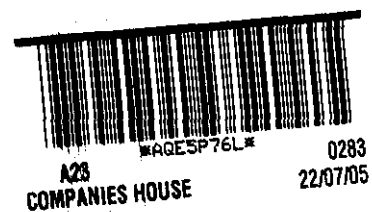


**FERRO MONK SYSTEMS LIMITED**

**ANNUAL REPORT**

**29 January 2005**



**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 21 June 2005 at 5.30 pm for the transaction of the following business, namely:

1. To receive the directors' report and audited accounts for the period ended 29 January 2005.
2. To re-appoint the auditors and to authorise the directors to fix their remuneration.

By Order of the Board



M H Bales

Secretary

St Vincent House  
Normanby Road  
Scunthorpe  
North Lincolnshire  
DN15 8QT

18 April 2005

### 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**

Directors: R Butcher  
M H Bales  
J M Burnett  
D E Heffernan  
A M Venn

Secretary: M H Bales

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

The directors present their report and the audited accounts for the period ended 29 January 2005.

### **Results and dividends**

The loss for the financial period was £136,707 and no final dividend is proposed.

### **Principal activities and business review**

The principal activity during the period was the repair and renovation of sewers. Although turnover was down in the period, the Company is well positioned to take advantage of the current market opportunities.

### **Directors and their interests**

The directors of the Company during the period ended 29 January 2005 were those listed above. None of the directors had an interest in the shares of the Company during the period. Messrs R Butcher, M H Bales and J M Burnett were directors of the holding company, in whose accounts their interests are shown.

### **Auditors**

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be submitted at the Annual General Meeting.

Approved by the Board of Directors and signed on its behalf.



M H Bales

Secretary

18 April 2005

## **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 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
- prepare the accounts on a going concern basis where it is appropriate

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.

# **FERRO MONK SYSTEMS LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **to the members of Ferro Monk Systems Limited**

We have audited the Company's accounts for the period ended 29 January 2005, which comprise the Profit and Loss Account, Balance Sheet, Accounting Policies and the related notes 1 to 15. These accounts have been prepared on the basis of 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 the audit 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 accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit those accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

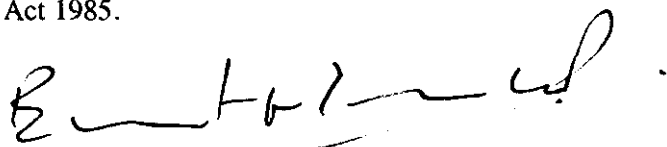
#### **Basis of audit opinion**

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 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 29 January 2005 and of the loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
Leeds

28 April 2005

# FERRO MONK SYSTEMS LIMITED

## PROFIT AND LOSS ACCOUNT for the 52 weeks ended 29 January 2005

	Note	2005 £	2004 £
Turnover		2,987,918	3,482,831
Cost of sales		2,339,345	3,393,670
Gross profit		<u>648,573</u>	<u>89,161</u>
Administrative expenses		766,994	(975,910)
Operating profit/(loss)	1	<u>(118,421)</u>	<u>1,065,071</u>
Interest payable	3	122,591	120,216
Profit/(loss) on ordinary activities		<u>(241,012)</u>	<u>944,855</u>
Tax credit on profit/(loss) on ordinary activities	4	(104,305)	(251,478)
Retained profit/(loss) for the financial period	11	<u><u>£(136,707)</u></u>	<u><u>£1,196,333</u></u>

All of the Company's operations are continuing.

Profit/(loss) for the financial period includes all recognised gains and losses.

# FERRO MONK SYSTEMS LIMITED

## BALANCE SHEET at 29 January 2005

	Note	2005 £	2004 £
<b>Tangible fixed assets</b>	5	476,708	653,620
<b>Current assets</b>			
Stocks	6	115,266	131,794
Debtors	7	1,193,320	1,256,358
Cash at bank and in hand		850	1,100
		<u>1,309,436</u>	<u>1,389,252</u>
<b>Creditors - amounts falling due within one year</b>	8	(583,057)	(673,325)
<b>Net current assets</b>		<u>726,379</u>	<u>715,927</u>
<b>Total assets less current liabilities</b>		1,203,087	1,369,547
<b>Creditors - amounts falling due after more than one year</b>			
Obligations under finance leases and hire purchase contracts	9	-	(29,753)
		<u>£1,203,087</u>	<u>£1,339,794</u>
<b>Capital and reserves</b>			
Called up share capital	10	194,500	194,500
Profit and loss account		1,008,587	1,145,294
<b>Shareholders' funds</b>	11	<u>£1,203,087</u>	<u>£1,339,794</u>
<b>Shareholders' funds comprise:</b>			
Equity shareholders' funds		1,078,149	1,214,856
Non-equity shareholders' funds		124,938	124,938
		<u>£1,203,087</u>	<u>£1,339,794</u>



R Butcher  
Chairman

18 April 2005

# 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

Rentals in respect of operating leases are charged to the profit and loss account as incurred. Assets held under finance leases, where substantially all the risks and rewards of ownership have passed to the Company, and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The capital elements of future obligations are included as liabilities in the balance sheet and the interest elements of the rentals are charged in the profit and loss account over the period of the contracts.

### 4 Depreciation

The cost, less estimated residual value, of fixed assets is written off 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.

### 5 Stocks

Stocks are valued at the lower of cost and estimated net realisable value. The cost of raw materials and tools and tackle represents the cost of materials on a first-in, first-out basis. The cost of work in progress also includes labour and attributable overheads based on a normal level of activity

### 6 Deferred taxation

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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 that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. The only exception is that deferred tax assets are recognised only to the extent that the directors consider it is more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates expected to apply in the periods in which the timing differences reverse, based on the tax rates and laws enacted, or substantively enacted, at the balance sheet date.

### 7 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.

### 8 Related party transactions

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are controlled by Clugston Group Limited.

# FERRO MONK SYSTEMS LIMITED

## NOTES ON ACCOUNTS

2005  
£

2004  
£

### 1 OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting):

Depreciation of owned fixed assets	116,620	119,558
Depreciation of assets held under finance leases & hire purchase contracts	56,439	56,439
Loan waived by parent company	-	(1,888,595)
Audit fees	10,400	9,800
Operating lease rentals: plant and machinery	263,852	483,634
land and buildings	27,500	49,505

### 2 STAFF COSTS

Wages and salaries	1,077,097	1,512,432
Social security costs	104,860	133,079
Other pension costs	41,308	44,198
	<u>£1,223,265</u>	<u>£1,689,709</u>

Aggregate directors' emoluments included above	<u>£103,760</u>	<u>£167,708</u>
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#### Number of employees

Average monthly number of employees during the period	<u>29</u>	<u>57</u>
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Number of directors in defined benefit pension schemes	<u>2</u>	<u>3</u>
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£

£

### 3 INTEREST PAYABLE

Bank interest	117,844	115,492
Finance leases and hire purchase contracts	4,747	4,724
	<u>£122,591</u>	<u>£120,216</u>

### 4 TAX CREDIT ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

#### UK corporation tax

Group relief receivable	(69,107)	(231,554)
Adjustments in respect of previous periods	(65,727)	(83,655)
Total current tax credit	<u>(134,834)</u>	<u>(315,209)</u>

#### Deferred tax

Originating and reversal of timing differences	30,529	(19,922)
Adjustments in respect of previous periods	-	83,653
Total deferred tax charge	<u>30,529</u>	<u>63,731</u>

Tax credit on profit/(loss) on ordinary activities	<u>£(104,305)</u>	<u>£(251,478)</u>
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#### Factors affecting the tax credit for the period

The tax assessed for the period differs from the standard rate of corporation tax in the UK as follows:

Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 - 30%)	(72,304)	283,457
Disallowed expenses and non-taxable income	-	(566,579)
Depreciation in excess of capital allowances	3,197	51,568
Adjustments in respect of previous periods	(65,727)	(83,655)
Current tax credit for the period	<u>£(134,834)</u>	<u>£(315,209)</u>



# FERRO MONK SYSTEMS LIMITED

## NOTES ON ACCOUNTS (continued)

### 5 TANGIBLE FIXED ASSETS

Plant, equipment  
and vehicles  
£

#### Cost

At 31 January 2004

1,436,646

Disposals

(7,054)

At 29 January 2005

1,429,592

#### Depreciation

At 31 January 2004

783,026

Charge for period

173,059

Disposals

(3,201)

At 29 January 2005

952,884

Net book amounts at 29 January 2005

£476,708

Net book amounts at 31 January 2004

£653,620

The net book amount of plant, equipment and vehicles above includes £207,792 (2004 - £278,528) in respect of assets held under finance leases and hire purchase contracts.

	2005 £	2004 £
<b>6 STOCKS</b>		
Raw materials	28,304	20,262
Work in progress	9,996	-
Tools and tackle	76,966	111,532
	<u>£115,266</u>	<u>£131,794</u>
<b>7 DEBTORS</b>		
Trade debtors	412,878	701,354
Other debtors	3,532	11,753
Prepayments and accrued income	21,054	95,118
Amounts due from Group companies	694,231	355,979
Deferred tax	61,625	92,154
	<u>£1,193,320</u>	<u>£1,256,358</u>
<b>Deferred tax</b>		
Opening asset	92,154	155,885
Charge/(credit) for the period	(30,529)	19,922
Adjustments in respect of previous periods	-	(83,653)
Closing asset	<u>61,625</u>	<u>92,154</u>
The full potential provision for deferred tax comprises:		
Accelerated capital allowances	7,326	71,454
Loss relief	118,116	95,017
	<u>125,442</u>	<u>166,471</u>
Loss relief not recognised	(63,817)	(74,317)
Amount provided	<u>61,625</u>	<u>92,154</u>

# FERRO MONK SYSTEMS LIMITED

## NOTES ON ACCOUNTS (continued)

	2005 £	2004 £
<b>8 CREDITORS - amounts falling due within one year</b>		
Trade creditors	314,507	335,522
Other taxes and social security costs	15,367	14,912
Accrued charges	69,403	62,032
Obligations under finance leases and hire purchase contracts	31,217	50,600
Other creditors	152,563	210,259
	<u>£583,057</u>	<u>£673,325</u>

## 9 OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

Amounts due within two to five years	-	<u>£29,753</u>
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## 10 CALLED UP SHARE CAPITAL

At 29 January 2005 and 31 January 2004 the share capital comprised:

	Authorised	Allotted, called up & fully paid
A ordinary shares of £1 each	200,000	69,562
B ordinary shares of £1 each	5,000	-
9% non-cumulative preference shares of £1 each	250,000	124,938
	<u>455,000</u>	<u>£194,500</u>

No voting rights attach to the preference shares and rights to participate in the capital of the Company are restricted to the amounts called up and any arrears of declared dividends.

	2005 £	2004 £
<b>11 STATEMENT OF MOVEMENT IN RESERVES AND RECONCILIATION OF SHAREHOLDERS' FUNDS</b>		
Opening shareholders' funds	1,339,794	143,461
Profit/(loss) for the financial period	(136,707)	1,196,333
Closing shareholders' funds	<u>£1,203,087</u>	<u>£1,339,794</u>

## 12 LEASING COMMITMENTS

At 29 January 2005 the Company had the following annual commitments under non-cancellable operating leases expiring:

### Land and buildings

within one year	-	27,500
in two to five years	27,500	-
	<u>£27,500</u>	<u>£27,500</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 29 January 2005 amounted to nil (2004 - £10,000).

# FERRO MONK SYSTEMS LIMITED

## NOTES ON ACCOUNTS (continued)

### 14 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 pension benefits for the Company's employees are provided within the Group scheme with Company contributions being based on pension costs across the Group as a whole. As such the Company is unable to identify its share of the underlying assets and liabilities.

The latest triennial actuarial valuation was carried out by a professionally qualified actuary as at 1 April 2003, when the market value of the scheme's assets was £15,446,000, and this revealed the scheme to be funded at 70% on an ongoing basis but 106% on the Minimum Funding Requirement basis. Details of the actuarial valuation of the scheme are contained in the accounts of Clugston Group Limited.

In accordance with FRS 17 the following information relates to the scheme at 29 January 2005:

	2005 £000	2004 £000	2003 £000
Fair value of scheme assets	21,650	19,215	15,589
Actuarial value of scheme liabilities	<u>27,849</u>	<u>24,360</u>	<u>22,513</u>
Deficit in the scheme	<u>6,199</u>	<u>5,145</u>	<u>6,924</u>

### 15 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. Copies of the group accounts are available from the registered office.