

**FERRO MONK SYSTEMS LIMITED**

**ANNUAL REPORT**

**FIFTEEN MONTHS ENDED 27 JANUARY 2001**

**Registered no 2850619**



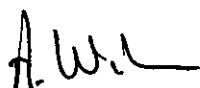
# **FERRO MONK SYSTEMS LIMITED**

## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Annual General Meeting of the Company will be held at St Vincent House, Scunthorpe on 25 June 2001 at 5.30 pm for the transaction of the following business, namely:

1. To receive the directors' report and audited accounts for the 15 months ended 27 January 2001.
2. To reappoint the auditors and to authorise the directors to fix their remuneration.

By Order of the Board



A Wilson  
Secretary

St Vincent House  
Normanby Road  
Scunthorpe  
North Lincolnshire  
DN15 8QT

26 April 2001

### **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.

# FERRO MONK SYSTEMS LIMITED

## DIRECTORS' REPORT

		Date of appointment (if during the period)
Directors:	R Butcher	10 November 1999
	J M Burnett	12 June 2000
	J W A Clugston	10 November 1999
	A B Venn	
	A Wilson	10 November 1999
Secretary:	A Wilson	

Registered Office: St Vincent House, Normanby Road, Scunthorpe, North Lincolnshire, DN15 8QT.

The directors present their report and the audited accounts for the 15 months ended 27 January 2001.

### Results and dividends

The profit for the financial period was £256,068 and no final dividend is proposed.

### Principal activities and business review

The principal activity during the period was the repair and renovation of sewers.

### Directors and their interests

The directors of the Company during the period ended 27 January 2001 were those listed above, Messrs D Adams, D E Heffernan, R P Tankard and P Tudor, who resigned on 10 November 1999, and Mr S A Tilley, who was appointed on 10 November 1999 and resigned on 22 June 2000.

Directors' interests in the shares of the Company during the period 1 to 10 November 1999 were as follows:

Number of £1 shares:	Ordinary	Preference
D Adams	26,500	76,500
R P Tankard	-	1,000
P Tudor	3,312	31,688
A B Venn	39,750	750

None of the directors had an interest in the shares of the Company during the period. Messrs R Butcher and J W A Clugston are directors of the holding company, in whose accounts their interests are shown.

### Auditors

A resolution to reappoint Ernst & Young as the Company's auditor will be submitted at the Annual General Meeting. Ernst & Young has stated that, during 2001, it is intending to transfer its business to a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000, to be called Ernst & Young LLP. If this happens, it is the current intention of the directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

Approved by the Board of Directors and signed on its behalf



A Wilson  
Secretary

26 April 2001

# **FERRO MONK SYSTEMS LIMITED**

## **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 profit or loss 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 Company 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 Company 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **REPORT OF THE AUDITORS to the members of Ferro Monk Systems Limited**

We have audited the accounts on pages 4 to 9, which have been prepared under the historical cost convention, and on the basis of the accounting policies set out on page 6.

### **Respective responsibilities of directors and auditors**

As described above, the Company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

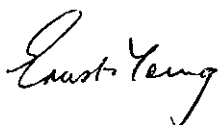
### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the 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 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 at 27 January 2001 and of the profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985



Ernst & Young  
Registered Auditor  
Leeds

26 April 2001

# **FERRO MONK SYSTEMS LIMITED**

## **PROFIT AND LOSS ACCOUNT**

**for the 15 months ended 27 January 2001**

		<b>27 January 2001 15 months £</b>	<b>31 October 1999 7 months £</b>
	<b>Note</b>		
<b>Turnover</b>		5,271,296	2,916,828
<b>Cost of sales</b>		4,148,165	2,289,426
<b>Gross profit</b>		<u>1,123,131</u>	<u>627,402</u>
<b>Administrative expenses</b>		720,613	375,654
<b>Operating profit</b>	1	<u>402,518</u>	<u>251,748</u>
<b>Interest payable</b>	3	40,985	33,185
<b>Profit before taxation</b>		<u>361,533</u>	<u>218,563</u>
<b>Taxation</b>	4	105,465	27,610
<b>Retained profit for the financial period</b>	13	<u><u>£256,068</u></u>	<u><u>£190,953</u></u>

All of the Company's operations are continuing.

Profit for the financial period includes all recognised gains and losses.

# FERRO MONK SYSTEMS LIMITED

## BALANCE SHEET at 27 January 2001

	Note	27 January 2001 £	31 October 1999 £
<b>Fixed assets</b>			
Intangible assets	5	4,838	30,683
Tangible assets	6	<u>586,960</u>	<u>552,104</u>
		<u>591,798</u>	<u>582,787</u>
<b>Current assets</b>			
Stocks	7	168,597	136,738
Debtors	8	996,759	949,622
Cash at bank and in hand		363	862
		<u>1,165,719</u>	<u>1,087,222</u>
<b>Creditors - amounts falling due within one year</b>	9	(933,359)	(1,005,035)
<b>Net current assets</b>		<u>232,360</u>	<u>82,187</u>
<b>Total assets less current liabilities</b>		824,158	664,974
<b>Creditors - amounts falling due after more than one year</b>	10	(27,554)	(124,438)
		<u>£796,604</u>	<u>£540,536</u>
<b>Capital and reserves</b>			
Called up share capital	11	194,500	194,500
Profit and loss account		602,104	346,036
<b>Shareholders' funds</b>	12	<u>£796,604</u>	<u>£540,536</u>
<b>Shareholders' funds comprise:</b>			
Equity shareholders' funds		671,666	415,598
Non-equity shareholders' funds		<u>124,938</u>	<u>124,938</u>
		<u>£796,604</u>	<u>£540,536</u>



R Butcher  
Chairman

26 April 2001

# **FERRO MONK SYSTEMS LIMITED**

## **ACCOUNTING POLICIES**

### **1 Accounting convention**

The accounts are prepared in accordance with applicable accounting standards and under the historical cost convention.

### **2 Turnover**

Turnover comprises the total value of work carried out and goods sold in the UK after deducting VAT.

### **3 Leased assets**

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the Company are capitalised. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the profit and loss account so as to produce a constant periodic rate of charge. Rentals in respect of all other leases are charged to the profit and loss account as incurred.

### **4 Research and development**

Expenditure on research and development is written off in the period in which it is incurred, except for expenditure on two specific projects, which has been capitalised in accordance with SSAP 13. This expenditure is being written off over 5 years in relation to expected production and sales.

### **5 Depreciation**

The cost of fixed assets is written off, mainly on a straight line basis, over their expected useful lives of between 3 and 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.

### **6 Stocks**

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

### **7 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.

### **8 Pension costs**

The contributions to pension schemes, together with the surplus arising from the application of SSAP 24, 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 Company.

# FERRO MONK SYSTEMS LIMITED

## NOTES ON ACCOUNTS

NOTES ON ACCOUNTS	27 January 2001 15 months £	31 October 1999 7 months £	
<b>1 OPERATING PROFIT</b>			
Operating profit is stated after charging:			
Depreciation of owned fixed assets	74,326	15,582	
Depreciation of assets held under finance leases and hire purchase contracts	69,532	35,270	
Amortisation of intangible fixed assets	25,846	12,061	
Audit fees	8,400	5,000	
Operating lease rentals: plant and machinery	417,207	11,421	
land and buildings	30,504	22,500	
<b>2 STAFF COSTS</b>			
Wages and salaries	1,596,583	583,640	
Social security costs	126,968	62,655	
Other pension costs	21,626	6,448	
	<u>1,745,177</u>	<u>652,743</u>	
Aggregate directors' emoluments included above	<u>66,715</u>	<u>69,909</u>	
	<b>Number of employees</b>		
Average monthly number of employees during the period	<u>56</u>	<u>47</u>	
Number of directors in money purchase pension schemes	<u>1</u>	<u>3</u>	
	£	£	
<b>3 INTEREST PAYABLE</b>			
Bank interest	5,716	7,342	
Finance leases and hire purchase contracts	35,269	18,143	
Other interest	-	7,700	
	<u>40,985</u>	<u>33,185</u>	
<b>4 TAXATION</b>			
UK corporation tax	<u>105,465</u>	<u>27,610</u>	
No provision is required for deferred taxation as the potential liability of £54,209 (1999 - £63,311), in respect of accelerated capital allowances, is not expected to crystallise in the foreseeable future.			
<b>5 INTANGIBLE FIXED ASSETS</b>	<b>Research &amp; development</b>	<b>Patents &amp; trademarks</b>	<b>Total</b>
	£	£	£
Cost or valuation			
At 27 January 2001 and 31 October 1999	103,395	22,645	126,040
Amortisation			
At 31 October 1999	72,712	22,645	95,357
Charge for period	25,845	-	25,845
At 27 January 2001	<u>98,557</u>	<u>22,645</u>	<u>121,202</u>
Net book amounts at 27 January 2001	<u>4,838</u>	-	<u>4,838</u>
Net book amounts at 31 October 1999	30,683	-	30,683



# FERRO MONK SYSTEMS LIMITED

## NOTES ON ACCOUNTS (continued)

### 6 TANGIBLE FIXED ASSETS

#### Plant, equipment and vehicles £

#### Cost or valuation

At 31 October 1999

749,339

Additions

181,311

Disposals

(4,147)

At 27 January 2001

926,503

#### Depreciation

At 31 October 1999

197,235

Charge for period

143,858

Disposals

(1,550)

At 27 January 2001

339,543

Net book amounts at 27 January 2001

586,960

Net book amounts at 31 October 1999

552,104

The net book amount of plant, equipment and vehicles above includes £255,555 (1999 - £345,078) in respect of assets held under finance leases and hire purchase contracts.

	2001 £	1999 £
<b>7 STOCKS</b>		
Raw materials	43,586	24,083
Tools and tackle	125,011	112,665
	<u>168,597</u>	<u>136,748</u>
<b>8 DEBTORS</b>		
Trade debtors	903,023	920,220
Other debtors	74,239	11,144
Prepayments and accrued income	19,497	18,258
	<u>996,759</u>	<u>949,622</u>
<b>9 CREDITORS - amounts falling due within one year</b>		
Trade creditors	628,038	433,674
Social security and PAYE	25,587	145,340
Accrued charges	51,025	146,982
Obligations under finance leases and hire purchase contracts	59,339	111,815
Taxation	20,000	27,610
Other creditors	107,078	-
Bank overdraft	-	139,614
Amounts due to Group companies	42,292	-
	<u>933,359</u>	<u>1,005,035</u>
<b>10 CREDITORS - amounts falling due after more than one year</b>		
Obligations under finance leases and hire purchase contracts due within two to five years	<u>27,554</u>	<u>124,438</u>

# FERRO MONK SYSTEMS LIMITED

## NOTES ON ACCOUNTS (continued)

### 11 CALLED UP SHARE CAPITAL

	Authorised	Allotted, called up & fully paid
At 27 January 2001 and 31 October 1999 the share capital comprised:		
A ordinary shares of £1 each	200,000	69,562
B ordinary shares of £1 each	5,000	-
9% preference shares of £1 each	250,000	124,938
	<u>455,000</u>	<u>194,500</u>

### 12 STATEMENT OF MOVEMENT IN RESERVES AND RECONCILIATION OF SHAREHOLDERS' FUNDS

Retained profit for the financial period	256,068	190,953
Opening shareholders' funds	540,536	349,583
Closing shareholders' funds	<u>796,604</u>	<u>540,536</u>

### 13 BANKING ARRANGEMENTS

Banking facilities are arranged on a Group basis through the holding company and the Company has given guarantees in respect of the overdrafts of certain other Group companies, which at 27 January 2001 amounted to £2,608,000 (1999 - nil).

### 14 COMMITMENTS

	2001 £	1999 £
At 27 January 2001 the Company had the following annual commitments under non-cancellable operating leases expiring:		
<b>Plant, machinery etc</b>		
next year	6,870	-
within 2 to 5 years	13,250	17,628
	<u>20,120</u>	<u>17,628</u>
<b>Land and buildings</b>		
next year	-	22,500
within 2 to 5 years	25,000	-
	<u>25,000</u>	<u>22,500</u>
<b>Capital commitments</b>		
Contracted but not provided	-	22,900

### 15 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 Company 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 2000. Details of the actuarial valuation of the scheme are contained in the accounts of Clugston Group Limited.

### 16 PARENT UNDERTAKING AND ULTIMATE PARENT COMPANY

The parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the Company is a member, is Clugston Group Limited, which is also the company's ultimate parent company and controlling party.