

Inviron Limited

Report and Accounts

31 December 2007

Registered Number: 4956673

Inviron Limited

Registered Number: 4956673

DIRECTORS

G J Metcalfe
K Gilliver

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
Butt Dyke House
33 Park Row
Nottingham
NG1 6GY

SOLICITORS

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

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

The Directors present their report and accounts for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

Inviron Limited consists of a team of experienced industry experts that reliably deliver electrical, mechanical, and other services for the design, installation, repair and maintenance, and management of specialist environments, predominantly within the UK.

The Company operates within the Building Services sector, with three business areas serving the specialist needs of customers:

- Facilities Management & Service
- Building Systems
- Marine Systems

RESULTS AND DIVIDEND

The results for the Company for the year are set out on page 7.

The directors have not recommended the payment of a dividend during the year. (2006: £306,400)

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The directors are pleased to report a set of results reflecting a sound performance from core activities. The favourable performance came predominantly from growth in business from existing customers with whom we have developed strong relationships. These relationships have in a number of cases been further enhanced using our unique in-house process referred to as Inviron DNA, our proprietary method of capturing and then ensuring we meet customer expectations. We are now seeing the reward from this investment in terms of business opportunities from both existing and new clients, along with external recognition of Inviron DNA by the British Institute of Facility Management – BIFM Customer Service Award Winner 2007.

In terms of financial performance, turnover grew by almost 10% (2006: 11%) to £119,750,000 (2006: £109,107,000) reflecting growth within the existing customer base, and to a lesser extent a number of new clients.

At the operating level gross profit rose to 11.1% (2006 10.0%) following the restructuring of our Building Systems business in 2006 and a more focussed business model, pursuing customers with whom we build a relationship of repeat work.

Profit before taxation improved to £1,474,000 (2006: £79,000) as the full benefits of the 2006 restructure programme took effect. The directors are of the view that no further significant restructuring is required, and as customer, supplier and employee confidence grows, it is reasonable to now predict a more stable level of future profits with sufficient confidence to recognise a deferred tax asset. The directors have therefore recognised an asset in respect of tax losses available for use against future profits and decelerated capital allowances in an amount of £2,957,000.

Cash balances improved by £3,308,000 (2006: (£2,140,000)) during 2007 to £7,204,000 (2006: £3,896,000) driven by a solid operational performance and the commercial close out and cash collection on a limited number of projects considered doubtful in 2006.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)

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 Company maintained adequate cash resources throughout the year, without the need to draw on established credit facilities. Credit facilities remain in place to fund business growth, but for the current year we were able to fund growth via internal cash resources. Whilst the facilities remain in place the directors do not feel that this will be required in the foreseeable future.

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.

DIRECTORS AND THEIR INTERESTS

The following served as Directors of the Company during the year:

G J Metcalfe

K Gilliver

None of the Directors had any declarable interests in the shares of the Company. The Directors' interest in the shares of the ultimate parent Company, Inviron Holdings Limited, are shown in those accounts.

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 27 (2006: 42) employees were trained to the IOSH standard bringing the total number of employees holding IOSH qualifications to 300 (2006: 273).

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 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.

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 £1,824 (2006 - £4,525). The Company made no political donations in the current or prior year.

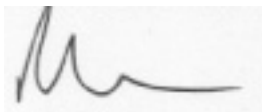
DISCLOSURE OF INFORMATION TO THE AUDITORS

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 made 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: 29th February 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare accounts for each financial year, which 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 accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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 company's accounts for the year ended 31 December 2007, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes 1 to 24. These accounts 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 auditors' 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 Annual Report and the accounts in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts 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 accounts give a true and fair view and are 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 accounts.

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

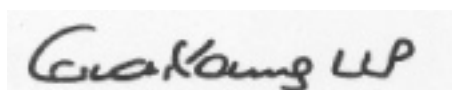
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the accounts.



Ernst & Young LLP
Registered Auditor
Birmingham
Dated: 29th February 2008

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2007

	<i>Notes</i>	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
TURNOVER	2	119,750	109,107
Cost of sales	3	(106,413)	(98,176)
GROSS PROFIT		<u>13,337</u>	<u>10,931</u>
Net operating expenses	3	(12,113)	(10,925)
OPERATING PROFIT	4	<u>1,224</u>	<u>6</u>
Interest receivable and similar income	7	272	118
Interest payable and similar charges	8	(22)	(45)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,474</u>	<u>79</u>
Tax on profit on ordinary activities	9	2,957	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND ATTRIBUTABLE TO THE MEMBERS	17	<u><u>4,431</u></u>	<u><u>79</u></u>

All the activities of the Company are continuing.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2007

	<i>Notes</i>	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
Profit for the financial year attributable to the members		4,431	79
Actuarial loss on defined benefit pension scheme	6	(17)	(9)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		<u><u>4,414</u></u>	<u><u>70</u></u>

BALANCE SHEET
at 31 December 2007

	<i>Notes</i>	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
FIXED ASSETS			
Tangible fixed assets	10	456	502
CURRENT ASSETS			
Stocks	11	7,086	9,086
Debtors	12	18,838	15,142
Cash at bank and in hand		7,204	3,896
		33,128	28,124
Creditors: amounts falling due within one year	13	(23,782)	(23,678)
NET CURRENT ASSETS		9,346	4,446
TOTAL ASSETS LESS CURRENT LIABILITIES		9,802	4,948
Provisions for liabilities	14	(766)	(349)
NET ASSETS BEFORE PENSION (LIABILITIES) / ASSETS		9,036	4,599
Pension (liabilities) / assets	6	(18)	5
NET ASSETS INCLUDING PENSION (LIABILITIES) / ASSETS		9,018	4,604
CAPITAL AND RESERVES			
Called up share capital	15	3,903	3,903
Profit and loss account	17	5,115	701
EQUITY SHAREHOLDER'S FUNDS	17	9,018	4,604

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: 29th February 2008

STATEMENT OF CASH FLOWS

for the year ended 31 December 2007

	<i>Notes</i>	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
Net cash inflow / (outflow) from operating activities	19(a)	3,295	(1,564)
Returns on investments and servicing of finance			
Interest receivable and similar income		253	86
Interest payable and similar charges		(22)	(45)
Taxation		-	-
Capital expenditure and financial investment		(218)	(311)
Equity dividends paid		-	(306)
Increase / (reduction) in cash in the year		3,308	(2,140)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

	<i>Notes</i>	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
Increase / (reduction) in cash	19(b)	3,308	(2,140)
Net cash at 1 January	19(b)	3,896	6,036
Net cash at 31 December	19(b)	7,204	3,896

NOTES TO THE ACCOUNTS for the year ended 31 December 2007

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.

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 prudent 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 2007 (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

Assets held under finance leases, which are leases of which substantially all the risks and rewards of ownership of the asset have been passed to the Company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included in liabilities in the balance sheet. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to income on a straight-line basis over the term of the lease.

Pensions

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.

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 accounts for the year to 31 December 2006 were prepared on the basis that two members would decide to transfer their benefits accrued prior to April 2004 across from the ABB Limited Pension Scheme. This has not taken place and so these accounts have been prepared on the basis that no such transfers will take place.

NOTES TO THE ACCOUNTS for the year ended 31 December 2007 (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.

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

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.

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:

	2007	2006
	£'000	£'000
GEOGRAPHICAL MARKET:		
UK	119,629	109,050
Ireland	121	57
	119,750	109,107

3. COST OF SALES AND NET OPERATING EXPENSES

	2007	2006
	£'000	£'000
COST OF SALES	106,413	98,176
Sales and marketing expenses	2,144	2,687
Administration costs	9,809	7,919
Restructuring costs	160	319
NET OPERATING EXPENSES	12,113	10,925

NOTES TO THE ACCOUNTS for the year ended 31 December 2007 (continued)

4. OPERATING PROFIT

This is stated after charging the following:

	2007	2006
	£'000	£'000
Auditors' remuneration		
- for audit services	79	77
- for tax related services	16	15
Depreciation		
- tangible fixed assets	264	216
Operating lease rentals		
- plant, equipment and vehicles	1,489	1,485
- land and buildings	717	761
	<u>717</u>	<u>761</u>

5. DIRECTORS' EMOLUMENTS

	2007	2006
	£'000	£'000
Emoluments (excluding performance related bonuses)	235	282
Compensation for loss of office	-	30
Performance related bonuses	56	-
	<u>291</u>	<u>312</u>
Company contributions paid to defined contribution pension scheme	21	23
	<u>312</u>	<u>335</u>

Two Directors (2006: 2) are members of the Inviron defined contribution pension scheme.

	2007	2006
	£'000	£'000
The amounts in respect of the highest paid Director were as follows:		
Emoluments (excluding performance related bonuses)	145	138
Performance related bonuses	38	-
	<u>183</u>	<u>138</u>
Company contributions to a defined contribution pension scheme	13	11
	<u>196</u>	<u>149</u>

No director exercised any share options during the current or prior year.

6. STAFF COSTS

	2007	2006
	£'000	£'000
Wages and salaries	35,065	33,184
Social security costs	3,964	3,918
Other pension costs	1,584	1,214
	<u>40,613</u>	<u>38,316</u>

NOTES TO THE ACCOUNTS for the year ended 31 December 2007 (continued)

6. STAFF COSTS (continued)

Other pension costs comprise:

	2007	2006
	£'000	£'000
Defined benefit schemes - current service cost	30	35
Defined contribution schemes	1,554	1,179
	1,584	1,214

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 £1,044,000(2006: £803,000) and the balance is to other defined contribution industry schemes. Included within other creditors is £137,000 (2006: £126,000) 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:

	2007	2006
	No.	No.
Administrative staff	314	290
Frontline operatives	680	652
	994	942

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 figures below are in relation to the undertaking provided to these nine members only.

The accounts for the year to 31 December 2006 were prepared on the basis that two of these members would additionally transfer benefits accrued prior to April 2004 across from the ABB Scheme. This has not taken place and these accounts are prepared on the basis that no such transfer will now take place.

The valuation has been performed in order to assess the disclosures required under FRS 17 as at 31 December 2007 by an independent qualified actuary.

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

Actuarial assumptions

	31 December	31 December
	2007	2006
Rate of general increases in salaries	3.50%p.a	3.35%p.a
Rate of increase in pensions in payment and deferred pensions	3.25%p.a	3.10%p.a
Discount rate	5.75%p.a	5.30%p.a
Inflation assumption	3.25%p.a	3.10%p.a

NOTES TO THE ACCOUNTS for the year ended 31 December 2007 (continued)

6. STAFF COSTS (continued)

Mortality has been assumed at this valuation to be in line with the PMA 92 series tables projected to calendar year 2020. The mortality assumptions used last year were not disclosed.

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

	2007	2006
	£'000	£'000
Total fair value of assets	127	291
Present value of scheme liabilities	(145)	(286)
(Defecit) / surplus in the scheme	(18)	5

The following table sets out the expected rates of return, net of investment management expenses, on different classes of assets at the end of the accounting period, together with the value of assets at the end of the accounting period.

	Long term expected rate of return at 31 December 2007	Values at 31 December 2007
		£'000
Equity and Property	7.65%	72
Bonds	5.65%	24
Cash	4.65%	31
Total		127

A split of the assets by category for the 2006 accounts is not available. It was assumed that the total return on the assets in aggregate would be 7% per annum.

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

	2007	2006
	£'000	£'000
Actual return less expected return on pension scheme assets	(1)	66
Experience losses arising on pension scheme liabilities	(14)	(122)
Changes in assumptions underlying the present value of the liabilities	(2)	47
Actuarial loss recognised in STRGL	(17)	(9)

Contributions paid by the Company to the Scheme during the year ended 31 December 2007 amounted to £23,000 (2006: £21,000)

NOTES TO THE ACCOUNTS for the year ended 31 December 2007 (continued)

6. STAFF COSTS (continued)

Analysis of Movement in surplus / (deficit) during the year

	2007 £'000	2006 £'000
Surplus in scheme at beginning of the year	5	3
Movement in the year:		
Current service cost	(30)	(35)
Contributions	23	21
Other finance income (note 7)	1	25
Actuarial loss	(17)	(9)
(Deficit) /surplus in respect of the scheme at end of the year	(18)	5

History of experience gains and losses

	2007 £'000	2006 £'000
<i>Difference between the expected and actual return on Pension scheme assets:</i>		
Amount	(1)	66
Percentage of Pension scheme assets	(0.3%)	(23%)
<i>Experience (losses) on Pension scheme liabilities:</i>		
Amount	(14)	(122)
Percentage of the present value of the Pension scheme liabilities	(4.9%)	(43%)
<i>Total amount recognised in the statement of total recognised gains and losses:</i>		
Amount	(17)	(9)
Percentage of the present value of the Pension scheme liabilities	(5.9%)	(3%)

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2007 £'000	2006 £'000
Interest received on bank accounts	271	93
Other finance income – pension scheme:		
Expected return on pension scheme assets	7	82
Interest on pension scheme liabilities	(6)	(57)
	1	25
	272	118

NOTES TO THE ACCOUNTS for the year ended 31 December 2007 (continued)

8. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>2007</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>
Bank charges	<u>22</u>	<u>45</u>

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is made up as follows:

	<i>2007</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>
UK Corporation tax		
UK Corporation tax	-	-
Adjustments in respect of previous periods	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	<u>(2,957)</u>	-
	<u>(2,957)</u>	<u>-</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 30.0% (2006: 30.0%). The differences are reconciled below:

	<i>2007</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>
Profit on ordinary activities before tax	<u>1,474</u>	<u>79</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30.0% (2006: 30.0%).	442	24
Effect of:		
Expenses not deductible for tax purposes	106	107
Depreciation in excess of capital allowances	62	41
Utilisation of brought forward tax losses	(615)	(175)
Other timing differences	5	3
Total current tax	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The Company has tax losses and capital allowances available for offset against future taxable profits.

NOTES TO THE ACCOUNTS for the year ended 31 December 2007 (continued)

9. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Deferred taxation

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

	2007	2006
	£'000	£'000
At 1 January	-	-
Recognised in the year	(2,957)	-
At 31 December	(2,957)	-

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

	2007	2006
	£'000	£'000
Depreciation in excess of capital allowances	566	-
Other timing differences	2,391	-
	2,957	-

The deferred tax asset not recognised in the accounts at 30% is as follows:

	2007	2006
	£'000	£'000
Depreciation in excess of capital allowances	-	560
Other timing differences	-	3,164
	-	3,724

The directors are of the view that as customer, supplier and employee confidence grows, it is reasonable to now predict a more stable level of future profits with sufficient confidence to recognise the deferred tax asset of £2,957,000 (2006: £nil).

10. FIXED ASSETS

	Fixtures and Fittings	Computer Equipment	Total
	£'000	£'000	£'000
Cost:			
At 1 January 2007	884	276	1,160
Additions during the year	154	64	218
At 31 December 2007	1,038	340	1,378
Depreciation:			
At 1 January 2007	465	193	658
Charged during the year	210	54	264
At 31 December 2007	675	247	922
Net book value at 31 December 2007	363	93	456
Net book value at 31 December 2006	419	83	502

NOTES TO THE ACCOUNTS for the year ended 31 December 2007 (continued)

11. STOCKS

	<i>2007</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>
Work in progress:		
Costs to date less provision for contract losses	9,292	10,829
Less: applicable payments on account	(2,206)	(1,743)
	7,086	9,086

12. DEBTORS

	<i>2007</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>
Trade debtors	14,657	13,292
Other debtors	257	610
Deferred tax (note 9)	2,957	-
Prepayments and accrued income	627	566
Amounts recoverable on contracts	340	674
	18,838	15,142

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

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

	<i>2007</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>
Cash collateral on Performance Bond	-	80
Rent deposit deed	46	44
	46	124

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

13. CREDITORS: Amounts falling due within one year

	<i>2007</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>
Trade creditors	16,205	17,427
Other creditors	2,008	1,987
Other taxes and social security costs	2,506	2,163
Accruals and deferred income	3,063	2,101
	23,782	23,678

NOTES TO THE ACCOUNTS for the year ended 31 December 2007 (continued)

14. PROVISIONS FOR LIABILITIES

	<i>Contract Related £'000</i>
Provision at 1 January 2007	349
Arising during the year	872
Utilised during the year	(455)
Provision at 31 December 2007	<u>766</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.

15. SHARE CAPITAL

Authorised

	<i>No.</i>	<i>£</i>
Ordinary shares of £1 each at 31 December 2007 and 31 December 2006	<u>4,000,000</u>	<u>4,000,000</u>

Allotted, called up and fully paid

	<i>No.</i>	<i>£</i>
Ordinary shares of £1 each at 31 December 2007 and 31 December 2006	<u>3,902,853</u>	<u>3,902,853</u>

16. DIVIDENDS

	<i>2007 £'000</i>	<i>2006 £'000</i>
Declared and paid during the year		
Equity dividends on ordinary shares		
Final dividend paid £nil (2006: 7.85p)	-	306

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

	<i>Share Capital £'000</i>	<i>Profit and Loss Account £'000</i>	<i>Total Shareholder's Funds £'000</i>
At 1 January 2007	3,903	701	4,604
Retained profit for the year	-	4,431	4,431
Actuarial loss on pension scheme	-	(17)	(17)
At 31 December 2007	<u>3,903</u>	<u>5,115</u>	<u>9,018</u>

NOTES TO THE ACCOUNTS for the year ended 31 December 2007 (continued)

18. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

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

	<i>Land and Buildings</i>		<i>Other</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Operating leases which expire:				
within one year	24	61	445	246
between one and two years	46	-	291	620
between two and five years	503	352	556	296
After more than five years	121	287	-	-
	<u>694</u>	<u>700</u>	<u>1,292</u>	<u>1,162</u>

19. NOTES TO THE STATEMENT OF CASH FLOWS

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

	<i>2007</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>
Operating profit	1,224	6
Depreciation	264	216
Increase / (decrease) in contract provisions	417	(167)
Decrease in stocks	2,000	579
(Increase) in debtors	(721)	(4,698)
Increase in creditors	111	2,500
Net cash inflow / (outflow) from operating activities	<u>3,295</u>	<u>(1,564)</u>

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>2007</i>	<i>2007</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash at bank and in hand	<u>3,896</u>	<u>3,308</u>	<u>7,204</u>

20. CAPITAL COMMITMENTS

At 31 December 2007 (2006: £nil), there were no capital commitments contracted for but not provided.

NOTES TO THE ACCOUNTS for the year ended 31 December 2007 (continued)

21. CONTINGENT LIABILITY

At 31 December 2007 (2006: £nil), there were no outstanding contingent liabilities in respect of the Company.

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 (2006: undrawn).

22. RELATED PARTY TRANSACTIONS

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

23. 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

24. 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.