme	-	(34)	(34)
At 31 December 2009	<u>3,903</u>	<u>6,956</u>	<u>10,859</u>
At 1 January 2010	<b>3,903</b>	<b>6,956</b>	<b>10,859</b>
Retained profit for the year	-	671	671
Dividends paid in the year	-	(488)	(488)
Actuarial loss on pension scheme	-	(19)	(19)
Share based payments	-	350	350
At 31 December 2010	<u>3,903</u>	<u>7,470</u>	<u>11,373</u>

20. OBLIGATIONS UNDER OPERATING LEASES

Annual commitments under non-cancellable operating leases are as follows:

	<i>Land and Buildings</i>		<i>Other</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Operating leases which expire:				
within one year	22	47	314	346
between one and two years	542	519	535	499
between two and five years	31	144	590	544
after more than five years	524	405	21	-
	<u>1,119</u>	<u>1,115</u>	<u>1,460</u>	<u>1,389</u>

**NOTES TO THE ACCOUNTS for the year ended 31 December 2010 (continued)**

**21. NOTES TO THE STATEMENT OF CASH FLOWS**

a) Reconciliation of operating profit to net cash inflow from operating activities

	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>
Operating profit	<b>1,159</b>	1,487
Depreciation and amortisation of goodwill	<b>380</b>	316
(Profit) / Loss on disposal of fixed assets	<b>(10)</b>	10
(Decrease) / Increase in contract provisions	<b>(253)</b>	27
Decrease in stocks	<b>1,105</b>	744
Increase in debtors	<b>(3,786)</b>	(2,158)
Increase in creditors	<b>514</b>	1,037
Share based payments	<b>350</b>	-
Net cash (outflow) / inflow from operating activities	<b>(541)</b>	1,463

b) Analysis of changes in net cash

	<i>As at 1</i>	<i>Cash</i>	<i>As at 31</i>
	<i>January</i>	<i>Flow</i>	<i>December</i>
	<i>2010</i>	<i>£'000</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash at bank and in hand	9,173	<b>(1,270)</b>	<b>7,903</b>

**22. SHARE BASED PAYMENTS**

The Company extends employee participation through a share option scheme, and the Inviron Holdings Limited Incentive Plan, under which qualifying employees are awarded share options. At 31 December 2010 there were 27,740 (2009: 29,440) outstanding options held by qualifying employees over the ordinary shares of Inviron Holdings Limited. These options allow the employees to acquire at market value for cash shares in the Inviron Holdings Limited at a future date. These options are only exercisable on certain events occurring and the option holder remaining as an employee of the Company at that time.

**Inviron Holdings Limited Incentive Plan scheme**

Certain senior members of management are invited to participate in the Inviron Holdings Limited Incentive Plan scheme. The option will vest if the employee remains in service for a period of 3 years from the date of grant. The exercise price of the shares is equal to the directors' estimate of the market value of the shares at the date of grant.

**Share option scheme**

All employees are invited to participate in the share option scheme during their first year with the Company. The options will vest either on the event of the floatation or trade sale of the business, or at the employee's retirement. The exercise price of the shares is equal to the directors' estimate of the market value of the shares at the date of grant.

**NOTES TO THE ACCOUNTS for the year ended 31 December 2010 (continued)**

**22. SHARE BASED PAYMENTS (continued)**

During the year the directors have re assessed the probability of the options vesting. Previously no charge had been made for share based payments as it was considered immaterial, however following the re assessment a charge has been processed in the current year representing the cumulative charge to date. This has not been processed as a prior year adjustment as the directors do not believe that this charge is material to either current or prior year financial statements.

The expense recognised for share based payments in respect of employee services received during the year to 31 December 2010 is £350,000 (2009: £nil).

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	<i>2010</i>	<i>2010</i>	<i>2009</i>	<i>2009</i>
	<i>No</i>	<i>WAEP</i>	<i>No</i>	<i>WAEP</i>
Outstanding at 1 January	<b>29,440</b>	<b>£7.32</b>	30,700	£5.87
Granted during the year	<b>4,280</b>	<b>£38.25</b>	4,170	£14.77
Cancelled during the year	<b>(3,110)</b>	<b>£8.76</b>	(2,590)	£8.89
Exercised during the year	<b>(2,870)</b>	<b>£5.91*</b>	(2,840)	£2.09**
Outstanding at 31 December	<b><u>27,740</u></b>	<b><u>£12.03</u></b>	<b><u>29,440</u></b>	<b><u>£7.32</u></b>

\* The weighted average share price at the date of exercise for the options exercised is £15.86

\*\* The weighted average share price at the date of exercise for the options exercised is £15.04

For the Inviron Holdings Limited Incentive Plan scheme share options outstanding as at 31 December 2010, the weighted average remaining contractual life is 0.30 years (2009: 1.2 years). There is no expiry date in which the options held under the share option scheme expire.

The range of exercise prices for options outstanding at the end of the year was £1.00 - £38.80 (2009: £1.00 - £15.20).

**Inviron Holdings Limited Incentive Plan scheme**

The fair value of the equity settled share option granted is estimated at the date of grant using a Black Scholes model based on market information for each of risk free interest rate, volatility and expected life of option and directors' estimate of the valuation of each share.

**Share option scheme**

The fair value of the equity settled share option granted is based on the directors' estimate of the market value of the grant and therefore the share valuation at the date of grant, taking into account all option pricing variables as above.

**23. CAPITAL COMMITMENTS**

At 31 December 2010 there were no capital commitments contracted for but not provided (2009: £nil).

**NOTES TO THE ACCOUNTS for the year ended 31 December 2010 (continued)**

**24. CONTINGENT LIABILITY**

At 31 December 2010, there were outstanding contingent liabilities in respect of outstanding guarantees of the Company and group of £60,000 (2009: £nil).

The fixed and floating charge exists over the undertaking and all property and assets present and future including goodwill, book debts, uncalled capital, buildings, fixtures and fixed plant and machinery in respect of a credit facility which is undrawn (2009: undrawn).

**25. RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption under FRS8 not to disclose transactions with fellow group companies.

**26. ULTIMATE PARENT UNDERTAKING**

The Company's ultimate parent undertaking is Inviron Holdings Limited, a company incorporated in England and Wales. The accounts of Inviron Holdings Limited are available from the Company Secretary, Inviron Holdings Limited, 3100 Park Square, Solihull Parkway, Birmingham Business Park, Birmingham, B37 7YN.

**27. ULTIMATE CONTROLLING PARTY**

In view of the Directors, there is no single controlling party due to the nature of the shareholding in Inviron Holdings Limited, the ultimate parent company.