ALFRED BAGNALL & SONS (MIDLANDS) LIMITED
(Company number : 1042421)

DIRECTOR'S REPORT

Accounts

The director presents his report and financial statements for the year ended 31st December, 2002.

Activities

The principal activity of the Company, which has not changed during the year, is that of painting contractors.

The Company traded unsuccessfully during the year, and losses before taxation were £160,964. Taxation is expected to produce a credit of £48,889.

The state of the Company's affairs at 31st December, 2002 was not considered to be satisfactory.

Dividends

The director does not recommend payment of a dividend for the year to 31st December, 2002.

If this recommendation is approved the sum of £112,075 will be transferred from reserves.

Tax status

In the opinion of the director the Company is a close company within the meaning of Section 414, Income and Corporation Taxes Act 1988.

Director

The member of the board during the year was:

S. J. Bagnall

Auditors

Simpson, Bendig & Co. offer themselves for re-appointment in accordance with the Companies Act 1985.

Signed on behalf of the board

S. J. Bagnall

Chairman

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COMPANIES HOUSE 09/08/03

11th June 2003

BALANCE SHEET AT 31ST DECEMBER, 2002

2001 £		Note	£	£
	FIXED ASSETS			
15,785	Tangible assets	2		49,483
	CURRENT ASSETS			
36,655	Stocks	3	116,584	
471,186	Debtors	4	232,219	
37,641	Cash and bank balances		14,686	
545,482			363,489	
(1,253,268)	CREDITORS (due within one year)	5	(1,217,048)	
(707,786)	NET CURRENT LIABILITIES			(853,559)
(692,001)	TOTAL ASSETS LESS CURRENT LIABILITIES			(804,076)
	CAPITAL AND RESERVES			
5,000	Called up share capital	6		5,000
(697,001)	Profit and loss account	7		(809,076)
(692,001)				(804,076)

Signed on behalf of the board

Stephen John Bagnall

The accounts were approved by the director on 11th June 2003

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 2002

2001 £		Note	£	£
1,130,789	Turnover	8		1,137,150
5,973	Change in long-term contract balances			79,079
1,136,762				1,216,229
	Deduct:			
134,713	Materials		130,803	
130,925	Other contract costs (excluding staff)		173,418	
718,714	Staff costs	9	749,666	
7,623	Depreciation		16,939	
230,519	Other operating charges		284,100	
1,222,494				1,354,926
(85,732)				(138,697)
33,271	Interest payable	10		22,267
(119,003)	Loss on ordinary activities before taxation	11		(160,964)
(35,592)	Tax on loss on ordinary activities	12		(48,889)
(83,411)	Loss on ordinary activities after taxation			(112,075)
-	Dividend proposed			-
(83,411)	Transfer from reserve			(112,075)

There were no recognised gains and losses in 2001 or 2002 other than the loss for the year.
None of the Company's activities was acquired or discontinued during the above two financial periods.

NOTES TO THE ACCOUNTS

Accounting policies, where applicable, are disclosed in the following notes:

1. The financial statements have been drawn up to meet the reporting requirements of the Companies Act 1985, and have been prepared on bases consistent with previous periods and in accordance with applicable accounting standards. They have been prepared on the presumption that the business is being carried on as a going concern, and in this respect the Company relies on the continued financial support of its holding company.

2. Tangible fixed assets

	Motor Vehicles £
COST	
At 31st December, 2001	66,076
Additions	56,413
Disposals	(30,635)
At 31st December, 2002	91,854
DEPRECIATION	
At 31st December, 2001	50,291
Provided during year	18,485
Eliminated re disposals during year	(26,405)
At 31st December, 2002	42,371
NET BOOK VALUE	
At 31st December, 2001	15,785
At 31st December, 2002	49,483

Motor vehicles are depreciated on a straight-line basis over a period of not more than 3 years.

Moveable plant and scaffold, and equipment, fixtures and fittings are written off in the year of purchase on a renewals basis.

3. Stocks

	2001 £	2002 £
Materials and consumables at lower of cost and net realisable value	550	1,400
Long-term contract balances at net cost, less foreseeable losses and payments on account	36,105	115,184
	36,655	116,584

4. Debtors

Trade debtors	198,326	111,348
Corporation Tax recoverable – previous year	13,868	-
Corporation Tax recoverable - current year	35,591	48,889
Sundry debtors and prepayments	43,252	17,133
Amounts owed by group undertakings	180,149	54,849
	471,186	232,219

5. Creditors (due within one year)

Trade creditors	37,486	27,220
Amounts owed to group undertakings	1,206,000	1,183,000
Other taxes and social security	9,782	6,828
	1,253,268	1,217,048

6. Called up share capital

Authorised

10,000 ordinary shares of £1 each	10,000	10,000

Allotted, called up and fully paid

5,000 ordinary shares of £1 each	5,000	5,000

	2001 £	2002 £
7. Profit and loss account		
At beginning of year	(613,590)	(697,001)
Unappropriated loss for year	(83,411)	(112,075)
At end of year	(697,001)	(809,076)

8. Turnover

Turnover for the year represents applications to external customers for payment for work carried out, adjusted where necessary for any estimated net value of long-term contract balances.

9. Particulars of employees

The average number of persons employed by the Company (including directors) during the year was:-

	2001	2002
Manual	27	28
Administrative	7	7
	34	35

Their total remuneration was:-

	£	£
Wages and salaries	660,554	690,842
Social security costs	51,556	56,640
Other pension costs (Note 14)	6,604	2,184
	718,714	749,666

10. Interest payable

Interest payable to group undertakings	33,271	22,267

11. Loss on ordinary activities before taxation

	2001 £	2002 £
After charging:		
Hire of plant and machinery	66,358	89,951
Auditors' remuneration:		
Audit work	1,250	1,313
Non-audit work	1,250	1,187

12. Tax on loss on ordinary activities

U.K. corporation tax recoverable at 30% (2001: 30%) on results for the year	(35,592)	(48,889)
	(35,592)	(48,889)

13. Information regarding the director

Share interests:

The table below sets out the name of the person who was the director of the Company at 31st December, 2002, together with details, as recorded in the register of directors' interests, of his interests in shares of the Company and other undertakings in the group at that date and corresponding details at 31st December, 2001. The interests are beneficial unless indicated otherwise.

	S. J. Bagnall	
	2001	2002
Alfred Bagnall & Sons Limited	3,022	3,022
Alfred Bagnall & Sons Limited	3,765*	3,765*

* Interest as beneficiary of a discretionary settlement

Remuneration:

The director received no emoluments from the Company.

14. Pensions

There are in operation in the Group four pension schemes for staff and operatives. Two of the schemes, the Alfred Bagnall & Sons Ltd. Staff Pension & Life Assurance Scheme and the Alfred Bagnall & Sons Ltd. Supplementary Scheme, are defined benefit arrangements. The last full valuations of the schemes were carried out by a qualified independent actuary as at 28th February, 1999 and 28th February, 2001 respectively and updated on an approximate basis to 31st December, 2002.

The contributions to the main Staff Scheme made by the employer over the financial year have been the equivalent of 12½% of pensionable pay. The rate is to be increased to 15% for 2003, and 17.7% for 2004 subject to review following the triennial valuation of the schemes due at 28th February 2002 in respect of the Staff Scheme and 28th February 2004 in respect of the Supplementary Scheme. As the Staff Scheme is closed to new entrants, the current service cost as a percentage of pensionable payroll is likely to increase as the membership ages.

The transitional arrangements of the new accounting standard FRS17 require disclosure of assets and liabilities as at 31st December 2002 calculated in accordance with the requirements of FRS17. For the purpose of these financial statements, these figures are illustrative only and do not impact on the actual 31st December 2002 balance sheet.

The following Appendices cover the disclosure requirements of FRS 17:

Appendix 1

Alfred Bagnall & Sons Limited – FRS 17 disclosure at 31 December 2002
Disclosure content

The valuations used for FRS 17 disclosures have been based on the most recent valuations at 28th February 1999 and 28th February 2001 for the Main and Supplementary Schemes respectively and updated by Fairmount Trustees Services Limited to take account of the requirements of FRS 17 in order to assess the liabilities of the Schemes at 31st December 2002. The Schemes' assets are stated at their market value at 31st December 2002. The following assumptions were used to determine the value of the Schemes' liabilities.

	31.12.02 %	31.12.01 %
Discount rate	5.00	5.75
Inflation rate	2.50	2.75
Increase to deferred benefits during deferment	2.50	2.75
Increases to pensions in payment	2.50	2.75
Salary increases	3.50	5.25

The assets in the scheme and the expected rate of return were:

	Value at the year end		Long term rate of return at the year end	
	31.12..02 £000	31.12.01 £000	31.12.02 %	31.12.01 %
Equities	2,210	3,996	7.00	7.00
Bonds	2,032	2,151	5.25	5.25
Cash	1,953	1,537	4.50	4.50
Total market value of assets	6,195	7,684		
Present value of Scheme liabilities	(8,996)	(9,733)		
Surplus/(deficit) in Scheme	(2,801)	(2,049)		
Related deferred tax asset/(liability)	840	615		
Net pension asset/(liability) under FRS 17	(1,961)	(1,434)		

	31.12.02 £000	31.12.01 £000
Net assets/reserves		
Pension asset/(liability) under FRS 17	(1,961)	(1,434)

Analysis of the amount charged to operating profit

	31.12.02 £000
Current service cost	(367)
Past service cost	0
Total charged to operating profit	(367)

Analysis of the proforma charge to other finance costs

	31.12.02 £000
Expected return on Scheme assets	422
Interest on Scheme liabilities	(524)
Net charge to finance costs	(102)

Analysis of the proforma amount recognised in statement of total recognised gains and losses ('STRGL')

	31.12.02 £000
Difference between the expected and actual return on assets	(678)
Experience (gains) and losses arising on the Scheme liabilities	(76)
Changes in assumptions underlying the present value of the Scheme liabilities	92
Loss recognised in STRGL before adjustment for tax	(662)

Analysis of the movement of deficit in the Scheme during the year

	£000
Deficit in Scheme at start of year (excluding deferred tax asset)	(2,049)
Current service cost	(367)
Net (cost)/return on assets	(102)
Contributions paid (excluding Company special contribution)	279
Past service costs	0
Other financial charge (Company special contribution)	100
Actuarial loss	(662)
Deficit in Scheme at end of year (excluding deferred tax asset)	(2,801)

History of experience gains and losses

	£000
Difference between the expected and actual return on assets	(678)
Percentage of Scheme assets at end of year	11%
Experience gains and (losses) arising on Scheme liabilities	(76)
Percentage of Scheme liabilities at end of year	1%
Total amount recognised in STRGL	(662)
Percentage of Scheme liabilities at end of year	7%

Appendix 2

Alfred Bagnall & Sons Limited
FRS 17 disclosure at 31 December 2002
Assumptions used

Financial assumptions	
Discount rate	5.0%
Rate of increase in salaries	3.5%
Rate of increase to pensions in payment	
Non-increasing pensions	0.0%
Increasing pensions	2.5%
Inflation	2.5%
Expenses	Nil
Demographic assumptions	
Mortality	
Pre retirement	PA92 (C=2002)
Post retirement	PA92 (C=2002)
Early retirements	Nil
Proportions married	80% married
Age differences	Husbands 3 years older than wives

Appendix 3

Alfred Bagnall & Sons Limited
FRS 17 disclosure at 31 December 2002
Data used

Membership data	
Active members	81
Total pensionable salaries	£2,242,650 p.a.
Deferred members	61
Total deferred pension at retirement	£177,500 p.a.
Pensioner members (non insured)	0
Total current pensions in payment	£0 p.a.
Pensioner members (insured)	Not known
Total current pensions in payment	Not known
Asset data	
Market value of managed Scheme assets	£6,195,000
Market value of insurance policies	Not known

15. Holding company

Alfred Bagnall & Sons Ltd. incorporated in England is the Company's holding company.

16. Statement of director's responsibilities

Company law requires the director to prepare an annual report and financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the director is required to:-

1. Comply with applicable law and United Kingdom Accounting Standards.

2. Make judgements and estimates that are reasonable and prudent.

3. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ALFRED BAGNALL & SONS (MIDLANDS) LIMITED

We have audited the financial statements of Alfred Bagnall & Sons (Midlands) Limited for the year ended 31st December, 2002 set out on pages 2 to 11. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 4.

Respective responsibilities of the director and auditors

The director's responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Director's Responsibilities on page 11.

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 director's report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions with the Company is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the director's report. 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 director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31st December, 2002 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Simpson Bendig & Co.
Chartered Accountants

Registered Auditor

Bradford

11th June 2003