

BYZAK LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2004

Company Registration Number 1809458

Tenon Limited
Sumner House
St Thomas's Road
Chorley
Lancashire
PR7 1HP



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BYZAK LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2004

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BYZAK LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 31 OCTOBER 2004

The board of directors	P Byrne D Kirton A Cookson
Company secretary	S P N Smith
Registered office	Unit 2 Unison Business Park Robson Avenue Urmston Manchester M41 7TG
Auditors	Blueprint Audit Limited Sumner House St Thomas's Road Chorley Lancashire PR7 1HP
Accountants	Tenon Limited Sumner House St Thomas's Road Chorley Lancashire PR7 1HP

BYZAK LIMITED
THE DIRECTORS' REPORT
YEAR ENDED 31 OCTOBER 2004

The directors present their report and the financial statements of the company for the year ended 31 October 2004.

Principal activities and business review

The company's principal activity during the year was civil engineering primarily in water related industries.

The directors plan to continue with the management policies which have led to the satisfactory result achieved in the year.

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	2004	<i>2003</i>
	£000	<i>£000</i>
Proposed dividends on ordinary shares	500	500
Dividends paid on ordinary shares	250	250
	<u>750</u>	<u>750</u>

The directors and their interests in the shares of the company

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

		At	At
	Class of share	31 October 2004	1 November 2003
P Byrne	Ordinary B shares	—	—
D Kirton	Ordinary B shares	30,000	30,000
A Cookson	Ordinary B shares	<u>25,000</u>	<u>25,000</u>

The company is a wholly owned subsidiary of Globemile Limited and the interests in shares of P Byrne who is a director of that company are disclosed in its directors' report.

D Kirton and A Cookson did not have any interest in the share capital of the parent undertaking, Globemile Limited or any other group company except as disclosed above, at any time during the year.

Policy on the payment of creditors

The company does not follow a formal code or standard regarding payments to suppliers. The company, however, has a policy of making its suppliers aware of terms under which it will do business with them, and then complying with those terms.

Creditor days outstanding at the year end, calculated on an average basis, amounted to 34 days (2003: 34 days).

BYZAK LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 OCTOBER 2004

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then 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 financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Donations

During the year payments of a charitable nature amounted to £21,250 (2003: £19,703). There were no contributions to political organisations.

Disabled employees

The directors endeavour to ensure that as far as possible the training, career development and promotion of disabled persons is the same as other employees. Should employees become disabled, every effort is made to ensure that their employment continues and appropriate retraining is received.

Employee involvement

Regular meetings with employees' representatives are held to inform them of the development of the business.

Auditors

A resolution to re-appoint Blueprint Audit Limited as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
Unit 2 Unison Business Park
Robson Avenue
Urmston
Manchester
M41 7TG

Signed by order of the directors



S P N Smith
Company Secretary

Approved by the directors on *15 February 2005.*

BYZAK LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BYZAK
LIMITED

YEAR ENDED 31 OCTOBER 2004

We have audited the financial statements of Byzak Limited for the year ended 31 October 2004 on pages 6 to 22 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 9.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 company is not disclosed.

We read other information contained in the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

BYZAK LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BYZAK
LIMITED (continued)**

YEAR ENDED 31 OCTOBER 2004

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 October 2004 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Blueprint Audit Limited

Blueprint Audit Limited
Registered Auditor

Sumner House
St. Thomas's Road
Chorley
Lancashire
PR7 1HP

Date: *2 February 2005*

BYZAK LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 OCTOBER 2004

		2004	2003 (restated)
	Note	£000	£000
Turnover	2	42,268	44,326
Cost of sales			
- normal		(37,018)	(40,260)
- exceptional	4	(750)	-
Gross profit		4,500	4,066
Administrative expenses		(2,830)	(2,881)
Operating profit	3	1,670	1,185
Interest receivable		245	286
Profit on ordinary activities before taxation		1,915	1,471
Tax on profit on ordinary activities	7	(599)	(417)
Profit on ordinary activities after taxation		1,316	1,054
Dividends	8	(750)	(750)
Retained profit for the financial year		566	304

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 8 to 22 form part of these financial statements.

BYZAK LIMITED
BALANCE SHEET
31 OCTOBER 2004

		2004		2003 (restated)	
	Note	£000	£000	£000	£000
Fixed assets					
Tangible assets	9		475		924
Investments	10		10		10
			485		934
Current assets					
Stocks	11	27		27	
Debtors	12	4,643		4,296	
Cash at bank and in hand		8,530		7,610	
		13,200		11,933	
Creditors: Amounts falling due within one year	14	(8,802)		(8,483)	
Net current assets			4,398		3,450
Total assets less current liabilities			4,883		4,384
Provisions for liabilities and charges					
Deferred taxation	15		-		(67)
			4,883		4,317
Capital and reserves					
Called-up share capital	19		50		50
Other reserves	20		(68)		(98)
Profit and loss account	21		4,901		4,365
Shareholders' funds	22		4,883		4,317

These financial statements were approved by the directors on the *1st February 2005* and are signed on their behalf by:



P J Byrne
Director



D Kirton
Director

The notes on pages 8 to 22 form part of these financial statements.

BYZAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2004

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Group financial statements

The company's subsidiary undertakings are not consolidated in these financial statements, as it is an intermediate company and consolidated accounts are prepared for Globemile Limited, the ultimate parent undertaking.

Cash flow statement

The company has adopted the exemption to prepare a cash flow statement under FRS1, as it is a wholly owned subsidiary of Globemile Limited for which a consolidated cash flow is prepared in the group accounts.

Turnover

Turnover represents the invoiced amount of goods sold and services provided less returns and allowances, excluding value added tax. In the case of long term contracts, turnover represents the sales value of work done during the year, including estimates in respect of amounts not invoiced.

Fixed assets

All fixed assets are recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & machinery	-	25%-33% straight line
Motor vehicles	-	33% straight line
Office equipment	-	50% straight line

Fixed asset investments

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

BYZAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2004

1. Accounting policies *(continued)*

Stocks

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

Long term contracts

Profit on long term contracts is taken as the work is carried out, if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out by the year end by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract revenue which costs incurred to date bear to total expected costs for that contract. Revenue derived from variations on contracts is only recognised when they have been accepted by the customers. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined benefit pension scheme for employees. The assets of the scheme are held separately from those of the company. The contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees. Variations from the regular costs are spread over the average expected remaining working lives of current members in the scheme.

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

BYZAK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2004

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2004	2003
	£000	£000
United Kingdom	41,008	44,326
Overseas	1,260	—
	<u>42,268</u>	<u>44,326</u>

3. Operating profit

Operating profit is stated after charging/(crediting):

	2004	2003 <i>(restated)</i>
	£000	£000
Depreciation of owned fixed assets	650	645
Profit on disposal of fixed assets	(27)	(15)
Auditors' remuneration	11	10
Operating lease rentals - land and buildings	<u>183</u>	<u>176</u>

4. Exceptional item

Included within the cost of sales figure is an exceptional bad debt expense of £750,000 (2003: £Nil). Tax relief obtained on this exceptional item amounted to £225,000 (2003: £Nil).

5. Particulars of employees

The average number of staff employed by the company during the financial year amounted to:

	2004	2003
	No	No
Production	239	221
Administration	26	31
	<u>265</u>	<u>252</u>

The aggregate payroll costs of the above were:

	2004	2003
	£000	£000
Wages and salaries	8,236	7,501
Social security costs	788	679
Other pension costs	558	271
	<u>9,582</u>	<u>8,451</u>

BYZAK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2004

6. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2004	<i>2003</i>
	£000	<i>£000</i>
Emoluments receivable	467	451
Value of company pension contributions to money purchase schemes	25	27
Compensation for loss of directorship	—	48
	<u>492</u>	<u>526</u>

Emoluments of highest paid director:

	2004	<i>2003</i>
	£000	<i>£000</i>
Total emoluments (excluding pension contributions)	179	149
Value of company pension contributions to money purchase schemes	9	8
	<u>188</u>	<u>157</u>

Benefits are accruing under a defined benefit pension scheme and, at the year end the accrued pension amounted to £27,000 (2003 - £20,000).

The number of directors who accrued benefits under company pension schemes was as follows:

	2004	<i>2003</i>
	No	<i>No</i>
Defined benefit scheme	<u>3</u>	<u>4</u>

7. Taxation on ordinary activities

(a) Analysis of charge in the year

	2004	<i>2003</i> <i>(restated)</i>
	£000	<i>£000</i>
In respect of the year:		
UK Corporation tax	676	450
(Over)/under provision in prior year	(10)	(33)
	<u>666</u>	<u>417</u>
Deferred tax:		
Origination and reversal of timing differences	(67)	—
Tax on profit on ordinary activities	<u>599</u>	<u>417</u>

BYZAK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2004

7. Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than (2003 - lower than) the standard rate of corporation tax in the UK of 30% (2003 - 30%).

	2004	2003 <i>(restated)</i>
	£000	£000
Profit on ordinary activities before taxation	1,915	1,471
Profit on ordinary activities by rate of tax	575	441
Effects of:		
Expenses not deductible for tax purposes	70	3
Depreciation for the year in excess of capital allowances	31	6
Adjustments to the tax charge in respect of prior years	(10)	(33)
Total current tax (note 7(a))	666	417

8. Dividends

The following dividends have been paid or proposed in respect of the year:

	2004	2003
	£000	£000
Ordinary final dividends - proposed of £1.30 (2003: £1.30) per share on 385,000 Ordinary A shares	500	500
Ordinary interim dividends - paid of £0.65 (2003: £0.65) per share on 385,000 Ordinary A shares	250	250
	750	750

BYZAK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2004

9. Tangible fixed assets

	Plant & machinery £000	Motor vehicles £000	Office equipment £000	Total £000
Cost				
At 1 November 2003	6,133	904	56	7,093
Additions	78	130	—	208
Disposals	—	(153)	—	(153)
At 31 October 2004	<u>6,211</u>	<u>881</u>	<u>56</u>	<u>7,148</u>
Depreciation				
At 1 November 2003	5,439	694	36	6,169
Charge for the year	460	178	12	650
On disposals	—	(146)	—	(146)
At 31 October 2004	<u>5,899</u>	<u>726</u>	<u>48</u>	<u>6,673</u>
Net book value				
At 31 October 2004	<u>312</u>	<u>155</u>	<u>8</u>	<u>475</u>
At 31 October 2003	<u>694</u>	<u>210</u>	<u>20</u>	<u>924</u>

10. Investments

	Shares in group undertakings £000
Cost	
At 1 November 2003 and 31 October 2004	<u>10</u>
Net book value	
At 31 October 2004	<u>10</u>
At 31 October 2003	<u>10</u>

The shares in group undertakings are as follows:

Name of company	Details of investments	Proportion held by company	Nature of business
Byzak Contractors (Scotland) Limited, registered in Scotland	Ordinary	100%	Dormant

The capital and reserves and profit or loss for the subsidiary as at its financial year end were as follows:

	Profit/(loss) for the year Capital and reserves			
	2004	2003	2004	2003
	£	£	£	£
Byzak Contractors (Scotland) Limited	<u>—</u>	<u>—</u>	<u>10,000</u>	<u>10,000</u>

BYZAK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2004

11. Stocks

	2004	2003
	£000	£000
Raw materials and consumables	27	27

12. Debtors

	2004	2003
	£000	£000
Trade debtors	916	344
Amounts owed by group undertakings	783	845
Amounts recoverable on contracts	2,421	2,711
Other debtors	137	145
Prepayments and accrued income	386	251
	<u>4,643</u>	<u>4,296</u>

The debtors above include the following amounts falling due after more than one year:

	2004	2003
	£000	£000
Amounts recoverable on contracts	248	121

13. Cash at bank and in hand

Cash at bank and in hand includes £73,575 (2003: £52,588) which is held in trust for the beneficiaries of The Byzak Contractors Limited Employee Benefit Trust.

14. Creditors: Amounts falling due within one year

	2004	2003
	£000	£000
Payments received on account	258	940
Trade creditors	2,717	2,548
Amounts owed to group undertakings	48	75
Corporation tax	438	270
Other taxation and social security	963	674
Dividends payable	500	500
Other creditors	394	79
Accruals and deferred income	3,484	3,397
	<u>8,802</u>	<u>8,483</u>

BYZAK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2004

15. Deferred taxation

The movement in the deferred taxation provision during the year was:

	2004	<i>2003</i>
	£000	<i>£000</i>
At 1 November 2003	67	67
Profit and loss account movement arising during the year	(67)	—
At 31 October 2004	<u>—</u>	<u>67</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2004		<i>2003</i>	
	Provided	Unprovided	<i>Provided</i>	<i>Unprovided</i>
	£000	£000	<i>£000</i>	<i>£000</i>
Excess of taxation allowances over depreciation on fixed assets	—	(337)	—	(301)
Short term timing differences on EBT capital account	—	—	67	—
	<u>—</u>	<u>(337)</u>	<u>67</u>	<u>(301)</u>

No provision has been made in the accounts for the deferred tax asset of £336,698 (2003: £300,814) because in the directors opinion it is not recoverable in the foreseeable future.

16. Commitments under operating leases

At 31 October 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & buildings	
	2004	<i>2003</i>
	£000	<i>£000</i>
Operating leases which expire:		
After more than 5 years	<u>176</u>	<u>176</u>

17. Contingencies

At 31 October 2004 the company had performance bonds amounting to £1,690,881 (2003: £1,760,411).

BYZAK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2004

18. Related party transactions

The company has taken the exemption provided by FRS8 from disclosing related party transactions with Globemile Limited on the grounds that the company is 100% wholly owned and its results are consolidated within Globemile Limited's accounts.

During the year Kaleida Limited, a fellow subsidiary undertaking of Globemile Limited made sales of £116,511 (2003: £169,238) to the company. In addition the company made recharges to other group companies of £27,025 (2003: £27,025).

Included in amounts owed to group undertakings was a trading balance for the year ended 31 October 2004 of £48,169 (2003: £75,291) owed to Kaleida Limited.

Included in amounts owed from group undertakings was a trading balance for the year ended 31 October 2004 of £578,467 (2003: £640,698) due from Kaleida Limited.

19. Share capital

Authorised share capital:

	2004	2003
	£000	£000
385,000 Ordinary A shares of £0.10 each	39	39
115,000 Ordinary B shares of £0.10 each	11	11
	<u>50</u>	<u>50</u>

Allotted, called up and fully paid:

	2004		2003	
	No	£000	No	£000
Ordinary A shares of £0.10 each	385,000	39	385,000	39
Ordinary B shares of £0.10 each	115,000	11	115,000	11
	<u>500,000</u>	<u>50</u>	<u>500,000</u>	<u>50</u>

The Ordinary B shares carry no voting rights and no rights to dividends.

20. Other reserves

	2004	2003
	£000	(restated) £000
Balance brought forward	(98)	(51)
Additions to own shares	(54)	(90)
Disposals of own shares	84	43
	<u>(68)</u>	<u>(98)</u>

The other reserve represents an investment in own shares relating to 4% (2003: 6%) of the company's share capital which was acquired by The Byzak Contractors Limited Employee Benefit Trust. The movement in the investment reflects the purchase, sale and gift of shares to/from directors and employees.

BYZAK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2004

21. Profit and loss account

	2004	2003 <i>(restated)</i>
	£000	£000
Balance brought forward	4,365	4,049
Retained profit for the financial year	566	304
(Loss)/profit on disposal of own shares	(30)	12
Balance carried forward	<u>4,901</u>	<u>4,365</u>

22. Reconciliation of movements in shareholders' funds

	2004	2003 <i>(restated)</i>
	£000	£000
Profit for the financial year	1,316	1,054
Dividends	(750)	(750)
	<u>566</u>	<u>304</u>
 (Loss)/profit on disposal of own shares	 (30)	 12
Additions to own shares	(54)	(90)
Disposals of own shares	84	43
	<u>566</u>	<u>269</u>
Net addition to shareholders' equity funds	566	269
Opening shareholders' equity funds	4,317	4,048
Closing shareholders' equity funds	<u>4,883</u>	<u>4,317</u>

23. Employee benefit trust

The company has established an Employee Benefit Trust with the objective of promoting employee loyalty and goodwill. Contributions for the year totalled £300,000 (2003: £300,000).

In accordance with FRS 5 - "Reporting the substance of transactions", trust assets of £181,375 (2003 restated: £174,988) have been incorporated into the company's balance sheet.

Trust assets totalling £300,000 (2003: £300,000) have been allocated to the beneficiaries of the trust during the year and therefore have been included in the profit and loss account.

24. Control

Due to the structure described in note 19, the company is effectively a 100% subsidiary of Globemile Limited. The company was ultimately controlled by P J Byrne, the director of Globemile Limited, who is also a director of this company, and controlled the whole of its issued ordinary share capital.

BYZAK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2004

25. Ultimate parent company

The directors consider the ultimate parent undertaking to be Globemile Limited which is the only undertaking that prepares group accounts including the financial statements of the company.

26. Prior year adjustment

During the year the company has adopted UITF Abstract 38. The effects of adopting this has been to reduce net assets brought forward by £98,435. The adoption has had the effect of increasing profits in the current year by £29,750, and has decreased profits in the prior year by £11,826. Adoption of UITF Abstract 38 has had no tax effect and no effect on retained earnings.

BYZAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2004

27. Pension scheme

Under FRS 17, pension scheme assets and liabilities should be incorporated into the balance sheet from 2005. Prior to this date the standard requires disclosure of the amounts that would be incorporated in the balance sheet at the year end date. The disclosures given in this note therefore relate to amounts that have not been provided but would be provided from 2005.

The employer in conjunction with Byzak Limited operates the Byzak Pension Scheme ("the Scheme"), a funded defined benefit pension scheme, for its employees. No individual figures are available for the amounts that would be provided in either company's balance sheet. The figures within this note therefore reflect the amounts that would be provided in both companies collectively. The most recent formal valuation was carried out as at 31st October 2003. For the year ended 31st October 2004 the employer paid contributions of 15% which amounted to £298,000 (2003: £257,000). In addition, the company made a special contribution of £250,000. Members contributed at the rate of 6% of pensionable salaries.

Company contributions are based upon advice from an independent qualified actuary who assessed the rates at 31st October 2004 using attained age method. The pension cost charge for the year equated to the actual contributions paid.

The most recent actuarial valuation of the Scheme has been updated by S G Ingram: Actuary Limited to 31st October 2004 to take account of the requirements of FRS 17. The principal assumptions used by the actuary, together with the assumptions used at 31st October 2003, were:

	At 31st October 2004 % per annum	At 31st October 2003 % per annum
Increase in salaries	4.0	4.0
Increases in pension in payment:		
Pre-April 1997 service	3.0	3.0
Post-April 1997 service	2.75	2.75
Discount rate	5.5	5.5
Inflation assumption	2.75	2.75

If FRS 17 had been adopted in full as at 31 October 2004, the consolidated balance sheet would show shareholders' funds of £4,950,000, including a profit and loss reserve of £4,968,000 compared with shareholders' funds of £5,316,000 and a profit and loss reserve of £5,334,000 as shown on page 7. This difference comprises the net pension liability of £366,000. An analysis of the profit and loss reserve would be as follows:

	At 31st October 2004
Profit and loss reserve	5,334
Pension liability	(366)
Profit and loss reserve	<u>4,968</u>

BYZAK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2004

The assets in the Scheme and the expected rate of return are shown in the table below, along with the present value of the Scheme liabilities and the surplus/(deficit) in the Scheme.

	Long-term rate of return expected at 31st October 2004 % per annum	Value at 31st October 2004 £000	Long-term rate of return expected at 31st October 2003 % per annum	Value at 31st October 2003 £000
Equities	5.5	3,244	5.5	2,655
Bonds	5.5	339	5.5	430
Property	5.5	—	5.5	—
Cash	5.5	653	5.5	145
Total market value of assets		<u>4,236</u>		<u>3,230</u>
Present value of Scheme liabilities		(4,759)		(4,193)
Deficit in the Scheme		<u>(523)</u>		<u>(963)</u>
Related deferred tax asset		157		289
Net pension liability		<u>(366)</u>		<u>(674)</u>

Movement in deficit during the year

	31st October 2004 £000	31st October 2003 £000
Deficit in Scheme at beginning of the year	(963)	(835)
Movement in year:		
Service cost (including insurance and expenses)	(254)	(247)
Contributions	548	293
(Charge)/credit to other financial income	(52)	(52)
Actuarial gain/(loss)	198	(122)
Deficit in Scheme at end of the year	<u>(523)</u>	<u>(963)</u>

BYZAK LIMITED
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YEAR ENDED 31 OCTOBER 2004

Analysis of amount charged to operating profit

	31st October 2004 £000	<i>31st October 2003 £000</i>
Current service cost (including insurance and expenses, but excluding employee contributions)	254	247
Total	<u>254</u>	<u>247</u>

Analysis of amount (charged)/credited to other financial income

	31st October 2004 £000	<i>31st October 2003 £000</i>
Expected return on Scheme assets	193	153
Interest on Scheme liabilities	(245)	(205)
Net (charge)/credit	<u>(52)</u>	<u>(52)</u>

Analysis of amount recognised in Statement of Total Recognised Gains and Losses

	31st October 2004 £000	<i>31st October 2003 £000</i>
Actual return less expected return on Scheme assets	242	144
Experience loss arising on the Scheme liabilities	(44)	(19)
Loss arising from changes in assumptions underlying the present value of the Scheme liabilities	—	(247)
Actuarial gain/(loss) recognised in STRGL	<u>198</u>	<u>(122)</u>

BYZAK LIMITED
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YEAR ENDED 31 OCTOBER 2004

History of experience gains and losses

	31st October 2004	<i>31st October 2003</i>
Difference between the expected and actual return on Scheme assets:		
Amount (£000)	242	144
% of scheme assets	6%	4%
Experience gain/(loss) on Scheme liabilities:		
Amount (£000)	(44)	(19)
% of the present value of the Scheme liabilities	-1%	-%
Total amount of gain/(loss) recognised in Statement of Total Recognised Gains and Losses:		
Amount (£000)	198	(122)
% of the present value of the Scheme liabilities	4%	-3%