

Registration number 534798

E E Smith Contracts Limited

Directors' report and financial statements

for the year ended 31 March 2004



E E Smith Contracts Limited

Company information

Directors	R.C.D. Richardson N.J. Richardson
Secretary	S. Frearson
Company number	534798
Auditors	The Rowleys Partnership LLP 20 Friar Lane Leicester
Business address	Clarendon Industrial Estate Morris Road Leicester
Bankers	Barclays Bank plc Town Hall Square Leicester
	Bank of Scotland 14 Friar Lane Leicester
Solicitors	Spearing Waite 41 Friar Lane Leicester

E E Smith Contracts Limited

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E E Smith Contracts Limited

Directors' report for the year ended 31 March 2004

The directors present their report and the financial statements for the year ended 31 March 2004.

Principal activity and review of the business

The principal activity of the company is that of contracting.

Results and dividends

The results for the year are set out on page 4.

The directors have paid an interim dividend amounting to £200,000 and they do not recommend payment of a final dividend.

Directors and their interests

The directors who served during the year and their interests in the company are as stated below:

	Ordinary shares		Preference shares	
	31/03/04	01/04/03	31/03/04	01/04/03
R.C.D. Richardson	-	-	-	-
N.J. Richardson	-	-	-	-

As a wholly owned subsidiary, the interests of the directors are disclosed in the ultimate holding 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 the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

- select suitable accounting policies and 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. 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.

Auditors

The Rowleys Partnership LLP were appointed auditors to the company and in accordance with Section 385 of the Companies Act 1985, a resolution proposing their reappointment will be put to the Annual General Meeting.

This report was approved by the Board on 8 December 2004 and signed on its behalf by


S. Frearson
Secretary

E E Smith Contracts Limited

Independent auditors' report to the shareholders of E E Smith Contracts Limited

We have audited the financial statements of E E Smith Contracts Limited for the year ended 31 March 2004 which comprise the profit and loss account, the balance sheet, the cash flow statement 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 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.

E E Smith Contracts Limited

Independent auditors' report to the shareholders of E E Smith Contracts Limited continued

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

The Rowleys Partnership LLP

The Rowleys Partnership LLP
Chartered Accountants and
Registered auditors
20 Friar Lane
Leicester

8 December 2004

E E Smith Contracts Limited

**Profit and loss account
for the year ended 31 March 2004**

		Continuing operations	
		2004	2003
	Notes	£	£
Turnover	2	12,333,328	13,970,516
Cost of sales		(9,710,315)	(11,667,427)
Gross profit		2,623,013	2,303,089
Administrative expenses		(2,121,744)	(1,928,670)
Other operating income		96,984	96,000
Other interest receivable and similar income	4	-	4,025
Interest payable and similar charges	5	(29,901)	(18,967)
Profit on ordinary activities before taxation		568,352	455,477
Tax on profit on ordinary activities	8	(162,009)	(146,152)
Profit on ordinary activities after taxation		406,343	309,325
Dividends	9	(200,000)	(200,000)
Retained profit for the year		206,343	109,325
Retained profit brought forward		631,112	521,787
Retained profit carried forward		837,455	631,112

There are no recognised gains or losses other than the profit or loss for the above two financial years.

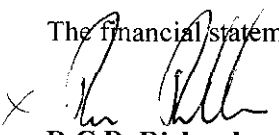
The notes on pages 7 to 16 form an integral part of these financial statements.

E E Smith Contracts Limited

**Balance sheet
as at 31 March 2004**

		2004		2003	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	10		1,072,490		875,089
Current assets					
Stocks	11	2,999,890		2,185,488	
Debtors	12	337,885		373,297	
Cash at bank and in hand		365,800		398,825	
		3,703,575		2,957,610	
Creditors: amounts falling due within one year	13	(3,370,157)		(2,669,037)	
Net current assets			333,418		288,573
Total assets less current liabilities			1,405,908		1,163,662
Creditors: amounts falling due after more than one year	14		(113,590)		(95,394)
Provisions for liabilities and charges	15		(32,236)		(14,529)
Net assets			1,260,082		1,053,739
Capital and reserves					
Called up share capital	17		402,044		402,044
Other reserves	18		20,583		20,583
Profit and loss account	18		837,455		631,112
Shareholders' funds	19		1,260,082		1,053,739
Equity interests			1,060,082		853,739
Non-equity interests			200,000		200,000

The financial statements were approved by the Board on 8 December 2004 and signed on its behalf by


R.C.D. Richardson
Director


N.J. Richardson
Director

The notes on pages 7 to 16 form an integral part of these financial statements.

E E Smith Contracts Limited

**Cash flow statement
for the year ended 31 March 2004**

	Notes	2004 £	2003 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		598,253	470,419
Depreciation		241,474	225,152
(Increase) in stocks		(814,402)	(500,559)
Decrease in debtors		35,412	403,934
Increase in creditors		720,901	91,323
Net cash inflow from operating activities		<u>781,638</u>	<u>690,269</u>
Cash flow statement			
Net cash inflow from operating activities		781,638	690,269
Returns on investments and servicing of finance	24	(29,901)	(14,942)
Taxation	24	(214,109)	(183,176)
Capital expenditure	24	(370,652)	(214,140)
		166,976	278,011
Equity dividends paid		(200,000)	(200,000)
Decrease in cash in the year		<u>(33,024)</u>	<u>78,011</u>
Reconciliation of net cash flow to movement in net debt (Note 25)			
Decrease in cash in the year		(33,024)	78,011
New finance leases and hire purchase contracts		(68,222)	(152,645)
Movement in net debt in the year		(101,246)	(74,634)
Net funds at 1 April 2003		<u>182,388</u>	<u>257,022</u>
Net funds at 31 March 2004		<u>81,142</u>	<u>182,388</u>

E E Smith Contracts Limited

Notes to the financial statements for the year ended 31 March 2004

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention .
The company has consistently applied all relevant accounting standards.

1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

1.3. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Computer equipment	-	33.33% on written down value
Plant and machinery	-	15% or 25% on written down value
Fixtures, fittings and equipment	-	15% on written down value
Motor vehicles	-	25% on written down value
Property improvements	-	4% on cost

1.4. Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

1.5. Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value.

Work in progress is valued , subject to retentions, at certified values based on the level of completion the contract has reached. Where work in progress has not reached , at the balance sheet date , a level where certification is possible, then it is valued at direct cost plus an attributable proportion of indirect overheads based on the normal level of activity.

1.6. Pensions

The pension costs charged in the financial statements represent the contribution payable by the company during the year.

E E Smith Contracts Limited

Notes to the financial statements for the year ended 31 March 2004

..... continued

1.7. Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. Turnover

Class of business

Geographical market

UK	12,182,257	13,838,038
Europe	151,071	132,478
	<u>12,333,328</u>	<u>13,970,516</u>

3. Operating profit

	2004	2003
	£	£
Operating profit is stated after charging:		
Depreciation and other amounts written off tangible assets	243,870	217,581
Auditors' remuneration	5,000	4,500
	<u>248,870</u>	<u>222,081</u>
and after crediting:		
Profit on disposal of tangible fixed assets	2,396	(7,571)
	<u>2,396</u>	<u>(7,571)</u>

4. Interest receivable and similar income

	2004	2003
	£	£
Bank interest	-	4,025
	<u>-</u>	<u>4,025</u>

E E Smith Contracts Limited

Notes to the financial statements for the year ended 31 March 2004

..... continued

5. Interest payable and similar charges	2004	2003
	£	£
Interest payable on loans < 1 yr	18,432	8,256
Hire purchase interest	11,469	10,711
	<u>29,901</u>	<u>18,967</u>

6. Employees

Number of employees	2004	2003
The average monthly numbers of employees (including the directors) during the year were:		
Directors	2	2
Selling and administration	27	26
Production	110	117
	<u>139</u>	<u>145</u>

Employment costs	2004	2003
	£	£
Wages and salaries	3,901,915	3,973,275
Social security costs	360,490	317,807
Other pension costs	15,549	13,926
	<u>4,277,954</u>	<u>4,305,008</u>

7. Pension costs

The company operates defined contribution pension schemes in respect of the staff. The schemes and their assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £15,549 (2003 - £13,926).

E E Smith Contracts Limited

Notes to the financial statements for the year ended 31 March 2004

..... continued

8. Tax on profit on ordinary activities

Analysis of charge in period	2004 £	2003 £
Current tax		
UK corporation tax at 30.00% (2003 - 30.00%)	144,302	154,109
Adjustments in respect of previous periods	-	(8,655)
	<u>144,302</u>	<u>145,454</u>
Total current tax charge	<u>144,302</u>	<u>145,454</u>
Deferred tax		
Timing differences, origination and reversal	17,707	698
Total deferred tax	<u>17,707</u>	<u>698</u>
Tax on profit on ordinary activities	<u>162,009</u>	<u>146,152</u>

Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

	2004 £	2003 £
Profit on ordinary activities before taxation	<u>568,352</u>	<u>455,477</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (31 March 2003 : 30%)	170,506	136,643
Effects of:		
Expenses not deductible for tax purposes	7,801	15,428
Capital allowances for period in excess of depreciation	(17,707)	2,038
Utilisation of tax losses	(16,297)	-
Current tax charge for period	<u>144,303</u>	<u>154,109</u>

9. Dividends

	2004 £	2003 £
Dividends on equity shares:		
Ordinary shares - interim paid	<u>200,000</u>	<u>200,000</u>

E E Smith Contracts Limited

**Notes to the financial statements
for the year ended 31 March 2004**

..... continued

10. Tangible fixed assets	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Property Improvements	Total
	£	£	£	£	£
Cost					
At 1 April 2003	959,782	322,713	503,688	158,226	1,944,409
Additions	233,400	82,098	184,258	37,883	537,639
Disposals	(13,450)	(4,000)	(167,796)	-	(185,246)
At 31 March 2004	1,179,732	400,811	520,150	196,109	2,296,802
Depreciation					
At 1 April 2003	642,404	219,453	179,772	27,691	1,069,320
On disposals	(9,336)	(4,000)	(75,541)	-	(88,877)
Charge for the year	89,029	43,015	103,980	7,845	243,869
At 31 March 2004	722,097	258,468	208,211	35,536	1,224,312
Net book values					
At 31 March 2004	457,635	142,343	311,939	160,573	1,072,490
At 31 March 2003	317,378	103,260	323,916	130,535	875,089

Included above are assets held under finance leases or hire purchase contracts as follows:

Asset description	2004		2003	
	Net	Depreciation	Net	Depreciation
	book value	charge	book value	charge
	£	£	£	£
Plant and machinery	122,785	21,668	20,803	3,671
Motor vehicles	224,591	74,892	221,371	73,770
	347,376	96,560	242,174	77,441
11. Stocks			2004	2003
			£	£
Raw materials and consumables			34,901	45,925
Work in progress			2,964,989	2,139,563
			2,999,890	2,185,488

E E Smith Contracts Limited

**Notes to the financial statements
for the year ended 31 March 2004**

..... continued

12. Debtors	2004	2003
	£	£
Trade debtors	301,874	311,969
Amounts owed by group undertakings	9,975	46,873
Other debtors	2,397	-
Prepayments and accrued income	23,639	14,455
	<u>337,885</u>	<u>373,297</u>

13. Creditors: amounts falling due within one year	2004	2003
	£	£
Net obligations under finance leases and hire purchase contracts	171,069	121,043
Trade creditors	2,591,679	1,896,327
Amounts owed to group undertaking	10,683	5,893
Corporation tax	84,302	154,109
Other taxes and social security costs	235,812	330,612
Directors' accounts	3,851	3,016
Other creditors	49,960	54,078
Accruals and deferred income	222,801	103,959
	<u>3,370,157</u>	<u>2,669,037</u>

The net obligations under hire purchase contracts amounting to £284,659 (2003 £216,437) are secured.

14. Creditors: amounts falling due after more than one year	2004	2003
	£	£
Net obligations under finance leases and hire purchase contracts	<u>113,590</u>	<u>95,394</u>

E E Smith Contracts Limited

**Notes to the financial statements
for the year ended 31 March 2004**

..... continued

15. Provisions for liabilities and charges

	Deferred taxation (Note 16) £	Total £
At 1 April 2003	14,529	14,529
Movements in the year	17,707	17,707
At 31 March 2004	<u>32,236</u>	<u>32,236</u>

16. Provision for deferred taxation

Accelerated capital allowances

Provision at 1 April 2003	14,529
Deferred tax charge in profit and loss account	17,707
Provision at 31 March 2004	<u>32,236</u>

E E Smith Contracts Limited

Notes to the financial statements for the year ended 31 March 2004

..... continued

17. Share capital	2004 £	2003 £
Authorised		
500,000 Ordinary shares of £1 each	500,000	500,000
500,000 Preference shares of £1 each	500,000	500,000
	<u>1,000,000</u>	<u>1,000,000</u>
Equity interest	500,000	500,000
Non-equity interest	<u>500,000</u>	<u>500,000</u>
Allotted, called up and fully paid		
202,044 Ordinary shares of £1 each	202,044	202,044
200,000 Preference shares of £1 each	200,000	200,000
	<u>402,044</u>	<u>402,044</u>
Equity interest	202,044	202,044
Non-equity interest	<u>200,000</u>	<u>200,000</u>

The preference shares were issued at par and were redeemable on 31 March 2002. The preference shares carry no voting rights nor any rights to dividends. The preference shareholders have a right to receive £1 per share in preference to the ordinary shareholders in the event of the winding up or on a reduction of capital involving a return of capital.

18. Equity Reserves	Profit and loss account £	Capital redemption reserve £	Total £
At 1 April 2003	631,112	20,583	651,695
Retained profit for the year	206,343		206,343
At 31 March 2004	<u>837,455</u>	<u>20,583</u>	<u>858,038</u>

E E Smith Contracts Limited

Notes to the financial statements for the year ended 31 March 2004

..... continued

19. Reconciliation of movements in shareholders' funds	2004 £	2003 £
Profit for the year	406,343	309,325
Dividends	(200,000)	(200,000)
	<u>206,343</u>	<u>109,325</u>
Opening shareholders' funds	1,053,739	944,414
Closing shareholders' funds	<u>1,260,082</u>	<u>1,053,739</u>

20. Transactions with directors

	Amount owing	Maximum
R.C.D. Richardson	2,397 -	2,397

21. Related party transactions

During the year the company received management charges for services given to other group companies of £96,984 (2003 £96,000). The company also paid management charges to the parent company for services received amounting to £205,622 (2003 £184,008) together with rent paid of £75,375 (2003 £74,765) for the use of a building owned by the parent company. At the year end the balance owed to the company by other group companies amounted to £9,975 (2003 £46,873), and the balance due by the company to other group companies amounted to £10,683 (2003 £5,893).

22. Ultimate parent undertaking

The company's ultimate parent undertaking at the balance sheet date was E.E. Smith Limited, a company incorporated in England and Wales.

23. Controlling interest

Throughout the year the company's ultimate controlling parties were R.C.D. Richardson and N.J. Richardson.

E E Smith Contracts Limited

Notes to the financial statements for the year ended 31 March 2004

..... continued

24. Gross cash flows

	2004	2003
	£	£
Returns on investments and servicing of finance		
Interest received	-	4,025
Interest paid	(29,901)	(18,967)
	<u>(29,901)</u>	<u>(14,942)</u>
Taxation		
Corporation tax paid	(214,109)	(183,176)
	<u>(214,109)</u>	<u>(183,176)</u>
Capital expenditure		
Payments to acquire tangible assets	(469,417)	(316,255)
Receipts from sales of tangible assets	98,765	102,115
	<u>(370,652)</u>	<u>(214,140)</u>

25. Analysis of changes in net funds

	Opening balance	Cash flows	Other changes	Closing balance
	£	£	£	£
Cash at bank and in hand	398,825	(33,025)		365,800
Finance leases and hire purchase contracts	(216,437)	-	(68,222)	(284,659)
Net funds	<u>182,388</u>	<u>(33,025)</u>	<u>(68,222)</u>	<u>81,141</u>