

Registration number: 1329239

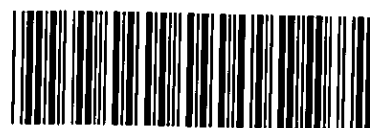
# Graham Engineering Limited

Directors' Report and Abbreviated Accounts

for the Year Ended 31 August 2008

K M  
Chartered Accountants & Registered Auditors  
4 - 6 Grimshaw Street  
Burnley  
Lancs  
BB11 2AZ

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# **Graham Engineering Limited**

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**Graham Engineering Limited**  
**Company Information**

|                          |   |
|--------------------------|---|
| <b>Directors</b>         | C T Graham<br>P Graham<br>P Manley<br>W K McMurtrie (retired 30 September 2007)<br>M A Fowler<br>S Fraser   |
| <b>Secretary</b>         | C T Graham  |
| <b>Registered office</b> | Whitewalls Industrial Estate<br>Edward Street<br>Nelson<br>Lancs<br>BB9 8SY                                 |
| <b>Bankers</b>           | Nat West Bank PLC<br>Burnley<br>2 Howe Walk<br>Burnley<br>Lancs<br>BB11 1QD                                 |
| <b>Auditors</b>          | K M<br>Chartered Accountants & Registered Auditors<br>4 - 6 Grimshaw Street<br>Burnley<br>Lancs<br>BB11 2AZ |

**Graham Engineering Limited**  
**Directors' Report for the Year Ended 31 August 2008**

The directors present their report and the audited financial statements for the year ended 31 August 2008.

**Directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the period ending on that date. In preparing those financial statements, 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 a 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 enable them to ensure the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

**Principal activity**

The principal activities of the company during the year were those of precision stainless fabricators, deep drawn press work, 5 axis machining, laser cutting, laser engraving and 5 axis laser welding, all to high quality standards supported by our in-house detail design.

**Graham Engineering Limited**  
**Directors' Report for the Year Ended 31 August 2008**

..... *continued*

**Business review**

***Fair review of the business***

The directors report a loss before tax of £239,151 on turnover 1.4% higher than last year. Although disappointing, in a year of preparation the result recognises the costs associated with maintaining and developing the infrastructure necessary to support the company's ambitions. The directors consider the results and the financial position at the end of the year to be acceptable.

This year again has seen a substantial fall away in nuclear requirements but this has been replaced by work won across the aerospace, satellite dish and hot water cylinder product ranges. We have captured a wider range of supply on the core of our aerospace business absorbing the costs of setting up new production facilities to increase our overall turnover in this area. Our growth in the hot water cylinder market continues with further capital investment during the year on CNC equipment, to support the greater volumes our increasing customer base requires.

During the second half of the year we have borne the high costs of re-establishing production lines and carrying out new procedures, to meet the latest specifications on containments for the nuclear industries forthcoming waste streams. We have invested in a local factory for storage and assembly, this is to free up our main facility for increased workload.

The company has laid down firm foundations to provide stability in these uncertain times and now feels well placed for the forthcoming year to take a profitable step forward in both the nuclear work and the hot water cylinder markets whilst consolidating our position in existing product areas and with the capacity and expertise to explore new markets.

**Financial risk**

***Price risk, credit risk, liquidity risk and cash flow risk***

The business' principal financial instruments comprise bank overdrafts, trade debtors, trade creditors, loans to the business and finance lease agreements. The main purpose of these instruments is to finance the business' operations.

In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts at floating rates of interest. All of the business' cash balances are held in such a way that achieves a competitive rate of interest. The business makes use of money market facilities where funds are available.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. The amounts presented in the balance sheet are net of allowances for doubtful debtors.

Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Loans comprise loans from the directors. The business manages the liquidity risk by ensuring that there are sufficient funds to meet the payments.

The business is a lessee in respect of finance leased assets. The liquidity risk in respect of these is managed by ensuring that there are sufficient funds to meet the payments.

**Graham Engineering Limited**  
**Directors' Report for the Year Ended 31 August 2008**

..... *continued*

**Results and dividend**

The results for the company are set out in the financial statements.

The directors do not recommend the payment of a dividend.

**Research and development**

The company will continue its policy of investment in research and development in order to retain a competitive position in the market.

**Directors and their interests**

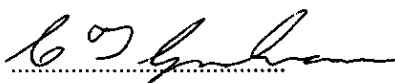
The directors who held office during the year and their beneficial interest in the shares of the company were as follows:

| <b>Ordinary shares of £1 each</b>            |   |   |
|--|---|---|
|  | <b>As at 31<br/>August 2008<br/>No.</b> | <b>As at 1<br/>September 2007<br/>No.</b> |
| C T Graham                                   | 90,000                                  | 89,000                                    |
| P Graham                                     | -                                       | -   |
| P Manley                                     | 10,000                                  | 10,000                                    |
| W K McMurtrie<br>(retired 30 September 2007) | -                                       | 1,000                                     |
| M A Fowler                                   | -                                       | -   |
| S Fraser                                     | -                                       | -   |

**Auditors**

The auditors, K M, are deemed to be re-appointed in accordance with section 386 of the Companies Act 1985.

Approved by the Board on 20 April 2009 and signed on its behalf by:



C T Graham  
Director

**Independent Auditors' Report to  
Graham Engineering Limited  
Under Section 247B of the Companies Act 1985**

We have examined the abbreviated accounts of Graham Engineering Limited, set out on pages 6 to 23, together with the financial statements of the company for the year ended 31 August 2008 prepared under section 226 of the Companies Act 1985.

This report is made solely to the company, in accordance with Section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special 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, for our work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**


The directors are responsible for preparing the abbreviated accounts in accordance with 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with 246A(3) of the Act to the Registrar of Companies and whether the abbreviated accounts to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

**Basis of opinion**

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

**Opinion**

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985, and the abbreviated accounts on pages 6 to 23 are properly prepared in accordance with those provisions.

.....

K M  
Chartered Accountants & Registered Auditors

20 April 2009

4 - 6 Grimshaw Street  
Burnley  
Lancs  
BB11 2AZ

**Graham Engineering Limited**  
**Abbreviated Profit and Loss Account for the Year Ended 31 August 2008**

|   | Note | 2008<br>£ | 2007<br>£ |
|---|------|-----------|-----------|
| <b>Gross profit</b>   |      | 881,441   | 1,040,697 |
| Distribution costs  |      | (95,466)  | (86,859)  |
| Administrative expenses                                     |      | (969,952) | (843,013) |
| <b>Operating (loss)/profit</b>                              | 3    | (183,977) | 110,825   |
| Other interest receivable and similar income                |      | -         | 1,604     |
| Interest payable and similar charges                        | 6    | (55,174)  | (6,967)   |
| <b>(Loss)/profit on ordinary activities before taxation</b> |      | (239,151) | 105,462   |
| Tax on (loss)/profit on ordinary activities                 | 7    | 166,732   | (11,884)  |
| <b>(Loss)/profit for the financial year</b>                 | 19   | (72,419)  | 93,578    |
| <b>Profit and loss reserve brought forward</b>              |      | 2,464,823 | 2,715,282 |
| Other profit and loss reserve movements                     | 19   | 47,388    | (344,039) |
| <b>Profit and loss reserve carried forward</b>              |      | 2,439,792 | 2,464,821 |

Turnover and operating (loss)/profit derive wholly from continuing operations.

The notes on pages 10 to 23 form an integral part of these financial statements.



## **Graham Engineering Limited**

### **Statement of Total Recognised Gains and Losses for the Year Ended 31 August 2008**

|  | <b>2008</b>     | <b>2007</b>      |
|--|-----------------|------------------|
|  | <b>£</b>        | <b>£</b>         |
| Net (loss)/profit for the year                   | (72,419)        | 93,578           |
| Unrealised surplus on revaluation of properties  | -               | 2,727,741        |
| Total recognised (losses) and gains for the year | <u>(72,419)</u> | <u>2,821,319</u> |

### **Note of Historical Cost Profits and Losses for the Year Ended 31 August 2008**

|  | <b>2008</b>      | <b>2007</b>    |
|--|------------------|----------------|
|  | <b>£</b>         | <b>£</b>       |
| Reported (loss)/profit on ordinary activities before taxation        | (239,151)        | 105,462        |
| Realisation of property revaluation gains of previous years          | 47,388           | 5,961          |
| Historical cost (loss)/profit on ordinary activities before taxation | <u>(191,763)</u> | <u>111,423</u> |
| Historical cost (losses)/profits for the year after taxation         | <u>(25,031)</u>  | <u>99,539</u>  |

Historical cost retained profit would be the same as the profit and loss account balance shown on the balance sheet.

The notes on pages 10 to 23 form an integral part of these financial statements.

**Graham Engineering Limited**  
**Abbreviated Balance Sheet as at 31 August 2008**

|  |      | 2008               |                  | 2007               |                  |
|--|------|--------------------|------------------|--------------------|------------------|
|  | Note | £                  | £                | £                  | £                |
| <b>Fixed assets</b>  |      |                    |                  |                    |                  |
| Intangible assets  | 9    |                    | -                |                    | -                |
| Tangible assets  | 10   |                    | 5,554,526        |                    | 5,599,880        |
| Investments  | 11   |                    | 56,383           |                    | 53,361           |
|  |      |                    | <u>5,610,909</u> |                    | <u>5,653,241</u> |
| <b>Current assets</b>  |      |                    |                  |                    |                  |
| Stocks   | 12   | 836,524            |                  | 783,247            |                  |
| Debtors  | 13   | <u>2,993,169</u>   |                  | <u>1,666,010</u>   |                  |
|  |      | 3,829,693          |                  | 2,449,257          |                  |
| <b>Creditors: Amounts falling due within one year</b>          | 14   | <u>(3,651,746)</u> |                  | <u>(2,160,214)</u> |                  |
| <b>Net current assets</b>                                      |      |                    | <u>177,947</u>   |                    | <u>289,043</u>   |
| <b>Total assets less current liabilities</b>                   |      |                    | 5,788,856        |                    | 5,942,284        |
| <b>Creditors: Amounts falling due after more than one year</b> | 15   |                    | (77,002)         |                    | -                |
| <b>Provisions for liabilities</b>                              | 17   |                    | <u>(293,123)</u> |                    | <u>(451,135)</u> |
| <b>Net assets</b>  |      |                    | <u>5,418,731</u> |                    | <u>5,491,149</u> |
| <b>Capital and reserves</b>                                    |      |                    |                  |                    |                  |
| Called up share capital  | 18   |                    | 100,000          |                    | 100,000          |
| Revaluation reserve  | 19   |                    | 2,878,939        |                    | 2,926,328        |
| Profit and loss reserve  | 19   |                    | <u>2,439,792</u> |                    | <u>2,464,821</u> |
| <b>Shareholders' funds</b>                                     | 20   |                    | <u>5,418,731</u> |                    | <u>5,491,149</u> |

The abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

Approved by the Board on 20 April 2009 and signed on its behalf by:



C T Graham  
Director

The notes on pages 10 to 23 form an integral part of these financial statements.

**Graham Engineering Limited**  
**Cash Flow Statement for the Year Ended 31 August 2008**

|   |      | 2008      | 2007      |
|---|------|-----------|-----------|
|   | Note | £         | £         |
| Net cash flow from operating activities                                 | 25   | (425,681) | 128,313   |
| Returns on investment and servicing of finance                          | 26   | (55,174)  | (5,363)   |
| Taxation  | 26   | (8,717)   | (170,227) |
| <b>Capital expenditure and financial investment</b>                     |      |           |           |
| Purchase of tangible fixed assets                                       |      | (228,201) | (167,183) |
| Sale of tangible fixed assets   |      | 3,001     | 6,842     |
| Purchase of trade investment  |      | (3,122)   | (3,122)   |
| Sale of trade investment  |      | 100       | -         |
|   |      | (228,222) | (163,463) |
| Equity dividends paid   |      | -         | (350,000) |
| <b>Cash outflow before management of liquid resources and financing</b> |      | (717,794) | (560,740) |
| <b>Financing</b>  |      |           |           |
| Capital element of hire purchase payments                               |      | 93,206    | -         |
|   |      | 93,206    | -         |
| <b>Net cash flow</b>  |      | (624,588) | (560,740) |

**Reconciliation of net cash flow to movement in net debt**

|   |      | 2008        | 2007      |
|---|------|-------------|-----------|
|   | Note | £           | £         |
| Decrease in cash in the year                          | 27   | (624,588)   | (560,740) |
| Cash inflow from increase in debt and lease financing |      | (93,206)    | -         |
| Change in net funds resulting from cash flows         |      | (717,794)   | (560,740) |
| Net debt at the start of the year                     | 27   | (661,347)   | (100,607) |
| Net debt at the end of the year                       | 27   | (1,379,141) | (661,347) |

The notes on pages 10 to 23 form an integral part of these financial statements.

## **Graham Engineering Limited**

### **Notes to the abbreviated accounts for the Year Ended 31 August 2008**

#### **1 Accounting policies**

##### **Basis of preparation**

The full financial statements, from which these abbreviated accounts have been extracted, have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

##### **Turnover**

Turnover represents amounts chargeable, net of value added tax, in respect of the sale of goods and services to customers. Turnover and profits are recognised when products and services are invoiced, which corresponds to their delivery to customers. Turnover is exclusive of value added tax. Payments on account in advance of work undertaken are excluded from turnover and shown as creditors.

##### **Amortisation**

Amortisation is provided on intangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

|                                  |                                    |
|----------------------------------|------------------------------------|
| Deferred development expenditure | 20% per annum on cost (or 5 years) |
|----------------------------------|------------------------------------|

##### **Depreciation**

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

|                             |                       |
|-----------------------------|-----------------------|
| Freehold land and buildings | 2% per annum on cost  |
| Plant and equipment         | 10% per annum on nbv  |
| Motor vehicles              | 25% per annum on cost |

Land and buildings are included in the balance sheet at revalued amounts.

##### **Research and development expenditure**

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

##### **Fixed asset investments**

Fixed asset investments are stated at historical cost less provision for any diminution in value.

##### **Government grants**

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

## **Graham Engineering Limited**

### **Notes to the abbreviated accounts for the Year Ended 31 August 2008**

..... *continued*

#### **Stock and work in progress**

Stock and work in progress are valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal levels of activity. Profit on individual contracts is taken only when the lower of margins earned to date and the proportion of that prudently forecast at completion, taking account of agreed claims. Provision is made for any foreseeable losses where appropriate taking a prudent view of future claims income. Profit for the year includes the benefit of claims settled on contracts completed in prior years.

#### **Deferred taxation**

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as required by FRS19.

Deferred tax is measured at the rates that are expected to apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted at the balance sheet date.

#### **Hire purchase and finance lease contracts**

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet as tangible fixed assets and are depreciated over their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Assets held under hire purchase agreements are capitalised as tangible fixed assets and are depreciated over their useful lives. The capital element of future finance payments is included within creditors. Finance charges are allocated to accounting periods over the length of the contract.

#### **Operating leases**

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

#### **Pensions**

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

#### **Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

# Graham Engineering Limited

## Notes to the abbreviated accounts for the Year Ended 31 August 2008

..... continued

### 2 Other operating income

|                              | 2008<br>£ | 2007<br>£ |
|------------------------------|-----------|-----------|
| Government grants receivable | -         | 25,175    |

### 3 Operating (loss)/profit

Operating (loss)/profit is stated after charging:

|   | 2008<br>£ | 2007<br>£ |
|---|-----------|-----------|
| Hire of plant and machinery                 | 4,549     | 2,029     |
| Auditors remuneration                       | 13,486    | 9,000     |
| Loss on sale of fixed assets                | 4,446     | 512       |
| Depreciation of owned tangible fixed assets | 266,108   | 226,630   |

### 4 Particulars of employees

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

|                | 2008<br>No. | 2007<br>No. |
|----------------|-------------|-------------|
| Production     | 76          | 75          |
| Administration | 27          | 27          |
|                | 103         | 102         |

The aggregate payroll costs of these persons were as follows:

|   | 2008<br>£ | 2007<br>£ |
|---|-----------|-----------|
| Wages and salaries                                | 2,543,534 | 2,550,315 |
| Social security                                   | 253,767   | 255,045   |
| Other pension costs - defined contribution scheme | 59,915    | 70,435    |
|   | 2,857,216 | 2,875,795 |

## Graham Engineering Limited

### Notes to the abbreviated accounts for the Year Ended 31 August 2008

..... continued

#### 5 Directors' emoluments

The directors' emoluments for the year are as follows:

|  | 2008<br>£      | 2007<br>£      |
|--|----------------|----------------|
| Directors' remuneration (including benefits in kind) | 378,977        | 411,448        |
| Directors' pension contributions                     | 25,390         | 29,466         |
|  | <u>404,367</u> | <u>440,914</u> |

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £141,350 (2007 - £138,475), and company pension contributions of £18,000 (2007 - £19,422) were made to a money purchase scheme on their behalf.

The number of directors to whom benefits are accruing under money purchase schemes is 4 (5-2007). There are no contributions for defined benefit schemes.

#### 6 Interest payable and similar charges

|                        | 2008<br>£     | 2007<br>£    |
|------------------------|---------------|--------------|
| Bank interest payable  | 54,564        | 6,967        |
| Hire purchase interest | 610           | -            |
|                        | <u>55,174</u> | <u>6,967</u> |

# Graham Engineering Limited

## Notes to the abbreviated accounts for the Year Ended 31 August 2008

..... continued

### 7 Taxation

#### Analysis of current period tax (credit)/charge

|  | 2008<br>£               | 2007<br>£            |
|--|-------------------------|----------------------|
| <b>Current tax</b>   |                         |                      |
| Corporation tax charge   | <u>(8,721)</u>          | <u>8,720</u>         |
| <b>Deferred tax</b>  |                         |                      |
| Origination and reversal of timing differences   | <u>(158,011)</u>        | <u>3,164</u>         |
| <b>Total tax on (loss)/profit on ordinary activities</b>   | <u><u>(166,732)</u></u> | <u><u>11,884</u></u> |
| The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below: |                         |                      |
|  | 2008<br>£               | 2007<br>£            |
| Profit on ordinary activities before tax   | <u>(239,151)</u>        | <u>105,462</u>       |
| Profit on ordinary activities at standard rate of 26.5% ( 2007 30%)  | (63,375)                | 31,639               |
| Expenses not deductible for tax purposes   | 2,517                   | 4,283                |
| Depreciation of assets not attracting capital allowances   | 20,460                  | 5,676                |
| Difference due to change in rate of tax  | (49,452)                | (13,556)             |
| Group relief   | -                       | (16,158)             |
| Receipt not charged for tax purposes   | (2,874)                 | -                    |
| Permanent timing differences   | (3,208)                 | -                    |
| Deferred tax no longer a liability   | (70,800)                | -                    |
|  | <u><u>(166,732)</u></u> | <u><u>11,884</u></u> |

### 8 Dividends

|                  | 2008<br>£ | 2007<br>£      |
|------------------|-----------|----------------|
| Equity dividends | <u>-</u>  | <u>350,000</u> |



## **Graham Engineering Limited**

### **Notes to the abbreviated accounts for the Year Ended 31 August 2008**

..... *continued*

#### **9 Intangible fixed assets**

|   | <b>Deferred<br/>development<br/>expenditure<br/>£</b> |
|---|---|
| <b>Cost</b>                               |   |
| As at 1 September 2007 and 31 August 2008 | <u>241,444</u>  |
| <b>Amortisation</b>                       |   |
| As at 1 September 2007 and 31 August 2008 | <u>241,444</u>  |
| <b>Net book value</b>                     |   |
| As at 31 August 2008                      | <u>-</u>  |
| As at 31 August 2007                      | <u>-</u>  |

# Graham Engineering Limited

## Notes to the abbreviated accounts for the Year Ended 31 August 2008

..... continued

### 10 Tangible fixed assets

|                          | Freehold<br>land and<br>buildings<br>£ | Plant and<br>machinery<br>£ | Motor vehicles<br>£ | Total<br>£       |
|--------------------------|--|-----------------------------|---------------------|------------------|
| <b>Cost or Valuation</b> |  |                             |                     |                  |
| As at 1 September 2007   | 3,860,000                              | 4,028,162                   | 57,046              | 7,945,208        |
| Additions                | 695                                    | 224,601                     | 2,905               | 228,201          |
| Disposals                | -                                      | (28,000)                    | -                   | (28,000)         |
| As at 31 August 2008     | <u>3,860,695</u>                       | <u>4,224,763</u>            | <u>59,951</u>       | <u>8,145,409</u> |
| <b>Depreciation</b>      |  |                             |                     |                  |
| As at 1 September 2007   | -                                      | 2,307,980                   | 37,348              | 2,345,328        |
| Eliminated on disposals  | -                                      | (20,553)                    | -                   | (20,553)         |
| Charge for the year      | 77,209                                 | 179,254                     | 9,645               | 266,108          |
| As at 31 August 2008     | <u>77,209</u>                          | <u>2,466,681</u>            | <u>46,993</u>       | <u>2,590,883</u> |
| <b>Net book value</b>    |  |                             |                     |                  |
| As at 31 August 2008     | <u>3,783,486</u>                       | <u>1,758,082</u>            | <u>12,958</u>       | <u>5,554,526</u> |
| As at 31 August 2007     | <u>3,860,000</u>                       | <u>1,720,182</u>            | <u>19,698</u>       | <u>5,599,880</u> |

### Hire purchase agreements

Included within the total net book value of tangible fixed assets is £99,474 (2007 - none) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £2,551 (2007 - none).

The property was revalued by Sanderson Weatherall, Chartered Surveyors on 19th November 2007 on a market value basis.

## Graham Engineering Limited

### Notes to the abbreviated accounts for the Year Ended 31 August 2008

..... continued

In respect of certain fixed assets stated at valuations, the comparable historical cost and depreciation values are as follows:

|  | 2008<br>£        | 2007<br>£        |
|--|------------------|------------------|
| Net book value at end of year                        | <u>3,783,486</u> | <u>3,860,000</u> |
| <b>Historical cost</b>                               |                  |                  |
| As at 1st September 2007                             | 1,193,527        | 1,184,532        |
| Cost of additions to revalued assets brought forward | 695              | 8,995            |
| As at 31st August 2008                               | <u>1,194,222</u> | <u>1,193,527</u> |
| <b>Depreciation</b>                                  |                  |                  |
| As at 1st September 2007                             | 263,299          | 239,433          |
| Charge for the year                                  | 23,884           | 23,866           |
| As at 31st August 2008                               | <u>287,183</u>   | <u>263,299</u>   |
| <b>Net historical cost value</b>                     |                  |                  |
| As at 31st August 2008                               | <u>907,039</u>   | <u>930,228</u>   |
| As at 31st August 2007                               | <u>930,228</u>   | <u>164,162</u>   |

#### 11 Investments held as fixed assets

|                          | Shares<br>£ | Life assurance<br>policies<br>£ | Total<br>£    |
|--------------------------|-------------|---------------------------------|---------------|
| <b>Cost</b>              |             |                                 |               |
| As at 1st September 2007 | 100         | 53,261                          | 53,361        |
| Additions                | -           | 3,122                           | 3,122         |
| Written off              | (100)       | -                               | (100)         |
| As at 31st August 2008   | <u>-</u>    | <u>56,383</u>                   | <u>56,383</u> |
| <b>Net book value</b>    |             |                                 |               |
| As at 31st August 2008   | <u>-</u>    | <u>56,383</u>                   | <u>56,383</u> |
| As at 31st August 2007   | <u>100</u>  | <u>53,261</u>                   | <u>53,361</u> |

The policies correspond to premiums paid on the life of C T Graham and had a surrender value of £70,190 at 31st August 2008 (2007 - £72,317). The shares are an investment in a subsidiary undertaking, Quantum Heating Limited, registered in England which is 100% owned with 100 ordinary shares of £1 each. Its principal activity is the development and manufacture of heating systems. This subsidiary had ceased trading at 31st August 2008 and has subsequently been removed from the Register at Companies House.

As the head of a medium sized group, the company has taken advantage of the exemptions provided by section 248 of the Companies Act 1985, not to prepare group accounts.

# Graham Engineering Limited

## Notes to the abbreviated accounts for the Year Ended 31 August 2008

..... continued

### 12 Stocks and work in progress

|                                       | 2008<br>£      | 2007<br>£      |
|---------------------------------------|----------------|----------------|
| Stocks                                | 48,701         | 37,324         |
| Work in progress                      | 1,538,368      | 1,222,957      |
| Progress payments long term contracts | (750,545)      | (477,034)      |
|                                       | <u>836,524</u> | <u>783,247</u> |

### 13 Debtors

|                                    | 2008<br>£        | 2007<br>£        |
|------------------------------------|------------------|------------------|
| Trade debtors                      | 2,793,969        | 1,443,483        |
| Amounts owed by group undertakings | -                | 33,376           |
| Other debtors                      | 8,718            | -                |
| Prepayments and accrued income     | 190,482          | 189,151          |
|                                    | <u>2,993,169</u> | <u>1,666,010</u> |

### 14 Creditors: Amounts falling due within one year

|  | 2008<br>£        | 2007<br>£        |
|--|------------------|------------------|
| Bank loans and overdrafts                                    | 1,285,934        | 661,346          |
| Obligations under finance leases and hire purchase contracts | 16,204           | -                |
| Payments received on account                                 | 467,437          | 268,889          |
| Trade creditors  | 1,583,986        | 782,904          |
| Corporation tax  | -                | 8,720            |
| Social security and other taxes                              | 194,418          | 176,577          |
| Director current accounts                                    | 1,139            | 191,134          |
| Accruals and deferred income                                 | 102,628          | 70,644           |
|  | <u>3,651,746</u> | <u>2,160,214</u> |

The directors current accounts are interest free and repayable on demand.

Creditors amounts falling due within one year includes the following liabilities, which are secured by a mortgage on certain freehold properties and a fixed and floating charge over all current and future assets of the company :

|                         | 2008<br>£        | 2007<br>£      |
|-------------------------|------------------|----------------|
| Bank loans & overdrafts | <u>1,285,934</u> | <u>661,346</u> |

# Graham Engineering Limited

## Notes to the abbreviated accounts for the Year Ended 31 August 2008

..... continued

### 15 Creditors: Amounts falling due after more than one year

|  | 2008<br>£     | 2007<br>£ |
|--|---------------|-----------|
| Obligations under finance leases and hire purchase contracts | <u>77,002</u> | <u>-</u>  |

### 16 Maturation of borrowings

Amounts repayable:

|                               | Bank loans &<br>overdrafts<br>£ | Obligations<br>under finance<br>leases and HP<br>contracts<br>£ | Total<br>£       |
|-------------------------------|---------------------------------|---|------------------|
| <b>As at 31 August 2008</b>   |                                 |   |                  |
| In one year or less on demand | 1,285,934                       | 16,204  | 1,302,138        |
| Between two and five years    | -                               | 77,002  | 77,002           |
|                               | <u>1,285,934</u>                | <u>93,206</u>   | <u>1,379,140</u> |
| <b>As at 31 August 2007</b>   |                                 |   |                  |
| In one year or less on demand | 661,346                         | -   | 661,346          |
|                               | <u>661,346</u>                  | <u>-</u>  | <u>661,346</u>   |

### 17 Provisions for liabilities

|   | Deferred tax<br>provision<br>£ |
|---|--------------------------------|
| As at 1 September 2007  | 451,135                        |
| Deferred tax provision charged to the profit and loss account | <u>(158,012)</u>               |
| As at 31 August 2008  | <u>293,123</u>                 |

# Graham Engineering Limited

## Notes to the abbreviated accounts for the Year Ended 31 August 2008

..... continued

### 18 Share capital

|   | 2008<br>£      | 2007<br>£      |
|---|----------------|----------------|
| <b>Authorised</b>                         |                |                |
| <b>Equity</b>                             |                |                |
| 100,000 Ordinary shares of £1 each        | <u>100,000</u> | <u>100,000</u> |
| <b>Allotted, called up and fully paid</b> |                |                |
| <b>Equity</b>                             |                |                |
| 100,000 Ordinary shares of £1 each        | <u>100,000</u> | <u>100,000</u> |

### 19 Reserves

|  | Revaluation<br>reserve<br>£ | Profit and loss<br>reserve<br>£ | Total<br>£       |
|--|-----------------------------|---------------------------------|------------------|
| Balance at 1 September 2007                        | 2,926,328                   | 2,464,823                       | 5,391,151        |
| Transfer from profit and loss account for the year | -                           | (72,419)                        | (72,419)         |
| Transfer of realised profits                       | (47,389)                    | 47,388                          | (1)              |
| Balance at 31 August 2008                          | <u>2,878,939</u>            | <u>2,439,792</u>                | <u>5,318,731</u> |

### 20 Reconciliation of movements in shareholders' funds

|  | 2008<br>£        | 2007<br>£        |
|--|------------------|------------------|
| (Loss)/profit attributable to members of the company | (72,419)         | 93,578           |
| Dividends  | <u>-</u>         | <u>(350,000)</u> |
|  | (72,419)         | (256,422)        |
| Unrealised surplus on revaluation of properties      | <u>(1)</u>       | <u>2,727,741</u> |
| Net (reduction)/addition to shareholders' funds      | (72,420)         | 2,471,319        |
| Opening shareholders' funds                          | <u>5,491,149</u> | <u>3,019,830</u> |
| Closing shareholders' funds                          | <u>5,418,731</u> | <u>5,491,149</u> |

## **Graham Engineering Limited**

### **Notes to the abbreviated accounts for the Year Ended 31 August 2008**

..... continued

#### **21 Contingent liabilities**

The company has given an unlimited guarantee of the overdraft and bank loan of its subsidiary undertaking. The amount outstanding in respect of this facility at 31st August 2008 was £Nil.

#### **22 Capital commitments**

Expenditure contracted for but not provided in the financial statements:

|   | <b>2008</b> | <b>2007</b> |
|---|-------------|-------------|
|   | <b>£</b>    | <b>£</b>    |
| Contracted but not provided for in the financial statements | -           | 4,000       |

#### **23 Operating lease commitments**

As at 31 August 2008 the company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

|                           | <b>Land and Buildings</b> |               |
|---------------------------|---------------------------|---------------|
|                           | <b>2008</b>               | <b>2007</b>   |
|                           | <b>£</b>                  | <b>£</b>      |
| Within one year           | 14,400                    | -             |
| Within two and five years | 12,000                    | 11,000        |
|                           | <u>26,400</u>             | <u>11,000</u> |

#### **24 Pension scheme**

##### **Defined contribution pension scheme**

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £59,915 (2007 - £70,435).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

# Graham Engineering Limited

## Notes to the abbreviated accounts for the Year Ended 31 August 2008

..... continued

### 25 Reconciliation of operating (loss)/profit to operating cash flows

|   | 2008             | 2007           |
|---|------------------|----------------|
|   | £                | £              |
| Operating (loss)/profit                             | (183,977)        | 110,825        |
| Depreciation, amortisation and impairment charges   | 266,108          | 226,632        |
| Loss on disposal of fixed assets                    | 4,446            | 512            |
| Increase in stocks                                  | (53,277)         | (185,200)      |
| Increase in debtors                                 | (1,318,441)      | (310,199)      |
| Increase in creditors                               | 859,460          | 285,743        |
| Net cash (outflow)/inflow from operating activities | <u>(425,681)</u> | <u>128,313</u> |

### 26 Analysis of cash flows

|   | 2008            | 2007             |
|---|-----------------|------------------|
|   | £               | £                |
| <b>Returns on investment and servicing of finance</b> |                 |                  |
| HP interest paid                                      | (610)           | -                |
| Other interest paid                                   | (54,564)        | (6,967)          |
| Interest received                                     | -               | 1,604            |
|   | <u>(55,174)</u> | <u>(5,363)</u>   |
| <b>Taxation</b>                                       |                 |                  |
| Taxation paid   | <u>(8,717)</u>  | <u>(170,227)</u> |

### 27 Analysis of net debt

|                | At start of period | Cash flow        | At end of period   |
|----------------|--------------------|------------------|--------------------|
|                | £                  | £                | £                  |
| Bank overdraft | <u>(661,347)</u>   | <u>(624,588)</u> | <u>(1,285,935)</u> |
| Hire purchase  | -                  | (93,206)         | (93,206)           |
| Net debt       | <u>(661,347)</u>   | <u>(717,794)</u> | <u>(1,379,141)</u> |



**Graham Engineering Limited**

**Notes to the abbreviated accounts for the Year Ended 31 August 2008**

..... *continued*

**28 Related parties**

**Controlling entity**

The controlling party is Mr C T Graham who owns 90% of the issued shares.