

Ebac Management Services Limited

Report and Financial Statements

31 December 2005

 **ERNST & YOUNG**



Registered No: 3338449

Directors

S Peacock
S R Lilly
G Currie
P Gillespie
P D Hutchison
M R Elliott
A Hird

Secretary

A Hird

Auditors

Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Bankers

The Royal Bank of Scotland
2nd Floor, Keel Row House
1 Sandgate
Quayside
Newcastle upon Tyne
NE1 2NG

Solicitors

Robert Muckle
Norham House
12 New Bridge Street West
Newcastle upon Tyne
NE1 8AS

DLA

Princes Exchange
Princes Square
Leeds
West Yorkshire
LS1 LBY

Registered Office

St Helen Industrial Estate
Bishop Auckland
Co Durham
DL14 9AL

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activity and review of business

The company's principal activity during the year was that of management services.

Results and dividends

The profit for the year after taxation was £43,474 (2004: £42,405). The directors do not recommend the payment of a dividend (2004: £Nil).

Directors and their interests

The directors who held office during the year were as follows:

S Peacock
S R Lilly
G Currie
P Gillespie
P D Hutchison
M R Elliott
A Hird

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

The directors who held office at the end of the financial year had the following interests in the shares of Ebac Group Limited, the company's ultimate parent undertaking, according to the register of directors interests:

Name	Ordinary shares		Preference shares	
	Interest at 31 December 2005	Interest at 1 January 2005	Interest at 31 December 2005	Interest at 1 January 2005
M R Elliott	26,854	26,854	503,530	503,530
S Peacock	61,067	61,067	18,657	19,989
S R Lilly	60,000	60,000	-	-
G Currie	10,000	10,000	-	-
P Gillespie	80,000	80,000	-	-
P D Hutchinson	10,000	10,000	-	-
A Hird	20,000	20,000	-	-

In addition S Peacock and M R Elliott held one ordinary share in a subsidiary company, BCM Machines Limited at 31 December 2005 and 1 January 2005.

Directors' report

Financial risk management policy

The company's principal financial investments comprise cash, cash equivalents and loans. Other financial assets and liabilities, such as trade creditors and trade debtors, arise directly from the company's operating activities.

The main risks associated with the company's financial assets and liabilities are set out below.

Interest rate risk

The company invests surplus cash in a floating rate interest yielding bank deposit account and has access to a floating rate interest bearing overdraft facility. Term loans are entered into at floating interest rates. The company interest income and expenses are therefore affected by movements in interest rates. The company does not undertake any hedging activity.

Credit risk

The company has external debtors; however, the company undertakes assessments of its customers in order to manage credit risk where there is a likelihood of default.

Liquidity risk

The company aims to mitigate liquidity risk by managing cash generated by its operations.


Foreign currency risk

The company do not have any foreign currency transactions and therefore are not exposed to any foreign currency risk.

Auditors

A resolution to re-appoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



A Hird
Secretary

10 October 2006

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

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 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; and
- 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. 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.

Independent auditors' report

to the members of Ebac Management Services Limited

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and the related notes 1 to 13. These financial statements have been prepared under 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 directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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 International Standards on Auditing (UK and Ireland).

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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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.

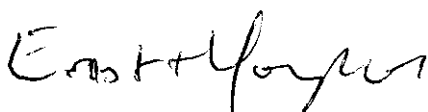
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Independent auditors' report

to the members of Ebac Management Services Limited

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered auditor
Newcastle upon Tyne

10 October 2006

Profit and loss account

for the year ended 31 December 2005

	Note	2005 £	2004 £
Turnover	2	626,435	665,022
Cost of sales	4	582,961	632,116
Operating profit		43,474	32,906
Profit before tax		43,474	32,906
Tax on profit on ordinary activities	5	-	9,499
Retained profit for the year		43,474	42,405

All activities relate to continuing operations.

Statement of total recognised gains and losses

There are no recognised gains and losses other than the profit attributable to shareholders of the company of £43,474 for the year ended 31 December 2005 (2004: profit of £42,405).

Balance sheet

at 31 December 2005

	Notes	2005 £	2004 £
Current assets			
Debtors	6	179,737	187,527
Cash at bank and in hand		73,811	26,864
		<u>253,548</u>	<u>214,391</u>
Creditors: amounts falling due within one year	7	31,879	36,196
		<u>221,669</u>	<u>178,195</u>
Net assets			
Capital and reserves			
Called up share capital	8	2	2
Profit and loss account	9	221,667	178,193
		<u>221,669</u>	<u>178,195</u>
Equity Shareholders' funds	9	221,669	178,195

These financial statements were approved by the Board of Directors on 10 October 2006 and were signed on its behalf by:

S Peacock
Director



Notes to the financial statements

at 31 December 2005

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom, and under the historical cost accounting rules.

Cash flow statement

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

Related parties

As the company is a wholly owned subsidiary of Ebac Group Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Ebac Group Limited, within which this company is included, can be obtained from the address given in note 13.

Post retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Deferred taxation

Deferred taxation is provided in full using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

2. Analysis of turnover and profit on ordinary activities before taxation

All turnover and the profit on ordinary activities before taxation is derived from the company's principal activity.

Auditors' remuneration is paid by the parent company on behalf of Ebac Management Services Limited.

3. Directors' remuneration

	2005 £	2004 £
Directors' emoluments	487,439	528,594
Company contributions to Money Purchase pension schemes	5,420	6,026

The emoluments of the highest paid director were £119,167 (2004: £119,116) and company pension contributions of £1,772 (2004: £Nil) were made to a Money Purchase Scheme on his behalf.

	Number of directors	
	2005 No.	2004 No.
Retirement benefits are accruing to the following number of directors under:		
Money Purchase schemes	4	7

Notes to the financial statements

at 31 December 2005

4. Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows:

	<i>Number of employees</i>	
	<i>2005</i>	<i>2004</i>
	<i>No.</i>	<i>No.</i>
Management	9	9

The aggregate payroll costs of these persons were as follows:

	<i>2005</i>	<i>2004</i>
	<i>£</i>	<i>£</i>
Wages and salaries	515,490	560,232
Social security costs	61,502	65,290
Other pension costs (note 11)	5,969	6,594
	<u>582,961</u>	<u>632,116</u>

5. Taxation

(a) Tax on profit on ordinary activities

	<i>2005</i>	<i>2004</i>
	<i>£</i>	<i>£</i>
UK Corporation tax	-	6,252
Tax over provided in previous years	-	(15,751)
Total current tax (note 5 (b))	<u>-</u>	<u>(9,499)</u>

(b) Factors affecting current tax charge

	<i>2005</i>	<i>2004</i>
	<i>£</i>	<i>£</i>
Profit on ordinary activities before taxation	43,474	32,906
Profit on ordinary activities multiplied by a standard rate of corporation tax in the UK of 30% (2004: 30%)	13,042	9,872
Tax over provided in previous years	-	(15,751)
Other timing differences	(13,042)	(3,620)
Total current tax (note 5(a))	<u>-</u>	<u>(9,499)</u>

Notes to the financial statements

at 31 December 2005

6. Debtors

	2005	2004
	£	£
Amounts owed by group undertakings	179,737	187,527

7. Creditors: amounts falling due within one year

	2005	2004
	£	£
Corporation tax	-	6,252
Taxation and social security	15,323	14,476
Other creditors	16,556	15,468
	31,879	36,196

8. Called up share capital

	2005	2004
	£	£
<i>Authorised</i>		
Equity: ordinary shares of £1 each	2	2
<i>Allotted, called up and fully paid</i>		
Equity: ordinary shares of £1 each	2	2

9. Reconciliation of shareholders' funds and movement on reserves

	Share capital	Profit and loss account	Total
	£	£	£
At 1 January 2004	2	135,788	135,790
Profit for the year	-	42,405	42,405
At 1 January 2005	2	178,193	178,195
Profit for the year	-	43,474	43,474
At 31 December 2005	2	221,667	221,669

10. Commitments

There were no capital commitments at the end of the financial year (2004: £Nil).

11. Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £5,969 (2004: £6,594).

Notes to the financial statements

at 31 December 2005

12. Parent undertaking

The company is a subsidiary undertaking of Ebac Group Limited, incorporated in England. The consolidated financial statements of this company are available to the public and may be obtained from Ebac Group Limited, St Helen Trading Estate, Bishop Auckland, Co Durham, England.

13. Related party transactions

The company has taken the advantage under FRS 8, of not disclosing transactions with other members of the Ebac Group.