Deborah Services Limited

Annual report

for the year ended 30 September 2002

Registered Number 4013621



Deborah Services Limited

Annual report
for the year ended 30 September 2002

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Deborah Services Limited

Directors and advisers

Directors

C Neate
J H Neal
P Kidd

Secretary and registered office

J H Neal
10 South Parade
Wakefield
West Yorkshire
WF1 1LS

Auditors

PricewaterhouseCoopers
Queen Victoria House
PO Box 88
Guildhall Road
Hull
HU1 1HH

Bankers

Lloyds TSB Bank plc
Business & Commercial Service Centre
6/7 Park Row
Leeds
LS1 1NX

Solicitors

Gosschalks
Queen's Gardens
Hull
HU1 3DZ

Deborah Services Limited

Directors' report for the year ended 30 September 2002

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

Principal activities
The company is engaged in multi-discipline contracting including scaffolding, insulation, asbestos removal, protective coating and passive fire protection. It is also involved in the hire and sales of non-mechanical access and building equipment.

Review of business
During October and November 2001 the company purchased certain business and assets of BB&EA Limited from the joint administrative receivers of that company. This business has been successfully integrated into the company's hire and sales division, and given the company increased market share in that particular sector.

The company has more than 50 depots strategically located and continues to be the largest independent contractor of its type in the UK.

The profit and loss account for the period is set out on page 5. Both the level of business and the period end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

A dividend of £150,000 (£2.00 per share) has been recommended by the directors.

Directors
The directors who held office during the period are given below:

C Neate
J H Neal
P Kidd

Messrs C Neate, J H Neal and P Kidd each hold 25,000 ordinary shares of £1 each in the company.

Statement of directors' responsibilities
Company law requires the directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 September 2002 and that applicable accounting standards have been followed.

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

Employment of disabled persons

The company's policy is to support the employment of disabled persons where suitable jobs are available, to retain wherever possible those who become disabled during their employment and to assist with the training and career development of disabled persons.

Employee involvement

The company operates consultative committees at which employees are provided with information on matters of concern to them. A briefing system is also used to inform employees of matters which affect them directly in their own place of work. All employees are informed of developments via an intranet system.

Charitable and political contributions

The contributions made by the group during the period for charitable purposes were £1,050. There were no political contributions.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board

J H Neal
Company secretary
23 December 2002

Deborah Services Limited

Independent auditors' report to the members of Deborah Services Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the accounting policies and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion
In our opinion the financial statements give a true and fair view of the state of the group and the company's affairs at 30 September 2002, and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Hull
23 December 2002

Deborah Services Limited

Consolidated profit and loss account for the period ended 30 September 2002

	Note	2002	2001 (54 weeks)
		£'000	£'000
Turnover	1	**48,453**	47,745
Cost of sales		**(37,369)**	(37,260)
Gross profit		**11,084**	10,485
Administrative expenses before goodwill amortisation		**(9,666)**	(9,886)
Goodwill amortisation		**2,026**	2,026
Total administrative expenses		**(7,640)**	(7,860)
Operating profit	2	**3,444**	2,625
Interest payable and similar charges	5	**(185)**	(324)
Profit on ordinary activities before taxation		**3,259**	2,301
Taxation	6	**(487)**	(733)
Profit after taxation		**2,772**	1,568
Dividends	7	**(150)**	(75)
Retained profit for the financial period	17	**2,622**	1,493

All of the company's activities related to continuing operations.

The company has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above and their historical cost equivalents.

Deborah Services Limited

Consolidated balance sheet as at 30 September 2002

	Note	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Fixed assets					
Tangible assets	8		**9,500**		8,678
Intangible assets - negative goodwill	10		**(6,077)**		(8,103)
			3,423		575
Current assets					
Stock	11	**1,498**		650	
Debtors	12	**12,636**		11,329	
Cash at bank and in hand		**28**		21	
		14,162		12,000	
Creditors: amounts falling due within one year	13	**(13,285)**		(10,493)	
Net current assets			**877**		1,507
Total assets less current liabilities			**4,300**		2,082
Creditors : amounts falling due after more than one year	14		**(42)**		(344)
Provisions for liabilities and charges	15		**(68)**		(170)
Net assets			**4,190**		1,568
Capital and reserves					
Called up share capital	16		**75**		75
Profit and loss account	17		**4,115**		1,493
Total shareholders' funds – equity	18		**4,190**		1,568

The financial statements on pages 5 to 21 were approved by the board of directors on 23 December 2002 and were signed on its behalf by:

J H Neal
Director

Deborah Services Limited

Company balance sheet as at 30 September 2002

	Note	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Fixed assets					
Tangible assets	8		**9,478**		8,655
Intangible assets - negative goodwill	10		**(6,077)**		(8,103)
			3,401		552
Current assets					
Stock	11	**1,498**		650	
Debtors	12	**12,472**		11,137	
Cash at bank and in hand		**14**		11	
		13,984		11,798	
Creditors: amounts falling due within one year	13	**(13,134)**		(10,278)	
Net current assets			**850**		1,520
Total assets less current liabilities			**4,251**		2,072
Creditors : amounts falling due after more than one year	14		**(42)**		(344)
Provisions for liabilities and charges	15		**(68)**		(170)
Net assets			**4,141**		1,558
Capital and reserves					
Called up share capital	16		**75**		75
Profit and loss account	17		**4,066**		1,483
Total shareholders' funds – equity	18		**4,141**		1,558

The financial statements on pages 5 to 21 were approved by the board of directors on 23 December 2002 and were signed on its behalf by:

J H Neal
Director

Deborah Services Limited

Consolidated Cash flow statement for the year ended 30 September 2002

	Note	2002	2001 (54 weeks)
		£'000	£'000
Net cash inflow operating activities	20	**4,245**	5,164
Returns on investment and servicing of finance	21	**(185)**	(324)
Taxation		**(1,117)**	(10)
Capital expenditure and financial investment	22	**(2,893)**	(1,341)
Acquisitions and disposals	23	**-**	(5,814)
Equity dividends paid		**(75)**	-
Cash flow before financing		**(25)**	(2,325)
Financing	24	**(429)**	(384)
Movement in cash, overdraft and trade debtor financing during the period		**(454)**	(2,709)

Deborah Services Limited

Accounting policies

Principal accounting policies
These financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the principal accounting policies is set out below.

Basis of accounting
The financial statements are prepared under the historical cost convention.

Basis of consolidation
The group financial statements consolidate the financial statements of the company and its subsidiary undertakings. Intra-group profits are eliminated on consolidation. Profits and losses of companies entering or leaving the group are included from the date of acquisition or up to the date of disposal.

Negative goodwill
Negative goodwill which represents the excess of the fair value of the identifiable net assets acquired over the consideration paid, is recognised in the balance sheet as an intangible asset and amortised through the profit and loss account over its useful economic life of the underlying assets that it was deemed to arise from which is estimated to be 5 years.

Tangible fixed assets
Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation of tangible fixed assets other than service equipment is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over their expected useful economic lives.

The principal annual rates used for this purpose are:

	Annual rate
Freehold buildings	50 years
Plant and machinery	5 years
Motor Vehicles	3 – 6 years
Furniture, fittings and office equipment	3 years

Service equipment is depreciated on a reducing balance basis at a rate of between 10% and 100% per annum.

Finance and operating leases
Leasing agreements and hire purchase contracts which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset has been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases and hire purchase contracts. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at the end of each accounting period. Assets held under finance leases and hire purchase contracts are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets. Costs in respect of operating leases are charged on a straight line basis over the lease term.

Stocks
Stocks are stated at the lower of replacement cost and net realisable value. Net realisable value is the price at which the stock can be sold in the normal course of business after allowing for the costs of realisation. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Turnover
Turnover, which excludes value added tax and trade discounts, represents the value of goods supplied.

Deferred taxation
Deferred taxation is provided in respect of the taxation effect of all identified timing differences. Deferred tax assets that arise as a result of timing differences are recognised when their future recovery is assessed as being more likely than not. Deferred tax assets and liabilities are not subject to discounting.

Investments in subsidiaries and associated undertakings
Investments in subsidiary and associated undertakings are stated at cost. Provision against the underlying value of the investments is made where in the opinion of the directors there is an impairment in the value of the underlying business.

Pensions
Contributions to the individual personal pension schemes of each employee are charged to the profit and loss account as incurred.

Notes to the financial statements for the year ended 30 September 2002

1 Segmental reporting

The company's activities relate solely to the principal activities which are carried out in the United Kingdom and Thailand.

2 Operating profit

	2002 £'000	2001 (54 weeks) £'000
Operating profit is stated after (crediting)/charging:		
Depreciation of tangible fixed assets		
- owned assets	**1,761**	2,542
- leased assets	**310**	436
Amortisation of negative goodwill	**(2,026)**	(2,026)
(Gain) / Loss on disposal of tangible fixed assets	**(67)**	4
Auditors' remuneration for:		
- Audit	**34**	35
- Other services	**9**	8
Operating lease charges on:		
- Plant and machinery	**188**	123
- Other	**902**	765
Exceptional bad debt write offs	**153**	187
Funds received in respect of discontinued overseas operations	**(166)**	-
Reversal of provision for inter group balance	**(243)**	-

3 Employees

The average monthly number of persons (including executive directors) employed by the company during the year was:

By division:	2002 Number	2001 Number
Contracts	**503**	497
Hire and Sales	**188**	162
Multi-Discipline	**355**	389
Overseas	**70**	63
Administration	**56**	62
	1,172	1,173

	2002 £'000	2001 (54 weeks) £'000
Wages and salaries	**25,263**	25,419
Social security costs	**1,847**	2,148
Pension costs	**205**	203
	27,315	27,770

4 Directors' emoluments

	2002 £'000	2001 (54 weeks) £'000
Aggregate emoluments (including benefits in kind and annual incentive payments)	**407**	391

Aggregate emoluments disclosed above include amounts paid to the highest paid director as follows:

	2002 £'000	2001 (54 weeks) £'000
Aggregate emoluments	**137**	131
Aggregate emoluments include £19,115 in respect of company contributions to a money purchase pension scheme		

5 Interest payable and similar items

	2002 £'000	2001 (54 weeks) £'000
Bank loans and overdrafts	**155**	257
Finance leases	**30**	67
	185	324

6 Taxation

(1) Analysis of tax charge for the year

	2002 £'000	2001 (54 weeks) £'000
United Kingdom corporation tax at 30%		
Current taxation	**404**	733
Deferred taxation (note 15)	**48**	-
	452	733
Adjustment for prior years		
Corporation tax	**35**	-
	487	733

(2) Factors affecting the tax charge for the year

	2002 £'000	2001 (54 weeks) £'000
Profit on ordinary activities before taxation	**3,259**	2,301
Expected taxation charge at 30%	**978**	690
Expenses not deductible for tax	**40**	42
Depreciation in excess of capital allowances	**112**	612
Overseas profit not taxable	**(12)**	(3)
Sundry income not taxable	**(106)**	-
Goodwill amortisation not taxable	**(608)**	(608)
	404	733

7 Dividends

	2002 £'000	2001 (54 weeks) £'000
Proposed - £2 per share (2001: £1 per share)	**150**	75

8 Tangible fixed assets

Group

	Service equipment £'000	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Furniture, fittings and office equipment £'000	Total £'000
Cost						
At 30 September 2001	8,672	116	207	2,537	281	11,813
Additions	2,934	324	20	639	304	4,221
Disposals/transfers to working capital	(1,280)	-	-	(385)	(5)	(1,670)
At 30 September 2002	**10,326**	**440**	**227**	**2,791**	**580**	**14,364**
Depreciation						
At 30 September 2001	1,814	-	108	1,072	141	3,135
Charge for the period	1,120	13	69	741	128	2,071
Charge on disposals	-	-	-	(337)	(5)	(342)
At 30 September 2002	**2,934**	**13**	**177**	**1,476**	**264**	**4,864**
Net book amount						
At 30 September 2002	**7,392**	**427**	**50**	**1,315**	**316**	**9,500**
At 30 September 2001	6,858	116	99	1,465	140	8,678

The net book value of tangible fixed assets includes £55,677 (2001 £390,025) in respect of assets held under finance leases.

Company

	Service equipment £'000	Land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Furniture, fittings and office equipment £'000	Total £'000
Cost						
At 30 September 2001	8,570	116	161	2,498	273	11,618
Additions	2,934	324	14	639	303	4,214
Disposals/transfers to working capital	(1,280)	-	-	(385)	(5)	(1,670)
At 30 September 2002	***10,224***	***440***	***175***	***2,752***	***571***	***14,162***
Depreciation						
At 30 September 2001	1,718	-	66	1,044	135	2,963
Charge for the period	1,117	13	68	738	127	2,063
Charge on disposals	-	-	-	(337)	(5)	(342)
At 30 September 2002	**2,835**	**13**	**134**	**1,445**	**257**	**4,684**
Net book amount						
At 30 September 2002	**7,389**	**427**	**41**	**1,307**	**314**	**9,478**
At 30 September 2001	6,852	116	95	1,454	138	8,655

The net book value of tangible fixed assets includes £55,677 (2001 £390,025) in respect of assets held under finance leases.

9 Investments

	Associated undertakings £'000	Shares in subsidiaries £'000	Total £'000
At 30 September 2001 and 2002	-	-	-

	Nature of business	Holding	County of registration
Details of the principal subsidiary and associated undertaking are:			
Deborah Services (Thailand) Limited	Scaffolding, insulation and protective coatings	100%	Thailand
Haji Adinin Deborah Services Sdn Bhd (dormant)	Scaffolding and protective coatings	50%	Brunei

10 Intangible assets

	Group and Company 2002 £'000
Negative goodwill	
Cost	
At 30 September 2001 and 2002	**10,129**
Amortisation	
At 30 September 2001	2,026
Credit for the year	*2,026*
At 30 September 2002	**4,052**
Net book amount	
At 30 September 2002	**6,077**
At 30 September 2001	8,103

11 Stocks

	Group and Company 2002 £'000	Group and Company 2001 £'000
Raw materials and consumables	**87**	82
Finished goods and goods for resale	**1,411**	568
	1,498	650

12 Debtors

	Group 2002 £'000	Company 2002 £'000	Group 2001 £'000	Company 2001 £'000
Amounts falling due within one year				
Trade debtors	**11,118**	**11,039**	10,546	10,447
Prepayments and accrued income	**1,518**	**1,433**	783	690
	12,636	**12,472**	11,329	11,137

13 Creditors – Amounts falling due within one year

	Group 2002 £'000	Company 2002 £'000	Group 2001 £'000	Company 2001 £'000
Bank overdraft	359	359	-	-
Trade debtor financing	2,832	2,832	2,730	2,730
Obligations under hire purchase contracts	222	222	349	349
Trade creditors	4,484	4,482	2,708	2,672
Corporation tax	45	45	723	723
Other taxation and social security	1,539	1,533	1,755	1,748
Accruals and deferred income	3,654	3,511	2,153	1,981
Proposed dividend	150	150	75	75
	13,285	13,134	10,493	10,278

14 Creditors – Amounts falling due after more than one year

	Group 2002 £'000	Company 2002 £'000	Group 2001 £'000	Company 2001 £'000
Obligations under hire purchase contracts	42	42	344	344

Hire purchase contracts

The net obligations under hire purchase contracts falling due after one year to which the company is committed are:

	Group 2002 £'000	Company 2002 £'000	Group 2001 £'000	Company 2001 £'000
Between one and two years	40	40	292	292
Between two and five years	2	2	49	49
After five years	-	-	3	3
	42	42	344	344

15 Provisions for liabilities and charges

Group and Company	Deferred taxation £'000	Demobilisation provision £'000	Total £'000
At 30 September 2001	-	170	170
Expenditure	-	(5)	(5)
Profit and loss account	48	(145)	(97)
At 30 September 2002	**48**	**20**	**68**

The demobilisation provision relates to the costs of closing the associated undertaking in Brunei.

The deferred tax (asset)/liability may be analysed as follows:

	2002 £'000	2001 £'000
Accelerated capital allowances	**127**	-
Short term timing differences	**(79)**	-
	48	-

Full provision has been made for deferred taxation.

16 Called up share capital

	Group 2002 £'000	Company 2002 £'000	Group 2001 £'000	Company 2001 £'000
Authorised				
Ordinary shares of £1 each	**100**	**100**	100	100
Allotted, called up and fully paid:				
75,000 ordinary shares of £1 each	**75**	**75**	75	75

The ordinary shares in issue carry equal rights to dividends, equal voting rights and would rank equally on winding up.

17 Reserves

Profit and loss account	Group £'000	Company £'000
At 30 September 2001	1,493	1,483
Retained profit for the period	2,622	2,583
At 30 September 2002	**4,115**	**4,066**

18 Reconciliation of movements in equity shareholders' funds

	Group 2002 £'000	Company 2002 £'000	Group 2001 £'000	Company 2001 £'000
Profit for the financial period	**2,772**	**2,733**	1,568	1,558
Dividend	**(150)**	**(150)**	(75)	(75)
Retained profit for financial period	**2,622**	**2,583**	1,493	1,483
Issue of share capital	-	-	75	75
Net increase in equity shareholders' funds	**2,622**	**2,583**	1,568	1,558
Opening equity shareholders funds	1,568	1,558	-	-
Closing equity shareholders' funds	**4,190**	**4,141**	1,568	1,558

19 Capital commitments

There were no capital commitments at 30 September 2002.

20 Reconciliation of operating profit to net cash flow from operating activities

	Group 2002 £'000	Group 2001 £'000
Operating profit	**3,444**	2,625
Amortisation of goodwill	**(2,026)**	(2,026)
Depreciation	**2,071**	2,978
(Increase) in stocks	**(848)**	(13)
(Increase) / Decrease in debtors	**(1,307)**	319
Increase in creditors	**2,911**	1,281
Net cash inflow from operating activities	**4,245**	5,164

21 Returns on investments and servicing of finance

	Group 2002 £'000	Group 2001 £'000
Interest paid	**(155)**	(257)
Interest element of finance lease payments	**(30)**	(67)
	(185)	(324)

22 Capital expenditure and financial investment

	Group 2002 £'000	Group 2001 £'000
Purchase of tangible fixed assets	**(4,221)**	(2,102)
Disposal/transfer to working capital of tangible fixed assets	**1,328**	761
	(2,893)	(1,341)

23 Acquisitions and disposals

	Group 2002 £'000	Group 2001 £'000
Cash balance of business acquired	-	12
Consideration paid in respect of business acquired	-	(5,348)
Acquisition expenses	-	(478)
	-	(5,814)

24 Financing

	Group 2002 £'000	Group 2001 £'000
Issue of ordinary share capital	-	75
Capital element of finance leases	**(429)**	(459)
	(429)	(384)

25 Analysis of net debt

	At 30 September 2001 £'000	Cash flow £'000	At 30 September 2002 £'000
Cash at bank and in hand	21	7	**28**
Bank overdraft	-	(359)	**(359)**
Trade debtor financing	(2,730)	(102)	**(2,832)**
Finance leases	(693)	429	**(264)**
Total	**(3,402)**	**(25)**	**(3,427)**

26 Financial commitments

At 30 September 2002 the group had commitments, during the next year, under non-cancellable operating leases expiring as follows:

	Land and buildings 2002 £'000	Other 2002 £'000	Total 2002 £'000
Expiring within one year	**93**	**-**	**93**
Expiring between two and five years	**496**	**739**	**1,235**
Expiring in more than five years	**14**	**-**	**14**

27 Ultimate controlling party

The company is controlled equally by C Neate, J H Neal and P Kidd.