McIntosh 88 Limited

Directors' Report and Financial Statements

Registered Number 2172877

31 December 2005

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activities

The principal activity of the company is that of a group holding company.

Business review

No trading activity was conducted during the year.

Dividends

The directors declared and approved final dividends of £3,900,000 (2004: £3,000,000).

Directors and directors' interests

The directors who held office during the year were as follows:

H Balfour
A Dougherty (appointed 01.11.05)
K Munro (appointed 21.06.05)
G MacSporran (resigned 31.12.05)
W McColl (resigned 30.08.05)
A Paterson (resigned 31.10.05)

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 interest of H Balfour in the share capital of the parent company, Havelock Europa PLC, is disclosed in the accounts of that company. No other director had an interest in the shares of the parent company.

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

H Balfour
Director

30 Queen Charlotte Street
Bristol
6 October 2006

Statement of directors' responsibilities

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.

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 prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the independent auditors to the members of McIntosh 88 Limited

We have audited the financial statements of McIntosh 88 Limited for the year ended 31 December 2005 which comprise the income statement, the balance sheet, the cash flow statement, the statement of recognised income and expense 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

As described in the Statement of Directors' Responsibilities set out on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 2005 and of its profit for the year then ended; and

have been properly prepared in accordance with the Companies Act 1985

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
191 West George Street
Glasgow G2 2LJ
6 October 2006

Income statement
For the year ended 31 December 2005

	2005	2004
	£000	£000
Dividend income	**3,900**	3,000
Profit for the year attributable to equity holders of the parent	**3,900**	3,000

Statement of recognised income and expense
For the year ended 31 December 2005

The Company has no recognised income or expense other than the profits for the current and previous years.

Balance sheet
As at 31 December 2005

	Note	2005 £000	2004 £000
Assets			
Non-current assets			
Investments in subsidiaries	2	-	-
Total non-current assets		-	-
Current assets			
Amounts owed by subsidiaries		11,187	7,287
Cash and cash equivalents		-	-
Total current assets		11,187	7,287
Total assets		11,187	7,287
Liabilities			
Current liabilities			
Amounts owed to parent company		(10,900)	(7,000)
Total current liabilities		(10,900)	(7,000)
Total liabilities		(10,900)	(7,000)
Net assets		287	287
Equity			
Issued share capital	3	-	-
Capital redemption reserve	3	220	220
Revenue reserves	3	67	67
Total equity attributable to equity holders of the parent		287	287

These financial statements were approved by the board of directors on 6 October 2006 and were signed on its behalf by:

Hew Balfour
Director

Statement of cash flows
For the year ended 31 December 2005

	2005	2004
	£000	£000
Cash flows from operating activities		
Profit before tax	3,900	3,000
Adjustments for:		
Dividend income	(3,900)	(3,000)
Operating profit before changes in working capital and provisions		-
Increase in amounts owed by subsidiaries	(3,900)	(3,000)
Increase in amounts owed to parent company	3,900	3,000
Cash generated from operations	-	-
Net movement in cash and cash equivalents	-	-
Cash and cash equivalents at 1 January	-	-
Cash and cash equivalents at 31 December	-	-

Notes to the financial statements

1. Accounting policies

McIntosh 88 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 endorsed by the European Union at 31 December 2005 and its interpretations adopted by the International Accounting Standards Board (IASB) subject to the exemptions set out below. These are the Company's first IFRS financial statements and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied subject to the exemptions set out below.

Transition to IFRS

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 6. This note includes reconciliations of equity and profit or loss for comparative periods reported under UKGAAP to those reported for the same periods under IFRS.

The date of transition to IFRS was 1 January 2004, which was the beginning of the comparative period for the year ended 31 December 2004. The Company has applied IFRS 1 for first-time adoption of IFRS, and has elected to use the following exemption:

- IAS 32 *Financial Instruments: Disclosure and Presentation* and IAS 39 *Financial Instruments: Recognition and Measurement* have been adopted from 1 January 2005 with no restatement of comparative information.

No adjustments have been made for any changes in estimates made at the time of approval of the UKGAAP financial statements upon which the IFRS comparative information is based.

Comparative figures for the financial year ended 31 December 2004 are not the company's statutory accounts for that financial year. Those accounts, which were prepared under UKGAAP, have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

Basis of preparation

The financial statements are prepared on the historical cost basis and presented in pounds sterling.

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.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, subject to the exemptions contained in IFRS 1 and noted above that the Company has elected to use.

Dividends

Dividends receivable
Dividend income is recognised when the Company's right to receive payment is established.

Dividends payable
Final equity dividends to the shareholders of McIntosh 88 Limited are recognised as a liability in the period that they are declared. Interim equity dividends are recognised as a liability in the period that they are paid.

Financial instruments

Investments in subsidiaries
Investments in subsidiaries are carried at cost.

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.

Intra-group guarantees

The company has not adopted amendments to IAS 39 and IFRS 4 in relation to financial guarantee contracts which will apply for periods commencing on or after 1 January 2006.

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.

The company does not expect the amendments to have any impact on the financial statements for the period commencing 1 January 2006

IFRS issued but not yet applied

The following IFRS, which have been issued by the IASB and are available for early application, have not been applied by the Company in these financial statements:

- IFRS 7 *Financial Instruments: Disclosure* applicable for years commencing on or after 1 January 2007; and
- Amendment to IAS 1 *Capital Disclosures* applicable for years commencing on or after 1 January 2007

The application of IFRS 7 and the amendment to IAS 1 in 2005 would not have affected the income statement or balance sheet as the Standards are concerned with disclosure. The Company plans to apply these Standards from 1 January 2007.

2. Investments in subsidiary undertakings

The Company has the following investment in a subsidiary:

Company	Principal activity	Country of incorporation	Class of shares held	Ownership interest 2005	Ownership interest 2004
ESA McIntosh Limited	Design, manufacture and installation of education furniture	Scotland	Ordinary shares of £1 each	100%	100%

3. Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital £000	Capital redemption reserve £000	Revenue reserve £000	Total £000
Balance at 1 January 2004	-	220	67	287
Total recognised income and expense	-	-	3,000	3,000
Dividends to shareholders	-	-	(3,000)	(3,000)
Balance at 31 December 2004	-	220	67	287
Balance at 1 January 2005	-	220	67	287
Total recognised income and expense	-	-	3,900	3,900
Dividends to shareholders	-	-	(3,900)	(3,900)
Balance at 31 December 2005	**-**	**220**	**67**	**287**

Share capital

	2005 £	2004 £
Authorised:		
1,000 (2004: 1,000) ordinary shares of £1 each	**1,000**	1,000
Allotted, issued and fully paid:		
111 (2004: 111) ordinary share of £1 each	**111**	111

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.

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.

Dividends

Amounts recognised as distributions to equity holders in the period:

	2005 £000	2004 £000
Dividend for the year ended 31 December 2003 of £27,027.00 per share	**-**	3,000
Dividend for the year ended 31 December 2004 of £18,018.00 per share	**2,000**	-
Dividend for the year ended 31 December 2005 of £17,117.00 per share	**1,900**	-
	3,900	3,000

4. Related parties

Identify 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
ESA McIntosh Limited	Subsidiary company
Clean Air Limited	Fellow subsidiary company
TeacherBoards (1985) Limited	Fellow subsidiary company

The Company has a related party relationship with its directors.

Transactions with Group companies

	2005	2004
Dividends to	**£000**	£000
Havelock Europa PLC	**3,900**	3,000
Dividends from		
ESA McIntosh Limited	**3,900**	3,000
Amounts owed by group companies as at 31 December		
ESA McIntosh Limited	**11,187**	7,287
Amounts owed to group companies as at 31 December		
Havelock Europa PLC	**10,900**	7,000

Settlement of amounts owing and owed is through the inter-company accounts.

5. Ultimate parent company and parent company of larger group

The company is a subsidiary of Havelock Europa PLC, incorporated in England. The largest group in which the results of the Company are consolidated is that headed by Havelock Europa PLC. 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.

6. Explanation of transition to IFRS

Reconciliation of income statement under UKGAAP and IFRS
For the year ended 31 December 2004

	UKGAAP in IFRS formats	Dividends receivable not approved in the year	Dividends receivable approved in the year	IFRS
	£000	£000	£000	£000
Dividend income	2,000	(2,000)	3,000	3,000
Profit for the year	2,000			3,000

Reconciliation of balance sheets under UKGAAP and IFRS
As at 31 December 2004

	UKGAAP in IFRS formats £000	Dividends payable £000	Dividends receivable £000	IFRS £000
Assets				
Non-current assets				
Investments in subsidiaries	-			-
Total non-current assets	-			-
Current assets				
Amounts owed by subsidiaries	9,287		(2,000)	7,287
Cash and cash equivalents	-			-
Total current assets	9,287			7,287
Total assets	9,287			7,287
Liabilities				
Current liabilities				
Amounts owed to parent company	(9,000)	2,000		(7,000)
Total current liabilities	(9,000)			(7,000)
Total liabilities	(9,000)			(7,000)
Net assets	287			287
Equity				
Issued share capital	-			-
Capital redemption reserve	220			220
Revenue reserves	67	2,000	(2,000)	67
Total equity	287			287

6. Explanation of transition from UKGAAP to IFRS (contd.)

Reconciliation of balance sheets under UKGAAP and IFRS
As at 1 January 2004

	UKGAAP in IFRS formats £000	Dividends payable £000	Dividends receivable £000	IFRS £000
Assets				
Non-current assets				
Investments in subsidiaries	-			-
Total non-current assets	-			-
Current assets				
Amounts owed by subsidiaries	7,287		(3,000)	4,287
Cash and cash equivalents	-			-
Total current assets	7,287			4,287
Total assets	7,287			4,287
Liabilities				
Current liabilities				
Amounts owed to parent company	(7,000)	3,000		(4,000)
Total current liabilities	(7,000)			(4,000)
Total liabilities	(7,000)			(4,000)
Net assets	287			287
Equity				
Issued share capital	-			-
Capital redemption reserve	220			220
Revenue reserves	67	3,000	(3,000)	67
Total equity	287			287

6. Explanation of transition to IFRS (contd.)

Dividends receivable

Under UKGAAP, dividend income was recognised on an accruals basis. Under IFRS, dividend income should only be recognised when the dividends have been declared by the investee and the shareholder's rights to receive payment is established. Dividends receivable by McIntosh 88 Limited in 2003 and 2004 were declared by the investee after the relevant balance sheet dates, and as such this income has been reversed.

The effect of reversing the accrued dividend income is to reduce *Amounts owed by subsidiaries* and *Revenue reserves* by £2,000,000 (January 2004: £3,000,000).

Dividends payable

Under UKGAAP, dividends relating to the current period but approved after the balance sheet date are recognised as a liability at the balance sheet date. Under IAS 10 *Events After the Balance Sheet Date*, equity dividends are recognised only when approved. McIntosh 88 Limited declared its 2003 and 2004 final dividends after the relevant balance sheet dates, and as such these dividends have been reversed.

The effect of reversing the dividend accruals is to decrease *Amounts owed to parent company* and increase *Revenue reserves* by £2,000,000 at 31 December 2004 (January 2004: £3,000,000).

Explanation of material adjustments to cash flow statement

There are no material differences between the cash flow statement presented under IFRS and the cash flow statement presented under UKGAAP for the year ended 31 December 2004.