

PINNACLE FM LIMITED

**DIRECTORS' REPORT AND FINANCIAL
STATEMENTS**

For the 15 month period ended 31 March 2009

Company number 1040529

PINNACLE FM LIMITED
DIRECTORS' REPORT
For the 15 month period ended 31 March 2009

FINANCIAL STATEMENTS

The directors present their report and the financial statements for the 15 month period ended 31 March 2009, which have been prepared under the historical cost convention and the accounting policies set out therein.

CHANGE OF NAME

The company changed its name to Pinnacle FM Limited from Wates Facilities Management Limited on 4 January 2008.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The principal activity of the business is the provision of facilities management services.

Financial performance is assessed by the two key measures of operating profit and turnover as disclosed in the profit and loss account on page 6. Turnover for the period is in line with expectation; however the directors are disappointed with the operating profit of the company and expect an improvement for the coming year.

The key risk facing Pinnacle FM relates to contract performance where financial penalties can be incurred if performance does not meet contract key performance indicators. The business manages this risk by closely monitoring performance and ensuring deficiencies are addressed on a timely basis.

RESULTS AND DIVIDENDS

The loss for the 15 month period after taxation amounted to £466,282 (2007: 12 month profit £1,350,410). The directors do not recommend the payment of a dividend (2007: £nil).

FINANCIAL INSTRUMENTS

The company does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to price risk or liquidity risk.

DIRECTORS

The directors who served during the period were as follows:

| | |
|----------------|---|
| J. A. Swinney | (resigned 31 st December 2008) |
| N. E. Euesden | |
| N. P. Wright | |
| P. M. A. Lloyd | |
| M. Penny | |
| A. Frith | (appointed 18 th March 2009) |
| A. Cook | (appointed 18 th March 2009) |

PINNACLE FM LIMITED

DIRECTORS' REPORT

For the 15 month period ended 31 March 2009

EMPLOYEES

The company's policy is one of equal opportunity in the selection, training, career development and promotion of employees regardless of age, gender, ethnic origin, religion and whether disabled or otherwise, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged.

It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through the in house newspaper and newsletters, briefing groups and the distribution of the annual report.

STATEMENT OF INFORMATION PROVIDED TO AUDITORS

Each of the directors has confirmed that:

- (a) so far as he is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) he 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.

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the Company and of the profit and loss 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 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.

PINNACLE FM LIMITED

DIRECTORS' REPORT

For the 15 month period ended 31 March 2009

AUDITORS

PKF (UK) LLP have been appointed as auditors and, having indicated their willingness to continue in office, a resolution concerning their reappointment as auditors will be proposed at the Annual General Meeting.

This report was approved by the Board on 5 October 2009 and signed on its behalf by:



**Alex Frith
Director**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PINNACLE FM LIMITED

For the 15 month period ended 31 March 2009

We have audited the financial statements of Pinnacle FM Limited for the 15 month period ended 31st March 2009 which comprise the Profit and Loss Account, the Balance Sheet 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

The directors' responsibilities for preparing the annual report and 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).

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 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PINNACLE FM LIMITED**

For the 15 month period ended 31 March 2009

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 March 2009 and of its loss for the period 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.

PKF(UK)LLP

PKF (UK) LLP
Registered Auditor
London, UK

5 October 2009

PINNACLE FM LIMITED
PROFIT AND LOSS ACCOUNT
For the 15 month period ended 31 March 2009

| | Notes | 15 months ended 31 March 2009 | 12 months ended 31 December 2007 Restated |
|--|-------|--|--|
| | | £ | £ |
| Turnover | | 8,198,769 | 6,409,872 |
| Cost of sales | 2 | (5,351,010) | (3,871,829) |
| Gross profit | | 2,847,759 | 2,538,043 |
| Administrative expenses | 2 | (3,421,929) | (1,050,789) |
| Operating (loss)/profit before exceptional items | 2 | (574,170) | 1,487,254 |
| Exceptional items | 3 | (65,000) | - |
| Operating (loss)/ profit | | (639,170) | 1,487,254 |
| Interest receivable and similar income | 4 | 86,875 | 53,850 |
| Interest payable and similar charges | 4 | (103,514) | - |
| (Loss)/ profit on ordinary activities before taxation | | (655,809) | 1,541,104 |
| Tax on (loss)/profit on ordinary activities | 5 | 189,527 | (190,694) |
| (Loss)/ profit for the financial period | | (466,282) | 1,350,410 |

There are no recognised gains or losses for the financial period other than as stated in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

All the above amounts are attributable to continuing operations.

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

PINNACLE FM LIMITED

**BALANCE SHEET
As at 31 March 2009**

| | Notes | 31 March | | 31 December | |
|---|-------|--------------------|------------------|--------------------|----------------|
| | | 2009 | 2009 | 2007 | 2007 |
| | | £ | £ | £ | £ |
| FIXED ASSETS | | | | | |
| Tangible assets | 6 | | 85,100 | | - |
| CURRENT ASSETS | | | | | |
| Debtors | 7 | 3,572,178 | | 2,049,987 | |
| Cash | | 124,541 | | - | |
| Total current assets | | 3,696,719 | | 2,049,987 | |
| CREDITORS: amounts falling due within one year | 8 | (4,050,719) | | (1,737,080) | |
| Net current (liabilities)/assets | | | (354,000) | | 312,907 |
| Total assets less current liabilities | | | (268,900) | | 312,907 |
| Provision for liabilities and charges | 9 | | (176,667) | | (292,192) |
| Net (liabilities)/assets | | | (445,567) | | 20,715 |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 11 | | 1,000,000 | | 1,000,000 |
| Profit and loss account | 12 | | (1,445,567) | | (979,285) |
| Total equity shareholders' (deficit)/funds | 13 | | (445,567) | | 20,715 |

These financial statements were approved and authorised for issue by the board and were signed on its behalf on 5 October 2009 by:



Alex Frith
Director

PINNACLE FM LIMITED

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

Accounting convention

These accounts have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules and in accordance with reporting requirements of the Companies Act 1985. Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

Going Concern

The company has made a loss of £466,282 during the period and has net liabilities of £445,567 at the period end, including £3,008,078 due to group undertakings. Pinnacle FM Limited is part of the Pinnacle Regeneration Group. Pinnacle Regeneration Group Limited has indicated its willingness to financially support Pinnacle FM Limited for a period of at least 12 months from the date these financial statements were approved and authorised for issue.

The Directors of this company, having had regard to budgets and cash flow forecasts for Pinnacle FM Limited for a period of at least 12 months from the date these financial statements were approved and authorised for issue are content that the Group will be able to provide the necessary level of support and have therefore adopted the going concern basis of preparation for these financial statements. No adjustments have been made to these financial statements in the event of the Group and Company not being a going concern. For further information please refer to the consolidated accounts of Pinnacle Regeneration Group

Turnover

Turnover represents the value of work done in relation to facilities management services exclusive of VAT.

Long term contracts

The principal estimation technique used by the company in attributing profit on contracts to a particular accounting period is the preparation of forecasts on a contract-by-contract basis. These focus on cost to completion and enable an assessment to be made of the outturn on each contract. Consistent contract review procedures are in place in respect of contract forecasting. Profits on long-term contracts are calculated in accordance with SSAP9 - Stocks and Long Term Contracts. Profit on contracts are only taken at a stage near enough to completion for that profit to be reasonably certain. Provision is made for all losses incurred to the accounting date together with any further losses that are foreseen in bringing contracts to completion.

Amounts recoverable on contracts which are included in debtors and stated at cost, plus attributable profit, to the extent that this is reasonably certain after making provision for contingencies, less any losses incurred or foreseen in bringing contracts to completion, and less amounts received as progress payments. Cost for this purpose includes valuation of all work done by subcontractors, whether certified or not, and all overheads other than those relating to general administration. For any contracts where receipts exceed the book value of work done, the excess is included in creditors as payments on account.

PINNACLE FM LIMITED
NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES (continued)

Deferred taxation

The charge for taxation is based on the result for the year and takes into account deferred taxation arising due to timing differences between the treatment of certain items for taxation and accounting purposes. In accordance with FRS 19 'Deferred Tax', deferred taxation is provided fully and on a non discounted basis at future corporation tax rates.

Pension costs

The amount charged to the profit and loss account in respect of pensions represents the contributions payable in respect of the accounting period.

2 OPERATING (LOSS)/PROFIT

| | | |
|---|-------------|-------|
| is stated after charging: | 2009 | 2007 |
| | £ | £ |
| Operating leases | 75,227 | - |
| Depreciation – owned assets | 24,674 | - |
| Auditors' remuneration - for audit services | 11,500 | 7,500 |

Since acquiring the business, the directors have assessed the allocation of expenditure between administrative expenses and cost of sales and aligned this allocation to the group policy, leading to a prior year adjustment of £776,115 in respect of the categorisation of expenditure.

3 EXCEPTIONAL ITEMS

The exceptional item during the period of £65,000 (2007: £nil) relates to employment severance costs resulting from restructuring within the business.

4 INTEREST RECEIVABLE AND PAYABLE

| | | |
|---|---------------|---------------|
| Interest receivable and similar income | 2009 | 2007 |
| | £ | £ |
| Inter group interest receivable | 64 | - |
| Interest receivable from bank deposits | 86,811 | 53,850 |
| | <u>86,875</u> | <u>53,850</u> |

4 INTEREST RECEIVABLE AND PAYABLE (continued)

| | | |
|---|------------------|----------|
| Interest payable and similar charges | 2009 | 2007 |
| | £ | £ |
| Inter group interest payable | (102,748) | - |
| Overdraft interest payable | (100) | - |
| Bank charges | (666) | - |
| | <u>(103,514)</u> | <u>-</u> |

PINNACLE FM LIMITED
NOTES TO THE ACCOUNTS

5 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

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

| | 2009 | 2007 |
|--|-------------|-------------|
| | £ | £ |
| Current Tax | | |
| Tax on (loss)/profit for the period | (140,694) | 140,694 |
| Total current tax | (140,694) | 140,694 |
| Deferred tax | | |
| Origination and reversal of timing differences | (312) | 300,195 |
| Losses carried forward | (48,521) | - |
| Decrease in tax rate | - | 3,342 |
| Adjustments in respect of previous years | - | (253,537) |
| Total deferred tax | (48,833) | 50,000 |
| Tax (credit)/charge on (loss)/profit on ordinary activities | (189,527) | 190,694 |

(b) Factors affecting tax (credit)/charge for the period

The tax assessed in each period varies from the standard rate of corporation tax in the UK (28%). The differences are explained below:-

| | 2009 | 2007 |
|--|-------------|-------------|
| | £ | £ |
| (Loss)/profit on ordinary activities before tax | (655,809) | 1,541,104 |
| (Loss)/profit on ordinary activities before tax multiplied by standard rate of UK corporation tax of 28.4% (2007: 30%) | (186,250) | 462,331 |
| Effect of non-tax chargeable release of unutilised provision | - | (321,637) |
| Losses carried forward | 39,124 | - |
| Capital allowances less than depreciation | 6,114 | - |
| Non deductible expenses | 318 | - |
| Current tax (credit)/charge for the period | (140,694) | 140,694 |

(c) Factors that may affect future tax charges

The company has losses available to carry forward which can be offset against future available profits. Other than this, the Company is not aware of any significant factor that may affect future tax charges.

PINNACLE FM LIMITED
NOTES TO THE ACCOUNTS

6 TANGIBLE FIXED ASSETS

| Tangible Fixed Assets | Fixtures and equipment £ | Total £ |
|-------------------------|-----------------------------|----------------|
| Cost | | |
| At 1 January 2008 | - | - |
| Additions | 86,749 | 86,749 |
| Transfers | 25,570 | 25,570 |
| At 31 March 2009 | 112,319 | 112,319 |
| Depreciation | | |
| At 1 January 2008 | - | - |
| Additions | 24,674 | 24,674 |
| Transfers | 2,545 | 2,545 |
| At 31 March 2009 | 27,219 | 27,219 |
| Net book value | | |
| At 31 March 2009 | 85,100 | 85,100 |
| At 31 December 2007 | - | - |

7 DEBTORS: amounts falling due within one year

| | 2009 £ | 2007 £ |
|-------------------------------------|------------------|------------------|
| Trade debtors | 797,484 | 604,871 |
| Amounts recoverable on contracts | 372,215 | 333,882 |
| Amounts owed by group undertakings | 2,160,439 | - |
| Corporation tax receivable | 140,694 | - |
| Deferred taxation (note 10) | 48,833 | - |
| Other debtors including prepayments | 52,513 | 1,111,234 |
| | 3,572,178 | 2,049,987 |

8 CREDITORS: amounts falling due within one year

| | 2009 £ | 2007 £ |
|------------------------------------|------------------|------------------|
| Trade creditors | 512,919 | 207,252 |
| Payments on account | - | 39,683 |
| Corporation tax payable | - | 140,694 |
| Other taxes and social security | 44,684 | 47,667 |
| Amounts owed to group undertakings | 3,008,078 | - |
| Other creditors | - | 45 |
| Accruals and deferred income | 485,038 | 1,301,739 |
| | 4,050,719 | 1,737,080 |

PINNACLE FM LIMITED
NOTES TO THE ACCOUNTS

9 PROVISIONS FOR LIABILITIES AND CHARGES

| | 2009 | 2007 |
|---|-----------|-------------|
| | £ | £ |
| At beginning of period | 292,192 | 1,482,000 |
| Credited to the profit and loss account | (115,525) | (1,189,808) |
| At end of period | 176,667 | 292,192 |

All provisions are contract related

10 DEFERRED TAX

| | 2009 | 2007 |
|---|--------|----------|
| | £ | £ |
| At beginning of period | - | 50,000 |
| Credited/(charged) to the profit and loss account | 48,833 | (50,000) |
| At end of period | 48,833 | - |

Deferred tax is fully provided as follows:

| | 2009 | 2007 |
|-------------------------------|--------|------|
| | £ | £ |
| Short term timing differences | 48,833 | - |

11 CALLED UP SHARE CAPITAL

| | 2009 | | 2007 | |
|--------------------------------|-----------|-----------|-----------|-----------|
| | Number | £ | Number | £ |
| (1) Authorised | | | | |
| £1 ordinary shares | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| (2) Allotted and issued | | | | |
| £1 ordinary shares | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |

12 RESERVES

| | 2009 | 2007 |
|--------------------------------|-------------|-------------|
| | £ | £ |
| Profit and loss account | | |
| Deficit at beginning of period | (979,285) | (2,329,695) |
| (Loss)/profit for the period | (466,282) | 1,350,410 |
| At end of period | (1,445,567) | (979,285) |

PINNACLE FM LIMITED
NOTES TO THE ACCOUNTS

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

| | 2009 | 2007 |
|---|-------------|-------------|
| | £ | £ |
| (Loss)/profit on ordinary activities after tax for the period | (466,282) | 1,350,410 |
| Opening shareholders' funds/(deficit) | 20,715 | (1,329,695) |
| Closing shareholders' (deficit)/funds | (445,567) | 20,715 |

14 FINANCIAL COMMITMENTS

Operating leases

At 31 March 2009 the Company had commitments under non-cancellable operating leases as follows:-

| | 2009 | 2007 |
|----------------------------|--------------|--------------|
| | Other | Other |
| | £ | £ |
| Expiry date: | | |
| Between one and five years | 4,788 | - |
| | 4,788 | - |

15 DIRECTORS EMOLUMENTS

The services of J.A Swinney (resigned 31 December 2008), N.E Euesden, N.P Wright and A. Cook were deemed to relate mostly to work carried out for Pinnacle Housing Limited and the related costs are therefore included in the administrative expenses of Pinnacle Housing Limited.

The services of M. Penny and A. Frith were deemed to relate mostly to work carried out for Pinnacle Regeneration Limited, the Company's ultimate parent undertaking and the related costs are therefore included in the administrative expenses of Pinnacle Regeneration Limited.

16 EMPLOYEES

(1) Number of employees

The average number of persons employed by Pinnacle FM Limited during the period, analysed by category, was as follows:-

| | 2009 | 2007 |
|------------|---------------|---------------|
| | Number | Number |
| Operations | 139 | 37 |

PINNACLE FM LIMITED
NOTES TO THE ACCOUNTS

16 EMPLOYEES (continued)

(2) Employment costs

The aggregate payroll costs of these persons were as follows:

| | 2009 £ | 2007 £ |
|-----------------------------------|-----------|-----------|
| Wages and salaries | 2,106,928 | 689,844 |
| Social security costs | 162,074 | 60,667 |
| Other pension costs | 70,987 | 25,604 |
| | 2,339,989 | 776,115 |
| Exceptional re-organisation costs | 65,000 | - |
| | 2,404,989 | 776,115 |

17 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemptions available under Financial Reporting Standard 8, 'Related Party Disclosures', not to disclose any transactions or balances with entities that are 90% controlled by the Group.

During the year the following amounts were receivable from related parties:

Regenter Management Services Limited, of which PMA Lloyd is a director, in respect of services provided by the Company £5,000 (2007: £nil) of which £nil (2007: £nil) is included in trade debtors at 31 March 2009.

18 PARENT UNDERTAKINGS

On 17th December 2007 the entire share capital was purchased by Pinnacle PSG Limited. The results of the Company up to that date are included in the consolidated accounts of Wates Group Limited.

The results of the company are included in the consolidated accounts of Pinnacle PSG Limited. Pinnacle PSG Limited is the Company's immediate parent undertaking and is incorporated in Great Britain and registered in England and Wales. The consolidated financial statements of Pinnacle PSG Limited are available to the public and may be obtained from 4th Floor, Caxton House, 2 Farringdon Road, London, EC1M 3HN.

The Company's ultimate parent undertaking is Pinnacle Regeneration Group Limited which is incorporated in Great Britain and registered in England and Wales. The results of the Company are included in the consolidated accounts of Pinnacle Regeneration Group Limited. The consolidated financial statements of Pinnacle Regeneration Group Limited are available to the public and may be obtained from 5th Floor, 140 Brompton Road, London, SW3 1HY.

19 CONTINGENT LIABILITIES

The company has issued guarantees in favour of Bank of Scotland to support the indebtedness of Pinnacle Regeneration Group Limited and its subsidiaries.