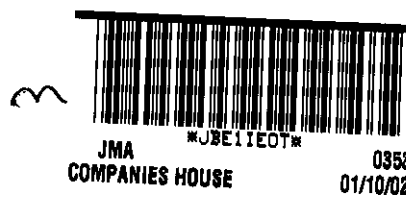


**ARM GROUP LIMITED**

**Report and Financial Statements**

**Year ended 31 December 2001**

**Deloitte & Touche  
PO Box 500  
201 Deansgate  
Manchester  
M60 2AT**



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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

J V Gavan (appointed 1 November 2001)  
R G McInnes (appointed 1 November 2001)  
S Keogh  
R B Johnson (resigned 31 December 2001)  
O McLaughlin

**SECRETARY**

J V Gavan

**REGISTERED OFFICE**

Lancaster House  
Centurion Way  
Leyland  
Lancashire  
PR26 6TX

**BANKERS**

Barclays Bank plc  
38 Fishergate  
Preston  
PR1 2DD

Bank of Scotland  
19-21 Spring Gardens  
Manchester  
M2 1FB

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
201 Deansgate  
Manchester  
M60 2AT

## **DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 December 2001.

### **ACTIVITIES**

The principal activity of the company is that of the holding company of Enterprise Utility Services Limited (formerly ARM Services Limited).

### **REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

The directors consider the future prospects of the company to be satisfactory.

### **DIVIDENDS AND TRANSFER TO RESERVES**

The company did not pay an interim dividend during the year (period ended 31 December 2000 £2,250,000). The directors propose a final dividend of £5,544,000 (period ended 31 December 2000 - £Nil).

As a result, the profit for the year ended 31 December 2001 of £Nil (year ended 31 December 2000 - £73,000) has been transferred to reserves.

### **DIRECTORS AND THEIR INTERESTS**


The directors who served during the year are shown on page 1.

As at 31 December 2001, none of the directors had any interest in the share capital of the company. The interests of the directors in the share capital of Enterprise plc, the company's ultimate parent, are shown in that company's accounts.

### **AUDITORS**

Deloitte & Touche are the appointed auditors of the company.

By order of the Board



Secretary

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period 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;
- 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 the system of internal control, 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 ARM GROUP LIMITED.**

We have audited the financial statements of ARM Group Limited for the year ended 31 December 2001 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, and the related notes 1 to 13. 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

### **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 31 December 2001 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte Touche*

Chartered Accountants and Registered Auditors

*30 September 2002*

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 2001**

	Note	Year ended 31 December 2001 £'000	9 months ended 31 December 2000 £'000
<b>TURNOVER</b>	2	-	364
Cost of sales		-	(289)
Gross profit		-	75
<b>OPERATING PROFIT</b>	4	-	75
Income from shares in subsidiaries		5,544	2,250
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		5,544	2,325
Tax on profit on ordinary activities	5	-	(2)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		5,544	2,323
Dividends on equity shares	6	(5,544)	(2,250)
<b>Retained profit for the period</b>		-	73

The company has no recognised gains or losses other than the profit for the financial year and preceding period. Accordingly a Statement of Total Recognised Gains and Losses has not been prepared.

There have been no movements in shareholders' funds other than the retained profit for the year, and accordingly, no reconciliation of movements in shareholders' funds for this year and the preceding period is included in these financial statements.

**BALANCE SHEET**  
**31 December 2001**

	Note	31 December 2001		31 December 2000	
		£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Investments	7		2,609		2,609
<b>CURRENT ASSETS</b>					
Debtors	8	10,085		4,554	
		<u>10,085</u>		<u>4,554</u>	
<b>CREDITORS: amounts falling due within one year</b>	9	<u>(8,614)</u>		<u>(3,083)</u>	
<b>NET CURRENT ASSETS</b>			<u>1,471</u>		<u>1,471</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>4,080</u>		<u>4,080</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	10		1,918		1,918
Share premium account			42		42
Other reserves			1,817		1,817
Profit and loss account			<u>303</u>		<u>303</u>
Equity shareholders' funds			<u>4,080</u>		<u>4,080</u>

These financial statements were approved by the Board of Directors on 20 September 2002

Signed on behalf of the Board of Directors

 - Director



## NOTES TO THE ACCOUNTS

### Year ended 31 December 2001

#### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

##### Accounting convention

The financial statements are prepared under the historical cost convention.

##### Fixed asset investments

Fixed asset investments are stated at cost less any provision for impairment.

##### Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

##### Cash flow statement

The company has taken advantage of the exemption contained in FRS 1 Revised "Cash Flow Statements" in not producing its own cash flow statement as its cash flows are included in the consolidated cash flow statement of the ultimate parent company.

#### 2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to the principal activity.

#### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Other than the directors, the company had no employees (period ended 31 December 2000 – same). The directors did not receive any emoluments for their services to this company in either the current or prior period.

#### 4. OPERATING PROFIT

	Year ended 31 December 2001 £'000	9 months ended 31 December 2000 £'000
Operating profit is after charging:		
Rental payments	-	206

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2001**

**5. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	Year ended 31 December 2001 £'000	9 months ended 31 December 2000 £'000
United Kingdom corporation tax at 30% (period ended 31 December 2000 – 30%) based on the profit for the year/period	-	2

The tax charge for the prior period is disproportionate to the profit for the year as a result of group relief surrendered for no consideration. There is no corporation tax in the current year since all profit is derived from UK dividends received which are not chargeable to UK corporation tax.

**6. DIVIDENDS**

	Year ended 31 December 2001 £'000	9 months ended 31 December 2000 £'000
Equity shares		
Interim dividend paid (£1.17 per share)	-	2,250
Final dividend proposed (£2.89 per share)	5,544	-
	<u>5,544</u>	<u>2,250</u>

**7. INVESTMENTS HELD AS FIXED ASSETS**

	Shares in subsidiaries £'000
Cost and net book value At 1 January 2001 and 31 December 2001	<u>2,609</u>

The company owns the entire issued ordinary share capital of Enterprise Utility Services Ltd (formerly ARM Services Ltd), a company incorporated in England and Wales whose principal activity is that of management services for the utility industries.

The company has taken advantage of section 228 of the Companies Act 1985 in not producing consolidated financial statements as it is a subsidiary of Enterprise plc, which itself produces consolidated financial statements.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2001**

**8. DEBTORS**

	<b>31 December 2001 £'000</b>	<b>31 December 2000 £'000</b>
Amounts owed by group undertakings	4,541	4,554
Dividends receivable	5,544	-
	<u>10,085</u>	<u>4,554</u>

**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>31 December 2001 £'000</b>	<b>31 December 2000 £'000</b>
Amounts owed to group undertakings	3,050	3,050
Taxation and social security	20	33
Dividends proposed	5,544	-
	<u>8,614</u>	<u>3,083</u>

**10. CALLED UP SHARE CAPITAL**

	<b>31 December 2001 £'000</b>	<b>31 December 2000 £'000</b>
Authorised 1,919,000 ordinary shares of £1 each	<u>1,919</u>	<u>1,919</u>
Called up, allotted and fully paid 1,918,048 ordinary shares of £1 each	<u>1,918</u>	<u>1,918</u>

**11. ULTIMATE PARENT COMPANY**

The company is a subsidiary undertaking of ARM Services Group Limited. The ultimate parent company is Enterprise plc, a company registered in England and Wales, whose principal place of business is at Lancaster House, Centurion Way, Leyland, Lancashire PR26 6TX. The consolidated accounts of this group are available to the public and may be obtained from the above address.

**12. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption in FRS 8 "Related Party transactions" and has not disclosed transactions with group undertakings.

**13. CONTINGENT LIABILITIES**

The company is party to a composite guarantee and mortgage debenture in favour of Bank of Scotland to secure the borrowings of Enterprise plc. At 31 December 2001 the borrowings of Enterprise plc secured by this guarantee were £27.9 million.