TERRAPIN LIMITED

FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED

29 SEPTEMBER 2002

Company number: 687831

Terrapin Limited

Financial Statements

For the 52 weeks ended 29 September 2002

Company registration number:	687831
Registered office:	South House Bond Avenue Milton Keynes MK1 1JJ
Directors:	M P Holiday T Mason R Russo D H Smith DN Varley N S Whitehouse
Secretary:	M P Holiday
Bankers:	Lloyds TSB Bank plc Central Milton Keynes
Solicitors:	Fennemores Central Milton Keynes
Auditors:	Grant Thornton Registered Auditors Chartered Accountants Central Milton Keynes

Terrapin Limited

Financial Statements

For the 52 weeks ended 29 September 2002

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Terrapin Limited

Report of the Directors

The directors present their report together with the financial statements for the 52 weeks ended 29 September 2002.

Principal activity

The company is principally engaged in the design and construction of buildings and the manufacture of building components for sale, lease and hire.

Results and dividends

The profit for the period amounted to £505,000 (2001: £381,000). The directors do not recommend payment of a dividend and the profit has been transferred to reserves.

Business review

The Directors are pleased to report that the improvement recorded last year has continued throughout the year under review. The company has achieved an increase in turnover of over 22% in the financial year resulting in a 14% increase in gross profits.

The company has been able to maintain its high level of activity in both the health and education sectors and, in particular, has been successful in winning contracts for the provision of buildings to be used as enabling works in the process of major PFI projects. An example is where the company successfully provided accommodation at Dudley Hospital with a three storey ward block containing 180 beds constructed in approximately 30 weeks. Despite the increase in activity, improved contract controls implemented earlier have enabled the margins to be maintained or improved as was forecast last year.

During the year under review, the company commenced manufacture of two out of three contracts for a well respected housing association using the recently developed Prospex module. This product encompasses a high level of off site fabrication and prefinishing. Manufacturing the modules has proved successful culminating in a timely delivery and placing on site. However, difficulties experienced by the main contractor in completing traditional works have, unfortunately, delayed the initial project. As a consequence of these delays, the Directors have taken a prudent view of profit earned from this activity pending the main contractor achieving practical completion.

In line with previous performance, the Directors have carefully controlled overheads in relation to the increased turnover and, despite the imposition of increased management charges by our parent company, are able to record a 30% increase in the pre tax profits.

Research and development work has continued and, during the year, a higher than usual level of expenditure has been incurred due primarily to the continued improvement of existing products and the development of further innovation. In particular, the company has finalised the initial development of factory manufactured housing units in conjunction with a major, national house builder. This product, which has now been successfully prototyped, constructed and tested, is anticipated to enter initial production early in the second quarter of 2003.

The company has been able to carry forward into the 2002/03 trading year a high level of work in hand which has resulted in a satisfactory start to the year. Continuing interest in all products leads the Directors to believe that the company will be able to maintain its current level of turnover and profit in the year to September 2003 reinforcing the continued trend of improvement created during the previous two years' trading.

Research and development

The company carries out research and development to ensure that its products remain competitive and, where appropriate, utilise the latest technologies.

Report of the Directors (continued)

Directors

The directors in office at the end of the year are listed below. All served throughout the year except where indicated. Mr N S Whitehouse and Mr T Mason retire by rotation, and being eligible, offer themselves for re-election.

M P Holiday
T Mason
R Russo (appointed 8 April 2002)
D H Smith
D N Varley (appointed 8 April 2002)
N S Whitehouse

The appointment of Mr R Russo and Mr D N Varley as directors is to be confirmed at the Annual General Meeting.

No director had any interest in the shares of the company at any time during the year.

Mr M G McLellan was a director until his untimely death on 1 February 2002.

The interests of the directors who are also directors of the parent undertaking are disclosed in that company's financial statements. The interests of other directors in the shares of the parent undertaking are as follows:

	Ordinary shares of £1 each	
	2002	2001
M P Holiday	**100**	100
T Mason	**50**	50
R Russo	**-**	-
D H Smith	**-**	-
D N Varley	**-**	-
N S Whitehouse	**-**	-

Directors' responsibilities for 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Directors (continued)

Auditors

A resolution concerning the re-appointment of Grant Thornton, who offer themselves for re-appointment as auditors in accordance with section 385 of the Companies Act 1985 will be submitted at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD

M P Holiday
Director

24th January 2003

Report of the Independent Auditors

to the members of Terrapin Limited

We have audited the financial statements of Terrapin Limited for the period ended 29 September 2002 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the report of the directors and the financial statements in accordance with applicable law and United Kingdom accounting standards are 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 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 report of the directors 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 other information contained in the report of the directors, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 29 September 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
Central Milton Keynes

24 January 2003

Principal Accounting Policies

For the 52 weeks ended 29 September 2002

Basis of preparation

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

The principal accounting policies of the company are set out below. They have remained unchanged from the previous period.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

In the case of long term contracts, turnover reflects the contract activity in the period.

Operating lease income is taken to turnover in equal monthly instalments over the period of hire and amounts received in advance attributable to the subsequent accounting period are treated as deferred income.

Depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation. Depreciation is calculated to write down the cost or valuation of all tangible fixed assets other than freehold land and investment properties by equal annual instalments over their estimated useful economic lives. The rates generally applicable are:

Motor vehicles	25%
Furniture and equipment	20% - 33%
Plant and machinery	10% - 20%

Components for hiring

Components and building units for hiring are stated at cost less accumulated amortisation. Amortisation is calculated to write off the cost of a unit by equal monthly instalments over the estimated useful life of each of its principal components.

Rehabilitation costs incurred in preparing components and building units for hire and the associated installation costs are capitalised at cost and amortised on a straight line basis over the period of hire.

Site restoration costs, including the cost of dismantling the units, are capitalised. These costs are written off over the period of the hire contract.

Research and development

Research and development expenditure is charged to profits in the period in which it is incurred.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value.

Principal Accounting Policies

For the 52 weeks ended 29 September 2002

Long term contracts

The attributable profit on long-term contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the project.

Costs associated with long term contracts are included in stock to the extent that they cannot be matched with contract work accounted for as turnover.

Long term contract balances included in stocks are stated at cost after provision has been made for any foreseeable losses and the deduction of applicable payments on account.

Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

Deferred taxation

Deferred taxation is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date.

Leased assets

Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Retirement benefits

Defined benefit pension scheme

The pension costs charged against profits are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll. Variations from regular cost are spread over the remaining service lives of current employees in the scheme.

Defined contribution pension scheme

The pension costs charged against operating profits are contributions payable to the scheme in respect of the accounting period.

Cashflow statement

The directors have taken advantage of the exemption from preparing a cashflow statement, which is available to a wholly owned subsidiary undertaking, where the parent publishes full consolidated accounts.

Profit and Loss Account

For the 52 weeks ended 29 September 2002

	Note	2002 £'000	2001 £'000
Turnover	1	**24,696**	20,189
Cost of sales		**(20,082)**	(16,170)
Gross profit		**4,614**	4,019
Administrative expenses		**(3,860)**	(3,476)
Operating profit		**754**	543
Net interest	2	**(91)**	(33)
Profit on ordinary activities before taxation	1	**663**	510
Tax on profit on ordinary activities	4	**(158)**	(129)
Profit for the financial period, transferred to reserves	15	**505**	381

There were no recognised gains or losses other than the profit for the financial period.

The accompanying accounting policies and notes form an integral part of these financial statements.

Terrapin Limited

Balance Sheet

As at 29 September 2002

	Note	29 September 2002		30 September 2001	
		£'000	£'000	£'000	£'000
Fixed assets					
Components for hiring	5		**4,639**		6,795
Other tangible assets	6		**133**		123
			4,772		6,918
Current assets					
Stocks	7	**1,027**		1,023	
Debtors – due outside one year	8	**480**		104	
Debtors – due within one year	8	**8,338**		6,529	
Cash at bank and in hand		-		96	
		9,845		7,752	
Creditors: amounts falling due within one year	9	**(6,989)**		(7,339)	
Net current assets			**2,856**		413
Total assets less current liabilities			**7,628**		7,331
Creditors: amounts falling due after more than one year	10	**(493)**		(615)	
Provisions for liabilities and charges	12	**(1,286)**		(1,372)	
			(1,779)		(1,987)
			5,849		5,344
Capital and reserves					
Called up share capital	14		**500**		500
Profit and loss account	15		**5,349**		4,844
Shareholders' funds	16		**5,849**		5,344

The financial statements were approved by the Board of Directors on 24th January 2003.

N S Whitehouse **Director**

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the Financial Statements

For the 52 weeks ended 29 September 2002

1. Turnover and profit on ordinary activities before taxation

In the opinion of the directors there is one class of business as described in the report of the directors. All sales were made within the United Kingdom.

The profit on ordinary activities is stated after:

	2002 £'000	2001 £'000
Auditors remuneration		
Audit services	**35**	33
Depreciation and amortisation		
Components for hiring	**3,211**	3,180
Other tangible fixed assets	**79**	106
Hire of plant and machinery	**7**	15
Other operating lease rentals	**446**	459

Turnover includes income of £5,722,000 (2001: £5,637,000) in respect of operating leases.

2. Net interest

	2002 £'000	2001 £'000
Interest payable on bank loans and overdrafts	**(107)**	(78)
Other interest receivable and similar income	**16**	45
	(91)	(33)

Notes to the Financial Statements (continued)

For the 52 weeks ended 29 September 2002

3. Directors and employees

Staff costs during the year were as follows:

	2002 £'000	2001 £'000
Wages and salaries	**2,410**	2,006
Social security costs	**228**	195
Other pension costs	**188**	192
	2,826	2,393

The average number of employees of the company during the period was 133 (2001: 112).

The company is a member of a funded group defined benefit pension scheme and a defined contribution group personal pension scheme. The financial statements of the holding company, Terrapin International Limited, contain details of the actuarial valuation of the group defined benefit scheme.

Pension costs are assessed in accordance with the advice of a qualified actuary. The group defined benefit pension scheme became a fully paid up scheme on 31 July 2000.

Remuneration in respect of directors was as follows:

	2002 £'000	2001 £'000
Emoluments	**167**	151
Pension contributions to money purchase pension schemes	**64**	48
	231	199

During the period 5 directors (2001: 3) participated in a defined contribution pension scheme.

Notes to the Financial Statements (continued)

For the 52 weeks ended 29 September 2002

4. Tax on profit on ordinary activities

The taxation charge/(credit) is based on the result for the period and is made up as follows:

	2002 £'000	2001 £'000
UK corporation tax at 30%	**660**	496
Adjustment in respect of prior periods	**(12)**	(27)
Total current tax	**648**	469
Origination and reversal of timing differences		
- current period	**(450)**	(340)
- in respect of prior periods	**(40)**	-
Total deferred tax	**(490)**	(340)
Tax on profit on ordinary activities	**158**	129

The tax assessed for the period is higher than the standard rate of UK corporation tax of 30%. The differences are explained as follows:

	2002 £'000	2001 £'000
Profit on ordinary activities before tax multiplied by standard rate of UK corporation tax of 30%	**199**	153
Effect of:		
Depreciation for the period in excess of capital allowances	**476**	370
Other timing differences	**9**	(30)
Expenses not allowable for tax purposes	**(24)**	3
Adjustment to tax charge of prior periods	**(12)**	(27)
Current tax charge for period	**648**	469

Notes to the Financial Statements (continued)

For the 52 weeks ended 29 September 2002

5. Components for hiring

	Total £'000	Components and building units £'000	Site restoration costs £'000
Cost			
At 1 October 2001	19,929	18,557	1,372
Additions	1,086	882	204
Disposals	(3,499)	(3,209)	(290)
At 29 September 2002	17,516	16,230	1,286
Accumulated depreciation			
At 1 October 2001	13,134	12,222	912
Provided in the period	3,211	2,896	315
Eliminated on disposals	(3,468)	(3,178)	(290)
At 29 September 2002	12,877	11,940	937
Net book amount at 29 September 2002	**4,639**	**4,290**	**349**
Net book amount at 30 September 2001	6,795	6,335	460

6. Other tangible fixed assets

	Total £'000	Furniture and equipment £'000	Motor vehicles £'000	Plant and machinery £'000
Cost				
At 1 October 2001	1,063	538	129	396
Additions	89	70	-	19
Disposals	(20)	-	(20)	-
At 29 September 2002	1,132	608	109	415
Amortisation				
At 1 October 2001	940	479	90	371
Provided in the period	79	55	18	6
Eliminated on disposal	(20)	-	(20)	-
At 29 September 2002	999	534	88	377
Net book amount at 29 September 2002	**133**	**74**	**21**	**38**
Net book amount at 30 September 2001	123	59	39	25

Notes to the Financial Statements (continued)

For the 52 weeks ended 29 September 2002

7. Stocks

	2002 £'000	2001 £'000
Long-term contract balances	**630**	612
Raw materials and consumables	**383**	388
Short term work in progress	**14**	11
Finished goods	**-**	12
	1,027	1,023

8. Debtors

	2002 £'000	2001 £'000
Amounts falling due after more than one year		
Trade debtors	**-**	104
Deferred tax	**480**	-
	480	104
Amounts falling due within one year		
Trade debtors	**5,115**	4,234
Amounts owed by group undertakings	**2,624**	1,169
Amounts recoverable on contracts	**395**	860
Other debtors	**6**	85
Deferred tax	**160**	150
Prepayments and accrued income	**38**	31
	8,338	6,529

9. Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Bank overdraft	**24**	-
Secured loan	**35**	35
Block discounting loan	**88**	80
Amounts owed to group undertakings	**633**	1
Trade creditors	**1,270**	1,896
Corporation tax	**360**	496
Social security and other taxes	**85**	68
Other creditors	**6**	7
Pension contributions	**-**	24
Accruals	**2,302**	1,950
Deferred income	**2,186**	2,782
	6,989	7,339

Notes to the Financial Statements (continued)

For the 52 weeks ended 29 September 2002

10. Creditors: amounts falling due after more than one year

	2002 £'000	2001 £'000
Secured loan	**209**	244
Block discounting loan	**284**	371
	493	615

The secured loan is repayable by quarterly instalments over 20 years ending in 2009 and bears interest at 11.25%. The loan is secured by a fixed charge over specific components for hiring.

The block discounting loan is repayable by monthly instalments over 6 years and bears interest at 8.75%. The block discounting loan is secured on specific hire contracts.

11. Borrowings

Borrowings are repayable as follows:

	2002 £'000	2001 £'000
Within one year		
Bank overdraft	**24**	-
Secured loan	**35**	35
Block discounting loan	**88**	80
After one and within two years		
Secured loan	**35**	35
Block discounting loan	**95**	87
After two and within five years		
Secured loan	**104**	105
Block discounting loan	**189**	283
After five years		
Secured loan	**70**	105
	640	730

Borrowings repayable partly after five years are repayable by instalments.

Notes to the Financial Statements (continued)

For the 52 weeks ended 29 September 2002

12. Provisions for liabilities and charges

	Return and dismantling provision £'000
At 1 October 2001	1,372
Provided during the period	204
Utilised during the period	(290)
At 29 September 2002	**1,286**

Return and dismantling provision relates to the costs that will be incurred in dismantling and returning components at the termination of each hire contract. £555,000 (2001: £425,000) of the year end provision relates to costs that are expected to be incurred within one year. The remaining £731,000 (2001: £947,000) is expected to be incurred between one and ten years. The timing of these costs are calculated on the hire period of each contract at the balance sheet date. Any future changes in the hire contract will impact the timing of those transfers of economic benefit.

13. Deferred taxation

Deferred taxation is provided for in full as follows:

	Amount provided (Asset)	
	2002	2001
	£000	£000
Accelerated capital allowances	**(640)**	(150)

14. Share capital

	2002 and 2001 £'000
Authorised, allotted, called up and fully paid	
Ordinary shares of £1 each	500

Notes to the Financial Statements (continued)

For the 52 weeks ended 29 September 2002

15. Profit and loss account

	£'000
Profit for the period	505
At 1 October 2001	4,844
At 29 September 2002	**5,349**

16. Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
Profit for the financial period	**505**	381
Shareholders' funds at 1 October 2001	**5,344**	4,963
Shareholders' funds at 29 September 2002	**5,849**	5,344

17. Capital commitments

The company had capital commitments of £nil at 29 September 2002 (30 September 2001: £37,000).

18. Contingent liabilities

The company has performance bonds outstanding at the period end with a value of £330,000 (2001: £261,000).

19. Leasing commitments

Operating lease payments amounting to £442,000 (2001: £416,000) are due within one year. The leases to which these amounts relate expire as follows:

		2002		2001
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
In one year or less	**-**	**32**	-	7
Between one and five years	**355**	**55**	355	54
In five years or more	**-**	**-**	-	-
	355	**87**	355	61

20. Transactions with related parties

As a wholly owned subsidiary of Terrapin International Limited, the company is exempt from the requirements of FRS8 to disclose the transactions with other members of the group headed by Terrapin International Limited.

Notes to the Financial Statements (continued)

For the 52 weeks ended 29 September 2002

21. Ultimate holding company and controlling related party

The ultimate holding company and controlling related party is Terrapin International Limited, a company registered in England and Wales.

The largest and smallest group of companies for which accounts are prepared is headed by Terrapin International Limited. Copies of the group accounts can be obtained from the registered office, Bond Avenue, Bletchley, Milton Keynes, MK1 1JJ.