

## CLUGSTON GROUP LIMITED

Annual Report  
Year ended  
30 January

# 1999

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# CLUGSTON GROUP LIMITED

## NOTICE OF ANNUAL GENERAL MEETING

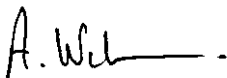
Notice is hereby given that the sixty second Annual General Meeting of the Company will be held at St Vincent House, Scunthorpe on 24 June 1999 at 12.30 pm for the transaction of the following business, namely:

1. To receive the directors' report and audited accounts for the 52 weeks ended 30 January 1999.
2. To declare a final dividend of 10 pence per share in respect of the 52 weeks ended 30 January 1999, payable on 10 September 1999 to members on the register on 24 June 1999.
3. To re-elect Mr R Butcher, who retires by rotation in accordance with the Company's Articles of Association.
4. To re-appoint the auditors and to authorise the directors to fix their remuneration.

As special business to consider and, if thought fit, to pass the following resolutions, of which resolutions 5 and 7 will be proposed as ordinary resolutions and resolution 6 will be proposed as a special resolution:

5. That the directors of the Company be and they are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 at any time during the period of five years from the date of this resolution to allot any relevant securities of the Company (as defined in section 80(2) of that Act) up to an aggregate nominal amount of the authorised but unissued share capital of the Company provided that this authority shall be in substitution for all former authorities under Section 80 of the said Act, which are hereby revoked, provided that such revocation shall not have retrospective effect.
6. That the directors of the Company be and they are hereby empowered (pursuant to Section 95 of the Companies Act 1985) to exercise the authority conferred on them by ordinary resolution generally to allot equity securities (as defined in Section 94(2) of the Companies Act 1985) of the Company as if Section 89(1) of that Act did not apply thereto, provided that this power shall expire at the end of the Annual General Meeting in 2000, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.
7. That the directors be and they are authorised to offer the holders of, and persons entitled by transmission to, ordinary shares the right to elect to receive in respect of all or part of their holdings of ordinary shares, additional ordinary shares, credited as fully paid up, instead of cash in accordance with the provisions of Article 129A of the Company's Articles of Association in respect of any or all dividends declared, resolved or payable within the period ending at the conclusion of the Annual General Meeting of the Company to be held during 2000.

By Order of the Board



A WILSON  
Secretary

St Vincent House  
Normanby Road  
Scunthorpe  
North Lincolnshire  
DN15 8QT

29 April 1999

### NOTE

A member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member.

# 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
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  MIDLAND BANK PLC STONEBOW BRANCH 221 HIGH STREET LINCOLN LN1 1TS
Solicitors	PINSENT CURTIS 41 PARK SQUARE LEEDS LS1 2NS

# CLUGSTON GROUP LIMITED

## CHAIRMAN'S STATEMENT

As foreseen in my statement last year, the year to 30 January 1999 has been one of mixed fortunes for our businesses.

Overall, profit before taxation was £1,505,000, a reduction of 10.5% on the previous year. Turnover was marginally increased by 1.2% at £118 million.

During the year, the Group's shareholding in Faber Prest plc was sold following an offer by Heckett Multiserv Investment Limited to purchase all the issued share capital in that company. The benefit of this sale is shown in our accounts as profit on sale of listed investments.

Prospects for the coming year may be more favourable but uncertainties persist within the construction industry. The Private Finance Initiative is an opportunity but the process of project negotiation is time consuming and costly in the short term.

The past year has been one of expansion for a number of the Group's core activities, particularly in distribution, commercial and trailer spare parts and plant hire and further opportunities are sought for the coming year. Property joint ventures are another area of expansion.

The Board recommends a final dividend of 10p per share which, together with the interim dividend paid on 9 April 1999, brings the full year dividend to 17p per share. This represents an increase of 6.25% compared to last year. The final dividend will be paid on 10 September 1999 to shareholders on the register on 24 June 1999.

The management team is focused on achieving quality improvements within the core businesses and providing for longer term growth. I would like to take the opportunity to thank all the staff and workforce for their loyalty and dedication over the past year.



J W A CLUGSTON  
Chairman

29 April 1999

## CLUGSTON GROUP LIMITED

### CHIEF EXECUTIVE'S REVIEW

The year to 30 January 1999 has seen some achievements and also some disappointments. The strategy of a clear focus on our core activities remains and is evidenced by the significant level of capital invested in these activities during the year. The full benefits of this investment should emerge in the coming year but the results for the year to January 1999 are as follows:

	1999 £000	1998 £000
Operating profit/(loss)		
Construction	566	1,665
Industrial Services	1,104	802
Own property activities and central costs	(1,024)	(1,043)
Continuing operations	646	1,424
Profit on sale of investments	582	-
Net interest receivable	277	258
Profit before taxation	1,505	1,682

#### CLUGSTON CONSTRUCTION

Turnover for the year was maintained at a level similar to the previous year. Operating profit however was reduced by 66% at £566k. Contracting results were adversely affected by some loss-making contracts and also by the negative attitude taken by some clients in settling claims and variations.

The management structure has been reorganised to place greater emphasis upon production and to ensure adequate resources are available for finalising accounts on completed jobs. A new office is to be opened in Harlow, continuing our development in the South-East area.

We have invested time and cost on PFI projects and are hopeful of benefits being realised in the coming year.

St Vincent Plant continues to perform satisfactorily. A new depot was opened in Lincoln and further opportunities for expansion are under review.

#### CLUGSTON INDUSTRIAL SERVICES

Turnover for the year increased by 5.4% to £19.1 million. Operating profit increased by 38% to £1,104k. This sector is highly competitive but we have expanded our links with British Steel plc and now operate in Wolverhampton and Wednesfield in the Midlands, in addition to our established base in Scunthorpe. We have achieved a better utilisation on bulk tanker vehicles by facilitating the interchange of tractor units. Industrial powders distribution has benefited from high levels of demand for infrastructure work in the northern region.

Our commercial services operations were expanded during the year by the acquisition of Atec Yorks Limited. This has broadened geographic coverage and expanded the product range in this market.

# CLUGSTON GROUP LIMITED

## CHIEF EXECUTIVE'S REVIEW (continued)

### CLUGSTON PROPERTY

#### Own developments

All the remaining residential properties at Listers Court, Ilkley, have been sold. The Moors Shopping Centre was extended and further space has been occupied.

#### Joint venture developments

Our joint venture with Teesland Group plc, as Teeston Limited, has proceeded with the development of Lisbon House, Leeds. This development was completed shortly after the close of our financial year and therefore no benefit accrued in the year. Since the year end however, the office block has been sold at an excellent yield.

Building work has begun on a new £8 million project by Teeston Limited at Cliffe Park to develop a 67,000 sq ft business park in Morley, South Leeds. This will include a new regional office for Clugston Construction.

Other opportunities are also being considered in Leeds and Harrogate.

Our Lakeside and Brayford joint ventures with Limes Developments Limited, in Scunthorpe and Lincoln, continue to progress but no material income was received last year. Both sites do offer opportunities for the future.

### INVESTMENTS

On 5 March 1998, Heckett Multiserv Investment Limited announced an offer to purchase all the issued share capital of Faber Prest plc. The offer was declared unconditional on 26 March 1998 and the proceeds were received in April 1998.

### MANAGEMENT

As part of our ongoing review of management needs for the continuing growth of the Group, we have established Divisional Management Boards responsible for our core business sectors. This change will enable senior managers to participate more fully in the strategic and operational development of these sectors and aims to provide an in-depth management expertise for the future.

### OUTLOOK

Short term disappointments within Contracting do not distract the Group from its strategic focus of core activity expansion. This strategy provides the best opportunity to enhance the long term value of the Group.

Whilst the economic scenario remains difficult to forecast, we are confident there are significant opportunities to move the Group forward. Our strong balance sheet provides an ideal basis for expansion. The climate is difficult but the management team is confident that policy and commercial decisions taken over the past few years are capable of producing improved returns.



R BUTCHER  
Chief Executive

29 April 1999

# CLUGSTON GROUP LIMITED

## DIRECTORS' REPORT

The directors present their report and the audited accounts for the 52 weeks ended 30 January 1999.

### RESULTS AND DIVIDENDS

The profit for the financial period was £1,129,000 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 10 September 1999 of 10p per share on the ordinary shares, making a total of 17p for the period under review, compared with 16p for 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, distribution and warehousing services, steelwork 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 30 January 1999 were those listed on page 3.

In accordance with the articles of association, Mr R Butcher 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:

	30 January 1999			31 January 1998		
	Beneficial	Non-beneficial	Options	Beneficial	Non-beneficial	Options
J W A Clugston	75,000	398,342	32,000	150,581	322,761	32,000
G H Camamile	-	51,671	-	-	51,671	-
R Butcher	52,000	-	8,000	52,000	-	8,000

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 £13,000, including a payment of £10,000 to the Clugston Charitable Settlement.

### AUDITORS

A resolution proposing the re-appointment of Ernst & Young as auditors will be submitted at the Annual General Meeting.

# CLUGSTON GROUP LIMITED

## DIRECTORS' REPORT (continued)

### YEAR 2000 COMPLIANCE

Many computer systems express dates using only the last two digits of the year and will require modification or replacement to accommodate the year 2000 and beyond. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

A risk analysis has been performed to determine the impact of this issue on our activities. From this, prioritised action plans have been developed which are designed to address the key risks in advance of critical dates. The risk analysis also considers the impact on our business of Year 2000 related failures by our significant suppliers and customers.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain. However, the Board believes that it will achieve an acceptable state of readiness and will provide resources to deal promptly with subsequent issues that might arise.

Much of the cost of implementing the action plans is being subsumed into the normal replacement and upgrade cycle of hardware and software involved.

### CORPORATE GOVERNANCE

As a private limited company we are not under any obligation to comply with the Combined Code on Corporate Governance published in 1998. However the Board of directors consider it appropriate to include in their report the following requirements of the code.

#### 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

As guidance is not yet available for directors on the wider aspects of internal control relating to operational and compliance controls and risk management, as required by provision D.2.1 of the Combined Code, the Board will continue 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.

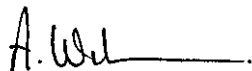
The Group does not operate a system of internal audit but the Board is responsible for the operation and effectiveness of internal financial control systems. There are inherent limitations in any system of financial controls but the directors are of the opinion that it provides reasonable, but not absolute,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

29 April 1999



## 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 23, 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. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

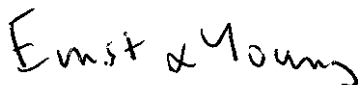
#### Basis of opinion

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 30 January 1999 and of the profit 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

29 April 1999

# CLUGSTON GROUP LIMITED

## GROUP PROFIT AND LOSS ACCOUNT for the 52 weeks ended 30 January 1999

	Note	1999 £000	1998 £000
Turnover	1	117,951	116,513
Cost of sales		(108,295)	(106,561)
<b>Gross profit</b>		<u>9,656</u>	<u>9,952</u>
Income from listed investments		58	119
Administrative expenses		(9,068)	(8,647)
<b>Operating profit</b>	2	<u>646</u>	<u>1,424</u>
Profit on sale of listed investments		582	-
<b>Profit on ordinary activities before interest</b>		<u>1,228</u>	<u>1,424</u>
Net interest receivable	5	277	258
<b>Profit on ordinary activities before taxation</b>		<u>1,505</u>	<u>1,682</u>
Tax on profit on ordinary activities	6	(376)	(305)
<b>Profit for the financial period</b>		<u>1,129</u>	<u>1,377</u>
Dividends	7	(163)	(154)
<b>Retained profit for the period</b>	17	<u><u>966</u></u>	<u><u>1,223</u></u>

All of the Group's operations are continuing.

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the 52 weeks ended 30 January 1999

	1999 £000	1998 £000
Profit for the financial period	1,129	1,377
Unrealised surplus on revaluation of tangible fixed assets	716	-
<b>Total recognised gains and losses for the period</b>	<u><u>1,845</u></u>	<u><u>1,377</u></u>

# CLUGSTON GROUP LIMITED

## GROUP BALANCE SHEET at 30 January 1999

	Note	1999 £000	1998 £000
<b>Fixed assets</b>			
Intangible assets	9	194	-
Tangible assets	10	10,994	10,039
Investments			
Share of gross assets of joint ventures		3,202	1,131
Share of gross liabilities of joint ventures		(3,169)	(1,098)
		33	33
Other investments	11	741	3,466
		774	3,499
		<u>11,962</u>	<u>13,538</u>
<b>Current assets</b>			
Stocks	12	1,700	1,276
Debtors	13	22,547	22,786
Cash at bank and in hand		3,001	5,032
		<u>27,248</u>	<u>29,094</u>
<b>Creditors - amounts falling due within one year</b>			
Trade and other creditors	14	20,894	25,706
Dividends		163	154
		<u>21,057</u>	<u>25,860</u>
<b>Net current assets</b>		<u>6,191</u>	<u>3,234</u>
<b>Total assets less current liabilities</b>		<u>18,153</u>	<u>16,772</u>
<b>Provisions for liabilities and charges</b>	15	(212)	(513)
		<u>17,941</u>	<u>16,259</u>
<b>Capital and reserves</b>			
Called up share capital	16	960	960
Share premium		125	125
Revaluation reserve	17	2,093	1,403
Capital redemption reserve		56	56
Profit and loss account	17	14,707	13,715
<b>Equity shareholders' funds</b>		<u>17,941</u>	<u>16,259</u>

J W A CLUGSTON  
Chairman

R BUTCHER  
Chief Executive

29 April 1999

# CLUGSTON GROUP LIMITED

## BALANCE SHEET at 30 January 1999

	Note	1999 £000	1998 £000
<b>Fixed assets</b>			
Tangible assets	10	425	278
Investments	11	8,824	11,187
		<u>9,249</u>	<u>11,465</u>
<b>Current assets</b>			
Debtors	13	177	227
Cash at bank and in hand		3,001	5,032
Amounts owed by group undertakings			
falling due within one year		4,956	556
falling due after more than one year		1,997	1,996
		<u>10,131</u>	<u>7,811</u>
<b>Creditors - amounts falling due within one year</b>			
Trade and other creditors	14	1,137	883
Dividends		163	154
		<u>1,300</u>	<u>1,037</u>
<b>Net current assets</b>		<u>8,831</u>	<u>6,774</u>
<b>Total assets less current liabilities</b>		<u>18,080</u>	<u>18,239</u>
<b>Creditors - amounts falling due after more than one year</b>			
Amounts due to subsidiary undertakings		(489)	(489)
<b>Provisions for liabilities and charges</b>	15	-	(339)
		<u>17,591</u>	<u>17,411</u>
<b>Capital and reserves</b>			
Called up share capital	16	960	960
Share premium		125	125
Revaluation reserve	17	204	21
Capital redemption reserve		56	56
Profit and loss account	17	16,246	16,249
<b>Equity shareholders' funds</b>		<u>17,591</u>	<u>17,411</u>

  
J W A CLUGSTON  
Chairman



R BUTCHER  
Chief Executive

29 April 1999

# CLUGSTON GROUP LIMITED

## GROUP CASH FLOW STATEMENT for the 52 weeks ended 30 January 1999

	Note	1999 £000	1998 £000
Net cash inflow/(outflow) from operating activities	19	(2,186)	3,251
<b>Returns on investments and servicing of finance</b>			
Interest received		282	262
Interest paid		(5)	(4)
Net cash inflow from returns on investments and servicing of finance		<u>277</u>	<u>258</u>
Taxation paid		(297)	(297)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(2,311)	(2,173)
Purchase of investments		(282)	(701)
Sale of tangible fixed assets		404	381
Sale of listed investments		3,400	-
Net cash in/(out)flow from capital expenditure and financial investment		<u>1,211</u>	<u>(2,493)</u>
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertaking	20	(594)	-
Net overdrafts acquired with subsidiary		(288)	-
		<u>(882)</u>	<u>-</u>
Equity dividends paid		(154)	(144)
<b>Management of liquid resources</b>			
Cash placed on short term deposits		-	(361)
Withdrawals from short term deposits		269	92
Net cash inflow/(outflow) from management of liquid resources		<u>269</u>	<u>(269)</u>
Increase/(decrease) in cash	21	<u>(1,762)</u>	<u>306</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.

### 4 Depreciation

Freehold land is not depreciated. The cost (after deducting government grants) 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.

Investment property is not depreciated but is revalued annually in accordance with SSAP19. Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that the policy of not providing depreciation is necessary in order for the accounts to show a true and fair view, since the current value of investment properties, and changes to that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been included cannot be separately identified or quantified.

### 5 Goodwill

Goodwill arising on the acquisition of businesses, representing the excess of the purchase consideration over the fair value ascribed to the net assets acquired, is now, following the implementation of FRS 10, 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. Goodwill previously eliminated against reserves has not been reinstated on implementation of FRS 10. The goodwill arising in this period 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

1999	1998
£000	£000

### 1 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 £1,803,000 (1998 - £1,573,000) in respect of operating lease rentals. Turnover can be analysed between the Group's continuing operations as follows:

Construction	98,027	97,595
Industrial Services	19,136	18,164
Property and other activities	788	754
	<u>117,951</u>	<u>116,513</u>

### 2 OPERATING PROFIT

Operating profit can be analysed between the Group's operations as follows:

Construction	566	1,665
Industrial Services	1,104	802
Property activities and central costs	(1,024)	(1,043)
	<u>646</u>	<u>1,424</u>

Operating profit is stated after charging:

Auditors' remuneration		
Audit fees	58	51
Other fees	51	51
Depreciation	1,573	1,516
Operating lease rentals: plant and machinery	1,919	2,418
land and buildings	159	107

### 3 STAFF COSTS

Wages and salaries	15,387	15,085
Social security costs	1,449	1,494
Other pension costs	598	580
	<u>17,434</u>	<u>17,159</u>

#### Number of employees

Average monthly number of employees during the period	<u>906</u>	<u>831</u>
---	------------	------------

### 4 DIRECTORS EMOLUMENTS

	£000	£000
Aggregate emoluments	526	481
Payments to third parties	22	20
Company contributions paid to money purchase pension schemes in respect of the highest paid director	-	48
	<u>548</u>	<u>549</u>
Emoluments of the highest paid director	<u>254</u>	<u>239</u>
Accrued pension entitlements	<u>78</u>	<u>-</u>

# CLUGSTON GROUP LIMITED

## NOTES ON ACCOUNTS (continued)

1999

1998

### 4 DIRECTORS EMOLUMENTS (continued)

Retirement benefits are accruing to directors as follows:

Money purchase schemes

Defined benefit schemes

Number of directors

- 1

1 1

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. Details of the options existing throughout the year, none of which has been exercised, were as follows:

J W A Clugston

R Butcher

Number of options

32,000 32,000

8,000 8,000

£000

£000

### 5 NET INTEREST RECEIVABLE

Bank interest payable

Other interest payable

Bank interest receivable

Other interest receivable

(1) (4)

(4) -

260 261

22 1

277

258

### 6 TAX ON PROFIT ON ORDINARY ACTIVITIES

The charge based on the profit for the period comprises:

UK corporation tax

Deferred taxation

Prior year adjustments

799 517

(391) (27)

(32) (185)

376

305

The tax charge includes £98,000 (1998 - nil) in respect of the exceptional item.

### 7 DIVIDENDS

Interim paid on 9 April 1999

Proposed final

67 62

96 92

163

154

### 8 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit/(loss) for the period dealt with in the accounts of the Company is £160,000 (1998 - £(392,000)).

### 9 INTANGIBLE ASSETS

Cost

Goodwill arising on acquisition and at 30 January 1999

212 -

Amortisation

Amount written off during the period and at 30 January 1999

(18) -

Net book amount at 30 January 1999

194

-



# 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 31 January 1998	7,086	10,847	17,933
Additions	216	2,095	2,311
Disposals	(20)	(1,040)	(1,060)
Acquisition of subsidiary undertaking	-	325	325
Revaluation	(292)	-	(292)
Transferred to current assets	(499)	-	(499)
At 30 January 1999	6,491	12,227	18,718
At 1999 valuation	6,147	-	6,147
<b>Depreciation</b>			
At 31 January 1998	1,177	6,717	7,894
Charge for period	115	1,458	1,573
Disposals	(12)	(852)	(864)
Acquisition of subsidiary undertaking	-	194	194
Released on revaluation	(1,009)	-	(1,009)
Transferred to current assets	(64)	-	(64)
At 30 January 1999	207	7,517	7,724
<b>Net book amounts at 30 January 1999</b>	<b>6,284</b>	<b>4,710</b>	<b>10,994</b>
Net book amounts at 31 January 1998	5,909	4,130	10,039
<b>COMPANY</b>			
<b>Cost or valuation</b>			
At 31 January 1998	250	169	419
Additions	-	8	8
Disposals	-	(50)	(50)
Revaluation	145	-	145
At 30 January 1999	395	127	522
At 1999 valuation	395	-	395
<b>Depreciation</b>			
At 31 January 1998	34	107	141
Charge for period	5	13	18
Disposals	-	(23)	(23)
Released on revaluation	(39)	-	(39)
At 30 January 1999	0	97	97
<b>Net book amounts at 30 January 1999</b>	<b>395</b>	<b>30</b>	<b>425</b>
Net book amounts at 31 January 1998	216	62	278

# CLUGSTON GROUP LIMITED

## NOTES ON ACCOUNTS (continued)

### 10 FIXED ASSETS (continued)

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Plant, equipment and motor vehicles above includes the following amounts in respect of assets held for use under operating leases:				
Cost	2,128	1,886	-	-
Depreciation	1,277	1,237	-	-
Net book amounts	851	649	-	-

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

Cost	5,858	6,189	241	241
Depreciation	1,467	1,483	50	46
Net book amounts	4,391	4,706	191	195

The net book amount of land and buildings comprises:

Freehold property	3,616	3,643	-	-
Investment property	2,157	1,978	-	-
Leases with under 50 years unexpired	511	288	395	216
	6,284	5,909	395	216

Certain of the Group's freehold and leasehold land and buildings were revalued as at 30 January 1999 on an existing use value basis in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors by St Quintin, Chartered Surveyors. A leasehold property was revalued on a similar basis by Jackson Stops & Staff, Chartered Surveyors, as at 26 November 1998. The new valuations totalling £3,990,000, of which £1,251,000 was apportioned to land, have been incorporated in the group accounts on 30 January 1999. Depreciation on buildings for the period has been based on cost or previous valuation; based on the revalued amount the charge would not have been materially greater.

The investment property was valued at 30 January 1999 at open market value, determined by an employee of the Company, who is a Fellow of the Royal Institution of Chartered Surveyors.

### 11 INVESTMENTS

GROUP	Listed investments £000	Loans to joint ventures £000	associated undertakings £000	Total £000
<b>Cost</b>				
At 31 January 1998	2,826	509	470	3,805
Additions	-	232	50	282
Disposals	(2,826)	-	(339)	(3,165)
At 30 January 1999	-	741	181	922
<b>Provisions</b>				
At 31 January 1998	-	-	339	339
Additions	-	-	181	181
Disposals	-	-	(339)	(339)
At 30 January 1999	-	-	181	181
<b>Net book amounts at 30 January 1999</b>	-	741	-	741
<b>Net book amounts at 31 January 1998</b>	2,826	509	131	3,466

# CLUGSTON GROUP LIMITED

## NOTES ON ACCOUNTS (continued)

### 11 INVESTMENTS (continued)

COMPANY	Listed investments £000	Subsidiary undertakings £000	Associated undertakings £000	Total £000
Cost at 31 January 1998	2,818	8,830	183	11,831
Additions/(disposals)	(2,818)	594	42	(2,182)
Cost at 30 January 1999	-	9,424	225	9,649
Provisions at 30 January 1998	-	600	44	644
Additions	-	-	181	181
Provisions at 30 January 1999	-	600	225	825
<b>Net book amounts at 30 January 1999</b>	<b>-</b>	<b>8,824</b>	<b>-</b>	<b>8,824</b>
Net book amounts at 31 January 1998	2,818	8,230	139	11,187

No dividends were receivable from associated undertakings during the period (1998 - nil).

A list of principal subsidiaries, joint ventures and associates is given on page 23.

At 31 January 1998 the market value of the listed investments was £2,414,000.

### 12 STOCKS

	Group		Company	
	1999 £000	1998 £000	1999 £000	1998 £000
Properties held for sale	435	428	-	-
Goods for resale	1,138	637	-	-
Stores and other	127	211	-	-
	<b>1,700</b>	<b>1,276</b>	<b>-</b>	<b>-</b>

### 13 DEBTORS

Trade debtors	11,660	10,580	-	-
Amounts recoverable on contracts	9,882	11,841	-	-
Prepayments and accrued income	1,005	328	177	190
Amounts due from associated undertakings	-	37	-	37
	<b>22,547</b>	<b>22,786</b>	<b>177</b>	<b>227</b>

### 14 TRADE AND OTHER CREDITORS

Trade creditors	17,757	21,998	37	17
Payments received in advance	201	311	-	-
Social security and PAYE	462	522	258	253
Accrued charges	855	1,251	386	482
Other creditors	740	1,175	-	102
Taxation	879	449	337	29
Amounts due to subsidiary undertakings	-	-	119	-
	<b>20,894</b>	<b>25,706</b>	<b>1,137</b>	<b>883</b>

# CLUGSTON GROUP LIMITED

## NOTES ON ACCOUNTS (continued)

### 15 PROVISIONS FOR LIABILITIES AND CHARGES

#### GROUP

	Deferred taxation £000	Other £000	Total £000
At 31 January 1998	339	174	513
Acquisition of subsidiary undertaking	4	-	4
Transfer from/(to) profit and loss account	(391)	38	(353)
Transfer to current taxation	48	-	48
At 30 January 1999	-	212	212

Deferred taxation, which relates to the company, comprises timing differences other than capital allowances.

There are no further potential liabilities to deferred taxation.

### 16 CALLED UP SHARE CAPITAL

	1999 £000	1998 £000
Ordinary shares of £1 each		
Authorised	1,250	1,250
Allotted, called up and fully paid	960	960

Options have been granted under the Clugston Group Limited 1995 Unapproved Share Option Scheme to subscribe for 40,000 shares at £5.00 each up to 23 August 2002.

### 17 RESERVES

	Revaluation and reserve £000	Profit and loss account £000
GROUP		
At 31 January 1998	1,403	13,715
Retained profit for the period	-	966
Transfer in respect of depreciation	(26)	26
Revaluation surplus	716	-
At 30 January 1999	2,093	14,707

Cumulative goodwill written off since February 1980, the earliest date from which figures are reasonably available, amounts to £2,505,000 (1998 - £2,505,000).

#### COMPANY

At 31 January 1998	21	16,249
Revaluation surplus	183	-
Deficit for the period	-	(3)
At 30 January 1999	204	16,246

# CLUGSTON GROUP LIMITED

## NOTES ON ACCOUNTS (continued)

### 18 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group	
	1999 £000	1998 £000
Profit for the financial period	1,129	1,377
Dividends	(163)	(154)
Revaluation surplus	716	-
Net addition to shareholders' funds	1,682	1,223
Opening shareholders' funds	16,259	15,036
Closing shareholders' funds	17,941	16,259

### 19 RECONCILIATION OF OPERATING PROFIT TO NET CASHFLOW

Operating profit	646	1,424
Depreciation	1,579	1,516
Profit on sale of tangible fixed assets	(215)	(127)
Provisions against fixed asset investments	189	-
Amortisation of goodwill	18	-
Movement in provisions	38	(28)
Decrease in stocks and work in progress	328	374
(Increase)/decrease in debtors	1,268	(7,744)
Increase/(decrease) in creditors	(6,037)	7,836
Net cash inflow/(outflow) from operating activities	(2,186)	3,251

### 20 ACQUISITION OF SUBSIDIARY UNDERTAKING

On 1 September 1998 the Company acquired the whole of the issued share capital of Atec Yorks Limited, whose name was subsequently changed to St Vincent Services Limited.

The net assets at the date of acquisition were as follows:

	Book value and fair value to the Group £000
Tangible fixed assets	131
Stocks	317
Debtors	432
Creditors due within one year	(175)
Taxation	(8)
Creditors due after more than one year	(23)
Deferred taxation	(4)
Net bank borrowings	(288)
	382
Goodwill	212
Cash consideration	594

The results and cashflows of the acquired business for the current and prior periods are not considered sufficiently material to report separately in these accounts.

### 21 CASH MOVEMENT

	Cash £000	Liquid resources £000	Total funds £000
Opening balances	4,763	269	5,032
Net cash inflow from management of liquid resources	-	(269)	(269)
Decrease in cash after transfers from liquid resources	(1,762)	-	(1,762)
Closing balances	3,001	-	3,001

# CLUGSTON GROUP LIMITED

## NOTES ON ACCOUNTS (continued)

### 22 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 managed fund. The Group makes contributions to the scheme based on the advice of its actuary. The latest triennial actuarial valuation was carried out by a professionally qualified actuary as at 1 April 1997 using the projected unit credit method and this revealed the scheme to be over-funded on an ongoing basis. The market value of the scheme's assets at that date was £13,437,000. The annual growth rate assumptions used to calculate the pension costs under SSAP 24, revealing an over-funding of approximately 16%, were

Investment return	8.0%
Pay increases	6.5%
Pension increases	4.0%

### 23 COMMITMENTS

	Group	
	1999	1998
	£000	£000
<b>Capital commitments</b>		
Contracted	-	178
<b>Leasing commitments</b>		
At 30 January 1999 the Group had the following annual commitments under non-cancellable operating leases expiring		
<b>Plant, machinery etc</b>		
next year	328	103
within 2 to 5 years	1,396	1,437
	<u>1,724</u>	<u>1,540</u>
<b>Land and buildings</b>		
next year	1	-
within 2 to 5 years	30	13
after 5 years	103	88
	<u>134</u>	<u>101</u>

## CLUGSTON GROUP LIMITED

### NOTES ON ACCOUNTS (continued)

#### PRINCIPAL SUBSIDIARIES, JOINT VENTURES & ASSOCIATES at 30 January 1999

##### SUBSIDIARY UNDERTAKINGS

(wholly owned)

##### ACTIVITIES

CLUGSTON LIMITED comprising:

###### Construction

Building  
Civil engineering  
Plant and tool hire

###### Industrial Services

Distribution and warehousing services  
Steelwork services

###### Central activities

Property development  
Property management

###### ST VINCENT SERVICES LIMITED

Commercial vehicle and trailer spares  
(part of the Industrial Services division)

###### CLUGSTON ESTATES LIMITED

Property development

###### THE MOORS LIMITED

Property management

#### JOINT VENTURES AND ASSOCIATED UNDERTAKINGS

	Percentage holding of ordinary share capital	Accounting date
<b>JOINT VENTURES</b>		
<b>Lakeside Partnership Limited</b> (Property development)	50.0	31 December 1998
<b>Teeston Developments Limited</b> (Property development)	50.0	31 December 1998
<b>Brayford Partnership Limited</b> (Property development)	50.0	31 December 1998
<b>ASSOCIATED UNDERTAKINGS</b>		
<b>Sunway Slag Cement SDN BHD</b> (Industrial waste processors) (Incorporated in Malaysia)	20.0	31 December 1998