

FRANCIS GRAVES LIMITED

Report and Financial Statements

31 March 2002

**Deloitte & Touche
Birmingham**



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REPORT AND FINANCIAL STATEMENTS 2002

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REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

F C Graves
R J C Graves
A Pearson

SECRETARY

S M Ansell

REGISTERED OFFICE

14 The Square
Broad Street
Birmingham
B15 1AS

BANKERS

The Co-operative Bank plc
118-120 Colmore Row
Birmingham
B3 3BA

SOLICITORS

Lee Crowder
39 Newhall Street
Birmingham
B3 3DY

Gateley Wareing
Windsor House
3 Temple Row
Birmingham
B2 5JR

AUDITORS

Deloitte & Touche
Birmingham

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2002.

ACTIVITIES

The principal activity of the company continues to be that of property and construction consultancy.

REVIEW OF DEVELOPMENTS

The marketplace remains highly competitive and the directors are pleased to report an increase in the company's profitability and market share. The directors are looking to the future with confidence.

DIVIDENDS AND TRANSFERS TO RESERVES

The results for the year are shown in the profit and loss account on page 5. No dividends were declared during the year (2001: £nil). The directors recommend the payment of a final dividend of £10,000 (2001: £nil). The retained profit for the year of £57,574 (2001: £6,086) will be added to reserves brought forward.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their interests in the shares of the company were as follows:

	Ordinary shares of £1 each	
	31 March 2002	31 March 2001
F C Graves	-	-
R J C Graves	-	-
A Pearson (appointed 1 April 2001)	-	-

The interests of F C Graves and R J C Graves in the shares of the parent company, Graves Holdings Limited, are disclosed in the directors' report of that company. A Pearson has no interests in the share capital of the parent company or any other group company.

CHARITABLE DONATIONS

Charitable donations during the year amounted to £3,770 (2001 - £3,060).

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



S M Ansell
Secretary

15.1.2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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; 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
FRANCIS GRAVES LIMITED**

We have audited the financial statements of Francis Graves Limited for the year ended 31 March 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of 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.

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte + Touche

Deloitte & Touche

Chartered Accountants and Registered Auditors
Birmingham

16 January 2003

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2002

	Note	2002 £	2001 £
TURNOVER	1	3,339,874	2,273,824
Cost of sales		<u>(924,134)</u>	<u>(385,639)</u>
Gross profit		2,415,740	1,888,185
Administrative expenses		<u>(2,251,805)</u>	<u>(1,797,158)</u>
OPERATING PROFIT	4	163,935	91,027
Interest payable and similar charges	3	<u>(44,416)</u>	<u>(63,390)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		119,519	27,637
Tax on profit on ordinary activities	5	<u>(51,945)</u>	<u>(21,551)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		67,574	6,086
Dividends	6	<u>(10,000)</u>	<u>-</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR	15	<u>57,574</u>	<u>6,086</u>

All activities derive from continuing operations.

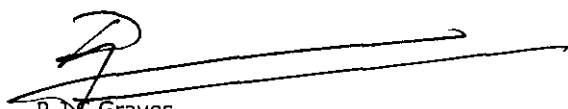
There have been no recognised gains and losses attributable to the shareholders other than the profit for the current and preceding financial year and accordingly, no statement of total recognised gains and losses is required.

BALANCE SHEET
31 March 2002

	Note	£	2002 £	£	2001 £
FIXED ASSETS					
Tangible assets	7		154,739		190,634
CURRENT ASSETS					
Work in progress		397,498		356,803	
Debtors	8	922,276		784,655	
Cash at bank and in hand		8,975		8,990	
		<u>1,328,749</u>		<u>1,150,448</u>	
CREDITORS: amounts falling due within one year	9	<u>(1,168,716)</u>		<u>(1,042,656)</u>	
NET CURRENT ASSETS			<u>160,033</u>		<u>107,792</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			314,772		298,426
CREDITORS: amounts falling due after more than one year	10		-		(46,875)
PROVISIONS FOR LIABILITIES AND CHARGES	12		<u>(11,147)</u>		<u>(5,500)</u>
NET ASSETS			<u>303,625</u>		<u>246,051</u>
CAPITAL AND RESERVES					
Called up share capital	13		104,805		104,805
Capital redemption reserve	14		2,000		2,000
Profit and loss account	14		196,820		139,246
EQUITY SHAREHOLDERS' FUNDS	15		<u>303,625</u>		<u>246,051</u>

These financial statements were approved by the Board of Directors on 15.1.2003

Signed on behalf of the Board of Directors


R J C Graves
Director

NOTES TO THE ACCOUNTS
Year ended 31 March 2002**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

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

Turnover

Turnover represents fees receivable, excluding VAT, for services rendered during the year.

The turnover, which arises in the United Kingdom, is attributable to the company's principal activity.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation is calculated to write off the cost of tangible fixed assets over their estimated useful lives at the following rates:-

Short-term leasehold improvements	10% straight line
Motor vehicles	25% reducing balance
Office fixtures and equipment	25% straight line
Computer equipment	33 % straight line

Work in progress

Credit is taken for profit on appointments when fees are rendered.

Work-in-progress represents time costs incurred on appointments since the last fee account was rendered. Allowance is made for any costs included which may prove irrecoverable.

Deferred taxation

The company has adopted FRS 19 Deferred Tax. Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and leases which result in the transfer to the company of substantially all the risks and rewards of ownership (finance leases) are capitalised as tangible fixed assets at the estimated present value of underlying lease payments and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to profit and loss account over the period of the lease or hire purchase contract so as to produce a constant periodic rate of charge on the outstanding balance of the net obligation in each period.

Rentals paid under other leases (operating leases) are charged against income on a straight line basis over the lease term.

Pension costs

Retirement benefits for certain employees including one of the directors are funded by defined contributions from the company. Payments are made to insurance companies and charged against profits of the year in which they become payable.

Premiums are paid for the benefit of one director to a money purchase pension scheme and are charged against profits in the year they become payable.

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2002 £	2001 £
Directors' emoluments		
Management remuneration (including benefits in kind)	314,277	207,024
Company contributions to money purchase and similar pension schemes in respect of directors' services	52,992	34,992
The number of directors who:	2002 No	2001 No
Are members of a money purchase pension scheme	2	1
Remuneration of highest paid director:	2002 £	2001 £
Aggregate of emoluments (excluding pension contributions)	200,445	191,524
Company contributions to money purchase and similar pension schemes in respect of directors' services	34,992	34,992
Average number of persons employed	2002 No	2001 No
Office and assistants	35	34
Executives and directors	10	10
	45	44
Staff costs during the year (including directors)	2002 £	2001 £
Wages and salaries	1,447,153	1,109,513
Social security costs	148,498	117,063
Pension costs	138,956	109,097
	1,734,607	1,335,673

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
Interest on bank borrowings	24,090	30,797
Hire purchase and finance lease interest	7,618	15,127
Other interest	12,708	17,466
	44,416	63,390

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

4. OPERATING PROFIT

	2002 £	2001 £
Operating profit is after charging:		
Loss on disposal of tangible fixed assets	6,929	9,287
Depreciation and amortisation:		
Owned assets	53,881	25,862
Leased assets	24,638	38,493
Hire of plant and machinery	5,668	7,404
Rentals under operating leases:		
Motor vehicles	88,023	100,887
Land and buildings	191,007	196,418
Plant and machinery	13,806	15,674
Auditors' remuneration:		
Audit services	9,750	9,500
	<u> </u>	<u> </u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £	2001 £
<i>Current taxation</i>		
UK corporation tax charge for the year	49,500	35,620
Adjustments in respect of prior periods	(3,202)	(8,569)
	<u> </u>	<u> </u>
Total current tax	46,298	27,051
<i>Deferred taxation</i>		
Origination and reversal of timing differences	5,567	(6,035)
Adjustments in respect of prior periods	80	535
	<u> </u>	<u> </u>
Tax on profits on ordinary activities	<u>51,945</u>	<u>21,551</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current and the previous year exceeds the standard rate for the reasons set out in the following reconciliation:-

	2002 £	2001 £
Profit on ordinary activities before tax	119,519	27,637
Tax on profit on ordinary activities at standard rate	35,856	8,291
<i>Factors affecting charge for the period:</i>		
Expenses not deductible for tax purposes	32,744	35,742
Capital allowances for period in excess of depreciation	(8,240)	-
Depreciation for period in excess of capital allowances	-	6,035
Movement in short term timing differences	2,553	-
Unprovided timing differences	-	120
Marginal relief	(13,507)	(14,568)
Rounding of tax provision	94	-
Adjustments to tax charge in respect of prior periods	(3,202)	(8,569)
	<u> </u>	<u> </u>
Total actual amount of current tax	<u>46,298</u>	<u>27,051</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

6. DIVIDENDS

	2002 £	2001 £
Final proposed - £0.09 (2001: £nil) per ordinary share	10,000	-

7. TANGIBLE FIXED ASSETS

	Short-term leasehold improve- ments £	Motor vehicles £	Office fixtures and equipment £	Total £
Cost				
At 1 April 2001	32,227	153,909	502,627	688,763
Additions	-	-	71,053	71,053
Disposals	-	(69,495)	-	(69,495)
At 31 March 2002	32,227	84,414	573,680	690,321
Accumulated depreciation				
At 1 April 2001	17,990	67,844	412,295	498,129
Charge for the year	5,968	19,731	52,820	78,519
Disposals	-	(41,066)	-	(41,066)
At 31 March 2002	23,958	46,509	465,115	535,582
Net book value				
At 31 March 2002	8,269	37,905	108,565	154,739
At 31 March 2001	14,237	86,065	90,332	190,634

The net book value of fixed assets includes an amount of £52,626 (2001 - £105,692) in respect of assets held under finance leases.

8. DEBTORS

	2002 £	2001 £
Trade debtors	737,987	717,806
Other debtors	39,014	2,535
Corporation tax	32,576	862
Directors' current accounts	48,401	53,452
Prepayments	64,298	10,000
	922,276	784,655

The amounts outstanding in respect of directors' current accounts:

	Balance at 31 March 2002 £	Maximum out- standing during year £
R J C Graves	48,401	53,452

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Bank overdraft	266,535	359,122
Other loan	50,000	50,000
Obligations under finance leases and hire purchase contracts	34,343	38,123
Trade creditors	168,127	43,284
Amount due to parent company	50,621	10,480
Director's current account - FC Graves	-	71,080
Corporation tax	59,733	27,128
Other taxes and social security	328,239	265,734
Other creditors	17,113	8,661
Accruals	184,005	169,044
Proposed dividends	10,000	-
	<u>1,168,716</u>	<u>1,042,656</u>

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £	2001 £
Obligations under finance leases and hire purchase contracts	-	46,875
	<u>-</u>	<u>46,875</u>

11. BORROWINGS

	2002 £	2001 £
Bank overdraft	266,535	359,122
Other loan	50,000	50,000
Obligations under finance leases and hire purchase contracts	34,343	84,998
	<u>350,878</u>	<u>494,120</u>
The maturity of the above amounts is as follows:		
In one year or less, or on demand	350,878	447,245
More than one year but not more than two years	-	46,875
More than two years but not more than five years	-	-
	<u>350,878</u>	<u>494,120</u>

Bank overdraft facilities are secured by an unlimited debenture and by a personal guarantee given by one director, RJC Graves, for £170,000.

The other loan represents amounts loaned from Francis Graves Limited (1996) Director Retirement and Death Benefits Scheme. The loan is unsecured, carries interest at 2% per annum above base rate and is repayable on demand. Mr RJC Graves and Mrs DJ Graves are the only members of the scheme.

The finance leases are secured on the assets to which they relate.

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

12. PROVISIONS FOR LIABILITIES AND CHARGES

	Balance at 1 April 2001 £	Charged to profit and loss account £	Applied £	Balance at 31 March 2002 £
Deferred taxation	5,500	5,647	-	11,147

The amounts of deferred tax provided in the accounts are:

	Provided 2002 £	Provided 2001 £
Accelerated capital allowances	13,700	5,500
Short term timing differences	(2,553)	-
	11,147	5,500

13. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised 170,000 ordinary shares of £1 each	170,000	170,000
Called up, allotted and fully paid 104,805 ordinary shares of £1 each	104,805	104,805

14. RESERVES

	Capital Redemp- tion reserve £	Profit and loss account £
At 1 April 2001	2,000	139,246
Profit for the year	-	57,574
At 31 March 2002	2,000	196,820

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit for the financial year	67,574	6,086
Dividends	(10,000)	-
Net increase in shareholders' funds	57,574	6,086
Opening shareholders' funds	246,051	239,965
Closing shareholders' funds	303,625	246,051

NOTES TO THE ACCOUNTS
Year ended 31 March 2002**16. FINANCIAL COMMITMENTS****Capital commitments**

At 31 March 2002 the company had no capital commitments (2001: £Nil).

Operating lease commitments

At 31 March 2002 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 2002 £	Other 2002 £	Land and buildings 2001 £	Other 2001 £
Leases which expire:				
Within one year	5,405	29,971	-	15,410
Within two to five years	-	43,340	21,620	67,996
After five years	159,657	-	159,657	-
	<u>165,062</u>	<u>73,311</u>	<u>181,277</u>	<u>83,406</u>

17. CONTINGENT LIABILITIES

The company has given an unlimited cross guarantee to secure borrowings in respect of its parent undertaking, Graves Holdings Limited. At the balance sheet date borrowings amounted to £180,415 (2001: £72,774).

18. PENSION COSTS

During the year the company has made contributions to defined contribution schemes for the benefit of its director's and employees. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge shown in note 2 represents contributions payable by the company. Contributions outstanding at the balance sheet date were £8,510 (2001: £nil).

19. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

Graves Holdings Limited, registered in England and Wales, is regarded by the directors as being the ultimate parent company. The accounts of Graves Holdings Limited can be obtained from its registered office, 14 The Square, Broad Street, Birmingham B15 1AS.

The company's ultimate controlling party is Mr R J C Graves, the Chief Executive, who holds a majority shareholding of the ordinary issued share capital in the ultimate parent company, Graves Holdings Limited.

20. TRANSACTIONS WITH RELATED COMPANIES

FC Graves and RJC Graves are also directors of and have interests in Graves Holdings Limited, the ultimate parent company.

Amounts due from and to related parties at 31 March 2002 are disclosed in notes 8 and 9 respectively.

Interest of £3,417 (2001: £3,928) was paid on the loan from the Francis Graves Limited (1996) Retirement and Death Benefits Scheme of which RJC Graves is a beneficiary. Interest of £6,835 (2001: £7,857) was paid to FC Graves on his loan account.