

**PAYE STONWORK AND
RESTORATION LIMITED
REPORT AND FINANCIAL STATEMENTS
31 AUGUST 1997**

**HORWATH
CLARK WHITEHILL**

Chartered Accountants

A member of Horwath International

25 New Street Square London EC4A 3LN
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DIRECTORS AND ADVISERS

DIRECTORS

Adrian P W Paye
Bert F Goodwin
Peter D Lloyd
Paul P Newsam

SECRETARY

Martin 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 1PX

LEGAL ADVISERS

Stephenson Harwood
1 St Paul's Churchyard
London EC4M 8SH

Cripps Harries Hall
Seymour House
11-13 Mount Ephraim Road
Tunbridge Wells
Kent TN1 1EN

CHAIRMAN'S STATEMENT
YEAR ENDED 31 AUGUST 1997

I am pleased to report that the Company has continued to increase its market share having undertaken a number of major prestigious contracts including Windsor Castle fire damage restoration, Royal Opera House external refurbishment and successive contracts at the British Museum and the National Gallery.

Turnover has increased by over 30% from the previous year which, we believe, reflects our ability to attract and retain clients by offering the best service at competitive and realistic prices.

We are anticipating further growth in the forthcoming financial year and have invested in a new data processing and cost reporting system to enable administrative staff to continue to effectively control costs and maintain standards of service at the current high levels.

I would like to thank my fellow directors and all the staff of PAYE Stonework & Restoration for their hard work and dedication over the last 12 months.

Adrian P W Paye

20 January 1998

PAYE STONWORK & RESTORATION LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 AUGUST 1997

The directors present their report together with the financial statements for the year ended 31 August 1997.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £203,560. Interim dividends of £230,000 were paid during the year. The directors do not recommend payment of a final dividend.

REVIEW OF THE BUSINESS

The company's principal activities during the year were those of building repair and stonework contractors. Continuing market penetration has ensured a steadily rising enquiry level resulting in the considerable growth in turnover. Profitability has been maintained in-line with previous years trading.

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 1997	31 August 1996
	No.	No.
Adrian P W Paye	33	33
Bert F Goodwin	33	33
Peter D Lloyd	17	17
Paul P Newsam	17	17

AUDITORS

Harrison Hill Castle and Co resigned as auditors during the year and Clark Whitehill were appointed in their place. On 1 January 1998 Clark Whitehill changed the name under which they practice to Horwath Clark Whitehill and have signed their report in their new name. Horwath Clark Whitehill will retire at the forthcoming annual general meeting and offer themselves for re-appointment.

By Order of the Board

 3.2.98

Martin Harvey ACA, Company Secretary

PAYE STONERWORK & 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.

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



We have audited the financial statements on pages 6 to 12 which have been prepared under the accounting policies set out on page 8.

Respective Responsibilities of Directors and Auditors

As described on page 4 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 financial 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 the 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 at 31 August 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

3 February 1998

Horwath Clark Whitehill

Chartered Accountants
and Registered Auditors

PAYE STONWORK & RESTORATION LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 AUGUST 1997

	Notes	1997 £	1996 £
TURNOVER	1b)	4,989,026	3,748,155
Cost of sales		<u>(4,161,763)</u>	<u>(3,119,699)</u>
GROSS PROFIT		827,263	628,456
Administration expenses		<u>(539,827)</u>	<u>(443,151)</u>
OPERATING PROFIT	2/3	287,436	185,305
Interest receivable		5,043	2,904
Interest payable	4	<u>(1,333)</u>	<u>(1,283)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		291,146	186,926
Tax on profit on ordinary activities	5	<u>(87,586)</u>	<u>(50,862)</u>
PROFIT FOR THE YEAR		203,560	136,064
Dividends	6	<u>(230,000)</u>	<u>(135,000)</u>
RETAINED (LOSS)/PROFIT FOR THE YEAR		<u>(26,440)</u>	<u>1,064</u>

The profit and loss account contains all the gains and losses recognised in the current and previous year and is the only movement in shareholders' funds during these years.

The notes on pages 8 to 12 form part of these financial statements.

PAYE STONERWORK & RESTORATION LIMITED
BALANCE SHEET
31 AUGUST 1997

	Notes	£	1997 £	1996 £
FIXED ASSETS				
Intangible assets	7		22,250	26,700
Tangible assets	8		12,598	7,352
			34,848	34,052
CURRENT ASSETS				
Stocks and work in progress	9	123,731		96,083
Debtors	10	912,575		759,516
Cash at bank and in hand		22,881		9,765
		1,059,187		865,364
CREDITORS: amounts falling due within one year	11	987,965		763,428
NET CURRENT ASSETS			71,222	101,936
TOTAL ASSETS LESS CURRENT LIABILITIES			106,070	135,988
CREDITORS: amounts falling due after more than one year	12		-	(3,478)
NET ASSETS			106,070	132,510
CAPITAL AND RESERVES				
Called up share capital	13		100	100
Profit and loss account			105,970	132,410
SHAREHOLDERS' FUNDS			106,070	132,510

Approved by the Board on 3.2.98
and signed on its behalf by

Adrian P W Paye

Bert F Goodwin

A Paye } Directors
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The notes on pages 8 to 12 form part of these financial statements.

PAYE STONWORK & RESTORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 1997

1. ACCOUNTING POLICIES

a) Basis of Accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards, except for the treatment of long-term contract work in progress detailed below.

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) Amortisation of Intangible Fixed Assets

The company's policy is to write off goodwill evenly over its economic life of 10 years.

d) 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:

Fixtures, fittings and office equipment	20% per annum on reducing balance
Motor vehicles	25% per annum on reducing balance

e) Stock and Work in progress

Stocks are valued at the lower of cost and net realisable value. Work in progress is valued at the lower of cost and net realisable value less progress payments with an appropriate allowance for overheads.

f) Deferred Taxation

Deferred taxation is accounted for using the liability method on all material timing differences to the extent that it is probable that liabilities or assets will crystallise.

g) Pension Costs

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

h) 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 STONWORK & RESTORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED 31 AUGUST 1997

2. OPERATING PROFIT	1997	1996
	£	£
This is stated after charging/(crediting)		
Auditors' remuneration	5,000	5,000
Amortisation of goodwill	4,450	4,450
Depreciation	2,390	2,388
Operating lease rentals - equipment	423,745	267,774
- land and buildings	10,185	-
	<u> </u>	<u> </u>
3. EMPLOYEE INFORMATION		
Staff costs		
Wages and salaries	397,794	259,688
Social security costs	42,250	28,985
Other pension costs	6,422	3,846
Compensation for loss of office	9,000	-
	<u> </u>	<u> </u>
	455,466	292,519
	<u> </u>	<u> </u>
The average weekly number of employees during the year was as follows:	No.	No.
Administrative	5	3
Contracts and site	12	10
	<u> </u>	<u> </u>
	17	13
	<u> </u>	<u> </u>
Directors' emoluments	£	£
Fees and salaries	102,000	102,000
	<u> </u>	<u> </u>
4. INTEREST PAYABLE		
On bank loans, overdrafts and similar loans:		
Repayable by instalments within 5 years	1,283	1,283
Repayable otherwise than by instalments	50	-
	<u> </u>	<u> </u>
	1,333	1,283
	<u> </u>	<u> </u>
5. TAX ON PROFIT ON ORDINARY ACTIVITIES		
UK Corporation Tax at 24%/21% (1996: 33%)	80,000	50,862
Underprovision in previous year	7,586	-
	<u> </u>	<u> </u>
	87,586	50,862
	<u> </u>	<u> </u>

PAYE STONEWORK & RESTORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED 31 AUGUST 1997

6. DIVIDENDS

1997
£

1996
£

Interim dividends paid:
£2,300 per share (1996: £1,350 per share)

230,000

135,000

7. INTANGIBLE FIXED ASSETS

Cost

1st September 1996 and 31 August 1997

44,500

Amortisation

1 September 1996

Charge for year

17,800

4,450

31 August 1997

22,250

Net book value

At 31 August 1997

22,250

At 31 August 1996

26,700

8. TANGIBLE FIXED ASSETS

Fixtures,
fittings
and office
equipment
£

Motor
vehicles
£

Total
£

Cost

At 1 September 1996

Additions

1,191

7,636

10,571

-

11,762

7,636

At 31 August 1997

8,827

10,571

19,398

Depreciation

At 1 September 1996

Charge for year

446

738

3,964

1,652

4,410

2,390

At 31 August 1997

1,184

5,616

6,800

Net book value

At 31 August 1997

7,643

4,955

12,598

At 31 August 1996

745

6,607

7,352

All motor vehicles are held under hire purchase agreements.

PAYE STONERWORK & RESTORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED 31 AUGUST 1997

9. STOCKS AND WORK IN PROGRESS	1997	1996
	£	£
Raw materials and consumables	1,450	1,500
Work in progress	<u>122,281</u>	<u>94,583</u>
	<u>123,731</u>	<u>96,083</u>
10. DEBTORS		
Trade debtors	864,404	709,341
Amounts owed by related undertakings	19,549	15,024
Corporation tax	-	12,500
Other debtors	27,382	21,588
Prepayments and accrued income	<u>1,240</u>	<u>1,063</u>
	<u>912,575</u>	<u>759,516</u>
11. CREDITORS: Amounts falling due within one year		
Bank overdraft	25,375	-
Amounts owed to related undertakings	-	2,200
Obligations under lease and hire purchase contracts	4,104	2,999
Trade creditors	665,490	499,394
Corporation tax	35,316	40,510
Other taxes and social security costs	87,653	17,752
Accruals	<u>170,027</u>	<u>200,573</u>
	<u>987,965</u>	<u>763,428</u>
The bank overdraft is secured by a fixed and floating charge over the assets of the company.		
12. CREDITORS: Amounts falling due after more than one year		
Obligations under lease and hire purchase contracts	<u>-</u>	<u>3,478</u>
13. SHARE CAPITAL		
Authorised share capital		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

PAYE STONWORK & RESTORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED 31 AUGUST 1997

14. OPERATING LEASE COMMITMENTS

At 31 August 1997, the company had annual commitments under non-cancellable operating leases as set out below.

Operating leases which expire	1997		1996	
	Land and buildings £	Other £	Land and buildings £	Other £
Within one year	-	2,642	-	2,471
Within two to five years	23,800	16,406	-	13,558
	<u>23,800</u>	<u>19,048</u>	<u>-</u>	<u>16,029</u>

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

During the year £33,000 (1996: £48,000) of management fees were paid to the Goodwin Paye Partnership in respect of costs borne by that partnership on behalf of the company. A P W Paye and A F Goodwin are directors of the company and partners of the partnership. In addition £390,845 was charged during the year by the partnership to the company for goods and services provided. At the year end the company was owed £19,549 (1996: £15,024) by the partnership.

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.