

# **Price Engines Limited**

## **Report and Financial Statements**

31 December 2004



## Price Engines Limited

Registered No: 3922900

### Directors

A T Parker  
G Allen  
G A Tyers  
M S Wild  
R G A Barr (Appointed 17<sup>th</sup> September 2004)  
R A Whiting (Appointed 6<sup>th</sup> December 2004)  
L J Campbell (Resigned 17<sup>th</sup> September 2004)

### Secretary

M S Wild (Appointed 2<sup>nd</sup> July 2004)  
I Barron (Resigned 2<sup>nd</sup> July 2004)

### Auditors

Ernst & Young LLP  
PO Box 61  
Cloth Hall Court  
14 King Street  
Leeds  
LS1 2JN

### Registered Office

Waverley  
Edgerton Road  
Huddersfield  
West Yorkshire  
HD3 3AR

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2004.

### Results and dividends

The profit for the year, after taxation, amounted to £73,000. The directors do not recommend the payment of any dividends.

### Principal activities and review of the business

The principal activity of the company is the design and manufacture of hosted Internet applications.

### Directors and their interests

The directors' interests in the share capital of the ultimate parent undertaking, Heywood Williams Group PLC, were as follows:

	<i>Ordinary shares of 25p</i>		<i>Long term incentive plan shares provisionally awarded</i>	
	<i>At 31 December 2004</i>	<i>At 31 December 2003 or later date of appointment</i>	<i>At 31 December 2004</i>	<i>At 31 December 2003 or later date of appointment</i>
A T Parker	30,920	27,574	214,216	121,776
M S Wild	15,252	15,252	174,307	95,706

The following directors also held options under Heywood Williams Group PLC schemes during the year:

	<i>No of options</i>					<i>No of options</i>	
	<i>At 1 January 2004</i>	<i>Granted during year</i>				<i>at 31 December 2004</i>	
A T Parker	144,509 (1)	-	(144,509)	-	-	-	(1)
M S Wild	129,075 (1)	-	(129,075)	-	-	-	(1)

(1) Executive share option

The interests and options of R G A Barr and R A Whiting in the share capital of the ultimate parent undertaking, Heywood Williams Group PLC are disclosed in the accounts of that company.

The directors' interests in the share capital of Price Engines Limited were as follows:

	<i>Ordinary shares of £1 each</i>	
	<i>At 31 December 2004</i>	<i>At 31 December 2003</i>
G Allen	25	25
G A Tyers	25	25

## Directors' report

### Creditor payment policy and practice

The company agrees terms and conditions for transactions with suppliers which are consistent with custom and practice in the industry in which the company operates. Payment is made in accordance with these arrangements, subject to the suppliers meeting their contractual obligations.

The average creditor days at 31 December 2004 was 26 days (2003: 18).

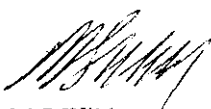
### Donations

No charitable donations or political contributions have been made.

### Auditors

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

By order of the board



M S Wild  
Secretary

25 July 2005

## Statement of directors' responsibilities in respect of the financial statements

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;
- 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 Price Engines Limited**

We have audited the company's financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, Balance Sheet, Statement of Cash Flows, and the related notes 1 to 20. These financial statements 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 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**

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 United Kingdom law and accounting standards.

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 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 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.

**Independent auditors' report**

to the members of Price Engines Limited (continued)

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
Leeds

*3 August* 2005

**Profit and loss account****for the year ended 31 December 2004**

	Notes	2004 £000	2003 £000
<b>Turnover</b>	2	2,646	1,392
Administrative expenses		(2,287)	(1,262)
Operating exceptional items	3	(210)	-
<b>Operating profit</b>	3	149	130
Interest receivable	6	2	3
Interest payable	7	(39)	(50)
		(37)	(47)
<b>Profit on ordinary activities before taxation</b>		112	83
Tax on profit on ordinary activities	8	(39)	(31)
<b>Profit for the financial year transferred to reserves</b>		73	52

**Statement of total recognised gains and losses**

There are no gains or losses other than the profit of £73,000 attributable to the shareholders for the year ended 31 December 2004 (2003: profit of £52,000). Accordingly, a statement of total recognised gains and losses has not been presented.

## Balance sheet

as at 31 December 2004

	Notes	2004 £000	2003 £000
<b>Fixed assets</b>			
Tangible assets	9	30	33
<b>Current assets</b>			
Trade debtors		412	325
Cash at bank		86	127
		498	452
<b>Creditors:</b> amounts falling due within one year	10	356	217
		142	235
<b>Net current assets</b>		172	268
<b>Total assets less current liabilities</b>		172	268
<b>Creditors:</b> amounts falling due after more than one year	11	462	631
		(290)	(363)
<b>Capital and reserves</b>			
Called up share capital	15	-	-
Profit and loss account	16	(290)	(363)
<b>Equity shareholder's funds</b>	16	(290)	(363)

A T Parker  
Director

25 July 2005

## Statement of cash flows

for the year ended 31 December 2004

	Notes	2004 £000	2003 £000
<b>Net cash inflow from operating activities</b>	17	215	66
<b>Returns on investments and servicing of finance</b>			
Interest received		2	3
Interest paid		(39)	(50)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(37)	(47)
Corporation tax (paid)/received		(30)	49
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		(20)	(7)
<b>Financing</b>			
(Decrease)/increase in long-term amounts owed to group companies	18	(169)	51
<b>(Decrease)/increase in cash</b>	18	(41)	112

### Reconciliation of net cash flow to movement in net debt

	Notes	2004 £000	2003 £000
(Decrease)/increase in cash		(41)	112
Cash outflow/(inflow) from increase in long-term amounts owed to group companies		169	(51)
Change in net debt	18	128	61
Net debt at 1 January	18	(504)	(565)
Net debt at 31 December	18	(376)	(504)

## Notes to the financial statements

as at 31 December 2004

### 1. Accounting policies

#### *Fundamental accounting concept*

The financial statements have been prepared on the going concern basis as the ultimate parent undertaking has agreed to provide financial support.

#### *Accounting convention*

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

#### *Depreciation*

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Plant and equipment is depreciated over periods between 3 and 16 years.

Vehicles are depreciated over periods between 3 and 5 years.

#### *Deferred taxation*

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### *Operating lease agreements*

Rentals payable under operating leases are charged in the Profit and Loss Account on a straight line basis over the lease term.

#### *Pension costs*

Heywood Williams Group PLC operates defined benefit and defined contribution pension schemes whose assets are held in separate trustee administered funds.

Any differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the group balance sheet.

Contributions to the defined contribution scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

## Notes to the financial statements

as at 31 December 2004

### 2. Turnover

Turnover, which is stated net of value added tax, comprises amounts invoiced to third parties. Turnover is attributable to one continuing activity, which arises solely in the United Kingdom.

### 3. Operating profit

This is stated after charging/(crediting):

	2004 £000	2003 £000
Auditors' remuneration - audit services	4	4
Depreciation of owned fixed assets	23	22
Operating lease rentals		
- land and buildings	20	-
- plant and machinery	7	20
Operating exceptional items - Coldseal	210	-

The operating exceptional charge relates to the bad debt write off of Coldseal following the failure of this customer in the year.

### 4. Staff costs

	2004 £000	2003 £000
Wages and salaries	847	377
Social security costs	69	36
Staff pension contributions (note 19)	3	4
	919	417

The monthly average number of employees during the year amounted to 38 (2003: 20).

# Notes to the financial statements

as at 31 December 2004

## 5. Directors' emoluments

	2004 £000	2003 £000
Emoluments (excluding pension contributions)	256	131

	2004 No	2003 No
Members of group defined benefit pension schemes	3	3

## 6. Interest receivable

	2004 £000	2003 £000
Bank interest receivable	2	3

## 7. Interest payable

	2004 £000	2003 £000
Ultimate parent undertaking	39	50

## 8. Tax

### (a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2004 £000	2003 £000
<i>Current tax:</i>		
Group relief payable	39	31
Total current tax (note 8(b))	39	31

### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are reconciled below:

## Notes to the financial statements

as at 31 December 2004

### 8. Tax (continued)

	2004 £000	2003 £000
Profit on ordinary activities before taxation	112	83
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	34	25
Disallowed expenses and non-taxable income	3	4
Depreciation in excess of capital allowances	2	2
Total current tax (note 8(a))	39	31

#### (c) Factors that may affect future tax charges

There are no significant known factors that may affect future tax charges, other than the profit on ordinary activities before tax for the period.

### 9. Tangible fixed assets

	<i>Plant, equipment and vehicles</i> £000
Cost:	
At 1 January 2004	97
Additions	20
At 31 December 2004	117
Depreciation:	
At 1 January 2004	64
Provided during the year	23
At 31 December 2004	87
Net book value:	
At 31 December 2004	30
At 1 January 2004	33

## Notes to the financial statements

as at 31 December 2004

### 10. Creditors: amounts falling due within one year

	2004 £000	2003 £000
Trade creditors	143	74
Amounts owed to group undertakings	39	50
Corporation tax	40	31
Other taxation and social security	15	36
Accruals and deferred income	118	26
Other Creditors	1	-
	<u>356</u>	<u>217</u>

### 11. Creditors: amounts falling due after more than one year

	2004 £000	2003 £000
Amounts owed to group undertakings	<u>462</u>	<u>631</u>

### 12. Commitments under operating leases

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	<i>Plant and equipment</i>	
	2004 £000	2003 £000
Operating leases which expire:		
Within one year	<u>4</u>	<u>4</u>
	<u>4</u>	<u>4</u>

### 13. Contingent liability

The company, together with its ultimate parent undertaking and certain fellow subsidiary undertakings, has given guarantees and rights of set off in respect of bank overdrafts and loans by certain companies within the Heywood Williams Group. At 31 December 2004, the amounts outstanding under these guarantees totalled £nil (2003: £nil).

### 14. Related party transactions

During the year, the company sold goods in the normal course of business, to fellow subsidiary undertakings for £nil (2003: £118,000). At the balance sheet date the amount due from fellow subsidiary undertakings was £nil (2003:- £1,000).

In addition the company incurred interest charges of £39,000 (2003: £50,000) from its ultimate parent undertaking. The company's payroll costs of £919,000 (2003: £417,000) were paid by a fellow subsidiary undertaking and the amount reimbursed to that company. At the balance sheet date the amount due to the ultimate parent undertaking was £39,000 (2003: £50,000) and to fellow subsidiary undertakings £nil (2003: £nil).

## Notes to the financial statements

as at 31 December 2004

### 15. Share capital

	<i>Authorised</i>	
	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	1	1
	<u>          </u>	<u>          </u>
	<i>Allotted, called up and fully paid</i>	
	<i>2004</i>	<i>2003</i>
	<i>No</i>	<i>No</i>
	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	200	200
	<u>          </u>	<u>          </u>

### 16. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Profit and loss</i>	<i>Total share-</i>
	<i>£000</i>	<i>account</i>	<i>holders' funds</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2003	-	(415)	(415)
Profit for the year	-	52	52
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2003	-	(363)	(363)
Profit for the year	-	73	73
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2004	-	(290)	(290)
	<u>          </u>	<u>          </u>	<u>          </u>

### 17. Reconciliation of operating profit to net cash inflow from operating activities

	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Operating profit	149	130
Depreciation	23	22
Increase in debtors	(87)	(124)
Increase in creditors	130	38
	<u>          </u>	<u>          </u>
Net cash inflow from operating activities	215	66
	<u>          </u>	<u>          </u>

## Notes to the financial statements

as at 31 December 2004

### 18. Analysis of changes in net funds

	At 1 January 2004 £000	Cash flows £000	At 31 December 2004 £000
Cash at bank and in hand	127	(41)	86
Debt due after one year	(631)	169	(462)
	<u>(504)</u>	<u>128</u>	<u>(376)</u>

### 19. Pension arrangements

Information in this note has been prepared with the assistance and advice of the company's actuaries, Watson Wyatt LLP.

Heywood Williams Group PLC operates defined benefit and defined contribution pension schemes whose assets are held in separate trustee administered funds.

The defined benefit pension schemes are funded and contributions are made in accordance with the recommendations of independent actuaries based upon triennial actuarial valuations. An independent valuation of the schemes was performed as at 5 April 2003, details of which are included in the accounts of Heywood Williams Group PLC.

FRS 17 – Retirement Benefits, was issued in November 2000, but full compliance is not yet mandatory. As the Company's employees only form part of the multi-employer schemes operated by the parent undertaking, for which the assets and liabilities relating to individual subsidiaries are not identifiable, on full adoption of FRS 17, the Company will account for its pension contributions as if they were made to a defined contribution scheme.

Contributions paid into defined contributions schemes were £3,000 (2003: £4,000) and defined benefit schemes were £nil (2003: £nil). Contributions of £1,000 were outstanding at 31 December 2004 (2003: £nil).

The information below is disclosed in accordance with the transitional provisions of FRS 17 - Retirement Benefits, and relates only to the Heywood Williams Group PLC United Kingdom defined benefit scheme.

The value of the liabilities of the Heywood Williams Group PLC defined benefit scheme have been determined by a qualified actuary based on calculations carried out as at 31 December 2004 and using the following assumptions:

	2004 % pa	2003 % pa
Main assumptions:		
Rate of increase in salaries	4.2	4.0
Rate of increase in pensions in payment	2.7	2.5
Rate of increase in deferred pensions	2.7	2.5
Discount rate	5.3	5.4
Inflation assumption	2.7	2.5

## Notes to the financial statements

as at 31 December 2004

### 19. Pension arrangements (continued)

The assets and liabilities of the scheme and the expected rate of return at 31 December are:

		2004		2003
	<i>Long-term rate of return expected</i>	<i>Value</i>	<i>Long-term rate of return expected</i>	<i>Value</i>
	%	£m	%	£m
Equities	8.1	56.7	7.9	54.1
Bonds	4.8	29.2	5.0	27.7
Cash	4.8	0.2	3.8	0.1
Total market value of assets		86.1		81.9
Present value of scheme liabilities		(112.1)		(106.3)
Pension liability before deferred tax		(26.0)		(24.4)
Related deferred tax asset		-		-
Net pension liability		(26.0)		(24.4)

### 20. Ultimate parent company

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is Heywood Williams Group PLC, which is registered in England and Wales. Copies of Heywood Williams Group PLC accounts can be obtained from:

Heywood Williams Group PLC  
Waverley  
Edgerton Road  
Huddersfield  
West Yorkshire  
HD3 3AR

Heywood Williams Group PLC is also the ultimate parent undertaking and the company's controlling party.