

**CLUGSTON GROUP LIMITED****Annual Report  
Year ended  
27 January****2001**

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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)
Non-executive directors	GERRARD HUGH CAMAMILE MA FCA (Deputy Chairman) ANTHONY CRAIG LONGDEN OBE FIHT JOHN ANTHONY BRIAN KELLY RD LLB FCA
Secretary	ALAN WILSON FCA
Registered office	ST VINCENT HOUSE NORMANBY ROAD SCUNTHORPE NORTH LINCOLNSHIRE DN15 8QT  Tel 01724 843491 <a href="http://www.clugston.co.uk">www.clugston.co.uk</a>
Auditors	ERNST & YOUNG 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 27 January 2001 was most disappointing. A loss for the period of £7.4 million reflected the impact of major issues within our Construction activities.

We are proposing to maintain the dividend level as last year, supporting our belief in the positive prospects for the future. A final dividend of 10p per share is proposed which, together with 7p per share paid on 6 April 2001, produces a total of 17p per share for the year.

Construction results, in common with those recently announced by a number of our competitors, were influenced by over-optimistic settlement expectations, low margin tendered work obtained in 1999 and early 2000 and overheads compatible with a larger turnover. All these areas of concern have been addressed and action taken. A new Chief Executive for Construction was appointed in May 2000 and a number of other management changes were introduced during the year.

The Group's other areas of activity performed well. Good balance sheet management coupled with the realisation of non-core assets enabled effective management of the cash implications of Construction losses.

The outlook shows signs of encouragement with a largest ever workload secured and some very positive margins in prospect. The new Construction management team is working well and facing the challenges with enthusiasm.

We have decided to expand operational representation on the Board and therefore, with effect from 1 May 2001, Alan Wilson, currently Financial Controller, will be appointed Finance Director and John Burnett, Chief Executive, Construction, and Bill Dixon, Managing Director, Property, will be appointed Executive Directors.

After nearly nineteen years as a Non-Executive Director, Tony Longden has decided to retire from the Board and therefore will not be seeking re-election at the Annual General Meeting. The Board has much appreciated Tony's considerable advice and sound counsel over the years and I would like to offer him our sincere thanks and very good wishes.

I am confident that I shall be reporting more positive results next year. In spite of the difficulties, staff have performed well and the Board would like to express its appreciation.



JWA CLUGSTON  
Chairman

26 April 2001

# CLUGSTON GROUP LIMITED

## CHIEF EXECUTIVE'S REVIEW (continued)

### OVERVIEW

The year to 27 January 2001 was influenced totally by a major failure within our construction activities whose financial performance masked some good results in other parts of the Group. Firm action has been taken in response to the difficulties in the form of management changes, restructuring and the implementation of new controls within the business.

At the same time, a number of management changes within other divisions have resulted in a more focused management team, clearly identified with line profit responsibilities.

Divisional results for the year were as follows:

	2001 £000	2000 £000
Operating profit/(loss)		
Construction and related activities	(8,227)	(1,531)
Distribution and related activities	1,253	1,034
Own property activities and central costs	(159)	(489)
Share of operating results of joint ventures	143	-
Continuing activities	(6,990)	(986)
Discontinued activities	-	417
Loss on sale of properties	(281)	-
Net interest (payable)/receivable	(268)	143
Loss before taxation	(7,539)	(426)

### CLUGSTON CONSTRUCTION

A new chief executive with responsibility for all construction activities joined the Group in May 2000 and additional appointments have also been made in respect of regional site management, commercial management and financial control.

The problems experienced over the past year have been, principally, margin-related and were associated with too many risks taken on when work was procured during the latter part of 1999 and early in 2000. In contrast, currently, the order book for our core contracting business stands at its highest ever level with the work profile greatly improved.

We remain in dispute with Leeds City Council regarding the South Leeds Stadium Contract. Our legal advisors have expressed confidence in the strength of our case and of a successful result. This will take time however and we have provided for further unrecoverable costs associated with this protracted case.

St Vincent Plant performed reasonably well but was affected by the lower turnover within Construction. An improvement is anticipated in the coming year in line with our order book.

Ferro Monk Systems Limited, acquired in November 1999, performed satisfactorily but has yet to benefit from the anticipated improvement in spend by the water companies.

### CLUGSTON DISTRIBUTION SERVICES

The extension of our steel-related activities into the West Midlands for Corus Service Centres has consolidated its position in the second year of operation. Other steel-related activities in Scunthorpe and Wolverhampton were successful in the year but there is a degree of uncertainty surrounding Corus' plans, as reported in the press.

Bulk Cement and Flour Operations had differing fortunes during the year. Cement movements held up strongly, aided by intra-group transfers by our major customers, but Flour was affected by decisions on capacity changes by the millers and bakers resulting in further pressure on margins.

# CLUGSTON GROUP LIMITED

## CHIEF EXECUTIVE'S REVIEW (continued)

### HS ATEC

Results for the year benefited from the ongoing integration of the Atec acquisition. The demise of Finelist plc had an initial negative impact on the market but there are encouraging signs of opportunities for the future.

### CLUGSTON ESTATES

Another excellent year for Clugston Estates. The major success was the sale of the Cliffe Park development in Leeds, developed jointly with Teesland Group plc.

We have broadened our joint venture portfolio in addition to expanding upon existing ones. A key future project is Redhouse Holdings Limited, a joint venture with Teesland Group plc for 2 million square feet of distribution warehousing in the Doncaster area. We anticipate a 5 to 7 year timescale for this £100 million scheme.

A number of property assets were realised in the year, including The Moors shopping precinct in Ilkley. This realised cash of approximately £1.9 million but created a loss of £281,000 against the book value.

### CAPITAL INVESTMENT/CASH MANAGEMENT

Despite the difficulties experienced in Construction, we have continued to invest in projects in the plant hire, distribution and estates areas of activity, spending more than £3.3 million in these areas.

Cash receipts from sales of fixed assets plus returns from previous property investments contributed over £3 million.

We continue to maintain a vigilant approach to cash management but remain committed to long term investment opportunities to expand the business base of the Group and redress the balance of sensitivity to the construction cycle.

We ended the year with bank gearing of approximately 26% on net assets of £10 million.

### OUTLOOK

A growing order book is encouraging but more so is the quality of the projects in hand and the rigour of our process of risk analysis. Joint ventures and PFI opportunities add to our confidence and the new team and reshaped structure have been received with enthusiasm. We expect to see the distribution activities and our property developments contributing well for the year.

The Group management team look forward to a more positive review for the coming year.



R BUTCHER  
Chief Executive

26 April 2001

# CLUGSTON GROUP LIMITED

## DIRECTORS' REPORT

The directors present their report and the audited accounts for the 52 weeks ended 27 January 2001.

### RESULTS AND DIVIDENDS

The loss for the financial period was £7,453,000 and, subject to approval of the proposed final dividend, is dealt with as shown in the Group profit and loss account.

The directors recommend the payment of a final dividend on 7 September 2001 of 10p per share on the ordinary shares, making a total of 17p for the period under review, which is consistent with the previous period.

### 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 and management.

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 27 January 2001 were those listed on page 3.

In accordance with the articles of association, Mr G H Camamile retires by rotation and, being eligible, offers himself for re-election.

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

	27 January 2001			29 January 2000		
	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	-	46,521	-	-	49,071	-
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 £2,500 to the Clugston Charitable Settlement, and political contributions of £500 to the Lincolnshire Conservative Party and £300 to Business for Sterling.

# CLUGSTON GROUP LIMITED

## DIRECTORS' REPORT (continued)

### AUDITORS

Ernst & Young has stated that it is intending to transfer its business to a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000, to be called Ernst & Young LLP, on 28 June 2001. The directors have consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to reappoint Ernst & Young LLP as the Company's auditor will be submitted at the Annual General Meeting.

### 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.

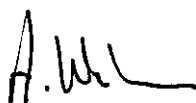
The Group does not operate a system of internal audit but the Board is responsible for the operation and effectiveness of internal financial control systems. There are inherent limitations in any system of financial controls but the directors are of the opinion that it provides reasonable, but not absolute, 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, Mr A C Longden and Mr J A B Kelly.

The committee considers the emoluments and terms and conditions of employment of the Board members and the directors of Clugston Limited. 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.



A WILSON  
Secretary

26 April 2001

# 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.

## REPORT OF THE AUDITORS to the members of Clugston Group Limited

We have audited the accounts on pages 10 to 22 which 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 on page 14.

### 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. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

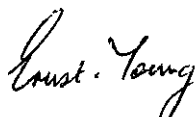
### Basis of opinion

We conducted our audit in accordance with 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 27 January 2001 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  
Registered Auditor  
Leeds

26 April 2001



# CLUGSTON GROUP LIMITED

## GROUP PROFIT AND LOSS ACCOUNT for the 52 weeks ended 27 January 2001

	Note	2001 £000	2000 £000
Turnover		103,827	115,509
Share of joint ventures' turnover		(4,888)	(4,902)
<b>Group turnover</b>	1	<u>98,939</u>	<u>110,607</u>
Cost of sales		(95,892)	(101,729)
<b>Gross profit</b>		<u>3,047</u>	<u>8,878</u>
Administrative expenses		(10,180)	(9,447)
<b>Operating loss</b>	2	<u>(7,133)</u>	<u>(569)</u>
Share of operating results of joint ventures		143	-
Net loss on sale of properties		(281)	-
<b>Loss on ordinary activities before interest</b>		<u>(7,271)</u>	<u>(569)</u>
Net interest (payable)/receivable	5	(268)	143
<b>Loss on ordinary activities before taxation</b>		<u>(7,539)</u>	<u>(426)</u>
Tax credit on loss on ordinary activities	6	86	246
<b>Loss for the financial period</b>		<u>(7,453)</u>	<u>(180)</u>
Dividends	7	(164)	(164)
<b>Loss for the period</b>	18	<u><u>(7,617)</u></u>	<u><u>(344)</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 27 January 2001

	Note	2001 £000	2000 £000
<b>Fixed assets</b>			
Intangible assets	9	503	645
Tangible assets	10	9,688	12,650
Investments	11		
Share of gross assets of joint ventures		12,187	7,363
Share of gross liabilities of joint ventures		(12,059)	(7,330)
		128	33
Other investments		3,073	1,883
		3,201	1,916
		<u>13,392</u>	<u>15,211</u>
<b>Current assets</b>			
Stocks	12	1,598	1,392
Debtors	13	21,300	24,082
Cash at bank and in hand		6	1,247
		<u>22,904</u>	<u>26,721</u>
<b>Creditors - amounts falling due within one year</b>			
Trade and other creditors	14	26,085	23,931
Dividends		164	164
		<u>26,249</u>	<u>24,095</u>
<b>Net current (liabilities)/assets</b>		<u>(3,345)</u>	<u>2,626</u>
<b>Total assets less current liabilities</b>		<u>10,047</u>	<u>17,837</u>
<b>Creditors - amounts falling due after more than one year</b>	15	(27)	(101)
<b>Provisions for liabilities and charges</b>	16	-	(99)
		<u>10,020</u>	<u>17,637</u>
<b>Capital and reserves</b>			
Called up share capital	17	968	968
Share premium	18	157	157
Revaluation reserve	18	1,713	2,036
Capital redemption reserve		56	56
Profit and loss account	18	7,126	14,420
<b>Equity shareholders' funds</b>		<u>10,020</u>	<u>17,637</u>

J W A CLUGSTON  
Chairman

R BUTCHER  
Chief Executive

26 April 2001

# CLUGSTON GROUP LIMITED

## COMPANY BALANCE SHEET at 27 January 2001

	Note	2001 £000	2000 £000
<b>Fixed assets</b>			
Tangible assets	10	4,864	5,322
Investments	11	9,883	9,891
		<u>14,747</u>	<u>15,213</u>
<b>Current assets</b>			
Debtors	13	638	636
Cash at bank and in hand		-	1,247
Amounts owed by group undertakings:			
falling due within one year		10,243	5,849
falling due after more than one year		3,272	2,139
		<u>14,153</u>	<u>9,871</u>
<b>Creditors - amounts falling due within one year</b>			
Trade and other creditors	14	3,633	1,158
Dividends		164	164
		<u>3,797</u>	<u>1,322</u>
<b>Net current assets</b>		<u>10,356</u>	<u>8,549</u>
<b>Total assets less current liabilities</b>		<u>25,103</u>	<u>23,762</u>
<b>Creditors - amounts falling due after more than one year</b>	15	(7,249)	(5,995)
		<u>17,854</u>	<u>17,767</u>
<b>Capital and reserves</b>			
Called up share capital	17	968	968
Share premium	18	157	157
Revaluation reserve	18	194	199
Capital redemption reserve		56	56
Profit and loss account	18	16,479	16,387
<b>Equity shareholders' funds</b>		<u>17,854</u>	<u>17,767</u>

  
J W A CLUGSTON  
Chairman

  
R BUTCHER  
Chief Executive

26 April 2001

# CLUGSTON GROUP LIMITED

## GROUP CASH FLOW STATEMENT for the 52 weeks ended 27 January 2001

	Note	2001 £000	2000 £000
Net cash (outflow)/inflow from operating activities	20	(3,406)	3,994
<b>Returns on investments and servicing of finance</b>			
Interest (paid)/received		(209)	156
Interest element of finance lease and hire purchase payments		(24)	(13)
Net cash (out)/inflow from returns on investments and servicing of finance		<u>(233)</u>	<u>143</u>
Taxation received/(paid)		308	(893)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(1,474)	(2,872)
Payments to acquire investments		(1,880)	(1,050)
Receipts from sale of tangible fixed assets		2,376	639
Receipts from investments		719	-
Net cash outflow from capital expenditure and financial investment		<u>(259)</u>	<u>(3,283)</u>
<b>Acquisitions and disposals</b>			
Purchase of business undertakings		-	(1,089)
Net overdrafts acquired		-	(480)
Net cash outflow from acquisitions and disposals		<u>-</u>	<u>(1,569)</u>
Equity dividends paid		(164)	(163)
Net cash outflow before Management of liquid resources and financing		<u>(3,754)</u>	<u>(1,771)</u>
<b>Management of liquid resources and financing</b>			
Issue of ordinary share capital		-	40
Repayments of capital element of finance leases and hire purchase contracts		(95)	(23)
Net cash (outflow)/inflow from financing		<u>(95)</u>	<u>17</u>
Decrease in cash	21	<u><u>(3,849)</u></u>	<u><u>(1,754)</u></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 the settlement of the claim has been certified or paid.

### 8 Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences which are not expected to continue in the future.

### 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

	2001 £000	2000 £000
<b>1 GROUP TURNOVER</b>		
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 £1,552,000 (2000 - £1,493,000) in respect of operating lease rentals. Turnover can be analysed between the Group's continuing operations as follows:		
Construction	76,252	88,011
Distribution	22,500	22,299
Property and other activities	187	297
	<u>98,939</u>	<u>110,607</u>
<b>2 OPERATING LOSS</b>		
Operating loss can be analysed between the Group's operations as follows:		
Construction	(8,227)	(1,531)
Distribution	1,253	1,451
Property activities and central costs	(159)	(489)
	<u>(7,133)</u>	<u>(569)</u>
Operating loss is stated after charging:		
Auditors' remuneration:		
Audit fees	62	60
Other fees	62	57
Depreciation of tangible fixed assets:		
Owned	1,819	1,629
Held under finance leases and hire purchase contracts	19	14
Operating lease rentals:		
Plant and machinery	2,612	1,781
Land and buildings	312	263
<b>3 STAFF COSTS</b>		
Wages and salaries	17,794	16,056
Social security costs	1,604	1,402
Other pension costs	687	648
	<u>20,085</u>	<u>18,106</u>
	<b>Number of employees</b>	
Average monthly number of employees during the period	<u>933</u>	<u>848</u>
<b>4 DIRECTORS EMOLUMENTS</b>	<b>£000</b>	<b>£000</b>
Aggregate emoluments	487	471
Payments to third parties	28	25
	<u>515</u>	<u>496</u>
Emoluments of the highest paid director	<u>236</u>	<u>237</u>
Accrued pension entitlements	<u>100</u>	-
	<b>Number of directors</b>	
Retirement benefits accruing to directors under defined benefit schemes	<u>1</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 27 January 2001 Mr J W A Clugston held options over 32,000 shares (2000 - 32,000).		

# CLUGSTON GROUP LIMITED

## NOTES ON ACCOUNTS (continued)

	2001 £000	2000 £000
<b>5 NET INTEREST (PAYABLE)/RECEIVABLE</b>		
Bank interest payable	(289)	-
Bank interest receivable	-	111
Finance charges payable under finance leases and hire purchase contracts	(24)	(13)
Other interest receivable	80	45
Share of interest payable by joint ventures	(35)	-
	<u>(268)</u>	<u>143</u>
<b>6 TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES</b>		
The credit/(charge) based on the loss for the period comprises:		
UK corporation tax	-	110
Deferred taxation	99	(39)
Prior year adjustments	-	175
Share of tax payable by joint ventures	(13)	-
	<u>86</u>	<u>246</u>
<b>7 DIVIDENDS</b>		
Interim paid on 6 April 2001	67	67
Proposed final	97	97
	<u>164</u>	<u>164</u>
<b>8 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY</b>		
The profit for the period dealt with in the accounts of the Company is £251,000 (2000 - £300,000).		
<b>9 INTANGIBLE ASSETS</b>		
<b>GROUP</b>		<b>Goodwill £000</b>
<b>Cost</b>		
At 27 January 2001 and 29 January 2000		807
<b>Amortisation</b>		
Amount written off at 29 January 2000		162
Amount written off during the period		142
Amount written off at 27 January 2001		<u>304</u>
<b>Net book amount at 27 January 2001</b>		<u>503</u>
Net book amount at 29 January 2000		<u>645</u>

# CLUGSTON GROUP LIMITED

## NOTES ON ACCOUNTS (continued)

### 10 TANGIBLE FIXED ASSETS

	Land and buildings £000	Plant, equipment and vehicles £000	Total £000
<b>GROUP</b>			
<b>Cost or valuation</b>			
At 29 January 2000	7,697	12,388	20,085
Additions	24	1,450	1,474
Disposals	(2,510)	(755)	(3,265)
At 27 January 2001	5,211	13,083	18,294
At 1999 valuation	3,640	-	3,640
<b>Depreciation</b>			
At 29 January 2000	328	7,107	7,435
Charge for period	143	1,695	1,838
Disposals	(14)	(653)	(667)
At 27 January 2001	457	8,149	8,606
<b>Net book amounts at 27 January 2001</b>	<b>4,754</b>	<b>4,934</b>	<b>9,688</b>
Net book amounts at 29 January 2000	7,369	5,281	12,650
<b>COMPANY</b>			
<b>Cost or valuation</b>			
At 29 January 2000	5,486	314	5,800
Additions	20	35	55
Transfers from group companies	-	40	40
Disposals	(350)	(49)	(399)
At 27 January 2001	5,156	340	5,496
At 1999 valuation	395	-	395
<b>Depreciation</b>			
At 29 January 2000	322	156	478
Charge for period	141	44	185
Transfers from group companies	-	20	20
Disposals	(14)	(37)	(51)
At 27 January 2001	449	183	632
<b>Net book amounts at 27 January 2001</b>	<b>4,707</b>	<b>157</b>	<b>4,864</b>
Net book amounts at 29 January 2000	5,164	158	5,322

The net book amount of group plant, equipment and motor vehicles above includes £255,000 in respect of assets held under finance leases and hire purchase contracts (2000 - £311,000).



# CLUGSTON GROUP LIMITED

## NOTES ON ACCOUNTS (continued)

### 10 FIXED ASSETS (continued)

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Plant, equipment and motor vehicles above includes the following amounts in respect of assets held for use under operating leases:				
Cost	2,311	2,143	-	-
Depreciation	1,570	1,309	-	-
Net book amounts	741	834	-	-

If properties had not been revalued they would have been carried in the balance sheet as follows:

Cost	4,666	7,064	5,006	5,332
Depreciation	1,625	1,531	493	367
Net book amounts	3,041	5,533	4,513	4,965

The net book amount of land and buildings comprises:

Freehold property	4,246	4,702	4,246	4,702
Investment property	-	2,157	-	-
Leases with under 50 years unexpired	508	510	461	462
	4,754	7,369	4,707	5,164

### 11 INVESTMENTS

GROUP	Loans to joint associated ventures undertakings		Total
	£000	£000	£000
<b>Cost</b>			
At 29 January 2000	1,883	89	1,972
Advances	1,880	-	1,880
Repayments	(673)	(46)	(719)
Amounts written off	(17)	(43)	(60)
At 27 January 2001	3,073	-	3,073
<b>Provisions</b>			
At 29 January 2000	-	89	89
Movement in period	-	(46)	(46)
Amounts written off	-	(43)	(43)
At 27 January 2001	-	-	-
<b>Net book amounts at 27 January 2001</b>	<b>3,073</b>	<b>-</b>	<b>3,073</b>
<b>Net book amounts at 29 January 2000</b>	<b>1,883</b>	<b>-</b>	<b>1,883</b>

	2001 £000	2000 £000
The Group's share in its joint ventures at 27 January 2001 was as follows:		
Fixed assets	7,878	3,414
Current assets	4,309	3,949
Liabilities due within one year	(5,431)	(3,919)
Liabilities due after more than one year	(6,628)	(3,411)
Net assets	128	33

# CLUGSTON GROUP LIMITED

## NOTES ON ACCOUNTS (continued)

### 11 INVESTMENTS (continued)

COMPANY	Subsidiary undertakings £000	Associated undertakings £000	Total £000
Cost at 29 January 2000	10,483	233	10,716
Amounts written off	-	(233)	(233)
Cost at 27 January 2001	10,483	-	10,483
Provisions at 29 January 2000	600	225	825
Amounts written off	-	(225)	(225)
Provisions at 27 January 2001	600	-	600
<b>Net book amounts at 27 January 2001</b>	<b>9,883</b>	<b>-</b>	<b>9,883</b>
Net book amounts at 29 January 2000	9,883	8	9,891

No dividends were receivable from associated undertakings during the period (2000 - nil).

A list of principal subsidiaries, joint ventures and associates is given on page 22.

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
<b>12 STOCKS</b>				
Properties held for sale	-	50	-	-
Goods for resale	912	975	-	-
Raw materials	44	177	-	-
Stores and other	260	190	-	-
Work in progress	382	-	-	-
	1,598	1,392	-	-

### 13 DEBTORS

Trade debtors	11,008	16,498	427	158
Amounts recoverable on contracts	9,701	6,797	-	-
Prepayments and accrued income	567	456	203	136
Taxation	24	331	8	342
	21,300	24,082	638	636

### 14 TRADE AND OTHER CREDITORS

Trade creditors	18,464	20,071	167	57
Payments received in advance	1,873	1,074	-	-
Social security and PAYE	432	458	265	266
Accrued charges	1,479	1,446	295	709
Finance lease and hire purchase obligations	100	121	-	-
Bank overdraft (secured by a fixed and floating charge on the assets of the Group)	2,608	-	2,608	-
Other creditors	1,129	761	298	126
	26,085	23,931	3,633	1,158

### 15 CREDITORS - amounts falling due after more than one year

Amounts due to subsidiary undertakings	-	-	7,249	5,995
Finance lease and hire purchase obligations payable within two to five years	27	101	-	-
	27	101	7,249	5,995

# CLUGSTON GROUP LIMITED

## NOTES ON ACCOUNTS (continued)

### 16 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £000
<b>GROUP</b>	
At 29 January 2000	99
Transfer to profit and loss account	(99)
At 27 January 2001	-

There are no further potential liabilities to deferred taxation.

### 17 CALLED UP SHARE CAPITAL

	2001 £000	2000 £000
Ordinary shares of £1 each		
Authorised	1,250	1,250
Allotted, called up and fully paid	968	968

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.

### 18 RESERVES

	Share premium £000	Revaluation reserve £000	Profit and loss account £000
<b>GROUP</b>			
At 29 January 2000	157	2,036	14,420
Deficit for the period	-	-	(7,487)
Transfer in respect of disposal	-	(267)	267
Transfer in respect of depreciation	-	(56)	56
At 27 January 2001	157	1,713	7,256

Cumulative goodwill written off since February 1980, the earliest date from which figures are reasonably available, amounts to £2,505,000 (2000 - £2,505,000).

#### COMPANY

At 29 January 2000	157	199	16,387
Profit for the period	-	-	87
Transfer in respect of depreciation	-	(5)	5
At 27 January 2001	157	194	16,479

### 19 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group	
	2001 £000	2000 £000
Deficit for the financial period	(7,323)	(180)
Dividends	(164)	(164)
Share issue	-	40
Net addition to shareholders' funds	(7,487)	(304)
Opening shareholders' funds	17,637	17,941
Closing shareholders' funds	10,150	17,637

# CLUGSTON GROUP LIMITED

## NOTES ON ACCOUNTS (continued)

	Group	
2001		2000
£000		£000

### 20 RECONCILIATION OF OPERATING LOSS TO NET CASHFLOW

Operating loss	(7,133)	(569)
Net loss on sale of properties	(281)	-
Depreciation of fixed assets	1,838	1,643
Loss/(profit) on sale of tangible fixed assets	222	(426)
Provisions against fixed asset investments	(29)	(92)
Amortisation of intangibles	163	144
(Increase)/decrease in stocks and work in progress	(206)	503
Decrease in debtors	2,453	227
(Decrease)/increase in creditors	(433)	2,564
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(3,406)</b>	<b>3,994</b>

### 21 DECREASE IN CASH

Opening cash at bank	(1,247)	(3,001)
Closing cash at bank	6	1,247
Closing bank overdraft	(2,608)	-
	<b>(3,849)</b>	<b>(1,754)</b>

### 22 LEASING COMMITMENTS

At 27 January 2001 the Group had the following annual commitments under non-cancellable operating leases expiring:

#### Plant, machinery etc

next year	230	343
within 2 to 5 years	837	1,190
	<b>1,067</b>	<b>1,533</b>

#### Land and buildings

within 2 to 5 years	178	175
after 5 years	80	79
	<b>258</b>	<b>254</b>

### 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:

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

# CLUGSTON GROUP LIMITED

## NOTES ON ACCOUNTS (continued)

### PRINCIPAL SUBSIDIARIES, JOINT VENTURES & ASSOCIATES at 27 January 2001

#### 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

ST VINCENT SERVICES LIMITED t/a HS Atec

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

JOINT VENTURES	Percentage holding of ordinary share capital	Accounting date
Lakeside Partnership Limited (Property development)	50.0	31 December 2000
Teeston Developments Limited (Property development)	50.0	31 December 2000
Brayford Partnership Limited (Property development)	50.0	31 December 2000
Century Health (Nottingham) Limited (Facilities provider)	40.0	31 December 2000
Redhouse Holdings Limited (Property development)	50.0	27 January 2001