

Company number: 3626335

**FIELD SYSTEMS DESIGNS HOLDINGS PLC**

**GROUP FINANCIAL STATEMENTS**

**31 MAY 2007**

**DIRECTORS AND OFFICERS**

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**DIRECTORS**

D K Bird      Chairman  
P J Haines  
D F Lower  
B D Phillips  
B D Smith  
R M Hunter  
N M Billings  
M H Engler    Non-executive

**SECRETARY**

B D Smith

**REGISTERED OFFICE**

Independent House  
Glebelands Centre  
Vincent Lane  
Dorking  
Surrey  
RH4 3YX

**AUDITORS**

Grant Thornton UK LLP  
Chartered Accountants  
The Explorer Building  
Fleming Way  
Manor Royal  
Crawley  
RH10 9GT

**BANKERS**

HSBC Bank Plc  
168 High Street  
Guildford  
Surrey  
GU1 3YU

**CHAIRMAN'S STATEMENT**

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I am pleased to announce the results of Field Systems Designs Holdings plc for the year ended 31 May 2007.

The Group has achieved its third successive year of sound profitability despite volumes of business remaining flat.

The Group continues to focus on electrical activities and to strive to improve sales volumes in industries where it has proven experience. It has made good progress, particularly in Rail.

The majority of the Group's work comes from the Water Industry where it has maintained an excellent reputation. However corporate activity consolidating the Utilities sector has had its impact on capital expenditure programmes and the consequential effect on electrical installation contracts.

The fourth 5 year build and refurbishment programme (Asset Management Programme) (AMP4) which commenced in 2005 is still releasing work slowly and continues to affect order intake from the Water Industry.

The Group believes it is well positioned on supply-chain frameworks and will benefit from increased volumes once the capital expenditure is fully released.

D K Bird  
Chairman

18 October 2007

**REVIEW OF OPERATIONS****OPERATIONAL PERFORMANCE**

The Group achieved a turnover of £10.1 million for the year to 31 May 2007, up from £9.5 million, which is a 6.6% increase on previous levels.

Turnover was generated as follows:	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Water and sewerage	6,944,818	6,027,968
Power generation	202,321	110,504
Rail and transport	2,142,009	2,660,219
Maintenance	440,123	609,094
Controls and instrumentation	406,267	99,359
	<u>10,135,538</u>	<u>9,507,144</u>
	=====	=====

Gross profit margins were maintained at 9.4% from 9.3% despite difficult trading conditions. There were increased costs associated with the expansion of the sales team last year and investment in IT resources and engineering and project management software solutions.

The Group was still able to maintain overall profitability with operating profits for the year of £237,042 (2006: £221,758).

The directors are pleased to report an improved Group profit after tax of £199,477 for the year ended 31 May 2007 (2006: £193,550).

**MAJOR PROJECTS**

Electrical design and installation works undertaken by the Group were again dominated by the Water Industry where 68% of turnover in 2007 was derived (2006:63%). English Water companies have let out work to main contractors under AMP4 during this period and Field Systems Designs Limited (FSD) has been benefiting from its favourable position on frameworks by being awarded a share of this work. The majority of these works were let using fixed price contractual conditions thus reversing some of the benefits of partnering experienced under AMP3.

The level of work in Scotland slowed as the expenditure programme from Scottish Water moved into a new phase and budgets were prepared. However FSD was successful in winning work in Northern Ireland using a sub-contractor partnering approach which was again rolled out successfully to the satisfaction of its local customer.

FSD remains one of the top electrical cable installers in the UK Water Industry working in Sewerage Treatment and Water Treatment Plants across the country. However the company also has an experienced skill-base which can provide detailed design expertise and more specialist controls and instrumentation (C&I) services. Severn Trent appointed FSD as one of its C&I framework contractors this year and the company has successfully concluded its first major project in this guise.

## REVIEW OF OPERATIONS

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### MAJOR PROJECTS (continued)

Outside of the Water Industry the Group has maintained its level of work in the Rail and Transport sector at 21% of turnover (2006:28%). The company undertook a variety of Rail related works around the country and concluded its work on the second phase of the high profile Channel Tunnel Rail Link (CTRL).

FSD was also awarded further works on tunnel projects during the year where it has established a niche specialism. The company worked again for the Highways Agency on the Dartford River Crossing undertaking its West Tunnel cable diversion works. It is also undertaking cabling work on the Lower Lea Valley Cable Tunnel in preparation for the 2012 Olympics.

The level of maintenance work reduced slightly in volume again this year to 4% of turnover (2006:6%) as FSD's team of dedicated electrical and mechanical operatives concluded their surveying and testing works on projects throughout diverse locations in the UK. This work is likely to build up again during next year as a new phase of this project starts up.

### QUALITY ASSURANCE

FSD works under Quality Management Standard BS EN ISO 9001:2000 and has regular monitoring procedures in place. Recent assessments have been successfully completed without "Non Compliances". The British Standards Institute (BSI) regularly assesses the company's processes for managing and installing electrical services as well as its fault resolution procedures.

The Group is committed to provide a high-quality service. Its on-site assessments involve an extensive review of the company's quality management systems and all aspects of the process along with verifying the effectiveness of its implementation.

Quality Audits continue to be carried out across company sites on a regular basis in order to ensure compliance and to improve the company's activities.

The Group has an environmental management system based on the international environment standard, ISO 14001:2004. Through this environment management system the Group strives to minimise harm to the environment, prevent pollution and use best practice environment solutions wherever possible.

A risk assessment approach is used to manage environmental matters, identify and assess key environmental hazards arising from business activities and manage them appropriately.

**REVIEW OF OPERATIONS**

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**HEALTH AND SAFETY**

The Group has a management system implemented across all sites and activities that is broadly based on OHSAS 18001, (the internationally recognised approach to the management of occupational health and safety risks).

There is a strong commitment at Board level, supported by a health and safety executive, which endorses the importance of vigilant health and safety practices and investing in training for site and management to broaden the competence, knowledge and experience of its employees. This is supported by expert guidance provided by the EEF and CITB.

The group has established safety initiatives and objectives that are currently on target with a good overall safety record.

**EMPLOYEES**

Group employee numbers have reduced slightly from an average of 114 in 2006 to 108 in 2007 reflecting contractual activity at the year end.

The company currently operates an approved share option scheme and an unapproved share option scheme. The company has 32 employees (2006: 38) participating in the FSD Share Option Plan holding options over 119,000 (2006: 133,000) ordinary 10p shares. No options have been exercised since 4 January 2003.

I am pleased to place on record my appreciation of the efforts and support given to the group by its employees, who continue to make a significant contribution to the Group.

**PENSIONS**

The Group's pension deficit as at 31 May 2007 was £478,100 net of deferred tax, a reduction of 15% from 31 May 2006. This is derived from the Group's most recent actuarial review and reflects market conditions on that date.

**REVIEW OF OPERATIONS**

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**OUTLOOK**

The Group entered the new financial year with an improved opening order book of £3.8million (2006: £2.7million).

The Group is still heavily reliant on the fortunes of the Water Industry. The current AMP (Asset Management Programme) period runs for five years from April 2005 and there should be a consistent flow of work up to 2010 under this scheme.

The Group continues to maintain its market share and holds key positions on frameworks and strategic alliances with water and process companies. The Group is patiently waiting for the influx of new work under AMP4 and remains well positioned for when it arrives.

The Group was awarded the electrical works contract on the Thames Gateway desalination project at Beckton in 2005. It was subsequently suspended due to a failure to achieve the required planning permission. Thames Water is still committed to the construction of the project and they may in the near future obtain the permission they require to proceed. FSD will again offer itself up as a key player in the team supporting them in achieving their objectives.

Looking further ahead there are a number of electrical installation works anticipated as a consequence of the success of London in their bid to host the 2012 Olympic games. The directors anticipate increased activity in the London area as the Olympic management team move from the planning to construction stage.

The Group continues to invest in specialised software in the areas of engineering and procurement. This has moved from the development stage to the implementation stage as it is rolled out across the Group. It is anticipated that it will create operational efficiencies across the Group's activities.

P J Haines  
Managing Director

18 October 2007

**DIRECTORS' REPORT**

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The directors submit their report and the group financial statements of Field Systems Designs Holdings plc for the year ended 31 May 2007.

**PRINCIPAL ACTIVITIES**

The principal activities of the group during the year were the design, project management, supply, installation, commissioning, servicing and maintenance of electrical instrumentation and electronic process control systems primarily in the power, water, rail and transport industries.

**REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

The Group achieved a turnover of £10.1 million for the year to 31 May 2007, up from £9.5 million last year.

A detailed review of the Group's activities during the year and of its prospects is contained within the Chairman's Statement and the Review of Operations.

**RESULTS AND DIVIDENDS**

The consolidated profit for the year after taxation was £199,477 (2006: £193,550).

The directors do not recommend the payment of a dividend and this amount will be transferred to reserves.

**DIRECTORS**

The following directors have held office since 1 June 2006:

D K Bird	(Non-executive)
M H Engler	(Non-executive)
P J Haines	
D F Lower	
B D Phillips	
B D Smith	
R M Hunter	
T W West	(resigned 31 October 2006)
R M Owen	(resigned 23 April 2007)
N Billings	(appointed 8 August 2007)

**DIRECTORS' REPORT****DIRECTORS' INTERESTS IN SHARES**

The directors' interests in the shares of the company, including family interests, were as follows:-

	Ordinary shares of 10p each 31 May 2007	Ordinary shares of 10p each 1 June 2006
P J Haines	766,666	615,000
D F Lower	766,666	615,000
B D Phillips	520,000	520,000
D K Bird	-	520,000
B D Smith	496,668	295,000
M H Engler	100,000	100,000

**DIRECTORS' INTERESTS IN SHARE OPTIONS**

	Company share option plan Ordinary shares of 10p 31 May 2007	Company share option plan Ordinary shares of 10p 1 June 2006
D K Bird	5,250	5,250
P J Haines	5,250	5,250
D F Lower	5,250	5,250
B D Phillips	5,250	5,250
B D Smith	5,250	5,250

The directors named above had 5,250 options each over the ordinary 10p shares of Field Systems Designs Holdings plc as at 1 June 2006 and 31 May 2007. The directors have been granted 26,250 (2006:26,250) options in total under the unapproved scheme at a strike price of 10p per share which have been exercisable since 4 January 2003. No options have been exercised to date.

**ORDINARY SHARES**

The company's shares have been quoted on the PLUS trading platform (formerly OFEX) since December 1998 and have been quoted with a mid-price ranging between 16.5p and 15.5p during the year, ending the year at 15.5p.

**DIRECTORS' REPORT****KEY PERFORMANCE INDICATORS (KPI's)**

The board uses both financial and operational performance indicators in the analysis and management of the business. The indicators relate both to financial and contractual performance and to other non-financial areas, including but not limited to, employees, health and safety, quality assurance, customer satisfaction and the environment.

KPI's are used by the management to run and monitor the business and many of the trends and results provide information which is commercially sensitive or is confidential in nature.

The main financial KPI used by the board is the measure of gross profit margin (being the gross project contribution as a percentage of turnover) as overheads can largely be controlled in line with budget however margins on contractual activity are key to annual profitability.

<b>Gross Profit Margins</b>	<b>2007</b>	<b>2006</b>
Target margins	10.0%	10.0%
Budgeted margins	9.0%	7.8%
Actual margins	9.4%	9.3%

Target margins represent bid margins. Budgeted margins hence provide for a degree of margin erosion due to difficulties in fully recovering the value of additional works requested by customers. This varies according to market conditions. Actual margins have been satisfactory in 2007 and 2006 reflecting some of the benefits of partnering and more work undertaken for the end client decision makers.

**RISK MANAGEMENT**

The board regularly undertakes a review of business risks confronting the group and evaluates the significant project risks affecting the business.

There are specific risk management procedures in place of which the Tender Approval Procedure (TAP) and Project Summary Report (PSR) are examples of the key risk management tools.

The TAP completion process quantifies the value of customer specified project work in respect of each contract bid prior to contract award. It identifies tender project risks, assesses the probability of their occurrence, their impact if they do occur and actions necessary to manage them down to an acceptable level. The PSR completion process quantifies the value of project work undertaken after successful contract award. The project manager reviews on a continuing basis the potential commercial risks and highlights any safety, technical, operational and environmental risks.

The commercial and contractual risks identified as part of the TAP and PSR completion processes are monitored and managed by the board who ensure that the risks accepted are fully understood.

These procedures form part of the internal control systems and operational management systems that are accredited under Quality Management Standard ISO 9001:2000. These are designed to set out an operating framework that ensures a systematic approach to management to provide safe installation processes of the highest standard.

**DIRECTORS' REPORT**

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**FINANCIAL INSTRUMENTS**

The group's financial instruments consist primarily of short term debtors, creditors and cash. The directors regularly review the group's cash position to ensure effective cash management. The directors believe this policy effectively manages the group's liquidity and cash flow risk and further details are provided in note 14 to the accounts.

**POLICY ON PAYMENT OF CREDITORS**

The Group values its relationship with suppliers and sub-contractors and makes every effort to settle suppliers' accounts on time.

It is current group policy to ensure that wherever possible all suppliers outstanding trade accounts are settled in accordance with the settlement terms agreed with the supplier at the time of the supply whenever it is satisfied that the suppliers or sub-contractors have provided the goods or services in accordance with the contract terms and conditions.

At the year end the average credit taken from suppliers after taking account of the payment run on the first day of June was 89 days (2006: 85 days).

**AUDITORS**

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985 and a resolution to reappoint Grant Thornton UK LLP will be put to the members at the annual general meeting.

On behalf of the board

Director

18 October 2007

**DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS**

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The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 the group and of the profit or loss of the group for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We have audited the group and parent company financial statements (the "financial statements") of Field Systems Design Holdings Plc for the year ended 31 May 2007 which comprise the principal accounting policies, the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and notes 1 to 24. 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 audit 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 auditor's 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement and the Review of Operations. 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 audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 May 2007 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements for the year ended 31 May 2007.

GRANT THORNTON UK LLP  
Registered Auditor  
Chartered Accountants  
Gatwick

22 October 2007

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
for the year ended 31 May 2007

	Notes	2007 £	2006 £
<b>TURNOVER</b>	1	10,135,538	9,507,144
Cost of sales		(9,178,485)	(8,626,661)
		—————	—————
<b>GROSS PROFIT</b>		957,053	880,483
Net operating expenses	2	(720,011)	(658,725)
		—————	—————
<b>OPERATING PROFIT</b>		237,042	221,758
Interest receivable	3	17,826	12,187
Interest payable	4	(22,540)	(25,795)
		—————	—————
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		232,328	208,150
Taxation	7	(32,851)	(14,600)
		—————	—————
<b>RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	17	199,477	193,550
		=====	=====
<b>EARNINGS PER SHARE</b>			
Basic	16	3.7p	3.4p
		=====	=====
Diluted	16	3.7p	3.3p
		=====	=====

All operations are continuing.

**STATEMENT OF RECOGNISED GAINS AND LOSSES  
for the year ended 31 May 2007**

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	Notes	2007 £	2006 £
Actuarial gains on Defined benefit pension schemes	21	54,000	63,000
Deferred tax movement on pension	21	(16,200)	(18,900)
		<u>37,800</u>	<u>44,100</u>
Profit for the period	17	199,477	193,550
Total recognised gains and losses for the period	18	<u>237,277</u> =====	<u>237,650</u> =====

**CONSOLIDATED BALANCE SHEET**  
As at 31 May 2007

	Notes	2007 £	2006 £
<b>FIXED ASSETS</b>			
Tangible assets	8	168,789	148,043
<b>CURRENT ASSETS</b>			
Debtors	10	3,884,181	3,473,181
Cash at bank and in hand		185,364	683,040
		<u>4,069,545</u>	<u>4,156,221</u>
<b>CREDITORS</b>			
Amounts falling due within one year	11	3,069,940	3,273,896
		<u>999,605</u>	<u>882,325</u>
<b>NET CURRENT ASSETS</b>			
		<u>1,168,394</u>	<u>1,030,368</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>1,168,394</u>	<u>1,030,368</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	12	4,848	18,699
		<u>1,163,546</u>	<u>1,011,669</u>
<b>PENSION FUND LIABILITY</b>			
	21	478,100	563,500
		<u>685,446</u>	<u>448,169</u>
		=====	=====
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	569,250	569,250
Share premium account	17	158,750	158,750
Reserves	17	(42,554)	(279,831)
		<u>685,446</u>	<u>448,169</u>
<b>SHAREHOLDERS' FUNDS</b>			
	18	<u>685,446</u>	<u>448,169</u>
		=====	=====

Approved by the board on 18 October 2007

P J Haines.....Director

B D Smith.....Director

## COMPANY BALANCE SHEET

As at 31 May 2007

	Notes	2007 £	2006 £
<b>FIXED ASSETS</b>			
Tangible assets	8	33,164	16,296
Investments	9	478,000	478,000
		<u>511,164</u>	<u>494,296</u>
<b>CURRENT ASSETS</b>			
Debtors	10	269,048	242,150
<b>CREDITORS</b>			
Amounts falling due within one year	11	9,000	7,500
<b>NET CURRENT ASSETS</b>		<u>260,048</u>	<u>234,650</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>771,212</u>	<u>728,946</u>
		=====	=====
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	569,250	569,250
Share premium account	17	158,750	158,750
Profit and loss account	17	43,212	946
<b>SHAREHOLDERS' FUNDS</b>	18	<u>771,212</u>	<u>728,946</u>
		=====	=====

Approved by the board on 18 October 2007

P J Haines.....Director

B D Smith.....Director

**CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 31 May 2007

	2007 £	2006 £
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	(340,771)	32,315
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Interest received	17,826	12,187
Interest paid	(2,540)	(4,795)
Net cash flow from returns on investments and servicing of finance	15,286	7,392
<b>TAXATION</b>	(9,951)	-
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		
Purchase of fixed assets	(147,456)	(98,679)
Sale of fixed assets	14,982	6,201
Contribution to Employee Benefit Trust	-	(38,000)
Net cash flow from capital expenditure And financial investment	(132,474)	(130,478)
Net cash flow before financing	(467,910)	(90,771)
<b>FINANCING</b>		
Finance lease payments	(29,766)	(38,769)
Net cash flow from financing	(29,766)	(38,769)
<b>REDUCTION IN CASH</b>	<u>(497,676)</u> =====	<u>(38,769)</u> =====

The notes to the cashflow statement are contained in notes 22 to 24.

**Group financial statements for the year ended 31 May 2007****PRINCIPAL ACCOUNTING POLICIES**

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**BASIS OF ACCOUNTING**

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting standards (United Kingdom Generally Accepted Accounting Practice). The principle accounting policies of the group which are unchanged from the previous period are set out below.

**BASIS OF CONSOLIDATION**

Transactions with subsidiary companies have been eliminated on consolidation in the group accounts. In accordance with FRS8, these transactions have not been separately disclosed.

The consolidated financial statements currently account for business combinations using acquisition accounting. Accordingly, the identifiable assets and liabilities of companies acquired are included in the consolidated balance sheet at their fair value at the date of acquisition. The consolidated financial statements in 1998 were prepared using merger accounting following a group reconstruction. All financial statements are made up to 31 May 2007.

**TANGIBLE FIXED ASSETS**

Fixed assets are stated at historical cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful economic life, as follows:

Plant and machinery	over 3 to 5 years
Motor vehicles	over 4 years

**LONG TERM CONTRACTS**

Long term contracts are assessed on a contract by contract basis. Turnover is ascertained in a manner appropriate to the stage of completion of each contract, and credit taken for profit earned to date, when the outcome of the contract can be assessed with reasonable certainty. The amount by which turnover exceeds payments on account is classified as amounts recoverable on contracts and included in debtors; to the extent that payments on account exceed relevant turnover, the excess is included as a creditor. The amount of long term contracts, at cost net of amounts transferred to cost of sales, less provision for foreseeable losses and payments on account not matched with turnover, is included within work in progress.

**TURNOVER**

Turnover is the total amount receivable by the group for goods supplied and services provided, excluding VAT and trade discounts. In the case of long-term contracts, turnover reflects the contract activity during the year and represents the proportion of total contract value according to the degree of completion of the contract. The stage of completion is determined by the value of work to date as a proportion of the total value of the contract.

**Group financial statements for the year ended 31 May 2007****ACCOUNTING POLICIES**

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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 date.

**LEASED ASSETS AND OBLIGATIONS**

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding. All other leases are "operating leases" and the annual rentals are charged to the profit and loss on a straight line basis over the lease term.

**RETIREMENT BENEFITS****Defined benefit scheme**

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the group. The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs. Actuarial gains and losses are reported in the statement of total recognised gains and losses.

**Defined contribution scheme**

Contributions to the group personal pension plan are charged to the profit and loss account as incurred.

**FOREIGN CURRENCY TRANSLATION**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

**Group financial statements for the year ended 31 May 2007****ACCOUNTING POLICIES**

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**FINANCIAL INSTRUMENTS**

The group does not trade in financial derivatives. Income and expenditure on financial instruments is recognised on an accruals basis and taken to the profit and loss account in the appropriate period. Financial assets are recognised in the balance sheet at the lower of cost and net realisable value with provision made for diminution in value.

**EMPLOYEE BENEFIT TRUST**

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the company and group accounts. Any assets held by the EBT cease to be recognised on the company and group balance sheets when the assets vest unconditionally in identified beneficiaries.

The costs of purchasing own shares held by the EBT are shown as a deduction against shareholders' funds. The proceeds from the sale of own shares held increase shareholders' funds. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the company and group profit and loss accounts.

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
**for the year ended 31 May 2007**

1. **TURNOVER**

The group turnover was derived from its principal activities arising primarily in the United Kingdom.

2.	<b>NET OPERATING EXPENSES</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	Sales costs	169,503	153,733
	Administrative expenses		
	- defined benefit pension cost	22,000	20,000
	- other administrative expenses	528,508	484,992
		<u>550,508</u>	<u>504,992</u>
		720,011	658,725
		=====	=====
3.	<b>INTEREST RECEIVABLE</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	Bank interest	17,826	12,187
		=====	=====
4.	<b>INTEREST PAYABLE</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	Finance leases and hire purchase contracts	2,540	4,795
	Net interest on pension fund liabilities	20,000	21,000
		<u>22,540</u>	<u>25,795</u>
		=====	=====

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
**for the year ended 31 May 2007**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation charged for the year:		
owned assets	93,346	74,155
leased assets	25,476	38,160
Operating lease rentals:		
land and buildings	41,000	41,000
Auditors' remuneration – audit services	12,000	12,500
– non-audit services	2,000	1,500
	=====	=====
Non-audit services are attributable to tax compliance work.		
<b>6. EMPLOYEES</b>		
The average monthly number of persons (including directors) employed by the group during the year was:	No.	No.
Operations	101	107
Administration and management	7	7
	-----	-----
	108	114
	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Staff costs for the above persons:		
Wages and salaries	3,808,359	3,763,661
Social security costs	407,125	396,093
Other pension costs	228,863	196,520
	-----	-----
	4,444,347	4,356,274
	=====	=====

The group operates a funded pension scheme with defined benefits and also a group personal pension plan. Contributions paid during the year to the defined benefits scheme amount to £90,000 (2006 £75,000) and contributions paid to personal pension plans amount to £138,863 (2006 £121,520).

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the year ended 31 May 2007

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>6. EMPLOYEES (Continued)</b>		
<b>DIRECTORS' REMUNERATION</b>		
Emoluments for qualifying services	364,476	332,937
	=====	=====
Contributions to defined contribution pension scheme	39,536	31,505
	=====	=====
<b>HIGHEST PAID DIRECTOR</b>		
Emoluments for qualifying services	79,052	71,639
	=====	=====
Contributions to defined contribution pension scheme	9,129	7,813
	=====	=====
None of the directors' share options were exercised during the year. Retirement benefits accrued to 5 directors under a defined contribution scheme (2006: 5).		
<b>7. TAXATION</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Based on the profit of the year:		
UK Corporation tax at 20% (2006:19%)	10,000	7,500
Prior year tax	2,451	-
Deferred tax at 20% (2006:19%)	-	(9,500)
FRS17 Deferred tax adjustments (note 21)	20,400	16,600
	-----	-----
	32,851	14,600
	=====	=====
<b>Factors affecting tax charge for the year:-</b>		
Profit on ordinary activities before tax	232,328	208,150
	=====	=====
Profit on ordinary activities multiplied by the standard rate of corporation tax of 20% (2006: 19%)	46,500	39,500
Effects of:		
Origination and reversal of timing differences	2,000	5,000
Transactions not chargeable	(14,500)	(12,000)
Utilisation of tax losses	(24,000)	(28,000)
Pension provisions	-	3,000
	-----	-----
	10,000	7,500
	=====	=====

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the year ended 31 May 2007

**8. TANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Motor vehicles £</b>	<b>Plant and machinery £</b>	<b>TOTAL £</b>
Cost:			
1 June 2006	42,729	622,154	664,883
Additions	-	147,456	147,456
Disposals	(25,740)	(9,160)	(34,900)
31 May 2007	16,989	760,450	777,439
Depreciation:			
1 June 2006	33,796	483,044	516,840
Charge in the year	3,832	114,990	118,822
Disposals	(25,740)	(1,272)	(27,012)
31 May 2007	11,888	596,762	608,650
Net book value:			
31 May 2007	5,101	163,688	£ 168,789
31 May 2006	8,933	139,110	£ 148,043

The net book value of motor vehicles includes £Nil (2006: £2,039) and the net book value of plant and machinery includes £15,556 (2006: £49,252) in respect of assets held under finance leases.

<b>Company</b>	<b>Motor vehicles</b>	<b>Plant and machinery</b>	<b>TOTAL</b>
Cost:			
1 June 2006	-	19,624	19,624
Additions	-	25,793	25,793
31 May 2007	-	45,417	45,417
Depreciation:			
1 June 2006	-	3,328	3,328
Charge in the year	-	8,925	8,925
31 May 2007	-	12,253	12,253
Net book value:			
31 May 2007	-	33,164	33,164
Net book value:			
31 May 2006	-	16,296	16,296

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
**for the year ended 31 May 2006**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>9. FIXED ASSET INVESTMENTS</b>		
Subsidiary undertakings		
At 1 June 2006 and as at 31 May 2007	478,000	478,000
	=====	=====

The group and the company hold more than 50% of the equity of the following material undertakings:

<b>Undertaking</b>	<b>Country of incorporation</b>	<b>Class of shares held</b>	<b>Proportion held</b>	<b>Nature of business</b>
Field Systems Designs Ltd	England	Ordinary	100%	Electrical contracting

<b>10. DEBTORS</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
Due within one year:		
Trade debtors	3,137,103	2,833,650
Amounts recoverable on contracts	564,377	298,145
Other debtors	21,577	79,108
Deferred tax asset (Note 13)	28,500	28,500
Prepayments and accrued income	44,241	29,534
	-----	-----
	3,795,798	3,268,937
Due after one year:		
Trade debtors	88,383	204,244
	-----	-----
	3,884,181	3,473,181
	=====	=====
<b>Company</b>		
Due after one year:		
Amounts due from subsidiary undertakings	269,048	242,150
	-----	-----

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
**for the year ended 31 May 2007**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>11. CREDITORS</b>		
Amounts falling due within one year:		
<b>Group</b>		
Amounts falling due within one year:		
Obligations under finance leases	8,783	24,698
Trade creditors	1,494,503	1,410,771
Payments received in advance	389,141	474,411
Corporation tax	10,000	7,500
Other taxation and social security costs	756,431	721,826
Other creditors	299,416	460,662
Accruals and deferred income	111,666	174,028
	<u>3,069,940</u>	<u>3,273,896</u>
	=====	=====
<b>Company</b>		
Other taxation and social security costs	9,000	7,500
	<u>9,000</u>	<u>7,500</u>
	=====	=====
<b>12. CREDITORS</b>		
	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
Amounts falling due in more than one year:		
Obligations under finance leases	4,848	18,699
	<u>4,848</u>	<u>18,699</u>
	=====	=====
Finance leases repayable by instalments:		
between 2 and 5 years	4,848	18,699
	<u>4,848</u>	<u>18,699</u>
	=====	=====
<b>Company</b>		
	-	-
	<u>-</u>	<u>-</u>
	=====	=====

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
**for the year ended 31 May 2007**

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13. **PROVISIONS FOR LIABILITIES**

**Group**

The remaining unprovided potential assets are as follows:-

	Amount provided		Unprovided asset	
	2007	2006	2007	2006
	£	£	£	£
Accelerated capital allowances	-	-	(17,000)	(15,000)
Other timing differences	-	-	(4,000)	(33,000)
Unrelieved losses	(28,500)	(28,500)	(46,000)	(80,000)
	<u>(28,500)</u>	<u>(28,500)</u>	<u>(67,000)</u>	<u>(128,000)</u>
	=====	=====	=====	=====

A deferred taxation asset of £28,500 has been provided in debtors, as in the opinion of the directors, 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.

The deferred asset provided for in the accounts is calculated at 20% whereas the remaining deferred tax assets are stated at 30% to reflect the short-term and longer-term corporation tax rates expected.

14. **FINANCIAL INSTRUMENTS**

The group uses financial instruments, other than derivatives, such as borrowings and cash, and credit given and taken as part of its business, to provide a financing base for the group's operations. The operating risks arising from these financial instruments relate mainly to fluctuating interest rates, liquidity risk and on occasion foreign exchange risk.

Short term debtors and creditors arising directly from the group's operations are excluded from the following disclosures other than the currency risk disclosure.

The fair values of financial instruments are not materially different from the book values.

**Financial Risks**

The Group finances its operations through a mixture of share capital and reserves and bank and other borrowings. The Group borrows in sterling at both fixed and floating rates of interest.

The Group seeks to ensure continuity of funding and manage operational cash flows to produce sufficient liquidity to meet foreseeable needs.

**Financial Assets and Liabilities**

The group has no financial assets other than debtors which arise from the operations of the group and cash at bank and in hand.

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the year ended 31 May 2007

14. **FINANCIAL INSTRUMENTS (Continued)**

**Interest rate**

The directors do not consider that the Group is exposed to material interest rate risk. The group finances its operations through cash reserves. The cash reserves held by the group have negated the need to use significant interest bearing short-term borrowings.

**Currency risk**

The group conducted some transactions in foreign currencies during the year. The table below shows the extent to which group companies have monetary assets and liabilities in currencies other than their local currency.

Foreign exchange differences on retranslation of the assets and liabilities are taken to the profit and loss account of the group.

	<b>2007</b>	<b>2006</b>
	€	€
<b>Group</b>		
Cash balances denominated in euros	6,001	7,918
	=====	=====

**Maturity**

The group financial assets and liabilities are payable on demand except as disclosed below:

	<b>2007</b>	<b>2006</b>
	£	£
<b>Group</b>		
Trade debtors due between 2 and 5 years	88,383	204,244
Obligations under finance leases		
- due in less than one year	8,783	24,698
- due in more than one year	4,848	18,699
	=====	=====
<b>Company</b>		
Amounts due from subsidiary undertakings due after more than 5 years	£ 269,048	£ 242,150
	=====	=====

There are no material un-drawn committed borrowing facilities.

15. **SHARE CAPITAL**

	<b>2007</b>	<b>2006</b>
	£	£
Authorised:		
50,000,000 ordinary shares of 10p each	5,000,000	5,000,000
	=====	=====
Allotted, issued and fully paid:		
5,692,500 ordinary shares of 10p each	569,250	569,250
	=====	=====

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
**for the year ended 31 May 2007**

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**16. EARNINGS PER SHARE**

The diluted earnings per share disclosure on the face of the profit and loss account is calculated using the weighted average number of share taking into account the dilutive impact of the employee share options and the weighted average number of shares held by the Employee Benefit Trust.

There were 297,500 (5%) ordinary 10p shares held by the Field Systems Designs Holdings PLC Employee Benefit Trust as at 31 May 2007 and 31 May 2006 for the benefit of employees under current and proposed share option schemes.

<b>17. RESERVES</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>SHARE PREMIUM ACCOUNT</b>		
<b>Group &amp; Company</b>		
At 1 June 2006 and 31 May 2007	158,750	158,750
	=====	=====
<b>PROFIT &amp; LOSS ACCOUNT</b>		
<b>Group</b>		
At 1 June 2006	(649,864)	(887,514)
Profit for the year	199,477	193,550
Other recognised gains and losses	37,800	44,100
At 31 May 2007	(412,587)	(649,864)
Merger reserve	408,033	408,033
Employee Benefit Trust	(38,000)	(38,000)
	(42,554)	(279,831)
	=====	=====

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
**for the year ended 31 May 2007**

17. RESERVES (continued)	2007 £	2006 £
<b>Company</b>		
At 1 June 2006	946	-
Profit for the year	42,266	38,946
Employee Benefit Trust	-	(38,000)
At 31 May 2007	<u>43,212</u>	<u>946</u>
	=====	=====

The company has taken advantage of the exemption conferred by s230 Companies Act 1985 and has not published its own profit and loss account. The result of the company for the year was £42,266 (2006: £38,946).

**18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

<b>GROUP</b>	<b>£</b>	<b>£</b>
Opening shareholders' funds	448,169	248,519
Total recognised gains and losses for the period	237,277	237,650
Employee Benefit Trust	-	(38,000)
Net addition to shareholders' funds	<u>237,277</u>	<u>199,650</u>
Closing shareholders' funds	<u>685,446</u>	<u>448,169</u>
	=====	=====

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
**for the year ended 31 May 2007**

**19. COMMITMENTS UNDER OPERATING LEASES**

At 31 May 2007 the group had annual commitments under non-cancellable operating leases as follows:

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Land and buildings:		
expiring within 1 year	-	4,500
expiring between 2 and 5 years	41,000	41,000
	=====	=====

**20. CONTINGENT LIABILITIES**

The group has arranged bonding facilities in respect of contract duration and maintenance periods amounting to £18,000 as at 31 May 2007 (2006:£ 84,000).

**21. PENSION FUND**

<b>Group</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Pension fund liability	478,100	563,500
	=====	=====

A group subsidiary operates a funded pension scheme with defined benefits and a group personal pension plan. A group personal pension plan was commenced on 1 April 1999 open to all new eligible employees of this subsidiary.

Membership of the defined benefit scheme was offered to all permanent employees including executive directors until 31 March 1999 when it was closed to new entrants. The scheme was closed to future service accrual on 8 April 2002 and therefore liabilities for future service are no longer accruing.

The assets of the scheme are held separately from those of the subsidiary. Contributions were determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method to meet the cost of employees' future service benefits. Contributions ceased on 8 April 2002.

The pension scheme assets and liabilities for employees transferring to the subsidiary were transferred to the pension scheme in November 1995.

The last actuarial valuation for the fund was as at 31 March 2006 and the next valuation is due as at 31 March 2009.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on future investments and the level of future discount rates.

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the year ended 31 May 2007

21. **PENSION FUNDS (continued)**

**Actuarial valuation**

It was assumed for the 2006 valuation that the rate of interest secured on the assets of the scheme would be 5% per annum, and that benefits would be revalued at the rate of 2.7% per annum.

The actuarial valuation of the scheme's assets was £1,990,000 which was 72% of the benefits that had accrued to members at the valuation date leaving a deficit of assets over past service liabilities amounting to £788,000.

Following consideration of the recommendations of the actuary, the board agreed to make annual group contributions of £76,000 with effect from 1 April 2007 so as to reduce the deficit on the fund over 9 years. The group has been making annual contributions to reduce the deficit on the fund since April 2003. Payments of £24,000 were commenced with effect from 1 April 2003, this was initially increased to £72,000 and then to £90,000 with effect from 1 April 2006. The payments were reduced to £76,000 with effect from 1 April 2007 in order to make provision for the significant levies being charged by the Pension Protection Fund which are also met by the group making the overall contribution made by the group total £90,000 per annum.

**FRS17 Valuation**

The most recent actuarial valuation on 31 March 2006 of the group's defined benefit scheme has been updated to take account of Financial Reporting Standard 17 (FRS17) in order to assess the liabilities of the scheme as at 31 May 2007.

The FRS17 valuation assumptions and the asset allocation and rates of return were as follows:

<b>FRS17 Valuation Assumptions</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Increase for pensions in payment	3.0%	3.0%	2.4%	2.7%
Discount rate	5.5%	5.1%	5.1%	5.8%
Inflation assumption	3.1%	3.1%	2.7%	3.1%

  

<b>Scheme Assets</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Equities	1,153,000	1,138,000	1,361,000	1,194,000
Bonds	728,000	113,000	119,000	130,000
Other assets	133,000	631,000	103,000	61,000
	<u>2,014,000</u>	<u>1,882,000</u>	<u>1,583,000</u>	<u>1,385,000</u>

  

<b>Rates of return</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Equities	7.6%	7.1%	6.9%	7.1%
Bonds	5.2%	5.1%	5.1%	5.8%
Other assets	5.5%	4.5%	4.8%	4.3%

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the year ended 31 May 2007

21. **PENSION FUNDS (continued)**

**FRS17 valuation**

<b>Funded Status</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Market value of assets	2,014,000	1,882,000	1,583,000	1,385,000
Scheme liabilities	(2,697,000)	(2,687,000)	(2,505,000)	(2,030,000)
<b>Deficit in the scheme</b>	<b>(683,000)</b>	<b>(805,000)</b>	<b>(922,000)</b>	<b>(645,000)</b>
Deferred tax asset	204,900	241,500	277,000	194,000
<b>Net pension liability</b>	<b>(478,100)</b>	<b>(563,500)</b>	<b>(645,000)</b>	<b>(451,000)</b>

The FRS17 valuation is a market-based valuation and therefore extremely volatile as it is significantly affected by the state of the markets at the valuation date. The above reduction in deficit was mainly due to the reduction in liabilities caused by a change in assumptions underlying the present value of scheme liabilities. The increase in the discount rate assumptions has had a beneficial impact on the value the liabilities of the scheme.

**Deferred tax movements resulting from FRS17 were as follows:**

<b>Deferred tax asset</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Balance at 1 June 2006	241,500	277,000
Profit and loss charge	(20,400)	(16,600)
STRGL charge	(16,200)	(18,900)
Balance at 31 May 2007	<u>204,900</u>	<u>241,500</u>

An analysis of the movement in the deficit is set out below:

	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Current service cost	(22,000)	(20,000)	(20,000)	(20,000)
Contributions	110,000	95,000	46,000	48,000
Other finance costs	(20,000)	(21,000)	(23,000)	(33,000)
Actuarial (loss) / gain	54,000	63,000	(280,000)	194,000
	<u>122,000</u>	<u>117,000</u>	<u>(277,000)</u>	<u>189,000</u>
Opening net deficit	(805,000)	(922,000)	(645,000)	(834,000)
<b>Closing net deficit</b>	<b>(683,000)</b>	<b>(805,000)</b>	<b>(922,000)</b>	<b>(645,000)</b>

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the year ended 31 May 2007

**21. PENSION FUNDS (continued)**

The effect of FRS17 on the profit and loss account is as follows:

**Operating profit**

	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Current service cost	22,000	20,000	20,000	20,000
Past service cost	-	-	-	-
	<u>22,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>

**Finance income**

	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Expected asset return	116,000	106,000	94,000	74,000
Interest on liabilities	(136,000)	(127,000)	(117,000)	(107,000)
	<u>(20,000)</u>	<u>(21,000)</u>	<u>(23,000)</u>	<u>(33,000)</u>

The effect of FRS17 on the statement of total recognised gains and losses is as follows:

	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Actual return less expected asset return	(32,000)	143,000	97,000	35,000	(256,000)
	2%	8%	6%	3%	20%
Experience gains and losses on liabilities	(24,000)	46,000	-	(1,000)	(12,000)
	1%	2%	0%	0%	1%
Changes in assumptions underlying the liabilities	110,000	(126,000)	(377,000)	160,000	(302,000)
	2%	5%	15%	8%	14%
Actuarial gain/(loss)	<u>54,000</u>	<u>63,000</u>	<u>(280,000)</u>	<u>194,000</u>	<u>(570,000)</u>

**NOTES TO THE GROUP FINANCIAL STATEMENTS**  
for the year ended 31 May 2007

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**

22.	<b>RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>2007</b> £	<b>2006</b> £
	Operating profit	237,042	221,758
	Depreciation	118,822	112,315
	Profit on sale of fixed assets	(7,094)	(2,081)
	Increase in debtors	(411,000)	(584,050)
	(Reduction)/increase in creditors	(278,541)	284,373
		<u>(340,771)</u>	<u>32,315</u>
		=====	=====
23.	<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>		
	Reduction / Increase in cash	(497,676)	(129,540)
	Decrease in lease financing	29,766	38,769
	Net funds at 1 June 2006	<u>639,643</u>	<u>757,895</u>
	Net funds at 31 May 2007	<u>171,733</u>	<u>639,643</u>
		=====	=====
24.	<b>ANALYSIS OF NET FUNDS</b>		
		<b>2006</b>	<b>Cash flow</b>
		£	£
	Cash at bank	683,040	(497,676)
	Finance leases	(43,397)	29,766
		<u>639,643</u>	<u>(467,910)</u>
		=====	=====
			<b>2007</b>
			£
	Cash at bank		185,364
	Finance leases		(13,631)
			<u>171,733</u>
			=====