

J & D PIERCE (CONTRACTS) LIMITED
FINANCIAL ACCOUNTS
YEAR ENDED
31 JULY 2003

JOHN KERR & COMPANY
CHARTERED ACCOUNTANTS



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Directors	James Pierce
	Derek Pierce
Secretary	James Pierce
Registered Office	Unit 14 Caledonia Road Glengarnock Ayrshire KA14 3DA
Registered Number	174690
Auditors	John Kerr & Company Chartered Accountants 32a Hamilton Street Saltcoats KA21 5DS

REPORT OF DIRECTORS

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The directors present their report with the audited financial statements of the company for the year ended 31 July 2003.

Principal Activity

The principal activity of the company in the year under review was that of steel fabrication.

Review of Business

The results for the year end and the financial position are shown in the annexed financial statements.

Dividends

A final dividend of £0.50 per ordinary share was declared on 31 July 2003. (2002: £0.91).

Mr James Pierce waived entitlement to dividends on 20,000 of his 60,000 shares.

The total distribution of dividends for the year ended 31 July 2003 was £101,600. (2002: £72,600).

Directors

The directors during the year under review were:

James Pierce

Derek Pierce

The beneficial interest of the directors holding office on 31 July 2003 in the issued share capital of the company were as follows:

	<u>31.7.2003</u>	<u>31.7.2002</u>
	£	£
<u>Ordinary £1 Shares</u>		
James Pierce	60,000	60,000
Derek Pierce	40,000	40,000
	=====	=====

Statement of 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 and 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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. They 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.

REPORT OF DIRECTORS - CONTINUED

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Auditors

John Kerr & Company, Chartered Accountants were appointed during the year. A resolution to reappoint them will be proposed in accordance will be proposed in accordance with Section 385 of the Company Act 1985.

On behalf of the Board

J Pierce

3 November 2003

INDEPENDENT AUDITORS REPORT

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We have audited the financial statements of J & D Pierce (Contracts) Limited for the year ended 31 July 2003 which comprise Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, 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 members those matters we are required to state to them in an auditor's 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and 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.

Our Responsibility is to audit the financial statements in accordance with 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 accounts are free from material misstatements, 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.

In our opinion, the accounts give a true and fair view of the state of the company's affairs as at 31 July 2003, and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Registered Auditors

*John Kerr & Company
32 A Hamilton Street
Saltcoats
Ayrshire
KA21 5DS*



30 April 2004

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31 JULY 2003

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	<u>Notes</u>	<u>2003</u> £	<u>2002</u> £
Turnover		7,152,384	6,083,405
Cost of Sales		5,484,138	4,628,991
Gross Profit		1,668,246	1,454,414
Administrative expenses		1,218,720	955,962
Operating Profit		449,526	498,452
Interest receivable and similar income		368	1,621
Rent Received		13,750	10,247
		463,644	510,320
Interest payable and similar charges	5	35,495	36,832
Profit on ordinary activities before taxation		428,149	473,488
Tax on profit on ordinary activities	6	78,853	90,563
Profit for the Financial Year after taxation		349,296	382,925
Dividends - Paid	7	61,600	72,600
- Proposed		40,000	-
Retained profit brought forward		247,696	310,325
		860,835	550,510
Retained profit brought forward		1,108,531	860,835

Continuing Operations

None of the company's activities were acquired or discontinued during the current year or previous period.

Total recognised gains and losses

The company has no recognised gains or losses other than the profits for the current year or previous period.

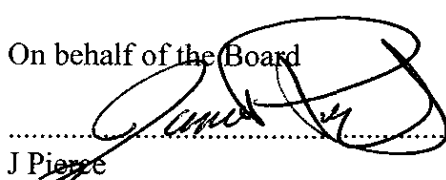
The notes on pages 9 to 15 form part of these financial statements

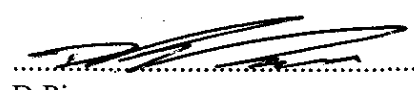
BALANCE SHEET
AS AT 31 JULY 2003

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		<u>2003</u>	<u>2002</u>
	Notes	£	£
<u>Fixed Assets</u>			
Tangible Assets	8	1,732,368	1,632,769
<u>Current Assets</u>			
Stock and WIP	9	5,000	5,000
Debtors	10	2,464,752	1,625,408
Cash at Bank		422,025	173,403
		<u>2,891,777</u>	<u>1,803,811</u>
Creditors: Amounts falling due within one year	11	3,021,275	2,062,664
Net Current Liabilities		<u>(129,498)</u>	<u>(258,853)</u>
Total Assets Less Current Liabilities		1,602,870	1,373,916
Creditors: Amounts falling due after more than one year	12	(263,277)	(298,669)
Provision for Liabilities and charges	16	(131,062)	(114,412)
		<u>1,208,531</u>	<u>960,835</u>
<u>Capital and Reserves</u>			
Called up share capital	17	100,000	100,000
Profit and loss account		1,108,531	860,835
Shareholders funds		<u>1,208,531</u>	<u>960,835</u>

On behalf of the Board


 J Pierce
 Director


 D Pierce
 Director

Approved by the Board on 3 November 2003.

The notes on pages 9 to 15 form part of the financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2003

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		<u>2003</u>		<u>2002</u>	
	£	£	£	£	£
Net cash flow from operating activities	1	395,336		190,687	
Returns on investments and servicing of finance	2	(21,377)		(24,964)	
Taxation		(26,714)		(31,314)	
Capital expenditure	2	(325,792)		(651,085)	
Equity dividends paid		(101,600)		(72,600)	
Financing	2	(80,147)		(589,276)	
		(253,470)		(231,451)	
Increase/(Decrease) in cash in the period		<u>(333,617)</u>		<u>(820,727)</u>	
Reconciliation of net cash flow to movement in net debt	3				
Increase/(Decrease) in cash in the period		(333,617)		(820,727)	
Cash outflow from decrease in debt and lease financing	3	19,410		104,644	
Change in net debt resulting from cash flows		(314,207)		(716,083)	
New finance leases		200,000		260,248	
New Bank loan		-		35,000	
Movement in net debt in the period		(114,207)		(420,835)	
Net debt at 1 August 2002		(536,466)		(115,631)	
Net debt at 31 July 2003		<u>(650,673)</u>		<u>(536,466)</u>	

The notes on pages 9 to 15 form part of the financial statements.

NOTE TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2003

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1 Reconciliation of operating profit to net cash inflow from operating activities

	<u>2003</u>	<u>2002</u>
	£	£
Operating profit	367,311	498,452
Depreciation charges	175,770	160,066
Loss on sale of fixed assets	18,194	(6,452)
Decrease/(Increase) in Debtors	(757,129)	(526,802)
Increase in creditors	591,190	65,423
	<u> </u>	<u> </u>
Net cash inflow from operating activities	<u>395,336</u>	<u>190,687</u>

2 Analysis of cash flows for headings netted in the cash flow statement.

	<u>2003</u>	<u>2002</u>
	£	£
<i>Returns on investments and servicing of finance</i>		
Interest received	368	1,621
Interest paid	(8,326)	(12,014)
Interest element of hire purchase payments	(27,169)	(24,818)
Rental income received	13,750	10,247
	<u> </u>	<u> </u>
Net cash outflow for returns on investments and serving of finance	<u>(21,377)</u>	<u>(23,964)</u>
<i>Capital Expenditure</i>		
Purchase of tangible fixed assets	(367,992)	(689,585)
Sale of tangible fixed assets	42,200	38,500
	<u> </u>	<u> </u>
Net cash outflow for capital expenditure	<u>(325,792)</u>	<u>(651,085)</u>

	<u>2003</u>	<u>2002</u>
	£	£
<i>Financing</i>		
Loan repayments	(29,821)	(21,841)
Hire Purchase	(189,588)	(168,763)
Amount withdrawn by directors	(34,061)	(40,847)
	<u> </u>	<u> </u>
Net cash (outflow) from financing	<u>(253,470)</u>	<u>(231,451)</u>

The notes on pages 9 to 15 form part of these financial statements

NOTE TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2003

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3 Analysis of changes in net debt

	<u>1.8.02</u>	<u>Cash Flow</u>	<u>31.7.03</u>
	£	£	£
Net cash			
Cash at bank	173,403	248,622	422,025
Bank Overdraft	(208,846)	(382,239)	(591,085)
	(35,443)	(133,617)	(169,060)
Debt			
Hire Purchase	(431,742)	(10,411)	(442,153)
Debts falling due within one year	(29,200)	-	(29,200)
Debts falling due after one year	(40,081)	29,821	(10,260)
	(501,023)	19,410	(481,613)
Total	(536,466)	(114,207)	(650,673)

Analyses in Balance Sheet

	<u>2003</u>	<u>2002</u>
	£	£
Cash at Bank	422,025	173,403
Bank Overdraft	(591,085)	(208,846)
Hire purchase within one year	(189,136)	(173,154)
after one year	(253,017)	(258,588)
Debts falling due within one year	(29,200)	(29,200)
Debts falling due after one year	(10,260)	(40,081)
	(650,673)	(536,466)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2003

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1 Accounting Policies

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents sales of goods to external customers at invoiced amount less value added tax, solely to the United Kingdom market.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Buildings	2%	on cost
Plant & Machinery	10%	on reducing balance
Fittings & Equipment	20%	on reducing balance
Motor Vehicles	25%	on reducing balance

Stocks

Stock is valued at the lower of cost and net releasable value, after making due allowance for obsolete and slow moving items.

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors there is reasonable probability that the liability will not arise in the foreseeable future.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter. The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

2 Staff Costs

	<u>2003</u>	<u>2002</u>
	£	£
Wages and salaries	1,605,197	1,422,218
Social Security costs	176,650	127,798
	1,781,847	1,550,016

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2003 - (CONTINUED)

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2	<u>Staff Costs - continued</u>	<u>2003</u>	<u>2002</u>
		£	£
	Directors	2	2
	Others	80	74
		—	—
		82	76
		==	==
3	<u>Directors</u>	<u>2003</u>	<u>2002</u>
		£	£
	Directors emoluments consist of:		
	Fees as directors	27,169	21,359
	Employers national insurance	2,056	5,014
		—	—
		29,225	26,373
		=====	=====
4	<u>Operating profit</u>	<u>2003</u>	<u>2002</u>
	<i>The operating profit is stated after charging/crediting</i>	£	£
	Hire of plant and machinery	126,394	115,684
	Depreciation - owned assets	83,640	69,653
	Depreciation - assets of hire purchase contracts	92,130	90,413
	Loss/(Profit) on disposal of fixed assets	18,194	(6,452)
	Auditors remuneration	4,332	4,313
		—	—
		324,690	273,611
		=====	=====
5	<u>Interest payable and similar charges</u>	<u>2003</u>	<u>2002</u>
		£	£
	Bank Overdraft interest	4,825	7,969
	Bank loan interest	3,501	4,045
	Hire Purchase interest	27,169	24,818
		—	—
		35,495	36,832
		=====	=====

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2003

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6 Taxation

The tax charge on the profit on ordinary activities for the year was as follows:-

	<u>2003</u>	<u>2002</u>
	£	£
UK corporation tax	62,203	58,942
Deferred taxation	16,650	31,621
	<u>78,853</u>	<u>90,563</u>

UK corporation tax has been charged at 19% (2002 - 19%).

7 Dividends

	<u>2003</u>	<u>2002</u>
	£	£
Equity shares : Dividend	<u>101,600</u>	<u>72,600</u>

8 Tangible Fixed Assets

	<u>Buildings</u>	<u>Plant & Machinery</u>	<u>Fittings & Equipment</u>	<u>Motor Vehicles</u>	<u>Totals</u>
	£	£	£	£	£
<u>Cost & Valuation</u>					
As at 1 August 2002	379,311	1,344,589	68,254	317,645	2,109,799
Additions	-	272,124	11,071	84,797	367,992
Disposals	(6,832)	(57,059)	-	(81,835)	(145,726)
As at 31 July 2003	<u>372,479</u>	<u>1,559,654</u>	<u>79,325</u>	<u>320,607</u>	<u>2,332,065</u>
<u>Depreciation</u>					
As at 1 August 2002	18,046	314,806	25,989	118,191	477,032
Charge for Year	7,450	108,768	9,689	49,863	175,770
Eliminated on disposals	-	(6,564)	-	(46,541)	(53,105)
As at 31 July 2003	<u>25,496</u>	<u>417,010</u>	<u>35,678</u>	<u>121,513</u>	<u>599,697</u>
<u>Net Book Value</u>					
As at 31 July 2003	<u>346,983</u>	<u>1,142,644</u>	<u>43,647</u>	<u>199,094</u>	<u>1,732,368</u>
As at 31 July 2002	<u>361,265</u>	<u>1,029,783</u>	<u>42,265</u>	<u>199,454</u>	<u>1,632,767</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2003

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8 Tangible Fixed Assets - Continued

Cost or valuation at 31 July 2003 is represented by:

Fixed assets, included in the above, which are held under hire purchase or lease hire contracts are as follows:-

	<u>Plant & Machinery</u> £	<u>Motor Vehicles</u> £	<u>Total</u> £
<u>Cost</u>			
As at 1 August 2002	777,988	119,761	897,749
Additions	218,000	-	218,000
Disposals	-	(11,635)	(11,635)
As at 31 July 2003	995,988	108,126	1,104,114
<u>Depreciation</u>			
As at 1 August 2002	149,312	32,205	181,517
Charge for Year	71,950	20,180	92,130
Disposals	-	(4,798)	(4,798)
As at 31 July 2003	221,262	47,587	268,849
<u>Net Book Value</u>			
As at 31 July 2003	774,726	60,539	835,265
As at 31 July 2002	628,676	87,556	716,232

9 <u>Stock</u>	<u>2003</u> £	<u>2002</u> £
Stock	5,000	5,000
10 <u>Debtors : Amounts falling due within one year</u>	<u>2003</u> £	<u>2002</u> £
Trade Debtors	217,271	1,595
Prepaid charges and other debtors	12,478	12,104
Amounts recoverable under long term contracts	2,235,003	1,611,709
	2,464,752	1,625,408

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2003

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11 <u>Creditors: Amounts falling due within one year</u>	<u>2003</u>	<u>2002</u>
	£	£
Bank loans and overdrafts	620,285	238,046
Hire purchase contracts	189,136	173,154
Trade Creditors	1,782,599	1,211,467
Directors current accounts	34,226	28,287
Social Security & other taxes	243,137	272,949
Taxation	62,203	58,942
Accrued charges and other creditors	89,689	79,819
	<u>3,021,275</u>	<u>2,062,664</u>

12 <u>Creditors: Amounts falling due after more than one year</u>	<u>2003</u>	<u>2002</u>
	£	£
Bank Loans	10,260	40,081
Hire Purchase contracts	253,017	258,588
	<u>263,277</u>	<u>298,669</u>

13 Loans and Overdrafts

An analysis of the maturity of loans and overdrafts is given below:-

	<u>2003</u>	<u>2002</u>
	£	£
Amounts falling due within one year or on demand		
Bank overdrafts	591,085	208,846
Bank Loans	29,200	29,200
	<u>620,285</u>	<u>238,046</u>
Amounts falling due between one and two years		
Bank Loans	10,260	40,081
	<u>10,260</u>	<u>40,081</u>
Amounts falling due between two and five years		
Bank Loans	-	-
	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2003

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13 Loans and Overdrafts - continued

There was one loan in existence at the year end. The loan is repayable on 8 July 2004 and carried an interest rate of base rate plus 2.5%.

14 Obligations under hire purchase contracts

	<u>2003</u>	<u>2002</u>
	£	£
Net obligations repayable:		
Within one year	189,136	173,154
Between one and five years	253,017	258,588
	<u>442,153</u>	<u>431,742</u>

15 Secured Debts

The following secured debts are included within creditors

	<u>2003</u>	<u>2002</u>
	£	£
Bank overdrafts	591,085	208,846
Bank Loan	39,460	69,281
	<u>630,545</u>	<u>278,127</u>

The Royal Bank of Scotland hold a directors guarantee by James and Derek Pierce dated 10 February 1999 limited to £50,000, a bond and floating charge dated 29 January 1999 and a first standard security dated 7 July 1999 over units 13 - 14 and plots 13 - 16 Caledonia Road, Glengarnock.

16 Provisions for Liabilities and Charges

	<u>2003</u>	<u>2002</u>
	£	£
Deferred Taxation	131,062	114,412
	<u>131,062</u>	<u>114,412</u>
Balance at 1 August 2002	114,412	82,791
Transfer from profit & loss	16,650	31,621
	<u>131,062</u>	<u>114,412</u>
Balance as at 31 July 2003	<u>131,062</u>	<u>114,412</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2003

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17 Called Up Share Capital

<u>Authorised Number</u>	<u>Class</u>	<u>Nominal Value</u>	<u>2003 £</u>	<u>2002 £</u>
250,000	Ordinary	£1	250,000	250,000

<u>Allocated issued and fully paid Number</u>	<u>Class</u>	<u>Nominal Value</u>	<u>2003 £</u>	<u>2002 £</u>
100,000	Ordinary	£1	100,000	100,000

18 Controlling Parties

The company was under the control of the directors, Mr James Pierce and Mr Derek Pierce throughout the period. At the year end their interest in the company's issued share capital was 60% and 40% respectively.

19 Reconciliation of movements in shareholders' funds

	<u>2003 £</u>	<u>2002 £</u>
Profit for the financial year	349,296	382,925
Dividends	(101,600)	(72,600)
Net additions to shareholders funds	247,696	310,325
Opening shareholders funds	960,835	650,510
Closing shareholders funds	1,208,531	960,835
Equity interest	1,208,531	960,835

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31 JULY 2003

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	2003		2002
	£	£	£
<u>Income</u>			
Income and work done		7,152,384	6,083,405
<u>Cost of Sales</u>			
Purchases and other direct costs	3,957,214		3,255,468
Plant Hire	123,274		112,042
Direct wages costs	1,403,650		1,261,481
		5,484,138	4,628,991
<u>Gross Profit</u>		1,668,246	1,454,414
<u>Other Income</u>			
Interest Received		368	1,621
Rent Received		13,750	10,247
		1,682,364	1,466,282
<u>Expenditure</u>			
Directors remuneration	27,169		21,359
Directors NI	2,056		5,014
Wages & Salaries	319,430		241,346
Staff employers NI	29,542		20,816
Staff pensions	9,550		3,169
Telephone, Fax & Communications expenses	20,160		19,570
Postage, Stationery & Advertising	29,102		23,260
Vehicle Expenses	204,958		199,028
Hire of Equipment	3,120		3,642
Laundry & Cleaning	3,037		3,632
Training	1,681		2,407
General expenses	10,280		9,763
Auditors remuneration	4,332		4,313
Accountancy fees	3,713		3,994
Legal & Professional Fees	7,363		13,983
Rent, Rates & Insurance	169,217		84,904
Heating & Lighting	24,667		21,348
Repairs & Renewals	96,686		67,910
Computer costs	20,553		8,641
Travel & Subsistence	23,920		14,521
Protective Clothing	6,958		11,042
Bad Debts Written Off	107		12,706
Corporation tax surcharge	84		-
		1,017,685	796,368
		664,679	669,914

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2003

17

	<u>2003</u>		<u>2002</u>	
	£	£	£	£
<u>C/fwd</u>		664,679		669,914
<u>Finance Cost</u>				
Bank Overdraft interest	4,825		7,969	
Bank loan Interest	3,501		4,045	
Hire Purchase	27,169		24,818	
Bank Charges	7,071		5,980	
		(42,566)		(42,812)
		622,113		627,102
<u>Depreciation</u>				
Heritable property	7,450		7,586	
Plant & Machinery	108,768		95,780	
Fittings & Equipment	9,689		8,032	
Motor Vehicles	49,863		48,668	
Loss/(Gain) on sale of fixed assets	18,194		(6,452)	
		(193,964)		(153,614)
<u>Net Profit</u>		428,149		473,488