Avent Engineering Limited

Financial statements

For the period ended 31 October 2004

Grant Thornton

Company No. 1895378

Company information

Company registration number :	1895378
Registered office :	Bath Road Industrial Estate Chippenham Wiltshire SN14 0AB
Directors :	D Brown M K Monaghan J K Cronin
Secretary :	J K Cronin
Bankers :	Lloyds TSB 29 High Street Chippenham Wiltshire SN15 3HA
Solicitors :	Heatons Solicitors 55 Spring Gardens Manchester M2 2BY
Auditors :	Grant Thornton UK LLP Registered Auditors Chartered Accountants Heron House Albert Square Manchester M60 8GT

Index to the financial statements

Report of the directors

The directors present their report together with the audited financial statements for the period ended 31 October 2004.

Principal activity

The company's principal activity was that of civil engineering.

Results and dividends

The profit for the period after taxation amounted to £360,813 (year ended 5 April 2004 : loss £1,135,457). The directors do not recommend the payment of a dividend (year ended 5 April 2004 : £Nil) leaving the amount of £360,813 (year ended 5 April 2004 : £1,135,457) to be transferred to reserves.

Directors

The directors of the company and their interests in the share capital of the company are listed below. All served on the Board throughout the period unless otherwise stated.

M F Avent (resigned 14 July 2004)
D Brown
D M Aylett (resigned 14 July 2004)
M K Monaghan (appointed 14 July 2004)
J K Cronin (appointed 2 August 2004)

The directors had no beneficial or other interests in the shares of the company.

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. 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 maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring the directors' report is prepared in accordance with company law in the United Kingdom.

Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Disabled persons

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Auditors

Menzies resigned as auditors during the year and Grant Thornton UK LLP were appointed to fill the casual vacancy. Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

J K Cronin
Director

22 December 2004

Grant Thornton

Report of the independent auditors to the members of Avent Engineering Limited

We have audited the financial statements of Avent Engineering Limited for the period ended 31 October 2004 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the cash flow statement and notes 1 to 21. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

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

Grant Thornton

Report of the independent auditors to the members of Avent Engineering Limited

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 the profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
MANCHESTER

22 December 2004

Principal accounting policies

Basis of preparation

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

The principal accounting policies of the company have remained unchanged from the previous period and are set out below.

Turnover

Turnover represents the net amount receivable, excluding value added tax, for goods and services supplied to external customers and the value of work done during the year.

Depreciation

Depreciation is calculated to write down the cost of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful economic lives. The rates generally applicable are:

Plant and machinery	25% of cost
Equipment	25% of cost
Motor vehicles	25% of cost (new) and 33.33% of cost (second hand)

Stocks

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

Amounts recoverable on contracts

Amounts recoverable on contracts are included in current assets and are stated at cost plus attributable profit, less any foreseeable losses, less payments received on account.

Subcontractor costs

Subcontractor costs in respect of work done on contracts are included in these financial statements on an accruals basis.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Foreign currency

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account. Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction.

Contributions to pension schemes

Defined contribution schemes

The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting period.

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Development costs

Development costs on specific projects are capitalised when recoverability can be assessed with reasonable certainty and are amortised over the estimated period that the benefits will accrue. All other development costs are written off in the period of expenditure.

Profit and loss account

	Note	Period ended 31 October 2004 £	Year ended 5 April 2004 £
Turnover – continuing activities	1	15,276,452	23,134,984
Cost of sales		13,758,849	22,837,707
Gross profit		1,517,603	297,277
Administrative expenses		1,161,464	1,485,791
Operating profit/(loss) – continuing activities		356,139	(1,188,514)
Interest receivable and similar income		27,353	13,790
Interest payable and similar charges	3	(22,679)	(70,733)
Profit/(loss) on ordinary activities before taxation	1	360,813	(1,245,457)
Tax on profit/(loss) on ordinary activities	4	–	110,000
Retained profit/(loss) for the year	13	360,813	(1,135,457)

There were no recognised gains or losses other than the result for the financial period.

Balance sheet

	Note	31 October 2004 £	5 April 2004 £
Fixed assets			
Tangible assets	5	**413,978**	767,408
Current assets			
Stocks	6	**134,427**	128,600
Debtors	7	**4,778,559**	5,089,292
Cash at bank and in hand		**720,039**	859,120
		5,633,025	6,077,012
Creditors: amounts falling due within one year	8	**(4,164,434)**	(6,213,498)
Net current assets/(liabilities)		**1,468,591**	(136,486)
Total assets less current liabilities		**1,882,569**	630,922
Creditors : amounts falling due after more than one year	9	**(500,000)**	(24,085)
Provisions for liabilities and charges	10	**(855,971)**	(941,052)
		526,598	(334,215)
Capital and reserves			
Called up share capital	12	**600,000**	100,000
Profit and loss account	13	**(73,402)**	(434,215)
Equity shareholders' funds/(deficit)	14	**526,598**	(334,215)

The financial statements were approved by the Board of Directors on 22 December 2004 signed on their behalf by :

J K Cronin Director

Cash flow statement

	Note	Period ended 31 October 2004 £	Year ended 5 April 2004 £
Net cash inflow/(outflow) from operating activities	15	75,564	(7,768)
Returns on investments and servicing of finance			
Interest received		27,353	13,790
Interest paid		(15,660)	(50,018)
Interest element of hire purchase		(7,019)	(20,715)
Net cash inflow/(outflow) from returns on investments and servicing of finance		4,674	(56,943)
Taxation		110,000	(107,900)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(132,262)	(330,753)
Sale of tangible fixed assets		306,225	(48,892)
Net cash inflow/(outflow) from capital expenditure and financial investment		173,963	(379,645)
Acquisitions and disposals			
Disposal of shares in group undertakings		–	91,142
Equity dividends paid		–	(30,862)
Cash inflow/(outflow) before financing		364,201	(491,976)
Financing			
Issue of shares		500,000	–
Capital element of finance lease rentals	16,17	(285,364)	(221,238)
Net cash inflow/(outflow) from financing		214,636	(221,238)
Increase/(decrease) in cash	16	578,837	(713,214)

Notes to the financial statements

1 Turnover and profit/(loss) on ordinary activities before taxation

The turnover and profit/(loss) on ordinary activities before taxation is attributable to the principal activity of the company and arises wholly within the United Kingdom.

The profit/(loss) on ordinary activities before taxation is stated after :	**Period ended 31 October 2004 £**	Year ended 5 April 2004 £
Depreciation		
– owned	**182,192**	124,001
– assets held under hire purchase agreements	**30,877**	255,407
(Profit)/loss on disposal of fixed assets	**(33,602)**	48,892
Auditors' remuneration		
– audit services	**15,000**	10,000
Exceptional item – write off of loan to subsidiary undertaking	**–**	(107,000)

2 Directors and employees

Staff costs during the period were as follows :	**Period ended 31 October 2004 £**	Year ended 5 April 2004 £
Wages and salaries	**5,610,965**	9,304,611
Social security costs	**551,045**	879,172
Pension costs	**36,654**	89,970
	6,198,664	10,273,753

	Period ended 31 October 2004 Number	Year ended 5 April 2004 Number
The average number of employees during the period was :	**399**	360

Staff costs include remuneration in respect of directors as follows :

	Period ended 31 October 2004 £	Year ended 5 April 2004 £
Emoluments	**62,125**	316,493

3 Interest payable and similar charges

	Period ended 31 October 2004 £	Year ended 5 April 2004 £
On bank loans and overdrafts	**1,135**	678
Hire purchase interest	**7,019**	20,715
Other similar charges payable	**14,525**	49,340
	22,679	70,733

4 Tax on profit/(loss) on ordinary activities

The taxation charge is based on the profit/(loss) for the period and represents :

	Period ended 31 October 2004 £	Year ended 5 April 2004 £
Current tax:		
UK corporation tax on profit/(loss) for the period	–	–
Adjustment in respect of prior period	–	(110,000)
	–	(110,000)

Factors affecting the tax charge for the period

The tax assessed for the period differs from the standard rate of corporation tax in the United Kingdom of 19% (2004 : 30%). The differences are explained as follows :

	Period ended 31 October 2004 £	Year ended 5 April 2004 £
Profit/(loss) on ordinary activities before taxation	**360,813**	(1,245,457)
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 19% (2004 : 30%)	**68,554**	(373,637)
Effect of:		
Expenses not deductible for tax purposes	**100**	–
Depreciation in excess of capital allowances	**11,296**	–
Other short term timing differences	**(1,489)**	–
Trade losses (utilised)/not utilised	**(78,461)**	483,637
Adjustments in respect of previous year	–	(110,000)
	–	(110,000)

5 Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Equipment £	Total £
Cost				
At 6 April 2004	311,370	1,011,823	228,039	1,551,232
Additions	40,960	61,230	30,072	132,262
Disposals	–	(642,539)	(4,437)	(646,976)
At 31 October 2004	352,330	430,514	253,674	1,036,518
Depreciation				
At 6 April 2004	146,328	509,551	127,945	783,824
Provided in the period	38,760	141,443	32,866	213,069
Disposals	–	(369,916)	(4,437)	(374,353)
At 31 October 2004	185,088	281,078	156,374	622,540
Net book amount				
At 31 October 2004	167,242	149,436	97,300	413,978
At 5 April 2004	165,042	502,272	100,094	767,408

The net book value of fixed assets includes an amount of £95,567 (year ended 5 April 2004 : £483,462) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the period was £30,877 (year ended 5 April 2004 : £255,407).

6 Stocks

	31 October 2004 £	5 April 2004 £
Plant and consumables	**134,427**	128,600

7 Debtors

	31 October 2004 £	5 April 2004 £
Trade debtors and amounts recoverable on contracts	**4,719,481**	4,857,545
Corporation tax	–	110,000
Other debtors	**45,184**	100,233
Prepayments and accrued income	**13,894**	21,514
	4,778,559	5,089,292

8 Creditors : amounts falling due within one year

	31 October 2004 £	5 April 2004 £
Bank loans and overdraft	–	717,918
Trade creditors	**2,685,398**	2,652,698
Amounts owed to group undertakings	**177,154**	116,030
Other taxation and social security	**984,478**	1,855,555
Hire purchase agreements	**25,084**	286,363
Accruals and deferred income	**292,320**	584,934
	4,164,434	6,213,498

9 Creditors : amounts falling due after more than one year

	31 October 2004 £	5 April 2004 £
Amounts owed to group undertakings	**500,000**	–
Obligations under finance leases and hire purchase contracts	–	24,085
	500,000	24,085

10 Provisions for liabilities and charges

	Other £	Defective reinstatement £	Total £
At 6 April 2004	467,500	473,552	941,052
Released to profit and loss account	(69,242)	(15,839)	(85,081)
At 31 October 2004	398,258	457,713	855,971

11 Deferred taxation

A potential deferred tax asset of £70,000 (5 April 2004 : £140,000) has not been recognised in the financial statements. This asset will be recoverable to the extent that suitable profits arise in the future, and comprises the following :

	31 October 2004 £	5 April 2004 £
Accelerated capital allowances	–	(9,000)
Other timing differences	**1,000**	2,000
Trade losses	**69,000**	147,000
	70,000	140,000

12 Share capital

	31 October 2004 £	5 April 2004 £
Authorised, allotted, called up and fully paid		
600,000 (2003 : 100,000) Ordinary shares of £1 each	**600,000**	100,000

Allotments during the year

On 29 October 2004, the company issued 500,000 ordinary shares of £1 each at par.

13 Profit and loss account

	£
At 6 April 2004	(434,215)
Profit for the period	360,813
At 31 October 2004	(73,402)

14 Reconciliation of movements in equity shareholders' funds/(deficit)

	31 October 2004 £	5 April 2004 £
Profit/(loss) for the financial period	**360,813**	(1,135,457)
Issue of shares	**500,000**	–
Opening equity shareholders' (deficit)/funds	**(334,215)**	801,242
Closing equity shareholders' (deficit)/funds	**526,598**	(334,215)

15 Net cash inflow/(outflow) from operating activities

	31 October 2004 £	5 April 2004 £
Operating profit/(loss)	**356,139**	(1,188,514)
Depreciation	**213,069**	379,408
(Profit)/loss on sale of tangible fixed assets	**(33,602)**	48,892
Increase in stocks	**(5,827)**	(59,846)
Decrease/(increase) in debtors	**200,733**	(1,916,613)
(Decrease)/increase in creditors	**(569,867)**	2,478,286
(Decrease)/increase in provisions	**(85,081)**	250,619
Net cash inflow/(outflow) from operating activities	**75,564**	(7,768)

16 Reconciliation of net cash flow to movement in net funds/(debt)

	31 October 2004 £	5 April 2004 £
Increase/(decrease) in cash in the period	**578,837**	(713,214)
Cash outflow from financing	**285,364**	221,238
Movement in net funds/(debt)	**864,201**	(491,976)
Net (debt)/funds at 6 April 2004	**(169,246)**	322,730
Net funds/(debt) at 31 October 2004	**694,955**	(169,246)

17 Analysis of changes in net debt

	At 6 April 2004 £	Cashflow £	At 31 October 2004 £
Cash in hand and at bank	859,120	(139,081)	**720,039**
Overdraft	(717,918)	717,918	**–**
	141,202	578,837	**720,039**
Debt	(310,448)	285,364	**(25,084)**
	(169,246)	864,201	**694,955**

18 Contingent liability

In the normal course of business the company has entered into performance bonds for the sum of £160,750. These bonds are supported by restricted cash deposits.

19 Operating lease commitments

At 31 October 2004 the company had annual commitments under non–cancellable operating leases as follows :

	Land and buildings	
	31 October 2004	5 April 2004
Operating leases which expire:	£	£
Within one year	**27,683**	–
In the second to fifth year inclusive	**10,272**	–
After more than five years	**–**	73,000
	37,955	73,000

20 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard No. 8 "Related party disclosures" and has not disclosed transactions with group undertakings.

There are no other related party transactions.

21 Ultimate parent undertaking

The company is a wholly owned subsidiary of Avent Newco Limited. The directors consider that the ultimate parent undertaking of this company is HS 227 Limited.