

BOOTH

BOOTH INDUSTRIES GROUP PLC

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ANNUAL REPORT & ACCOUNTS **2002**

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BOOTH INDUSTRIES GROUP PLC

The principal operating subsidiaries of the group are:

<p>Oakland Elevators Limited</p>  <p><i>Manufactures, repairs and maintains passenger, service and goods lifts and vehicle lifts</i></p>	<p>Booth Industries Limited</p>  <p><i>Manufactures high integrity doors and fire and blast protection systems</i></p>	
<p>Jordan Projects Limited</p>  <p><i>Capital asset construction for process industries</i></p>	<p>Jordan Manufacturing Limited</p>  <p><i>Produces high quality stainless steel and non-ferrous products predominantly for use in nuclear energy and architectural applications</i></p>	<p>CHB-Jordan Engineering Limited</p>  <p><i>Provides engineering support services for oil, gas, petrochemical and process industries</i></p>

CHAIRMAN'S STATEMENT

Results

Group turnover for the year ended 30 September 2002 was £54.8m (2001: £31.6m), generating an operating profit of £603,000 (2001: £676,000), excluding goodwill amortisation and impairment charges. Net amortisation of goodwill was £140,000 for the year (2001: £166,000) and, as announced in October of last year, a goodwill impairment charge of £2.521 million has been made (2001: £ nil); these charges result in a net loss after taxation of £2.394 million (2001: £222,000 restated profit).

The acquisitions made in 2001, Kleenco Industrial Services Limited, Jordan Engineering UK Limited and Jordan Fabrications Limited, are now included for a full year, making a collective contribution to turnover of some £32.5m (2001 part year: £9.8m). The three largest subsidiaries within the group, Jordan Engineering UK Limited, Oakland Elevators Limited ("OEL") and Booth Industries Limited ("BIL"), all experienced high levels of activity.

As indicated in the interim announcement and in the trading statement of October 2002, results from CHB Engineering Services

Limited and the Jordan businesses were disappointing, whereas both OEL and BIL made very strong advances in profitability.

Dividend

In view of the results for this year, the directors feel unable to recommend a dividend (2001: 0.5p per share).

Review of the year

Efforts this year have been concentrated very much on the programme to rationalise the activities of the Jordan businesses with the CHB and Kleenco subsidiaries. These have now all been grouped together as the Jordan Division, ordered into three business streams: Jordan Projects, CHB-Jordan Engineering and Jordan Manufacturing. This will enable valuable savings in overhead costs to be achieved and has given a clear focus to those operations.

The non-recurring costs of the rationalisation process amounted to some £200,000 but, in addition to this, the impact on managing existing workloads and winning new business was greater than expected. As a consequence, the Jordan Division incurred losses for the year.

CHAIRMAN'S STATEMENT *continued*

By contrast, extremely satisfactory results were achieved by BIL, which reversed its losses of last year and made a significant contribution to operating profits.

OEL demonstrated further growth, particularly in its service and repair activities, increased its gross margins and delivered a higher contribution than last year.

A review of the value of goodwill relating to the CHB and Kleenco subsidiaries, which are now going forward in a different structure as part of the Jordan Division, was carried out at the close of the year. The Board considered it appropriate to make an impairment charge of £2.521 million which eliminates the goodwill attaching to those businesses. The charge, which is required to be passed through the profit and loss account for the year, does not have any cash impact and will, from next year, obviate the need to continue to amortise that goodwill, previously at a rate of some £200,000 per annum.

The operating review, later in this report, gives further details of our businesses.

Financial position

The group has improved its cash flow from operating activities during the year. Following the servicing of interest and reduction in bank term loan (in total amounting to £485,000), the group's cash position was held virtually at the same level as last year.

Management of the investment in working capital and control of capital expenditure remained firm throughout the year.

The impairment charge taken on goodwill in the year has had an impact on the group's net assets at September 2002. However, on a tangible net worth basis, gearing for the group has reduced from 107% last year to 98%.

Directors

In September 2002 Mr F B Wright retired from his non-executive directorship, I should like to record my appreciation of his contribution to the group. At the extraordinary general meeting held in September 2002, Mr R S McDowell was appointed to the board as a non-executive director. Concurrent with these changes, I stood down from my executive functions and now serve as non-executive chairman.

Employees

I must compliment all of our employees for their support and commitment throughout this year. Their success in accommodating the changes that have taken place, and in meeting the demands placed upon them by our much higher activity levels, is greatly appreciated.

Prospects

Efforts for the coming year are directed to improving margins and earnings across the group, this will be assisted by the new Jordan Division structure and a satisfactory opening order book.

The development of the group in recent years has allowed it to serve a greater number of diverse sectors of industry, and to have increased the range of products and services available to customers. Demand continues to hold up well in many of these markets, which is viewed as being supportive of achieving the targets that have been set. However, we remain sensitive about the impact on global and domestic economies of a major conflict in the Middle East.

R G Jordan

Chairman

7 February 2003

OPERATING REVIEW

Oakland Elevators Limited

Oakland enjoyed a further year of consolidation in its position as the leading manufacturer in the UK of passenger and goods lifts, whilst achieving a very strong advance in its revenues from service and repair of elevators.

Turnover from new lift contracts showed a small decline compared to the high levels of last year, but margin improvements more than compensated for this, resulting in higher operating profits from this type of work. In response to a growing demand within the market for elevators which do not require separate space for a machine room, the division was able to complete a programme to develop its own product to meet these needs. This is expected to become an important part of the future marketplace and Oakland is already winning orders for this type of equipment.

Significant contract wins allowed service and repair activities to grow by over 20% in the year, representing a solid move towards balancing income more from that direction. Oakland now has in place a full,

nationwide service network, which forms a strong base from which to secure work from major customers.

Booth Industries Limited

The division now serves a number of diverse markets with its fire and blast resistant doors and walling systems, encompassing onshore and offshore oil and gas, power generation, railway system infrastructure and defence. All of these exhibited good levels of demand and the division was able to secure a very satisfactory workload, resulting in an increase in turnover of some 15%.

Higher throughput and a close control of costs during the year allowed Booth Industries Limited to make significant margin improvements. Its losses of last year were reversed and a valuable contribution was made to group operating profit.

The division's position in the supply chain for railway tunnel projects was further consolidated during the year, when it was chosen to build the prototype of cross-passage doorsets for the Channel Tunnel Rail Link.

Jordan Division

A major programme has been carried out this year to co-ordinate the activities of the Jordan businesses acquired last year with those of two of the existing subsidiaries – CHB Engineering Services Limited and Kleenco Industrial Services Limited. The Jordan Division, headquartered at Yate near Bristol, has been established to act as an intermediate holding company for all of those operating subsidiaries.

The programme, which was completed at the end of the year, has focussed on channelling existing and future work into the most competent and capable business stream, and on rationalising those functions which can be managed on a central basis - including senior management, sales and marketing, finance, quality and health & safety. The respective strengths of these business streams, and the names under which they now trade are:

- **CHB-Jordan Engineering – through-life maintenance, repair and upgrade**

- **Jordan Projects - capital projects for new asset construction**

- **Jordan Manufacturing - stainless steel products**

The one-off costs of this programme amounted to some £200,000. The extent and location of facilities ideally suited to the new structure are now being assessed with a view to taking advantage of any net benefits that might be available.

The centralisation of common functions at Yate has allowed a reduction in overheads by a substantial amount. In addition to cost efficiencies, the objectives of the re-streaming are to create a structure which:

- will allow development of the group's market share of service and maintenance work, previously carried out by CHB Engineering Services, through the Jordan customer base
- give a clear identity and focus to specialist abilities in the manufacture of high-grade, stainless steel products

- concentrate all capital project work under a single, specialised management team in order to improve contract margins

The programme was formulated with a view to securing the future performance of these businesses. The costs of the exercise, together with the disruptive impact on managing current workloads profitably and on winning new work, resulted in losses being incurred for the year as a whole by the division.

DIRECTORS AND OFFICERS

Directors:

R G Jordan

Non-executive Chairman

W Robson

*Group Managing Director
(and Secretary)*

C Lewis-Jones

Group Finance Director

D N Ablett

Non-executive

R S McDowell

Non-executive

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

Administration Office

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Stoughton, Leicestershire, LE2 2FL

Auditors

Ernst & Young LLP
One Colmore Row
Birmingham, B3 2DB

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
St Philips House, St Philips Place
Birmingham, B3 2PP

Registrars

Northern Registrars Limited
PO Box 30, Cresta House
Alma Street, Luton
Bedfordshire, LU1 2PZ

REPORT OF THE DIRECTORS

The directors present their report and audited financial statements for the year ended 30 September 2002.

Results and dividends

The results for the year are set out in the consolidated profit and loss account on page 18.

The directors do not recommend a dividend (2001: 0.5p which amounted to £67,000); no interim dividend was made in respect of the year (2001: nil).

A general review of the business and activities of the group is given in the Chairman's Statement on pages 2 and 3 and the Operating Review on pages 4 and 5, 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, comprising in particular the production, installation and maintenance of fire and blast protection door and wall systems, passenger and goods elevators and process plant pipework.

Directors

The names of the directors who served throughout the year and their remuneration are shown in note 5 to the accounts. R G Jordan and D N Ablett will retire by rotation and, being eligible, offer themselves for re-election. Details of directors' service contracts are given in the Board Report on Remuneration committee and brief biographical information follows:

**Roy Jordan*, Chairman (non-executive), aged 61, joined the group in 1996 as Chief Executive. He is a US registered engineer having transferred to the UK in 1981, after many years' experience in senior engineering and production management roles in major multi-national corporations including Ford Motor and Allied Signal to become Chief Executive of jmh Bostrom Europe Limited, which was subsequently floated as Bostrom plc.

Bill Robson, aged 54, 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 43, 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.

**Derek Ablett* (non-executive), aged 60, 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 non-executive chairman of Medisys plc, a non-executive director of Frederick Cooper plc and of various private companies.

**Roger McDowell* (non-executive), aged 47, 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.

(*Members of the Audit Committee and of the Remuneration Committee.)

Details of the directors' interests in the company's shares are shown in the Board Report on Remuneration on pages 13 and 14.

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.

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 (2001: nil). Charitable donations amounted to £494 (2001: £100).

Treasury

The group'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 12c to the accounts. The group's principal financial instruments are a medium term loan and a working capital facility provided by Lloyds TSB Commercial, on both of which interest 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 facility, as at 30 September 2002 there was an undrawn element of £2.685 million (2001: £3.134 million). This facility, which is reviewed annually and which is next due for renewal on 28 February 2003, is maintained 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.

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	3,995,718	29.92
Otani Limited	2,305,000	17.26
Intrinsic Value plc	1,171,940	8.78
Fircroft Limited	950,000	7.11
Mr A N Davies (deceased)	752,445	5.63
Mr W Robson	425,000	3.18
The Gerrard Booth 1997 Discretionary Settlement	415,556	3.11

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 were no currency options in place at 30 September 2002. 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 2002 the company had no trade creditors.

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

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD

W Robson
Secretary

7 February 2003

CORPORATE GOVERNANCE STATEMENT

The board supports the principles of corporate governance as set out in the Combined Code. This report sets out the way in which those principles have been applied and summarises compliance.

The board

At the commencement of the year the board was comprised of five directors, two of whom were independent non-executives. On 9 September 2002 Mr F B Wright retired and Mr R S McDowell was appointed by the shareholders at an EGM as a non-executive director. Due to his material interests in the issued share capital of the company, Mr McDowell is considered not to be independent. On 20 September 2002 Mr R G Jordan relinquished his executive responsibilities, became a non-executive director and retained the chairmanship of the board. Due to his prior involvement as an executive director of the company, Mr Jordan is considered not to be independent. The board meets regularly throughout the year and is fully responsible for the entire control of the group. The directors are provided with detailed information on, *inter alia*, the group's performance and financial position on a regular basis.

Each year, one third of the directors are subjected to re-election. All have access, as appropriate, to independent professional advice and the services of the company secretary.

The company does not have a nominations committee for the proposal of directors. The board as a whole considers such matters.

Directors' remuneration

For the period to 9 September 2002 the remuneration committee comprised the two independent non-executives and was chaired by Mr Wright. On 9 September 2002, Mr Wright retired from the board and Mr Ablett was appointed as the chairman of the committee. On that date Mr McDowell was appointed as a non-executive director and was appointed to the remuneration committee. On 20 September 2002 Mr Jordan was appointed to the remuneration committee. For the period to 20 September 2002 the remuneration committee consulted with the executive chairman of the group when formulating its proposals. Throughout the period the committee would seek external professional advice as it saw fit.

The Board Report on Remuneration is set out at page 13.

Shareholder relationships

Appropriate notice of the group's annual general meeting is given, being attended by the chairmen of the audit and remuneration committees and by the auditors. The results of proxy votes are read to the meeting and the participation of shareholders is welcomed.

When practicable, discussions are held with existing and potential institutional shareholders. The group co-operates in the production of research material on its position and prospects.

Accountability

Statements by the directors and by the auditors of their respective responsibilities are set out at pages 9 and 15 of the annual report.

Audit

For the period to 9 September 2002 the audit committee comprised the two independent non-executives. On 9 September 2002, Mr Wright retired from the board and Mr McDowell was appointed as a non-executive director and was appointed to the audit committee. On 20 September 2002 Mr Jordan was appointed to the audit committee. Throughout the year, the audit committee has been chaired by Mr Ablett, an independent non-executive director. The finance director attends audit committee meetings by invitation. The committee meets with the auditors prior to the preliminary announcement of the group's results, and at other times as necessary.

Going concern

After making enquiries, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Internal control

The board acknowledges its overall responsibility for ensuring that the group has a system of internal controls in place that is appropriate. However, shareholders should be mindful that any system can only provide reasonable, not absolute assurance against material misstatement or loss and is designed to manage but not eliminate the risk of failure to achieve business objectives. The board has conducted its annual review of the effectiveness of the system of internal controls which process has involved measurement of the degree of control achieved and consideration of the expansion of control to accommodate any new business risks that are perceived. The key procedures established by the directors in order to provide effective internal control are:

- a corporate governance policy with clearly defined rules relating to the delegation of authority;
- preparation of annual budgets for all operating subsidiaries, reviewed by executive management and subject to board approval;
- monthly reviews of sales, cash and profitability compared to budget;
- a framework for capital expenditure and controls including authorisation procedures and levels;
- regular management meetings and discussions between management of the subsidiaries and the group managing director.

The group does not have a specific internal audit department, although this is reviewed from time to time. Responsibility for monitoring the integrity of financial information and compliance with approved procedures is currently vested in head office staff.

Day to day responsibility for the management of the group's operating businesses is delegated to subsidiary board levels; clear lines of authority exist between the group's executive management and those subsidiary boards. As far as possible, subsidiaries are given autonomy whilst operating within a control environment designed to ensure that significant risks, investment decisions and management issues are brought to group level at the earliest opportunity.

The group operates an ongoing process for the identification and assessment of major business risks and procedures are in place for the regular review and management of issues so arising.

The internal control framework has been in place for the whole year, and up to the date of signing the annual report and accounts, and is in accordance with the Turnbull guidance.

Compliance

With the exception of the provisions noted below, the group has observed the Combined Code throughout the year ended 30 September 2002.

The board has full responsibility for the group, not limited to a schedule of matters specifically reserved to itself (A 1.2).

For the period to 20 September 2002 the group had an executive chairman and there was no separate position of chief executive. On 20 September 2002 the chairman relinquished his executive responsibilities and assumed the role of non-executive chairman. For the period since 9 September 2002 the majority of non-executive directors have not been independent. Notwithstanding the above, the directors consider the constitution of the board to be appropriate for the size and structure of the group. None of the independent non-executive directors who have served throughout the period was designated as a senior independent director (A 2.1 and A 3.2).

For the period since 9 September 2002 the group has had only one independent non-executive director, consequently since that date the remuneration committee has not been comprised exclusively of independent non-executive members. However, the non-executive directors form the entirety of that committee (B 2.2).

For the period to 9 September 2002 the group had only two independent non-executive directors and consequently the audit committee did not include three non-executive members; such directors did, however, form the entirety of that committee. For the period from 9 to 20 September 2002 the group had only two non-executive directors of whom one was independent. Consequently for that period the audit committee did not include three non-executive directors and did not have a majority of independent non-executive directors. For the period since 20 September, the group has had three non-executive directors all of whom form the audit committee, however, the majority are not independent (D 3.1).

BOARD REPORT ON REMUNERATION

Remuneration Committee

The Remuneration Committee is comprised of Mr D N Ablett (committee chairman) and the non-executive directors of the company. Its policy is to ensure that pay and benefits packages are sufficiently competitive to attract and retain directors of the right quality and, further, that performance related incentives are aligned with the interests of shareholders. The committee meets at least twice each year to review and determine the remuneration of the executive directors.

Directors' remuneration

Full details of each director's remuneration and pensions are set out in note 5 to the accounts. Remuneration packages comprise the following elements:

Basic salary/fees and benefits

The basic salary and benefits of executive directors are determined by the committee. Benefits include company cars, private medical insurance and life assurance. Salaries are reviewed annually in the context of market comparisons and individual performance.

The fees for non-executive directors are determined by the board as a whole.

Performance related rewards

The committee supports the principle of the Combined Code that the performance related element of remuneration should form a significant proportion of the total remuneration package of executive directors, should be designed to align their interests with those of the shareholders and offer an incentive to perform at the highest levels.

A bonus scheme is in place for executive directors; the level of bonus which can be awarded is based on the group's performance against targets set by the committee.

Share options

Options may be awarded to executive directors under the 1999 "A" Executive Share Option Scheme, the 1999 "B" Executive Share Option Scheme and the Employee Savings Related Share Option Scheme. The rules of the former two schemes incorporate performance targets that require a significant and sustained improvement in the underlying performance of the group. Details of the performance criteria are given in the report of the directors'.

Pensions

One of the executive directors has pension arrangements to which the group contributes, he is a member of a scheme which was operated by a subsidiary acquired by the group in 1996; that scheme, which has 60 active members, but has been closed to new members since 1997, defines pensionable salary for any member as "total earnings" – but does not treat benefits in kind as part thereof.

Service contracts

The executive directors serve under 12 month rolling contracts.

The engagement letters for Mr Ablett and Mr McDowell as non-executive directors provide for their appointments for initial terms of three years, although terminable by either party giving three months notice. A fixed fee is payable to each of them in connection with their appointments, they are not eligible for any other benefits.

BOARD REPORT ON REMUNERATION *continued*

The engagement letter for Mr Jordan as non-executive director provides for a fixed term of appointment to 16 October 2003, although terminable by him giving three months notice. Mr Jordan is entitled to a fixed fee and to the benefit of a company motorcar. This engagement letter supersedes his executive service contract, which ceased to have effect by mutual agreement on 20 September 2002.

Directors' share interests

The directors at 30 September 2002 had the following beneficial interests in shares and share options:

Shareholdings	At 30 September 2002	At 30 September 2001 (or date of appointment)
*R G Jordan	50,000	50,000
W Robson	425,000	412,500
C Lewis-Jones (appointed 5 November 2001)	–	–
D N Ablett	32,000	32,000
F B Wright (retired 9 September 2002)	–	14,000
**R S McDowell (appointed 9 September 2002)	3,995,721	3,995,721

* At 30 September 2002 Otani Limited was interested in 2,305,000 ordinary shares (2001: 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.

** The majority of Mr R S McDowell's beneficial interests are held in the name of Willbro Nominees Limited.

Share options	Class	At 30 September 2001	Granted	Date of grant	At 30 September 2002
R G Jordan	(1) 'B' Executive	60,000	–	–	60,000
W Robson	(1) 'A' Executive	50,000	–	–	50,000
	(2) Savings related	8,550	–	–	8,550
C Lewis-Jones (appointed 5 November 2001)	(3) 'A' Executive	–	30,000	15 February 2002	30,000

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

No options were exercised or lapsed during the year. Details of share option schemes, including option price and exercise period are given in note 13.

The market price of the company's ordinary shares on 30 September 2002 was 21.5p and the high and low prices during the year were 37.5p (on 11 and 12 June 2002) and 17.5p (between 29 October and 2 November 2001) respectively. The share price on 6 February 2003 was 14.5p.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BOOTH INDUSTRIES GROUP PLC

We have audited the group's financial statements for the year ended 30 September 2002 which comprise the Consolidated Profit and Loss Account, Group Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Total Recognised Gains and Losses, and the related notes 1 to 24. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with 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, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

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 or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

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, Board Report on Remuneration, Chairman's Statement, Operating Review and Corporate Governance 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 audit 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 2002 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Registered Auditor, Birmingham

7 February 2003

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 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 2002.

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 is being 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 23 December 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.

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 is being released to the profit and loss account as the non-monetary assets to which it relates are 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.

STATEMENT OF ACCOUNTING POLICIES continued

Depreciation

Depreciation on the cost of tangible fixed assets is provided so as to write off 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%

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 substantially enacted at the balance sheet date.

Pensions

The expected cost of pensions in respect of the group's defined benefit pension schemes 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 schemes. 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 No. 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 this charge in respect of options granted under savings related share option schemes (UITF 17).

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.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 September 2002

	Note	2002 £000	Restated 2001 £000
Turnover	1a	54,825	31,586
Cost of sales	1b	(56,883)	(31,076)
Total operating (loss)/profit		(2,058)	510
Operating profit before goodwill amortisation and impairment		603	676
Net goodwill amortisation	8c	(140)	(166)
Impairment of goodwill	8c	(2,521)	–
Total operating (loss)/profit		(2,058)	510
Interest payable	3	(327)	(171)
(Loss)/profit on ordinary activities before taxation	4	(2,385)	339
Tax on (loss)/profit on ordinary activities	6	(9)	(117)
(Loss)/profit on ordinary activities after tax		(2,394)	222
Dividend	21	–	(67)
(Loss)/profit for the financial year transferred to reserves	14	(2,394)	155
(Loss)/earnings per share	7		(Restated)
– basic		(17.93)p	2.00p
– diluted		(17.93)p	1.96p

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

The group's activities consist only of continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 30 September 2002

	Note	2002 £000	Restated 2001 £000
(Loss)/profit for the financial year		(2,394)	222
Prior year adjustment	2	58	–
Total recognised (losses) and gains since the last annual report		(2,336)	222

BALANCE SHEETS

At 30 September 2002

	Note	Group		Company	
		2002 £000	Restated 2001 £000	2002 £000	Restated 2001 £000
Fixed assets					
Intangible assets – Goodwill	8	–	2,721	–	–
– Negative goodwill	8	(63)	(138)	–	–
Tangible assets	8	2,100	2,262	538	528
Investments in subsidiary companies	9	–	–	5,605	8,036
		2,037	4,845	6,143	8,564
Current assets					
Stocks	10	580	620	–	–
Debtors	11	14,293	17,439	2,270	1,437
		14,873	18,059	2,270	1,437
Creditors – amounts falling due					
within one year	12	(11,526)	(15,041)	(1,837)	(3,195)
Net current assets/(liabilities)		3,347	3,018	433	(1,758)
Total assets less current liabilities		5,384	7,863	6,576	6,806
Creditors – amounts falling due after					
more than one year					
(including convertible loan stock)	12	(2,258)	(2,343)	(2,255)	(2,323)
		3,126	5,520	4,321	4,483
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	(1,084)	1,310	111	273
Equity shareholders' funds	15	3,126	5,520	4,321	4,483

The financial statements were approved by the board of directors on 7 February 2003.

Signed on behalf of the Board of Directors

R G Jordan, Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2002

	Note	2002		2001	
		£000	£000	£000	£000
Cash inflow from operating activities	16		923		812
Returns on investments and servicing of finance					
Interest paid			(280)		(148)
Interest element of finance lease rentals			(5)		(1)
Taxation					
UK Corporation tax paid			(27)		–
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(262)		(272)	
Proceeds from disposals of tangible fixed assets		15	(247)	6	(266)
Acquisitions					
Kleenco Industrial Services Limited	24	(75)		(416)	
Jordan Engineering UK Limited and Jordan Fabrications Limited		–		(343)	
Overdraft acquired with subsidiary undertaking		–	(75)	(18)	(777)
Dividends					
Equity dividends paid			(67)		(77)
Net cash inflow/(outflow) before financing			222		(457)
Financing					
Share issue costs		–		(70)	
Finance leases		(34)		(36)	
Medium term loan (repayments)/receipts		(200)	(234)	186	80
(Decrease) in cash for the year	17		(12)		(377)

NOTES TO THE FINANCIAL STATEMENTS

1a. Segmental analysis

All net assets are based in the United Kingdom. All turnover and (loss)/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;

	2002	2001
	£000	£000
United Kingdom	50,455	29,024
Overseas	4,370	2,562
	54,825	31,586

1b. Cost of sales

		Restated
Raw materials and consumables	11,255	8,173
Other external charges	9,381	4,978
Staff costs (note 5)	26,819	13,180
Depreciation	435	243
Amortisation and impairment of goodwill and release of negative goodwill (note 4)	2,661	166
Other operating costs	6,332	4,336
	56,883	31,076

Details of the exceptional goodwill impairment charge of £2,521,000 are given in note 8.

2. Prior year adjustment

In preparing the financial statements for the year, the group has adopted FRS19 "Deferred Tax", which has resulted in a change in accounting policy for deferred tax. Deferred tax is recognised on a full provision basis in accordance with the accounting policy described earlier. Previously, it was provided on a partial basis, whereby provision was made on all timing differences to the extent that they were expected to reverse in the future without replacement.

This change in accounting policy has resulted in a prior year adjustment for the group with an increase in shareholders' funds at 1 October 2000 of £101,000, an increase in the tax charge of £58,000 and a decrease in the goodwill charge to profit and loss of £15,000 for the year ended 30 September 2001. The deferred tax asset has been increased by £153,000 following the recognition of a deferred tax asset in Jordan Engineering UK Limited (a company acquired in 2001). Thus the net increase in the deferred tax asset in 2001 was £95,000. The tax charge for the current year has been increased by £47,000 as a result of the change in accounting policy. Shareholders' funds and the result for the company have not been affected by this change in accounting policy.

3. Interest payable

	2002	2001
	£000	£000
Interest payable on bank overdrafts	131	87
Interest on medium term bank loan	45	61
Finance lease charges	5	1
Interest on loan stock	102	22
Redemption premium accrued on loan stock	39	-
Other interest	5	-
	327	171

NOTES TO THE FINANCIAL STATEMENTS continued

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

	2002	Restated 2001
	£000	£000
Depreciation of owned assets	406	233
Depreciation of assets held under hire purchase	29	10
Amortisation of goodwill	200	181
Release of negative goodwill	(60)	(15)
Impairment of goodwill	2,521	–
(Profit)/loss on sale of tangible fixed assets	(9)	1
Auditors' remuneration – audit fees	55	55
– non-audit fees	33	12
Hire of plant	1,734	677
Plant operating lease rentals	558	363
Other operating lease rentals	313	192
Amortisation of pension scheme surplus (see note 23)	(245)	(251)
	<hr/>	<hr/>

5. Employees

	2002	2001
	£000	£000
Employee costs during the year, including directors:		
Wages and salaries	24,635	11,800
Social security costs	1,724	1,061
Other pension costs	460	319
	<hr/>	<hr/>
	26,819	13,180
	<hr/>	<hr/>

Other pension costs are stated before crediting the amortisation of pension scheme surpluses of £245,000 (2001: £251,000)

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

	Number	Number
Engineering	650	336
Sales and Administration	139	105
	<hr/>	<hr/>
	789	441
	<hr/>	<hr/>

5. **Employees** (*continued*)

Directors' remuneration

The full details of each director's remuneration for the year is set out below:

	Salary £000	Taxable Benefits £000	2002 Total £000	2001 Total £000
R G Jordan (as executive director to 20 September 2002)	86	12	98	98
R G Jordan (as non-executive director from 21 September 2002)	3	1	4	–
W Robson	80	9	89	88
C Lewis-Jones appointed (5 November 2001)	53	9	62	–
D N Ablett	11	–	11	11
F B Wright (retired 9 September 2002)	13	–	13	11
R S McDowell (appointed 9 September 2002)	1	–	1	–
	247	31	278	208

Directors' pension benefits

Two directors earned defined benefit pensions during the year. Accrued pension benefits as at 30 September 2002 were:

	Current age	Normal Retirement age	Contributions from Directors in year to 30 September 2002 £000	Total accrued Pension at 30 September 2001 £000	Total accrued Pension at 30 September 2002 £000	Increase in accrued pension for year to 30 September 2002 (Excluding inflation) £000
R G Jordan	61	62	4	19	22	3
W Robson	54	62	4	17	21	3

R G Jordan ceased to earn defined benefit pension on 20 September 2002.

For the directors in the table above, sufficient information to enable a reasonable estimate of the transfer value of the increase in the benefits detailed above is given below:

Pension payments are guaranteed for five years and increase at a rate of 5% per annum compound in payment.

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 members 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.

All members are 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 £4,783 for the period ended 30 September 2002 (2001: nil) in respect of this member.

6. Taxation

	2002 £000	Restated 2001 £000
(a) Tax on (loss)/profit on ordinary activities		
The tax (credit)/charge is made up as follows:		
Current tax:		
UK corporation tax	–	59
Tax over-provided in previous years	(38)	–
	<hr/>	<hr/>
Total current tax (credit)/charge	(38)	59
	<hr/>	<hr/>
Deferred tax:		
Origination and reversal of timing differences (note 6d)	47	58
	<hr/>	<hr/>
Tax on (loss)/profit on ordinary activities	9	117
	<hr/>	<hr/>

(b) Factors affecting the current tax (credit)/charge

The tax assessed on the loss (2001: profit) on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are reconciled below:

	2002 £000	Restated 2001 £000
(Loss)/profit on ordinary activities before tax	(2,385)	339
	<hr/>	<hr/>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001: 30%)	(715)	102
Expenses not deductible for tax purposes (including goodwill amortisation and impairment)	832	69
Accelerated/(decelerated) capital allowances	65	(13)
Pension contributions in excess of pension charges	(82)	(34)
Utilisation of tax losses from earlier accounting periods	(100)	–
Utilisation of tax losses recognised on acquisition	–	(65)
Tax over-provided in previous years	(38)	–
	<hr/>	<hr/>
Total current tax (credit)/charge (note 6a)	(38)	59
	<hr/>	<hr/>

(c) Factors that may affect the future tax charge

The group has tax losses arising in the UK of £1,749,000 (2001: £2,083,000) 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 £891,000 (2001: £1,122,000) of those losses as they may not be used to offset taxable profits elsewhere in the group and the recovery of such an asset may not be reasonably foreseen.

NOTES TO THE FINANCIAL STATEMENTS *continued*

6. Taxation *(continued)*

(d) Deferred tax

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

	2002	Restated
	£000	2001
		£000
Accelerated capital allowances	(138)	(73)
Short term timing differences	247	165
Tax losses carried forward	(258)	(288)
	<hr/>	<hr/>
Deferred tax asset (note 11)	(149)	(196)
	<hr/>	<hr/>
At 1 October 2001	(196)	
Deferred tax charge in group profit and loss account	47	
	<hr/>	
At 30 September 2002	(149)	
	<hr/>	

The deferred tax asset relating to losses is mainly in respect of a subsidiary company and the recovery of this asset is reasonably foreseen.

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

	2002	Restated
	£000	2001
		£000
Accelerated capital allowances	4	4
Short term timing differences	49	49
Tax losses carried forward	(53)	(53)
	<hr/>	<hr/>
Deferred tax asset (note 11)	–	–
	<hr/>	<hr/>
At 1 October 2001	–	
Deferred tax charge in group profit and loss account	–	
	<hr/>	
At 30 September 2002	–	
	<hr/>	

7. (Loss)/earnings per share

The basic calculation of (loss)/earnings per share is based on 13,353,606 shares (2001: 11,120,301), being the weighted average number of shares in issue throughout the year and on a loss of £2,394,000 (2001: restated profit £222,000).

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per share are identical to those used for the basic earnings per share. This is because the exercise of share options and the conversion of convertible loan stock would have the effect of reducing the loss per ordinary share and is, therefore, not a dilution under the terms of FRS14. The restated diluted earnings per share for the year ended 30 September 2001 is based on adjusted profit for the year of £237,000 and on 12,077,671 ordinary shares calculated below. Share options in issue did not have a dilutive effect as their exercise price is greater than the average share price during that year.

	Restated 2001 £000
Earnings:	
Basic earnings	222
Interest on provision for convertible loan stock to be issued	22
Tax relating to that interest expense	(7)
	<hr/> 237 <hr/>
	Number
Basic weighted average number of shares	11,120,301
Dilutive effect of provision for convertible loan stock to be issued	957,370
	<hr/> 12,077,671 <hr/>

8. Fixed assets

	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 2001	433	570	5,800	6,803
Additions	9	–	270	279
Disposals	–	–	(71)	(71)
At 30 September 2002	<hr/> 442 <hr/>	<hr/> 570 <hr/>	<hr/> 5,999 <hr/>	<hr/> 7,011 <hr/>
Depreciation				
At 1 October 2001	62	54	4,425	4,541
Provision for the year	12	9	414	435
Disposals	–	–	(65)	(65)
At 30 September 2002	<hr/> 74 <hr/>	<hr/> 63 <hr/>	<hr/> 4,774 <hr/>	<hr/> 4,911 <hr/>
Net book value				
At 30 September 2002	<hr/> 368 <hr/>	<hr/> 507 <hr/>	<hr/> 1,225 <hr/>	<hr/> 2,100 <hr/>
Net book value At 30 September 2001	<hr/> 371 <hr/>	<hr/> 516 <hr/>	<hr/> 1,375 <hr/>	<hr/> 2,262 <hr/>

Machinery, equipment and vehicles includes assets at a net book value of £84,000 (2001: £87,000) acquired by finance lease or hire purchase.

NOTES TO THE FINANCIAL STATEMENTS continued

8. Fixed assets *(continued)*

	Leasehold land, and buildings £000	Freehold land and buildings £000	Machinery equipment and vehicles £000	Total £000
(b) Tangible fixed assets - Company Cost				
At 1 October 2001	4	570	28	602
Additions	–	–	27	27
At 30 September 2002	4	570	55	629
Depreciation				
At 1 October 2001	4	54	16	74
Provision for the year	–	9	8	17
At 30 September 2002	4	63	24	91
Net book value				
At 30 September 2002	–	507	31	538
Net book value At 30 September 2001	–	516	12	528
(c) Intangible fixed assets				
			Group Negative goodwill £000	Group Goodwill £000
Cost				
At 1 October 2001			–	3,228
Arising on the acquisition of Jordan Engineering UK Limited - prior year adjustment (note 24)			(153)	–
At 1 October 2001 as restated			(153)	3,228
Reduction in negative goodwill arising in 2002 (note 24)			15	–
At 30 September 2002			(138)	3,228
Amortisation				
At 1 October 2001			–	(507)
Prior year adjustment			15	–
At 1 October 2001 as restated			15	(507)
Release/(provision) for the year			60	(200)
Impairment of goodwill arising on acquisition of CHB and Kleenco			–	(2,521)
At 30 September 2002			75	(3,228)
Net book value				
At 30 September 2002			(63)	–
Net book value At 30 September 2001			(138)	2,721

8. Fixed assets (continued)

As required by FRS 11, the original impairment review performed in the year following the acquisition of CHB Holdings Limited has been re-performed. This indicates that the goodwill has been impaired. An impairment review has also been performed on the goodwill arising on the purchase of Kleenco during 2001. A charge of £2,521,000 has been taken against both amounts of goodwill as an exceptional item in the profit and loss account. This calculation was performed in accordance with FRS 11 and used a pre-tax discount rate of 10%. Previously goodwill which arose on the acquisitions of CHB and Kleenco was being amortised over 18 and 10 years respectively.

Negative goodwill, which arose on the acquisition of Jordan Engineering UK Limited is being released to the profit and loss account over three years as the non-monetary assets to which it relates are recovered through sale or depreciation.

(d) Capital commitments

	Group and Company	
	2002 £000	2001 £000
Contracted for	2	–

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 2001	9,117	(1,081)	8,036
Additions during the year	90	–	90
Impairment of investment	–	(2,521)	(2,521)
At 30 September 2002	9,207	(3,602)	5,605

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)
 Oakland Elevators Limited (elevator manufacture)
 CHB Engineering Services Limited (fabrication and maintenance services)
 Kleenco Industrial Services Limited (industrial cleaning services)
 Jordan Engineering UK Limited (fabrication and maintenance services)
 Jordan Fabrications Limited (high grade manufacture)

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

10. Stocks

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Raw materials and consumables	580	620	–	–

NOTES TO THE FINANCIAL STATEMENTS continued

11. Debtors

	Group		Company	
	2002 £000	Restated 2001 £000	2002 £000	2001 £000
Trade debtors	7,227	9,388	–	–
Amounts owed by subsidiary undertakings	–	–	2,089	1,244
Other debtors	410	389	1	6
Deferred tax	149	196	–	–
Prepayments and accrued income	2,057	1,640	180	187
Amounts recoverable on contracts	4,450	5,826	–	–
	14,293	17,439	2,270	1,437

Included in trade debtors is £538,000 (2001: £206,000) and included in prepayments and accrued income is £1,167,000 (2001: £1,007,000) being prepaid pension contributions amounts which are due after more than one year.

12. Creditors

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
(a) Amounts falling due within one year:				
Bank loan and overdrafts	781	769	1,410	1,033
Obligations under finance leases and hire purchase contracts	40	42	9	–
Payments on account	344	541	–	–
Trade creditors	5,701	7,758	–	–
Amounts owed to subsidiary undertakings	–	–	117	1,774
Corporation tax	–	65	–	–
Other creditors including taxation and social security	2,706	3,629	132	18
Accruals and deferred income	1,954	2,170	169	303
Proposed dividend	–	67	–	67
	11,526	15,041	1,837	3,195

The bank loan and overdrafts are secured by fixed and floating charges over the group's assets and bear interest at variable rates. Included within accruals is the excess of regular pension costs over the surplus recognised amounting to £345,000 (2001:£455,000).

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
(b) Amounts falling due after more than one year:				
Bank loan	500	700	500	700
Obligations under finance leases, and hire purchase contracts	6	20	3	–
Provision for loan stock to be issued	–	1,623	–	1,623
Loan stock (note 17)	1,752	–	1,752	–
	2,258	2,343	2,255	2,323

12. Creditors (continued)

(c) Financial Instruments

	Bank loan and overdrafts £000	Finance leases £000	Provision for loan stock to be issued £000	Loan stock £000	Total £000
2002					
Repayable within one year:	–	40	–	–	40
Overdrafts	581	–	–	–	581
Loans	200	–	–	–	200
Loans repayable years 1-2	200	6	–	1,667	1,873
Loans repayable years 2-5	300	–	–	85	385
Total borrowings	<u>1,281</u>	<u>46</u>	<u>–</u>	<u>1,752</u>	<u>3,079</u>
2001					
Repayable within one year:	–	42	–	–	42
Overdrafts	569	–	–	–	569
Loans	200	–	–	–	200
Loans repayable years 1-2	200	21	–	–	221
Loans repayable years 2-5	500	–	1,623	–	2,123
Total borrowings	<u>1,469</u>	<u>63</u>	<u>1,623</u>	<u>–</u>	<u>3,155</u>

Loan stock comprises £1.6 million of unsecured convertible loan stock plus accrued redemption premium of £39,000 and £113,000 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.

Financial instruments comprise the borrowings above. Total fixed rate borrowings are £1,646,000 (2001: £1,685,000) at a weighted average rate of 10.3% (2001: 10.3%) 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 pages 8 and 9. Any cash balances attract interest at floating commercial rates.

NOTES TO THE FINANCIAL STATEMENTS *continued*

12. Creditors *(continued)*

(c) Financial Instruments *(continued)*

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	Norwegian Euro £000	Deutch Krone £000	Deutsch Mark £000	Other £000	
2002							
Sterling	257	42	(125)	193	-	-	367
2001							
Sterling	(65)	360	-	-	(151)	7	151

The group had various currency options in place during the year to limit currency risk, but no options in place at the year end (30 September 2002: currency options in respect of Hong Kong Dollars which had a fair value of £nil).

13. Called-up share capital

		Group and company			
		2002	2001		
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:	
				between	and
1999 "A" Executive	15/2/2000	200,000	33.5	15/2/2003	14/2/2010
	26/7/2001	25,000	31.0	26/7/2004	25/7/2011
	15/2/2002	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 Savings Related	24/7/2000	250,200	30.0	24/7/2005	23/1/2006

14. Reserves

	Merger reserve £000	Share premium £000	Profit and loss account £000
Group			
At 1 October 2001 as previously reported	294	578	1,252
Prior year adjustment	-	-	58
At 1 October 2001 as restated	294	578	1,310
Loss for the year	-	-	(2,394)
At 30 September 2002	294	578	(1,084)
Company			
At 31 October 2001	294	578	273
Loss for the year	-	-	(162)
At 30 September 2002	294	578	111

NOTES TO THE FINANCIAL STATEMENTS continued

15. Reconciliation of movement in shareholders' funds

	Group		Company	
	2002 £000	Restated 2001 £000	2002 £000	2001 £000
(Loss)/profit for the year	(2,394)	222	(162)	(100)
Dividend	-	(67)	-	(67)
Shares issued net of expenses	-	998	-	998
Net movement in shareholders' funds	(2,394)	1,153	(162)	831
Opening shareholders' funds	5,520	4,266	4,483	3,652
Prior year adjustment	-	101	-	-
Closing shareholders' funds	3,126	5,520	4,321	4,483

16. Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	2002 £000	Restated 2001 £000
Operating (loss)/profit	(2,058)	510
Goodwill impairment	2,521	-
Depreciation charge	435	243
Amortisation of goodwill and release of negative goodwill	140	166
(Profit)/loss on sale of tangible fixed assets	(9)	1
Decrease in stock	40	78
Decrease/(increase) in debtors	3,174	(1,856)
(Decrease)/increase in creditors	(3,320)	1,670
	923	812

There are no cash flow consequences of the exceptional item which comprises the impairment of goodwill (note 8(c))

17. Analysis of changes in net debt

	1 October 2001 £000	Cash flow £000	New finance leases £000	Non-cash movements £000	30 September 2002 £000
Overdraft	(569)	(12)	-	-	(581)
Loans and finance leases	(963)	234	(17)	-	(746)
Loan stock	(1,623)	-	-	(129)	(1,752)
Total	(3,155)	222	(17)	(129)	(3,079)

Non-cash movements relate to the additional loan stock issued in respect of the acquisition of the Jordan businesses (note 24) and the accrual of loan stock redemption premium (note 12(c)).

NOTES TO THE FINANCIAL STATEMENTS continued

18. Reconciliation of net cash flow to movement in net debt

	2002 £000	2001 £000
(Decrease) in cash in the year	(12)	(377)
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	234	(150)
Change in net debt arising from cash flows	222	(527)
New finance leases	(17)	(48)
Finance leases in businesses acquired	–	(37)
Loan stock	(129)	(1,623)
Decrease/(increase) in net debt during the year	76	(2,235)
Opening net debt at 1 October	(3,155)	(920)
Closing net debt at 30 September	(3,079)	(3,155)

19. Contingent liabilities

- i) The group had contract guarantees outstanding at 30 September 2002 totalling £134,000 (2001: £197,000) against which no claims are expected.
- ii) The company has provided cross guarantees to secure the overdrafts of all companies in the group.

20. Financial commitments

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Operating leases for plant and equipment payable within one year for leases expiring:				
Within 1 year	157	191	7	–
2-5 years	338	341	3	16
Over 5 years	–	–	–	–
	495	532	10	16

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Operating leases for property payable within one year for leases expiring:				
Within 1 year	60	24	14	–
2-5 years	27	154	–	23
Over 5 years	327	274	125	125
	414	452	139	148

21. Dividend

	2002 £000	2001 £000
Final proposed: nil per share (2001: 0.5p)	–	67

There was no interim dividend made in respect of the year (2001: nil).

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

	2002 £000	2001 £000
Dealt within the accounts of the company	(162)	(100)

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 two funded defined benefit pension schemes. Both schemes are funded by the payments of contributions to separately administered trust funds. The expected cost of pensions in these schemes 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 projected accrued benefit method on the Booth Industries Group PLC Staff Pension and Life Assurance Scheme (“Booth Scheme”) and the attained age method for the Oakland Elevators Limited Pension and Life Assurance Scheme (“Oakland Scheme”). The results of the most recent full valuations, which were conducted as at 6 April 2000 and 5 April 2000 respectively are as follows:

	Booth Scheme	Oakland Scheme
Main assumptions:		
Rate of return on investments (% per annum)	7.5%	6.0%
Rate of salary increases (% per annum)	5.0%	3.5%
Rate of pension increases:		
Pre 1997 (% per annum)	3.25%	3.0%
Post 1997 (% per annum)	3.0%	2.5%
Market value of scheme assets (£000)	5,132	6,684
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	126%	102%

23. Pensions (continued)

FRS 17 Disclosures

The following disclosures by way of note are required under the transitional arrangements for FRS 17. 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 a 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.

Booth Scheme

The actuarial valuation of the Booth Scheme was updated to 30 September 2002. The principal actuarial assumptions used as at 30 September 2002 and those used at 30 September 2001 are as follows:

	2002	2001
Rate of inflation	2.50% pa	2.75% pa
Salary increases	3.00% pa	3.25% pa
Rate of discount	5.25% pa	5.75% pa
Pension in payment increases	2.25% for pensions increasing at 5% pa or RPI if less	2.25% for pensions increasing at 5% pa or RPI if less
Revaluation rate on non GMP benefits for deferred pensioners	2.50% pa	2.75% pa

The fair values of the Scheme’s assets and the present value of the Scheme’s liabilities along with the expected rates of return on Scheme assets are as follows:

	%	2002 £000	%	2001 £000
Equities	8.67	1,765	7.00	2,942
Bonds	5.25	1,295	5.50	964
Property	5.25	667	–	–
Cash and other assets	4.50	196	5.00	916
		3,923		4,822
Actuarial value of liabilities		(3,797)		(3,362)
Surplus in scheme		126		1,460
Related deferred tax liability		(38)		(467)
		88		993

The amount which would be charged to operating profit is as follows:

	£000
Current service cost	76
Past service cost	–
Previous unrecognised surplus deducted from past service cost	–
Employee contributions	(27)
Previous unrecognised surplus deducted from employee contributions	–
Total operating charge	49

The scheme has an agreed employee contribution rate of 6% of relevant earnings

FRS 17 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.

NOTES TO THE FINANCIAL STATEMENTS continued

23. Pensions (continued)

The amount which would be credited to other finance income is as follows:

	£000
Expected return on pension scheme assets	305
Interest on pension scheme liabilities	(195)
	<hr/>
Net return	110
	<hr/>

The amounts which would be included within the statement of total recognised gains and losses and the history of experience gains and losses are as follows:

	£000	
Difference between expected and actual return on assets	(1,200)	(31)% of scheme assets at 30 September 2002
Experience gains and losses arising on the scheme liabilities	(175)	(5)% 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	(20)	(1)% of the present value of the scheme liabilities at 30 September 2002
	<hr/>	
Total actuarial loss	(1,395)	(37)% of the present value of the scheme liabilities at 30 September 2002
	<hr/>	

The movement in the scheme surplus during the year is as follows:

	2002 £000	2001 £000
Surplus in scheme at beginning of the year	1,460	1,614
Movement in year:		
Current service cost	(76)	(71)
Employee contributions	27	27
Past service costs	-	-
Other finance income	110	129
Actuarial loss	(1,395)	(239)
	<hr/>	<hr/>
Surplus in scheme at the year end	126	1,460
	<hr/>	<hr/>

Oakland Scheme

The actuarial valuation of the Oakland Scheme was updated to 30 September 2002. The principal actuarial assumptions used as at 30 September 2002 and 30 September 2001 are as follows:

	2002	2001
Rate of inflation	2.50% pa	2.75% pa
Salary increases	3.00% pa	3.25% pa
Rate of discount	5.25% pa	5.75% pa
Pension in payment increases	2.25% for pensions increasing at 5% pa or RPI if less	2.25% for pensions increasing at 5% pa or RPI if less
Revaluation rate on non GMP benefits for deferred pensioners	2.50% pa	2.75% pa

NOTES TO THE FINANCIAL STATEMENTS *continued*

23. Pensions *(continued)*

The fair values of the Scheme's assets and the present value of the Scheme's liabilities along with the expected rates of return on Scheme assets are as follows:

	%	2002 £000	%	2001 £000
Equities	8.67	2,399	7.00	3,208
Bonds	5.25	1,686	5.50	1,438
Property	5.25	221	–	–
Cash and other assets	4.50	372	5.00	602
		4,678		5,248
Actuarial value of liabilities		(8,121)		(7,701)
Deficit in scheme		(3,443)		(2,453)
Related deferred tax asset		1,033		785
		(2,410)		(1,668)

The amount which would be charged to operating profit is as follows:

	£000
Current service cost	315
Past service cost	–
Previous unrecognised surplus deducted from past service cost	–
Employee contributions	(83)
Previous unrecognised surplus deducted from employee contributions	–
Total operating charge	232

The scheme currently has agreed contribution rates of 5% for employees and 15.25% for employer.

FRS 17 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.

	£000
Expected return on pension scheme assets	338
Interest on pension scheme liabilities	(447)
Net return	(109)

The amounts which would be included within the statement of total recognised gains and losses and the history of experience gains and losses are as follows:

	£000	
Difference between expected and actual return on assets	(1,013)	(22)% of scheme assets at 30 September 2002
Experience gains and losses arising on the scheme liabilities	92	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	18	1% of the present value of the scheme liabilities at 30 September 2002
Total actuarial loss	(903)	(11)% of the present value of the scheme liabilities at 30 September 2002

NOTES TO THE FINANCIAL STATEMENTS *continued*

23. Pensions *(continued)*

The movement in the scheme deficit during the year is as follows:

	2002	2001
	£000	£000
Deficit in scheme at beginning of the year	(2,453)	(1,539)
Movement in year:		
Current service cost	(315)	(333)
Employer contributions	254	251
Employee contributions	83	82
Past service costs	–	–
Other finance income	(109)	(44)
Actuarial loss	(903)	(870)
Deficit in scheme at the year end	(3,443)	(2,453)

FRS 17 Disclosures – Reconciliation of reserves

	2002	2001
	£000	£000
Profit and loss reserves	(1,084)	1,252
Prior year adjustment (note 2)	–	58
Profit and loss reserves as restated	(1,084)	1,310
Eliminate SSAP 24 prepayment and accrual	(822)	(552)
Booth surplus (FRS 17)	88	993
Oakland deficit (FRS 17)	(2,410)	(1,668)
Profit and loss reserves	(4,228)	83

24. Acquisitions made in year ended 30 September 2001

Jordan Engineering UK Limited and Jordan Fabrications Limited

Since 30 September 2001 the following matters have affected the accounting of the acquisition of Jordan Engineering UK Limited and Jordan Fabrications Limited:

- i. the completion accounts have been agreed and as a consequence the purchase consideration increased by £90,000;
- ii. a subsequent review (as required by FRS 7) of the fair value adjustments made at the time of the acquisition has resulted in the release of a surplus provision against contracts of £75,000;
- iii. following the adoption of FRS 19 which has led to a change in accounting policy (note 2), a deferred tax asset of £153,000 has been recognised at the point of acquisition.

The adjustments and change in accounting policy have, in total, resulted in negative goodwill arising on acquisition and are summarised as follows:

	Amended fair value 2002 £000	Adjustments £000	Change in accounting policy £000	Fair value 2001 £000
Intangible fixed assets	–	–	–	–
Tangible fixed assets	772	–	–	772
Stocks	81	–	–	81
Debtors	9,756	75(ii)	153(iii)	9,528
Finance leases	(37)	–	–	(37)
Creditors	(7,417)	–	–	(7,417)
	3,155	75	153	2,927
Goodwill/(negative goodwill)	(138)	15	(153)	–
Cost of acquisition	3,017	90(i)	–	2,927

Kleenco Industrial Services Limited

At 30 September 2001 full provision of £75,000 was made for deferred consideration on the acquisition of Kleenco Industrial Services Limited, this became payable during the year.

NOTICE OF ANNUAL GENERAL MEETING

Notice of the 71st Annual General Meeting of Booth Industries Group PLC will be circulated to shareholders in advance of the date of the meeting which is anticipated to be 22 April 2003.

