



**ATESTA GROUP LIMITED  
AND SUBSIDIARIES**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31 AUGUST 2005**

**COMPANY NUMBER: SC161800**

## **ATESTA GROUP LIMITED AND SUBSIDIARIES**

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### **DIRECTORS**

R M Bailey  
E W Bailey  
M W Jones  
P Middleton  
D G Watson  
A A Watt

### **COMPANY SECRETARY**

M W Jones

### **REGISTERED OFFICE**

Addiston Mains  
Ratho  
Midlothian  
EH28 8NT

### **AUDITORS**

Grant Thornton UK LLP  
Registered Auditors  
Chartered Accountants  
30 Hounds Gate  
Nottingham  
NG1 7DH

### **BANKERS**

Clydesdale Bank plc  
20 Hanover Street  
Edinburgh  
EH2 2QW

### **SOLICITORS**

MBM Commercial LLP  
107 George Street  
Edinburgh  
EH2 3ES

### **WEBSITE**

[www.scientifics.com](http://www.scientifics.com)

# ATESTA GROUP LIMITED AND SUBSIDIARIES

## REPORT OF THE DIRECTORS

For the year ended 31 August 2005

The directors present their annual report on the affairs of the Group, together with the accounts and auditors' report, for the year ended 31 August 2005.

### Principal activity

The principal activity of the Group is the provision of testing, analysis and consulting services.

### Business review

The results for the year are as follows:

	£
Profit for the financial year	768,956
Minority interests	(3,872)
Dividends	(375,635)
Retained profit for the year	389,449

The directors recommend the payment of a proposed final dividend to the holders of the 'A' Ordinary shares of £131,472 equating to £0.509 per share (2004 - £102,724 equating to £0.3977 per share) and a proposed final dividend to the holders of the Ordinary shares of £244,163 equating to £0.509 per share (2004 - £190,774 equating to £0.3977 per share) leaving a retained profit for the year of £389,449 (2004 - £410,953).

Turnover increased during the year by £2,437,705 (18.3%) and operating profit increased by £680,936 (66.7%).

### Directors and their interests

The interests of the directors and their families in the shares of the Company as at 31 August 2005 and as at 31 August 2004 were as follows:

	Ordinary Shares of £0.25 each	
	2005 Number	2004 Number
R M Bailey	479,692	479,692
E W Bailey	-	-
M W Jones	-	-
P Middleton	-	-
D G Watson	-	-
A A Watt	-	-

In addition to the above, P Middleton has a beneficial interest in 2,171 B Ordinary shares in Scientifics Limited, a subsidiary undertaking. The Company has granted share options to certain executive directors as disclosed more fully in Note 16 to the accounts.

## **ATESTA GROUP LIMITED AND SUBSIDIARIES**

### **REPORT OF THE DIRECTORS**

For the year ended 31 August 2005

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#### **Health & Safety**

The Group is committed to achieving and maintaining high standards of health & safety and to minimise the environmental impact of its business activities. It is the Group's policy to provide and maintain safe working conditions, equipment and systems of work for all employees, contractors, visitors and other people affected by its operations.

#### **Employment policy**

It is the policy of the Group to encourage and develop every member of staff to realise their maximum potential. Wherever possible, vacancies are filled from within the Group and adequate opportunities for internal promotion are created. The Group is committed to a systematic training policy. It is also the policy of the Group, where possible, to give sympathetic consideration to disabled persons in their applications for employment within the Group and to protect the interests of existing members of staff who are disabled.

The Group has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the Group. This is achieved through consultations with employee representatives, presentations to all employees and the Group's Intranet.

#### **Directors' responsibilities**

Company law requires the directors to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. In preparing those accounts, the directors are required to:

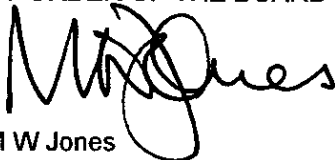
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- Prepare the accounts 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 accounts comply with the Companies Act 1985. They are 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**

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



M W Jones  
Secretary  
2 December 2005

We have audited the financial statements of Atesta Group Limited for the year ended 31 August 2005, which comprise the principal accounting policies, consolidated profit and loss account, the balance sheets, the cash flow statement and notes 1 to 24 on pages 10 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members as a body, in accordance with Section 235 of the Companies Act 1985. Our 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 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's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the directors and auditors**

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and 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 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 other information contained in the directors' report, 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.

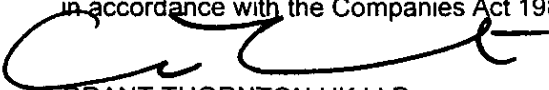
**Basis of opinion**

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 Group and Company's affairs as at 31 August 2005 and of the profit for the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
Nottingham  
2 December 2005



## **ATESTA GROUP LIMITED AND SUBSIDIARIES**

### **PRINCIPAL ACCOUNTING POLICIES**

For the year ended 31 August 2005

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#### **BASIS OF PREPARATION**

The accounts are prepared under the historical cost convention, including appropriate fair value accounting on acquisition on the basis of professional valuations and in accordance with applicable accounting standards.

#### **TURNOVER**

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

#### **BASIS OF CONSOLIDATION**

The Group accounts consolidate the accounts of Atesta Group Limited and all its subsidiary undertakings made up to 31 August 2005.

No profit and loss account is presented for Atesta Group Limited, as provided by section 230 of the Companies Act 1985. The Company's pre tax profit for the financial year, determined in accordance with the Act was £533,203 (2004 - £591,637).

#### **TANGIBLE FIXED ASSETS**

Fixed assets are shown at original historical cost or subsequent valuation.

Depreciation is provided at rates calculated to write off the cost including fair valuations on acquisition, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Freehold property	– 50 years
Plant and machinery	– 10 years
Fixtures and fittings	– 10 years
Computer equipment	– 3 years
Motor vehicles	– 4 years

#### **INTANGIBLE FIXED ASSETS**

Purchased goodwill, and negative goodwill, is amortised on a straight-line basis over its estimated useful economic life of 10 years.

#### **INVESTMENTS**

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

#### **STOCKS**

Stocks are stated at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition is based on:

Consumables	- purchased cost on a first-in, first-out basis.
Work-in-progress	- cost of materials and labour plus a reasonable proportion of overheads based on normal levels of activity.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

## **ATESTA GROUP LIMITED AND SUBSIDIARIES**

### **PRINCIPAL ACCOUNTING POLICIES**

For the year ended 31 August 2005

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#### **DEFERRED TAXATION**

Deferred tax 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 sheet date.

#### **CONTRIBUTIONS TO PENSION FUNDS**

##### Defined contribution scheme

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

##### Defined benefit 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 average remaining service lives of current employees in the scheme.

#### **LEASED ASSETS**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease period.

**ATESTA GROUP LIMITED AND SUBSIDIARIES****GROUP PROFIT AND LOSS ACCOUNT**

For the year ended 31 August 2005

	Notes	2005 £	2004 £
<b>Turnover</b>	1	<b>15,748,028</b>	13,310,323
<b>Cost of sales</b>		<b>(8,226,573)</b>	(7,045,382)
<b>Gross profit</b>		<b>7,521,455</b>	6,264,941
<b>Net operating expenses</b>	2	<b>(5,820,175)</b>	(5,244,597)
<b>Operating profit</b>		<b>1,701,280</b>	1,020,344
<b>Exceptional Items</b>	3	<b>(221,523)</b>	184,056
<b>Interest payable and similar charges</b>	4	<b>(232,307)</b>	(233,932)
<b>Profit on ordinary activities before taxation</b>		<b>1,247,450</b>	970,468
<b>Tax on profit on ordinary activities</b>	6	<b>(478,494)</b>	(262,665)
<b>Profit on ordinary activities after taxation</b>		<b>768,956</b>	707,803
<b>Minority interests</b>		<b>(3,872)</b>	(3,352)
<b>Profit for the financial year</b>		<b>765,084</b>	704,451
<b>Dividends</b>	7	<b>(375,635)</b>	(293,498)
<b>Retained profit for the year</b>	17	<b>389,449</b>	410,953

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

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



# ATESTA GROUP LIMITED AND SUBSIDIARIES

## GROUP BALANCE SHEET

At 31 August 2005

	Notes	2005 £	2004 £
<b>Fixed assets</b>			
<i>Intangible assets</i>			
Goodwill	8	587,085	698,337
Negative goodwill	8	(193,028)	(237,008)
		<u>394,057</u>	<u>461,329</u>
<i>Tangible assets</i>	9	4,018,488	4,127,473
		<u>4,412,545</u>	<u>4,588,802</u>
<b>Current assets</b>			
Stocks	11	462,062	359,759
Debtors - due within one year	12	3,381,737	3,066,001
- due after more than one year	12	1,186,000	1,224,000
Cash in hand		5,855	-
		<u>5,035,654</u>	<u>4,649,760</u>
<b>Creditors: Amounts falling due within one year</b>	13	(4,255,179)	(3,863,785)
<b>Net current assets</b>		<u>780,475</u>	<u>785,975</u>
<b>Total assets less current liabilities</b>		<u>5,193,020</u>	<u>5,374,777</u>
<b>Creditors: Amounts falling due after more than one year</b>	14	(1,554,601)	(2,143,298)
<b>Provisions for liabilities and charges</b>	15	(464,600)	(449,900)
<b>Net assets</b>		<u>3,173,819</u>	<u>2,781,579</u>
<b>Capital and reserves</b>			
Called-up equity share capital	16	184,497	184,497
Share premium account	17	518,328	518,328
Profit and loss account	17	1,116,943	727,494
Capital reserve	17	1,335,491	1,335,491
<b>Shareholders funds</b>	18	<u>3,155,259</u>	<u>2,765,810</u>
Minority interests	19	18,560	15,769
<b>Total capital employed</b>		<u>3,173,819</u>	<u>2,781,579</u>

The financial statements were approved by the Board of Directors on 2 December 2005

R M Bailey

Director

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

# ATESTA GROUP LIMITED

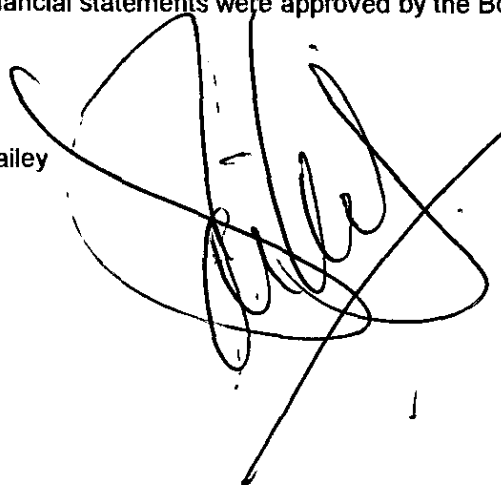
## COMPANY BALANCE SHEET

At 31 August 2005

	Notes	2005 £	2004 £
<b>Fixed assets</b>			
Tangible assets	9	-	1,305
Investments	10	<u>2,041,691</u>	<u>2,081,691</u>
		<u>2,041,691</u>	<u>2,082,996</u>
<b>Current assets</b>			
Debtors - due within one year	12	607,224	313,921
- due after more than one year	12	848,435	1,198,734
<b>Creditors: Amounts falling due within one year</b>	13	<u>(1,092,924)</u>	<u>(785,958)</u>
<b>Net current assets</b>		<u>362,735</u>	<u>726,697</u>
<b>Total assets less current liabilities</b>		<u>2,404,426</u>	<u>2,809,693</u>
<b>Creditors: Amounts falling due after more than one year</b>	14	<u>(1,000,000)</u>	<u>(1,486,234)</u>
<b>Net assets</b>		<u>1,404,426</u>	<u>1,323,459</u>
<b>Capital and reserves</b>			
Called-up equity share capital	16	184,497	184,497
Share premium account	17	518,328	518,328
Profit and loss account	17	<u>701,601</u>	<u>620,634</u>
<b>Total capital employed</b>		<u>1,404,426</u>	<u>1,323,459</u>

The financial statements were approved by the Board of Directors on 2 December 2005

R M Bailey



Director

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

**ATESTA GROUP LIMITED AND SUBSIDIARIES****GROUP CASH FLOW STATEMENT**

For the year ended 31 August 2005

	Notes	2005 £	2004 £
<b>Net cash inflow from operating activities</b>	20a)	<b>2,424,426</b>	2,104,507
Returns on investments and servicing of finance	20b)	<b>(525,805)</b>	(371,455)
Taxation		<b>(280,766)</b>	(281,851)
Capital expenditure and financial investment	20c)	<b>(284,066)</b>	(54,223)
Acquisitions and disposals	20d)	-	(97)
<b>Cash inflow before management of liquid resources and financing</b>		<b>1,333,789</b>	1,396,881
Financing	20e)	<b>(1,159,954)</b>	(1,051,663)
<b>Increase in cash in the year</b>		<b>173,835</b>	345,218
Change in Cash in hand		<b>5,855</b>	-
Change in Overdraft	20f)	<b>167,980</b>	345,218
<b>Increase in cash in the year</b>		<b>173,835</b>	345,218

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

# ATESTA GROUP LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2005

### 1 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Operating profit is stated after charging:

	2005 £	2004 £
Depreciation and amounts written off		
- intangible fixed assets	67,272	56,772
- tangible fixed assets		
- owned	653,888	648,598
- on hire purchase contracts	240,707	216,644
Rentals under operating leases		
- property	401,510	414,703
- plant, machinery and vehicles	71,455	24,891
Auditors' remuneration		
- audit services	19,800	19,000
- non-audit services	2,950	4,550
Staff costs (note 5)	8,080,871	7,046,573

Turnover, which is entirely attributable to the Group's principal activities, arose almost entirely in the United Kingdom.

### 2 NET OPERATING EXPENSES

	2005 £	2004 £
Administrative expenses:	5,820,175	5,244,597

### 3 EXCEPTIONAL ITEMS

	2005 £	2004 £
Profit on the disposal of Gloucester freehold premises	-	184,056
Fixed assets written-off on implementation of new fixed asset system	(221,523)	-

A new fixed asset system was implemented during the year based on a physical count of all assets.

Differences arising between the physical count and the accounting records have not been transferred to the new system and the consequential adjustments have been treated as an exceptional item as in nature they represent a loss on disposal.

### 4 INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
Loan stock interest	92,933	92,560
Bank loans and overdrafts	77,578	90,498
Finance leases and hire purchase contracts	61,796	50,874
	232,307	233,932

# ATESTA GROUP LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2005

### 5 STAFF COSTS

Particulars of employees (including executive directors) are as shown below.

	2005 £	2004 £
Employee costs during the year amounted to:		
Wages and salaries	7,239,630	6,259,474
Social security costs	609,563	526,839
Other pension costs (note 21d)	231,588	260,260
	<u>8,080,781</u>	<u>7,046,573</u>

The average monthly number of persons employed by the Group during the year was as follows:

	2005 Number	2004 Number
Total employees	<u>374</u>	<u>333</u>

The remuneration of the directors was as follows:

	2005 £	2004 £
Emoluments	396,015	285,845
Company contributions to pension schemes	30,842	27,716
Fees paid to third parties in respect of directors' services	45,250	20,250
	<u>472,107</u>	<u>333,811</u>

The remuneration of the highest paid director was as follows:

	2005 £	2004 £
Emoluments	142,232	113,933
Company contributions to pension schemes	16,976	16,796
Fees paid to third parties in respect of directors' services	25,000	-
	<u>184,208</u>	<u>130,729</u>

Three directors were remunerated by Atesta Group Limited and three directors were remunerated by a subsidiary undertaking of the Group. The number of directors who were members of Group pension schemes was as follows:

	2005 Number	2004 Number
Group pension schemes	<u>4</u>	<u>4</u>

# ATESTA GROUP LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2005

### 6 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	2005 £	2004 £
UK Corporation tax	457,027	289,477
Adjustment in respect of prior years	6,767	(34,612)
<b>Total current tax</b>	<b>463,794</b>	<b>254,865</b>
Origination and reversal of timing differences	14,700	7,800
<b>Total deferred tax</b>	<b>14,700</b>	<b>7,800</b>
<b>Tax on profit on ordinary activities</b>	<b>478,494</b>	<b>262,665</b>

Tax reconciliation:

	2005 £	2004 £
Profit on ordinary activities before tax	1,247,450	970,468
Tax on profit on ordinary activities - standard rate 30%	374,235	291,140
Effects of:		
Expenses not deductible for tax	109,184	70,713
Capital allowances in excess of depreciation	(19,420)	(29,664)
Short-term timing differences	5,573	(1,587)
Utilisation of losses	-	(27,646)
Adjustment for small companies rate of Corporation Tax	(12,545)	(13,479)
Adjustments in respect of prior periods	6,767	(34,612)
	<b>463,794</b>	<b>254,865</b>

### 7 DIVIDENDS

	2005 £	2004 £
'A' Ordinary shares: final £0.509 per share (2004 - £0.3977 per share)	131,472	102,724
Ordinary shares: final £0.509 per share (2004 - £0.3977 per share)	244,163	190,774
	<b>375,635</b>	<b>293,498</b>

# ATESTA GROUP LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2005

### 8 INTANGIBLE FIXED ASSETS

The following are included in the net book value of intangible fixed assets:	Purchased goodwill £	Negative goodwill £	Total £
<b>Cost</b>			
At 1 September 2004 and 31 August 2005	1,112,518	(439,853)	672,665
<b>Amortisation</b>			
At 1 September 2004	414,181	(202,845)	211,336
Provided in the year	111,252	(43,980)	67,272
At 31 August 2005	525,433	(246,825)	278,608
<b>Net book value</b>			
At 31 August 2005	587,085	(193,028)	394,057
At 1 September 2004	698,337	(237,008)	461,329

### 9 TANGIBLE FIXED ASSETS

<b>Group</b> The movement in the year was as follows:	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 September 2004	125,000	7,252,759	867,571	8,245,330
Additions	-	806,201	206,172	1,012,373
Disposals	-	-	(134,515)	(134,515)
Adjustment (see note 3)	-	(657,573)	13,718	(643,855)
At 31 August 2005	125,000	7,401,387	952,946	8,479,333
<b>Depreciation</b>				
At 1 September 2004	19,375	3,559,307	539,175	4,117,857
Provided in the year	2,500	751,840	140,255	894,595
Disposals	-	-	(129,275)	(129,275)
Adjustment (see note 3)	-	(436,030)	13,698	(422,332)
At 31 August 2005	21,875	3,875,117	563,853	4,460,845
<b>Net book value</b>				
At 31 August 2005	103,125	3,526,270	389,093	4,018,488
At 31 August 2004	105,625	3,693,452	328,396	4,127,473

A new fixed asset system was implemented during the year based on a physical count of all assets. Differences arising between the physical count and the accounting records have not been transferred to the new system and the consequential adjustments above have been treated as an exceptional item.

# ATESTA GROUP LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2005

### 9 TANGIBLE FIXED ASSETS (CONTINUED)

The net book value of fixed assets includes £1,436,645 (2004 - £1,288,492) in respect of assets held under finance leases and hire purchase contracts.

#### Company

The movement in the year was as follows:

Plant and  
equipment  
£

#### Cost

At 1 September 2004 and 31 August 2005

5,352

#### Depreciation

At 1 September 2004

4,047

Provided in the year

1,305

At 31 August 2005

5,352

#### Net book value

At 31 August 2005

-

At 31 August 2004

1,305

### 10 FIXED ASSET INVESTMENTS

The following are included in the net book value of fixed asset investments:

	Company	
	2005 £	2004 £
Subsidiary undertakings at cost less provision for impairment	251,691	291,691
Unsecured loan stock in subsidiary undertakings	1,790,000	1,790,000
	<u>2,041,691</u>	<u>2,081,691</u>

An impairment of £40,000 was provided in the year against the investment in a dormant subsidiary.

The Company has investments in the following subsidiary undertakings:

Subsidiary undertakings	Principal Activity	Percentage Holding
Scientia Ferrovia Limited	Holding Company	100%
Scientifics Limited*	Testing, analysis and consulting services	99.58%
Scientifics Group Services Limited	Dormant	100%
Harwell Scientifics Limited	Dormant	100%

\* Held through a subsidiary undertaking.



# ATESTA GROUP LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2005

### 11 STOCKS

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Consumables	212,271	182,731	-	-
Work-in-progress	249,791	177,028	-	-
	<b>462,062</b>	<b>359,759</b>	<b>-</b>	<b>-</b>

In the opinion of the directors, there is no material difference between the net book value of stocks as shown above and their estimated replacement cost.

### 12 DEBTORS

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	2,816,340	2,472,930	-	-
Other debtors	237,275	257,599	-	-
Amounts owed by Group undertakings	-	-	295,500	55,954
Corporation tax recoverable	-	15,478	-	-
Dividend receivable	-	-	308,024	253,667
Prepayments and accrued income	328,122	319,994	-	-
Deferred tax asset	-	-	3,700	4,300
	<b>3,381,737</b>	<b>3,066,001</b>	<b>607,224</b>	<b>313,921</b>
Amounts falling due after more than one year:				
Amounts owed by Group undertakings	-	-	848,435	1,198,734
Employers proportion of pension surplus treated as a prepayment (note 21d)	1,186,000	1,224,000	-	-
	<b>1,186,000</b>	<b>1,224,000</b>	<b>848,435</b>	<b>1,198,734</b>

The recoverability of the deferred tax asset is dependent on future taxable profits in excess of those arising from the reversal of deferred tax liabilities.

# ATESTA GROUP LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2005

### 13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Bank loans and overdrafts	595,643	923,518	215,434	226,088
Trade creditors	1,073,276	1,175,038	-	-
Amounts owed to Group undertakings	-	-	10,000	10,000
Obligations under finance leases and hire purchase contracts	467,342	422,233	-	-
Other creditors				
- UK corporation tax payable	457,027	289,477	75,598	134,765
- VAT	490,363	345,318	25,035	28,914
- Social security and PAYE	184,923	161,619	7,164	1,585
Proposed dividends	375,635	293,498	375,635	293,498
Accruals and deferred income	323,470	204,351	96,558	42,375
Loan stock	287,500	48,733	287,500	48,733
	<b>4,255,179</b>	<b>3,863,785</b>	<b>1,092,924</b>	<b>785,958</b>

Bank borrowings are secured by fixed and floating charges over Group and Company assets.

### 14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Obligations under finance leases and hire purchase contracts	413,117	313,577	-	-
Bank loans (security – see note 13)	278,984	630,987	137,500	287,500
Loan stock	862,500	1,198,734	862,500	1,198,734
	<b>1,554,601</b>	<b>2,143,298</b>	<b>1,000,000</b>	<b>1,486,234</b>

The bank loans bear interest at LIBOR plus 1.75% and the loan stock bears interest at LIBOR plus 2.5%.

# ATESTA GROUP LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2005

### 14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

Borrowings are repayable as follows:

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
<b>Within one year</b>				
Bank and other borrowings	883,143	972,251	502,934	274,821
Finance leases	467,342	422,233	-	-
<b>After one and within two years</b>				
Bank and other borrowings	495,676	686,687	425,000	486,234
Finance leases	314,814	240,665	-	-
<b>After two and within five years</b>				
Bank and other borrowings	645,808	1,143,034	575,000	1,000,000
Finance leases	98,303	72,912	-	-
	<u>2,905,086</u>	<u>3,537,782</u>	<u>1,502,934</u>	<u>1,761,055</u>

### 15 PROVISIONS FOR LIABILITIES AND CHARGES

	Group	
	2005	2004
	£	£
Provisions:		
Deferred tax	<u>464,600</u>	<u>449,900</u>

Provisions for liabilities and charges comprises deferred taxation which has been provided to the extent that the directors have concluded on the basis of reasonable assumptions and the intentions of management that it is probable that part of the liability will crystallise.

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Accelerated capital allowances	468,800	448,600	(3,300)	(3,800)
Other timing differences	(4,200)	1,300	(400)	(500)
	<u>464,600</u>	<u>449,900</u>	<u>(3,700)</u>	<u>(4,300)</u>

# ATESTA GROUP LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2005

### 15 PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

The movement on deferred taxation comprises:

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Beginning of year	449,900	442,100	(4,300)	(4,900)
Charged / (credited) to profit and loss, in respect of:				
- accelerated capital allowances	20,200	6,300	500	1,100
- other timing differences	(5,500)	1,500	100	(500)
End of year	464,600	449,900	(3,700)	(4,300)

The deferred tax asset in the Company is included in Debtors and disclosed in note 12.

### 16 CALLED-UP EQUITY SHARE CAPITAL

	Group and Company	
	2005	2004
	£	£
Authorised, allotted, called-up and fully paid:		
479,692 Ordinary shares of £0.25 each	119,922	119,922
258,295 'A' Ordinary shares of £0.25 each	64,575	64,575
	184,497	184,497

The rights attaching to the share classes are set out below:

#### Income

The 'A' ordinary shares carry a right to a cumulative preferential net cash dividend ("the participating dividend") of 10% of the net profit of the Company (as defined in the articles) for the relevant financial year. Participating dividends shall be paid not later than 4 months after the end of each successive accounting reference period of the Company, or not later than 14 days after the date of the auditors' report on the accounts of the Company for such period, whichever is earlier.

The 'A' ordinary shares also carry a right to cumulative preferential cash dividend ("the compensatory dividend") of an amount equal to the 'Excess Remuneration' (as defined in the articles) divided by the number of ordinary shares held by relevant directors on the last day of the relevant financial year.

No dividend shall be paid to the holders of ordinary shares in respect of any financial year unless and until the participating dividend (if any) has been paid in full in respect of that financial year, and in respect of all previous financial years of the Company any compensatory dividend due has been paid in full.

# ATESTA GROUP LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2005

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### 16 CALLED-UP EQUITY SHARE CAPITAL (CONTINUED)

#### Conversion

The holders of the 'A' Ordinary shares may at any time convert the whole of their 'A' Ordinary shares into a like number of Ordinary shares.

#### Capital

On the return of assets on liquidation or capital reduction, the repayment of capital shall be in the following order:

1. Payment to the holders of 'A' Ordinary shares of £1 per share together with a sum equal to any arrears or accruals of the dividend on the 'A' Ordinary shares calculated to the date of the return of the capital.
2. Payment to the holders of Ordinary shares of £1 per share.
3. The balance of such assets shall be distributed amongst the holders of the 'A' Ordinary shares and Ordinary shares in proportion to the amount paid up or credited as paid up on the 'A' Ordinary shares and Ordinary shares held by them respectively.

#### Share options

On 29th April 2002, the Company granted options to certain executive directors to purchase shares in the Company subject to and in accordance with the rules of the Atesta Group Limited Enterprise Management Incentive Plan. The options granted were as follows:

	Class of share	Number of shares	Option price
M W Jones	Ordinary 25 pence	9,710	£1
P Middleton	Ordinary 25 pence	9,710	£1
D G Watson	Ordinary 25 pence	9,710	£1
		<u>29,130</u>	

The rules provide that the options may be exercised on the occurrence of a Takeover, Sale or Admission of the Company under the terms set out in the rules but in any event may not be exercised later than the day before the tenth anniversary of the date of grant. The Ordinary and A Ordinary shareholders have waived all and any pre-emption rights under the articles of association in respect of the exercise of the options pursuant to the EMI Plan.

# ATESTA GROUP LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2005

### 17 RESERVES

Of total reserves shown in the balance sheet, the following amounts are regarded as distributable or otherwise:

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Distributable				
- profit and loss account	<b>1,116,943</b>	727,494	<b>701,601</b>	620,634
Non-distributable				
- share premium account	<b>518,328</b>	518,328	<b>518,328</b>	518,328
- capital reserve	<b>1,335,491</b>	1,335,491	-	-
<b>Total reserves</b>	<b>2,970,762</b>	<b>2,581,313</b>	<b>1,219,929</b>	<b>1,138,962</b>

The movement in the year was as follows:

#### Group

	<b>Profit and loss account £</b>	<b>Share premium account £</b>	<b>Capital Reserve £</b>	<b>Total £</b>
At beginning of year	727,494	518,328	1,335,491	2,581,313
Retained profit for the year	389,449	-	-	389,449
<b>At end of year</b>	<b>1,116,943</b>	<b>518,328</b>	<b>1,335,491</b>	<b>2,970,762</b>

#### Company

	<b>Profit and loss account £</b>	<b>Share premium account £</b>	<b>Total £</b>
At beginning of year	620,634	518,328	1,138,962
Profit for the year	80,967	-	80,967
<b>At end of year</b>	<b>701,601</b>	<b>518,328</b>	<b>1,219,929</b>

# ATESTA GROUP LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2005

### 18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	2005 £	2004 £	2005 £	2004 £
Profit for the financial year	389,449	410,953	80,967	165,589
Shareholders' funds at beginning of year	2,765,810	2,354,857	1,323,459	1,157,870
Shareholders' funds at end of year	<u>3,155,259</u>	<u>2,765,810</u>	<u>1,404,426</u>	<u>1,323,459</u>

### 19 MINORITY INTERESTS - GROUP

	Equity £
At beginning of year	15,769
Minority interest in the profit on ordinary activities after taxation	3,872
Dividends paid to minority shareholders	(1,081)
At end of year	<u>18,560</u>

### 20 NOTES TO CASH FLOW STATEMENT

#### a) Net cash inflow from operating activities

	2005 £	2004 £
Operating profit	1,701,280	1,020,344
(Profit) on disposals of fixed assets	(27,829)	(2,495)
Depreciation and amounts written off		
- Intangible assets	67,272	56,772
- Tangible assets	894,595	865,242
(Increase) in stocks	(102,303)	(105,418)
(Increase) / Decrease in debtors	(293,214)	375,191
Increase / (Decrease) in creditors	184,625	(105,129)
Net cash inflow from operating activities	<u>2,424,426</u>	<u>2,104,507</u>

#### b) Return on investments and servicing of finance

	2005 £	2004 £
Dividends paid	(293,498)	(137,523)
Interest paid	(232,307)	(233,932)
Net cash outflow	<u>(525,805)</u>	<u>(371,455)</u>

**ATESTA GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 August 2005

**20 NOTES TO CASH FLOW STATEMENT (CONTINUED)**

**c) Capital expenditure and financial investment**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Purchase of tangible fixed assets	<b>(317,135)</b>	<b>(278,199)</b>
Sale of tangible fixed assets	<b>33,069</b>	<b>223,976</b>
Net cash outflow	<b>(284,066)</b>	<b>(54,223)</b>

**d) Acquisitions and disposals**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Purchase of business undertakings	<b>-</b>	<b>(97)</b>

**e) Financing**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Repayment of loan stock	<b>(97,467)</b>	<b>(48,733)</b>
Repayment of bank loan	<b>(511,898)</b>	<b>(510,554)</b>
Repayment of finance leases and hire purchase contracts	<b>(550,589)</b>	<b>(492,376)</b>
Net cash outflow	<b>(1,159,954)</b>	<b>(1,051,663)</b>

**f) Analysis and reconciliation of debt**

	<b>31 August 2004</b>	<b>Cash flows</b>	<b>Other non- cash changes</b>	<b>31 August 2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Overdraft	<b>(412,364)</b>	<b>167,980</b>	<b>-</b>	<b>(244,384)</b>
Bank loans	<b>(1,142,141)</b>	<b>511,898</b>	<b>-</b>	<b>(630,243)</b>
Loan stock	<b>(1,247,467)</b>	<b>97,467</b>	<b>-</b>	<b>(1,150,000)</b>
Finance leases	<b>(735,810)</b>	<b>550,589</b>	<b>(695,238)</b>	<b>(880,459)</b>
Total debt	<b>(3,537,782)</b>	<b>1,327,934</b>	<b>(695,238)</b>	<b>(2,905,086)</b>



## ATESTA GROUP LIMITED AND SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2005

#### 20 NOTES TO CASH FLOW STATEMENT (CONTINUED)

	2005 £	2004 £
Increase in cash in the year	167,980	345,218
Cash outflow from change in debt and lease financing	1,159,954	1,051,663
Change in debt resulting from cash flows	1,327,934	1,396,881
Other non-cash changes	(695,238)	(384,273)
Movement in debt in year	632,696	1,012,608
Total debt at beginning of year	(3,537,782)	(4,550,390)
Total debt at end of year	(2,905,086)	(3,537,782)

#### 21 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

**a) Capital commitments**

The Group had capital commitments at 31 August 2005 of £47,072 (2004 - £140,565). The Company had no capital commitments at 31 August 2005 (2004 - £nil).

**b) Contingent liabilities**

The Company and its subsidiaries have provided cross guarantees and letters of set off to their bankers. There was a contingent liability of this Company in respect of the above guarantee of £521,693 at 31 August 2005 (2004 - £1,040,917).

**c) Lease commitments**

The Group leases certain land and buildings on long-term operating leases. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases.

The minimum annual rentals under the foregoing leases are as follows:

Land and Buildings	2005 £	2004 £
Operating leases which expire		
- within one year	8,327	25,793
- between one and five years	314,032	180,331
- after 5 years	65,990	202,750
	388,349	408,874

## ATESTA GROUP LIMITED AND SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2005

#### 21 GUARANTEES AND OTHER FINANCIAL COMMITMENTS (CONTINUED)

##### d) Pension arrangements

The Company and the Group are collective members of the Scientifics Shared Cost Section of the Railways Pension Scheme, which provides benefits, based on final pensionable salary for employees of the Group. The assets of the scheme are held separately from those of the Company and the Group. Also, the assets and liabilities of the Scientifics Section are identified separately from the remainder of the scheme. The Scientifics Section is closed to new members and the contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. In the following notes all references to the valuation of the scheme refer to the Scientifics Shared Cost Section arrangements for the Group as a whole and not to any single undertaking within the Group.

The last full actuarial valuation was at 31 December 2001. The major assumptions used are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 6.3% per annum and that salary increases would average 4.0% per annum.

At 31 December 2001 the market value of the section's assets was £13,703,000 and the actuarial value of those assets represented 102% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

Contributions are dependent on when employees joined the scheme.

- (a) In respect of those employees that joined the scheme before 1 September 1999 the employee contribution is 5% until 31 December 2006 and 10.4% thereafter. The normal cost of contributions of the Company is 1.5 times the employee contributions, however, based on the current actuarial assessment it is anticipated that no regular contribution will be paid by the Company from 1 March 2000 to 30 November 2005.
- (b) In respect of those employees that joined the scheme on or after 1 September 1999 the employee contribution is 10.4% and the Company contribution is 15.6%.

The pension charge for the year was £231,588 (2004 - £260,260), which included a charge of £38,000 (2004 - £57,000) to write-down the prepayment in respect of accumulated surpluses that are being recognised over 10.8 years, the average remaining service lives of employees. A prepayment of £1,186,000 (2004 - £1,224,000) is included in debtors due after more than one year, being the net of the fair value of the employer's proportion of pension surplus and the excess of accumulated pension costs over the amount funded.

The latest full actuarial valuation at 31 December 2001 was updated to 31 August 2005 by a qualified independent actuary. The main assumptions used by the actuary were:

	2005	2004	2003
Inflation	2.7 % p.a.	3.0 % p.a.	2.7 % p.a.
Rate of increase in salaries	4.2 % p.a.	4.5 % p.a.	4.2 % p.a.
Rate of increase of pensions in payment	2.7 % p.a.	3.0 % p.a.	2.7 % p.a.
Rate of increase for deferred pensioners	2.7 % p.a.	3.0 % p.a.	2.7 % p.a.
Discount Rate	4.9 % p.a.	5.6 % p.a.	5.4 % p.a.

# ATESTA GROUP LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2005

### 21 GUARANTEES AND OTHER FINANCIAL COMMITMENTS (CONTINUED)

#### d) Pension arrangements

The fair value of the assets at 31 August 2005 was £16.556m (2004 - £13.700m) and the expected long-term rates of return were:

	2005		2004		2003	
	Fair value	Expected rate of return	Fair value	Expected rate of return	Fair value	Expected rate of return
	£m	% p.a.	£m	% p.a.	£m	% p.a.
Equities	13.523	8.1	10.600	8.7	10.400	8.7
Bonds	1.573	4.2	1.400	4.9	1.100	4.7
Property	1.443	6.2	1.000	6.8	0.800	6.7
Other	0.017	3.7	0.700	4.0	-	-
Total	<u>16.556</u>	<u>7.6</u>	<u>13.700</u>	<u>7.9</u>	<u>12.300</u>	<u>8.2</u>

The deficit before deferred tax was £1.317m (2004 - £1.600m) being the difference between the fair value of the assets and the present value of the Section liabilities on the assumptions at 31 August 2005 of £17.873m (2004 - £15.300m) as shown in the table below.

	2005	2004
	£m	£m
Actuarial value of section liabilities	18.751	16.300
Members' share of deficit	(0.878)	(1.000)
Adjusted value of section liabilities	<u>17.873</u>	<u>15.300</u>
Total market value of assets	16.556	13.700
Deficit in the scheme	(1.317)	(1.600)
Related deferred tax asset	0.395	0.500
Net pension liability	<u>(0.922)</u>	<u>(1.100)</u>

In accordance with FRS17 the amounts that would have been (charged) / credited to profit and loss are:

	2005	2004
	£m	£m
Current service cost, less employee contributions	(0.338)	(0.400)
Total charged to operating profit	<u>(0.338)</u>	<u>(0.400)</u>
Interest on section liabilities	(0.520)	(0.400)
Expected return on section assets	0.651	0.600
Other finance income	<u>0.131</u>	<u>0.200</u>

# ATESTA GROUP LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2005

### 21 GUARANTEES AND OTHER FINANCIAL COMMITMENTS (CONTINUED)

#### d) Pension arrangements

In accordance with FRS17 the amounts that would have been shown in the statement of total recognised gains and losses are:

	2005 £m	2004 £m
Actual return less expected return on section assets	1.238	0.200
Experience loss on section liabilities	(0.163)	(0.200)
Changes in the assumptions underlying the section liabilities	(0.762)	(0.200)
Total gain / (loss) recognised before adjustment for tax	<u>0.313</u>	<u>(0.200)</u>

The history of gains and losses has been:

	2005 £m	2004 £m	2003 £m	2002 £m
Actual return less expected return on section assets	1.238	0.200	-	(1.700)
% of section assets	7%	1%	-	15%
Experience (loss) / gain on section liabilities	(0.163)	(0.200)	(0.100)	0.500
% of present value of section liabilities	1%	1%	1%	4%
Total actuarial gain / loss recognised	0.313	(0.200)	(0.500)	(1.700)
% of section liabilities	2%	1%	4%	14%

The movement in the deficit in the year was:

	2005 £m	2004 £m
Deficit in the section at the beginning of year	(1.600)	(1.400)
Contributions paid	0.177	0.200
Current service cost	(0.338)	(0.400)
Other finance income	0.131	0.200
Actuarial gain / (loss)	0.313	(0.200)
Deficit in the section at end of year before deferred taxation	<u>(1.317)</u>	<u>(1.600)</u>

In accordance with FRS17 the amounts that would have been shown in the Group's Balance Sheet are:

	2005 £	2004 £
Net assets excluding FRS17 pension liability	3,173,819	2,781,579
Net pension liability	(922,000)	(1,100,000)
Less SSAP 24 debtor	(1,186,000)	(1,224,000)
Net assets including FRS17 pension liability	<u>1,065,819</u>	<u>457,579</u>

## **ATESTA GROUP LIMITED AND SUBSIDIARIES**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 August 2005

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#### **21 GUARANTEES AND OTHER FINANCIAL COMMITMENTS (CONTINUED)**

##### **d) Pension arrangements**

Since the year-end, the draft results of the actuarial valuation as at 31 December 2004 have been published. The draft results indicate that the market value of the section's assets was £14,814,000 and the actuarial value of those assets represented 95.4% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The joint contribution rate normally required to fund benefits arising from service after 31 December 2004 is 28.3% of Section pay plus employer BRASS matching. The normal joint contribution rate at the valuation at 31 December 2001 was 26.0%.

#### **22 RELATED PARTY TRANSACTIONS**

During the year, rental charges of £10,800 were paid to the principal shareholder (2004 - £10,800).

#### **23 CONTROLLING INTEREST**

By virtue of the shareholding disclosed in the Directors' Report, R M Bailey is considered to have a controlling interest in the Company.

#### **24 POST BALANCE SHEET EVENT**

Following the year end, Scientifics Limited a subsidiary company, purchased the remaining 'B' Ordinary shares held by employees at a total cost of £54,040, resulting in the Company controlling 100% of the share capital of that subsidiary.