

Company Number 1718621

QUALITY BUILDING SERVICES LIMITED

REPORTS AND FINANCIAL STATEMENTS

31ST AUGUST 2003



QUALITY BUILDING SERVICES LIMITED
REPORTS AND FINANCIAL STATEMENTS
YEAR ENDED 31ST AUGUST 2003

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QUALITY BUILDING SERVICES LIMITED
THE DIRECTORS' REPORT
YEAR ENDED 31ST AUGUST 2003

The directors present their report and the audited financial statements of the company for the year ended 31st August 2003.

Principal activities and business review

The main activity of the company is unchanged and is principally that of specialist works, refurbishment and fit out contractors.

Measures taken to correct the poor performance in the previous financial year have been largely successful and, although the refurbishment and fit out market in which the company operates continues to be difficult, the directors are confident that the improvement in the company's performance will continue in 2003/04.

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

Directors

The directors who served the company during the year were as follows:

R M Kirkland
M S Sheldon
D Scorer

None of the directors had an interest in the share capital of the company at the beginning or end of the year. R M Kirkland and M S Sheldon are directors of the parent company, Bowmer & Kirkland Limited, and their interests in shares are disclosed in the accounts of that company.

Directors' responsibilities

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

- select suitable accounting policies, as described on page 6, 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; and
- *prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.*

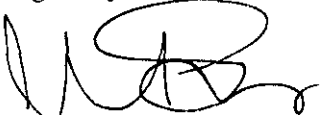
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

QUALITY BUILDING SERVICES LIMITED
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 31ST AUGUST 2003

Auditors

A resolution to re-appoint Lings as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed by order of the directors

A handwritten signature in black ink, appearing to be 'M S Sheldon', written over a horizontal line.

M S Sheldon
Company Secretary

Approved by the directors on 1st March 2004

QUALITY BUILDING SERVICES LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
YEAR ENDED 31ST AUGUST 2003

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 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 August 2003 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

LINC8
Chartered Accountants
& Registered Auditors

Provident House
51 Wardwick
Derby
DE1 1HN

1st March 2004

QUALITY BUILDING SERVICES LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31ST AUGUST 2003

	Note	2003 £	2002 £
Turnover	2	14,083,037	22,515,169
Cost of sales		(13,440,782)	(23,502,901)
Gross profit/(loss)		642,255	(987,732)
Administrative expenses		(750,285)	(1,769,324)
Operating loss	3	(108,030)	(2,757,056)
Interest receivable and similar income	6	–	8,400
Interest payable	7	(154,246)	(136,747)
Contribution receivable from another group company	8	–	2,598,404
Loss on ordinary activities before taxation		(262,276)	(286,999)
Tax on loss on ordinary activities	8	–	80,266
Loss on ordinary activities after taxation		(262,276)	(206,733)
Balance brought forward		305,509	512,242
Balance carried forward		43,233	305,509

All of the activities of the company are classed as continuing.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the results for the
year as set out above.

QUALITY BUILDING SERVICES LIMITED
BALANCE SHEET
31ST AUGUST 2003

	Note	2003 £	2002 £
Fixed assets			
Tangible assets	9	45,905	73,960
Current assets			
Debtors	10	6,253,270	6,302,919
Cash in hand		500	500
		6,253,770	6,303,419
Creditors: Amounts falling due within one year	11	(6,246,442)	(6,061,870)
Net current assets		7,328	241,549
Total assets less current liabilities		53,233	315,509
Capital and reserves			
Called-up equity share capital	15	10,000	10,000
Profit and loss account		43,233	305,509
Shareholders' funds (equity interests)	16	53,233	315,509

These financial statements were approved by the directors on 1st March 2004 and are signed on their behalf by:



 R M Kirkland



 M S Sheldon

QUALITY BUILDING SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST AUGUST 2003

1. Accounting policies

Basis of accounting

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

Related party transactions with group undertakings

The company has taken advantage of the exemption afforded by Financial Reporting Standard 8 not to disclose details of transactions or balances with other group undertakings.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

Turnover, which is net of value added tax, represents the value of work done in the year. Full provision is made for any losses which are foreseen.

Tangible fixed assets

Tangible fixed assets are stated at original cost less accumulated depreciation.

Depreciation is calculated to write down the cost or valuation, less estimated residual value, of all tangible fixed assets by equal annual instalments over their expected useful lives.

The period generally applicable is:

Office equipment	3-5	years
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Operating leases

Operating lease rentals are charged to the profit and loss account as incurred.

Pensions

The company contributes to the group defined benefit scheme. The regular pension cost is charged in the profit and loss account and is based on the expected pension costs over the service lives of the employees. Contributions to the pension plan are paid according to the advice of the scheme actuary.

Contributions payable for the year to the group defined contribution scheme are charged in the profit and loss account.

Contract work in progress

In accordance with the group accounting policy, amounts recoverable on contracts, which are included in debtors, are stated at cost less progress payments receivable plus an appropriate amount of profit in the case of long term contracts.

Provisions are made for contingencies and losses incurred or anticipated in bringing contracts to completion.

For contracts where progress payments exceed the book value of work done, the excess is included in creditors as payments on account.

QUALITY BUILDING SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST AUGUST 2003

2. Turnover

The turnover and loss before tax are attributable to the one principal activity of the company.

Turnover is confined to the United Kingdom.

3. Operating loss

Operating loss is stated after charging:

	2003	2002
	£	£
Depreciation of owned fixed assets	37,989	41,237
Auditors' remuneration	10,296	10,000
Operating lease costs:		
Property	90,000	28,320
Plant	129,912	342,876
	<u> </u>	<u> </u>

4. Particulars of employees

The average number of persons employed by the company during the financial year, including the directors, amounted to 35 (2002 - 50).

The aggregate payroll costs of the above were:

	2003	2002
	£	£
Wages and salaries	1,166,423	1,550,394
Social security costs	99,122	121,227
Other pension costs	78,604	71,202
	<u>1,344,149</u>	<u>1,742,823</u>

5. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2003	2002
	£	£
Emoluments receivable	<u>—</u>	<u>58,282</u>

The number of directors who are accruing benefits under company pension schemes was as follows:

	2003	2002
	Number	Number
Group defined benefit scheme	<u>1</u>	<u>1</u>

QUALITY BUILDING SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST AUGUST 2003

6. Interest receivable and similar income

	2003 £	2002 £
Other similar income receivable	—	8,400

7. Interest payable

	2003 £	2002 £
Interest payable on bank borrowing	154,246	133,831
Other similar charges payable	—	2,916
	<u>154,246</u>	<u>136,747</u>

8. Tax on loss on ordinary activities

(a) Analysis of charge in the year

	2003 £	2002 £
Current tax:		
UK Corporation tax based on the results for the year	—	(80,266)
Total current tax	<u>—</u>	<u>(80,266)</u>

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2002 - 30%).

	2003 £	2002 £
Loss on ordinary activities before taxation	<u>(262,276)</u>	<u>(2,885,403)</u>
Loss on ordinary activities by rate of tax	(78,683)	(86,100)
Expenses not deductible for tax purposes	650	2,183
Capital allowances less than depreciation	4,112	3,651
Utilisation of tax losses by other group members	<u>73,921</u>	<u>—</u>
Total current tax (note 8(a))	<u>—</u>	<u>(80,266)</u>

QUALITY BUILDING SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST AUGUST 2003

9. Tangible fixed assets

	Office Equipment £
Cost	
At 1st September 2002	209,490
Additions	9,934
At 31st August 2003	<u>219,424</u>
Depreciation	
At 1st September 2002	135,530
Charge for the year	37,989
At 31st August 2003	<u>173,519</u>
Net book value	
At 31st August 2003	<u>45,905</u>
At 31st August 2002	<u>73,960</u>

10. Debtors

	2003 £	2002 £
Trade debtors	2,249,992	2,240,509
Amounts owed by group undertakings	3,402,728	2,034,433
Corporation tax repayable	80,266	80,266
Amounts recoverable on contracts	510,176	1,800,545
Other debtors	700	134,144
Prepayments and accrued income	9,408	13,022
	<u>6,253,270</u>	<u>6,302,919</u>

11. Creditors: Amounts falling due within one year

	2003 £	2002 £
Bank overdraft (secured)	2,452,457	1,732,799
Payments received on account	595,702	1,432,306
Trade creditors	2,782,249	2,768,329
Amounts owed to group undertakings	225,956	78,725
Other taxes and social security	176,260	35,202
Accruals and deferred income	13,818	14,509
	<u>6,246,442</u>	<u>6,061,870</u>

QUALITY BUILDING SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST AUGUST 2003

12. Pensions

	2003 £	2002 £
Contributions to defined benefit pension scheme	73,364	67,737
Contributions to defined contribution pension scheme	5,240	3,465
	<u>78,604</u>	<u>71,202</u>

The company pays contributions to The Bowmer & Kirkland Group Pension and Life Assurance Scheme which is a funded defined benefit pension scheme. It is not possible to identify the company's share of the underlying assets and liabilities of the scheme and therefore disclosures required under Statement of Standard Accounting Practice 24 and Financial Reporting Standard 17 are given in the accounts of the parent company, Bowmer and Kirkland Limited.

The company also contributes to a group defined contribution pension scheme.

13. Commitments under operating leases

At 31st August 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings 2003 £	2002 £
Operating leases which expire:		
After more than five years	<u>—</u>	<u>56,640</u>

14. Contingencies

The group operates a pooled facility at its bank. Although overall there were no bank borrowings under the facility at 31st August 2003, certain subsidiaries had an overdraft.

Unlimited multilateral bank guarantees have been given by Bowmer & Kirkland Limited, the company and certain other subsidiary companies to secure these overdrafts.

At 31st August 2003 the company, together with its parent undertaking and other subsidiary undertakings, had given guarantees in respect of contract related performance bonds arising in the normal course of business of the company and the group.

15. Share capital**Authorised share capital:**

	2003 £	2002 £
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

Allotted, called up and fully paid:

	2003 Number	£	2002 Number	£
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

QUALITY BUILDING SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST AUGUST 2003

16. Reconciliation of movements in shareholders' funds

	2003	2002
	£	£
Loss for the financial year	(262,276)	(206,733)
Opening shareholders' equity funds	315,509	522,242
Closing shareholders' equity funds	<u>53,233</u>	<u>315,509</u>

17. Ultimate parent company

The company is a wholly owned subsidiary of Bowmer & Kirkland Limited. The directors regard Bowmer & Kirkland Limited as the ultimate parent company.