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Syncro Limited

Directors' report and financial statements

Registered Number 3096287

11 January 2003

Contents

Directors' report

The directors present their report and financial statements for the year ended 11 January 2003.

Principal activity

The principal activity of the company is that of a building, mechanical and electrical engineering contractor.

Business review

The results for the year are set out on page 5 of the financial statements. During the year, the company made a loss before taxation of £3,885,000 (2001: profit of £1,029,000).

On 12 January 2002, the trade and assets of Equipment Services, which was a division within the Co-operative Group, were transferred into Syncro Limited. The consideration was £1,586,000.

During 2003, Syncro Ltd is undergoing a major business restructure, including the centralisation of its finance and administration functions.

Dividend

The directors do not recommend the payment of a dividend *(2001: £Nil)*.

Directors

The directors of the company during the year were:

J Rose	
YR Rankin	(appointed 24 January 2002)
PKC Carpenter	(appointed 1 September 2003)
C Telford	(appointed 1 September 2003)
PD Neild	(appointed 31 January 2003)
RN Hedley	(resigned 25 July 2003)
TT Webb	(resigned 31 January 2003)
M Gilman	(resigned 13 December 2002)
J Beardwood	(resigned 24 January 2002)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Subsequent events

No significant events have occurred since the conclusion of the financial period.

Directors' report *(continued)*

Employees

Employees are provided with business specific communication and these are supported by two corporate publications: *Agenda* magazine, targeted at managers, and *Scene*, the staff magazine. All managers are kept informed about the Co-operative Group's performance through annual, interim and social accountability reports, management bulletins and Newsline, the electronic weekly news service.

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Creditor payment terms

The Co-operative Group Code on Business Conduct sets out the Society's and its subsidiaries' relationship with its suppliers and its undertaking to pay its suppliers on time and according to agreed terms of trade.

Elective regime

The company has passed Elective Resolutions in accordance with the Companies Act 1985 (as amended by the Companies Act 1989). These have the effect of dispensing with the holding of Annual General Meetings; the laying of accounts at such meetings; and the annual reappointment of auditors.

By order of the board

P Carpenter
Director

Registered office:
New Century House
Corporation Street
Manchester
M60 4ES

Statement of directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and any other irregularities.

KPMG Audit Plc
St James' Square
Manchester M2 6DS
United Kingdom

Report of the independent auditors to the members of Syncro Limited

We have audited the financial statements on pages 5 to 16.

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 are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 11 January 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc 7/11/03
Chartered Accountants
Registered Auditor
Manchester

Profit and loss account

for the year ended 11 January 2003

	Note	2002 £000	2002 £000	2001 £000	2001 £000
Turnover	3				
Continuing operations		**35,934**		40,462	
Acquisitions		**3,902**		-	
			39,836		40,462
Cost of sales	3		**(37,519)**		(35,065)
Gross profit	3		**2,317**		5,397
Administrative expenses	3		**(6,202)**		(4,368)
Operating (loss)/profit	3				
Continuing operations		**(4,636)**		1,029	
Acquisitions		**751**		-	
(Loss)/profit on ordinary activities before taxation	3-6		**(3,885)**		1,029
Tax on (loss)/profit on ordinary activities	7		**-**		-
(Loss)/profit on ordinary activities after taxation			**(3,885)**		1,029

The company had no recognised gains or losses in the current or prior year other than those included in (loss)/profit shown above.

The notes on pages 7 to 16 form part of these accounts.

Balance sheet
at 11 January 2003

	Note	2002 £000	2002 £000	2001 £000	2001 £000
Fixed assets					
Tangible assets	*8*		-		40
Current assets					
Stocks	*10*	**305**		83	
Debtors	*11*	**12,824**		14,525	
Cash at bank and in hand		**1,505**		-	
		14,634		14,608	
Creditors: amounts falling due within one year	*12*	**(11,860)**		(7,989)	
Net current assets			**2,774**		6,619
Net assets			**2,774**		6,659
Capital and reserves					
Called up share capital	*13*		**8,500**		8,500
Profit and loss account	*14*		**(5,726)**		(1,841)
Equity shareholders' funds	*15*		**2,774**		6,659

These financial statements were approved by the board of directors on 7th November 2003 and were signed on its behalf by:

Paul Carpenter
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements. The company has adopted FRS 19 'Deferred tax' in these financial statements. There has been no effect on the comparative figures.

Basis of preparation

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

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of the Co-operative Group (CWS) Limited and that the parent undertaking includes the company in its own published consolidated financial statements.

Related party transactions

As the company is a wholly owned subsidiary of the Co-operative Group (CWS) Limited the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed details transactions or balances with other group undertakings. The results of the company have been consolidated in the group financial statements which are publicly available.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	2.5% per annum
Plant and machinery	-	10-33% per annum

No depreciation is provided on freehold land.

Pensions and other post-retirement benefits

The company contributes to the Co-operative Group (CWS) Limited pension scheme which provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the expected service lives of employees.

Stocks

Stocks and work in progress are stated at the lower of cost, including attributable overheads, and net realisable value.

Notes *(continued)*

1 Accounting policies *(continued)*

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses which are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Taxation

Provision for corporation and deferred taxation is not made because the ultimate parent organisation has indicated that it will meet any taxation liabilities.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services including construction contracts to customers during the period.

All turnover is derived from the company's principal activity of mechanical and electrical engineering contracting in the United Kingdom.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

2 Accounting Date

The financial statements of the company are made up for the 52 weeks to 11 January 2003. Since the financial year is virtually co-terminous with the calendar year 2002, this financial year's figures are headed 2002 and the corresponding figures for the previous year (which covered 52 weeks) are headed 2001.

Notes *(continued)*

3 Analysis of continuing operations

	2002 Continuing £000	2002 Acquisitions £000	2002 Total £000	2001 Continuing £000	2001 Acquisitions £000	2001 Total £000
Turnover	**35,934**	**3,902**	**39,836**	40,462	-	40,462
Cost of sales	**(34,773)**	**(2,746)**	**(37,519)**	(35,065)	-	(35,065)
Gross profit	**1,161**	**1,156**	**2,317**	5,397	-	5,397
Administrative expenses	**(5,797)**	**(405)**	**(6,202)**	(4,368)	-	(4,368)
Operating (loss)/profit	**(4,636)**	**751**	**(3,885)**	1,029	-	1,029

All the turnover and profit/(loss) is derived from continuing operations.

4 (Loss)/profit on ordinary activities before taxation

	2002 £000	2001 £000
(Loss)/profit on ordinary activities before taxation is stated after charging:		
Auditor's remuneration	**10**	2
Depreciation	**55**	38
Hire of plant and machinery - rentals payable under operating leases	**142**	99
Hire of other assets - operating leases	**691**	637

Notes *(continued)*

5 Remuneration of directors

The directors of the company are remunerated by another group undertaking. Their remuneration for services to this company are as follows:

	2002	2001
	£000	£000
Directors' emoluments:	**332**	63

	Number of directors	
	2002	2001
Retirement benefits are accruing to the following number of directors under defined benefit schemes:	**4**	1

The aggregate of emoluments of the highest paid director was £128,443.

6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees 2002	Number of employees 2001
Full-time	**495**	465
Part-time	**4**	4
	499	469

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£000	£000
Wages and salaries	**12,071**	9,734
Social security costs	**1,325**	809
Other pension costs (see note 18)	**886**	538
	14,282	11,081

Notes *(continued)*

7 Taxation

The current year tax credit of £1,166,000 (*2001: charge of £304,000*) has been offset by group relief for which no payment will be received.

8 Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Total £000
Cost			
At start of year	75	641	716
Additions	-	24	24
Acquisitions	63	330	393
At end of year	138	995	1,133
Depreciation			
At start of year	75	601	676
Charge for year	9	46	55
Acquisitions	54	348	402
At end of year	138	995	1,133
Net book value			
At 11 January 2003	-	-	-
At 12 January 2002	-	40	40

9 Investment

The company holds an investment of £2 representing 100% of the ordinary share capital of WM Allan Limited *(2001: £2)*, a dormant company registered in England and Wales.

Notes *(continued)*

10 Stocks

	2002 £000	2001 £000
Raw materials and consumables	**305**	83

11 Debtors

	2002 £000	2001 £000
Due within one year		
Trade debtors	**7,890**	7,721
Amounts owed by group undertakings	**4,397**	4,044
Amounts recoverable on contracts	**289**	2,010
Prepayments and accrued income	**248**	750
	12,824	14,525

12 Creditors: amounts falling due within one year

	2002 £000	2001 £000
Bank loans and overdrafts	**4,425**	2,832
Payments on account in respect of work in progress	**1,899**	588
Trade creditors	**2,903**	2,293
Amounts owed to group undertakings	**1,860**	362
Other creditors including taxation and social security	**200**	749
Accruals and deferred income	**573**	1,165
	11,860	7,989

Notes *(continued)*

13 Called up share capital

	2002	2002
	£000	£000
Authorised		
8,500,000 Ordinary shares of £1 each	**8,500**	8,500
Allotted, called up and fully paid		
8,500,000 Ordinary shares of £1 each	**8,500**	8,500

14 Profit and loss account

	Profit and loss account £000
At beginning of year	(1,841)
Loss for the year	(3,885)
At end of year	**(5,726)**

Notes *(continued)*

15 Reconciliation of movement in shareholders' funds

	2002 £000	2001 £000
Opening equity shareholders' funds	**6,659**	5,630
(Loss)/profit for the year	**(3,885)**	1,029
Closing shareholders' funds	**2,774**	6,659

16 Commitments

(i) There are no capital commitments at the end of the current and preceding financial year.

(ii) Annual commitments under non-cancellable operating leases are as follows:

	2002		2001	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	**-**	**122**	-	170
In the second to fifth years inclusive	**117**	**613**	58	445
Over five years	**42**	**-**	78	22
	159	**735**	136	637

Notes *(continued)*

17 Acquisition

On 12 January 2002 the company acquired the trade, assets and liabilities of Equipment Services. The following assets and liabilities were acquired:

	Book value and fair value
	£000
Fixed assets	
Tangible	**10**
Current assets	
Stock	**274**
Debtors	**1,744**
Total assets	**2,028**
Liabilities	
Bank overdraft	**(14)**
Trade and other creditors	**(428)**
Total liabilities	**(442)**
Net assets	**1,586**
Purchase consideration	**1,586**

The acquired undertaking made a profit of £438,000 in its previous financial year.

Notes *(continued)*

18 Pension scheme

The company is a wholly owned subsidiary of Co-operative Group (CWS) Limited which operates a number of defined benefit pensions schemes, the assets of which are held in separate trustee administered funds. In the principal scheme to which the company contributes the pension costs are assessed in accordance with actuarial advice using the attained age method.

The most recent valuation of the principal scheme was carried out as at April 2001 by a qualified actuary employed by the Co-operative Insurance Society Limited ('CIS'), a wholly owned subsidiary of the Co-operative Group (CWS) Limited. For the purposes of the valuation the following assumptions were made:

average investment return	-	6.50% per annum
average wage increase	-	4.50% per annum
average present and future pension increase	-	2.50% per annum
average equity dividend increase	-	3.25% per annum
market value of assets	-	£2,088.5m
percentage of funding	-	122%

Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by Financial Reporting Standard 17 'Retirement benefits', the scheme will be accounted for by the company, when the accounting standard is fully adopted by the company, as if the scheme was a defined contribution scheme.

The latest full actuarial valuation was updated for FRS 17 purposes to 11 January 2003 by a qualified actuary employed by CIS. Based upon the actuarial valuation a deficit of £211.8m exists in the scheme.

During the year, the company made contributions to the scheme totalling £886,000 *(2001: £538,000).* Company contributions to the scheme are paid to the level to achieve the required MFR funding level in accordance with current pension legislation.

For the full FRS 17 transitional disclosures in relation to the CWS Pension Scheme, see the Co-operative Group (CWS) Limited financial statements.

19 Ultimate parent undertaking

The company is a wholly owned subsidiary undertaking of the Co-operative Group (CWS) Limited, an Industrial and Provident Society registered in England and Wales. A copy of the Group accounts can be obtained from the Corporate Affairs Department, Co-operative Group (CWS) Limited, PO Box 53, New Century House, Manchester, M60 4ES.