

**KILLBY & GAYFORD (JOINERY & SECURITY) LIMITED**

**DIRECTORS' REPORT  
AND FINANCIAL STATEMENTS**

**for the year ended  
31 DECEMBER 1998**



**KILLBY & GAYFORD (JOINERY & SECURITY) LIMITED**

**REPORT AND FINANCIAL STATEMENTS**  
**for the year ended 31 December 1998**

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T L Smith	(Chairman)
M Birchwood	(Managing)
J P H Vickers	

SECRETARY

J W Mather

AUDITORS

Deloitte & Touche  
Hill House  
1 Little New Street  
London EC4A 3TR

REGISTERED OFFICE

Osborne House  
9-11 Macaulay Road  
London SW4 0QP

Registered No: 157575 England

**REPORT OF THE DIRECTORS**  
for the year ended 31 December 1998

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The directors present their report and financial statements for the year ended 31 December 1998.

**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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:-

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed; and
- 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.

**Business Review**

The principal activities of the company are those of specialist manufacturers, joinery and security contractors.

1998 was a disappointing year with a loss recorded despite increased sales. The board has taken steps to ensure that this situation is remedied by ensuring greater selectivity of contracts, changes in senior and middle management and utilising management strengths from elsewhere within the group.

The board believes that these changes will enable the company to enjoy a successful 1999.

**Results and dividends**

The loss for the year after taxation was £(201,842) (1997 profit - £114,072). The directors recommend that no dividend be paid (1997 - £140) per ordinary share.

**Year 2000**

The directors of the company have taken steps to address the problems associated with the year 2000. An assessment of all risk areas and actions taken are reviewed on a monthly basis. The associated costs are not considered to be significant.

**REPORT OF THE DIRECTORS**  
**for the year ended 31 December 1998**  
**(continued)**

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**Directors and their interests**

The members of the board at the end of the year are shown on page 1. Mr A Bawn was appointed director on 2 February 1998 and resigned on 31 May 1998. Mr M O P May resigned on 13 March 1998 and Mr T L Smith was appointed Chairman on 13 March 1998. Mr J P H Vickers was appointed director on 31 July 1998 and Mr T W Warton was appointed director on 22 February 1999.

None of the directors had an interest in the company's shares during the year. The interests of the directors in Killby & Gayford Group Limited, the ultimate parent company, are shown in that company's accounts.

**Health and Safety at Work Act 1974**

During the year the Health and Safety Policy Statement was reviewed in the light of current best practice.

Sites, works and offices have been regularly inspected by the London Building Safety Group Limited which continues to act as safety advisers on behalf of the company.

The company continued to pursue a policy of promoting greater awareness of health and safety with directors, staff and subcontractors attending safety seminars and training courses.

**The 'Elective Regime'**

At an Extraordinary General Meeting held on 16 December 1994, the company adopted a resolution under the terms of Section 379A, Companies Act 1985 (as amended) to take advantage of procedural relaxations permitted by that provision. Accordingly, no Annual General Meeting is to be held, the financial statements will not be laid before the members and the auditors, Deloitte & Touche, will continue to hold office without the necessity to seek re-election.

This report was approved by the Board of Directors on 27 April 1999  
and signed on behalf of the Board.

T L Smith



Chairman

to the members of KILLBY & GAYFORD (JOINERY & SECURITY) LIMITED

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We have audited the financial statements on pages 5 to 10 which have been prepared on the basis of the accounting policies set out on page 7.

**Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are 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. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

Chartered Accountants and  
Registered Auditors

Hill House  
1 Little New Street  
London EC4A 3TR

*30 April*

1999

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 1998

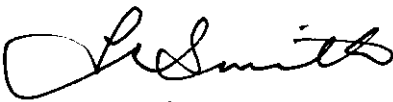
	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
Turnover	1	10,975,669	7,420,314
Cost of Sales		(10,014,618)	(6,027,856)
<b>Gross profit</b>		<b>961,051</b>	<b>1,392,458</b>
Administrative expenses		(1,258,414)	(1,218,578)
<b>Operating (loss)/profit</b>	2	<b>(297,363)</b>	<b>173,880</b>
Other interest receivable and similar income	3	-	528
Interest payable and similar charges	4	-	(330)
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(297,363)</b>	<b>174,078</b>
Tax credit/(charge) on (loss)/profit on ordinary activities	7	95,521	(60,006)
<b>(Loss)/profit on ordinary activities after taxation</b>		<b>(201,842)</b>	<b>114,072</b>
Equity dividends	8	-	(70,000)
<b>Retained (loss)/profit for the year</b>		<b>(201,842)</b>	<b>44,072</b>
Retained profit brought forward		790,496	746,424
<b>Retained profit carried forward</b>		<b>£588,654</b>	<b>£790,496</b>


All activities derive from continuing operations. There are no recognised gains or losses for the current financial year and preceding financial year other than as stated in the profit and loss account. There are no movements in shareholders' funds other than the recognised gains or losses for the year in both the current financial year and preceding financial year.

## BALANCE SHEET as at 31 December 1998

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
<b>Current assets</b>			
Stocks	9	140,621	140,783
Debtors	10	3,954,200	2,073,733
Cash at bank and in hand		281,961	333,584
		<hr/>	<hr/>
		4,376,782	2,548,100
<b>Creditors:</b> amounts falling due within one year	11	(3,784,342)	(1,753,818)
		<hr/>	<hr/>
<b>Net current assets</b>		£592,440	£794,282
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	12	3,013	3,013
Other reserves		773	773
Profit and loss account		588,654	790,496
		<hr/>	<hr/>
<b>Total shareholders' funds</b>		£592,440	£794,282
		<hr/>	<hr/>
Equity shareholders' funds		589,927	791,769
Non-equity shareholders' funds		2,513	2,513
		<hr/>	<hr/>
<b>Total shareholders' funds</b>		£592,440	£794,282
		<hr/>	<hr/>

The financial statements on pages 5 to 10 were approved by the Board of Directors on 27 April 1999 and signed on behalf of the Board.

 Director

 Director



**NOTES TO THE ACCOUNTS**  
for the year ended 31 DECEMBER 1998

**1 Accounting policies**

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the company's accounts.

(a) **Basis of accounting**

The accounts are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

(b) **Stocks**

Stocks are valued at the lower of cost and net realisable value.

(c) **Long term contracts**

Long term contract work in progress is stated at cost, plus where the outcome can be assessed with reasonable certainty, estimated profits attributable to the stage of completion, less provision for any known or anticipated losses and progress payments receivable on account.

Advance and progress payments are included under creditors to the extent that they exceed the related work in progress.

Work-in-progress is shown under debtors as amounts recoverable on contracts where it includes attributable profit.

(d) **Turnover**

Turnover is the amount of accounts rendered (excluding value added tax) after adjusting for the value of work in progress at the beginning and the end of the year.

(e) **Pensions**

Payments are made on behalf of various employees to money purchase pension schemes. These payments are charged to the profit and loss account as they fall due.

	<u>1998</u> £	<u>1997</u> £
<b>2 Operating (loss)/profit</b> is stated after charging:		
Auditors' remuneration – audit services	£12,236	£7,350
Management charge payable to the parent company	£207,077	£198,125
	<hr/>	<hr/>
<b>3 Other interest receivable and similar income</b>		
Bank interest receivable	£Nil	£528
	<hr/>	<hr/>

**NOTES TO THE ACCOUNTS**  
(continued)

	<u>1998</u> £	<u>1997</u> £
<b>4 Interest payable and similar charges</b>		
Bank loans, overdraft and other loans repayable within five years	£Nil	£330
	<u>          </u>	<u>          </u>
<b>5 Directors' emoluments</b>		
Total directors' emoluments as executives		
Including benefits in kind	71,613	83,295
Pension contributions	5,750	5,555
	<u>          </u>	<u>          </u>
	£77,363	£88,850
	<u>          </u>	<u>          </u>

Two directors accrued benefits under defined contribution pension schemes (1997 – one).

**6 Particulars of employees**

The average number of persons employed by the company (including directors) during the year was:

Category	<u>Number</u>	<u>Number</u>
Production	67	58
Administration and management	25	20
	<u>92</u>	<u>78</u>
	<u>          </u>	<u>          </u>
Their total remuneration was:	£	£
Wages, salaries and bonus	2,146,847	1,729,036
Social security costs	206,699	166,379
Other pension costs	18,425	17,707
	<u>          </u>	<u>          </u>
	£2,371,971	£1,913,122
	<u>          </u>	<u>          </u>

The Killby & Gayford group contributes to a number of defined contribution pension schemes. The assets of these schemes are held independently from those of the group and are independently administered. The costs incurred on behalf of the employees of the company are shown above under 'other pension costs'.

**NOTES TO THE ACCOUNTS**  
(continued)

	<u>1998</u> £	<u>1997</u> £
<b>7 Tax credit/(charge) on (loss)/profit on ordinary activities</b>		
UK corporation tax at 31% (1997 - 31.5%)	-	(60,006)
Contributions received from group companies in respect of losses of £140,000 (1997 - £Nil) surrendered	88,500	-
Prior year credit	7,021	-
	<u>£95,521</u>	<u>£(60,006)</u>
<b>8 Equity dividends</b>		
On ordinary shares - final proposed of £Nil per share (1997 - £140)	£Nil	£70,000
It is proposed that the preference share dividend be waived.		
<b>9 Stocks</b>		
Raw materials and consumables	£140,621	£140,783
	<u>£140,621</u>	<u>£140,783</u>
<b>10 Debtors</b>		
Amounts recoverable on contracts	2,557,794	1,575,760
Trade debtors	1,235,437	494,431
Corporation tax recoverable	88,500	-
Other debtors	72,469	3,542
	<u>£3,954,200</u>	<u>£2,073,733</u>
<b>11 Creditors: amounts falling due within one year</b>		
Trade creditors	1,388,170	511,152
Amounts owed to parent undertakings	2,376,344	1,101,224
Corporation tax	-	60,119
Other creditors	19,828	81,323
	<u>£3,784,342</u>	<u>£1,753,818</u>

**NOTES TO THE ACCOUNTS**  
(continued)

	<u>1998</u> £	<u>1997</u> £
<b>12 Called up share capital</b>		
Authorised:		
500 Ordinary shares of £1 each	500	500
4,500 4.2% Cumulative Preference shares of £1 each	4,500	4,500
	<u>          </u>	<u>          </u>
	<b>£5,000</b>	<b>£5,000</b>
	<u>          </u>	<u>          </u>
Allotted, called up and fully paid:		
500 Ordinary shares of £1 each	500	500
2,513 4.2% Cumulative Preference shares of £1 each	2,513	2,513
	<u>          </u>	<u>          </u>
	<b>£3,013</b>	<b>£3,013</b>
	<u>          </u>	<u>          </u>

The issued Preference Shares confer the right to a fixed Cumulative Preferential Dividend and shall rank as regards return of capital in priority to the Ordinary Shares.

**13 Related party transactions**

No related party transactions have been disclosed between this company and the other group companies as permitted by Section 17 of the Financial Reporting Standard No. 8 - Related Party Disclosures. The names of the other group companies are shown in the accounts of Killby & Gayford Group Limited.

**14 Parent undertakings**

The ultimate parent undertaking and controlling party is Killby & Gayford Group Limited, a company registered in England and Wales.

Killby & Gayford Group Limited is the parent undertaking of the largest group, of which Killby & Gayford (Joinery & Security) Limited is a member and for which group accounts are drawn up. Copies of those group accounts have been delivered to, and are available from, the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

Killby & Gayford Limited is the parent undertaking of the smallest group of which Killby & Gayford (Joinery & Security) Limited is a member and for which group accounts are drawn up. Copies of those accounts are available from the same address.