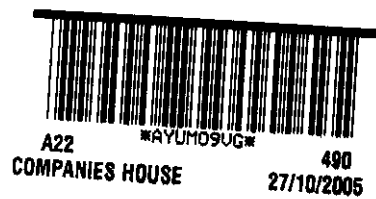


Syncro Limited

**Directors' report and financial
statements**

Registered number 3096287

8 January 2005



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Directors' report

The directors present their report and financial statements for the financial year ended 8 January 2005.

Principal activities

The principal activity of the company is that of a building services contractor.

Business review

The results for the year are set out on page 5 of the financial statements. During the financial year the company made a loss of £328,000 (2003: restated profit of £668,000).

Dividend

The directors do not recommend the payment of a dividend (2003: £nil).

Directors and directors' interests

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

YR Rankin	(Resigned 15 July 2005)
PKC Carpenter	
C Telford	(Resigned 18 March 2005)
PD Neild	(Resigned 15 November 2004)
WJP Savin	(Appointed 7 March 2005)
P Hewitt	(Appointed 15 July 2005)

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 year.

Employees

Employees are provided with business specific communication and these are supported by two corporate publications: *Agenda* magazine, targeted at managers, and *Scheme*, 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 Newline, the electronic weekly new service.

The company's policy is to recruit disabled workers for those vacancies 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 retaining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

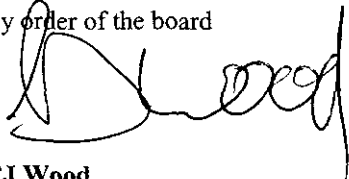
Creditor payment terms

The Co-operative Group Code on Business Conduct sets out the Society's and its subsidiaries' relationships 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 layering of accounts at such meetings; and the annual reappointment of directors.

By order of the board



CJ Wood
Company Secretary

New Century House
Corporation Street
Manchester
M60 4ES

21 October 2005

Statement of directors' responsibilities

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

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

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



KPMG Audit Plc

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 4 to 11.

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 2, 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 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.

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 8 January 2005 and of its loss for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

26/01 2005

Profit and loss account
for the financial year ended 8 January 2005

	<i>Note</i>	2004 £000	Re-stated 2003 £000
Turnover	<i>1</i>	42,136	45,454
<i>Cost of sales</i>		(36,212)	(39,384)
<hr/>			
Gross profit		5,924	6,070
<i>Administrative expenses</i>		(6,252)	(5,402)
<hr/>			
(Loss)/profit on ordinary activities before taxation	<i>3-5</i>	(328)	668
<i>Tax on (loss)/profit on ordinary activities</i>	<i>6</i>	-	-
<hr/>			
(Loss)/profit on ordinary activities after taxation		(328)	668
<hr/> <hr/>			

All turnover relates to continuing activities.

The notes on page 6 to 11 form part of these accounts.

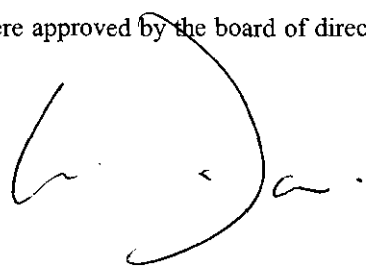
Statement of total recognised gains and losses
for the financial year ended 8 January 2005

	2004 £000	Re-stated 2003 £000
Retained (loss)/profit for the year	(328)	668
Prior year adjustment – note 1	(400)	-
<hr/>		
Total recognised gains and losses since last annual report	(728)	668
<hr/> <hr/>		

Balance sheet
at 8 January 2005

	<i>Notes</i>	2004	Re-stated 2003	
		£000	£000	£000
Fixed assets				
Tangible assets	7		34	37
Current assets				
Stocks	9	392		363
Debtors	10	9,802		10,916
Cash at bank and in hand		2,105		1,703
		<hr/>		<hr/>
		12,299		12,982
Creditors: amounts falling due within one year	11	(9,219)		(9,577)
		<hr/>		<hr/>
Net current assets			3,080	3,405
			<hr/>	<hr/>
Net assets			3,114	3,442
			<hr/>	<hr/>
Capital and reserves				
Called up share capital	12	8,500		8,500
Profit and loss account	13	(5,386)		(5,058)
		<hr/>		<hr/>
Equity shareholders' funds	14	3,114		3,442
		<hr/>		<hr/>

These financial statements were approved by the board of directors on 21st October 2005 and were signed on its behalf by:



W Savin
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.

Basis of preparation

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

Prior year adjustment

An adjustment has been made to the closing balance sheet as at 10 January 2004 and the profit and loss account for the year to 10 January 2004 in order to provide against unrecoverable work in progress ("WIP") balances. The additional provisions were highlighted during the current financial year following a detailed review of WIP balances by the directors. This review was performed following the discovery of further information that had previously not been available when WIP had been reviewed at the previous financial year end and for this reason management believe that the adjustment should be accounted for as a prior year adjustment.

The effect of the adjustment is to reduce reserves as at 10 January 2004 by £400,000 and reduce the profit for the year to 10 January 2004 by £400,000.

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard ("FRS") 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 of 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 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 accounts so as to spread the cost of pensions over the expected service lives of employees.

Stocks

Stocks and WIP 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 the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous financial years. Provision is made for any losses as soon as they 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 in note 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 the 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 for the company are made up for the 52 weeks to 8 January 2005. Since the financial years are virtually co-terminous with the calendar year 2004, this financial year's figures are headed 2004 and the corresponding figures for the previous year (which covered 52 weeks) are headed 2003.

3 (Loss)/profit on ordinary activities before taxation

	2004	2003
	£000	£000
<i>(Loss)/profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration	10	10
Depreciation	3	10
Hire of plant and machinery - rentals payable under operating leases	263	210
Hire of other assets - operating leases	770	821
	770	821

Notes (continued)

4 Remuneration of directors

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

	2004	2003
	£000	£000
Directors' emoluments	202	183
	<hr/>	<hr/>
	2004	2003
	Number	Number
Retirement benefits are accruing to the following number of directors under the defined benefit schemes	3	3
	<hr/>	<hr/>

5 Staff numbers and costs

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

	Number of employees	
	2004	2003
Full-time	477	449
Part-time	-	4
	<hr/>	<hr/>
	477	453
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2004	2003
	£000	£000
Wages and salaries	13,118	13,299
Social security costs	1,883	2,131
Other pension costs (see note 16)	584	1,397
	<hr/>	<hr/>
	15,585	16,827
	<hr/>	<hr/>

6 Taxation

The current financial year tax credit of £98,000 (2003: charge £200,000) has been offset by group relief for which no payment is received/paid.

Notes (continued)

7 Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Total £000
Cost			
At beginning of financial year	138	1,042	1,180
Additions	-	-	-
At end of financial year	138	1,042	1,180
Depreciation			
At beginning of financial year	138	1,005	1,143
Charge for financial year	-	3	3
At end of financial year	138	1,008	1,146
Net book value			
At 8 January 2005	-	34	34
At 10 January 2004	-	37	37

8 Investments

The company holds an investment of £2 representing 100% of the ordinary share capital of WM Allan Limited (2003: £2), a dormant company registered in England and Wales.

9 Stocks

	2004 £000	Re-stated 2003 £000
Raw materials and consumables	392	363

10 Debtors

	2004 £000	2003 £000
<i>Due within one year:</i>		
Trade debtors	8,049	7,475
Amounts owed by group undertakings	1,198	3,239
Amounts recoverable on contracts	67	-
Prepayments and accrued income	488	202
	9,802	10,916

Notes (continued)

11 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Bank loans and overdrafts	1,885	1,627
Payments received on account on respect of work in progress	967	2,441
Trade creditors	3,683	2,110
Amounts owed to group undertakings	1,693	1,738
Other creditors including taxation and social security	417	748
Accruals and deferred income	574	913
	9,219	9,577

12 Called up share capital

	2004 £000	2003 £000
<i>Authorised</i>		
8,500,000 Ordinary shares of £1 each	8,500	8,500
<i>Allotted, called up and fully paid</i>		
8,500,000 Ordinary shares of £1 each	8,500	8,500

13 Profit and loss account

	Profit and loss account £000
At beginning of financial year as previously reported	(4,658)
Prior year adjustment	(400)
Loss for the financial year	(328)
At end of financial year	(5,386)

14 Reconciliation of movements in shareholders' funds

	2004 £000	Re-stated 2003 £000
Opening equity shareholders' funds as restated (previously £3,842,000 before a prior year adjustment of £400,000)	3,442	2,774
(Loss)/profit for the financial year	(328)	668
Closing shareholders' funds	3,114	3,442

Notes (continued)

15 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:

	2004	Other	2003	Other
	Land and buildings £000	£000	Land and buildings £000	£000
Operating leases which expire:				
Within one year	-	-	-	-
In the second to fifth years inclusive	264	196	184	362
Over five years	-	-	46	4
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	264	196	230	366
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16 Pension scheme

The company contributes towards the same pension scheme as the ultimate parent Society, Co-operative Group (CWS) Limited. The scheme is a defined benefit scheme but the company is unable to identify its share of the underlying assets and liabilities of the scheme and therefore contributions to the scheme are accounted for as if it were a defined contribution scheme (FRS 17 Retirement Benefits). Details of the actuarial valuation of the scheme can be found in the ultimate parent Society's accounts.

The total pension cost for the financial year was £584,000 (2003: £1,397,000).

17 Ultimate parent society

The society is a wholly owned subsidiary 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.