

**Environmental Property Services Plc**

**Directors' report and consolidated  
financial statements**

**Registered number 3769974**

**31 March 2007**



**Directors**

D J Anderson  
P Griffin  
G R Rajendra  
P J Hutchinson  
P D Reader  
S Reeve

**Secretary**

D J Anderson

**Auditors**

KPMG LLP  
1 Waterloo Way  
Leicester  
LE1 6LP

**Bankers**

Bank of Scotland  
14 Friar Lane  
Leicester  
LE1 5RA

**Registered office**

Riverside House  
1 New Mill Road  
Orpington  
Kent  
BR5 3QA

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## Directors' report

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

### Business review and principal activities

The Group provides a wide range of property maintenance and refurbishment and security activities including

- Reactive and planned maintenance of building fabric and building services
- Installation of kitchens, bathrooms and heating systems in social housing properties
- Installation of building services
- Internal and external refurbishment packages
- Complete security packages and void security

At the beginning of the year, the Group won a number of new contracts. However, the annual spend on certain ongoing contracts reduced so that the net increase in sales was 5.8%

Profit after tax increased by 56.9% as a result of the increase in sales and rigorous control of costs

Debtors and work in progress at the year end increased significantly over last year as a result of the impact of new contracts, changes in the payment cycle on certain existing contracts and the phasing of work through the year

There have been no significant events since the balance sheet date which should be considered for a proper understanding of these financial statements

### Principal risks and uncertainties

To manage the potential risk of losing business, the Group continues to work in partnership with its customers to provide a high level service and develop strong relationships

The Group has long term contracts worth over £160 million over periods of up to 5 years, principally in the social housing sector. This visibility of future revenue streams is a core strength of the business. However, in the longer term, there is a risk that Government spending on social housing and other publicly funded projects will reduce. In order to mitigate this threat, the Group intends to expand its activities in commercial markets

### Interest rate risk

The Group is financed by shareholders' funds and bank borrowings. In view of the high level of interest cover the Group does not hedge against fluctuations in interest rates

### Environment

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to mitigate any adverse impact that might be caused by its activities. In the past year, the Group has been awarded the H&V News Awards Environmental Initiative of the Year (May 2007) and the Green Guardian Awards Highly Commended Green Business of the Year (October 2006)

### Policy and practice on payment of creditors

It is the group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the group and its suppliers, provided that all trading terms and conditions have been complied with

At 31 March 2007, the group had an average of 74 days purchases outstanding in trade creditors (2006: 95 days)

## **Directors' report** *(continued)*

### **Directors**

The directors who held office during the year were as follows

D J Anderson  
P Griffin  
G R Rajendra  
P J Hutchinson  
P D Reader  
S Reeve  
D J Hamilton (resigned 18th October 2006)

### **Employees**

The group has established systems for communicating information on its performance and other significant issues affecting the business

The group's open management style encourages employees to contribute to the development of the business. When visiting the various company businesses, the directors meet informally with employees to discuss issues which affect the group

The board remains committed to ensuring that the working environment within the group is one where differences in people are recognised and valued. Equality is the fundamental principle that determines how the group treats its employees and this is reflected in the group's employment policies

The board understands its responsibilities to encourage and assist in the employment, training, personal and career development of disabled people. The group gives proper consideration to applications for employment when these are received from disabled people and employs them whenever suitable vacancies arise

The group is an Investor in People

### **Political and charitable contributions**

The group made no political contributions or donations during the year. Donations to UK charities amounted to £250 (2006 £460)

### **Disclosure of information to auditors**

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

### **Auditors**

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

By order of the board



**D J Anderson**  
*Director*

Riverside House  
1 New Mill Road  
Orpington  
Kent  
BR5 3QA

1 June 2007

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and the parent company financial statements in accordance with UK Accounting Standards.

The group and company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss of the group 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 group and parent 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 parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



**KPMG LLP**

1 Waterloo Way

Leicester

LE1 6LP

United Kingdom

**Independent auditors' report to the members of Environmental Property Services Plc**

We have audited the financial statements of Environmental Property Services Plc for the year ended 31 March 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds 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 on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 are 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 UK Generally Accepted Accounting Practice, of the state of the group and the parent company's affairs as at 31 March 2007 and of the group's profit for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985.

*KPMG LLP*

Chartered Accountants

Registered Auditor

*7th June, 2007.*

**Consolidated profit and loss account**  
*for the year ended 31 March 2007*

	<i>Note</i>	<b>2007</b> <b>£000</b>	<b>2006</b> <b>£000</b>
<b>Turnover</b>	2	59,624	56,361
<b>Cost of sales</b>		(45,362)	(43,966)
<b>Gross profit</b>		<u>14,262</u>	<u>12,395</u>
<b>Administrative expenses before amortisation of goodwill</b>	3	(10,974)	(10,140)
<b>Operating profit before amortisation of goodwill</b>		<u>3,288</u>	<u>2,255</u>
<b>Amortisation of goodwill</b>	3	(551)	(551)
<b>Operating profit</b>		<u>2,737</u>	<u>1,704</u>
<b>Interest payable and similar charges</b>	7	(507)	(599)
<b>Bank interest receivable</b>		<u>33</u>	<u>16</u>
<b>Profit on ordinary activities before taxation</b>	4	<u>2,263</u>	<u>1,121</u>
<b>Tax on profit on ordinary activities</b>	8	(840)	(214)
<b>Profit for the financial year</b>	19	<u><u>1,423</u></u>	<u><u>907</u></u>

The above results are all from continuing activities

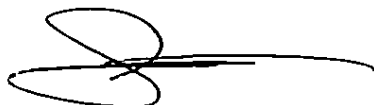
There were no recognised gains or losses other than those included in the profit and loss account



**Consolidated balance sheet**  
*at 31 March 2007*

	<i>Note</i>	<b>2007</b>	<b>2006</b>
		<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>			
Intangible assets	<i>10</i>	6,817	7,368
Tangible assets	<i>11</i>	224	406
		<hr/>	<hr/>
		7,041	7,774
<b>Current assets</b>			
Stocks	<i>13</i>	3,011	1,397
Debtors	<i>14</i>	11,250	8,990
Cash at bank		2,454	3,735
		<hr/>	<hr/>
		16,715	14,122
<b>Creditors, amounts falling due within one year</b>	<i>15</i>	(16,605)	(13,063)
		<hr/>	<hr/>
<b>Net current assets</b>		110	1,059
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		7,151	8,833
<b>Creditors, amounts falling due after more than one year</b>	<i>16</i>	(3,267)	(6,205)
		<hr/>	<hr/>
<b>Net assets</b>		3,884	2,628
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	<i>18</i>	132	132
Share premium account	<i>19</i>	4,937	4,937
Profit and loss account	<i>19</i>	(998)	(2,421)
Own shares held	<i>20</i>	(187)	(20)
		<hr/>	<hr/>
<b>Shareholders' funds</b>		3,884	2,628
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 1 June 2007 and were signed on its behalf by



**D J Anderson**  
*Director*

**Company balance sheet**  
*at 31 March 2007*

	<i>Note</i>	2007 £000	2006 £000
<b>Fixed assets</b>			
Investments	12	4,094	4,094
Tangible assets	11	82	112
		<u>4,176</u>	<u>4,206</u>
<b>Current assets</b>			
Debtors	14	691	1,099
Cash at bank		991	2,067
		<u>1,682</u>	<u>3,166</u>
<b>Creditors amounts falling due within one year</b>	15	(1,968)	(3,508)
<b>Net current liabilities</b>		(286)	(342)
<b>Provisions for liabilities and charges</b>	17	(8)	(6)
<b>Net assets</b>		<u>3,882</u>	<u>3,858</u>
<b>Capital and reserves</b>			
Called up share capital	18	132	132
Share premium account	19	4,937	4,937
Profit and loss account	19	(1,000)	(1,191)
Own shares held	20	(187)	(20)
<b>Shareholders' funds</b>		<u>3,882</u>	<u>3,858</u>

These financial statements were approved by the board of directors on 1 June 2007 and were signed on its behalf by



**D J Anderson**  
*Director*

**Consolidated cash flow statement**  
*for the year ended 31 March 2007*

**Cash flow statement**

	<i>Note</i>	<b>2007</b> <b>£000</b>	<b>2006</b> <b>£000</b>
Cash flow from operating activities	22	1,180	4,903
Returns on investments and servicing of finance	23	(418)	(525)
Taxation		(51)	-
Capital expenditure and financial investment	23	104	(237)
		<hr/>	<hr/>
Cash inflow before management of liquid resources and financing		815	4,141
Financing	23	(2,096)	(1,263)
		<hr/>	<hr/>
(Decrease)/increase in cash in the year		(1,281)	2,878
		<hr/>	<hr/>

**Reconciliation of net cash flow  
 to movement in net debt**

	24		
(Decrease)/increase in cash in the period		(1,281)	2,878
Cash outflow from decrease in debt and lease financing		1,929	1,263
		<hr/>	<hr/>
Change in net debt resulting from cash flows		648	4,141
Amortisation of loan issue costs		(37)	(37)
		<hr/>	<hr/>
Movement in net debt in the period		611	4,104
Net debt at the start of the year		(3,295)	(7,399)
		<hr/>	<hr/>
Net debt at the end of the year		(2,684)	(3,295)
		<hr/>	<hr/>

**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 March 2007*

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Profit for the financial year	1,423	907	191	118
Purchase of own shares	(167)	-	(167)	-
Opening shareholders' funds	2,628	1,721	3,858	3,740
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	3,884	2,628	3,882	3,858
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

#### *Basis of consolidation*

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 March 2007

Under Section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account

#### *Goodwill and negative goodwill*

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on acquisitions is capitalised. It is amortised to nil by equal annual instalments over its estimated useful life up to a presumed maximum of 20 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.

In the company's financial statements all subsidiary undertakings are stated at cost less amounts written off.

#### *Fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives as follows:

Leasehold property improvements	-	10% per annum or, if shorter, over the period of the lease
Motor vehicles	-	25% per annum
Plant and machinery	-	25% per annum
Fixtures and fittings	-	15% - 33% per annum

The carrying values of tangible fixed assets are reviewed for impairment in the period when events or changes in circumstances indicate that the carrying values may not be recoverable.

#### *Leases*

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### *Investments*

The group complies with the requirements of UITF 38 (Accounting for ESOP trusts) and deducts consideration paid for own shares from shareholders' funds.

#### *Stocks and work in progress*

Stocks are stated at the lower of cost and net realisable value on an average cost basis, net of progress payments received, and with due allowance for any obsolete or slow moving items. For work in progress, cost is taken as direct material, labour cost and an appropriate proportion of attributable overheads.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Long term contracts*

The amount of profit attributable to the stage of completion of a long term contract, as defined by Statement of Standard Accounting Practice No 9, is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account deferred tax, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Deferred tax assets are recognised only to the extent that the directors consider it more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

#### *Post retirement benefits*

The Group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

#### *Capital instruments*

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

### 2 Turnover

Turnover, which excludes VAT, represents the amounts derived from the installation and maintenance of building services and fabric. Except for long term contracts (as defined by SSAP 9), turnover is recognised only on completed contracts. All of the group's turnover arises from continuing operations and originates from and is distributed in the UK.

### 3 Administrative expenses

	2007 £000	2006 £000
Administrative expenses excluding amortisation of goodwill	10,974	10,140
Amortisation of goodwill	551	551
	<u>11,525</u>	<u>10,691</u>

## Notes (continued)

### 4 Profit on ordinary activities before taxation

	2007 £000	2006 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration		
Audit	62	59
Other services relating to taxation	44	20
Depreciation and other amounts written off tangible fixed assets		
Owned	168	239
Leased	-	7
Amortisation of goodwill	551	551
Hire of plant and machinery - rentals payable under operating leases	926	738
Hire of other assets - operating leases	309	415
(Profit)/losses on disposal of fixed assets	(90)	219
	<hr/>	<hr/>

### 5 Remuneration of directors

	2007 £000	2006 £000
Directors' emoluments	807	627
Company contributions to money purchase pension schemes	195	64
	<hr/>	<hr/>

Retirement benefits are accruing to the following number of directors under -

	Number of directors	
	2007	2006
Money purchase schemes	6	7
	<hr/>	<hr/>

The emoluments of the highest paid director were £155,000 for the year (2006 £150,000), and company pension contributions of £30,000 for the year (2006 £24,000) were made to a money purchase scheme on his behalf

### 6 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2007	2006
Administration	241	222
Operatives	236	232
	<hr/>	<hr/>
	477	454
	<hr/>	<hr/>

## Notes (continued)

### 6 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	14,074	12,879
Social security costs	1,488	1,342
Other pension costs	425	305
	<u>15,987</u>	<u>14,526</u>

### 7 Interest payable and similar charges

	2007 £000	2006 £000
Loan stock interest	19	21
On bank loans	451	541
Amortisation of loan issue costs	37	37
	<u>507</u>	<u>599</u>

### 8 Taxation

*Analysis of charge in year*

	2007 £000	2006 £000
<i>UK corporation tax</i>		
Current tax for the period	820	56
Total current tax	820	56
Deferred tax		
Origination/reversal of timing differences	24	445
Adjustment in respect of previous years	(4)	(287)
	<u>20</u>	<u>158</u>
Tax on profit on ordinary activities	<u>840</u>	<u>214</u>



## 8 Notes (continued)

### Taxation (continued)

#### Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2006 lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below

	2007 £000	2006 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,263	1,121
	<hr/>	<hr/>
Current tax at 30% (2006 30%)	679	336
Effects of		
Expenses not deductible for tax purposes	183	165
Capital allowances for period (in excess of)/less than depreciation	(28)	64
Other timing differences	6	8
Tax losses utilised	(2)	(517)
Difference between profit and chargeable gain on sale of property	(18)	-
	<hr/>	<hr/>
Total current charge (see above)	820	56
	<hr/>	<hr/>

## 9 Result of company

Under section 230 (4) of the Companies Act 1985, the company is exempt from the requirement to present its own profit and loss account. The profit on ordinary activities after taxation dealt with in these financial statements was £191,000 (2006 £118,000)

## 10 Intangible fixed assets

### Group

	Goodwill £000
<i>Cost</i>	
At beginning and end of year	11,023
	<hr/>
<i>Amortisation</i>	
At beginning of year	3,655
Charged in year	551
	<hr/>
At end of year	4,206
	<hr/>
<i>Net book value</i>	
At 31 March 2007	6,817
	<hr/>
At 31 March 2006	7,368
	<hr/>

Goodwill arising on the acquisition of the group companies is being amortised evenly over the directors' estimate of its useful economic life of 20 years

## Notes (continued)

### 11 Tangible fixed assets

#### Group

	Freehold and short leasehold property improvements £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
<b>Cost</b>					
At beginning of year	210	19	724	24	977
Additions	-	2	60	-	62
Disposals	(109)	(19)	(26)	(24)	(178)
At end of year	101	2	758	-	861
<b>Depreciation</b>					
At beginning of year	55	19	473	24	571
Charge for year	22	-	146	-	168
Eliminated on disposals	(33)	(19)	(26)	(24)	(102)
At end of year	44	-	593	-	637
<b>Net book value</b>					
At 31 March 2007	57	2	165	-	224
At 31 March 2006	155	-	251	-	406

The net book value of freehold and short leasehold property improvements includes

	2007 £000	2006 £000
Freehold	-	76

## Notes (continued)

### 11 Tangible fixed assets (Continued)

#### Company

	Freehold and short leasehold property improvements £000	Fixtures and fittings £000	Total £000
<i>Cost</i>			
At beginning of year	38	74	112
Additions	-	4	4
	<hr/>	<hr/>	<hr/>
At end of year	38	78	116
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
Charge for the year	8	26	34
	<hr/>	<hr/>	<hr/>
At end of year	8	26	34
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2007	30	52	82
	<hr/>	<hr/>	<hr/>
At 31 March 2006	38	74	112
	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 12 Fixed asset investments

#### Company

	Subsidiary Undertakings £000
<i>Shares</i>	
<i>Cost</i>	
At beginning and end of year	4,094

#### Group

The investments in which the group's or company's interest at the year end is more than 20% are as follows

	Country of incorporation	Principal activity	Class and percentage of shares held
<i>Principal subsidiary undertakings held by the company</i>			
Environmental Property Services Holdings Limited	UK	Holding company	100%
<i>Held by the group</i>			
EPS Page Limited	UK	Installation of building services	100%
EPS Group Limited (formerly EPS Projects Limited)	UK	Reactive and planned maintenance of building fabric and building services, installation of kitchens, bathrooms and heating systems in social housing properties, and internal and external refurbishment packages	100%
EPS Security Limited (formerly EPS Premier Limited)	UK	Complete security packages and void security	100%

### 13 Stocks and work in progress

#### Group

	2007 £000	2006 £000
Work in progress	2,791	1,174
Materials	220	223
	<u>3,011</u>	<u>1,397</u>

## Notes (continued)

### 14 Debtors

#### Group

	2007 £000	2006 £000
Trade debtors	9,829	7,694
Amounts recoverable on contracts	924	870
Other debtors	161	126
Prepayments and accrued income	182	126
Net deferred tax asset (see note 17)	154	174
	<u>11,250</u>	<u>8,990</u>

Trade debtors include £150,000 (2006 £150,000) due after more than one year

#### Company

	2007 £000	2006 £000
Other debtors	37	34
Amounts owed by subsidiary undertakings	592	1,062
Prepayments and accrued income	62	3
	<u>691</u>	<u>1,099</u>

### 15 Creditors amounts falling due within one year

#### Group

	2007 £000	2006 £000
Bank loans	1,707	963
12% redeemable loan stock maturing 1 July 2007	164	-
Trade creditors	11,235	9,506
Payments on account	-	87
Corporation tax	825	56
Other taxes and social security	1,421	1,252
Other creditors	186	199
Accruals	1,067	1,000
	<u>16,605</u>	<u>13,063</u>

## Notes (continued)

### 15 Creditors: amounts falling due within one year (continued)

#### Company

	2007 £000	2006 £000
Amounts due to subsidiary undertakings	1,512	3,183
Trade creditors	98	100
Corporation tax	71	6
Other creditors and accruals	287	219
	<u>1,968</u>	<u>3,508</u>

### 16 Creditors: amounts falling due after more than one year

#### Group

	2007 £000	2006 £000
Bank loans	3,267	5,929
12% redeemable loan stock, maturing 1 July 2007	-	175
	<u>3,267</u>	<u>6,104</u>
Less unamortised issue costs	-	(37)
	<u>3,267</u>	<u>6,067</u>
Accruals – loan stock interest	-	138
	<u>3,267</u>	<u>6,205</u>

#### Analysis of loans

	2007 £000	2006 £000
Amounts falling due		
Between one and two years	1,500	1,175
Between two and five years	1,767	3,000
in more than five years	-	1,892
	<u>3,267</u>	<u>6,067</u>

The bank loans outstanding at the end of the year are repayable in varying instalments completing on 30 June 2010

The loans are secured by a fixed and floating charge over the assets of the group and a cross guarantee from all group companies and bear interest at varying rates between 2% and 3.5% over base rate

## Notes (continued)

### 17 Provisions for liabilities and charges

The amounts provided for deferred taxation are set out below

<i>Group</i>	<b>2007 £000</b>	<b>2006 £000</b>
Depreciation in excess of capital allowances	(100)	(126)
Other timing differences	(54)	(46)
Tax losses carried forward	-	(2)
	<hr/>	<hr/>
Deferred tax asset (note 14)	<b>(154)</b>	<b>(174)</b>
	<hr/>	<hr/>
 <i>Company</i>	 <b>2007 £000</b>	 <b>2006 £000</b>
Accelerated capital allowances	16	7
Tax losses carried forward	-	(1)
Other timing differences	(8)	-
	<hr/>	<hr/>
Deferred tax liability	<b>8</b>	<b>6</b>
	<hr/>	<hr/>

### 18 Called up share capital

	<b>2007 £000</b>	<b>2006 £000</b>
<i>Authorised</i>		
2,285,000 Ordinary A shares of 0.1p each	3	3
1,666,200 Ordinary B shares of 0.1p	1	1
1,000,000 Ordinary C shares of 10p	100	100
299,758 Ordinary D shares of 10p	30	30
	<hr/>	<hr/>
	<b>134</b>	<b>134</b>
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
550,000 Ordinary A shares of 0.1p each	1	1
1,375,242 Ordinary B shares of 0.1p each	1	1
1,000,000 Ordinary C shares of 10p each	100	100
299,758 Ordinary D shares of 10p each	30	30
	<hr/>	<hr/>
	<b>132</b>	<b>132</b>
	<hr/>	<hr/>

At the beginning of the year, the holder of the ordinary 'A' shares had an option to subscribe for 2 million ordinary 'A' shares at par. On 29 September 2006 the shareholder agreed to release the option over 262,500 shares. The option over the remaining 1,737,500 shares lapses on 31 July 2083. On 29 September 2006, 265,000 unissued 'A' ordinary shares were converted to 'B' ordinary shares.

All shares rank *pari passu* for distributions and winding up purposes. The 'B' and 'D' ordinary shares carry 1.83 votes per share, the 'A' ordinary shares carry 1 vote per share and the 'C' ordinary shares carry no votes per share.

## Notes (continued)

### 19 Share premium and reserves

#### Group

	Share premium account £000	Profit and loss account £000	Total £000
At beginning of year	4,937	(2,421)	2,516
Profit for the year	-	1,423	1,423
	<hr/>	<hr/>	<hr/>
At end of year	4,937	(998)	3,939
	<hr/>	<hr/>	<hr/>

#### Company

	Share premium account £000	Profit and loss account £000	Total £000
At beginning of year	4,937	(1,191)	3,746
Profit for the year	-	191	191
	<hr/>	<hr/>	<hr/>
At end of year	4,937	(1,000)	3,937
	<hr/>	<hr/>	<hr/>

### 20 Own shares held

The group has acquired its own shares through an employee benefit trust which is used to distribute shares to senior employees

During the year the trust acquired 217,212 'B' ordinary shares of 0 1p each and 40,288 'D' shares of 10p each for consideration of £167,000

At the end of the year the trust held 297,293 'B' ordinary shares and 87,707 'D' ordinary shares

Options over 280,081 'B' ordinary shares and 87,707 'D' ordinary shares have been issued to employees



## Notes (continued)

### 21 Commitments

- a) At 31<sup>st</sup> March 2007, there was a capital commitment of £580,000 in the group and the company (2006 £nil)
- b) Annual commitments under non-cancellable operating leases are as follows

*Group*

	2007			2006		
	Group		Company	Group		Company
	Land and	Plant and	Land and	Land and	Plant and	Land and
	buildings	machinery	Buildings	Buildings	Machinery	Buildings
	£000	£000	£000	£000	£000	£000
Operating leases which expire						
Within one year	5	415	-	24	192	-
In the second to fifth years inclusive	258	476	185	36	420	185
Over five years	125	-	-	90	-	-
	<u>388</u>	<u>891</u>	<u>185</u>	<u>150</u>	<u>612</u>	<u>185</u>

### 22 Reconciliation of operating profit to cash flows

	2007	2006
	£000	£000
<b>Reconciliation of operating profit to net cash flow from operating activities</b>		
Operating profit	2,737	1,704
Depreciation and amortisation charges	719	797
(Profit)/loss on disposal of fixed assets	(90)	219
Increase in stocks	(1,614)	(172)
(Increase)/decrease in debtors	(2,280)	1,919
Increase in creditors	1,708	436
<b>Net cash inflow from operating activities</b>	<u>1,180</u>	<u>4,903</u>

## Notes (continued)

### 23 Analysis of cash flows

	2007 £000	2006 £000
<b>Returns on investment and servicing of finance</b>		
Interest paid	(418)	(525)
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(62)	(238)
Sale of tangible fixed assets	166	1
	<u>104</u>	<u>(237)</u>
<b>Financing</b>		
Capital repayments in finance leases	-	(13)
Repayment of long term loans	(1,929)	(1,250)
Purchase of own shares	(167)	-
	<u>(2,096)</u>	<u>(1,263)</u>

### 24 Analysis of net debt

	At beginning of year £000	Cash flow £000	Other non cash Changes £000	At end of year £000
Cash at bank	3,735	(1,281)	-	2,454
Debt due within one year	(963)	(871)	(37)	(1,871)
Debt due after one year	(6,067)	2,800	-	(3,267)
<b>Total</b>	<u>(3,295)</u>	<u>648</u>	<u>(37)</u>	<u>(2,684)</u>

### 25 Contingent liabilities

The company is party to a debenture and cross guarantee from all group companies to secure the bank loans and overdrafts of the group. At the end of the year, net group borrowings amounted to £2,684,000 (2006 £3,157,000)

## Notes (continued)

### 26 Share based payments

During the year, options were issued to various directors and employees of the Group. The terms and conditions of grants are as follows whereby all options are settled by physical delivery of shares.

Grant date	Number of instruments	Vesting conditions	Exercise price	Contractual life of options
July 2006	382,500	Change of control	0.5p	10 years
January 2007	162,500	Change of control	65p	10 years
February 2007	37,500	Change of control	65p	10 years

The number and weighted average exercise prices of share options are as follows:

	2007 Weighted average exercise price £	Number of options
Granted during the year	0.226	582,500
Outstanding at the end of the year	0.226	582,500
Exercisable at the end of the year	-	-

No share options were exercised during the period.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black Scholes model.

	2007
Weighted average fair value at measurement date	£0.146
Weighted average	
Share price at grant date	£0.226
Exercise price	£0.226
Expected volatility expressed as standard of share price	50%
Option life	9.45 years
Expected dividends	0
Risk free interest rate	4.5%

The expected volatility is based on the historic volatility adjusted for any expected changes to future volatility due to publicly available information.

There is no market available for shares or options, and hence the options are valued on the basis that a vesting condition would occur before the expiry of the options. However, the directors are of the opinion that it is unlikely that there will be a change of control of the group in the foreseeable future and, therefore, there is little likelihood of the options vesting. Accordingly, therefore, no charge has been made to the profit and loss account.

The total expenses recognised for the period arising from share based payments were nil.