

Gradus Group Trustee Limited

**Directors' report and financial
statements**

Registered number 3060943

31 December 2000



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activities and business review

The principal activity of the company is to act as trustee of the Gradus Group Profit Sharing Scheme.

Results and dividends

The company received dividends of £Nil (1999: £nil) from Headlam Group plc which were immediately passed on in full to the participants of the Scheme. There was therefore no profit or loss for the year.

Directors and directors' interests

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

SG Wilson
I Kirkham (resigned 3 November 2000)
SA Watt (appointed 3 November 2000)

No director had any interests in the share capital of the company during the year under review.

SG Wilson is a director of Headlam Group plc, the ultimate holding company, and as such his interests in the share capital of that company are disclosed in that company's financial statements.

The interests of the other director in the share capital of the ultimate parent company, Headlam Group plc, was as follows:

	31 December 2000		Ordinary shares of 5p each		31 January 1999	
	Beneficial interest	Options	Beneficial interest	Options	Options	
SA Watt	-	66,801	-	-	66,801	

Certain options under the Gradus Group share option schemes were converted to options over Headlam Group shares following the acquisition of Gradus Group PLC by Headlam Group plc. Those options, together with those subsequently granted to directors to subscribe for ordinary shares are as follows:

	No of shares	Grant date	Exercise price	Exercise period
Headlam Group Approved Executive Scheme				
SA Watt	10,152	09.07.97	295.50p	09.07.00-09.07.07
Headlam Group Unapproved Executive Scheme				
SA Watt	15,200	15.05.97	311.50p	15.05.00-15.05.04
SA Watt	20,000	29.04.98	379.00p	29.04.01-29.04.05
SA Watt	20,000	14.12.98	225.50p	14.12.01-14.12.05
Headlam Group Sharesave Scheme				
SA Watt	1,449	22.10.97	269.00p	01.11.00-30.04.01

Directors' report *(continued)*

Directors and directors' interests *(continued)*

Awards granted under the Equity Participation Plan in respect of the Award period 1 January 1999 to 31 December 2001 are as follows:

	Number of shares awarded
SA Watt	10,292

Details of the Plan are given in the consolidated accounts of the parent company, Headlam Group plc.

Auditors

Pursuant to a shareholders resolution the company is not obliged to re-appoint auditors annually. KPMG Audit Plc will, therefore, continue in office.

By order of the board



GM Duggan
Secretary
26 March 2001

PO Box 1
Gorse Lane
Coleshill
Birmingham
B46 1LW

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

Norfolk House
Silbury Boulevard
Central Milton Keynes
Buckinghamshire, MK9 2HA

Report of the auditors to the members of Gradus Group Trustee Limited

We have audited the financial statements on pages 5 to 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, 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. 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.

Basis of 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 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 2000 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Chartered Accountants
Registered Auditor*

26 March 2001

Balance sheet
at 31 December 2000

	<i>Notes</i>	2000 £	1999 £
Current assets			
Cash at bank and in hand		<u>2</u>	<u>2</u>
Net assets		<u>2</u>	<u>2</u>
Capital and reserves			
Called up share capital	3	<u>2</u>	<u>2</u>
Total capital employed	4,5	<u>2</u>	<u>2</u>

The accompanying notes are an integral part of this balance sheet.

These financial statements were approved by the board of directors on 26 March 2001 and were signed on its behalf by:



SA Watt
Director

Notes

(forming part of the financial statements)

1 Accounting policies

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

2 Profit and loss account

The company has not traded during the year, has received no income and incurred no expenditure and consequently has made neither a profit or a loss.

3 Called up share capital

	2000 £	1999 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of £1 each	2	2
	<hr/>	<hr/>

4 Reserves

	2000 £	1999 £
Profit and loss account at beginning and end of year	-	-
	<hr/>	<hr/>

5 Movement in shareholders funds

	2000 £	1999 £
Opening and closing shareholders' funds	2	2
	<hr/>	<hr/>

Notes *(continued)*

6 Ultimate parent company and controlling party

The company is a subsidiary undertaking of Gradus Group Limited, a company registered in England and Wales.

The company's ultimate holding company and controlling party is Headlam Group plc which is registered in England and Wales. Copies of the Group accounts are available from Headlam Group plc, PO Box 1, Gorsey Lane, Coleshill, Birmingham B46 1LW.