

eaga Scotland Limited
(formerly Everwarm Services Limited)
Annual Report
for the year ended 31 May 2008

Registered Number SC102827



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(formerly Everwarm Services Limited)
Annual Report
for the year ended 31 May 2008
Contents

Directors and Advisors	1
Directors' report for the year ended 31 May 2008	2
Independent auditors' report to the members of eaga Scotland Limited (formerly Everwarm Services Limited)	5
Profit and loss account for the year ended 31 May 2008	7
Balance sheet as at 31 May 2008	8
Statement of accounting policies	9
Notes to the financial statements for the year ended 31 May 2008	11

eaga Scotland Limited (formerly Everwarm Services Limited)

Directors and Advisors

Directors

R Graham

K F Saunders

G Glen

L Graham

M McMahon (appointed 4 January 2008)

R Stirling

P R Varley (appointed 20 September 2007, resigned 4 January 2008)

J R Bailey (appointed 22 July 2008)

Company Secretary and registered office

C F Judd

7 Oakbank Parkway

Oakbank Park

Livingston

West Lothian

EH53 0TH

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

89 Sandyford Road

Newcastle upon Tyne

NE1 8HW

Solicitors

Blackett, Hart & Pratt

Eldon Chambers

23 The Quayside

Newcastle upon Tyne

NE1 3DE

Bankers

The Royal Bank of Scotland plc

2nd Floor The Gemini Building

24/25 St Andrews Square

Edinburgh

EH2 1AF

eaga Scotland Limited (formerly Everwarm Services Limited)

Directors' report for the year ended 31 May 2008

The directors present their report and the audited financial statements of the company for the year ended 31 May 2008.

On 25 January 2008 the company changed its name to eaga Scotland Limited.

Principal activity

The principal activity of the company in the year was the provision of heating and general plumbing services, including contract work and the provision and installation of thermal and acoustic insulation.

Business review

The results for the company show a profit before taxation of £274,460 (17 month period ended 31 May 2007: loss £644,938) for the year and turnover of £20,673,233 (17 month period ended 31 May 2007: £21,111,169).

The company had net assets of £2,919,987 at 31 May 2008 (2007: £2,712,108).

The directors are satisfied with the company's trading performance during the year and with the financial position at the year end.

Research and development

Although the company is not actively involved in research, it continues to monitor development across its market. It does this in order to be able to offer its customers the best value proposition for both old and new technologies.

Future outlook

The external commercial environment is likely to remain competitive during 2008; however, the directors remain confident that income and profitability will be satisfactory, as will the company's balance sheet position.

Principal risks and uncertainties

The management of the business and execution of the company's strategy are subject to a number of risks.

The company's operations expose it to a variety of risks that include competition from national and independent installers, employee retention and product availability. Further discussion of these risks and uncertainties, in the context of the eaga group (eaga plc (Eaga Partnership Limited) and its subsidiaries) as a whole, is provided on pages 12 to 13 of the group's annual report which does not form part of this report.

Key performance indicators

The directors of eaga plc manage the group's operations on a segmental basis. For this reason, the company's directors believe that analysis in this report using key performance indicators for the business is not necessary or appropriate for an understanding of the development, performance or position of the business of this company. The development, performance and position of the Installation Services segment of eaga plc, which includes the company, is discussed on pages 6 to 9 of the group's annual report which does not form part of this report.

Directors

The directors who served the company during the year, and up to the date of signing the financial statements are disclosed on page 1.

eaga Scotland Limited (formerly Everwarm Services Limited)

Financial risk management

The directors of eaga plc manage the group's financial risk management on a group basis. For this reason, the company's directors believe that analysis in this report of the financial risk management for the company is not necessary or appropriate. The financial risk management of the eaga group, which includes the company, is discussed on pages 67 and 68 of the group's annual report which does not form part of this report.

Statement of directors' responsibilities

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 those financial statements, the directors are required to:

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

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

eaga Scotland Limited (formerly Everwarm Services Limited)

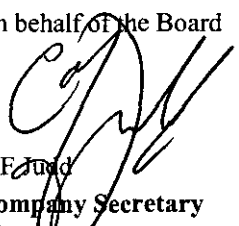
Independent auditors and disclosure of information to auditors

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their appointment will be proposed at the Annual General Meeting.

On behalf of the Board



C F Ford
Company Secretary

17 March 2009

eaga Scotland Limited (formerly Everwarm Services Limited)

Independent auditors' report to the members of eaga Scotland Limited (formerly Everwarm Services Limited)

We have audited the financial statements of eaga Scotland Limited (formally Everwarm Services Limited) for the year ended 31 May 2008, which comprise the profit and loss account, the balance sheet, the statement of accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 also 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 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 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.

eaga Scotland Limited (formerly Everwarm Services Limited)

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 31 May 2008 and of its profit 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

18 March 2009

eaga Scotland Limited (formerly Everwarm Services Limited)

Profit and loss account for the year ended 31 May 2008

		Year ended 31 May 2008 £	17 month period ended 31 May 2007 £
	Note		
Turnover		20,673,233	21,111,169
Cost of sales		(16,232,671)	(16,192,320)
Gross profit		4,440,562	4,918,849
Administrative expenses before exceptional costs		(4,155,468)	(4,164,896)
Exceptional costs	6	-	(1,418,211)
Administrative expenses		(4,155,468)	(5,583,107)
Operating profit/(loss)	1	285,094	(664,258)
Interest receivable	3	884	21,743
Interest payable	4	(11,518)	(2,423)
Profit/(loss) on ordinary activities before taxation		274,460	(644,938)
Taxation	5	(263,044)	237,109
Profit/(loss) for the financial period	15	11,416	(407,829)

All of the above amounts relate to continuing operations.

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the financial period stated above and their historical cost equivalents.

eaga Scotland Limited (formerly Everwarm Services Limited)

Balance sheet as at 31 May 2008

	Note	2008 £	2007 £
Fixed assets			
Tangible assets	7	626,920	725,634
Current assets			
Stock	8	1,270,175	1,088,772
Debtors: amounts falling due within one year	9	6,952,751	4,822,423
Cash at bank and in hand		-	491,585
		8,222,926	6,402,780
Creditors: amounts falling due within one year	10	(5,928,678)	(4,408,598)
Net current assets		2,294,248	1,994,182
Total assets less current liabilities		2,921,168	2,719,816
Creditors: amounts falling due after more than one year	11	(1,181)	(7,708)
Net assets		2,919,987	2,712,108
Capital and reserves			
Called up share capital	14	30,300	30,300
Share premium account	15	3,805	3,805
Profit and loss account	15	2,885,882	2,678,003
Total shareholders' funds	16	2,919,987	2,712,108

The financial statements on pages 7 to 20 were approved by the Board of directors on 17 March 2009 and were signed on its behalf by:



M McMahon
Director

eaga Scotland Limited (formerly Everwarm Services Limited)

Statement of accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and with the requirements of the Companies Act 1985. A summary of the accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention and on the going concern basis.

Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts. All turnover arose in the United Kingdom. Turnover is recognised to the extent that it is probable that economic benefits will flow to the company and the turnover can be reliably measured.

Tangible fixed assets

Tangible fixed assets are stated at cost, including incidental expenses incurred on acquisition, less accumulated depreciation. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Leasehold improvements	10%	straight line
Plant and machinery	25%	reducing balance
Motor vehicles	33%	reducing balance

Leased assets

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Assets acquired under finance leases and hire purchase agreements are capitalised and are depreciated over the shorter of the lease term and the assets' useful lives, with the corresponding obligation to the lessor shown as a liability. The finance charges within the lease payments are accounted for in the period in which they arise.

Stock

Stock is stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis, and includes all direct costs incurred and attributable production overheads. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Deferred taxation

Deferred taxation 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, have occurred at the balance sheet date. 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. Deferred tax assets are recognised only to the extent that they are considered recoverable in the future. Deferred tax balances are not discounted.

eaga Scotland Limited (formerly Everwarm Services Limited)

Cash flow statement

The company has taken advantage of the exemption allowed under Financial Reporting Standard 1 'Cash flow statements (revised 1996)' due to the fact that its cash flows are included in the consolidated financial statements of its ultimate parent company, which are publicly available. Accordingly, no cash flow statement has been prepared.

Pensions

The company operates a defined contribution pension scheme. The company's contributions to the scheme, which are based on employee earnings, are recognised in the year in which the related payroll costs are incurred.

Share based payments

The company allows employees to acquire shares in the ultimate parent, eaga plc, through share option schemes. The fair value of share options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date, using an appropriate model, taking into account the terms and conditions upon which the share options were granted, and is spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

eaga Scotland Limited (formerly Everwarm Services Limited)

Notes to the financial statements for the year ended 31 May 2008

1 Operating profit/(loss)

The operating profit/(loss) is stated after charging/(crediting):

	Year ended 31 May 2008 £	17 month period ended 31 May 2007 £
Depreciation of tangible fixed assets:		
Owned by the company	141,335	98,750
Held under finance lease or hire purchase contracts	-	1,810
Profit on disposal of fixed assets	(18,177)	(23,000)
Audit fees	18,500	10,000
Directors' emoluments		
Total	552,910	543,129
In respect of the highest paid director	143,134	165,239
Operating lease charges:		
Other	124,536	56,770
Plant and machinery	159,145	115,645

2 Staff costs

Staff costs, including directors' emoluments, were as follows:

	Year ended 31 May 2008 £	17 month period ended 31 May 2007 £
Wages and salaries	6,306,130	5,810,246
Social security costs	121,788	667,954
Other pension costs	24,631	34,024
	6,452,549	6,512,224

eaga Scotland Limited (formerly Everwarm Services Limited)

2 Staff costs (continued)

The average monthly number of employees, including executive directors, during the period was:

By activity	Year ended 31 May 2008 Number	17 month period ended 31 May 2007 Number
Administration, distribution and sales (including directors)	65	44
Engineers, heating and cavity installers	177	127
	242	171

3 Interest receivable

	Year ended 31 May 2008 £	17 month period ended 31 May 2007 £
Bank interest	884	21,743

4 Interest payable

	Year ended 31 May 2008 £	17 month period ended 31 May 2007 £
Bank interest	10,230	-
Finance charges under finance lease and hire purchase contracts	1,288	2,423
	11,518	2,423

eaga Scotland Limited (formerly Everwarm Services Limited)

5 Taxation

(a) Analysis of charge/(credit) in period

	Year ended 31 May 2008 £	17 month period ended 31 May 2007 £
Current tax		
UK corporation tax on profits/(losses)	(131,505)	142,379
Adjustments in respect of prior periods	50,126	-
Total current tax	(81,379)	142,379
Deferred tax		
Origination or reversal of timing differences (note 13)	332,533	(379,488)
Impact of changes in UK tax rates	11,890	-
Total deferred tax	344,423	(379,488)
Tax on profit/(loss) on ordinary activities	263,044	(237,109)

(b) Factors affecting the current tax charge for the period

The current tax charge/(credit) assessed for the period is lower (17 month period ended 31 May 2007: higher) than the standard rate of corporation tax in the UK of 29.7%. The differences are explained below:

	Year ended 31 May 2008 £	17 month period ended 31 May 2007 £
Profit/(loss) on ordinary activities before taxation	274,460	(644,938)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax of 29.7% (2007: 30%)	81,423	(193,481)
Effects of:		
Share based payment	(387,022)	425,463
Group relief not paid	66,736	(40,906)
Depreciation in excess of capital allowances/(accelerated capital allowances)	23,115	(62,859)
Expenses not deductible for tax purposes	87,023	5,762
Other short term timing differences	(2,780)	8,400
Adjustments in respect of prior periods	50,126	-
Current tax (credit)/charge for the period	(81,379)	142,379

eaga Scotland Limited (formerly Everwarm Services Limited)

(c) Factors that may affect the future tax charge

There are no factors that are expected to materially affect future tax charges.

6 Exceptional costs

eaga plc's IPO Option Plan granted nil-cost options to certain employees over shares in that company, conditional on listing. Options were granted in February and March 2007 and became exercisable on listing. Options would have lapsed on 31 July 2007 had listing not been achieved.

All IPO Option Plan options were exercised immediately on listing of eaga plc on 7 June 2007 so that none were outstanding as at 31 May 2008 (17 month period ended 31 May 2007: 783,542). No further options will be issued under the IPO Option Plan. A share based charge of £1,418,211 arising in respect of these options was recognised in the profit and loss account for the period ended 31 May 2007. The listing price of £1.81 per share, set in a pricing meeting on 22 May 2007, was deemed to be the market value and therefore fair value used in determining the charge.

There was no cash cost to the company as a result of these awards. The company expects to receive a statutory corporation tax deduction in connection with the charge and accordingly, a deferred tax asset of £425,463 and a corresponding increase in net assets was recognised in the balance sheet at 31 May 2007.

7 Tangible fixed assets

	Leasehold improvements £	Plant & machinery £	Motor vehicles £	Total £
Cost				
At 1 June 2007	389,338	529,104	182,192	1,100,634
Additions	66,565	166,194	77,023	309,782
Disposals	(8,990)	(221,919)	(196,404)	(427,313)
At 31 May 2008	446,913	473,379	62,811	983,103
Accumulated depreciation				
At 1 June 2007	13,000	231,000	131,000	375,000
Charge for the year	44,489	72,912	23,934	141,335
Disposals	(4,488)	(24,576)	(131,088)	(160,152)
At 31 May 2008	53,001	279,336	23,846	356,183
Net book amount				
At 31 May 2008	393,912	194,043	38,965	626,920
At 31 May 2007	376,338	298,104	51,192	725,634

The net book amounts of motor vehicles above include £15,332 (31 May 2007: £15,342) in respect of assets held under finance leases or hire purchase contracts.

eaga Scotland Limited (formerly Everwarm Services Limited)

8 Stock

	2008	2007
	£	£
Raw materials	432,588	238,636
Work in progress	837,587	850,136
	1,270,175	1,088,772

9 Debtors

	2008	2007
	£	£
Trade debtors	3,187,494	1,912,917
Amounts owed by group undertakings	2,713,533	1,977,514
Corporation tax	131,505	66,137
Prepayments and accrued income	690,697	341,393
Other debtors	194,457	144,974
Deferred taxation (note 13)	35,065	379,488
	6,952,751	4,822,423

Amounts owed by group undertakings are unsecured, interest free and have no fixed date for repayment.

eaga Scotland Limited (formerly Everwarm Services Limited)

10 Creditors: amounts falling due within one year

	2008	2007
	£	£
Bank overdraft	2,277,412	395,940
Trade creditors	2,306,150	1,685,966
Amounts owed to group undertakings	801,384	1,482,244
Other taxation and social security	217,733	388,512
Other creditors	-	14,899
Obligations under finance lease and hire purchase contracts (note 12)	7,678	6,540
Accruals and deferred income	318,321	434,497
	5,928,678	4,408,598

Amounts owed to group undertakings are unsecured, interest free and repayable on demand

11 Creditors: amounts falling due after more than one year

	2008	2007
	£	£
Obligations under finance lease and hire purchase contracts (note 12)	1,181	7,708

12 Finance leases and hire purchases contracts

	2008	2007
	£	£
Net obligations repayable:		
Within one year	7,678	6,540
Between one and five years	1,181	7,708
	8,859	14,248

Finance lease and hire purchase creditors are secured on the assets concerned.

eaga Scotland Limited (formerly Everwarm Services Limited)

13 Deferred taxation

	£
At 1 June 2007	379,488
Charged to profit and loss account (note 5)	(332,533)
Impact of changes in UK tax rates	(11,890)
At 31 May 2008	35,065

Deferred tax assets have been recognised because it is probable that these assets will be recovered.

Deferred tax is analysed as follows:

	Year ended 31 May 2008 £	17 month period ended 31 May 2007 £
Depreciation in excess of capital allowances/(accelerated capital allowances)	3,245	(54,375)
Share based payments	31,820	425,463
Short term timing differences	-	8,400
	35,065	379,488

Deferred tax assets are included within debtors (note 9).

14 Called up share capital

	2008 £	2007 £
Authorised		
43,997 ordinary 'A' shares of £1 each	43,997	43,997
6,003 ordinary 'B' shares of £1 each	6,003	6,003
	50,000	50,000
Allotted, called-up and fully paid		
30,300 ordinary 'A' shares of £1 each	30,300	30,300

The 'A' shares and 'B' shares rank pari passu in respect of voting rights, rights to dividends and their priority on winding up.

eaga Scotland Limited (formerly Everwarm Services Limited)

15 Reserves

	Share premium account £	Profit and loss account £
At 1 June 2007	3,805	2,678,003
Profit for the financial year	-	11,416
Share based payments (note 17)	-	196,463
At 31 May 2008	3,805	2,885,882

16 Reconciliation of movement in shareholders' funds

	Year ended 31 May 2008 £	17 month period ended 31 May 2007 £
Opening shareholders' funds	2,712,108	1,701,726
Profit/(loss) for the financial period	11,416	(407,829)
Share based payments (note 17)	196,463	1,418,211
Closing shareholders' funds	2,919,987	2,712,108

eaga Scotland Limited (formerly Everwarm Services Limited)

17 Share based payments

During the year to 31 May 2008 two equity-settled share-based payment arrangements existed over eaga plc's shares, which are described below:

Type of arrangement	eaga IPO Option Plan	eaga IPO Key Management Plan
Date of grant	February 2007	May 2007
Number of options granted in year ended 31 May 2008	-	-
Number of options granted in year ended 31 May 2007	783,542	148,554
Fair value per share (pence)	181	176
Valuation basis	Listing Price	Black-Scholes ¹
Contractual life	7 June 2007	1-2 years
Vesting conditions	(i)	(ii)

(i) Options granted were by invitation at nil cost, all options were exercised immediately prior to listing on 7 June 2007.

(ii) Options granted were by invitation at nil cost, options are exercisable 50% after one year and 50% after two years. All options are outstanding at the year end.

There was no cash cost to the Company as a result of these awards. The Company recognised total charges of £196,463 (2007: £1,418,211) related to equity settled share-based payment transactions during the year.

¹ Any change in the assumptions within the Black-Scholes pricing model would have no material affect on the valuation as the options were granted at nil cost.

18 Financial commitments

Annual financial commitments under non-cancellable operating leases at the balance sheet date were:

	Other		Land and buildings	
	2008 £	2007 £	2008 £	2007 £
Expiry date:				
Within one year	22,428	-	124,116	-
Between one and five years	28,343	-	374,264	92,425
In more than five years	-	-	322,000	-
	50,771	-	820,380	92,425

eaga Scotland Limited (formerly Everwarm Services Limited)

19 Parent undertakings and controlling parties

The immediate parent undertaking is Everwarm Limited.

The ultimate parent company and controlling party is eaga plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the group accounts can be obtained from eaga House, Archbold Terrace, Jesmond, Newcastle upon Tyne, NE2 1DB.

20 Related party transactions

The company has taken advantage of the exemption under Financial Reporting Standard 8 'Related Party Disclosures' not to disclose intra-group transactions.

Property rental costs of £14,600 in the period ended 31 May 2008 (17 month period ended 31 May 2007: £46,750) were paid to a pension scheme of which R Graham and K Saunders are members.