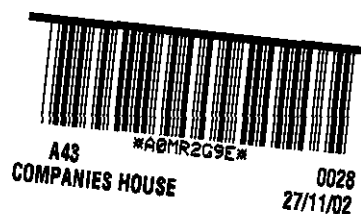


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CLUGSTON GROUP LIMITED

DIRECTORS, OFFICERS AND ADVISERS

Executive directors JOHN WESTLAND ANTONY CLUGSTON DL FIHT AMIQ (Chairman)
ROY BUTCHER FCMA (Chief Executive)
MICHAEL HOWARD BALES Bsc FCA ATII
JOHN MARTIN BURNETT
GEORGE WILLIAM DIXON FRICS MInstCES

Non-executive directors GERRARD HUGH CAMAMILE MA FCA (Deputy Chairman)
JOHN ANTHONY BRIAN KELLY RD LLB FCA

Secretary MICHAEL HOWARD BALES Bsc FCA ATII

Registered office ST VINCENT HOUSE
NORMANBY ROAD
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NORTH LINCOLNSHIRE
DN15 8QT

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Auditors ERNST & YOUNG LLP
CLOTH HALL COURT
14 KING STREET
LEEDS
LS1 2JN

Bankers NATIONAL WESTMINSTER BANK PLC
119 HIGH STREET
SCUNTHORPE
NORTH LINCOLNSHIRE
DN15 6LT

HSBC BANK PLC
STONEBOW BRANCH
221 HIGH STREET
LINCOLN
LN1 1TS

Solicitors PINSENT CURTIS BIDDLE
1 PARK ROW
LEEDS
LS1 5AB

CLUGSTON GROUP LIMITED

CHAIRMAN'S STATEMENT

The year to 26 January 2002 followed a similar pattern as the previous year. The loss before taxation in the year of £6.1 million was lower than last year's result of a £7.5 million loss.

A number of initiatives were implemented during the year to restore the Group to profit. Contracting activities, once more, provided the key factors affecting the results. Problems previously reported have taken longer to flow through the results cycle than originally anticipated. A small number of key outstanding contracts still remain to be settled. Finalisation of negotiations with the respective clients are ongoing and a prudent view of the outcome of these has been taken. Furthermore, we still await the outcome of arbitration proceedings with Leeds City Council. These have been subject to delay due to the illness of the Arbitrator.

In the light of the results, no dividend will be proposed in respect of the year to 26 January 2002.

The other Group activities performed well with Distribution, HS Atec and Property all producing higher levels of profit than the previous year.

On 1 May 2001, three senior executives were appointed to the Board. On 1 July 2002, Howard Bales was appointed to the Board and on 9 August 2002, took over as Group Finance Director and Company Secretary from Alan Wilson who decided to return to the food industry in a senior financial role.

The outlook for the current year is encouraging and results for the half year show a significant turnaround and produce a positive result. An Interim Statement will be sent to Shareholders.

Notwithstanding a year of challenge, employees have performed well and the Board would like to express its appreciation.



J W A CLUGSTON
Chairman

20 August 2002

CLUGSTON GROUP LIMITED

CHIEF EXECUTIVE'S REVIEW

OVERVIEW

The year to 26 January 2002 was, again, affected by an acute adverse trading climate within the construction industry and the Group's earlier failure in its contracting operations to identify and quantify risks taken on in the pursuit of additional turnover.

Other Group activities performed very well, achieving improvements in contribution through trading and cost savings. These, however, were insufficient to counterbalance the negative performance of Contracting. However, real signs are now emerging to suggest that the management changes made and procedures strengthened are beginning to show significant improvements in performance.

Divisional results for the year were as follows:

	2002 £000	2001 £000
Operating profit/(loss)		
Construction and related activities	(6,991)	(8,227)
Distribution and related activities	1,478	1,253
Own property activities and central costs	(745)	(159)
Share of operating results of joint ventures	503	143
	<u>(5,755)</u>	<u>(6,990)</u>
Profit/(loss) on sale of properties	494	(281)
Net interest payable	(853)	(268)
Loss before taxation	<u>(6,114)</u>	<u>(7,539)</u>

CLUGSTON CONSTRUCTION

During the year, we have reduced overheads by more than £1 million and have refocused the main contracting business on our historic geographical base of Yorkshire, the Humber area and the North-East.

The closure of our office in Harlow has been carried out and contracts in the South-East are being completed.

We have a number of significant contracts where negotiations with clients are taking place in order to resolve outstanding issues and we have assumed a prudent but commercial recovery on these.

One specific contract loss of £950,000 has been included within these results in order to fulfil the requirements of SSAP9 whereby anticipated losses to be incurred up to the end of that contract must be recognised at January 2002.

The outcome of arbitration proceedings in respect of the South Leeds Stadium has been much delayed but, again, we have anticipated a prudent recovery on this contract.

St Vincent Plant was affected by a lower volume of work from Construction but performed reasonably well in the circumstances.

Ferro Monk Systems Limited improved its turnover but profitability was affected by the necessity to build upon its support service costs in anticipation of higher activity levels of demand from the water companies. It is unfortunate that these higher levels of activity are not yet apparent but the framework agreements are in place.

CLUGSTON DISTRIBUTION SERVICES

An excellent performance in the sector, spearheaded by overhead costs reductions and efficiency savings and exemplified by the agreement of a new five year contract with Appleby Group Limited for industrial powder distribution.

Flour has been a difficult market with varying tonnages. Poor returns on an increasing level of required capital expenditure led us to give notice to exit our main contract for bulk flour transport during the year. This contract ceased at the end of May 2002. We continue to operate in the spot hire flour sector.

CLUGSTON GROUP LIMITED

CHIEF EXECUTIVE'S REVIEW (continued)

HS ATEC

Another division producing an excellent result, particularly as performance was affected by the negative impact of opening two additional depots during the final quarter of the year which will show longer term benefits.

CLUGSTON ESTATES

Another good year for Clugston Estates as Redhouse Holdings Limited, the Joint Venture with Teesland Group plc near Doncaster, South Yorkshire, produced its first profits. These profits have been reinvested to further develop the site and negotiations are ongoing with a number of potential tenants in respect of substantial parts of the site.

CAPITAL INVESTMENT/CASH MANAGEMENT

A level of capital investment equal to our depreciation charge was made during the year.

The results obviously put pressure upon our facilities and we maintain a keenly vigilant approach to cash management. Our Bankers remain supportive and are fully aware of the actions being taken to achieve cashflow objectives and to return to profit.

OUTLOOK

We have experienced two years which have reflected the worst effects of what can befall the contracting industry. It is of no comfort to know that other contractors have similarly suffered, to a lesser and greater extent.

We have identified our problems and, whilst we do have specific contracts yet to finalise, the outlook overall is encouraging. Our order book and prospects are good with a number of repeat opportunities with existing clients. Significantly, we see reasonable margins being achieved on most contracts and the issues associated with ongoing work are of a less contentious nature.

The results for the half-year to July 2002 will provide a solid base towards an improving full year position.



R BUTCHER
Chief Executive

20 August 2002

CLUGSTON GROUP LIMITED

DIRECTORS' REPORT

The directors present their report and the audited accounts for the 52 weeks ended 26 January 2002.

RESULTS AND DIVIDENDS

The loss for the financial period was £5,981,000 and is dealt with as shown in the Group profit and loss account. No final dividend is proposed.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Group during the period was the provision of industrial services, including civil engineering and building contracting, plant and tool hire, drainage renovation and repair, distribution and warehousing services, commercial vehicle and trailer spares and property development.

The statutory information required concerning the review of the business and future developments is contained in the Chairman's statement and Chief Executive's review.

HEALTH, SAFETY AND THE ENVIRONMENT

The Group recognises its responsibilities towards both its employees and the general public regarding health, safety and environmental issues. Careful consideration is given to such matters and appropriate action is taken.

EMPLOYEES

Applications for employment received from disabled people, with appropriate qualifications and experience, are given full and fair consideration. Should employees suffer disabilities they will retain their jobs, wherever possible, or will be offered suitable alternative work if it is available.

It is appreciated that the success of any business is dependent upon the abilities and capabilities of its employees and our personnel are encouraged to acquire qualifications and skills for the mutual benefit of themselves and the Group. It is also part of our objective for employees to attain professional, managerial and technical skills and this is encouraged through internal training courses.

Good communication at all levels is accepted as being an essential factor in relationships with our employees. The "Clugston Bulletin" continues to be published at regular intervals and copies are distributed to all employees in the Group.

DIRECTORS AND THEIR INTERESTS

The directors of the Company during the 52 weeks ended 26 January 2002 were those listed on page 2, apart from Mr M H Bales who was appointed on 1 July 2002, together with Mr A C Longden, who retired on 5 July 2001, and Mr A Wilson, who resigned on 9 August 2002. Messrs J M Burnett, G W Dixon and A Wilson were appointed on 1 May 2001.

In accordance with the articles of association, Messrs J W A Clugston and R Butcher retire by rotation and, being eligible, offer themselves for re-election.

The only directors' interests in the share capital of the Company were as follows:

	26 January 2002			27 January 2001		
	Beneficial	Non-beneficial	Options	Beneficial	Non-beneficial	Options
J W A Clugston	75,000	398,342	32,000	75,000	398,342	32,000
G H Camamile	-	43,971	-	-	46,521	-
R Butcher	60,000	-	-	60,000	-	-

The share options are exercisable at a price of £5.00 per share up to 23 August 2002.

CHARITABLE AND POLITICAL DONATIONS

During the period the Company made various charitable contributions totalling £7,000, including a payment of £6,000 to the Clugston Charitable Settlement, and a political contribution of £250 to Business for Sterling.

AUDITORS

On 28 June 2001 Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be submitted at the Annual General Meeting.

CLUGSTON GROUP LIMITED

DIRECTORS' REPORT (continued)

CORPORATE GOVERNANCE

As a private limited company we are not under any obligation to comply with the Combined Code on Corporate Governance. However the Board of directors consider it appropriate to include in their report the following outline of procedures.

Board of directors

The Board meets on a regular basis throughout the year. The executive directors have service contracts which do not exceed three years, whilst the non-executive directors do not have specified terms of office but are subject to appointment or removal by a decision of the Board. The Board has a formal schedule of matters specifically reserved to it for decision to ensure that it controls the direction of the Company.

Internal financial control

The Board continues to review and report on the effectiveness of the Group's system of internal financial controls. The Group operates formal systems of internal control, the main elements of which are financial reporting and control procedures.

Financial reporting

The Group operates strict internal financial planning and reporting procedures including three-year plans, annual forecasts, monthly management accounts and a daily treasury function.

Control procedures

The Group controls are exercised through an organisational structure with clearly defined levels of responsibility and authority and are laid down in policy documents covering finance, legal and general administration, health, safety and environmental matters, capital expenditure and employment requirements.

The Group does not operate a system of internal audit but the Board is responsible for the operation and effectiveness of internal financial control systems. There are inherent limitations in any system of financial controls but the directors are of the opinion that it provides reasonable, but not absolute, assurance with regard to the preparation of financial information and the safeguarding of assets.

Remuneration committee

The committee is chaired by Mr G H Camamile and consists of Mr J W A Clugston, Mr R Butcher, and Mr J A B Kelly.

The committee considers the emoluments and terms and conditions of employment of the Board members. Its aims are to ensure that remuneration packages are sufficiently competitive to attract, retain and motivate executive directors and management of the right calibre. No director takes part in discussions regarding his own remuneration.

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



M H BALES
Secretary

20 August 2002

CLUGSTON GROUP LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES in respect of the accounts

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and apply them consistently
- make judgements 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 accounts
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Group will continue in business

The directors confirm that the accounts comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT to the members of Clugston Group Limited

We have audited the Group's accounts for the period ended 26 January 2002, which comprise the Group Profit and Loss Account, Group Balance Sheet, Company Balance Sheet, Group Cash Flow Statement, Accounting Policies and the related notes 1 to 23. These accounts have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described above, the Company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit those accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 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 with the Group is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises only the Chairman's Statement, the Chief Executive's Review and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group'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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 26 January 2002 and of the loss of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG LLP

Registered Auditor

Leeds

28 August 2002

CLUGSTON GROUP LIMITED

GROUP PROFIT AND LOSS ACCOUNT for the 52 weeks ended 26 January 2002

	Note	2002 £000	2001 £000
Turnover		116,534	103,827
Share of joint ventures' turnover		(4,327)	(4,888)
Group turnover	1	<u>112,207</u>	<u>98,939</u>
Cost of sales		(108,956)	(95,892)
Gross profit		<u>3,251</u>	<u>3,047</u>
Administrative expenses		(9,509)	(10,180)
Operating loss	2	<u>(6,258)</u>	<u>(7,133)</u>
Share of operating results of joint ventures		503	143
Net profit/(loss) on sale of properties		494	(281)
Loss on ordinary activities before interest		<u>(5,261)</u>	<u>(7,271)</u>
Net interest payable	5	(853)	(268)
Loss on ordinary activities before taxation		<u>(6,114)</u>	<u>(7,539)</u>
Tax credit/(charge) on loss on ordinary activities	6	133	(10)
Loss for the financial period		<u>(5,981)</u>	<u>(7,549)</u>
Dividends	7	-	(164)
Loss for the period	18	<u><u>(5,981)</u></u>	<u><u>(7,713)</u></u>

All of the Group's operations are continuing.

All recognised gains and losses are included above.

CLUGSTON GROUP LIMITED

GROUP BALANCE SHEET at 26 January 2002

	Note	2002 £000	2001 £000
Fixed assets			
Intangible assets	9	360	503
Tangible assets	10	8,535	9,688
Investments	11		
Share of gross assets of joint ventures		17,227	12,274
Share of gross liabilities of joint ventures		(17,135)	(12,059)
		92	215
Other investments		3,334	3,073
		<u>3,426</u>	<u>3,288</u>
		<u>12,321</u>	<u>13,479</u>
Current assets			
Stocks	12	1,618	1,598
Debtors	13	20,975	21,309
Cash at bank and in hand		6	6
		<u>22,599</u>	<u>22,913</u>
Creditors - amounts falling due within one year			
Trade and other creditors	14	30,839	26,085
Dividends		-	164
		<u>30,839</u>	<u>26,249</u>
Net current liabilities		(8,240)	(3,336)
Total assets less current liabilities		<u>4,081</u>	<u>10,143</u>
Creditors - amounts falling due after more than one year	15	-	(27)
Provisions for liabilities and charges			
Deferred tax	16	-	(54)
		<u>4,081</u>	<u>10,062</u>
Capital and reserves			
Called up share capital	17	968	968
Share premium		157	157
Revaluation reserve	18	1,659	1,713
Capital redemption reserve		56	56
Profit and loss account	18	1,241	7,168
Equity shareholders' funds		<u>4,081</u>	<u>10,062</u>


JWA CLUGSTON
Chairman


R BUTCHER
Chief Executive

20 August 2002

CLUGSTON GROUP LIMITED

COMPANY BALANCE SHEET at 26 January 2002

	Note	2002 £000	2001 £000
Fixed assets			
Tangible assets	10	3,662	4,864
Investments	11	9,883	9,883
		<u>13,545</u>	<u>14,747</u>
Current assets			
Debtors	13	1,186	638
Amounts owed by group undertakings:			
falling due within one year		16,023	10,243
falling due after more than one year		3,589	3,272
		<u>20,798</u>	<u>14,153</u>
Creditors - amounts falling due within one year			
Trade and other creditors	14	9,343	3,633
Dividends		-	164
		<u>9,343</u>	<u>3,797</u>
Net current assets		11,455	10,356
Total assets less current liabilities		<u>25,000</u>	<u>25,103</u>
Creditors - amounts falling due after more than one year	15	(12,239)	(7,249)
		<u>12,761</u>	<u>17,854</u>
Capital and reserves			
Called up share capital	17	968	968
Share premium		157	157
Revaluation reserve	18	189	194
Capital redemption reserve		56	56
Profit and loss account	18	11,391	16,479
Equity shareholders' funds		<u>12,761</u>	<u>17,854</u>


J W A CLUGSTON
Chairman


R BUTCHER
Chief Executive

20 August 2002

CLUGSTON GROUP LIMITED

GROUP CASH FLOW STATEMENT for the 52 weeks ended 26 January 2002

	Note	2002 £000	2001 £000
Net cash outflow from operating activities	20	(4,418)	(3,406)
Returns on investments and servicing of finance			
Interest paid		(228)	(209)
Interest element of finance lease and hire purchase payments		(8)	(24)
Net cash outflow from returns on investments and servicing of finance		<u>(236)</u>	<u>(233)</u>
Taxation (paid)/received		(10)	308
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(1,800)	(1,474)
Payments to acquire investments		(367)	(1,880)
Receipts from sale of tangible fixed assets		1,752	2,376
Receipts from investments		106	719
Net cash outflow from capital expenditure and financial investment		<u>(309)</u>	<u>(259)</u>
Equity dividends paid		(164)	(164)
Net cash outflow before management of liquid resources and financing		<u>(5,137)</u>	<u>(3,754)</u>
Management of liquid resources and financing			
Repayments of capital element of finance leases and hire purchase contracts		(27)	(95)
Net cash outflow from financing		<u>(27)</u>	<u>(95)</u>
Decrease in cash	21	<u>(5,164)</u>	<u>(3,849)</u>

CLUGSTON GROUP LIMITED

ACCOUNTING POLICIES

1 Accounting convention

The accounts are prepared in accordance with applicable accounting standards and under the historical cost convention modified by the revaluation of certain freehold and leasehold property.

2 Basis of consolidation

The Group accounts incorporate the accounts of the Company and each of its subsidiary undertakings made up to the last Saturday in January. The results of subsidiary undertakings acquired or disposed of during the period are included in the Group profit and loss account from or up to the effective date of acquisition or disposal. Entities in which the Group holds an interest on a long term basis and are jointly controlled by the Group and one or more joint venturers under a contractual arrangement are treated as joint ventures. In the Group accounts, joint ventures are accounted for using the gross equity method. Entities, other than subsidiary undertakings or joint ventures, in which the Group has a participating interest and over whose operating and financial policies the Group exercises a significant influence are treated as associates. In the Group accounts, associates are accounted for using the equity method. No profit and loss account is presented for the Company as permitted by Section 230 of the Companies Act 1985.

3 Leased assets

Rentals in respect of operating leases are charged to the profit and loss account as incurred. Assets held under finance leases, where substantially all the risks and rewards of ownership have passed to the Group, and hire purchase contracts are capitalised in the balance sheet and depreciated over their useful lives. The capital element of future obligations is included as liabilities in the balance sheet and the interest element of the rentals is charged in the profit and loss account over the period of the contracts.

4 Depreciation

Freehold land is not depreciated. The cost or valuation of other fixed assets is written off, mainly on a straight line basis, over their expected useful lives as follows:

Freehold buildings	10 - 50 years
Leasehold property	Over the length of the lease
Plant, equipment and motor vehicles	1 - 10 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

5 Goodwill

Goodwill arising on the acquisition of businesses since 1 February 1998, representing the excess of the purchase consideration over the fair value ascribed to the net assets acquired, is written off through the profit and loss account over its expected useful life but was previously written off to reserves in the accounting period in which it arose. All goodwill capitalised in the balance sheet is being written off over a period of 5 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 circumstances indicate that the carrying value may not be recoverable.

6 Stocks

Stocks are valued at the lower of cost and estimated net realisable value.

7 Long term contracts

Long term contracts are valued at cost plus attributable profit less foreseeable losses and less amounts invoiced on account. Income from contract claims is not included in trading income until there is reasonable evidence that the claim will be settled.

8 Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. The only exception is that deferred tax assets are recognised only to the extent that the directors consider it is more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates expected to apply in the periods in which the timing differences reverse, based on the tax rates and laws enacted, or substantively enacted, at the balance sheet date.

In prior years, deferred tax was provided on a partial provision basis under SSAP 15. Following the implementation of FRS 19, the company has changed its accounting policy to that stated above. This change of policy has been reflected in the accounts as a prior year adjustment.

9 Foreign currency

Normal trading activities denominated in foreign currencies are recorded in sterling at actual exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange prevailing at that date.

10 Pension costs

Contributions to pension schemes and variations from regular cost are charged to the profit and loss account on a basis which spreads the cost of providing pensions over the employees' working lives with the Group.

CLUGSTON GROUP LIMITED

NOTES ON ACCOUNTS

	2002 £000	2001 £000
1 GROUP TURNOVER		
Turnover comprises the total value of work carried out and goods sold in the UK after deducting VAT and all inter-group transactions and includes £1,796,000 (2001 - £1,552,000) in respect of operating lease rentals. Turnover can be analysed between the Group's continuing operations as follows:		
Construction	87,678	76,252
Distribution	22,848	22,500
Property and other activities	1,681	187
	<u>112,207</u>	<u>98,939</u>
2 OPERATING LOSS		
Operating loss can be analysed between the Group's operations as follows:		
Construction	(6,991)	(8,227)
Distribution	1,478	1,253
Property activities and central costs	(745)	(159)
	<u>(6,258)</u>	<u>(7,133)</u>
Operating loss is stated after charging:		
Auditors' remuneration:		
Audit fees	64	62
Other fees	55	62
Depreciation of tangible fixed assets:		
Owned	1,689	1,782
Held under finance leases and hire purchase contracts	53	56
Operating lease rentals:		
Plant and machinery	2,594	2,612
Land and buildings	266	312
3 STAFF COSTS		
Wages and salaries	18,450	17,794
Social security costs	1,659	1,604
Other pension costs	670	687
	<u>20,779</u>	<u>20,085</u>
	Number of employees	
Average monthly number of employees during the period	<u>915</u>	<u>933</u>
4 DIRECTORS EMOLUMENTS	£000	£000
Aggregate emoluments	951	487
Payments to third parties	26	28
	<u>977</u>	<u>515</u>
Aggregate emoluments in 2002 include those of three additional directors appointed with effect from 1 May 2001.		
Emoluments of the highest paid director	<u>456</u>	<u>236</u>
Accrued pension entitlements	-	100
Included within the emoluments of the highest paid director are a one-off payment of £154,900 and payments in the year amounting to £58,300 relating to the provision of a pension. As a result of these payments a £650,000 reduction in the liabilities of the pension scheme was achieved and annual savings of £30,000 will accrue in the future.		
	Number of directors	
Retirement benefits accruing to directors under defined benefit schemes	<u>3</u>	<u>1</u>
The emoluments shown above do not include any amounts for the value of options to subscribe for ordinary shares in the Company at £5.00 each. At 26 January 2002 Mr J W A Clugston held options over 32,000 shares (2001 - 32,000).		

CLUGSTON GROUP LIMITED

NOTES ON ACCOUNTS (continued)

	2002 £000	2001 £000
5 NET INTEREST PAYABLE		
Bank interest payable	(282)	(289)
Finance charges payable under finance leases and hire purchase contracts	(8)	(24)
Other interest payable	(31)	-
Other interest receivable	85	80
Share of interest payable by joint ventures	(617)	(35)
	<u>(853)</u>	<u>(268)</u>
6 TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES		
UK corporation tax		
UK corporation tax on the profits for the period	-	-
Adjustments in respect of previous periods	97	-
Share of tax payable by joint ventures	(8)	(13)
Total current tax	<u>89</u>	<u>(13)</u>
Deferred tax		
Originating and reversal of timing differences	36	3
Adjustments in respect of previous periods	8	-
Total deferred tax	<u>44</u>	<u>3</u>
Tax credit on loss on ordinary activities	<u>133</u>	<u>(10)</u>
Factors affecting the tax credit for the period		
The tax assessed for the period differs from the standard rate of corporation tax in the UK as follows:		
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001 - 30%)	1,834	2,262
Disallowed expenses and non-taxable income	(162)	(127)
Depreciation in excess of capital allowances	(454)	(15)
Adjustments in respect of previous periods	97	-
Short term timing differences	(2)	71
Loss relief	(1,246)	(2,120)
Capital gains	(126)	-
Accounting profit/(loss) on chargeable assets	148	(84)
Current tax credit for the period	<u>89</u>	<u>(13)</u>
7 DIVIDENDS		
Interim	-	67
Proposed final	-	97
	<u>-</u>	<u>164</u>
8 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY		
The loss for the period dealt with in the accounts of the Company is £5,093,000 (2001 - profit of £251,000).		
9 INTANGIBLE ASSETS		Goodwill
GROUP		£000
Cost		
At 26 January 2002 and 27 January 2001		<u>807</u>
Amortisation		
Amount written off at 27 January 2001		304
Amount written off during the period		143
Amount written off at 26 January 2002		<u>447</u>
Net book amount at 26 January 2002		<u>360</u>
Net book amount at 27 January 2001		<u>503</u>

CLUGSTON GROUP LIMITED

NOTES ON ACCOUNTS (continued)

10 TANGIBLE FIXED ASSETS

	Land and buildings £000	Plant, equipment and vehicles £000	Total £000
GROUP			
Cost or valuation			
At 27 January 2001	5,211	13,083	18,294
Additions	-	1,800	1,800
Disposals	(1,060)	(1,407)	(2,467)
At 26 January 2002	<u>4,151</u>	<u>13,476</u>	<u>17,627</u>
At 1999 valuation	3,640	-	3,640
Depreciation			
At 27 January 2001	454	8,152	8,606
Charge for period	123	1,619	1,742
Disposals	(29)	(1,227)	(1,256)
At 26 January 2002	<u>548</u>	<u>8,544</u>	<u>9,092</u>
Net book amounts at 26 January 2002	<u>3,603</u>	<u>4,932</u>	<u>8,535</u>
Net book amounts at 27 January 2001	<u>4,757</u>	<u>4,931</u>	<u>9,688</u>
COMPANY			
Cost or valuation			
At 27 January 2001	5,156	340	5,496
Additions	-	2	2
Transfers from group companies	-	(3)	(3)
Disposals	(1,060)	(30)	(1,090)
At 26 January 2002	<u>4,096</u>	<u>309</u>	<u>4,405</u>
At 1999 valuation	395	-	395
Depreciation			
At 27 January 2001	447	185	632
Charge for period	122	44	166
Transfers from group companies	-	(1)	(1)
Disposals	(29)	(25)	(54)
At 26 January 2002	<u>540</u>	<u>203</u>	<u>743</u>
Net book amounts at 26 January 2002	<u>3,556</u>	<u>106</u>	<u>3,662</u>
Net book amounts at 27 January 2001	<u>4,709</u>	<u>155</u>	<u>4,864</u>

The net book amount of group plant, equipment and motor vehicles above includes £202,000 in respect of assets held under finance leases and hire purchase contracts (2001 - £255,000).

CLUGSTON GROUP LIMITED

NOTES ON ACCOUNTS (continued)

10 FIXED ASSETS (continued)

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Plant, equipment and motor vehicles above includes the following amounts in respect of assets held for use under operating leases:				
Cost	2,258	2,311	-	-
Depreciation	(1,612)	(1,570)	-	-
Net book amounts	<u>646</u>	<u>741</u>	<u>-</u>	<u>-</u>
If properties had not been revalued they would have been carried in the balance sheet as follows:				
Cost	3,606	4,666	3,946	5,006
Depreciation	(1,662)	(1,622)	(579)	(491)
Net book amounts	<u>1,944</u>	<u>3,044</u>	<u>3,367</u>	<u>4,515</u>
The net book amount of land and buildings comprises:				
Freehold property	3,108	4,248	3,107	4,248
Leases with under 50 years unexpired	495	509	449	461
	<u>3,603</u>	<u>4,757</u>	<u>3,556</u>	<u>4,709</u>

11 INVESTMENTS

GROUP

Cost

At 27 January 2001

Advances

Repayments

At 26 January 2002

Loans to joint ventures £000

3,073

367

(106)

3,334

	2002 £000	2001 £000
The Group's share in its joint ventures at 26 January 2002 was as follows:		
Fixed assets	10,291	7,878
Current assets	6,936	4,396
Liabilities due within one year	(6,911)	(5,431)
Liabilities due after more than one year	(10,224)	(6,628)
Net assets	<u>92</u>	<u>215</u>

Subsidiary undertakings £000

COMPANY

Cost at 26 January 2002 and 27 January 2001

10,483

Provisions at 26 January 2002 and 27 January 2001

(600)

Net book amounts at 26 January 2002 and 27 January 2001

9,883

A list of principal subsidiaries and joint ventures is given on page 21.

CLUGSTON GROUP LIMITED

NOTES ON ACCOUNTS (continued)

	Group		Company	
	2002	2001	2002	2001
	£000	£000	£000	£000
12 STOCKS				
Goods for resale	1,195	912	-	-
Raw materials	43	44	-	-
Stores and other	330	260	-	-
Work in progress	50	382	-	-
	<u>1,618</u>	<u>1,598</u>	<u>-</u>	<u>-</u>
13 DEBTORS				
Trade debtors	12,004	11,008	1,023	427
Amounts recoverable on contracts	8,434	9,701	-	-
Prepayments and accrued income	406	567	163	203
Corporation tax	131	24	-	8
Deferred tax (on short term timing differences)	-	9	-	-
	<u>20,975</u>	<u>21,309</u>	<u>1,186</u>	<u>638</u>
14 TRADE AND OTHER CREDITORS				
Trade creditors	19,637	18,464	48	167
Payments received in advance	1,182	1,873	-	-
Social security and PAYE	431	432	260	265
Accrued charges	633	1,479	363	295
Finance lease and hire purchase obligations	55	100	-	-
Bank overdraft (secured by a fixed and floating charge on the assets of the Group)	7,772	2,608	7,772	2,608
Amounts due to subsidiary undertakings	-	-	392	-
Other creditors	1,129	1,129	508	298
	<u>30,839</u>	<u>26,085</u>	<u>9,343</u>	<u>3,633</u>
15 CREDITORS - amounts falling due after more than one year				
Amounts due to subsidiary undertakings	-	-	12,239	7,249
Finance lease and hire purchase obligations payable within two to five years	-	27	-	-
	<u>-</u>	<u>27</u>	<u>12,239</u>	<u>7,249</u>
16 DEFERRED TAX				
Opening provision	-	99	-	-
Prior year adjustment	54	(43)	-	-
Transfer to profit and loss account	(54)	(2)	-	-
Closing provision	<u>-</u>	<u>54</u>	<u>-</u>	<u>-</u>
The provision for deferred tax comprises:				
Accelerated capital allowances	(672)	161	(15)	3
Short term timing differences	(54)	(49)	(19)	(19)
Loss relief	(2,946)	(2,086)	-	-
Assets not recognised	<u>3,672</u>	<u>2,028</u>	<u>34</u>	<u>16</u>
	<u>-</u>	<u>54</u>	<u>-</u>	<u>-</u>
Loss relief is only recognised to the extent it is likely to be utilised in the foreseeable future.				
17 CALLED UP SHARE CAPITAL				
Ordinary shares of £1 each				
Authorised			1,250	1,250
Allotted, called up and fully paid			<u>968</u>	<u>968</u>
Options have been granted under the Clugston Group Limited 1995 Unapproved Share Option Scheme to subscribe for 32,000 shares at £5.00 each up to 23 August 2002.				

CLUGSTON GROUP LIMITED

NOTES ON ACCOUNTS (continued)

18 RESERVES

GROUP	Revaluation reserve £000	Profit and loss account £000
At 27 January 2001 - As previously reported	1,713	7,126
Prior year adjustment in respect of change in accounting policy for deferred tax in accordance with FRS 19	-	(45)
Share of deferred tax prior year adjustment in joint venture As restated	-	87
	1,713	7,168
Loss for the period	-	(5,981)
Transfer in respect of depreciation	(54)	54
At 26 January 2002	<u>1,659</u>	<u>1,241</u>

Cumulative goodwill written off since February 1980, the earliest date from which figures are reasonably available, amounts to £2,505,000 (2001 - £2,505,000).

COMPANY

At 27 January 2001	194	16,479
Loss for the period	-	(5,093)
Transfer in respect of depreciation	(5)	5
At 26 January 2002	<u>189</u>	<u>11,391</u>

Group

2002 £000	2001 £000
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19 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Opening shareholders' funds - As previously reported	10,020	17,637
Prior year adjustment (note 18)	(45)	51
Share of prior year adjustment in joint venture As restated	87	87
	<u>10,062</u>	<u>17,775</u>
Loss for the financial period	(5,981)	(7,549)
Dividends	-	(164)
Net reduction in shareholders' funds	<u>(5,981)</u>	<u>(7,713)</u>
Closing shareholders' funds	<u>4,081</u>	<u>10,062</u>

20 RECONCILIATION OF OPERATING LOSS TO NET CASHFLOW

Operating loss	(6,258)	(7,133)
Profit/(loss) on sale of properties	494	(281)
Depreciation of fixed assets	1,742	1,838
(Profit)/loss on sale of tangible fixed assets	(541)	222
Provisions against fixed asset investments	-	(29)
Amortisation of intangibles	143	163
Increase in stocks and work in progress	(20)	(206)
Decrease in debtors	432	2,453
Decrease in creditors	(410)	(433)
Net cash outflow from operating activities	<u>(4,418)</u>	<u>(3,406)</u>

21 DECREASE IN CASH

Net opening cash/(bank overdraft)	(2,602)	1,247
Net closing cash/(bank overdraft)	<u>(7,766)</u>	<u>(2,602)</u>
	<u>5,164</u>	<u>3,849</u>

CLUGSTON GROUP LIMITED

NOTES ON ACCOUNTS (continued)

22 LEASING COMMITMENTS

2002
£000

2001
£000

At 26 January 2002 the Group had the following annual commitments under non-cancellable operating leases expiring:

Plant, machinery etc

next year	251	230
within 2 to 5 years	<u>1,260</u>	<u>837</u>
	<u>1,511</u>	<u>1,067</u>

Land and buildings

next year	109	-
within 2 to 5 years	223	178
after 5 years	<u>27</u>	<u>80</u>
	<u>359</u>	<u>258</u>

23 PENSION COMMITMENTS

The Group operates several pension schemes for eligible employees. The principal scheme is a contributory defined benefit pension scheme for employees and the assets are invested in a separate trustee-administered fund. The Group makes contributions to the scheme based on the advice of the scheme's actuary.

The latest triennial actuarial valuation was carried out by a professionally qualified actuary as at 1 April 2000 using the projected unit credit method and this revealed the scheme to be 115% funded on an ongoing basis. The market value of the scheme's assets at that date was £23,044,000.

The annual growth rate assumptions used to calculate the pension costs under SSAP 24 were:

	% per annum
Investment return	6.0
Earnings increases	4.0
Pension increases	3.0

In accordance with FRS 17 the following information relates to the scheme at 26 January 2002:

Financial assumptions

	% per annum
Inflation	2.6
Rate of increase in salaries	3.5
Rate of increase of pensions in payment subject to LPI increases	2.6
Rate of increase for deferred pensioners subject to statutory valuation	2.6
Discount rate	5.7

Scheme assets and expected rate of return

Fair value £000	% per annum
Equities	6.5
Bonds	5.5
Other	4.5
<u>19,603</u>	

Notional balance sheet position

	£000
Fair value of scheme assets	19,603
Actuarial value of scheme liabilities	<u>(19,969)</u>
Deficit in the scheme	<u>(366)</u>

CLUGSTON GROUP LIMITED

PRINCIPAL SUBSIDIARIES & JOINT VENTURES at 26 January 2002

SUBSIDIARY UNDERTAKINGS

(all wholly owned)

ACTIVITIES

CLUGSTON LIMITED comprising:

Clugston Construction

Building
Civil engineering
Plant and tool hire

Clugston Distribution Services

Distribution and warehousing services

Clugston Developments

Property development

HS ATEC LIMITED

Commercial vehicle and trailer spares
(part of the Distribution division)

FERRO MONK SYSTEMS LIMITED

Sewer renovation and repair
(part of the Construction division)

CLUGSTON ESTATES LIMITED

Property development

JOINT VENTURES

Percentage holding of
ordinary share capital

Accounting date

Brayford Partnership Limited
(Property development)

50.0

31 December 2001

Century Health (Nottingham) Limited
(Facilities provider)

40.0

31 January 2002

Lakeside Partnership Limited
(Property development)

50.0

31 December 2001

Normanby Healthcare (Holdings) Limited
(Facilities provider)

50.0

31 January 2002

Redhouse Holdings Limited
(Property development)

50.0

31 January 2002

Teeston Developments Limited
(Property development)

50.0

31 January 2002

Teeston Properties Limited
(Property development)

50.0

31 December 2001