

SGM (UK) Limited

Registered number SC314501

Abbreviated accounts

For the period ended 31 December 2007



SGM (UK) LIMITED

COMPANY INFORMATION

Directors J B Clarke (appointed 5 February 2007)
I F Morrison (appointed 17 January 2007)
S D McInroy (appointed 17 January 2007)
R F Lawson (appointed 17 January 2007)
D S McInroy (appointed 17 January 2007)

Company number SC314501

Registered office Crescent House
Carnegie Campus
Dunfermline
Fife
KY11 8GR

Auditor Mazars LLP
Donaldson House
97 Haymarket Terrace
Edinburgh
EH12 5HD

Bankers Clydesdale Bank plc
115 Queensferry Road
Rosyth
KY11 2PT

SGM (UK) LIMITED

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SGM (UK) LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2007

The directors present their report and the financial statements for the period ended 31 December 2007

Principal activities

The principal activity of the company was the hire, sale and maintenance of grass cutting machinery

Business review

SGM (UK) Limited was incorporated on 11 January 2007 and commenced trading on 24 January 2007 following the purchase of certain assets of the SGM Group Limited offering groundcare equipment hire, sales and maintenance facilities primarily to local authorities and larger contractors

The acquisition was financed via a combination of directors' equity and debt finance facilities

Overall the performance of the business during 2007 was in line with directors' expectations. The majority of the company's turnover related to groundcare equipment hire and associated activities with the balance of sales being split between equipment sales, workshop income and part sales.

Hire turnover consists of both seasonal hires plus medium to long term (3-5 year) contracts providing the business with good stability of income across a largely public sector and contractor base.

A review of the company's workshop operations was performed resulting in a consolidation from fourteen to eleven depot locations across the UK reducing the company's overhead cost base, the full benefits of which will be seen in the 2008 trading year.

The company will continue to finance its working capital facilities through a combination of cash generated from trading, through end of contract disposals and through debt finance facilities taken on to fund new business and contract extensions.

Results

The profit for the period, after taxation, amounted to £197,207.

Directors

The directors who served during the period were

J B Clarke (appointed 5 February 2007)
I F Morrison (appointed 17 January 2007)
S D McInroy (appointed 17 January 2007)
R F Lawson (appointed 17 January 2007)
D S McInroy (appointed 17 January 2007)

SGM (UK) LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2007

Future developments

Having completed a satisfactory year's trading during 2007, the Directors are confident that they have created a platform from which to grow the profitability of the company's core activities and create opportunities to expand the business into additional complimentary areas

The Directors' continuing strategy focuses upon three key areas

- 1 Continued improvement in the efficiency of existing contracts and operations,
- 2 Expansion of the hire business customer base for both seasonal and long term hires,
- 3 Develop further higher margin lines of sales activities

Whilst current economic uncertainty will impact upon new equipment sales, the growth in new opportunities that the business is experiencing will allow the profitability of these activities to grow. Additionally, the directors believe that the current economic climate will result in an increasing move within the customer base towards hire rather than ownership of groundcare equipment. Furthermore, the long term contractual nature of the hire business (some two thirds of the season hire is known before the season starts) and public sector customer base will give the business good resilience to economic downturn

Employee involvement

The company's policy is to consult and discuss with employees matters likely to affect employees' interests
Information of matters of concern to employees is given through such meetings as considered necessary
There is no employee share scheme at present

Disabled employees

The company gives full consideration to applications for employment by disabled persons. Employees who become disabled are provided, where practical, with continuing employment. Provision is made for training and career development of disabled employees

Provision of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- each director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing his report and to establish that the company's auditor is aware of that information

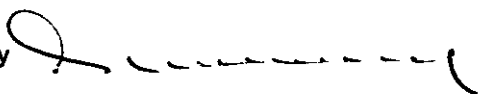
Auditor

The auditors, Mazars LLP, will continue in office in accordance with section 486(2) of the Companies Act 2006

This report was approved by the board on

and signed on its behalf

D S McInroy
Director



SGM (UK) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE PERIOD ENDED 31 DECEMBER 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,
- 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.

SGM (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO SGM (UK) LIMITED UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts of SGM (UK) Limited for the period ended 31 December 2007, which comprise the abbreviated profit and loss account, balance sheet, cash flow statement and the related notes, together with the financial statements of the company for the period ended 31 December 2007 prepared under section 226 of the Companies Act 1985

This report is made solely to the company in accordance with section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special 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, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with that provision and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Bulletin 2006/3 'The special Auditor's report on abbreviated accounts in the United Kingdom' issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985, and the abbreviated accounts which comprise the abbreviated profit and loss account, balance sheet, cash flow statement and the related notes have been properly prepared in accordance with that provision.

Mazars LLP

Mazars LLP

Registered Auditor

Donaldson House
97 Haymarket Terrace
Edinburgh
EH12 5HD

Date

4 November 2008

SGM (UK) LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2007

	Note	2007 £
Gross profit		3,327,268
Administrative expenses		(2,873,997)
		<hr/>
Operating profit	2	453,271
Interest payable	5	(146,064)
		<hr/>
Profit on ordinary activities before taxation		307,207
Tax on profit on ordinary activities	6	(110,000)
		<hr/>
Profit on ordinary activities after taxation		<u>197,207</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2007 other than those included in the profit and loss account

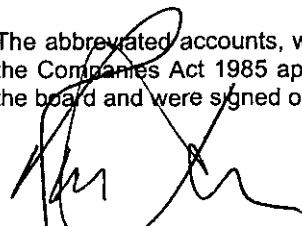
The notes on pages 9 to 17 form part of these financial statements

SGM (UK) LIMITED

ABBREVIATED BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	£	2007 £
Fixed assets			
Tangible fixed assets	7		3,624,357
Current assets			
Stocks	8	289,884	
Debtors	9	1,481,295	
Cash in hand		569	
		<u>1,771,748</u>	
Creditors amounts falling due within one year	10	<u>(3,383,461)</u>	
Net current liabilities			<u>(1,611,713)</u>
Total assets less current liabilities			<u>2,012,644</u>
Creditors amounts falling due after more than one year	11		<u>(1,640,312)</u>
Net assets			<u><u>372,332</u></u>
Capital and Reserves			
Called up share capital	12		1,000
Share premium account	13		174,125
Profit and loss account			<u>197,207</u>
Shareholders' funds	14		<u><u>372,332</u></u>

The abbreviated accounts, which have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to medium sized companies, were approved and authorised for issue by the board and were signed on its behalf on 24th October 2008


R F Lawson
Director

The notes on pages 9 to 17 form part of these financial statements

SGM (UK) LIMITED

ABBREVIATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2007

	Note	2007 £
Net cash flow from operating activities	15	1,482,387
Returns on investments and servicing of finance	16	(146,064)
Capital expenditure and financial investment	16	(81,592)
Cash inflow before financing		<hr/> 1,254,731
Financing	16	(1,361,845)
Decrease in cash in the period		<hr/> <hr/> (107,114)

SGM (UK) LIMITED

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT FOR THE PERIOD ENDED 31 DECEMBER 2007

	2007 £
Decrease in cash in the period	(107,114)
Cash outflow from decrease in debt and lease financing	1,536,845
Change in net debt resulting from cash flows	1,429,731
New finance lease	(4,690,924)
Movement in net debt in the period	(3,261,193)
Net debt at 31 December 2007	(3,261,193)

The notes on pages 9 to 17 form part of these financial statements

SGM (UK) LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2007

1 Accounting policies

1.1 Basis of preparation of financial statements

The full financial statements, from which these abbreviated accounts have been extracted, have been prepared under the historical cost convention and in accordance with applicable accounting standards

1.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Hire Equipment	17 years straight line
Leasehold Buildings	5 years straight line
Motor vehicles	2-4 years straight line
Fixtures & fittings	3 years straight line
Computer equipment	3 years straight line

1.4 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.5 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term

1.6 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks

1.7 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the period

SGM (UK) LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2007

2 Operating profit

The operating profit is stated after charging

	2007 £
Depreciation of tangible fixed assets owned by the company	1,184,226
Auditors' remuneration	13,500
Operating lease rentals other operating leases	268,019
	<u>268,019</u>

3 Staff costs

Staff costs, including directors' remuneration, were as follows

	2007 £
Wages and salaries	949,140
Social security costs	87,317
Other pension costs	31,447
	<u>1,067,904</u>

The average monthly number of employees, including the directors, during the period was as follows

	2007 No
Sales	5
Parts/Stores	6
Workshop	57
Contract Hire/ Business Manager	6
Admin	12
Transport	3
	<u>89</u>

4 Directors' remuneration

	2007 £
Emoluments	206,643
Company pension contributions to money purchase pension schemes	1,173

During the period retirement benefits were accruing to 1 director in respect of money purchase pension schemes

SGM (UK) LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2007

5 Interest payable

	2007 £
On other loans	146,064
	<u>146,064</u>

6 Taxation

	2007 £
UK corporation tax charge on profit for the period	110,000
	<u>110,000</u>

Factors affecting tax charge for the period

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

	2007 £
Profit on ordinary activities before tax	307,207
	<u>307,207</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	92,162
Effects of	
Expenses not deductible for tax purposes	30,466
Depreciation in excess of capital allowances	7,580
Others	(20,208)
	<u>110,000</u>
Current tax charge for the period (see note above)	<u>110,000</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges

SGM (UK) LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2007

7 Tangible fixed assets

	Hire Equipment £	Motor vehicles £	Computer Equipment £	Fixtures & fittings £	Total £
Cost					
At 11 January 2007			-		
Additions	4,753,742	23,450	42,069	11,400	4,830,661
Disposals	(43,834)				(43,834)
At 31 December 2007	4,709,908	23,450	42,069	11,400	4,786,827
Depreciation					
At 11 January 2007			-		
Charge for the period	1,170,384	5,658	4,926	3,258	1,184,226
On disposals	(21,756)				(21,756)
At 31 December 2007	1,148,628	5,658	4,926	3,258	1,162,470
Net book value					
At 31 December 2007	3,561,280	17,792	37,143	8,142	3,624,357

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

	2007
	£
Hire Equipment	699,121

The depreciation charged in the period on assets held under finance leases or hire purchase contracts, included above, is as follows

	2007
	£
Hire Equipment	212,180

8 Stocks

	2007
	£
Raw materials	72,114
Work in progress	91,113
Finished goods	126,657
	289,884

SGM (UK) LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2007

9 Debtors

	2007 £
Trade debtors	1,324,597
Other debtors	154,623
Called up share capital not paid	125
Prepayments and accrued income	1,950
	<hr/> 1,481,295 <hr/>

10 Creditors. Amounts falling due within one year

	2007 £
Bank loans and overdrafts	107,683
Other loans	1,107,536
Net obligations hire purchase contracts	406,231
Trade creditors	75,469
Corporation tax	110,000
Social security and other taxes	709,950
Other creditors	302,439
Accruals and deferred income	564,153
	<hr/> 3,383,461 <hr/>

A floating charge over all the assets of the company has been granted in favour of Bibby Factors North West Limited

11 Creditors Amounts falling due after more than one year

	2007 £
Other loans	1,315,418
Net obligations under finance leases and hire purchase contracts	324,894
	<hr/> 1,640,312 <hr/>

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	2007 £
Between one and five years	324,894
	<hr/>

SGM (UK) LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2007

Loan Maturity Analysis

	2007 £
Other loans due between one and two years	657,709
Other loans due between two and five years	657,709
	<u>1,315,418</u>

12. Share capital

	2007 £
Authorised	
1,000 Ordinary shares of £1 each	<u>1,000</u>
Allotted, called up and fully paid	
875 Ordinary shares of £1 each	<u>875</u>
Allotted, called up and partly paid	
125 Ordinary shares of £1 each	<u>125</u>

On incorporation of the company, one Ordinary Share of £1 was issued at par. A further 124 Ordinary Shares of £1 were issued at par. £125 is outstanding at the balance sheet date. On 22 January 2007, 875 Ordinary Shares of £1 were issued for a total cash consideration of £175,000.

13 Reserves

	Share premium account £
Premium on shares issued during the period	<u>174,125</u>
At 31 December 2007	<u>174,125</u>

SGM (UK) LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2007

14 Reconciliation of movement in shareholders' funds

	2007 £
Opening shareholders' funds	
Profit for the period	197,207
Shares issued during the period	1,000
Share premium on shares issued (net of expenses)	174,125
	<hr/>
Closing shareholders' funds	372,332
	<hr/>

15 Net cash flow from operations

	2007 £
Operating profit	453,271
Depreciation of tangible fixed assets	1,184,226
Profit on disposal of tangible fixed assets	(36,067)
Increase in stocks	(289,884)
Increase in debtors	(1,481,170)
Increase in creditors	1,652,011
	<hr/>
Net cash inflow from operations	1,482,387
	<hr/>

16. Analysis of cash flows for headings netted in cash flow statement

	2007 £
Returns on investments and servicing of finance	
Interest paid	(146,064)
	<hr/>
	<hr/>
	2007 £
Capital expenditure and financial investment	
Purchase of tangible fixed assets	(139,737)
Sale of tangible fixed assets	58,145
	<hr/>
Net cash outflow from capital expenditure	(81,592)
	<hr/>

SGM (UK) LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2007

16 Analysis of cash flows for headings netted in cash flow statement (continued)

	2007 £
Financing	
Issue of ordinary shares	175,000
Other new loans	2,422,954
Repayment of finance leases	(3,959,799)
Net cash outflow from financing	<u>(1,361,845)</u>

17 Analysis of changes in net debt

	11 January 2007 £	Cash flow £	Other non-cash changes £	31 December 2007 £
Cash at bank and in hand		569		569
Bank overdraft		(107,683)		(107,683)
		<u>(107,114)</u>		<u>(107,114)</u>
Debt				
Debts due within one year		1,536,845	(3,050,612)	(1,513,767)
Debts falling due after more than one year			(1,640,312)	(1,640,312)
Net debt		<u>1,429,731</u>	<u>(4,690,924)</u>	<u>(3,261,193)</u>

18 Pension commitments

The company operates a defined contributions pension scheme. Contributions totalling £11,211 were payable to the fund at the balance sheet date and are included in other creditors.

19 Operating lease commitments

At 31 December 2007 the company had annual commitments under non cancellable operating leases as follows

	Land and buildings 2007 £	Other 2007 £
Expiry date		
Between 2 and 5 years	34,250	143,899
After more than 5 years	<u>40,000</u>	

SGM (UK) LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2007

20 Related party transactions

J B Clarke is a director of both SGM (UK) Limited and CCW LLP and is deemed to have sufficient influence over the financial and operating policies of both entities. During the period CCW LLP invoiced SGM (UK) Limited for provision of J B Clarke as a director and for general legal services. At the year end there exists a liability of £25,365.

D S McInroy, R F Lawson, S D McInroy and I F Morrison are members of SGM Contracts LLP and directors of SGM (UK) Limited. During the period, the company rented property from SGM Contracts LLP, on a commercial basis. Total rent payable in the period is £53,333. The company procured consultancy services of £17,826 from SGM Contracts LLP. Other expenses of £10,184 were payable by the company to SGM Contracts LLP during the period.

21 Post balance sheet events

After the period end, the directors reviewed the company's operations which necessitated the reorganisation or closure of three service depots. Closure costs of approximately £146,000 were incurred.

The company granted a floating charge over its assets in favour of Royal Bank of Scotland plc.