Johnston Sweepers Limited

Directors' report and consolidated financial statements

Registered number 199841

31 December 2004

Contents

Directors' report

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

Group activities

The principal activity of the company and group is the manufacture of suction and mechanical road and precinct sweepers in the United Kingdom, the United States, Canada, Australia and Denmark. Sales in Denmark are generated through a branch of the company.

Business review

The company is a wholly owned subsidiary of Johnston Group Limited (formerly Johnston Group PLC). On 1 November 2004, Ennstone plc acquired the entire share capital of Johnston Group PLC and, accordingly, from that date, the company has been a subsidiary of Ennstone plc.

Within its Circular to shareholders seeking approval for the acquisition of Johnston Group PLC, Ennstone plc made clear that it intended divesting itself of the company and its subsidiaries ("the Sweeper Group") at the earliest opportunity. Accordingly, and in accordance with accounting standards, the results of the company and its subsidiaries will not be consolidated within the financial statements of Ennstone plc. The company is not, therefore, able to take advantage of the exemption (offered by s.228 of the Companies Act) from the requirement to prepare consolidated financial statements.

The business faced much uncertainty during the year, due to the bid from Ennstone, counter bids by other parties and, particularly in the context of the Ennstone bid, the likelihood that the Sweeper Group would be sold on at an early opportunity. This uncertainty affected the performance of the Sweeper Group, particularly in North America, and also interrupted the second phase of a fundamental restructuring of the North American business. The consequence of this has been to significantly impair the carrying value attributed to the American and Canadian subsidiaries such that the company's investments in these entities have needed to be fully written down. This has resulted in an impairment charge in the year in the company's accounts of £7,301,000.

In making the decision that the Sweeper Group would be sold on, the Board of Ennstone acknowledged that a significant element of the Sweepers Group's debt due to its immediate parent would need to be forgiven. Loan waiver agreements have now been drawn up: the accounts reflect this reduction in the debt due to the company's parent of £24,779,000. Due to its size, this item is disclosed as an exceptional item.

The directors of Johnston Sweepers Limited are aware that negotiations for the sale of the company are at a very advanced stage and that a sale is expected to be agreed, subject to the approval of shareholders of Ennstone plc, in the immediate future.

Research and development

Research and development programmes are promoted through each subsidiary company to improve production processes, extend product ranges and reduce costs. Group research and development costs in the year amounted to £1,187,000 (2003: £919,000).

Proposed dividend

The directors do not propose a dividend for the year (2003: £600,000)

Directors' report *(continued)*

Policy and practice on payment of creditors

The company and its subsidiary companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is Group policy that payment to suppliers are made in accordance with these terms, or shortly thereafter, provided that the supplier is also complying with all relevant terms and conditions.

Directors and Directors' Interests

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

M.R.H Jordan	- resigned 23 April 2004
K.P. Pandya	- appointed 26 April 2004
J.M.S. Johnston	- resigned 22 December 2004
P.G. Rhodes	
C. F. Offley	
D.W. Wright	- resigned 8 July 2004
G. Whittall	
S.R.L. Douglas	
D.F.Bishop	

The names of the directors holding office at the year end and their beneficial interests in the ordinary share capital of the ultimate parent company are shown below. As at 1 January 2004, Johnston Group PLC was the ultimate parent company. At 1 November 2004, the shareholders of Johnston Group PLC were offered the option of shares in Ennstone or a cash payment in exchange for their current share holding.

	31 Dec 2004	1 Jan 2004
	Ennstone plc	Johnston Group PLC
	Ordinary Shares 10p	Ordinary Shares 10p
P.G. Rhodes	-	-
C.F. Offley	7,871	930
G.Whittall	11,513	903
S.R.L.Douglas	-	-
D.F.Bishop	-	-
K. Pandya	-	-

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Directors' report *(continued)*

Employees

The company is committed to policies of non-discrimination to promote equal opportunities in employment regardless of gender, religion, race or ethnic origin. A brochure and twice yearly newsletter covering results and announcements of other significant business matters of Johnston Group and its subsidiary companies are distributed to all employees.

The employment of those who become disabled is continued wherever possible and opportunities are provided for the recruitment, training and career development of disabled people.

Political and charitable donations

The group made no political or charitable donations during the year (2003: £Nil).

ON BEHALF OF THE BOARD

....
Kash Pandya
Managing Director

Johnston House
Hatchlands Road
Redhill
Surrey RH1 1BG

18 February 2005

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 group and of the profit or loss 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 group 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG Audit Plc
1 Forest Gate
Brighton Road
Crawley
RH11 9PT
United Kingdom

Report of the independent auditors to the members of Johnston Sweepers Limited

We have audited the financial statements on pages 6 to 28.

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 auditor's 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 preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 group is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 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 group'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 of the state of affairs of the company and the group as at 31 December 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

18 February 2005

Consolidated profit and loss account

for the year ended 31 December 2004

	Note	2004 £000	2004 £000	2003 £000	2003 £000
Group turnover	3		109,501		103,395
Change in stocks of finished goods and work in progress		(550)		783	
Other operating income		(288)		(431)	
Exceptional other operating income	2	(24,779)		-	
Raw materials and consumables		66,447		59,294	
Other external charges		14,358		13,784	
Staff costs	6	28,860		28,394	
Depreciation and other amounts written off tangible and intangible fixed assets		1,891		4,289	
Other operating charges		269		133	
			(86,208)		(106,246)
Group operating profit / (loss)	3		23,293		(2,851)
Interest payable and similar charges	7		(366)		(355)
Profit / (loss) on ordinary activities before taxation	4		22,927		(3,206)
Tax on profit / (loss) on ordinary activities	8		(575)		(248)
Profit / (loss) on ordinary activities after taxation			22,352		(3,454)
Dividends on equity shares	9		-		(600)
Profit / (loss) for the financial year			22,352		(4,054)

The turnover and operating profit / (loss) are derived from continuing operations.

Consolidated balance sheet
at 31 December 2004

	Note	2004 £000	2004 £000	2003 £000	2003 £000
Fixed assets					
Tangible assets	*10*		**15,808**		15,994
Current assets					
Stocks	*13*	**22,840**		22,379	
Debtors	*14*	**21,413**		21,456	
Cash at bank and in hand		**1,995**		1,162	
		46,248		44,997	
Creditors: amounts falling due within one year	*15*	**(27,958)**		(25,859)	
Net current assets			**18,290**		19,138
Total assets less current liabilities			**34,098**		35,132
Creditors: amounts falling due after more than one year	*16*		**(19,910)**		(43,965)
Provisions for liabilities and charges	*17*		**(12)**		(266)
Net assets / (liabilities)			**14,176**		(9,099)
Capital and reserves					
Called up share capital	*18*		**8**		8
Revaluation reserve	*19*		**169**		137
Profit and loss account	*19*		**13,999**		(9,244)
Equity shareholders' funds / (deficit)			**14,176**		(9,099)

These financial statements were approved by the board of directors on 18 February 2005 and were signed on its behalf by:

....
Kash Pandya
Managing Director

Company balance sheet
at 31 December 2004

	Note	2004 £000	2004 £000	2003 £000	2003 £000
Fixed assets					
Tangible assets	*11*		**9,044**		9,792
Investments	*12*		**14,419**		21,151
			23,463		30,943
Current assets					
Stocks	*13*	**9,209**		10,386	
Debtors	*14*	**14,574**		12,155	
Cash at bank and in hand		**1,474**		345	
		25,257		22,886	
Creditors: amounts falling due within one year	*15*	**(16,933)**		(14,188)	
Net current assets			**8,324**		8,698
Total assets less current liabilities			**31,787**		39,641
Creditors: amounts falling due after more than one year	*16*		**(25,109)**		(28,411)
Provisions for liabilities and charges	*17*		**(12)**		(266)
Net assets			**6,666**		10,964
Capital and reserves					
Called up share capital	*18*		**8**		8
Revaluation reserve	*19*		**249**		217
Profit and loss account	*19*		**6,409**		10,739
Equity shareholders' funds			**6,666**		10,964

These financial statements were approved by the board of directors on 18 February 2005 and were signed on its behalf by:

....

Kash Pandya
Managing Director

Consolidated cash flow statement

for the year ended 31 December 2004

Cash flow statement

	Note	2004 £000	2003 £000
Cash flow from operating activities	22	**351**	2,569
Returns on investments and servicing of finance	23	**(361)**	(351)
Taxation		**(568)**	(86)
Net Capital expenditure	23	**(2,295)**	(5,369)
Acquisitions and disposals	23	**-**	(87)
Equity dividends paid		**-**	(600)
Cash (outflow) before financing		**(2,873)**	(3,924)
Financing – (increase) / decrease in debt	24	**254**	3,292
(Decrease) in cash in the year		**(2,619)**	(632)

Reconciliation of net cash flow to movement in net debt

	Note	2004 £000	2003 £000
	24		
Increase/(decrease) in cash in the year		**(2,619)**	(632)
Cash inflow from increase in debt financing		**(254)**	(3,292)
Change in net debt resulting from cash flows		**(2,873)**	(3,924)
Waiver of loans due to holding company		**24,779**	-
Translation adjustment		**1,482**	1,836
Movement in net debt in the year		**23,388**	(2,088)
Net debt at the start of the year		**(46,952)**	(44,863)
Net debt at the end of the year		**(23,564)**	(46,951)

Consolidated statement of total recognised gains and losses
for the year ended 31 December 2004

	2004 £000	2003 £000
Profit / (loss) after tax for the financial year	**22,352**	(3,454)
Translation adjustment	**923**	2,752
Total recognised gains and losses relating to the financial year	**23,275**	(702)

Notes of consolidated historical cost profits and losses
for the year ended 31 December 2004

	2004 £000	2003 £000
Reported profit / (loss) on ordinary activities before taxation	**22,927**	(3,206)
Adjustment of depreciation to historical cost basis	**(32)**	(32)
Impairment of goodwill	-	2,498
Historical cost profit / (loss) on ordinary activities before taxation	**22,895**	(740)
Taxation	**(575)**	(248)
Dividends	-	(600)
Historical cost profit / (loss) for the year retained after taxation and dividends	**22,320**	(1,588)

Reconciliations of movements in shareholders' funds
for the year ended 31 December 2004

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Total recognised gains / (losses) for the year	**23,275**	(702)	**(4,298)**	1,114
Dividends	-	(600)	-	(600)
Net addition to /(reduction in) shareholders' funds	**23,275**	(1,302)	**(4,298)**	514
Opening shareholders' (deficit) / funds	**(9,099)**	(7,797)	**10,964**	10,450
Closing shareholders' funds / (deficit)	**14,176**	(9,099)	**6,666**	10,964

Notes
(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules as modified to include the revaluation of certain freehold and leasehold properties.

Fixed assets are stated as cost, except that as allowed under FRS 15 Tangible fixed assets, on adoption of the standard in 2000 the then book amounts of revalued land and buildings were retained. These book values are based on the previous revaluation on 31st December 1998 and have not subsequently been revalued.

Going concern

The financial statements are prepared on a going concern basis, notwithstanding the anticipated sale of the company and its subsidiaries; and the need for financial support from Ennstone plc until any such sale is concluded. The directors have received written confirmation that Ennstone will continue to provide such support.

The company was acquired by Ennstone plc on 1 November 2004 as part of the acquisition of the entire share capital of Johnston Group PLC; until that time the company's ultimate parent. Ennstone plc made clear within the Circular to its shareholders seeking approval for the acquisition of Johnston Group PLC that it intended to divest itself of Johnston Sweepers Limited and its subsidiaries at the earliest opportunity.

The directors of Johnston Sweepers Limited are aware that negotiations for the sale of the company are at a very advanced stage, and that a sale is expected to be agreed, subject to the approval of shareholders of Ennstone plc, in the immediate future. The directors have no knowledge of the intentions of any new owner towards the company and in particular the directors are unaware whether the new owner intends moving any, or all, of the trade and assets to a separate entity. The directors have however, included a condition of sale with the proposed new owner that such new owner will offer themselves as guarantor in place of Ennstone subsequent to any sale or, failing that, repay all of the group's bank indebtedness. On the basis of this condition of sale, the directors are satisfied that sufficient funding will be available for the future needs of the business.

In preparing the accounts on a going concern basis, the directors have assumed the continued support of Ennstone plc up to the point of any sale; they have also assumed that the new owner will continue to support the company post acquisition. The financial statements do not include any adjustments that may arise if the intentions of the new owner prove to differ from those assumed above.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2004. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Notes (continued)

Intangible assets - goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising in respect of acquisitions before 1st January 1998, when FRS 10 Goodwill and Intangible Assets was adopted, was written off to the profit and loss account in the year of acquisition. Purchased goodwill arising in respect of acquisitions since 1st January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. On the subsequent disposal or termination of a business acquired since 1st January 1998, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation (being the frozen valuation on adoption of FRS 15), net of depreciation. Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, by equal instalments over their estimated useful economic lives as follows:

Freehold property	-	Land: Nil
	-	Buildings: 50 years
Leasehold property	-	Long lease: 50 years
	-	Short lease: over the unexpired term of the lease
Plant and machinery	-	Fixed: 8 to 15 years
	-	Mobile: 4 to 8 years

Foreign currencies

Profits and losses of overseas subsidiaries are translated into sterling at average rates of exchange during the year with the year end adjustment to closing rates being taken to reserves. Assets and liabilities in foreign currencies are translated at rates ruling at the year end. Adjustments arising from the translation at closing rates of the net investment in subsidiaries are taken to reserves, together with translation adjustments arising on foreign currency borrowings which finance a proportion of foreign currency investments. All other translation adjustments are included in the profit and loss account for the year. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

Leases

Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. Assets held under finance leases are initially reported at the fair value of the assets, with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its estimated useful life. Finance charges are allocated to accounting periods over the period of the lease to reflect a constant rate of interest on the outstanding balance. All other leases are accounted for as operating leases and the rental charges are charged to the profit and loss account on a straight line basis over the lease term.

Notes (continued)

Pensions

Contributions to the UK defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. The pension cost is assessed in accordance with the advice of a professionally qualified actuary. The difference between the amount funded and the amount charged to the profit and loss account is treated as a provision in the balance sheet. Pension costs for the defined contributions schemes are charged to the profit and loss account in the years in which they are payable. Transitional arrangements of FRS 17 have been adopted as disclosed in note 21.

Research and development expenditure

All research and development expenditure is written off as incurred, as is internal expenditure in respect of patents, know-how and trade marks.

Stocks

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid using rates and laws that have been enacted by the balance sheet date. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for tax purposes and accounting purposes which have arisen, but not reversed by the balance sheet date, except as otherwise required by FRS 19 Deferred Tax.

Turnover

Turnover is defined as the value of goods and services supplied to external customers net of trade discounts, VAT and other sales related taxes. Revenue is recognised at the point of despatch or when the goods are ready for collection by the customer in accordance with the contract terms.

2 Exceptional other operating income

Included within other operating income is an amount of £24,779,000 which represents a significant element of the company's and its subsidiaries debt due to its immediate parent which will not now be repayable as more fully explained in the directors' report.

Notes (continued)

3 Segmental analysis of results of continuing operations

	Turnover		Operating profit / loss		Capital employed	
	2004	2003	**2004**	2003	**2004**	2003
	£000	£000	**£000**	£000	**£000**	£000
By geographical source						
UK and Continental Europe	**49,969**	49,387	**4,005**	1,486	**20,577**	20,370
Americas	**28,023**	28,514	**18,858**	(3,957)	**10,622**	11,308
Australia & elsewhere	**31,509**	25,494	**430**	(380)	**6,553**	6,441
	109,501	103,395	**23,293**	(2,851)	**37,752**	38,119

Capital employed represents shareholders' funds, provisions and net debt.

	Turnover	
	2004	2003
	£000	£000
By destination		
UK and Continental Europe	**49,969**	49,387
Americas	**28,023**	28,514
Australia	**27,855**	22,805
Elsewhere	**3,654**	2,689
	109,501	103,395

4 Profit / (loss) on ordinary activities before taxation

	2004	2003
	£000	£000
Profit / (loss) on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
Group - audit	**99**	90
- non audit	**50**	30
Company - audit	**33**	34
Hire of plant and machinery - rentals payable under operating leases	**502**	510
Hire of other assets - operating leases	**1,034**	1,118
Research and development expenditure	**1,187**	919
Translation adjustment	**156**	127

Notes *(continued)*

5 Remuneration of directors

	2004	2003
	£000	£000
Directors' emoluments	**592,534**	639,898
The above disclosure includes:-		
Company contributions to money purchase pension schemes	**13,900**	18,300
Compensation for loss of office	**93,810**	-

The aggregate emoluments of the highest paid director were £200,832 (2003: £197,437). The amount of company contributions to money purchase pension schemes in respect of the highest paid director was £13,900 (2003: £18,300).

	Number of directors	
	2004	2003
Retirement benefits are accruing to the following number of directors under the following defined benefit scheme:		
Johnston Management Holdings Limited Pension and Life Assurance scheme	**5**	5

Notes *(continued)*

6 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2004	2003
Direct	**546**	539
Indirect	**499**	509
	1,045	1,048

The aggregate payroll costs of these persons were as follows:

	2004	2003
	£000	£000
Wages and salaries (including directors)	**23,954**	23,626
Social security costs	**3,439**	3,307
Other pension costs	**1,467**	1,461
	28,860	28,394

7 Interest payable and similar charges

	2004	2003
	£000	£000
Sundry interest received	**(16)**	(20)
Sundry interest / charges paid	**27**	25
On bank loans and overdrafts	**355**	350
	366	355

Notes *(continued)*

8 Taxation

Analysis of charge in period

	Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
Current Tax				
Corporation tax	-	289	-	319
Group relief	746	(51)	746	273
Foreign tax	82	(43)	-	-
Total current tax	828	195	746	592
Deferred tax	(253)	53	(253)	53
Total tax on profit / (loss) on ordinary activities	575	248	493	645

	Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
Factors affecting the tax charge for the current period:				
Profit on ordinary activities at the UK statutory rate of 30% (2003: 30%)	6,878	(962)	(1,113)	598
Non taxable loan waivers	(7,433)	-	(890)	-
Disallowed expenditure and other non taxable income	196	(107)	306	47
Non deductible impairment	-	692	2,190	-
Overseas taxation losses not utilised	934	625	-	-
Movement in timing differences	253	(53)	253	(53)
	828	195	746	592

9 Dividends and other appropriations

	2004 £000	2003 £000
Dividend on equity shares	-	600
	-	600

The aggregate amount of proposed dividends is £Nil.

Notes *(continued)*

10 Tangible fixed assets - Group

	Land and buildings			Plant and Equipment	Assets under construction	Total
	Freehold	Long lease	Short lease			
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At beginning of year	7,135	954	495	16,499	3,282	28,365
Translation adjustment	37	-	(25)	(201)	(58)	(247)
Additions	571	6	28	1,258	13	1,876
Reclassification	2,220	3	6	995	(3,224)	-
Disposals	-	-	-	(1,166)	-	(1,166)
At end of year	9,963	963	504	17,385	13	28,828
Depreciation						
At beginning of year	653	137	247	11,334	-	12,371
Translation adjustment	(5)	-	(16)	(163)	-	(184)
Charge for year	166	42	30	1,653	-	1,891
On disposals	-	-	-	(1,058)	-	(1,058)
At end of year	814	179	261	11,766	-	13,020
Net book value						
At 31st December 2004	**9,149**	**784**	**243**	**5,619**	**13**	**15,808**
At 31st December 2003	6,482	817	248	5,165	3,282	15,994

Notes *(continued)*

11 Tangible fixed assets - Company

	Land and buildings			Plant and equipment	Assets under construction	Total
	Freehold	Long lease	Short lease			
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At beginning of year	5,463	954	38	9,978	899	17,332
Translation adjustment	3	-	-	1	-	4
Additions	12	6	8	475	-	501
Reclassification	-	3	-	896	(899)	-
Disposals	-	-	-	(781)	-	(781)
At end of year	5,478	963	46	10,569	-	17,056
Depreciation						
At beginning of year	411	137	4	6,988	-	7,540
Translation adjustment	1	-	-	1	-	2
Charge for year	88	42	6	1,026	-	1,162
On disposals	-	-	-	(692)	-	(692)
At end of year	500	179	10	7,323	-	8,012
Net book value						
At 31st December 2004	**4,978**	**784**	**36**	**3,246**	**-**	**9,044**
At 31st December 2003	5,052	817	34	2,990	899	9,792

Notes *(continued)*

The company's freehold and leasehold interests in land and buildings in the UK were valued by Messrs Gerald Eve, Chartered Surveyors, as at 31st December 1998. The valuations were prepared in accordance with the Appraisal and Valuation Manual published by the Royal Institute of Chartered Surveyors (the Red Book) on the basis of existing use. The valuations were incorporated into the balance sheet at 31st December 1998, following the introduction of FRS 15, the valuations will be retained at their current carrying amounts.

Comparable historical cost amounts for the company's land and buildings included in tangible fixed assets were:

As at 31st December 2004	**Freehold buildings**	**Long leasehold**	**Short leasehold**	**Total**
	£000	*£000*	*£000*	*£000*
Original cost	5,647	1,142	169	6,958
Less aggregate depreciation	1,260	589	47	1,896
Net book value	4,387	553	122	5,062

As at 31st December 2003	**Freehold buildings**	**Long leasehold**	**Short leasehold**	**Total**
	£000	£000	£000	£000
Original cost	5,632	1,133	161	6,926
Less aggregate depreciation	1,146	541	39	1,726
Net book value	4,486	592	122	5,200

Notes *(continued)*

12 Fixed asset investments (Company)

	Shares in subsidiary undertakings	Loans to subsidiary undertakings	Total
	£000	£000	£000
Cost			
At beginning of year	10,736	11,088	21,824
Translation adjustment	-	(735)	(735)
Additions	1,247	832	2,079
At end of year	11,983	11,185	23,168
Provisions			
At beginning of year	82	591	673
Charged to profit and loss account in the year	7,428	648	8,076
At end of year	7,510	1,239	8,749
Net book value			
At 31st December 2004	**4,473**	**9,946**	**14,419**
At 31st December 2003	10,654	10,497	21,151

The principal undertakings in which the company's interest at the year end is more than 20% are as follows:

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of shares held	
			Class	% Holding
Johnston Sweeper Company	USA	Manufacturer of mechanical, suction and air regenerative street sweepers	Ordinary	100%
Johnston Madvac Inc.	Canada	Manufacturer of small to medium size sweepers and vacuum litter collection vehicles	Ordinary	100%
Macdonald Johnston Engineering Co. Pty. Limited	Australia	Manufacturer of refuse vehicles, road suction sweepers and fire tankers; manufacturer and distributor of air hand-dryers and other washroom equipment	Ordinary	100%
Johnston GmbH	Germany	Distributor of road suction sweepers	Ordinary	100%

Notes *(continued)*

13 Stocks

	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	**£000**	£000
Raw materials and consumables	**3,426**	2,725	**1,155**	1,418
Manufacturing work in progress	**7,847**	6,879	**4,231**	4,252
Finished goods and goods for resale	**11,567**	12,775	**3,823**	4,716
	22,840	22,379	**9,209**	10,386

14 Debtors

	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	**£000**	£000
Trade debtors	**19,791**	19,476	**9,624**	9,421
Amounts owed by group undertakings	**119**	-	**4,593**	1,979
Other debtors	**1,009**	1,395	**76**	421
Prepayments and accrued income	**494**	585	**281**	334
	21,413	21,456	**14,574**	12,155

No amounts are due after more than one year.

15 Creditors: amounts falling due within one year

	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	**£000**	£000
Secured loans	**36**	33	**36**	33
Bank loans and overdrafts	**6,253**	4,597	**5,159**	1,611
Trade creditors	**12,221**	11,613	**6,148**	6,562
Amounts owed to group undertakings	**-**	511	**1,075**	1,186
Taxation and social security	**762**	593	**337**	371
Other creditors	**4,024**	3,327	**2,387**	1,926
Accruals and deferred income	**4,662**	5,185	**1,791**	2,499
	27,958	25,859	**16,933**	14,188

Bank loans and overdrafts of subsidiaries based in the UK, Australia and Canada are secured by fixed and floating charges on the assets of those subsidiaries respectively.

Notes *(continued)*

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	**£000**	£000
Secured loans	**194**	229	**194**	229
Bank loans and overdrafts	-	1,554	-	-
Amounts owed to group undertakings	**19,076**	41,701	**24,915**	28,182
Other creditors	**640**	481	-	-
	19,910	43,965	**25,109**	28,411

Analysis of debt:

	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	**£000**	£000
Debt can be analysed as falling due:				
Between one and two years	-	36	-	36
Between two and five years	-	119	-	119
In five years or more	194	74	194	74
	194	229	**194**	229

At present no contingent liability exists is respect of group guarantees. Since the acquisition of Johnston Group, Ennstone plc has guaranteed the overdrafts of all subsidiaries that formed part of the Johnston Group. This guarantee will remain in place until such time as the company and its subsidiaries are sold to a third party.

Notes *(continued)*

17 Provisions for liabilities and charges

	Deferred Tax	
	Group	**Company**
	£000	£000
At beginning of year	266	266
Credit to the profit and loss for the year	(254)	(254)
At end of year	12	12

The elements of deferred taxation are as follows:

	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	£000	£000
Difference between accumulated depreciation and capital allowances	12	266	12	266

18 Called up share capital

	2004	2003
	£000	£000
Authorised		
100,000 Ordinary shares of £1 each	**100**	100
Allotted, called up and fully paid		
8,000 Ordinary shares of £1 each	**8**	8

19 Reserves

	Group		Company	
	Revaluation reserve	**Profit and loss account**	**Revaluation reserve**	**Profit and loss account**
	£000	£000	£000	£000
At beginning of year	137	(9,244)	217	10,739
Retained (loss) / profit for the year	-	22,352	-	(4,215)
Amortisation of revaluation	32	(32)	32	(32)
Translation adjustment on overseas assets	-	923	-	(83)
At end of year	**169**	**13,999**	**249**	**6,409**

Notes *(continued)*

20 Commitments

(a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	**£000**	£000
Contracted	**100**	615	**38**	220

(b) Annual commitments under non-cancellable operating leases are as follows:

Group	**2004**		2003	
	Land and buildings	**Other**	Land and buildings	Other
	£000	**£000**	£000	£000
Operating leases which expire:				
Within one year	**352**	**257**	320	172
In the second to fifth years inclusive	**924**	**283**	1,112	285
Over five years	**285**	**-**	397	12
	1,561	**540**	1,829	469

Company	**2004**		2003	
	Land and buildings	**Other**	Land and buildings	Other
	£000	**£000**	£000	£000
Operating leases which expire:				
Within one year	**16**	**161**	12	90
In the second to fifth years inclusive	**33**	**148**	16	194
Over five years	**260**	**-**	271	12
	309	**309**	299	296

Notes *(continued)*

21 Pension scheme

The company participates in the Johnston Management Holdings Limited Pension and Life Assurance Scheme, a defined benefit scheme. Under FRS 17 Retirement Benefits the company will account for the scheme as a defined contribution scheme since it is unable to identify its share of the underlying assets and liabilities.

At the time of signing, information in respect of the deficit of the scheme as at 31 December 2004 is not available. As at 31st December 2003 the deficit of the scheme was £10,281,000. Further disclosures are given in the accounts of the ultimate parent company, Ennstone plc

22 Reconciliation of operating loss to operating cash flows

	2004	2003
	£000	£000
Operating profit / (loss)	**23,293**	(2,851)
Loan Waiver	**(24,779)**	-
Depreciation, amortisation and impairment charges	**1,891**	4,288
(Increase)/decrease in stocks	**(934)**	368
(Increase)/decrease in debtors	**(531)**	(242)
Increase/(decrease) in creditors	**1,411**	1,006
Net cash inflow/outflow from operating activities	**351**	2,569

Notes *(continued)*

23 Analysis of cash flows

	2004	2004	2003	2003
	£000	**£000**	£000	£000
Returns on investment and servicing of finance				
Interest received	**16**		20	
Interest paid	**(377)**		(371)	
		(361)		(351)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	**(2,295)**		(5,369)	
		(2,295)		(5,369)

24 Analysis of net debt

	At beginning of year £000	Cash flow £000	Other non cash changes £000	Exchange movement £000	At end of year £000
Cash in hand, at bank	1,162	881		(48)	1,995
Overdrafts	(1,581)	(3,500)		(8)	(5,089)
		(2,619)			
Debt due after one year	(43,484)	(2,069)	24,779	1,504	(19,270)
Debt due within one year	(3,049)	1,815		34	(1,200)
Finance leases					
		(254)			
Current asset investments					
Total	**(46,952)**	**(2,873)**	**24,779**	**1,482**	**(23,564)**

25 Ultimate parent company

The company is a wholly owned subsidiary of Johnston Management Holdings Limited, part of the Johnston Group. The ultimate controlling party since 1 November 2004 is Ennstone PLC which control 100% of the company's ordinary share capital.