

**PAYE STONWORK AND
RESTORATION LIMITED
REPORT AND FINANCIAL STATEMENTS
31 AUGUST 2003**



Horwath Clark Whitehill

Horwath Clark Whitehill
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PAYE STONework & RESTORATION LIMITED
DIRECTORS AND ADVISERS

DIRECTORS

Adrian P W Paye
Albert F Goodwin
Peter D Lloyd
Paul P Newsam
Martin R Harvey

SECRETARY

Martin R Harvey

AUDITORS

Horwath Clark Whitehill
Chartered Accountants
25 New Street Square
London EC4A 3LN

BANKERS

National Westminster Bank plc
89 Mount Pleasant Road
Tunbridge Wells
Kent TN1 1QJ

LEGAL ADVISERS

Cripps Harries Hall
Wallside House
12 Mount Ephraim Road
Tunbridge Wells
Kent TN1 1EG

PAYE STONEMWORK & RESTORATION LIMITED
CHAIRMAN'S STATEMENT
YEAR ENDED 31 AUGUST 2003

Following a difficult trading period, I am pleased to report that with the award of a number of publicly funded projects, including the second phase of works at H.M. Treasury and the refurbishment of the Grade One listed St. Pancras Station, satisfactory levels of profitable trading returned for the second half of this year.

This fact, coupled with tight control of overhead spending, has ensured that we are now well placed to continue the success of previous years in negotiating repeat business and providing high levels of value. Our continuing commitment to raising and maintaining standards of quality and technical performance has resulted in the achievement of a high level of customer satisfaction upon which we will also build over the coming months.

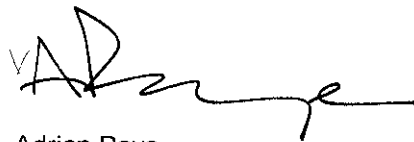
Part of our commitment to quality involves our current training of stonemasons at the Building Crafts College and the forthcoming sponsorship of a number of contracts managers studying for conservation post-graduate diplomas and masters degrees.

We are also grateful to have received two Natural Stone Craft Awards from the Worshipful Livery Company of Masons of the City of London in recognition of the standard of work achieved at Southwark Cathedral and 16 Old Bailey.

We are very pleased to have supported the following charities this year:

Samaritans
Barnados
Children with Leukaemia
Meningitis Research

I would like to thank all my colleagues for their support and hard work over the last year.

A handwritten signature in black ink, appearing to read 'ADrian Paye', with a small 'x' mark to its right.

Adrian Paye

Chairman

PAYE STONWORK & RESTORATION LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 AUGUST 2003

The directors present their report together with the financial statements for the year ended 31 August 2003.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £102,734. Interim dividends of £75,000 were paid during the year and a final dividend of £75,000 has been proposed.

REVIEW OF THE BUSINESS

The company's principal activities during the year were those of cleaning, repairing, extending and adapting historic facades.

It is anticipated that the company will continue to trade profitably during the ensuing year.

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:

	Ordinary shares of £1 each	
	31 August 2003	31 August 2002
	No.	No.
Adrian P W Paye	16,500	16,500
Albert F Goodwin	16,500	16,500
Peter D Lloyd	8,500	8,500
Paul P Newsam	8,500	8,500
Martin R Harvey (appointed February 2003)	-	-

AUDITORS

The auditors, Horwath Clark Whitehill, will retire at the forthcoming Annual General Meeting and offer themselves for re-appointment.

By Order of the Board



Director

11 MARCH 2004

PAYE STONework & RESTORATION LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The purpose of this statement is to distinguish the directors' responsibilities for the financial statements from those of the auditors, as stated in their report.

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the company's state of affairs at the end of the period and of its profit or loss for the period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume 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 or other irregularities.

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
PAYE STONEWORK & RESTORATION LIMITED**

We have audited the financial statements of Paye Stonework & Restoration Limited for the year ended 31 August 2003 set out on pages 6 to 13. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

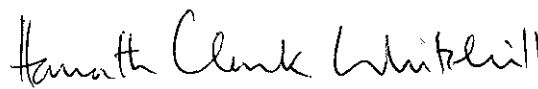
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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.

Unqualified opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 August 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

11 March 2004


Chartered Accountants and
Registered Auditors

PAYE STONWORK & RESTORATION LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 AUGUST 2003

	Notes	2003 £	2002 £
TURNOVER	1b)	13,065,074	12,372,218
Cost of sales		<u>(10,972,009)</u>	<u>(10,225,394)</u>
GROSS PROFIT		2,093,065	2,146,824
Administrative expenses		<u>(1,928,196)</u>	<u>(1,635,811)</u>
OPERATING PROFIT	2	164,869	511,013
Interest receivable		452	22,134
Interest payable	4	<u>(4,632)</u>	<u>(318)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		160,689	532,829
Tax on profit on ordinary activities	5	<u>(57,955)</u>	<u>(172,160)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		102,734	360,669
Dividends	6	<u>(150,000)</u>	<u>-</u>
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(47,266)</u>	<u>360,669</u>

The profit and loss account contains all the gains and losses recognised in the current and previous year and the retained (loss)/profit for the year represents the only movement in shareholders' funds during those years.

The notes on pages 9 to 13 form part of these financial statements.

PAYE STONEMWORK & RESTORATION LIMITED

BALANCE SHEET

31 AUGUST 2003

	Notes	2003 £	2002 £
FIXED ASSETS			
Tangible assets	7	<u>47,244</u>	<u>52,201</u>
CURRENT ASSETS			
Stocks	8	1,200	1,200
Debtors	9	4,051,230	3,820,279
Cash at bank and in hand		<u>106,320</u>	<u>18,629</u>
		4,158,750	3,840,108
CREDITORS: amounts falling due within one year	10	<u>(3,521,047)</u>	<u>(3,160,096)</u>
NET CURRENT ASSETS		<u>637,703</u>	<u>680,012</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>684,947</u>	<u>732,213</u>
CAPITAL AND RESERVES			
Called up share capital	11	50,000	50,000
Profit and loss account		<u>634,947</u>	<u>682,213</u>
SHAREHOLDERS' FUNDS		<u>684,947</u>	<u>732,213</u>

Approved by the Board on *11 March 2004*
and signed on its behalf by:



} Director



The notes on pages 9 to 13 form part of these financial statements.

PAYE STONEWORK & RESTORATION LIMITED
CASH FLOW STATEMENT
YEAR ENDED 31 AUGUST 2003

	Notes	2003 £	2002 £
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	12	<u>132,729</u>	<u>(646,824)</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		<u>(4,632)</u>	<u>(318)</u>
Interest received		<u>452</u>	<u>22,134</u>
		<u>(4,180)</u>	<u>21,816</u>
TAXATION			
UK corporation tax paid		<u>(175,752)</u>	<u>(202,160)</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		<u>(16,699)</u>	<u>(55,855)</u>
Proceeds from disposal of tangible fixed assets		<u>895</u>	<u>5,000</u>
		<u>(15,804)</u>	<u>(50,855)</u>
EQUITY DIVIDENDS PAID		<u>(75,000)</u>	<u>(100,000)</u>
DECREASE IN CASH	13	<u>(138,007)</u>	<u>(978,023)</u>

The notes on pages 9 to 13 form part of these financial statements.

PAYE STONWORK & RESTORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2003

1. ACCOUNTING POLICIES

a) Basis of Accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Turnover

This represents the invoiced amounts of goods sold and services provided, net of value added tax. All turnover arose in the UK and relates entirely to the company's principal activity.

c) Depreciation of Tangible Fixed Assets

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

Computer equipment	33% per annum on a straight line basis
Fixtures, fittings and office equipment	20% per annum on a reducing balance basis

d) Stock and Long Term Contracts

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

Amounts recoverable on long-term contracts are stated at cost plus attributable profits less provision for any known or anticipated losses and payments on account and are included in debtors. Payments on account in excess of amounts recoverable on contracts are included in creditors.

e) Pension Costs

The company operates funded defined contribution pension schemes for its employees. Contributions are charged to the profit and loss account as they accrue.

f) Finance and Operating Leases

Finance leases, where substantially all the rights and rewards of ownership are transferred to the lessee, are capitalised in tangible fixed assets at their fair value and depreciated over their useful lives.

Operating lease rentals are charged to the profit and loss account in the period they accrue.

PAYE STONEWORK & RESTORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED 31 AUGUST 2003

2. OPERATING PROFIT	2003	2002
	£	£
This is stated after charging		
Auditors' remuneration: as auditors	6,300	6,000
Depreciation	19,694	18,107
Operating lease rentals - equipment	909,470	1,116,713
- land and buildings	71,450	53,492
	<u>71,450</u>	<u>53,492</u>

3. EMPLOYEE INFORMATION

Staff costs:		
Wages and salaries	1,696,609	1,549,025
Social security costs	190,940	167,526
Other pension costs	170,348	193,659
	<u>2,057,897</u>	<u>1,910,210</u>

The average weekly number of employees during the year was as follows:

	No.	No.
Administrative	10	9
Contracts and site	32	32
	<u>42</u>	<u>41</u>

Directors' emoluments:	£	£
Fees and salaries	511,453	436,570
Company contributions to personal pension plans	128,131	140,284
	<u>639,584</u>	<u>576,854</u>

The highest paid director received fees and salary of £128,750 (2002 £122,617) together with company contributions to his pension plan of £24,000 (2002: £24,000). All five directors had company contributions made into their pension plans.

4. INTEREST PAYABLE

On bank loans, overdrafts and similar loans:		
Repayable by instalments within 5 years	-	270
Repayable otherwise than by instalments	4,632	48
	<u>4,632</u>	<u>318</u>

PAYE STONEWORK & RESTORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED 31 AUGUST 2003

5. TAX ON PROFIT ON ORDINARY ACTIVITIES	2003	2002
	£	£
UK Corporation Tax on the taxable profit for the year (see below)	62,203	180,000
Over provision in previous year	<u>(4,248)</u>	<u>(7,840)</u>
	<u>57,955</u>	<u>172,160</u>
Factors affecting the tax charge for the year		
The tax for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:		
Profit on ordinary activities before taxation	<u>160,689</u>	<u>532,829</u>
Profit on ordinary activities before taxation multiplied by the rate standard of UK corporation tax of 30%	48,207	159,849
Effects of:		
Expenses not deductible for tax purposes	33,471	36,344
Capital allowances in excess of depreciation	1,089	1,562
Other	<u>(20,564)</u>	<u>(17,755)</u>
	<u>62,203</u>	<u>180,000</u>
6. DIVIDENDS		
Interim dividends paid: £1.50 per share (2002: £Nil per share)	75,000	-
Final dividend proposed: £1.50 per share (2002: £Nil)	<u>75,000</u>	<u>-</u>
	<u>150,000</u>	<u>-</u>
7. TANGIBLE FIXED ASSETS		
		Fixtures, Fittings And Office Equipment £
Cost		
At 1 September 2002		88,832
Additions		16,699
Disposals		<u>(2,562)</u>
At 31 August 2003		<u>102,969</u>
Depreciation		
At 1 September 2002		36,631
Charge for year		19,694
Disposals		<u>(600)</u>
At 31 August 2003		<u>55,725</u>
Net book value		
At 31 August 2003		<u>47,244</u>
<i>At 31 August 2002</i>		<u>52,201</u>

PAYE STONEWORK AND RESTORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED 31 AUGUST 2003

8. STOCKS	2003	2002
	£	£
Raw materials and consumables	<u>1,200</u>	<u>1,200</u>
9. DEBTORS		
Amounts recoverable on contracts	3,757,436	3,524,325
Other debtors	24,663	32,707
Prepayments and accrued income	<u>269,131</u>	<u>263,247</u>
	<u>4,051,230</u>	<u>3,820,279</u>
10. CREDITORS: Amounts falling due within one year		
Bank overdraft	493,716	268,018
Dividends payable	75,000	-
Trade creditors	2,184,562	2,185,777
Corporation tax	62,203	180,000
Other taxes and social security costs	140,669	114,814
Accruals	547,475	411,099
Other creditors	<u>17,422</u>	<u>388</u>
	<u>3,521,047</u>	<u>3,160,096</u>
The bank overdraft is secured by a fixed and floating charge over the assets of the company.		
11. SHARE CAPITAL		
Authorised share capital		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

PAYE STONework AND RESTORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED 31 AUGUST 2003

12. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2003 £	2002 £
Operating profit	164,869	511,013
Depreciation of tangible fixed assets	19,694	18,107
Loss on disposal of tangible fixed assets	1,067	11,954
Decrease in stock	-	800
Increase in debtors	(230,951)	(354,451)
(Decrease)/increase in creditors	178,050	(834,247)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	132,729	(646,824)

13. ANALYSIS OF NET FUNDS

	At 1 September 2002 £	Cash Flow £	At 31 August 2003 £
Cash at bank in hand	(249,389)	(138,007)	(387,396)

14. OPERATING LEASE COMMITMENTS

At 31 August 2003, the company had annual commitments under non-cancellable operating leases as set out below.

	2003		2002	
	Land and buildings £	Other £	Land and buildings £	Other £
Within one year	-	1,893	4,062	5,161
Within two to five years	2,400	34,812	-	31,900
After more than five years	65,000	-	65,000	-
	67,400	36,705	69,062	37,061

15. RELATED PARTY TRANSACTIONS/DIRECTORS' MATERIAL INTERESTS IN CONTRACTS

A P W Paye and A F Goodwin are directors of the company and partners of the Goodwin Paye partnership. £530,285 was charged during the year by the partnership to the company for goods and services provided. At 31 August 2003 the company was owed £316,531 by the Goodwin Paye partnership (2002: £386,122).

16. CONTROL

Throughout the year the company was controlled by its directors, details of their interest in the ordinary share capital of the company can be found in the directors' report.