

**SPECIALISED MANAGEMENT  
SERVICES LIMITED**

**FINANCIAL STATEMENTS**

**30 SEPTEMBER 2005**



**DAVID E SEABRIGHT & CO LIMITED**  
Chartered Accountants & Registered Auditors  
174 Whiteladies Road  
Clifton  
Bristol  
BS8 2XU

# **SPECIALISED MANAGEMENT SERVICES LIMITED**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 30 SEPTEMBER 2005**

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**SPECIALISED MANAGEMENT SERVICES LIMITED****OFFICERS AND PROFESSIONAL ADVISERS**

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**The board of directors**

A D Bennion  
A J V Shepherd  
A Mansfield  
S G Young  
G Hacon

**Company secretary**

A D Bennion

**Registered office**

Alderley House  
Arnolds Field Estate  
The Downs  
Wickwar  
Wotton-Under-Edge  
Glos  
GL12 8JD

**Auditors**

David E Seabright & Co Limited  
Chartered Accountants  
& Registered Auditors  
174 Whiteladies Road  
Clifton  
Bristol  
BS8 2XU

# **SPECIALISED MANAGEMENT SERVICES LIMITED**

## **THE DIRECTORS' REPORT**

### **YEAR ENDED 30 SEPTEMBER 2005**

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The directors have pleasure in presenting their report and the financial statements of the company for the year ended 30 September 2005.

#### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company during the year was the maintenance of well-head equipment.

The Directors are very pleased with the years performance and expect further growth in the current year.

#### **RESULTS AND DIVIDENDS**

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

#### **DIRECTORS**

The directors who served the company during the year were as follows:

A D Bennion  
A J V Shepherd  
A Mansfield  
S G Young  
I Hacon  
G Hacon

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

A J V Shepherd has an interest in the shares of the company at the end of the year as he has a controlling interest in the shares of the ultimate holding company Alderley plc.

A Mansfield was appointed as a director on 16 November 2004.

S G Young was appointed as a director on 16 November 2004.

I Hacon resigned as a director on 7 December 2004.

#### **POLICY ON THE PAYMENT OF CREDITORS**

It is the company's policy to pay creditors within the agreed terms on a timely basis. For the year ended 30 September 2005, the average payment period for trade creditors was 17 days.

#### **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 of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies, as described on pages 8 to 9, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;

# **SPECIALISED MANAGEMENT SERVICES LIMITED**

## **THE DIRECTORS' REPORT** *(continued)*

### **YEAR ENDED 30 SEPTEMBER 2005**

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state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

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. The directors 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.

#### **AUDITORS**

A resolution to re-appoint David E Seabright & Co Limited as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:  
Alderley House  
Arnolds Field Estate  
The Downs  
Wickwar  
Wotton-Under-Edge  
Glos  
GL12 8JD

Signed by order of the directors



A D BENNION  
Company Secretary

Approved by the directors on 27 April 2006

**SPECIALISED MANAGEMENT SERVICES LIMITED****INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF  
SPECIALISED MANAGEMENT SERVICES LIMITED****YEAR ENDED 30 SEPTEMBER 2005**

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We have audited the financial statements of Specialised Management Services Limited for the year ended 30 September 2005 on pages 6 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 9.

This report is made solely to the company's shareholder, 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 shareholder 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 shareholder 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 law and United Kingdom 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.

# **SPECIALISED MANAGEMENT SERVICES LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF SPECIALISED MANAGEMENT SERVICES LIMITED *(continued)***

**YEAR ENDED 30 SEPTEMBER 2005**

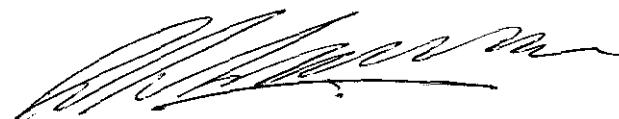
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### **OPINION**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2005 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

174 Whiteladies Road  
Clifton  
Bristol  
BS8 2XU

27 April 2006



DAVID E SEABRIGHT & CO LIMITED  
Chartered Accountants  
& Registered Auditors

**SPECIALISED MANAGEMENT SERVICES LIMITED****PROFIT AND LOSS ACCOUNT****YEAR ENDED 30 SEPTEMBER 2005**

	Note	2005 £	2004 £
<b>TURNOVER</b>	<b>2</b>	<b>5,103,945</b>	<b>2,460,781</b>
Other operating income		<u>76,241</u>	<u>60,000</u>
		<b>5,180,186</b>	<b>2,520,781</b>
<b>OPERATING COSTS:</b>			
Raw materials and consumables		2,157,582	898,597
Other external charges		371,384	128,920
Staff costs	3	1,424,646	765,729
Depreciation written off fixed assets	4	44,053	53,534
Other operating charges		<u>610,798</u>	<u>574,356</u>
<b>OPERATING PROFIT</b>	<b>4</b>	<b>571,723</b>	<b>99,645</b>
Interest receivable		—	310
Reinstatement/(Impairment) of investments	6	59,345	36,361
Interest payable and similar charges	7	<u>(53,022)</u>	<u>(35,689)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>578,046</b>	<b>100,627</b>
Tax on profit on ordinary activities	8	110,000	—
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>468,046</b>	<b>100,627</b>
Balance brought forward		<u>(224,427)</u>	<u>(325,054)</u>
Balance carried forward		<u><b>243,619</b></u>	<u><b>(224,427)</b></u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

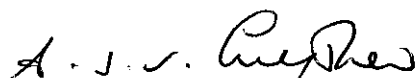


**SPECIALISED MANAGEMENT SERVICES LIMITED****BALANCE SHEET****30 SEPTEMBER 2005**

	Note	2005 £	2004 £
<b>FIXED ASSETS</b>			
Tangible assets	9	197,859	172,624
Investments	10	150,706	91,361
		<u>348,565</u>	<u>263,985</u>
<b>CURRENT ASSETS</b>			
Stocks	11	173,952	310,203
Debtors	12	2,702,512	1,583,056
Cash in hand		2,114	—
		<u>2,878,578</u>	<u>1,893,259</u>
<b>CREDITORS: Amounts falling due within one year</b>	14	<u>2,503,323</u>	<u>1,888,947</u>
<b>NET CURRENT ASSETS</b>		<u>375,255</u>	<u>4,312</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>723,820</u>	<u>268,297</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	15	—	12,523
		<u>723,820</u>	<u>255,774</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	21	480,201	480,201
Profit and loss account		243,619	(224,427)
<b>SHAREHOLDER'S FUNDS (including non-equity interests)</b>			
	22	<u>723,820</u>	<u>255,774</u>

These financial statements were approved by the directors on the 27 April 2006 and are signed on their behalf by:

A J V SHEPHERD



**SPECIALISED MANAGEMENT SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 30 SEPTEMBER 2005**

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**1. ACCOUNTING POLICIES****Basis of accounting**

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

In preparing the accounts the company has adopted profit and loss account format 2 and balance sheet format 1.

**Consolidation**

In the opinion of the directors, the company and its subsidiary undertakings comprise a small group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

**Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is small.

**Turnover**

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax, and the value of long-term contract work done.

**Fixed assets**

All fixed assets are initially recorded at cost.

**Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery	- 2% per month
Fixtures & Fittings	- 2% per month
Motor Vehicles	- 2% per month

**Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

**Work in progress**

Work in progress is valued at the lower of cost and net realisable value. Cost includes attributable overheads. Turnover on long-term contracts is recognised according to the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The costs on long-term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in stocks and long-term contract balances.

# SPECIALISED MANAGEMENT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

### 1. ACCOUNTING POLICIES *(continued)*

#### Finance lease agreements

Where the company 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. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

#### Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

#### Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

#### 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 exception:

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.

### 2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company. An analysis of turnover is given below:

	2005	2004
	£	£
United Kingdom	4,501,286	2,460,781
Overseas	602,659	-
	<u>5,103,945</u>	<u>2,460,781</u>

# SPECIALISED MANAGEMENT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

### 3. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2005	2004
	No	No
Number of staff including directors	<u>48</u>	<u>33</u>

The aggregate payroll costs of the above were:

	2005	2004
	£	£
Wages and salaries	1,273,246	672,516
Social security costs	137,277	73,379
Other pension costs	14,123	19,834
	<u>1,424,646</u>	<u>765,729</u>

### 4. OPERATING PROFIT

Operating profit is stated after charging:

	2005	2004
	£	£
Depreciation of owned fixed assets	36,570	41,746
Depreciation of assets held under finance lease agreements	7,483	11,184
Loss on disposal of fixed assets	—	604
Auditors' remuneration		
- as auditors	13,561	7,280
Operating lease costs:		
Other	<u>4,652</u>	<u>—</u>

### 5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2005	2004
	£	£
Emoluments receivable	12,282	143,974
Value of company pension contributions to money purchase schemes	—	4,349
	<u>12,282</u>	<u>148,323</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2005	2004
	No	No
Money purchase schemes	<u>—</u>	<u>2</u>

# **SPECIALISED MANAGEMENT SERVICES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 30 SEPTEMBER 2005**

### **5. DIRECTORS' EMOLUMENTS *(continued)***

A management charge, included in other operating charges, is paid to the holding company to cover the services of A J V Shepherd, A D Bennion, G T Hacon, A Mansfield and S G Young as well as administration costs incurred by the holding company.

### **6. REINSTATEMENT/IMPAIRMENT OF INVESTMENTS**

	2005 £	2004 £
Amount (written back)/written off investments	<u>(59,345)</u>	<u>(36,361)</u>

### **7. INTEREST PAYABLE AND SIMILAR CHARGES**

	2005 £	2004 £
Interest payable on bank borrowing	50,297	15,245
Finance charges	2,725	4,302
Other similar charges payable	—	16,142
	<u>53,022</u>	<u>35,689</u>

### **8. TAXATION ON ORDINARY ACTIVITIES**

#### **(a) Analysis of charge in the year**

	2005 £	2004 £
Current tax:		
UK Corporation tax based on the results for the year at 30% (2004 - 19%)	140,000	—
Total current tax	140,000	—
Deferred tax:		
Origination and reversal of timing differences (note 13)		
Capital allowances	(30,000)	—
Tax on profit on ordinary activities	<u>110,000</u>	<u>—</u>

# SPECIALISED MANAGEMENT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

### 8. TAXATION ON ORDINARY ACTIVITIES *(continued)*

#### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2004 - 19%).

	2005 £	2004 £
Profit on ordinary activities before taxation	<u>578,046</u>	<u>100,627</u>
Profit/(loss) on ordinary activities by rate of tax	173,414	19,119
Expenses not deductible for tax purposes	2,870	1,115
Capital allowances (exceed)/exceeded by depreciation for period	(16,663)	7,660
Tax chargeable at lower rates	-	(271)
Availability of tax losses b/fwd decreases tax liability	-	(17,542)
Sundry tax adjusting items	<u>(19,621)</u>	<u>(10,081)</u>
Total current tax (note 8(a))	<u>140,000</u>	<u>-</u>

### 9. TANGIBLE FIXED ASSETS

	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
<b>COST</b>				
At 1 October 2004	217,879	53,007	9,290	280,176
Additions	<u>63,993</u>	<u>5,295</u>	<u>-</u>	<u>69,288</u>
At 30 September 2005	<u>281,872</u>	<u>58,302</u>	<u>9,290</u>	<u>349,464</u>
<b>DEPRECIATION</b>				
At 1 October 2004	84,513	18,133	4,906	107,552
Charge for the year	<u>35,158</u>	<u>7,951</u>	<u>944</u>	<u>44,053</u>
At 30 September 2005	<u>119,671</u>	<u>26,084</u>	<u>5,850</u>	<u>151,605</u>
<b>NET BOOK VALUE</b>				
At 30 September 2005	<u>162,201</u>	<u>32,218</u>	<u>3,440</u>	<u>197,859</u>
At 30 September 2004	<u>133,366</u>	<u>34,874</u>	<u>4,384</u>	<u>172,624</u>

#### Finance lease agreements

Included within the net book value of £197,859 is £27,263 (2004 - £34,746) relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £7,483 (2004 - £11,184).

# SPECIALISED MANAGEMENT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

### 10. INVESTMENTS

Interest in Group Undertakings	Total £
<b>COST</b>	
At 1 October 2004 and 30 September 2005	<u>315,568</u>
<b>AMOUNTS WRITTEN OFF</b>	
At 1 October 2004	224,207
Written off in prior years written back	<u>(59,345)</u>
At 30 September 2005	<u>164,862</u>
<b>NET BOOK VALUE</b>	
At 30 September 2005	<u>150,706</u>
At 30 September 2004	<u>91,361</u>

The company owns 100% of the issued share capital of C & M Hydraulics Limited, a company incorporated in England and Wales. During the year, two dormant subsidiaries have been dissolved and removed from the Register.

Under the provision of section 248 of the Companies Act 1985 the company is exempt from preparing consolidated accounts and has not done so, therefore the accounts show information about the company as an individual entity.

### 11. STOCKS

	2005 £	2004 £
Raw materials	73,989	71,200
Work in progress	99,963	247,722
Payments on account	—	<u>(8,719)</u>
	<u>173,952</u>	<u>310,203</u>

### 12. DEBTORS

	2005 £	2004 £
Trade debtors	1,775,958	807,936
Amounts owed by group undertakings	488,707	462,960
Corporation tax repayable	—	7,765
Other debtors	306,643	245,079
Prepayments and accrued income	101,204	59,316
Deferred taxation (note 13)	30,000	—
	<u>2,702,512</u>	<u>1,583,056</u>

## SPECIALISED MANAGEMENT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

**13. DEFERRED TAXATION**

The deferred tax included in the Balance sheet is as follows:

	2005	2004
	£	£
Included in debtors (note 12)	<u>30,000</u>	-

The movement in the deferred taxation account during the year was:

	2005	2004
	£	£
Profit and loss account movement arising during the year	<u>30,000</u>	-
Balance carried forward	<u>30,000</u>	-

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2005	2004
	£	£
Excess of depreciation charged over taxation allowances claimed on fixed assets	<u>30,000</u>	-
	<u>30,000</u>	-

**14. CREDITORS: Amounts falling due within one year**

	2005	2004
	£	£
Bank loans and overdrafts	1,307,555	720,435
Payments received on account	-	4,220
Trade creditors	619,972	664,270
Amounts owed to group undertakings	326,586	301,209
Other creditors including taxation and social security:		
Corporation tax	139,595	-
PAYE and social security	64,540	25,438
VAT	1,093	68,606
Finance lease agreements	20,565	16,697
Other creditors	-	72,561
	<u>2,479,906</u>	<u>1,873,436</u>
Accruals and deferred income	<u>23,417</u>	<u>15,511</u>
	<u>2,503,323</u>	<u>1,888,947</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2005	2004
	£	£
Bank loans and overdrafts	<u>1,307,555</u>	<u>719,211</u>

Bank of Scotland plc holds an "All Monies" debenture over the company's assets.



# SPECIALISED MANAGEMENT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

### 15. CREDITORS: Amounts falling due after more than one year

	2005 £	2004 £
Other creditors:		
Finance lease agreements	<u>-</u>	<u>12,523</u>

### 16. COMMITMENTS UNDER FINANCE LEASE AGREEMENTS

Future commitments under finance lease agreements are as follows:

	2005 £	2004 £
Amounts payable within 1 year	23,350	21,000
Amounts payable between 2 to 5 years	<u>-</u>	<u>15,750</u>
	23,350	36,750
Less interest and finance charges relating to future periods	<u>(2,785)</u>	<u>(7,530)</u>
	<u>20,565</u>	<u>29,220</u>
Finance lease agreements are analysed as follows:		
Current obligations	20,565	16,697
Non-current obligations	<u>-</u>	<u>12,523</u>
	<u>20,565</u>	<u>29,220</u>

### 17. PENSIONS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £14,123 (2004 £19,834). There were outstanding contributions of £nil (2004 £12,613) unpaid at the year end.

### 18. COMMITMENTS UNDER OPERATING LEASES

At 30 September 2005 the company had annual commitments under non-cancellable operating leases as set out below.

	2005		2004	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire:				
Within 2 to 5 years	-	13,430	-	3,839
After more than 5 years	<u>62,000</u>	<u>-</u>	<u>62,000</u>	<u>-</u>
	<u>62,000</u>	<u>13,430</u>	<u>62,000</u>	<u>3,839</u>

# SPECIALISED MANAGEMENT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

### 19. CONTINGENCIES

An unlimited cross bank guarantee given to Bank of Scotland plc exists between Specialised Management Services Limited and Alderley plc (its parent company), Alderley Materials Limited, Alderley Environmental Limited, Alderley Process Technologies Limited, Alderley Systems Ltd, Alderley International Limited, Alderley Controls Ltd, Jordan Kent Metering Systems Ltd and C & M Hydraulics Limited.

### 20. RELATED PARTY TRANSACTIONS

The company considers A J V Shepherd to be the ultimate controlling party by virtue of his majority shareholding in Alderley plc, the ultimate parent company.

As the company is a wholly owned subsidiary within a group that prepares consolidated financial statements, the company has taken advantage of the exemption from disclosing transactions with group entities.

### 21. SHARE CAPITAL

#### Authorised share capital:

	2005	2004
	£	£
1,000 Ordinary shares of £1 each	1,000	1,000
200 Redeemable Preference 'A' shares of £1 each	200	200
500,000 Redeemable Preference 'B' shares of £1 each	500,000	500,000
330,000 Redeemable Preference 'C' shares of £1 each	330,000	330,000
	<u>831,200</u>	<u>831,200</u>

#### Allotted, called up and fully paid:

	2005		2004	
	No	£	No	£
Ordinary shares of £1 each	100	100	100	100
Redeemable Preference 'A' shares of £1 each	101	101	101	101
Redeemable Preference 'B' shares of £1 each	150,000	150,000	150,000	150,000
Redeemable Preference 'C' shares of £1 each	330,000	330,000	330,000	330,000
	<u>480,201</u>	<u>480,201</u>	<u>480,201</u>	<u>480,201</u>

# SPECIALISED MANAGEMENT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2005

### 21. SHARE CAPITAL *(continued)*

The holders of the preference shares are not entitled to receive notice of, or attend, or vote at any general meeting of the company. However they are entitled, in priority to any payment of dividend on any other class of share, to a cumulative preferential dividend of up to £1,000 per share (exclusive of imputed tax credit).

The company has the right to redeem at par the whole or any part of the preference shares at any time or times after the company has declared and paid a total cumulative dividend on that particular share equivalent to the sum of £1,000 upon giving to the holders of the particular shares to be redeemed not less than three months previous notice in writing.

### 22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

#### EQUITY SHAREHOLDER'S FUNDS

	2005 £	2004 £
Profit for the financial year	468,046	100,627
Opening shareholder's equity deficit	(224,327)	(324,954)
Closing shareholder's equity funds/(deficit)	<u>243,719</u>	<u>(224,327)</u>

#### NON-EQUITY SHAREHOLDER'S FUNDS

Opening shareholder's non-equity funds	480,101	150,101
New non-equity share capital subscribed	—	330,000
Closing shareholder's non-equity funds	<u>480,101</u>	<u>480,101</u>

<b>TOTAL SHAREHOLDER'S FUNDS</b>	<b><u>723,820</u></b>	<b><u>255,774</u></b>
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### 23. ULTIMATE PARENT COMPANY

In the opinion of the directors the company's ultimate parent company is Alderley plc, a company incorporated in Great Britain, and registered in England and Wales. Alderley plc prepares group financial statements and copies can be obtained from Alderley House, Arnolds Field Estate, The Downs, Wickwar, Wotton-under-Edge, Gloucestershire, GL12 8JD.

**SPECIALISED MANAGEMENT SERVICES LIMITED**

**MANAGEMENT INFORMATION**

**YEAR ENDED 30 SEPTEMBER 2005**

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**The following pages do not form part of the statutory financial statements  
which are the subject of the independent auditors' report on pages 4 to 5.**

**SPECIALISED MANAGEMENT SERVICES LIMITED****DETAILED PROFIT AND LOSS ACCOUNT****YEAR ENDED 30 SEPTEMBER 2005**

	2005	2004
	£	£
<b>TURNOVER</b>	<b>5,103,945</b>	<b>2,460,781</b>
Other operating income	<u>76,241</u>	<u>60,000</u>
	<b>5,180,186</b>	<b>2,520,781</b>
<b>OPERATING COSTS</b>		
Raw materials and consumables	2,157,582	898,597
Other external charges	371,384	128,920
Staff costs	1,424,646	765,729
Depreciation written off fixed assets	44,053	53,534
Other operating charges	<u>610,798</u>	<u>574,356</u>
	<b>4,608,463</b>	<b>2,421,136</b>
<b>OPERATING PROFIT</b>	<b>571,723</b>	<b>99,645</b>
Bank interest receivable	<u>—</u>	<u>310</u>
	<b>571,723</b>	<b>99,955</b>
Reinstatement/(Impairment) of investments	<u>59,345</u>	<u>36,361</u>
	<b>631,068</b>	<b>136,316</b>
Interest payable and similar charges	<u>(53,022)</u>	<u>(35,689)</u>
<b>PROFIT ON ORDINARY ACTIVITIES</b>	<b><u>578,046</u></b>	<b><u>100,627</u></b>

**SPECIALISED MANAGEMENT SERVICES LIMITED****NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT****YEAR ENDED 30 SEPTEMBER 2005**

	2005		2004	
	£	£	£	£
<b>RAW MATERIALS AND CONSUMABLES</b>				
Purchases		<u>2,157,582</u>		<u>898,597</u>
<b>OTHER EXTERNAL CHARGES</b>				
Subcontract		<u>371,384</u>		<u>128,920</u>
<b>STAFF COSTS</b>				
Directors:				
Directors salaries	12,282		90,636	
Directors pension contributions	—		4,349	
Directors NIC	—		10,939	
		<u>12,282</u>		<u>105,924</u>
Direct and distribution staff:				
Direct wages	1,149,862		472,485	
NIC costs	126,184		50,702	
Pension contributions	<u>14,123</u>		<u>13,456</u>	
		<u>1,290,169</u>		<u>536,643</u>
Administration staff:				
Salaries and staff costs	111,102		109,395	
Staff national insurance contributions	11,093		11,738	
Staff pension contributions	—		2,029	
		<u>122,195</u>		<u>123,162</u>
		<u>1,424,646</u>		<u>765,729</u>
<b>OTHER OPERATING CHARGES</b>				
Establishment expenses:				
Rent, rates and water	97,905		86,869	
Light and heat	9,401		7,393	
Maintenance	<u>7,263</u>		<u>4,748</u>	
		<u>114,569</u>		<u>99,010</u>
Carried forward		<u>114,569</u>		<u>99,010</u>

**SPECIALISED MANAGEMENT SERVICES LIMITED****NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT****YEAR ENDED 30 SEPTEMBER 2005**

	2005		2004
	£	£	£
<b>OTHER OPERATING CHARGES</b> <i>(continued)</i>			
Brought forward		114,569	99,010
General expenses:			
Motor & travel	48,479		65,213
Vehicle leasing charges	4,652		—
Telephone	17,406		15,061
Insurance	56,037		62,960
Printing & stationery	11,863		6,394
Staff training	11,878		5,320
Sundry expenses	47,110		23,875
Donations	70		160
Marketing	6,128		4,883
Entertaining	8,880		1,833
Management charges payable	258,169		256,154
Legal and professional fees	11,356		15,381
Auditors remuneration	13,561		7,280
		495,589	464,514
Financial costs:			
Provision for doubtful debts	(1,049)		(397)
Bank charges	1,689		11,229
		640	10,832
		<u>610,798</u>	<u>574,356</u>
<b>INTEREST PAYABLE AND SIMILAR CHARGES</b>			
Bank interest payable	50,297		15,245
Hire purchase and finance lease charges	2,725		4,302
Factoring interest and charges	—		16,142
	<u>53,022</u>		<u>35,689</u>