MacLellan Management Services Limited

(Registered in England and Wales number: 3385466)

Directors' report and financial statements

Year ended 31 December 2005

Contents

The Directors present their report together with the audited financial statements for the year ended 31 December 2005.

Principal activity and business review

The Company's principal activity during the year was the provision of operational and administrative personnel and management services to other operating members of the MacLellan Group plc group of companies.

Proposed dividends and transfer to reserves

The Directors do not recommend the payment of a dividend *(2004: £nil)*. The profit for the year after taxation of £47,000 *(2004:£16,000)* is transferred to reserves.

Directors and their interests

The Directors who served during the year were as follows:

P E Blackburn
J L Ellis
J R Foley
S R Shipley

On 14 March 2006, J R Foley and S R Shipley resigned their directorships. None of the Directors held any interests in the share capital of the Company. The interests in the share capital of group undertakings of J L Ellis, J R Foley and S R Shipley who are also directors of the Company's ultimate parent undertaking MacLellan Group plc, are shown in the Annual Report of that company. The other Director in office at the year end had no interest in the issued share capital of MacLellan Group plc but held options over the following number of ordinary shares of 5 pence nominal value each in the ultimate parent undertaking, MacLellan Group plc:

	Dates normally exercisable	*31 December 2004*	*Granted*	*Exercised*	*31 December 2005*	*Exercise Price*
P E Blackburn	September 2004/07	42,670	-	-	42,670	70.3p
	September 2004/11	32,330	-	-	32,330	70.3p
	May 2005/12	75,000	-	-	75,000	95.67p
	April 2007/14	50,000	-	-	50,000	69.67p

No options have lapsed during the year. There are no other Directors' interests requiring disclosure under the Companies Act 1985.

Employees

The Company gives full consideration to applications for employment made by persons with reduced mobility, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event that an employee becomes disabled, every effort is made to ensure their continued employment and to arrange appropriate training. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as practicable, be identical to that of a person who does not suffer from a disability. The Company, together with its fellow subsidiary companies, has continued its policy of regularly consulting and communicating with its employees through newsletters, briefing meetings and announcements on notice boards.

Donations

Charitable donations amounted to £nil *(2004: £nil)*. There were no political donations in either year.

Statement of 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 and of the profit or loss for that year. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments 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 confirm that the above requirements have been complied within the preparation of the financial statements. 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.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of credit risk and liquidity risk. The directors actively manage these by monitoring levels of risk and the related costs.

The company has implemented credit control policies including carrying out appropriate credit checks on potential customers before sales are made and reviewing collection periods.

The company utilises group finance that is designed to ensure the company has sufficient available funds for its operations and its required level of working capital.

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and the resolution concerning their re-appointment as auditors will be proposed at the Annual General Meeting.

By Order of the Board

P E Blackburn
Director

Registered office:
MacLellan House
Clews Road
Oakenshaw
Redditch
Worcestershire
B98 7ST

15 March 2006

We have audited the financial statements of MacLellan Management Services Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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.

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.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
East Midlands

15 March 2006

Profit and loss account for the year ended 31 December 2005

	Year ended 31 December 2005	*Year ended 31 December 2004*
	£'000	***£'000***
Turnover *(note 2)*	108,820	52,380
Cost of sales	(108,820)	(52,380)
Gross profit	-	-
Administrative expenses	77	23
Operating profit *(note 2)*	77	23
Interest payable and similar charges	(6)	-
Profit on ordinary activities before taxation *(note 3)*	71	23
Taxation on profit on ordinary activities *(note 5)*	(24)	(7)
Profit on ordinary activities after taxation transferred to reserves *(note 10)*	47	16

All of the Company's activities are classified as continuing.

The above results are stated on an historical cost basis.

There were no recognised gains and losses other than the profit for the year and accordingly no separate statement of total recognised gains and losses has been presented.

	31 December 2005 £'000	31 December 2004 £'000
Current assets		
Debtors *(note 6)*	6,550	6,506
Cash at bank and in hand	-	70
	6,550	6,576
Creditors – amounts falling due within one year *(note 7)*	(6,467)	(6,540)
Net current assets	83	36
Total assets less current liabilities	83	36
Capital and reserves		
Called up share capital *(note 8)*	20	20
Profit and loss account *(note 9)*	63	16
Equity shareholders' funds	83	36

The financial statements on pages 5 to 12 were approved by the Board on 15 March 2006 and signed on its behalf by:

J L Ellis
Director

Reconciliation of movements in shareholders' funds for the year ended 31 December 2005

	Year ended 31 December 2005 £'000	*Year ended 31 December 2004 £'000*
Profit for the year	47	16
Net increase in shareholders' funds	47	16
Opening shareholders' funds	36	20
	83	36

1. Accounting policies

The financial statements have been prepared under the historical cost convention, the Companies Act 1985 and in accordance with applicable accounting standards. The principal accounting policies and estimation techniques, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year are summarised below.

The Company is exempt from the requirements of Financial Reporting Standard No 1 (Revised 1996) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of MacLellan Group plc, and its cash flows are included within the consolidated cash flow statement of that company.

Turnover
Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

Deferred Tax

Deferred tax is provided for in full on all timing differences and is calculated, without applying discount factors, at the average tax rates expected to apply in the years in which timing differences are expected to reverse. Deferred taxation assets are recognised to the extent that, in the view of the Directors, there are expected to be appropriate taxable profits within the foreseeable future from which the asset can be deducted.

Pensions

Costs in respect of pensions contributions to money purchase schemes are charged to the profit and loss account in the period in which they are incurred. Pension costs of the MacLellan 2000 Scheme (final salary) are charged to the profit and loss account so as to spread the cost of pensions over the expected average working lives of scheme members in accordance with the recommendations of qualified actuaries.

2. Segmental analysis

Turnover, operating profit and capital employed arise from the provision of operational and administrative personnel and management services. The Company operates in the United Kingdom where all of its turnover originates.

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	Year ended 31 December 2005 £'000	***Year ended 31 December 2004 £'000***
Auditors' remuneration including expenses		
- audit services	4	4

4. Directors and employees

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

	Year ended 31 December 2005 Number	Year ended 31 December 2004 Number
Production and site operatives	10,081	5,196
Administration	626	332
	10,707	5,528

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
The payroll costs of these employees were as follows:		
Wages and salaries	98,691	50,547
Social security costs	6,932	3,540
Other pension costs	590	269
	106,213	54,356

Directors:
No Directors emoluments were paid by the Company.

5. Taxation on profit on ordinary activities

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
UK corporation tax at 30% *(2004: 30%)*		
- charge on results for the year	28	7
- adjustments in respect of prior year	2	-
Total current tax	30	7
Deferred taxation		
- origination and reversal of timing differences	(6)	-
Total deferred tax	(6)	-
	24	7

Current tax
The current tax charge differs from the standard rate of UK corporation tax (30%). The difference is explained as follows:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	71	23
Profit on ordinary activities multiplied by UK corporation tax rate of 30%	21	7
Timing differences	5	-
Prior year adjustment	2	-
	28	7

6. Debtors

	31 December 2005 £'000	*31 December 2004 £'000*
Amounts falling due within one year:		
Amounts due from group undertakings	6,544	6,506
Deferred taxation	6	-
	6,550	6,506

7. Creditors - amounts falling due within one year

	31 December 2005 £'000	*31 December 2004 £'000*
Bank overdraft	1,544	-
Corporation tax	27	7
Other taxation and social security	4,764	6,360
Accruals and deferred income	122	163
Amounts owed to group undertakings	10	-
	6,467	6,540

8. Called up share capital

	31 December 2005 and 2004 £'000
Authorised:	
20,000 ordinary shares of £1 each	20
Allotted, called up and fully paid:	
20,000 ordinary share of £1 each	20

9. Profit and loss account

	£'000
At 1 January 2005	16
Profit for the year	47
At 31 December 2005	63

10. Commitments

At 31 December 2005 there were no annual commitments under non-cancellable operating leases and the Company had no capital commitments.

11. Pensions

The MacLellan Group originally set up three pension schemes during 2000 for various categories of employee. Each of these schemes had been written under trust and approved under the Income and Corporation Taxes Act 1998.

During 2004, the Group conducted a radical and strategic review of the pension scheme arrangements. The aim of the review was to enable the Group to consolidate and reduce the number of pension schemes it administered and to provide employees with:

- a national firm of independent financial advisers to work with employees across the UK
- cost effective pension solutions
- easy and clear information to aid membership into a pension scheme with structured individual advice.

Consequently, the MacLellan Personal Pension Plan was introduced for all categories of employee (subject to eligibility). The MacLellan Personal Pension Plan is provided through Scottish Widows and ensures compliance with Stakeholder Pension Legislation.

The MacLellan Group 2000 Retirement Benefits Scheme, set up in July 2000, is a funded final salary (defined benefit) scheme and offers guaranteed pension benefits based upon salary and service, and broadly matches the Principal Civil Service Pension Scheme. The scheme is offered only to employees joining the company who are entitled by legislation to receive benefits on this basis. The scheme continues to operate alongside the MacLellan Personal Pension Plan.

Costs are charged to the profit and loss account in the year in which they are incurred and in the current year amounted to £514,000 *(2004: £231,000)* in respect of defined contribution schemes and £76,000 *(2004: £38,000)* in respect of the defined benefit scheme. At 31 December 2005 there were outstanding contributions of £66,000 *(2004: £68,000)*.

Financial Reporting Standard 17

Under the provisions of FRS17, the Company has accounted for pensions using the following information concerning the MacLellan 2000 defined benefit scheme. At 31 December 2005 the scheme had thirty-five active members *(2004: thirty-four)* and its assets and liabilities are not material in the context of the Company. However, the information below has been provided for use by readers of the financial statements.

The contribution levels are determined by an independent qualified actuary using the projected unit method. The main assumptions used by the actuary for FRS17 purposes at 31 December were as follows:

	2005	***2004***
Rate of inflation	2.8%	3.0%
Rate of salary increases	3.8%	4.0%
Rate of increase in pensions in payment	2.8%	3.0%
Revaluation of deferred pensions	2.8%	3.0%
Discount rate	4.7%	5.25%

The scheme assets are invested in Scottish Life insurance policies which had a market value at 31 December 2005 of £387,000 *(2004: £266,000)*. The summary of scheme funds, measured in accordance with the requirements of FRS17, at 31 December 2005 were as follows:

	31 December 2005 £'000	*31 December 2004 £'000*
Total market value of assets	387	266
Present value of scheme liabilities	(423)	(272)
Deficit in scheme	(36)	(6)
Related deferred tax liability	11	-
Net scheme liability	(25)	(6)

As the impact on the prior year of the net scheme liability is not material, no prior year adjustment has been made. The cost has been included in other pension costs and the net scheme liability at 31 December 2005 has been included within the creditors of the recharged group companies.

12. Contingent liabilities

The Company has provided cross-guarantees in respect of bank overdrafts and other liabilities for group companies amounting in aggregate to £10,906,000 *(2004: £14,330,000)*.

13. Related party disclosures

The Company's ultimate parent undertaking is MacLellan Group plc which prepares consolidated financial statements that are publicly available. The Company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions (but not balances) with entities that are part of the MacLellan Group plc group or investees of MacLellan Group plc where such transactions are fully eliminated on consolidation.

14. Parent undertaking

The Company's ultimate parent undertaking and controlling party is MacLellan Group plc, a company incorporated in Great Britain and registered in England and Wales.

The consolidated financial statements of MacLellan Group plc are available to the public and may be obtained from Enterprise House, Castle Street, Worcester WR1 3AD. No other group financial statements include the results of the Company.