



THOMAS MENZIES (BUILDERS) LIMITED
FINANCIAL STATEMENTS
FOR
31ST JULY 2002

Company Registration Number SC019971

FRENCH DUNCAN
Chartered Accountants & Registered Auditor
375 West George Street
Glasgow
G2 4LW

THOMAS MENZIES (BUILDERS) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

THE BOARD OF DIRECTORS

J.M. Smart
A.D. McClure

COMPANY SECRETARY

A.D. McClure

REGISTERED OFFICE

Hayfield Place
Hayfield Industrial Estate
Kirkcaldy

AUDITOR

French Duncan
Chartered Accountants
& Registered Auditor
375 West George Street
Glasgow
G2 4LW

BANKERS

Bank of Scotland plc
Carberry Road
Mitchelston
Kirkcaldy
Fife KY1 3PA

Bank of Scotland plc
38 St. Andrew Square
Edinburgh
EH2 2YR

SOLICITORS

Russel & Aitken
27 Rutland Square
Edinburgh
EH1 2BU

Bell & Scott
16 Hill Street
Edinburgh
EH2 3LD

THOMAS MENZIES (BUILDERS) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31ST JULY 2002

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st July 2002.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company's principal activity during the year was the preparation of building sites and the construction of roads and sewers.

Turnover as adjusted for the movement in work in progress increased by 60% to £2,994,768 during the year. The company made a loss on ordinary activities before tax of £139,438 as compared to £206,686 in the previous year.

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.

The trading loss for the year, after taxation, amounted to £98,796 (2001 - £146,549).

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

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

J.M. Smart
A.D. McClure

The company is a wholly owned subsidiary and the interests of Group Directors are disclosed in the accounts of the parent company.

RETIREMENT OF DIRECTORS

In accordance with the Articles of Association, Mr. A.D. McClure will retire from the board and, being eligible, will stand for reappointment.

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 pages 7 and 8, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 and applicable accounting standards. 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.

THOMAS MENZIES (BUILDERS) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31ST JULY 2002

AUDITORS

A resolution to re-appoint French Duncan as Auditor for the ensuing year will be proposed at the Annual General Meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
Hayfield Place
Hayfield Industrial Estate
Kirkcaldy

Signed by order of the directors



A.D. McCLURE
Company Secretary

Approved by the directors on 19th November 2002

THOMAS MENZIES (BUILDERS) LIMITED**AUDITORS' REPORT TO THE SHAREHOLDERS****YEAR ENDED 31ST JULY 2002**

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 8.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

The directors' 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 Directors' Responsibilities on page 2.

Our responsibility, as independent auditors, 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. 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 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 July 2002 and of the loss of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



375 West George Street
Glasgow
G2 4LW

FRENCH DUNCAN
Chartered Accountants
& Registered Auditor

19th November 2002

THOMAS MENZIES (BUILDERS) LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 31ST JULY 2002**

	Note	2002 £	2001 £
TURNOVER	2	2,994,768	1,866,211
Other operating income	3	(9,000)	(9,740)
		(3,003,768)	(1,875,951)
OPERATING COSTS:			
Raw materials and consumables		1,176,872	721,868
Staff costs	4	1,173,879	891,612
Depreciation written off fixed assets		120,362	118,702
Other operating charges		672,093	350,459
OPERATING LOSS	5	(139,438)	(206,690)
Interest receivable		—	4
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(139,438)	(206,686)
Tax on loss on ordinary activities	6	(40,642)	(60,137)
LOSS FOR THE FINANCIAL YEAR		(98,796)	(146,549)

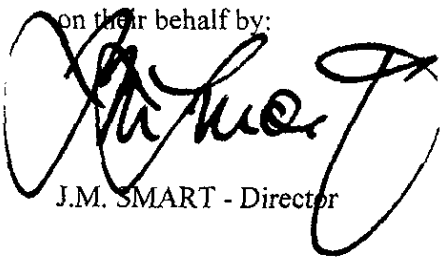
The company has no recognised gains or losses other than the results for the year as set out above.

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

THOMAS MENZIES (BUILDERS) LIMITED**BALANCE SHEET****31ST JULY 2002**

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	7	342,032	332,280
CURRENT ASSETS			
Stocks	8	72,467	21,102
Debtors	9	678,260	454,844
Cash at bank and in hand		490,486	746,244
		<u>1,241,213</u>	<u>1,222,190</u>
CREDITORS: Amounts falling due within one year	10	<u>365,725</u>	<u>240,180</u>
NET CURRENT ASSETS		<u>875,488</u>	<u>982,010</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,217,520</u>	<u>1,314,290</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	12	7,690	5,664
		<u>1,209,830</u>	<u>1,308,626</u>
CAPITAL AND RESERVES			
Called-up equity share capital	13	4,900	4,900
Profit and Loss Account	14	1,204,930	1,303,726
SHAREHOLDERS' FUNDS	15	<u>1,209,830</u>	<u>1,308,626</u>

These financial statements were approved by the directors on the 19th November 2002 and are signed on their behalf by:



J.M. SMART - Director



A.D. McCLURE - Director

THOMAS MENZIES (BUILDERS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST JULY 2002

1. ACCOUNTING POLICIES

Basis of accounting

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

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 cashflow statement.

Turnover

Turnover which is stated net of value added tax, represents the invoiced value of goods sold, except in the case of long-term contracts where turnover represents the sales value of work done in the year.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold buildings	- over 40 years
Plant, machinery and fittings	- 15% to 33 1/3% reducing balance
Motor vehicles	- 33 1/3% reducing balance

Stocks

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less anticipated disposal costs.

Work in progress

Work in progress other than long term contract work in progress is valued at the lower of cost or net realisable value. Cost comprises direct materials on a first-in first-out basis and direct labour plus attributable overheads where appropriate. Net realisable value is based on estimated selling price less anticipated disposal costs.

Operating lease agreements

Rentals payable under operating leases are charged to profit and loss account on the straight line basis over the lease term.

Pension costs

The Company has a pension scheme designed to provide retirement benefits based upon final salaries for certain employees. The costs of these benefits arising from current service, which is determined by actuarial valuation using the projected unit credit method is charged against profits as the service arises.

THOMAS MENZIES (BUILDERS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST JULY 2002

1. ACCOUNTING POLICIES *(continued)*

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that they are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable. Deferred tax balances are not discounted. Deferred tax assets are only recognised where it is reasonably certain that the asset will be recoverable in the foreseeable future.

Long-term contracts

Amounts recoverable on contracts which are include in debtors, are stated at cost as defined above under "work in progress", plus attributable profit to the extent that this is reasonably certain after making provision for maintenance costs, less any losses incurred or foreseen in bringing contracts to completion, and less amounts received as progress payments.

2. TURNOVER

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

Profits on long-term contracts are calculated in accordance with standard accounting practice and do not relate directly to turnover. Profit on current contracts is only taken at a stage near enough to completion for that profit to be reasonably certain after making provision for contingencies, whilst provision is made for all losses incurred to the accounting date together with any further losses that are foreseen in bringing contracts to completion.

3. OTHER OPERATING INCOME

	2002	2001
	£	£
Rent receivable	-	740
Advertising income	9,000	9,000
	<u>9,000</u>	<u>9,740</u>

THOMAS MENZIES (BUILDERS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31ST JULY 2002****4. PARTICULARS OF EMPLOYEES**

The average number of staff employed by the company during the financial year amounted to:

	2002	2001
	No.	No.
Construction and related service	52	40
Office and management	3	3
	<u>55</u>	<u>43</u>

The aggregate payroll costs of the above were:

	2002	2001
	£	£
Wages and salaries	1,017,211	772,760
Social security costs	82,676	66,361
Staff pension contributions	72,972	51,471
Other pension costs	1,020	1,020
	<u>1,173,879</u>	<u>891,612</u>

5. OPERATING LOSS

Operating loss is stated after charging:

	2002	2001
	£	£
Directors' emoluments	—	—
Depreciation	120,362	118,702
Auditors' remuneration		
- as auditors	<u>10,255</u>	<u>10,315</u>

6. TAX ON LOSS ON ORDINARY ACTIVITIES**UK Corporation Tax**

	2002	2001
	£	£
Current tax on income for the period	(42,505)	(58,411)
Adjustment in respect of previous periods	(163)	(6,710)
	<u>(42,668)</u>	<u>(65,121)</u>
Deferred taxation	2,026	4,984
	<u>(40,642)</u>	<u>(60,137)</u>

THOMAS MENZIES (BUILDERS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST JULY 2002

6. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

Current Tax Reconciliation

	2002 £	2001 £
Profit on ordinary activities before tax	(139,438)	(206,686)
Current tax at 30%	(41,831)	(62,006)
Effects of:		
Expenses not deductible for tax purposes	(747)	747
Capital allowances for period in excess of depreciation	2,099	3,173
Other timing differences	(2,026)	(325)
Adjustments to tax charge in respect of prior periods	(163)	(6,710)
	<u>(42,668)</u>	<u>(65,121)</u>

7. TANGIBLE FIXED ASSETS

	Freehold Property £	Plant & Machinery £	Motor Vehicles £	Total £
COST				
At 1st August 2001	123,997	747,930	358,735	1,230,662
Additions	–	117,392	15,733	133,125
Disposals	–	(50,566)	(118,791)	(169,357)
Transfers	–	–	32,792	32,792
At 31st July 2002	<u>123,997</u>	<u>814,756</u>	<u>288,469</u>	<u>1,227,222</u>
DEPRECIATION				
At 1st August 2001	45,830	573,484	279,068	898,382
Charge for the year	2,495	87,070	30,797	120,362
On disposals	–	(50,561)	(113,088)	(163,649)
Transfer	–	–	30,095	30,095
At 31st July 2002	<u>48,325</u>	<u>609,993</u>	<u>226,872</u>	<u>885,190</u>
NET BOOK VALUE				
At 31st July 2002	<u>75,672</u>	<u>204,763</u>	<u>61,597</u>	<u>342,032</u>
At 31st July 2001	<u>78,167</u>	<u>174,446</u>	<u>79,667</u>	<u>332,280</u>

8. STOCKS

	2002 £	2001 £
Raw materials	27,746	18,301
Work in progress	44,721	2,801
	<u>72,467</u>	<u>21,102</u>

THOMAS MENZIES (BUILDERS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST JULY 2002

9. DEBTORS

	2002	2001
	£	£
Trade debtors	290,394	163,968
Amounts owed by group undertakings	141,565	23
Corporation tax repayable	42,505	58,411
VAT recoverable	—	17,084
Amounts recoverable on contracts	147,719	189,451
Other debtors	26,868	3,276
Prepayments and accrued income	29,209	22,631
	<u>678,260</u>	<u>454,844</u>

10. CREDITORS: Amounts falling due within one year

	2002	2001
	£	£
Trade creditors	129,465	104,102
Amounts owed to group undertakings	—	16,889
Other creditors including taxation and social security:		
PAYE and social security	30,866	27,578
VAT	4,032	—
	<u>34,898</u>	<u>27,578</u>
Accruals and deferred income	201,362	91,611
	<u>365,725</u>	<u>240,180</u>

The bank has been granted guarantees and letters of offset by each member of the Group in favour of the bank on account of all other members of the Group as a continuing security for all moneys, obligations and liabilities owing or incurred to the bank.

The company has in the normal course of business entered into counter-indemnities in respect of performance bonds relating to its contracts.

11. PENSIONS

The Company and its employees contribute to a group defined benefit scheme.

The latest valuation of the scheme was made at the 1st November 2000 by Mr. W. Yule, Fellow of the Faculty of Actuaries, Scottish Equitable plc. The Group has accounted for pensions in accordance with the transitional arrangements of FRS 17 Retirement Benefits and the actuarial valuation has been updated to take account of the requirement of FRS 17 in order to assess the assets and liabilities of the scheme at 31st July 2002.

The valuation showed a Net Group Pension Liability of £2,791,000, but the Company is unable to identify its share of the underlying assets and liabilities. The existing contribution rates are 27.6% from the Company and 3% from employees and will continue to be paid at these rates until advised otherwise by the actuary.

The Company's pension charge for the year was £72,972 (2001 - £51,471).

THOMAS MENZIES (BUILDERS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31ST JULY 2002****12. DEFERRED TAXATION**

	2002 £	2001 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	5,664	680
Profit and Loss Account movement arising during the year	<u>2,026</u>	<u>4,984</u>
Provision carried forward	<u>7,690</u>	<u>5,664</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2002		2001	
	Provided £	Unprovided £	Provided £	Unprovided £
Excess of taxation allowances over depreciation on fixed assets	680	—	680	—
Other timing differences	<u>7,010</u>	<u>12,700</u>	<u>4,984</u>	<u>12,700</u>
	<u>7,690</u>	<u>12,700</u>	<u>5,664</u>	<u>12,700</u>

The increase in provision relates to prepaid pension contributions. The unprovided other timing difference relates to a chargeable gain on disposals of properties offset against new properties by rollover relief.

13. SHARE CAPITAL**Authorised share capital:**

	2002 £	2001 £
6,000 Ordinary shares of £1 each	<u>6,000</u>	<u>6,000</u>

Allotted, called up and fully paid:

	2002 £	2001 £
Ordinary share capital	<u>4,900</u>	<u>4,900</u>

14. PROFIT AND LOSS ACCOUNT

	2002 £	2001 £
Balance brought forward	1,303,726	1,450,275
Accumulated loss for the financial year	<u>(98,796)</u>	<u>(146,549)</u>
Balance carried forward	<u>1,204,930</u>	<u>1,303,726</u>

THOMAS MENZIES (BUILDERS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31ST JULY 2002****15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2002 £	2001 £
Loss for the financial year	(98,796)	(146,549)
Opening shareholders' equity funds	<u>1,308,626</u>	<u>1,455,175</u>
Closing shareholders' equity funds	<u>1,209,830</u>	<u>1,308,626</u>

16. ULTIMATE PARENT COMPANY

J Smart & Co. (Contractors) PLC., registered in Scotland is regarded by the Directors as being the Company's ultimate Holding Company. Group accounts are available from the Holding company's registered office at 28 Cramond Road South, Edinburgh, EH4 6AB.