

Company number 02716445

GATEWAY CONSTRUCTION (NORTH WEST) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 1996

Pearson Hudson

Chartered Accountants

Registered Auditors



GATEWAY CONSTRUCTION (NORTH WEST) LIMITED

INDEX TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MAY 1996

Page No.

1	Company Information
2	Director's Report
3-4	Auditors' Report to the Shareholders
5	Statement of Director's Responsibilities
6	Profit and Loss Account
7	Balance Sheet
8	Accounting Policies
9 - 11	Notes to the Financial Statements
<u>For the information of the Director only</u>	
12	Detailed Trading and Profit and Loss Account

GATEWAYS CONSTRUCTION (NORTH WEST) LIMITED

COMPANY INFORMATION

FOR THE YEAR ENDED 31ST MAY 1996

Director: J.H.Butler (appointed 27.01.96)

Secretary: N.J.Smith

Auditors: Pearson Hudson
Realtex House
Leeds Road
Rawdon
Leeds

Bankers: Royal Bank of Scotland
7 Cambridge Crescent
Harrogate
North Yorkshire

Registered Office: 1 Franklin Road
Harrogate
North Yorkshire

Company Number: 02716445

GATEWAY CONSTRUCTION (NORTH WEST) LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31ST MAY 1996

The director presents his report and the financial statements for the year ended 31st May 1996.

PRINCIPAL ACTIVITIES

The company's principal activity continues to be that of supplying sub-contract labour to the construction industry.

REVIEW OF TRADING

The director has carefully considered the current financial position of the Company. Management information indicates that the Company has reduced its losses and is operating at a modest trading profit. In the light of this and the continued high level of sales and enquiries, the director has restructured part of the current liabilities onto a medium term basis in order that the Company has sufficient and reasonable time to trade out of its current difficulties.

DIRECTORS AND THEIR INTERESTS


The directors of the company during the year and their interests in the share capital of the company at the beginning and end of the year were as follows:

	<u>Number of shares</u>	
	<u>31st May 1996</u>	<u>31st May 1995</u>
S.Noble (resigned 27.01.96)	2	2
J.H.Butler (appointed 27.01.96)	-	-

AUDITORS

The auditors, Pearson Hudson, will be proposed for reappointment in accordance with Section 385 of the Companies Act 1985.

This report was approved by the Board on 23rd December 1997, taking advantage of exemptions applicable to small companies.



N.J.Smith
Secretary

AUDITORS' REPORT TO THE SHAREHOLDERS OF
GATEWAYS CONSTRUCTION (NORTH WEST) LIMITED

We have audited the financial statements on pages 6 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of director and auditors

As described on page 5 the company's director is responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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. However, the evidence available to us was limited because we were appointed auditors on 1st December 1997 and in consequence we were unable to carry out auditing procedures necessary to obtain adequate assurance regarding any of the balances or transactions included within the financial statements.

In forming our opinion we also evaluate the overall adequacy of the presentation of information in the financial statements.

Going concern

We have also considered the adequacy of the disclosures made in the first accounting policy on page 8 in forming our opinion, concerning the uncertainty as to the continuation of the support of the major creditor as detailed in note 5 to the financial statements. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion: disclaimer on view given by financial statements.

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the company's affairs as at 31 May 1996 or of its loss for the year then ended.

In all other respects, in our opinion the financial statements have been properly prepared in accordance with the Companies Act 1985.

(continued on page 4)

AUDITORS' REPORT TO THE SHAREHOLDERS OF
GATEWAY CONSTRUCTION (N. WEST) LIMITED

(continued from page 3)

In respect of the limitation on our work relating to the audit of the balances and transactions included in the financial statements:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper accounting records had been maintained.

Pearson Hudson

Pearson Hudson
Registered auditors

Leeds

23rd December 1997

GATEWAY CONSTRUCTION (NORTH WEST) LIMITED
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 or loss of the company for that year. 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 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.

GATEWAY CONSTRUCTION (NORTH WEST) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MAY 1996

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> £
TURNOVER			
-acquisitions	1	2,758,200	1,230,721
COST OF SALES		2,673,063	1,102,972
GROSS PROFIT		85,137	127,749
ADMINISTRATION COSTS		195,950	124,608
OPERATING (LOSS)/PROFIT	2	(110,813)	3,141
Tax on ordinary activities		-	-
RETAINED (LOSS)/PROFIT FOR THE YEAR		(110,813)	3,141
Retained profit brought forward		3,141	-
RETAINED (DEFICIT)/PROFIT CARRIED FORWARD		£ (107,672)	£ 3,141

There are no recognised gains and losses in 1996 or 1995 other than the profit and loss for the year.

The notes on pages 9 to 11 form part of these financial statements.

GATEWAY CONSTRUCTION (NORTH WEST) LIMITED

BALANCE SHEET

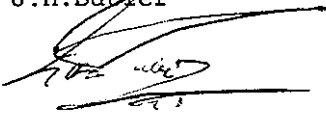
AS AT 31ST MAY 1996

	<u>Notes</u>	£	<u>1996</u> £	£	<u>1995</u> £
FIXED ASSETS					
Tangible assets	3		18,918		19,346
CURRENT ASSETS					
Stocks		10,000		5,430	
Debtors	4	288,988		290,106	
Cash at bank and in hand		30,475		16,459	
		<u>329,463</u>		<u>311,995</u>	
CREDITORS - amounts falling due within one year	5	<u>(456,051)</u>		<u>(328,198)</u>	
NET CURRENT (LIABILITIES)			<u>(126,588)</u>		<u>(16,203)</u>
NET (LIABILITIES)/ASSETS			<u>£ (107,670)</u>		<u>£ 3,143</u>
CAPITAL AND RESERVES					
Called up share capital	6		2		2
Profit and loss account			<u>(107,672)</u>		<u>3,141</u>
Shareholders funds	7		<u>£ (107,670)</u>		<u>£ 3,143</u>

Approved by the Board of directors on 23rd December 1997 and signed on its behalf. The director has relied on special exemptions applicable to small companies on the grounds that the company qualifies as a small company by virtue of Section 247 of the Companies Act 1985.

J.H. Butler

Director



The notes on pages 9 to 11 form part of these financial statements.

GATEWAYS CONSTRUCTION (NORTH WEST) LIMITED

ACCOUNTING POLICIES

1. Basis of preparation of accounts

The financial statements are prepared under the historical cost convention. As referred to in note 5, the ability of the company to be able to continue as a going concern depends on the support of a major creditor. On the basis that this support continues, the director considers it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result if the agreement was cancelled and full settlement of the debt was required.

2. Turnover

This represents the invoiced amounts of goods sold and provided, net of value added tax.

3. Depreciation of tangible assets

Provision is made for depreciation on all tangible assets at rates calculated to write off the cost of each asset over its expected useful life, as follows:

Fixtures and fittings:	25% on reducing balance
Plant and machinery:	15% on reducing balance
Motor vehicles:	25% on reducing balance

4. Stocks

Stock and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

5. Deferred taxation

Provision is made by the liability method for all timing differences which are expected to be reversed in the foreseeable future.

GATEWAY CONSTRUCTION (NORTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MAY 1996

1. **TURNOVER**

Turnover arises entirely in the United Kingdom.

2. **OPERATING PROFIT**

1996

1995

£

£

This is stated after charging:

Auditors' remuneration	1,500	1,708
Depreciation	6,611	982
Hire of equipment	170,054	31,238
	<u> </u>	<u> </u>

3. **TANGIBLE FIXED ASSETS**

	<u>Fixtures and fittings</u>	<u>Plant and equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	£	£	£	£
Cost:				
At 1st June 1995	328	6,000	14,000	20,328
Additions	-	6,183	-	6,183
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st May 1996	328	12,183	14,000	26,511
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation:				
At 1st June 1995	82	900	-	982
Charge for year	66	3,045	3,500	6,611
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st May 1996	148	3,945	3,500	7,593
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value at 31st May 1996	<u>£ 180</u>	<u>£ 8,238</u>	<u>£ 10,500</u>	<u>£ 18,918</u>
Net book value at 31st May 1995	<u>£ 246</u>	<u>£ 5,100</u>	<u>£ 14,000</u>	<u>£ 19,346</u>

GATEWAY CONSTRUCTION (NORTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MAY 1996

4. DEBTORS	<u>1996</u>	<u>1995</u>
	£	£
Trade debtors	262,709	239,432
Amounts owed by related business	18,241	50,674
Other debtors	8,038	-
	<u>£ 288,988</u>	<u>£ 290,106</u>

5. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	<u>1996</u>	<u>1995</u>
	£	£
Trade creditors	102,242	66,595
Other taxes and social security costs	204,630	115,177
Other creditors	145,301	144,926
Accruals	3,878	1,500
	<u>£ 456,051</u>	<u>£ 328,198</u>

The company depends on the continued support of a major creditor who has agreed with the company that the debt concerned can be paid in monthly instalments over a period of twelve months. The following conditions apply:

- The instalments must be punctual;
- Any other debt arising in the future must be paid as it becomes due;
- The creditor has the right to review the arrangement at any time;
- The creditor has the right where necessary to cancel the arrangement and begin proceedings against the company.

6. SHARE CAPITAL

	<u>Authorised</u>	<u>Allotted, Issued and fully paid</u>	
	£	<u>1996</u>	<u>1995</u>
		£	£
Ordinary shares of £1 each	£ 100	£ 2	£ 2
	<u>£ 100</u>	<u>£ 2</u>	<u>£ 2</u>

GATEWAY CONSTRUCTION (NORTH WEST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MAY 1996

7. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	<u>1996</u>	<u>1995</u>
	£	£
(Loss)/profit for the year	(110,813)	3,141
Shareholders funds at 1st June 1995	3,143	2
Shareholders funds at 31st May 1996	<u>£ (107,670) £</u>	<u>3,143</u>

8. COMMITMENTS AND CONTINGENT LIABILITIES

CAPITAL COMMITMENTS	<u>1996</u>	<u>1995</u>
	£	£
Expenditure contracted for	nil	nil
Authorised by the directors but not contracted	nil	nil
	<u>nil</u>	<u>nil</u>

CONTINGENT LIABILITIES

There were no contingent liabilities known to the director at 31st May 1996 (1995:nil).