

BOOTH

BOOTH INDUSTRIES GROUP PLC

Annual Report & Accounts 2004

Booth Industries Group PLC

Booth Industries Limited

Manufactures high integrity doors and fire and blast protection systems

Jordan Nuclear Limited

Provides decommissioning, decontamination and mechanical engineering services to the nuclear industry

Jordan Manufacturing Limited

Produces high quality stainless steel and non-ferrous products predominantly for use in nuclear energy and architectural applications

CHB-Jordan Engineering Limited

Provides engineering support services for oil, gas, petrochemical and process industries

Jordan Projects Limited

Supports Jordan Nuclear in the delivery of services

Contents

| | |
|--------------------------------------|----|
| Chairman's Statement | 02 |
| Directors and Officers | 04 |
| Report of the Directors | 05 |
| Report of the Independent Auditors | 08 |
| Statement of Accounting Policies | 09 |
| Consolidated Profit and Loss Account | 11 |
| Balance Sheets | 12 |
| Consolidated Cash Flow Statement | 13 |
| Notes to the Financial Statements | 14 |
| Notice of Annual General Meeting | 31 |
| Form of Proxy | 35 |

Chairman's Statement

Results

Group turnover for the year to 30 September 2004, which arose only in our continuing businesses, was £27.4m (2003: £43.8m, including £12.0m from discontinued). Whilst further activity growth was shown by Booth Industries Limited ("BIL") in the year, reductions were seen in the other businesses, especially in Jordan Projects Limited ("JP") as a result of the completion of the programme to withdraw from unsuitable markets.

The year's operating result, before exceptional gains, was a loss of £28,000, representing a very significant turnaround (2003: £677,000 loss). With the exception of Jordan Manufacturing Limited ("JM"), for reasons reported at the interim stage, all of our businesses contributed to that improvement.

After a further exceptional gain of £846,000 on the disposal of Oakland Elevators Limited ("OEL") (2003: exceptional gain £3.9m), net profit after tax for the year was £609,000 (2003: £2.98m).

Financial Position

At 30 September 2004 net assets had improved to £6.0m (2003: £5.4m). As all of our assets are tangible, this represents a net tangible asset value per share in issue of 45.3p (2003: 40.7p).

During the year cash balances declined by some £3.1m; the greater portion of this decline occurred in the first half of the year, for the reasons outlined in last year's annual report. Subsequent to that, shareholders were advised in the interim report that a programme to fund the deficit in the group's pension scheme had been agreed; this involves annual payments over fifteen years, beginning at £250,000 per annum and rising at 3% per annum thereafter. The cash position was maintained in the second half, after allowing for the payment of the special dividend declared in respect of 2004. Gearing, net of cash, at the year end amounted to 17% (2003: nil). Since the year end, the deferred consideration earned in respect of OEL (£865,000 before expenses) has been received. This helped to restore the gearing position and we are seeking further, substantial improvements as we proceed with actions to resolve contract value disputes with a small number of JP's former customers. We have already reported that it is more difficult to reach agreement on final contract values with clients in the absence of potential, ongoing relationships; whilst only a small number of contracts now remain in dispute, these do represent a sizeable investment in working capital. JP has found it increasingly

necessary to abandon attempts at negotiated settlements and, instead, to follow the more formal processes of dispute resolution. Inevitably, this will protract the realisation of funds invested in these contracts and could reduce our ability to maximise the outcome of final account values.

The convertible loan stock issued by the group in 2002 (in connection with the acquisition of the Jordan businesses) represents most of the group's debt, and this must be repaid by March 2007 if not converted. There are no indications that the stockholders intend to convert and, in the absence of that, we must expect to fund repayment. The terms of the stock are such that it becomes more expensive to service the nearer it reaches maturity. As a first step towards retiring this debt, and reducing servicing costs, a partial redemption of £500,000 was made earlier this month.

Dividend

Dividend recommendations by the board are made in the light of group operating results and the availability of cash surplus to our requirements. Despite a very strong improvement, our continuing activities did not make a profit this year. In recognition of that, and our need to prepare for the redemption of the convertible loan stock, the payment of a dividend is not recommended this year (2003: special dividend, 5p per share).

Employees

In the previous year our employees worked hard to set out a foundation for improvement. It is as a result of that foundation and their continued commitment throughout this year that we are able to report a significant advance in operating performance and I must record our appreciation of that.

International Financial Reporting Standards ("IFRS")

The group will be required to report for the first time under IFRS for the year ending 30 September 2008. The implications for this are under review.

Review of the Year

The results for the year show the progress made in refining our remaining operating businesses and moving them towards stable profitability. On a consolidated basis we are reporting a turnaround in operating profit of some £650,000, which has brought us almost to a break-even position. Within that, to varying degrees, BIL, Jordan Nuclear Limited ("JN") and CHB-Jordan Engineering Limited ("CHB-J") all showed improvements; JM, however, suffered an adverse change at operating level of some £400,000.

BIL returned a year of solid growth: it lifted its turnover level by some 15% and, through careful margin and cost control, translated this into a significant improvement in operating profit. The division has continued to benefit from developing its technical expertise in blast- and fire-resistant door, wall and window systems to serve onshore applications in addition to its traditional, offshore market. In particular, important successes in supplying its products to rail and road tunnel infrastructure projects have been achieved by the division. Taking these sectors together with BIL's security related products, almost 40% of turnover is now derived from other than offshore markets.

JN is the brand through which we are concentrating our activities in seeking out opportunities to serve the nuclear industry's onsite needs, particularly in the areas of decommissioning and decontamination. Following its launch in the early part of the year, we are satisfied by the level of interest that JN has already established, and by its ability to secure work in what we see as an exciting marketplace in the United Kingdom. JN is supported by JP in the delivery of customers' requirements.

In the course of this year JM was seriously affected by the abrupt cessation of demand for flasks used in the transportation of spent nuclear fuel for reprocessing. JM has been the lead supplier of this type of equipment for several years. Whilst it was recognised that demand would in any event decline rapidly from late 2005 onwards, the suddenness of the cessation (which included the cancellation of orders upon which work was in progress) did not allow JM to carry out orderly plans it had in place to move it towards alternative markets. Employee severance costs, compounded by an inability to recover overhead costs generally during a period of very low activity levels, resulted in a loss for the year by JM.

As announced in our last report, a decision was taken to withdraw JP from industry sectors which it was not able to serve profitably. Since then, its operational activities have been redirected towards being almost solely in support of JN, where its core skills are more appropriately dedicated. This has resulted in a satisfactory operating profit being earned for the year under review, which we regard as a considerable achievement when viewed against a loss of some £900,000 in 2002-3. Following the effort to turn around the ongoing operations of JP, considerable resource continues to be applied to closing out JP's financial positions on some of the unsuitable contracts it previously undertook.

For CHB-J, the year saw a reduction in our clients' expenditures on maintenance, repair and upgrade work, with a corresponding decline in turnover for the division — however, the proportion of shut-down work won during the year increased. This type of work tends to be more labour-intensive than routine maintenance and upgrades and offers higher margins. Accordingly, CHB-J was able to deliver a slightly improved result at operating level despite lower activity.

Prospects

We believe that we are entering the current year on a firmer footing for our principal operating businesses. Both BIL and JN have continued to secure important new contracts, which not only support our expectations from these businesses but also represent further consolidation in the markets they are targeting. Whilst we see CHB-J's marketplace as continuing to be challenging for the remainder of the year we expect it to perform satisfactorily. The programme to secure alternative work for JM, which to some degree has necessitated a lowering of margins, is progressing and it is experiencing an improvement in its order book.

D N Ablett

Chairman
24 March 2005

Directors and Officers

Directors:

D N Ablett Non-executive Chairman

W Robson Group Managing Director
(and Company Secretary)

C Lewis-Jones Group Finance Director

R S McDowell Non-executive Director

R G Jordan Non-executive Director

Registered Office

PO Box 50, Nelson Street
Bolton, Lancashire, BL3 2AP

Administration Office

1-4 The Courtyard, Gaulby Lane
Stoughton, Leicestershire, LE2 2FL

Auditors

Grant Thornton UK LLP
8 West Walk
Leicester, LE1 7NH

Bankers

Lloyds TSB Commercial
125 Colmore Row
Birmingham, B1 1BZ

Financial Advisers and Stockbrokers

Brewin Dolphin Securities Limited
National House, 36 St Ann Street
Manchester, M60 2EP

Solicitors

Martineau Johnson
One Colmore Square
Birmingham, B4 6AA

Registrars

Capita Registrars
Northern House
Woodsome Park, Fennay Bridge
Huddersfield, HD8 0LA

Report of the Directors

The directors present their report and audited financial statements for the year ended 30 September 2004.

Results and dividends

The results for the year are set out in the consolidated profit and loss account on page 11.

The directors do not recommend a dividend (2003: 5p which amounted to £668,000): no interim dividend was made in respect of the year (2003: nil).

A general review of the business and activities of the group is given in the Chairman's Statement on pages 2 and 3 which should be regarded as part of this report.

Principal activity

The principal activity of the group during the year has been engineering and related services.

Directors

The names of the directors who served during the year are shown below. W Robson and R S McDowell will retire by rotation and, being eligible, offer themselves for re-election. Brief biographical information on the directors follows:

Derek Ablett (non-executive), aged 62, gained 18 years of experience with a major UK clearing bank then joined a merchant bank for 11 years, where he was the director responsible for corporate finance in the Midlands. He is an experienced non-executive director, having been involved

with companies operating in several sectors. He is currently a non-executive director of Medisys plc and of various private companies.

Bill Robson, aged 56, joined the group in 1996, and has held the positions of Group Finance Director and of Managing Director of OEL before being appointed Group Managing Director in July 2001. Previously, he had worked in commerce and industry since 1970, performing commercial and management roles in a number of private companies.

Chris Lewis-Jones, aged 45, is a Chartered Accountant and joined the board as Group Finance Director in November 2001 from Ernst & Young LLP, where he was an Assistant Director, Corporate Finance. In that capacity he had been actively involved in managing our acquisition support needs for over five years.

Roger McDowell (non-executive), aged 49, joined the board in September 2002. Previously he was chief executive of Oliver Ashworth Group plc until its acquisition by Compagnie de Saint-Gobain in 1998. Since that date he has been an active strategic investor in smaller capitalised quoted companies. He is a non-executive director of Intec Telecom Systems plc, Oystertec plc and Augean plc.

Roy Jordan (non-executive), aged 63, retired in October 2003 after serving on the board since 1996 in the successive capacities of chief executive and chairman. Roy returned to a non-executive position on the board in February 2004.

Directors' share interests

The directors at 30 September 2004 had beneficial interests in shares and share options as set out below.

Shareholdings

| | At 30 September 2004 | At 30 September 2003 (or date of reappointment) |
|---|-------------------------|--|
| D N Ablett* | 32,000 | 32,000 |
| W Robson | 425,000 | 425,000 |
| C Lewis-Jones | — | — |
| R S McDowell† | 3,995,721 | 3,995,721 |
| R G Jordan‡ (retired 16 October 2003, reappointed 17 February 2004) | 50,000 | 50,000 |

* The beneficial shareholding of D N Ablett is registered in the name of The DAA Trust and is held in the name of Brewin Dolphin Nominees.

† The beneficial shareholdings of R S McDowell and family are held in the name of Willbro Nominees Limited.

‡ At 30 September 2004 Otani Limited was interested in 2,305,000 ordinary shares (2003: 2,305,000) representing 17.26% of the issued share capital of the company. The entire issued share capital of Otani Limited is held by ECS International Trustees (Isle of Man) Limited in trust, intended primarily for the benefit of R G Jordan and his family.

Report of the Directors

Continued

Share options

Two executive share option schemes and an employee savings related share option scheme were approved in 1999; options under these schemes may normally be granted only within 42 days following the announcement of either the interim or the final results of the company.

In respect of the executive schemes, options will normally be exercisable on satisfaction of a three-year performance target; for directors this will be based on a compound rate of increase in earnings per share of 15% above the Retail Price Index for the three-year period, and for other employees this will be based on both an increase of pre-tax profit in their subsidiary and a compound increase in earnings per share for the group of 3% above the Retail Price Index for the three-year period.

The directors' beneficial interests in share options are as follows:

| | | At 30 September 2004 | Options lapsed | At 30 September 2003 |
|---------------|---------------------------|-------------------------|----------------|-------------------------|
| W Robson | Class | | | |
| | (1) 'A' Executive | 50,000 | — | 50,000 |
| | (2) Employee Share Scheme | 8,550 | — | 8,550 |
| C Lewis-Jones | (3) 'A' Executive | 30,000 | — | 30,000 |
| R G Jordan | (1) 'B' Executive | — | (60,000) | 60,000 |

The options are exercisable between the following dates and at the following prices:

- (1) 15 February 2003 and 14 February 2010 at 33.5p
- (2) 24 July 2005 and 23 January 2006 at 30p
- (3) 15 February 2005 and 14 February 2012 at 26.5p

None of the directors' options were granted or exercised during the year. Details of share option schemes, including option price and exercise period are given in note 13.

There have not been any changes to directors' interests in shares or options since the year end.

The market price of the company's ordinary shares on 30 September 2004 was 21.5p and the high and low prices during the year were 37.5p (30 January 2004) and 21p (23 and 24 September 2004) respectively. The share price on 23 March 2005 was 27.5p.

Substantial shareholdings

At the date of this report, the following interests of 3% or more in the issued ordinary shares of the company had been notified or were known to the company:

| | Number of shares | % of issued share capital |
|---|---------------------|------------------------------|
| Willbro Nominees Limited | 3,995,721 | 29.92 |
| Otani Limited | 2,305,000 | 17.26 |
| Intrinsic Value plc | 1,246,940 | 9.34 |
| Fircroft Limited | 950,000 | 7.11 |
| Mrs J L Davies | 502,445 | 3.76 |
| Mr W Robson | 425,000 | 3.18 |
| The Gerrard Booth 1997 Discretionary Settlement | 415,556 | 3.11 |

Employment policies

The group places great importance on the involvement of its employees, the majority of whom are able to work closely with their managers on a daily basis. Certain key employees are encouraged to be involved in the group's performance through the use of share options. Employees have frequent opportunities to meet and have discussions with management; the group aims to keep employees regularly informed of the financial and economic factors affecting the performance of the group and its objectives.

The group's policy is that, where it is reasonable and it is practicable within existing legislation, all employees, including disabled persons, are treated in the same way in matters relating to employment, training and career development.

Political and charitable donations

The group made no political donations during this year (2003: nil). Charitable donations amounted to £178 (2003: £200).

General Authorities under the Companies Act 1985

At the Annual General Meeting, notice of which is set out at page 31, two items of special business are to be considered (both of which are renewals of directors' existing authorities):

- The authority granted to the directors to issue shares up to a limit of the existing unissued share capital of £2,286,598 which authority will last for five years.
- The authority granted to the directors to issue shares wholly for cash and on a non pre-emptive basis, otherwise than in connection with a rights issue, up to a maximum nominal amount of £457,319, which authority will terminate at the earlier of the subsequent Annual General Meeting and 15 months from the date of this year's Annual General Meeting.

Treasury

The company's liquidity, interest rate and foreign exchange risks are managed centrally following guidelines laid down by the board. All non-routine transactions require board approval.

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings with a range of maturities. An analysis of the maturity of the group's borrowings is given in note 12(c) to the accounts. The group's principal financial instruments are cash and a medium term loan provided by Lloyds TSB Commercial. Cash is held on treasury deposit and earns interest at variable rates. The term loan bears interest which is variable and linked to the bank's base rate. In addition, unsecured convertible loan stock and unsecured loan stock were issued in connection with the acquisition of Jordan Engineering UK Limited; interest is fixed on the unsecured convertible loan stock at 6% per annum, interest on the unsecured loan stock is variable and linked to the base rate of Lloyds TSB Bank plc. Generally, management believes it is appropriate to have borrowings on a floating interest rate basis, although this is kept under review.

With regard to the group's working capital needs, as at 30 September 2004 there was cash in hand of £1.2m (2003: £4.3m principally as a result of the sale of OEL). The level of cash in hand will be maintained at a level in order to meet the cash outflows from seasonal working capital needs and debt repayments foreseen in the following twelve months. For longer term investment needs the group arranges borrowings on terms consistent with asset lives.

The group does not use financial derivatives except for currency options that are used to provide protection against foreign exchange exposures, typically in relation to contract

amounts receivable which are significant. There was a currency option to put €135,000 in place at 30 September 2004 (2003: None). Such financial derivatives are used only to manage risk and speculation is not permitted.

Payment Policy

The company's policy on payment practice is to endeavour to ensure that all suppliers are paid in accordance with such agreed or customary payment terms as are in place; at 30 September 2004 the company had no trade creditors (2003: None).

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the group as at the end of the financial period 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 group will continue in business.

The directors are also responsible for ensuring that the group maintains adequate records which disclose with reasonable accuracy the financial position of the company and the group and which enable them to ensure that the financial statements comply with the Companies Act 1985. In addition, the directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group, and to prevent and detect fraud and other irregularities.

Auditors

During the year Grant Thornton UK LLP were appointed to fill a casual vacancy. A resolution to reappoint Grant Thornton UK LLP will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD

W Robson

Secretary
24 March 2005

Independent Auditors' Report to the Members of Booth Industries Group PLC

We have audited the financial statements of Booth Industries Group PLC for the year ended 30 September 2004 which comprise the statement of accounting policies, consolidated profit and loss account, consolidated balance sheet, company balance sheet, consolidated cash flow statement, and the related notes 1 to 23. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's 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 applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the report of the directors 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 group 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 the report of the directors and the chairman's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 affairs of the company and of the group as at 30 September 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

Registered Auditors
Chartered Accountants
Leicester
24 March 2005

- i The maintenance and integrity of the website is the responsibility of the directors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- ii Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Statement of Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important group accounting policies, which have remained unchanged from the previous year, is set out below.

Profit and loss account format

The consolidated profit and loss account included within these financial statements has been prepared using Format 2 as defined in Schedule 4 of the Companies Act 1985 which, in the opinion of the directors, is the format most appropriate to the business.

Accounting convention

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The group financial statements include the financial statements of the parent company and its subsidiaries made up to 30 September 2004.

Goodwill

Goodwill, representing the excess of the purchase consideration over the fair value of net assets of subsidiaries acquired since 1 October 1997, has been capitalised and has been amortised over the expected economic life thereof. Prior to that date goodwill was written off to reserves in the year of acquisition and all such goodwill relates to acquisitions prior to 1 January 1989; those amounts have been excluded from disclosure as the information needed to calculate the amount with material accuracy is not readily available. Goodwill is reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. Upon disposal of businesses any unamortised goodwill, or goodwill eliminated against reserves is taken into account in determining the profit or loss on disposal.

Negative goodwill

Negative goodwill, representing the excess of the fair value of net assets over the purchase consideration of subsidiaries acquired since 1 October 1997 has been capitalised and has been released to the profit and loss account as the non-monetary assets to which it relates were recovered through sale or depreciation.

Turnover

Turnover, which excludes Value Added Tax, represents the value of work executed on contracts during the year and the net amount receivable for goods and services supplied to external customers.

Stocks

Stocks consist of raw materials and consumable stores and are valued at the lower of cost and net realisable value.

Contracts

Turnover on contracts is recognised according to the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty.

Amounts recoverable on contracts are stated at cost plus attributable profits, less provision for any known or anticipated losses, and are included in debtors.

Payments on account in excess of amounts recoverable are included in creditors.

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised and the capital element of outstanding instalments is included in creditors.

Depreciation is provided on the same basis as owned assets. The interest element of repayments is charged in the profit and loss account in proportion to the capital element outstanding. Operating lease rentals are charged in the profit and loss account as incurred.

Depreciation

Depreciation of tangible fixed assets is provided so as to write off the cost less estimated residual value of each asset over its expected useful life. Annual rates are:

| | |
|-------------------------------------|---|
| Freehold buildings | 2% |
| Freehold land | Nil |
| Leasehold buildings | Equal annual instalments over the period of the lease |
| Plant and machinery | 10% to 33.3% |
| Furniture, fixtures and fittings | 10% to 20% |
| Computers, and electronic equipment | 10% to 20% |
| Motor vehicles | 25% |

Statement of Accounting Policies

continued

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax with the following exceptions.

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pensions

The expected cost of pensions in respect of the group's defined benefit pension scheme is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes. Variations from the regular costs are spread over the remaining service lives of current employees in the scheme. The pension cost is assessed in accordance with the advice of a qualified actuary and accounted for in accordance with Statement of Standard Accounting Practice 24.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Employee share schemes

Provision is made for employer National Insurance contributions on options granted under its unapproved share option scheme over the period from the date of grant to the first date upon which the option could be exercised. Advantage is taken of the exemption from making a UITF17 charge in respect of options granted under savings related share option schemes.

Foreign currencies

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

Convertible loan stock

Convertible loan stock is accounted for in accordance with the provisions of Financial Reporting Standard 4.

Consolidated Profit and Loss Account

For the year ended 30 September 2004

| | Note | 2004 £000 | 2003 £000 |
|--|------|--------------|--------------|
| Turnover | 1a | | |
| Continuing operations | | 27,442 | 31,727 |
| Discontinued operations | | — | 12,049 |
| | | 27,442 | 43,776 |
| Cost of sales | 1b | (27,470) | (44,517) |
| Total operating loss | | | |
| Continuing operations | | (28) | (677) |
| Discontinued operations | | — | (64) |
| | | (28) | (741) |
| Exceptional items | | | |
| Profit on disposal of discontinued operations | 2 | 846 | 3,887 |
| Net interest payable | 3 | (212) | (396) |
| Profit on ordinary activities before taxation | 4 | 606 | 2,750 |
| Tax on profit on ordinary activities | 6 | 3 | 230 |
| Profit on ordinary activities after tax | | 609 | 2,980 |
| Dividend on equity shares | 21 | — | (668) |
| Profit for the financial year transferred to reserves | 14 | 609 | 2,312 |
| Earnings per share | 7 | | |
| — basic | | 4.56p | 22.32p |
| — diluted | | 4.30p | 17.69p |

Movements in reserves are set out in notes 14 and 15.

There are no other recognised gains or losses either in the current year or the preceding year other than those shown above.

Balance Sheets

At 30 September 2004

| | Note | Group | | Company | |
|---|------|--------------|--------------|--------------|--------------|
| | | 2004 £000 | 2003 £000 | 2004 £000 | 2003 £000 |
| Fixed assets | | | | | |
| Tangible assets | 8 | 1,511 | 1,664 | 516 | 519 |
| Investments in subsidiary companies | 9 | — | — | 4,655 | 4,655 |
| | | 1,511 | 1,664 | 5,171 | 5,174 |
| Current assets | | | | | |
| Stocks | 10 | 187 | 184 | — | — |
| Debtors | 11 | 12,182 | 11,201 | 6,090 | 2,042 |
| Cash at bank | | 1,190 | 4,293 | 950 | 5,229 |
| | | 13,559 | 15,678 | 7,040 | 7,271 |
| Creditors — amounts falling due within one year | 12 | (7,044) | (9,780) | (2,326) | (3,012) |
| Net current assets | | 6,515 | 5,898 | 4,714 | 4,259 |
| Total assets less current liabilities | | 8,026 | 7,562 | 9,885 | 9,433 |
| Creditors — amounts falling due after more than one year (including convertible loan stock) | 12 | (1,979) | (2,124) | (1,979) | (2,124) |
| | | 6,047 | 5,438 | 7,906 | 7,309 |
| Capital and reserves | | | | | |
| Called-up share capital | 13 | 3,338 | 3,338 | 3,338 | 3,338 |
| Reserves | | | | | |
| Share premium | 14 | 578 | 578 | 578 | 578 |
| Merger reserve | 14 | 294 | 294 | 294 | 294 |
| Profit and loss account | 14 | 1,837 | 1,228 | 3,696 | 3,099 |
| Equity shareholders' funds | 15 | 6,047 | 5,438 | 7,906 | 7,309 |

The financial statements were approved by the board of directors on 24 March 2005.

Signed on behalf of the board of directors

D N Ablett Director

Consolidated Cash Flow Statement

For the year ended 30 September 2004

| | Note | 2004 | | 2003 | |
|--|------|-------|---------|-------|-------|
| | | £000 | £000 | £000 | £000 |
| Cash outflow from operating activities | 16 | | (1,380) | | (336) |
| Returns on investments and servicing of finance | | | | | |
| Interest paid | | (137) | | (317) | |
| Interest received | | 43 | | — | |
| Interest element of finance lease rentals | | (7) | (101) | (7) | (324) |
| Taxation | | | | | |
| UK Corporation tax paid | | | — | | — |
| Capital expenditure and financial investment | | | | | |
| Purchase of tangible fixed assets | | (88) | | (277) | |
| Proceeds from disposals of tangible fixed assets | | 10 | (78) | 8 | (269) |
| Disposal and acquisition | | | | | |
| Disposal of Oakland Elevators Limited: | | | | | |
| Repayment following agreement of completion accounts plus costs | | (630) | | — | |
| Cash proceeds | | — | | 6,800 | |
| Pension scheme payment | | — | (630) | (760) | 6,040 |
| Dividends | | | | | |
| Equity dividends paid | | | (668) | | — |
| Net cash (outflow)/inflow before financing | | | (2,857) | | 5,111 |
| Financing | | | | | |
| Finance leases | | (18) | | (37) | |
| Loan stock payments | | (28) | | — | |
| Medium term loan repayments | | (200) | (246) | (200) | (237) |
| (Decrease)/increase in cash for the year | 17 | | (3,103) | | 4,874 |

Notes to the Financial Statements

1a. Segmental analysis

All net assets are based in the United Kingdom. All turnover and profit before taxation originated within the United Kingdom and arose from one class of business, that of engineering and related services. Turnover by geographical destination is as follows:

| | 2004 £000 | 2003 £000 |
|----------------|---------------|---------------|
| United Kingdom | 24,541 | 41,525 |
| Overseas | 2,901 | 2,251 |
| | 27,442 | 43,776 |

1b.

| Cost of sales | 2004 | | 2003 Total £000 |
|-------------------------------|--------------------|----------------------|-----------------------|
| | Continuing £000 | Discontinued £000 | |
| Raw materials and consumables | 6,354 | — | 6,354 |
| Other external charges | 3,131 | — | 3,131 |
| Staff costs (note 5) | 13,800 | — | 13,800 |
| Depreciation | 228 | — | 228 |
| Other operating costs | 3,957 | — | 3,957 |
| | 27,470 | — | 27,470 |

| Cost of sales | 2003 | | 2003 Total £000 |
|-------------------------------|--------------------|----------------------|-----------------------|
| | Continuing £000 | Discontinued £000 | |
| Raw materials and consumables | 6,362 | 3,899 | 10,261 |
| Other external charges | 5,796 | 659 | 6,455 |
| Staff costs (note 5) | 16,332 | 5,138 | 21,470 |
| Depreciation | 318 | 70 | 388 |
| Release of negative goodwill | (63) | — | (63) |
| Other operating costs | 3,659 | 2,347 | 6,006 |
| | 32,404 | 12,113 | 44,517 |

2. Disposal of subsidiary undertaking in the year ended 30 September 2003

The disposal of Oakland Elevators Limited was completed on 30 September 2003 and the result of the disposal was incorporated in the accounts for the year then ended. The total consideration to be received comprised a net cash consideration (consisting of an initial cash consideration subsequently adjusted upon agreement of the completion accounts), and deferred consideration of up to £900,000 which was receivable following the first anniversary of disposal. No account was taken of the deferred consideration in determining the profit on disposal as reported in the accounts for the year ended 30 September 2003. The deferred consideration was dependent upon the extent to which Oakland retained, at the first anniversary following its disposal, its service portfolio customers; and upon the recovery by the first anniversary of trade debtors outstanding at the date of disposal. In November 2004 agreement was reached with the purchaser on the amount of deferred consideration in the sum of £865,000 which was also received in that month.

The summary of net assets sold, together with the deferred consideration and final costs of disposal, was as follows:

| | 2004 £000 | 2003 £000 | Total £000 |
|---|--------------|--------------|---------------|
| Tangible fixed assets | — | 347 | 347 |
| Stock and work in progress | — | 454 | 454 |
| Debtors | — | 3,360 | 3,360 |
| Creditors | — | (3,604) | (3,604) |
| Net assets | — | 557 | 557 |
| Associated pension costs | — | 1,720 | 1,720 |
| Proceeds | 846 | 6,164 | 7,010 |
| Profit on disposal | 846 | 3,887 | 4,733 |
| Proceeds are comprised of: | | | |
| Initial cash consideration | — | 6,800 | 6,800 |
| Repayment on agreement of completion accounts | — | (545) | (545) |
| Deferred consideration | 865 | — | 865 |
| Costs of disposal | (19) | (91) | (110) |
| | 846 | 6,164 | 7,010 |

3. Interest payable

| | 2004 £000 | 2003 £000 |
|--|--------------|--------------|
| Interest payable on bank overdrafts | — | 148 |
| Interest on medium term bank loan | 22 | 32 |
| Finance lease charges | 7 | 4 |
| Interest on convertible and non-convertible loan stock | 101 | 101 |
| Redemption premium accrued on loan stock | 111 | 72 |
| Other interest | 14 | 39 |
| Interest received | (43) | — |
| | 212 | 396 |

Notes to the Financial Statements

continued

4. Profit on ordinary activities before taxation is stated after charging/(crediting):

| | 2004 | 2003 |
|---|-------|-------|
| | £000 | £000 |
| Depreciation of owned assets | 218 | 356 |
| Depreciation of assets held under hire purchase | 10 | 32 |
| Release of negative goodwill | — | (63) |
| Loss/(profit) on sale of tangible fixed assets | 3 | (5) |
| Auditors' remuneration — audit fees paid to current auditor | 38 | — |
| — audit fees paid to former auditor | 3 | 50 |
| — tax fees paid to former auditor | 14 | 20 |
| — other fees paid to current auditor | 1 | — |
| — other fees paid to former auditor | 2 | — |
| Hire of plant | 1,650 | 1,445 |
| Plant operating lease rentals | 150 | 584 |
| Other operating lease rentals | 309 | 155 |

The company's audit fee was £8,000 (2003: £10,000).

5. Employees

| | 2004 | 2003 |
|--|---------------|---------------|
| | £000 | £000 |
| Employee costs during the year, including directors: | | |
| Wages and salaries | 12,488 | 19,838 |
| Social security costs | 1,097 | 1,194 |
| Other pension costs | 215 | 438 |
| | 13,800 | 21,470 |

Other pension costs are stated before charging the amortisation of the pension scheme deficit of £77,000 (2003: £6,000 credit before charging the pension costs associated with the disposal of Oakland Elevators Limited (note 2)).

The average number of persons employed by the group during the year:

| | Number | Number |
|--------------------------|------------|------------|
| Engineering | 373 | 526 |
| Sales and Administration | 43 | 119 |
| | 416 | 645 |

Directors' remuneration

Directors' emoluments comprise:

| | 2004 | 2003 |
|--------------------------------------|------------|------------|
| | £000 | £000 |
| Emoluments for services as directors | 218 | 306 |
| Pension contributions | 20 | 5 |
| | 238 | 311 |

The emoluments of the highest paid director were £104,000 and contributions to his defined benefit pension arrangement were £14,000 (2003: emoluments £117,000; pension contributions £nil).

5. Employees (continued)**Directors' pension benefits**

One director earned defined benefit pensions during the year. Accrued pension benefits as at 30 September 2004 were:

Mr W Robson (aged 56; normal retirement age 62)

| | £'000 |
|---|-------|
| Accrued pension at 30 September 2004 | 30 |
| Accrued pension at 30 September 2003 | 25 |
| Increase in pension during the year | 5 |
| Increase in pension during the year, allowing for inflation | 5 |
| Transfer value of accrued pension at 30 September 2004 | 314 |
| Transfer value of accrued pension at 30 September 2003 | 239 |
| Increase in transfer value less director's contributions | 71 |

Pension payments are guaranteed for five years and increase at a rate of 5% per annum compound in payment to the age of 65 and then at the lower of 5% or LPI (Limited Price Index).

Spouse's pensions are payable at a rate of 50% of the member's pension on death after retirement. Spouse's pensions on death before retirement and after leaving age calculated as the greater of half of the accrued Guaranteed Minimum Pension and 1/60th of the member's Final Pensionable Earnings (i.e., 18.75% of the pension accruing) for each year of contracted out service.

Early retirement pensions are permitted with the consent of the employer. Part of the pension may be exchanged for a lump sum or a pension for a dependant.

No allowance is made for discretionary benefits in the calculation of transfer values.

The member is contracted-out of the State Earnings Related Pension Scheme under the Reference Scheme basis during the year.

Transfer values are calculated in accordance with Actuarial Guidance Note GN11.

In addition to the above, C Lewis-Jones is the only director who is a member of a company sponsored money purchase pension arrangement. The company paid a contribution of £5,828 for the period ended 30 September 2004 (2003: £5,288) in respect of this member.

6. Taxation

| | 2004 | 2003 |
|--|------|-------|
| | £000 | £000 |
| (a) Tax on profit on ordinary activities | | |
| The tax charge/(credit) is made up as follows: | | |
| Current tax: | | |
| UK corporation tax | — | 19 |
| Total current tax charge | — | 19 |
| Deferred tax: | | |
| Origination and reversal of timing differences (note 6d) | (3) | (249) |
| Tax on profit on ordinary activities | (3) | (230) |

Notes to the Financial Statements

continued

6. Taxation (continued)

(b) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2003: 30%). There is no tax payable on the deferred consideration arising from the sale of OEL. The differences are reconciled below:

| | 2004 | 2003 |
|---|-------|---------|
| | £000 | £000 |
| Profit on ordinary activities before tax | 606 | 2,750 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%) | 182 | 825 |
| Expenses not deductible for tax purposes (including goodwill amortisation and impairment) | 13 | 113 |
| Profit on disposal of subsidiary not subject to tax | (254) | (1,166) |
| Depreciation in excess of accelerated capital allowances | 64 | 109 |
| Pension contributions in excess of pension charges | (113) | (12) |
| Utilisation of tax losses from earlier accounting periods | (177) | (120) |
| Unutilised tax losses carried forward | 285 | 249 |
| Other permanent differences | — | 21 |
| Total current tax charge (note 6a) | — | 19 |

(c) Factors that may affect the future tax charge

The group has tax losses arising in the UK of £3,033,000 (2003: £2,225,000) that are available indefinitely for offset against future taxable profits of those businesses in which the losses arose. Deferred tax assets have not been recognised on all (2003: £1,988,000) of those losses as they may not be used to offset taxable profits elsewhere in the group.

(d) Deferred tax

Group — The deferred tax included in the balance sheet is as follows:

| | 2004 | 2003 |
|--|-------|-------|
| | £000 | £000 |
| Accelerated capital allowances | (272) | (205) |
| Short term timing differences | (7) | — |
| Tax losses carried forward | — | (71) |
| Deferred tax asset (note 11) | (279) | (276) |
| At 1 October 2003 | (276) | (149) |
| Deferred tax credit in group profit and loss account | (3) | (249) |
| Deferred tax asset transferred on disposal of OEL | — | 122 |
| At 30 September 2004 | (279) | (276) |

Company — The deferred tax included in the balance sheet is as follows:

| | 2004 | 2003 |
|--------------------------------|------|------|
| | £000 | £000 |
| Accelerated capital allowances | — | 1 |
| Tax losses carried forward | — | (1) |
| Deferred tax asset (note 11) | — | — |

7. Earnings per share

The basic calculation of earnings per share is based on 13,353,606 shares (2003: 13,353,606), being the weighted average number of shares in issue throughout the year and on a profit of £609,000 (2003: £2,980,000).

The diluted earnings per share is based on profit for the year of £754,000 (2003: £3,098,000) and on 17,513,606 (2003: 17,513,606) ordinary shares as calculated below. Share options in issue do not have a dilutive effect as their exercise price is greater than the average share price during the year.

| | 2004 £000 | 2003 £000 |
|--|-------------------|---------------|
| Earnings: | | |
| Basic earnings | 609 | 2,980 |
| Interest and redemption premium on convertible loan stock | 207 | 168 |
| Tax relating to interest and redemption premium | (62) | (50) |
| | 754 | 3,098 |
| | Number | Number |
| Basic weighted average number of shares | 13,353,606 | 13,353,606 |
| Dilutive effect of provision for convertible loan stock to be issued | 4,160,000 | 4,160,000 |
| | 17,513,606 | 17,513,606 |

8. Fixed assets

| | Long leasehold land, buildings and improvements £000 | Freehold land and buildings £000 | Machinery, equipment and vehicles £000 | Total £000 |
|--|---|---|---|---------------|
| (a) Tangible fixed assets — Group | | | | |
| Cost | | | | |
| At 1 October 2003 | 442 | 570 | 5,168 | 6,180 |
| Additions | — | — | 88 | 88 |
| Disposals | — | — | (49) | (49) |
| At 30 September 2004 | 442 | 570 | 5,207 | 6,219 |
| Depreciation | | | | |
| At 1 October 2003 | 85 | 72 | 4,359 | 4,516 |
| Provision for the year | 9 | 9 | 210 | 228 |
| Disposals | — | — | (36) | (36) |
| At 30 September 2004 | 94 | 81 | 4,533 | 4,708 |
| Net book value | | | | |
| At 30 September 2004 | 348 | 489 | 674 | 1,511 |
| Net book value | | | | |
| At 30 September 2003 | 357 | 498 | 809 | 1,664 |

Machinery, equipment and vehicles include assets at a net book value of £31,000 (2003: £69,000) acquired by finance lease or hire purchase.

Notes to the Financial Statements

continued

8. Fixed assets (continued)

| (b) Tangible fixed assets — Company | Leasehold land and buildings £000 | Freehold land and buildings £000 | Machinery, equipment and vehicles £000 | Total £000 |
|--|---|---|---|---------------|
| Cost | | | | |
| At 1 October 2003 | 4 | 570 | 55 | 629 |
| Additions | — | — | 17 | 17 |
| 30 September 2004 | 4 | 570 | 72 | 646 |
| Depreciation | | | | |
| At 1 October 2003 | 4 | 72 | 34 | 110 |
| Provision for the year | — | 9 | 11 | 20 |
| At 30 September 2004 | 4 | 81 | 45 | 130 |
| Net book value | | | | |
| At 30 September 2004 | — | 489 | 27 | 516 |
| Net book value At 30 September 2003 | — | 498 | 21 | 519 |

(c) Intangible fixed assets

| | Group | |
|--|------------------------------|------------------|
| | Negative goodwill £000 | Goodwill £000 |
| Cost | | |
| At 1 October 2003 and 30 September 2004 | (138) | 3,228 |
| Amortisation | | |
| At 1 October 2003 and 30 September 2004 | 138 | (3,228) |
| Net book value at 30 September 2004 | — | — |
| Net book value at 30 September 2003 | — | — |

(d) Capital commitments

Neither the Group nor the Company had any capital commitments at 30 September 2004 (2003: None).

9. Fixed asset investment

Ordinary shares held by the company in unlisted subsidiaries:

| | At cost £000 | Provision £000 | Net book value £000 |
|---|-----------------|-------------------|---------------------------|
| At 1 October 2003 and 30 September 2004 | 8,257 | (3,602) | 4,655 |

The results of all subsidiaries are included in the consolidated results for the year. The wholly owned subsidiary companies, which, in the opinion of the directors, principally affected the amount of the results or net assets of the group, were:

Booth Industries Limited (specialist door manufacture)

Jordan Nuclear Limited (engineering and other services to the nuclear industry)

Jordan Manufacturing Limited (fabrication)

CHB-Jordan Engineering Limited (fabrication and maintenance services) (intermediate holding company — CHB Holdings Limited)

Jordan Projects Limited (supports delivery of Jordan Nuclear services)

Those subsidiaries are registered in England and operate principally within the United Kingdom.

10. Stocks

| | Group | | Company | |
|-------------------------------|--------------|--------------|--------------|--------------|
| | 2004 £000 | 2003 £000 | 2004 £000 | 2003 £000 |
| Raw materials and consumables | 187 | 184 | — | — |

11. Debtors

| | Group | | Company | |
|---|---------------|--------------|--------------|--------------|
| | 2004 £000 | 2003 £000 | 2004 £000 | 2003 £000 |
| Amounts recoverable on contracts | 6,647 | 5,516 | — | — |
| Trade debtors | 3,759 | 4,635 | — | — |
| Amounts owed by subsidiary undertakings | — | — | 5,214 | 1,937 |
| Other debtors | 75 | 269 | 1 | 1 |
| Deferred tax | 279 | 276 | — | — |
| Prepayments and accrued income | 1,422 | 505 | 875 | 104 |
| | 12,182 | 11,201 | 6,090 | 2,042 |

Included in trade debtors is £98,000 (2003: £142,000), which is due after more than one year.

Included in trade debtors and amounts recoverable on contracts is an amount of £2,760,000, being the amount carried in respect of contracts within Jordan Projects Limited which are subject to the formal processes of dispute resolution and through which the directors are seeking to recover this amount.

Notes to the Financial Statements

continued

12. Creditors

| | Group | | Company | |
|--|--------------|--------------|--------------|--------------|
| | 2004 £000 | 2003 £000 | 2004 £000 | 2003 £000 |
| (a) Amounts falling due within one year: | | | | |
| Bank loan and overdrafts | 200 | 200 | 230 | 200 |
| Obligations under finance leases and hire purchase contracts | 16 | 34 | — | 3 |
| Payments on account | 573 | 1,018 | — | — |
| Trade creditors | 3,940 | 4,566 | — | — |
| Amounts owed to subsidiary undertakings | — | — | 1,712 | 1,067 |
| Corporation tax | 19 | 19 | 19 | 19 |
| Other creditors including taxation and social security | 1,551 | 1,800 | 27 | 47 |
| Accruals and deferred income | 717 | 1,475 | 310 | 1,008 |
| Loan stock due in less than one year (note 12(c)) | 28 | — | 28 | — |
| Proposed dividend | — | 668 | — | 668 |
| | 7,044 | 9,780 | 2,326 | 3,012 |

The bank loan is secured by fixed and floating charges over the group's assets and bears interest at variable rates based on Lloyds TSB Bank's base rate.

Other creditors include £38,000 (2003: £47,000) in respect of pension contributions outstanding which were subsequently paid by their due date in October 2004. Other creditors also include £99,000 (2003: £98,000) in respect of a SSAP24 balance.

| | Group | | Company | |
|--|--------------|--------------|--------------|--------------|
| | 2004 £000 | 2003 £000 | 2004 £000 | 2003 £000 |
| (b) Amounts falling due after more than one year: | | | | |
| Bank loan | 100 | 300 | 100 | 300 |
| Loan stock (note 12(c)) | 1,879 | 1,824 | 1,879 | 1,824 |
| | 1,979 | 2,124 | 1,979 | 2,124 |

In March 2005, the group redeemed £500,000 of unsecured convertible loan stock at par plus accrued redemption premium and interest from its cash resources.

| (c) Financial Instruments | Bank loan and | Finance | Loan | Total |
|--|---------------|-----------|--------------|--------------|
| | overdrafts | leases | stock | |
| 2004 | £000 | £000 | £000 | £000 |
| Repayable within one year: | | | | |
| Finance leases and hire purchase contracts | — | 16 | — | 16 |
| Loans | 200 | — | 28 | 228 |
| Loans repayable years 1–2 | 100 | — | 1,629 | 1,729 |
| Loans repayable years 2–5 | — | — | 250 | 250 |
| Total borrowings | 300 | 16 | 1,907 | 2,223 |
| 2003 | | | | |
| Repayable within one year: | | | | |
| Finance leases and hire purchase contracts | — | 34 | — | 34 |
| Loans | 200 | — | — | 200 |
| Loans repayable years 1–2 | 200 | — | 1,667 | 1,867 |
| Loans repayable years 2–5 | 100 | — | 157 | 257 |
| Total borrowings | 500 | 34 | 1,824 | 2,358 |

12. Creditors (continued)

Loan stock comprises £1.6 million of unsecured convertible loan stock plus accrued redemption premium of £222,000 (2003: £111,000) and £85,155 (2003: £113,540) of unsecured loan stock issued on 19 March 2002. The unsecured convertible loan stock may convert, at the request of the holder, into ordinary shares at any time following the second anniversary of the issue at rates ranging between 2.6 and 2.3 ordinary shares per £1 of loan stock or alternatively may be redeemed at the request of the company at any time between the second and fifth anniversary of issue at rates ranging from £1.09 to £1.27 per £1 of principal sum. Unless previously redeemed or converted, the company shall redeem the stock on the fifth anniversary of issue at a redemption price of £1.27 per £1 of stock plus all accrued interest. The unsecured loan stock is to be redeemed at par in four equal annual instalments together with all accrued interest from the second anniversary of issue. Interest is fixed on the unsecured convertible loan stock at 6% per annum, interest on the unsecured loan stock is variable and linked to the base rate of Lloyds TSB Bank plc.

Financial instruments include the borrowings above. Total fixed rate borrowings are £1,838,000 (2003: £1,745,000) at a weighted average rate of 12.9% (2003: 10.5%), which reflects the redemption premium on unsecured convertible loan notes.

There is no material difference between the book and fair value of financial instruments based on prevailing interest rates and the prospect of conversion. All financial instruments are sterling denominated. Short-term debtors and creditors are excluded from the above disclosure. Further details on the group's treasury management and financial instruments are given in the report of the directors on page 7. Any cash balances attract interest at floating commercial rates.

The group's financial assets comprise cash and debtors due after more than one year, all of which are denominated in sterling. Cash earns interest at floating rates and the debtors do not attract interest. There is no difference between the book and fair values of the financial assets.

The group had no undrawn committed overdraft facilities at the year end (2003: Nil).

Net monetary assets and liabilities of the group that are not denominated in the functional currency are as follows:

| Functional currency | Net monetary assets/(liabilities) | | | | Total £000 |
|---------------------|-----------------------------------|-----------------------------|--------------|----------------------------|---------------|
| | US Dollar £000 | Hong Kong Dollar £000 | Euro £000 | Norwegian Krone £000 | |
| 2004 | | | | | |
| Sterling | 5 | 26 | 13 | 176 | 220 |
| 2003 | | | | | |
| Sterling | 13 | 53 | (4) | (5) | 57 |

The group had currency options in place during the year to limit the currency risk in respect of Euro and Norwegian Krone and options in place at the year end in respect of Euro (£90,000) (30 September 2003: no currency options in place).

13. Called-up share capital

| | | Group and company | | | | |
|-----------------------------|---------------|---------------------|---------|--------------------|-----------------|-----------|
| | | | | 2004 | 2003 | |
| Ordinary shares of 25p each | | | | | | |
| Authorised: | | | | | | |
| Number | | | | 22,500,000 | 22,500,000 | |
| £ | | | | 5,625,000 | 5,625,000 | |
| Issued: | | | | | | |
| Number | | | | 13,353,606 | 13,353,606 | |
| £ | | | | 3,338,402 | 3,338,402 | |
| Share options | | | | | | |
| Share option scheme | Date of grant | Shares under option | | Exercise price (p) | Exercise dates: | |
| | | 2004 | 2003 | | between | and |
| 1999 "A" Executive | 15/2/2000 | 115,000 | 200,000 | 33.5 | 15/2/2003 | 14/2/2010 |
| | 15/2/2002 | 50,000 | 50,000 | 26.5 | 15/2/2005 | 14/2/2012 |
| 1999 "B" Executive | 15/2/2000 | — | 60,000 | 33.5 | 15/2/2003 | 14/2/2010 |
| 1999 Employee Share Scheme | 24/7/2000 | 87,975 | 250,200 | 30.0 | 24/7/2005 | 23/1/2006 |

Notes to the Financial Statements

continued

14. Reserves

| Group | Merger reserve £000 | Share premium £000 | Profit and loss account £000 |
|-----------------------------|---------------------------|--------------------------|------------------------------------|
| At 1 October 2003 | 294 | 578 | 1,228 |
| Profit for the year | — | — | 609 |
| At 30 September 2004 | 294 | 578 | 1,837 |
| Company | | | |
| At 1 October 2003 | 294 | 578 | 3,099 |
| Profit for the year | — | — | 597 |
| At 30 September 2004 | 294 | 578 | 3,696 |

15. Reconciliation of movement in shareholders' funds

| | Group | | Company | |
|-------------------------------------|--------------|--------------|--------------|--------------|
| | 2004 £000 | 2003 £000 | 2004 £000 | 2003 £000 |
| Profit for the year | 609 | 2,312 | 597 | 2,988 |
| Net movement in shareholders' funds | 609 | 2,312 | 597 | 2,988 |
| Opening shareholders' funds | 5,438 | 3,126 | 7,309 | 4,321 |
| Closing shareholders' funds | 6,047 | 5,438 | 7,906 | 7,309 |

16. Reconciliation of operating loss to net cash outflow from operating activities

| | 2004 £000 | 2003 £000 |
|---|----------------|--------------|
| Operating loss | (28) | (741) |
| Depreciation charge | 228 | 388 |
| Amortisation of goodwill and release of negative goodwill | — | (63) |
| Loss/(profit) on sale of tangible fixed assets | 3 | (5) |
| (Increase)/decrease in stock | (3) | 56 |
| Increase in debtors | (113) | (131) |
| (Decrease)/increase in creditors | (1,467) | 160 |
| | (1,380) | (336) |

17. Analysis of changes in net funds

| | 1 October 2003 £000 | Cash flow £000 | New finance leases £000 | Non-cash movements £000 | 30 September 2004 £000 |
|--------------------------|---------------------------|-------------------|-------------------------------|-------------------------------|------------------------------|
| Cash | 4,293 | (3,103) | — | — | 1,190 |
| Loans and finance leases | (534) | 218 | — | — | (316) |
| Loan stock | (1,824) | 28 | — | (111) | (1,907) |
| Total | 1,935 | (2,857) | — | (111) | (1,033) |

Non-cash movements relate to the accrual of loan stock redemption premium (note 12(c)).

18. Reconciliation of net cash flow to movement in net (debt)/funds

| | 2004 £000 | 2003 £000 |
|--|--------------|--------------|
| (Decrease)/increase in cash in the year | (3,103) | 4,874 |
| Cash outflow from decrease in debt and lease financing | 246 | 237 |
| Change in net (debt)/funds arising from cash flows | (2,857) | 5,111 |
| New finance leases | — | (25) |
| Loan stock | (111) | (72) |
| Decrease in net (debt)/funds during the year | (2,968) | 5,014 |
| Opening net funds/(debt) at 1 October | 1,935 | (3,079) |
| Closing net (debt)/funds at 30 September | (1,033) | 1,935 |

19. Contingent liabilities

The group had contract guarantees outstanding at 30 September 2004 totalling £156,000 (2003: £255,000) against which no claims are expected.

Notes to the Financial Statements

continued

20. Financial commitments

| | Group | | Company | |
|---|--------------|--------------|--------------|--------------|
| | 2004 £000 | 2003 £000 | 2004 £000 | 2003 £000 |
| Operating leases for plant and equipment payable within one year for leases expiring: | | | | |
| Within 1 year | 26 | 50 | — | 2 |
| 2–5 years | 111 | 104 | 8 | 8 |
| | 137 | 154 | 8 | 10 |

| | Group | | Company | |
|--|--------------|--------------|--------------|--------------|
| | 2004 £000 | 2003 £000 | 2004 £000 | 2003 £000 |
| Operating leases for property payable within one year for leases expiring: | | | | |
| Within 1 year | 45 | 44 | 15 | 14 |
| 2–5 years | — | — | — | — |
| Over 5 years | 255 | 247 | 125 | 125 |
| | 300 | 291 | 140 | 139 |

21. Dividend

| | 2004 £000 | 2003 £000 |
|--|--------------|--------------|
| Final proposed: Nil (2003: 5p per share) | — | 668 |

There was no interim dividend made in respect of the year (2003: Nil).

22. Profit for the financial year attributable to the members of Booth Industries Group PLC

| | 2004 £000 | 2003 £000 |
|---|--------------|--------------|
| Dealt with in the accounts of the company | 597 | 3,656 |

As permitted by S230 of the Companies Act 1985, a profit and loss account for the parent company alone has not been presented.

23. Pensions

SSAP 24 Disclosures

The group operates a defined benefit pension scheme in the United Kingdom, the Booth Industries Group PLC Staff Pension and Life Assurance Scheme ("the Booth Scheme"). The scheme is funded by the payment of contributions to a self-administered trust fund.

The expected cost of pensions in the scheme is charged to the profit and loss account over the working lifetimes of employees in the scheme. Actuarial surpluses and deficits are spread over the expected remaining working lifetime of employees.

Pension costs are assessed in accordance with the advice of qualified actuaries on the basis of triennial valuations using the attained age method. The results of the most recent full valuation, which was conducted as at 6 April 2003, are set out below.

Main assumptions:

| | |
|---|------|
| Rate of return on investments (% per annum) | 6.0% |
| Rate of salary increases (% per annum) | 3.5% |

Rate of pension increases:

| | |
|-------------------------|------|
| Pre-1997 (% per annum) | 3.5% |
| Post-1997 (% per annum) | 2.5% |

| | |
|--------------------------------------|-------|
| Market value of scheme assets (£000) | 8,707 |
|--------------------------------------|-------|

| | |
|---|-------|
| Level of funding being the actuarial value of assets expressed as a percentage of the benefits accrued to members, after allowing for future salary increases | 68.3% |
|---|-------|

This valuation revealed a deficit in the scheme of £4.04m. The deficit is being eliminated by a special contribution of £760,000 as reported in 2003 and additional contributions of £250,000 per annum rising by 3% per annum over 15 years.

The pension cost charge for the year of £162,000 includes a transfer to provisions of £21,000 (2003: £6,000 reduction in provisions) as a result of amortisation of the deficit.

FRS 17 Disclosures

The following disclosures by way of note are required under the transitional arrangements for FRS17. These disclosures, which relate to final salary pension schemes ("FSPS"), do not reflect the longer-term nature of such arrangements. In particular, the market value of the equity element of FSPS funds is required to be included at market value at the balance sheet date. In the short term, such values may fluctuate to a material extent. Equity investments are an essential part of the funding programme for FSPS, as it proceeds towards the time when its portfolio is rebalanced in favour of less volatile, fixed interest investments, in line with the changing profile of the maturity of liabilities.

The company sponsors the Booth Scheme, which is a defined benefit arrangement. The pension costs set out below are determined with the advice of an independent qualified actuary on the basis of triennial valuations and using the projected unit method. The last full valuation was as at 6 April 2003. The results of that valuation have been adjusted on the advice of a qualified actuary to take account of the requirements of FRS17 in order to assess the liabilities of the scheme as at 30 September 2004. The calculations underlying this disclosure note are based on the membership information as at 30 September 2004.

The transitional arrangements of FRS17 require disclosure of assets and liabilities as at 30 September 2004 calculated in accordance with the requirements of FRS17. They also require disclosure of the items which would appear in the profit and loss account and in the statement of total recognised gains and losses were the full requirements of FRS17 in place. For the purpose of these financial statements, all of these figures are illustrative only and do not impact on the balance sheet as at 30 September 2004 nor on the performance statements for the year then ended.

Notes to the Financial Statements

continued

23. Pensions (continued)

Assumptions

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal assumptions:

| | 2004 | 2003 | 2002 | 2001 |
|--|--|---|---|---|
| Rate of inflation | 3.00% | 2.75% | 2.50% | 2.75% |
| Salary increases | 3.50% | 3.25% | 3.00% | 3.25% |
| Rate of discount | 5.50% | 5.25% | 5.25% | 5.75% |
| Pension in payment increases | 2.75% for pensions increasing at 5% p.a. or RPI if less | 2.50% for pensions increasing at 5% p.a. or RPI if less | 2.25% for pensions increasing at 5% p.a. or RPI if less | 2.50% for pensions increasing at 5% p.a. or RPI if less |
| Revaluation rate on non-GMP benefits for deferred pensioners | 3.00% | 2.75% | 2.50% | 2.75% |

Illustrative balance sheet figures

| | 2004 £000 | 2003 £000 | 2002 £000 |
|----------------------------|--------------|--------------|--------------|
| Assets | 10,474 | 9,908 | 8,601 |
| Liabilities | (15,107) | (14,841) | (11,918) |
| Deficit in scheme | (4,633) | (4,933) | (3,317) |
| Related deferred tax asset | — | — | 995 |
| Net pension liability | (4,633) | (4,933) | (2,322) |

Assets

| | 2004 £000 | 2003 £000 | 2002 £000 |
|-----------------------|--------------|--------------|--------------|
| Equities | 5,113 | 5,211 | 4,164 |
| Bonds | 3,860 | 2,937 | 2,981 |
| Property | 1,053 | 764 | 888 |
| Cash and other assets | 448 | 996 | 568 |
| | 10,474 | 9,908 | 8,601 |

Expected long-term rate of return

| | 2004 | 2003 | 2002 |
|-----------------------|-------|-------|-------|
| Equities | 8.50% | 8.50% | 8.67% |
| Bonds | 5.50% | 5.25% | 5.25% |
| Property | 5.50% | 5.25% | 5.25% |
| Cash and other assets | 4.75% | 4.00% | 4.50% |

23. Pensions (continued)*Analysis of the amount which would be charged to operating profit*

| | 2004 | 2003 |
|------------------------|-------------|-------|
| | £000 | £000 |
| Current service cost | 119 | 371 |
| Employee contributions | (38) | (102) |
| Total operating charge | 81 | 269 |

Analysis of the amount which would be credited after operating profit

| | 2004 | 2003 |
|-------------------------|-------------|-------|
| | £000 | £000 |
| Curtailement of service | — | (149) |

The scheme currently has agreed contribution rates of 5% (2003: 5%) of relevant earnings for employees, and 12.5% (2003: 18.0%) for employers. Total employer contributions were £177,000 (2003: £957,000 including a special cash contribution of £760,000).

FRS17 requires the following disclosure — For closed schemes and those in which the age profile of the active membership is rising significantly, under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

Analysis of the amount which would be charged against other finance income

| | 2004 | 2003 |
|--|--------------|-------|
| | £000 | £000 |
| Expected return on pension scheme assets | 677 | 593 |
| Interest on pension scheme liabilities | (779) | (630) |
| Net charge | (102) | (37) |

Illustrative amounts which would be included within the statement of total recognised gains and losses

| | 2004 | |
|--|-------------|--|
| | £000 | |
| Difference between expected and actual return on assets | 55 | 1% of scheme assets at 30 September 2004 |
| Experience gains and losses arising on the scheme liabilities | (50) | (-)% of the present value of scheme liabilities at 30 September 2004 |
| Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities | 301 | 2% of the present value of the scheme liabilities at 30 September 2004 |
| Total actuarial gain | 306 | 2% of the present value of the scheme liabilities at 30 September 2004 |

Notes to the Financial Statements

continued

23. Pensions (continued)

| | 2003 £000 | | |
|--|----------------|--|--------------|
| Difference between expected and actual return on assets | (129) | (1)% of scheme assets at 30 September 2003 | |
| Experience gains and losses arising on the scheme liabilities | (330) | (2)% of the present value of scheme liabilities at 30 September 2003 | |
| Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities | (1,957) | (13)% of the present value of the scheme liabilities at 30 September 2003 | |
| Total actuarial loss | (2,416) | (16)% of the present value of the scheme liabilities at 30 September 2003 | |
| | 2002 £000 | | |
| Difference between expected and actual return on assets | (2,213) | (26)% of scheme assets at 30 September 2002 | |
| Experience gains and losses arising on the scheme liabilities | (83) | (1)% of the present value of scheme liabilities at 30 September 2002 | |
| Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities | (2) | (-)% of the present value of the scheme liabilities at 30 September 2002 | |
| Total actuarial loss | (2,298) | (19)% of the present value of the scheme liabilities at 30 September 2002 | |
| <i>Movement in illustrative balance sheet deficit figure during the year</i> | | | |
| | 2004 £000 | 2003 £000 | 2002 £000 |
| Deficit in scheme at beginning of the year | (4,933) | (3,317) | (993) |
| Movement in year: | | | |
| Current service cost | (81) | (371) | (391) |
| Contributions | 177 | 1,059 | 364 |
| Curtailment of service | — | 149 | — |
| Other finance income | (102) | (37) | 1 |
| Actuarial gain/(loss) | 306 | (2,416) | (2,298) |
| Deficit in scheme at the year end | (4,633) | (4,933) | (3,317) |
| <i>Reconciliation of reserves</i> | | | |
| | 2004 £000 | 2003 £000 | 2002 £000 |
| Profit and loss reserves | 1,837 | 1,228 | (1,084) |
| Eliminate SSAP 24 related balances | 99 | 98 | (575) |
| Scheme deficit (FRS17) | (4,633) | (4,933) | (2,322) |
| Profit and loss reserves | (2,697) | (3,607) | (3,981) |

Notice of Annual General Meeting

Notice is hereby given that the 73rd Annual General Meeting of Booth Industries Group PLC will be held at The Stage Hotel, Leicester Road, Wigston Fields, Leicester, on 28 April 2005 at 10.00 a.m. for the following purposes:

- Resolution 1 To receive and adopt the financial statements for the year ended 30 September 2004 and the reports of the directors and auditors thereon.
- Resolution 2 To re-elect W Robson as a director.
- Resolution 3 To re-elect R S McDowell as a director.
- Resolution 4 To reappoint the auditors, Grant Thornton UK LLP, and to authorise the directors to fix their remuneration.

Special Business

To consider as special business and, if thought fit, to pass the following resolutions, of which number 5 will be proposed as an Ordinary Resolution and number 6 as a Special Resolution.

- Resolution 5 That, in substitution for any such existing authority, the directors of the company be and they are hereby authorised pursuant to Section 80 of the Companies Act 1985 ("the Act") generally and unconditionally to exercise each and every power of the company to allot relevant securities (as defined in that section) up to a maximum amount in nominal value of £2,286,598, such authority to expire on 27 April 2010 and that the company be and is hereby authorised to make before the authority conferred by this resolution has expired one or more offers or agreements which would or might require relevant securities (as so defined) to be allotted after this authority has expired and the directors be and they are hereby permitted to allot relevant securities (as so defined) after the authority conferred by this resolution has expired in pursuance of each and every such offer or agreement made by the company.
- Resolution 6 That, upon their recommendation, the directors of the company be and they are hereby empowered pursuant to Section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority conferred by Resolution 5

above as if sub-section (1) of section 89 of the Act did not apply to any such allotments, provided that such power shall be limited to:

- (a) the allotment of equity securities in connection with any rights issue in favour of the holders of any equity securities where the equity securities respectively attributable to the interest of all the holders of equity securities are proportionate (as nearly as may be) to the respective numbers of equity securities held by them subject to such exclusions or arrangements as the directors may deem necessary or expedient to deal with fractional entitlements otherwise arising or legal or practical problems under the laws or regulations of any territory regulatory body or stock exchange; and
- (b) the allotment of equity securities which are or are to be wholly paid up in cash (otherwise than as mentioned in subparagraph (a) of this Resolution 6), provided that the maximum nominal value of equity securities so allotted does not exceed in aggregate £457,319;

and so that such power shall expire on the date of the Annual General Meeting of the company to be held in 2006 (or, if earlier, on 27 July 2006) save that the company may make any offer or agreement before the expiry of this power which would or might require equity securities to be allotted pursuant thereto after the expiry date and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred hereby has expired.

BY ORDER OF THE BOARD

W Robson Secretary
PO Box 50
Nelson Street
Bolton BL3 2AP
24 March 2005

Notice of Annual General Meeting

continued

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead. A proxy need not be a member of the company.
2. A prepaid form of proxy is enclosed. To be valid any form of proxy and power of attorney or other authority under which it is signed or a notarially certified or office copy of such power of authority must be lodged with the company's Registrars, Capita Registrars, Proxy Department, at PO Box 25, Beckenham, Kent, BR3 4BR, so as to be received not less than 48 hours before the time appointed for the meeting or any adjourned meeting. The return of a form of proxy will not preclude a member from attending and voting at the meeting in person should he subsequently decide so to do.

Copies of the directors' service contracts and the register of directors' interests will be available for inspection at the company's registered office during normal business hours and at The Stage Hotel, Leicester Road, Wigston Fields, Leicester from 15 minutes prior to, and until the conclusion of, the meeting.

Shareholder Notes

Shareholder Notes

Form of Proxy

I/We, the undersigned, being (a) Member(s) of Booth Industries Group PLC, hereby appoint Mr Derek N Ablett or failing him, Mr William Robson, both directors of the company,*

or

as my/our proxy to vote in my/our name(s) and on my/our behalf at the Annual General Meeting of the company to be held on 28 April 2005 and at any adjournment thereof.

Name
(block capitals)

Address
.....

Date Signature

Please indicate with an 'X' in the appropriate spaces below how you wish your proxy to vote. If the Form is returned duly signed but with no direction as to the manner in which your proxy is to vote, he will vote or abstain at his discretion.

| RESOLUTION | 1 | 2 | 3 | 4 | 5 | 6 |
|------------|---|---|---|---|---|---|
| FOR | | | | | | |
| AGAINST | | | | | | |

Notes

* If you desire someone else to act as your proxy, delete these names and insert the name and address of the person desired. To be valid, this form of proxy must reach the company's Registrars, Capita Registrars, Proxy Department, PO Box 25, Beckenham, Kent, BR3 4BR, not later than 48 hours before the time appointed for the meeting or any adjournment thereof. When this proxy is executed by a corporation it must be either under its Common Seal or under the hand of an officer or attorney duly authorised. In the case of joint holders the signature of any joint holder is sufficient.



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**Capita Registrars
Proxy Department
PO Box 25
BECKENHAM
Kent
BR3 4BR**

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Third fold
and tuck in flap opposite

BOOTH

BOOTH INDUSTRIES GROUP PLC