

D MATHESON & SON LIMITED
REPORT and FINANCIAL STATEMENTS

For the year ended 31 May 2002



D MATHESON & SON LIMITED

DIRECTORS

John M Matheson
Donald C Matheson (resigned 31 May 2002)
Donald L Matheson
Mrs Jennifer Matheson

SECRETARY

Donald C Matheson

ACCOUNTANTS

Chiene & Tait, C.A.
61 Dublin Street
EDINBURGH
EH3 6NL

BANKERS

The Royal Bank of Scotland
29 Harbour Road
INVERNESS
IV1 1NU

Standard Life Bank
30 Lothian Road
EDINBURGH
EH1 2DH

SOLICITORS

South Forrest
8 Ardross Terrace
INVERNESS
IV3 5NW

REGISTERED OFFICE

2 Fraser Street
INVERNESS
IV1 1DW

D MATHESON & SON LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 May 2002.

Principle Activity

The principle activity of the company is that of plumbing and heating engineers.

Directors and their interests

The directors at 31 May 2002 and their interests in the share capital of the company were as follows:-

	Ordinary shares of £1 each	
	31 May 2002 £	31 May 2001 £
J M Matheson	400	400
D C Matheson (resigned 31 May 2002)	400	400
D L Matheson	100	100
Mrs J Matheson	100	100

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 and of the profit or loss of the company 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;
- prepare 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. They are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Donations

Charitable donations during the year amounted to £383 (2001: £462).

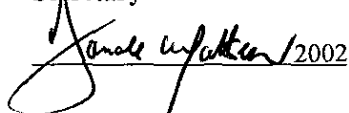
Small company provisions

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

BY ORDER OF THE BOARD

D C MATHESON

Secretary



31 OCTOBER 2002



ACCOUNTANTS' REPORT TO THE DIRECTORS ON THE UNAUDITED FINANCIAL STATEMENTS OF D MATHESON & SON LIMITED

As described on page 2 you are responsible for the preparation of the financial statements and you consider that the company is exempt from an audit. In accordance with your instructions and in order to assist you to fulfil your responsibilities, we have prepared the financial statements on pages 3 to 9 from the accounting records and from information and explanations supplied to us.

A handwritten signature in cursive script, likely representing the firm Chiene & Tait.

CHIENE & TAIT CA
61 Dublin Street
Edinburgh
EH3 6NL

5th NOVEMBER 2002

D MATHESON & SON LIMITED**PROFIT AND LOSS ACCOUNT****Year ended 31 May 2002**

	Note	2002 £	2001 £
Turnover	2	574,347	497,792
Cost of sales		315,067	289,629
Gross profit		259,280	208,163
Administrative expenses		224,058	219,570
Operating profit/(loss)	3	35,222	(11,407)
Interest receivable		530	353
Interest payable	4	(2,342)	(2,438)
Profit/(loss) on ordinary activities before taxation		33,410	(13,492)
Tax on profit/(loss) on ordinary activities	5	7,470	(1,521)
Profit/(loss) on ordinary activities after taxation		25,940	(11,971)
Dividends		(8,000)	-
Retained profit/(loss) for the year		17,940	-
Retained profits brought forward		28,105	40,076
Retained profits carried forward		46,045	28,105

A statement of recognised gains and losses is not shown as all gains and losses are recognised in the profit and loss account.

D MATHESON & SON LIMITED

BALANCE SHEET

Year ended 31 May 2002

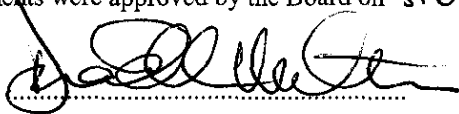
	Note	£	2002 £	£	2001 £
Fixed assets					
Tangible assets	6		51,850		42,227
Current assets					
Stock and work-in progress		34,753		30,932	
Debtors	7	59,472		53,047	
Cash at bank and in hand		25,393		8,156	
		-----		-----	
		119,618		92,135	
Creditors: Amounts falling due within one year	8	113,643		102,374	
		-----		-----	
Net current assets/(liabilities)			5,975		(10,239)
			-----		-----
Total assets less current liabilities			57,825		31,988
			-----		-----
Creditors: Amounts falling due after more than one year	9		10,077		2,883
Provision for liabilities and charges	10		703		-
			-----		-----
			47,045		29,105
			=====		=====
Capital and reserves					
Called up share capital	11		1,000		1,000
Profit and loss account			46,045		28,105
			-----		-----
Total shareholders' funds			47,045		29,105
			=====		=====

In preparing these financial statements:

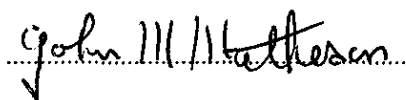
- (a) The directors are of the opinion that the company is entitled to the exemption from audit conferred by Section 249A(1) of the Companies Act 1985;
- (b) No notice has been deposited under Section 249B(2) of the Companies Act 1985, and
- (c) The directors acknowledge their responsibilities for:
 - (i) ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985, and
 - (ii) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of Section 226, and which otherwise comply with the requirements of this Act relating to financial statements, so far as applicable to the company.

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

The financial statements were approved by the Board on 31 OCTOBER 2002 and signed on its behalf by:



D L Matheson



J M Matheson

D MATHESON & SON LIMITED

NOTES to the FINANCIAL STATEMENTS

Year ended 31 May 2002

1. Accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less *estimated residual value*, of each asset evenly over its *expected useful economic life as follows*.

Property improvements	10% reducing balance
Plant and tools	15% reducing balance
Motor vehicles	25% reducing balance
Office equipment	15% reducing balance
Computer	25% straight line

Stock

Stock is valued at the sales price less profit margin after making allowance for any obsolete or slow moving items.

Work in progress

Work in progress is valued at cost of goods supplied and work done.

Leased assets

Fixed assets acquired under finance leases or hire purchase contracts are included in the balance sheet at cost, appropriate provision being made for depreciation. The relating obligations are included in creditors. Interest payable is charged to the profit and loss account.

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

Pensions

The company participates in an industry wide defined contribution pension scheme and operates separate money purchase schemes for the benefit of certain of the directors. The cost of the contributions made by the company to the scheme are charged to the profit and loss account as incurred.

Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 "Deferred Tax". Deferred tax is provided on the liability method to take account of timing differences between the treatment of certain items for Financial Statements purposes and their treatment for tax purposes. Tax deferred is accounted for in respect of all material timing differences.

Although there has been a change in accounting policy no prior period adjustment is required as the potential liability has been fully provided in previous periods.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to one continuing activity.

D MATHESON & SON LIMITED

NOTES to the FINANCIAL STATEMENTS (Contd.)

Year ended 31 May 2002

3. Operating profit/(loss) is stated after charging:	2002	2001
	£	£
Depreciation of owned assets	12,986	10,265
Depreciation of assets held under finance leases and hire purchase agreements	4,517	3,673
Directors' remuneration	97,505	123,229
Operating lease rentals	520	597
	<u>=====</u>	<u>=====</u>

During the year all of the directors had benefits accruing under money purchase schemes.

4. Interest payable

On bank loans and overdrafts	1,415	1,102
Hire purchase interest	927	1,336
	<u>-----</u>	<u>-----</u>
	2,342	2,438
	<u>=====</u>	<u>=====</u>

5. Taxation

Based on profit/(loss) for the year		
Corporation tax	6,767	(1,267)
(Over) provision for previous years	-	(254)
Deferred tax	703	-
	<u>-----</u>	<u>-----</u>
	7,470	(1,521)
	<u>=====</u>	<u>=====</u>

6. Tangible assets	Property Improvements	Plant & Vehicles	Office Equipment	Total
	£	£	£	£
Cost				
At 1 June 2001	7,650	88,261	20,952	116,863
Additions	-	37,320	483	37,803
Disposals	-	(34,130)	-	(34,130)
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
At 31 May 2002	7,650	91,450	21,435	120,536
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Depreciation				
At 1 June 2001	5,887	53,287	15,462	74,636
Charge for year	176	15,142	2,112	17,430
On disposals	-	(23,380)	-	(23,380)
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
At 31 May 2002	6,063	45,049	17,574	68,686
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Net book values				
At 31 May 2002	1,587	46,401	3,862	51,850
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
At 31 May 2001	1,763	34,974	5,490	42,227
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

Assets with a net book value of £23,681 (2001: £11,018) were held under hire purchase agreements at the year end.

D MATHESON & SON LIMITED

NOTES to the FINANCIAL STATEMENTS (Contd.)

Year ended 31 May 2002

7. Debtors	2002	2001
	£	£
Trade debtors	48,998	47,988
Other debtors	109	1,267
Prepayments	10,365	3,792
	<u>59,472</u>	<u>53,047</u>

8. Creditors: Amounts falling due within one year

Trade creditors	33,174	32,095
Bank overdraft	25,258	35,408
Accruals	5,500	5,875
Other tax and social security costs	22,699	22,501
Current instalments due on loans	4,639	4,169
Corporation tax	6,767	-
Directors' loans	211	211
Hire purchase creditors	7,395	2,115
Proposed dividends	8,000	-
	<u>113,643</u>	<u>102,374</u>

The bank loans and overdrafts are secured by a bond and floating charge over the assets of the company.

9. Creditors: Amounts falling due after more than one year	2002	2001
	£	£
Hire purchase creditors	10,077	-
Bank loans (wholly repayable within 5 years)	-	2,883
	<u>10,077</u>	<u>2,883</u>

The current instalments due on the above are included in note 8 above.

10. Deferred taxation

The deferred tax balance comprises:

Excess of capital allowances over depreciation	703	-
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Movement on deferred tax comprises:

Balance brought forward	-	-
Charge in profit and loss account	703	-
Balance carried forward	<u>703</u>	<u>-</u>

D MATHESON & SON LIMITED

NOTES to the FINANCIAL STATEMENTS (Contd.)

Year ended 31 May 2002

11. Called up share capital	2002	2001
	£	£
Authorised, allotted, issued and fully paid:		
Ordinary shares of £1 each	1,000	1,000
	=====	=====

12. Pension scheme

The assets of the pension schemes are held separately from those of the company in independently administered funds. The pension cost represents contributions payable by the company to the funds and amounted to £22,080 (2001: £23,908).

13. Operating lease commitments	2002	2001
	£	£
The company had the following annual commitments under non-cancellable operating leases expiring:		
Within two to five years	290	597
Over five years	-	-
	-----	-----
	290	597
	=====	=====

14. Related party transactions

The company operates out of premises owned by J M Matheson and D C Matheson, directors of the company. Rent amounting to £11,200 was charged during the year (2001: £Nil).

15. Going concern

The company relies upon a bank overdraft facility in order to meet its day to day working capital requirements.

This facility entitles the company to call on funds of up to £40,000 if required. At present the company is operating within the facility and the directors anticipate that they shall continue to be able to operate within this facility or any future facility negotiated with the bank. On the assumption that the company is able to operate within their agreed facility, the directors consider it appropriate to prepare the financial statements on the going concern basis.