Company Registration No 03149470

PROJECT AIR LIMITED

Report and Financial Statements

30 September 2007

PROJECT AIR LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

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PROJECT AIR LIMITED

Officers and Advisers

DIRECTORS

S Beart (appointed 21 November 2007)
W Good (appointed 21 November 2007)

SECRETARY

W Good (appointed 21 November 2007)

REGISTERED OFFICE

Ground Floor
Barons Court
Manchester Road
Wilmslow
Cheshire
SK9 1BQ

AUDITORS

Deloitte & Touche LLP
Nottingham

BANKERS

Bank of Scotland
8th Floor
40 Spring Gardens
Manchester
M2 1EN

PROJECT AIR LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 September 2007 The previous accounting period was for the period since incorporation on 1 May 2006 to 30 September 2006

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company is that of acting as air conditioning and industrial ventilation consultants

There has been a 11 7% (pro-rata) decrease in turnover This together with some exceptional costs (note 2) has led to a loss in the year

Post year-end the directors announced that the trade of the company would cease by 31 March 2008 As of the date of these financial statements this cessation has now been completed

RESULTS AND DIVIDENDS

The results for the company are set out in the financial statements

The directors recommend no dividend payment for the year

DIRECTORS AND THEIR INTERESTS

The directors who held office during the period and their beneficial interest in the shares of the company were as follows

	Ordinary 'A' shares of £1 each	
	30 September 2007	**30 September 2006**
P M Worthington (resigned 21/11/2007)	-	-
D E Levis (resigned 21/11/2007)	-	-

	Ordinary 'B' shares of £1 each	
	30 September 2007	**30 September 2006**
P M Worthington (resigned 21/11/2007)	-	-
D E Levis (resigned 21/11/2007)	-	-

P M Worthington and D E Levis have an interest in 7,445,000 and 2,000,000 ordinary shares of 1p in the company's parent, Worthington Nicholls plc respectively

SUPPLIER PAYMENT POLICY

It is the company policy to settle debts with its creditors on a timely basis, taking into consideration the terms and conditions offered by each supplier At 30 September 2007, the number of creditor days outstanding for the company was 70 days (2006 119 days)

PROJECT AIR LIMITED

DIRECTORS' REPORT

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's activities expose it to a number of financial risks including credit risk, interest rate and liquidity risk It is, and has been throughout the period under review, the company's policy that no speculative trading in financial instruments shall be undertaken

Credit risk

The company's principal financial assets are bank balances and cash, and trade and other receivables

The company's credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies

The company's credit risk is primarily attributable to its trade receivables The amounts presented in the balance sheet are net of allowances for doubtful receivables The company has no significant concentration of credit risk, with exposure spread over a large number of customers

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments, the company uses a mixture of long-term and short-term debt finance

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that

1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the companies Act 1985

Deloitte & Touche LLP were appointed auditors on 4 December 2007 Deloitte & Touche LLP have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting

HWCA Limited resigned as auditors on 4 December 2007

Approved by the Board of Directors
and signed on behalf of the Board

Director

PROJECT AIR LIMITED

Director's Report for the year Ended 30 September 2007

The directors are responsible for preparing the Annual 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) The financial statements are required by law to 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 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 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 proper accounting records that 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 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 MEMBERS OF PROJECT AIR LIMITED

We have audited the financial statements of Project Air Limited for the period ended 30 September 2007 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 17 These financial statements have been prepared in accordance with 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 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 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 financial statements

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

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes an 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 judgements 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2007 and of the company's loss for the year then ended,

- the financial statements have been properly prepared in accordance with the Companies Act 1985,and

- the information given in the directors' report is consistent with the financial statements

Emphasis of matter - Financial statements prepared other than on a going concern basis

We draw your attention to note 1 to the accounts, which states that the financial statements have been prepared on the basis that the company is no longer a going concern and describes the reasons why Our opinion is not qualified in this respect

Deloitte + Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Nottingham, United Kingdom

7 May 2008

PROJECT AIR LIMITED

Profit and Loss Account for the Year Ended 30 September 2007

	Note	2007 £'000	1 May 2006 to 30 September 2006 £'000
TURNOVER		3,453	1,630
Cost of sales		(2,155)	(877)
Gross profit		1,298	753
Administrative expenses – normal		(1,203)	(263)
Administrative expenses – exceptional		(233)	-
Total administrative expenses		(1,436)	(263)
OPERATING (LOSS)/PROFIT	2	(138)	490
Interest receivable and similar income		-	3
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(138)	493
Tax on (loss)/profit on ordinary activities	4	15	(147)
(LOSS)/PROFIT FOR THE FINANCIAL PERIOD		(123)	346

All results relate to continuing operations

The company has no recognised gains or losses for the period other than the results above

There is no material difference between the result reported above and the result on an unmodified historical cost basis

PROJECT AIR LIMITED

Balance sheet as at 30 September 2007

	Note	2007 £'000	2006 £'000
FIXED ASSETS			
Tangible assets	6	103	122
CURRENT ASSETS			
Stocks	7	-	65
Debtors	8	850	1,385
Cash at bank and in hand		269	202
		1,119	1,652
CREDITORS: amounts falling due within one year	9	(733)	(1,172)
NET CURRENT ASSETS		386	480
TOTAL ASSETS LESS CURRENT LIABILITIES		489	602
CREDITORS: amounts falling due after one year	10	(10)	-
NET ASSETS		479	602
CAPITAL AND RESERVES			
Called up share capital	11	-	-
Share premium reserve	13	-	-
Profit and loss reserve	12	479	602
SHAREHOLDERS' FUNDS	13	479	602

These financial statements were approved by the Board of Directors on 16 April 2008

Signed on behalf of the Board of Directors

Simon Beart

DIRECTOR

Notes to the Financial Statements for the Period Ended 30 September 2007

1. ACCOUNTING POLICIES

Basis of preparation

Post year-end the company announced the closure of the company, which was expected to complete by 31 March 2008 This cessation has now been completed as announced Accordingly the financial statements have been prepared on a basis other than going concern In the directors' opinion there is no material impact upon the book values of the assets and liabilities as stated in the balance sheet

Turnover

Turnover is measured at the fair value of consideration received or receivable, excluding value added tax, for goods and services supplied to external customers

Turnover is recognised in the profit and loss account upon agreement with the customer as to the stage of completion of the contract If there is no agreement with the customer the turnover will not be recognised

For contracts that have a retention involved, that element of the revenue will not be recognised until there has been a full completion of the contract and the retention time has passed For the period between the retention being generated and being invoiced there is a debtor and a matching creditor created in the accounts

All turnover relates to customers in the United Kingdom

Cash flow statements

As permitted by Financial Reporting Standard No 1 (Revised), 'Cash flow statements', the company has not included a cash flow statement as part of its financial statements as a consolidated cash flow is presented in its parent company financial statements

Tangible fixed assets

Fixed assets are stated at cost net of depreciation and provision for impairment Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows

Fixtures and fittings	20% straight line basis
Plant and machinery	20% straight line basis
Office equipment	33% straight line basis
Leasehold improvements	20% straight line basis
Motor vehicles	20% straight line basis

Stock

Stock is valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks Net realisable value is based on selling price less anticipated costs to completion and selling costs

The Company undertakes no long term contracts Work in progress is valued at the lower of cost and net realisable value where the outcome of the contract can be reliably estimated and a gross profit expected Work in progress is accrued to the level of the costs that have gone into the contract that have not yet been accounted for in an invoice to the customer

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss accounts over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used

Notes to the Financial Statements for the Period Ended 30 September 2007

1 ACCOUNTING POLICIES (Continued)

Pensions

The Company operates a defined contribution pension scheme Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date

2. OPERATING (LOSS)/PROFIT

	2007 £'000	1 May 2006 to 30 September 2006 £'000
Operating (loss)/profit is after charging:		
Operating lease rentals – other	18	8
Fees payable to the Company's auditors for the audit of the Company's annual accounts	5	5
Depreciation of leased tangible fixed assets	3	-
Depreciation of owned tangible fixed assets	32	7
The company has incurred exceptional items in the year		
Bad debt write-offs	233	-

Notes to the Financial Statements for the Period Ended 30 September 2007

3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2007 No	1 May 2006 to 30 September 2006 No
Average number of persons employed		
Administration	7	6
Engineering	16	13
	23	19
	£'000	**£'000**
Staff costs during the year		
Wages and salaries	600	160
Social security costs	60	16
Other pension costs	-	3
	660	179
	£'000	**£'000**
Directors' emoluments		
Directors' emoluments (including benefits in kind)	-	12

Directors' emoluments for the current year are borne by a fellow group company

PROJECT AIR LIMITED

Notes to the Financial Statements for the Period Ended 30 September 2007

4. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

a) Analysis of tax charge in the period:

	2007 £'000	1 May 2006 to 30 September 2006 £'000
Current taxation		
United Kingdom charge (note 4b)	-	147
Adjustments in respect of prior years	(15)	-
Total current tax (credit)/charge	(15)	147

b) Factors affecting current tax charge in the period.

In March 2007, the UK Government announced that they would introduce legislation that would reduce the corporation tax rate to 28% with effect from 1 April 2008 This legislation was substantively enacted on 26 June 2007 As such the effective tax rate for the year to 31 March 2009 is expected to reduce accordingly

The standard rate of tax for the period, based on the UK standard rate of corporation tax is 30% The actual tax charge for the current year differs from the standard rate for the reasons set out in the following reconciliation

	2007 £'000	1 May 2006 to 30 September 2006 £'000
(Loss)/profit on ordinary activities before tax	(138)	490
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax	(41)	148
Effects of;		
Expenses not deductible for tax purposes	20	1
Unrelieved tax losses	21	
Timing differences between capital allowances and depreciation	-	(2)
Current tax based on (loss)/profit for the year (note 4a)	-	147

There is no provided deferred tax A deferred tax asset relating to unrelieved tax losses of £71,273 (2006 nil) is not provided on the grounds of uncertainty of future taxable profits against which the asset would be utilised

5. DIVIDENDS

	2007 £'000	1 May 2006 to 30 September 2006 £'000
Ordinary interim dividend paid nil per share (2006 £90 90 per share)	-	10

Notes to the Financial Statements for the Period Ended 30 September 2007

6. TANGIBLE FIXED ASSETS

Group	Plant and Machinery £'000	Fixtures and Fittings £'000	Motor vehicles £'000	Office equipment £'000	Leasehold Improvements £'000	Total £'000
Cost or valuation						
At 1 October 2006	3	2	108	10	6	129
Additions	-	-	71	8	-	79
Disposals	(3)	(2)	(47)	(18)	(4)	(74)
Transfers	-	-	(11)	-	-	(11)
At 30 September 2007	-	-	121	-	2	123
Depreciation						
At 1 October 2006	-	-	6	1	-	7
Charge for the year	1	-	28	5	1	35
Disposals	(1)	-	(11)	(6)	(1)	(19)
Transfers	-	-	(3)	-	-	(3)
At 30 September 2007	-	-	20	-	-	20
Net book value						
At 30 September 2007	-	-	101	-	2	103
At 30 September 2006	3	2	102	9	6	122

Included within the total net book value of tangible fixed assets is £25,449 (2006 £nil) in respect of assets held under finance leases and similar hire purchase contracts Depreciation for the period on these assets was £2,495(2006 £nil)

7. STOCKS

	2007 £'000	2006 £'000
Stocks	-	65

The difference between purchase price or production cost of stocks and their replacement cost is not material

8 DEBTORS

	2007 £'000	2006 £'000
Trade debtors	749	870
Amounts owed by group undertakings	18	500
Corporation tax debtor	65	-
Prepayments and accrued income	18	15
	850	1,385

Notes to the Financial Statements for the Period Ended 30 September 2007

9 CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £'000	2006 £'000
Obligations under finance lease & hire purchase	7	-
Trade creditors	474	602
Amounts owed to group undertakings	128	-
Corporation tax	-	475
Social security and other taxes	56	72
Other creditors	7	-
Accruals and deferred income	61	23
	733	1,172

10 CREDITORS: AMOUNT FALLING DUE IN MORE THAN ONE YEAR

	2007 £'000	2006 £'000
Obligations under finance lease & hire purchase	10	-

All obligations under finance lease and hire purchase are payable in less than two years Obligations under finance lease and hire purchase are secured against the assets to which they relate

Notes to the Financial Statements for the Period Ended 30 September 2007

11. CALLED UP SHARE CAPITAL

	2007 £	2006 £
Authorised		
900 Ordinary A shares of £1 each	900	900
100 Ordinary B shares of £1 each	100	100
	1,000	1,000
Called up, allotted and fully paid		
100 Ordinary A shares of £1 each	100	100
10 Ordinary B shares of £1 each	10	10
	110	110

The shares rank pari passu upon the winding up of the company and carry equal voting rights

12. RESERVES

	Share premium reserve £'000	Profit and loss reserve £'000	Total £'000
Balance at 1 October 2006	-	602	602
Loss for the year	-	(123)	(123)
Balance at 30 September 2007	-	479	479

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £'000	1 May 2006 to 30 September 2006 £'000
(Loss)/profit attributable to members of the company	(123)	346
Dividends	-	(10)
Net (reduction in)/addition to shareholders' funds	(123)	336
Opening shareholders' funds	602	266
Closing shareholders' funds	479	602

Notes to the Financial Statements for the Period Ended 30 September 2007

14. OPERATING LEASE COMMITMENTS

At 30 September 2007, the company has annual commitments under non-cancellable operating leases as follows

	Other 2007 £'000	Other 2006 £'000
Within one year or less	-	18
Between two and five years	-	-
More than five years	48	-

15. POST BALANCE SHEET EVENTS

Post year end the directors announced that the trade of the company would cease by 31 March 2008 In addition the directors changed the financial period of the company, the next financial period is the six months ended 31 March 2008

16. PENSION SCHEMES

Defined contribution pension scheme

The company operates a defined contribution pension scheme The pension cost charge for year represents contributions payable by the group to the scheme and amounted to £nil (2006 £2,656)

There were no outstanding or prepaid contributions at the end of the financial year.

17. RELATED PARTY TRANSACTIONS

Controlling entity

The company is a wholly owned subsidiary of Worthington Nicholls Group plc, a company incorporated in England and Wales

Worthington Nicholls Group plc is the sole parent company of the group of which the company is a member and for which group accounts are drawn up Copies of the group accounts are available from Barons Court, Manchester Road, Wilmslow, Cheshire, SK9 1BQ Post year end the parent company changed its name to Managed Support Services plc

Related party transactions

As a subsidiary undertaking of Worthington Nicholls Group plc the company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the group headed by Worthington Nicholls Group plc