

KILLBY & GAYFORD GROUP LIMITED

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**REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2001**

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KILLBY & GAYFORD GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2001

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J A Roberts (Chairman) *
T L Smith (Chief Executive)
C J Chivers
J P H Vickers

SECRETARY

G Williams Hamer

REGISTERED OFFICE

Osborne House
9-11 Macaulay Road
London SW4 0QP

AUDITORS

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

* Non-executive

KILLBY & GAYFORD GROUP LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2001.

BUSINESS REVIEW

The activities of the Group of companies during the year were those of building, electrical, mechanical, joinery, metalwork and security contractors.

Following completion of the restructuring of the Group, 2001 was a year of consolidation, with a modest increase in turnover to £51,794,971 producing a profit before tax of £1,415,519. During the year the management structure was strengthened in preparation for opportunities anticipated to arise as a result of known client investment programmes. Significant growth is a key objective for 2002/03.

The Group continues to attract a high degree of repeat business and has as a result, despite the continuing competitive environment, secured a substantial order book, which enables it to look forward progressively and with confidence.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £838,814 (2000 – £1,351,335). A dividend of £94,000 (2000 – £94,000) was paid on 8% A preference shares, £104,000 (2000 – £104,000) on 8% B preference shares, and £94,520 (2000 – £109,392) is proposed on A ordinary shares. The directors do not recommend a dividend for the year on the ordinary shares (2000 – £nil).

DIRECTORS AND THEIR INTERESTS

The members of the Board during the year are shown on page 1.

Directors' interests are as follows:

The Company	31 December 2001	1 January 2001
T L Smith		
£1 ordinary shares	201,000	201,000
B preference shares	800,000	800,000
C J Chivers		
£1 ordinary shares	45,000	45,000

No other director had any interests in shares in the Company during the year, or any other group company.

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 and in line with the Health & Safety Commission initiative, "Revitalising Health & Safety".

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 Group.

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

KILLBY & GAYFORD GROUP LIMITED

DIRECTORS' REPORT (Continued)

EMPLOYMENT POLICIES

It is Group policy to provide equal employment opportunities for all, based on merit, free from discrimination. The Group gives high priority to career development and promotion and provides appropriate training opportunities for all employees, including those who may become disabled.

In communicating with its employees the Group seeks to be open and fair. Employees are consulted on issues which affect their interests and are informed of significant economic, financial or strategic developments affecting the performance of the business through meetings, or the circulation of memoranda and company newsletters.

All employees, who are not entitled to overtime payments, are incentivised through participation in profit sharing.

AUDITORS

Deloitte & Touche have signified their willingness to remain in office. In accordance with section 384 of the Companies Act 1985, a resolution proposing their reappointment as auditors of the Company will be put to the Annual General Meeting.

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



T L Smith

Director

29 April 2002

KILLBY & GAYFORD GROUP LIMITED

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 and the Group as at the end of the financial year and of the profit or loss of the Group 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 Group 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KILLBY & GAYFORD GROUP LIMITED

We have audited the financial statements of Killby & Gayford Group Limited for the year ended 31 December 2001 which comprise the Group profit and loss account, the Group balance sheet, the Company balance sheet, the Group cash flow statement, the reconciliation of net cash inflow to movement in net debt and the related notes 1 to 22. 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.

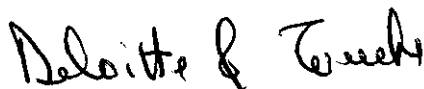
Basis of opinion

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 and the Group's affairs as at 31 December 2001 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors

Hill House
1 Little New Street
London EC4A 3TR

29 April 2002

KILLBY & GAYFORD GROUP LIMITED

GROUP PROFIT AND LOSS ACCOUNT Year ended 31 December 2001

	Note	2001 £	2000 £
TURNOVER	1	51,794,971	50,360,966
Cost of sales		(41,295,770)	(40,572,331)
Gross profit		10,499,201	9,788,635
Administrative expenses		(8,674,802)	(7,230,763)
OPERATING PROFIT	2	1,824,399	2,557,872
Interest receivable and similar income	5	45,668	47,853
Interest payable and similar charges	5	(454,548)	(602,396)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,415,519	2,003,329
Tax on profit on ordinary activities	6	(576,705)	(651,994)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	7	838,814	1,351,335
Dividends	8	(292,520)	(307,392)
Retained profit for the year	18	546,294	1,043,943

All activities derive from continuing operations.

There are no recognised gains and losses in either the current or preceding financial year other than as stated in the profit and loss account.

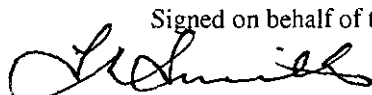
KILLBY & GAYFORD GROUP LIMITED

GROUP BALANCE SHEET 31 December 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Tangible assets	9	3,069,211	2,571,932
Goodwill	10	3,505,876	3,717,286
Investments in own shares	11	34,500	34,500
		<u>6,609,587</u>	<u>6,323,718</u>
CURRENT ASSETS			
Stocks	12	936,023	758,069
Debtors	13	14,416,586	15,900,315
Cash at bank and in hand		386,357	1,466,501
		<u>15,738,966</u>	<u>18,124,885</u>
CREDITORS: amounts falling due Within one year	14	<u>(14,624,954)</u>	<u>(15,760,461)</u>
NET CURRENT ASSETS		<u>1,114,012</u>	<u>2,364,424</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,723,599</u>	<u>8,688,142</u>
CREDITORS: amounts falling due After more than one year	14	<u>(2,658,391)</u>	<u>(4,291,130)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(139,190)</u>	<u>(17,288)</u>
		<u>4,926,018</u>	<u>4,379,724</u>
CAPITAL AND RESERVES			
Called up share capital	17	1,893,750	1,893,750
Share premium		1,163,250	1,163,250
Profit and loss account	18	1,869,018	1,322,724
EQUITY SHAREHOLDERS' FUNDS	19	<u>4,926,018</u>	<u>4,379,724</u>
SHAREHOLDERS' FUNDS			
Equity		2,451,018	1,904,724
Non-equity		2,475,000	2,475,000
TOTAL SHAREHOLDERS' FUNDS	19	<u>4,926,018</u>	<u>4,379,724</u>

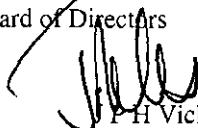
These financial statements were approved by the Board of Directors on 29 April 2002.

Signed on behalf of the Board of Directors



T L Smith

Director



P H Vickers

Director

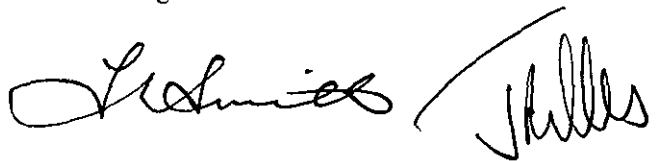
KILLBY & GAYFORD GROUP LIMITED

COMPANY BALANCE SHEET 31 December 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Investments	11	14,044,916	14,044,916
CURRENT ASSETS			
Debtors	13	2,937	1,867
Cash at bank and in hand		-	379,760
		2,937	381,627
CREDITORS: amounts falling due Within one year	14	(5,561,778)	(4,936,420)
NET CURRENT LIABILITIES		(5,558,841)	(4,554,793)
TOTAL ASSETS LESS CURRENT LIABILITIES		8,486,075	9,490,123
CREDITORS: amounts falling due After more than one year	14	(2,658,391)	(4,291,130)
		5,827,684	5,198,993
CAPITAL AND RESERVES			
Called up share capital	17	1,893,750	1,893,750
Share premium		1,163,250	1,163,250
Profit and loss account	18	2,770,674	2,141,993
SHAREHOLDERS' FUNDS		5,827,674	5,198,993
SHAREHOLDERS' FUNDS			
Equity		3,352,674	2,723,993
Non-equity		2,475,000	2,475,000
TOTAL SHAREHOLDERS' FUNDS		5,827,674	5,198,993

These financial statements were approved by the Board of Directors on 29 April 2002.

Signed on behalf of the Board of Directors



T L Smith
Director

J P H Vickers
Director

KILLBY & GAYFORD GROUP LIMITED

GROUP CASH FLOW STATEMENT

Year ended 31 December 2001

	Note	2001		2000	
		£	£	£	£
Net cash inflow from operating activities	20		1,562,018		3,987,922
Returns on investments and servicing of finance					
Interest received		45,668		47,853	
Interest paid		(420,501)		(583,039)	
Dividends paid to preference shareholders		(198,000)		(198,000)	
Net cash outflow from returns on investments and servicing of finance			(572,833)		(733,186)
Taxation					
UK corporation tax paid in respect of the year ended 31 December 2000		(544,518)		(280,355)	
UK corporation tax paid in respect of the year ended 31 December 2001		(302,000)		(136,000)	
			(846,518)		(416,355)
Capital expenditure and financial investments					
Purchase of tangible fixed assets		(770,789)		(431,634)	
Sale of tangible fixed assets		18,851		9,301	
Net cash outflow from capital expenditure and financial investments			(751,938)		(422,333)
Acquisitions and disposals					
Equity dividends paid			(109,392)		(34,230)
Net cash (outflow)/inflow before financing			(718,663)		2,381,818
Financing					
Repayment of loans		(1,300,000)		(750,000)	
Net cash outflow from financing			(1,300,000)		(750,000)
Net cash (outflow)/inflow in the year	21		(2,018,663)		1,631,818

GROUP CASH FLOW STATEMENT (continued)
Year ended 31 December 2001

Reconciliation of net cash inflow to movement in net debt (note 21)

	2001 £	2000 £
(Decrease)/increase in cash in the year	(2,018,663)	1,631,818
Cash outflow from loans	1,300,000	750,000
Amortisation of cost of loans	(34,047)	(19,357)
	<hr/>	<hr/>
Change in net debt per cashflow	(752,710)	2,362,461
Net funds at 1 January	(3,801,515)	(6,163,976)
	<hr/>	<hr/>
Net funds at 31 December	(4,554,225)	(3,801,515)
	<hr/>	<hr/>

KILLBY & GAYFORD GROUP LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2001

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.

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards. The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. All companies prepare accounts to 31 December.

Goodwill

Goodwill arising on acquisition, is capitalised on the balance sheet and written off over twenty years.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

Acquisitions

On the acquisition of a business fair values are ascribed to the Group's share of net tangible assets.

Depreciation

Depreciation is provided on tangible fixed assets, apart from freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, which is reviewed annually. The following rates have been used:

Freehold and long leasehold property	2 – 4% straight line basis
Motor vehicles	20% straight line basis
Plant and machinery	15 – 25% reducing balance basis
Fixtures and fittings	10% reducing balance basis

Stocks

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

Long term contracts

Long term contract balances are 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 expected losses and progress payments receivable on account and are included as amounts recoverable on contracts under debtors.

Advance and progress payments are included under creditors to the extent that they exceed the related long term contract balances.

Deferred taxation

Deferred taxation is provided on all timing differences where a liability for taxation is expected to arise in the foreseeable future, and at a rate at which it is anticipated that such taxation will be payable.

Turnover

Group 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 in the UK.

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.

KILLBY & GAYFORD GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

2. OPERATING PROFIT

	2001 £	2000 £
Operating profit is stated after charging/(crediting):		
Depreciation of fixed assets	291,356	384,832
Amortisation of goodwill	211,410	211,410
Net profit on disposal of fixed assets	(15,420)	(9,301)
Auditors' remuneration - audit services	45,000	40,000
- non audit services	10,000	25,405

3. DIRECTORS' EMOLUMENTS

	2001 £	2000 £
Total directors' emoluments as executives including benefits in kind	407,965	436,943
Pension contributions	42,399	48,327
	<u>450,364</u>	<u>485,270</u>
Highest paid director:		
Remuneration	173,015	192,056
Pension contributions	28,195	27,803
	<u>201,210</u>	<u>219,859</u>

Two directors accrued benefits under defined contribution pension schemes (2000 – two).

4. PARTICULARS OF EMPLOYEES

The average number of employees of the Group (including directors) during the year was:

	2001 No.	2000 No.
Administration and management	111	99
Production	166	155
	<u>277</u>	<u>254</u>
Staff costs during the year amounted to:	£	£
Wages, salaries and bonus	8,797,091	7,437,874
Social security costs	909,868	843,978
Other pension costs	158,314	104,738
	<u>9,865,273</u>	<u>8,386,590</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'. Unpaid contributions included in the balance sheet amounted to £nil (2000 - £nil).

KILLBY & GAYFORD GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

5. INTEREST RECEIVABLE AND PAYABLE

	2001 £	2000 £
Interest receivable and similar income		
Bank interest	45,668	47,853
	<u>45,668</u>	<u>47,853</u>
	2001 £	2000 £
Interest payable and similar charges		
Bank overdraft, loans and other interest	420,501	583,039
Amortised loan costs	34,047	19,357
	<u>454,548</u>	<u>602,396</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £	2000 £
UK corporation tax at 30% (2000 – 30%)	477,740	703,635
Deferred tax charge (see note 16)	121,902	(49,627)
Adjustment in respect of prior years	(22,937)	(2,014)
	<u>576,705</u>	<u>651,994</u>

7. PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY

The amount included in the Group profit after tax, before dividends paid dealt with in the accounts of the parent company is a profit of £921,211 (2000 – £1,241,021). In accordance with section 230 of the Companies Act 1985 a separate profit and loss account has not been presented for the Company.

8. DIVIDENDS

	2001 £	2000 £
Non equity dividends:		
A 8% preference shares (paid)	94,000	94,000
B 8% preference shares (paid)	104,000	104,000
Equity dividends:		
A ordinary shares (unpaid)	94,520	109,392
	<u>292,520</u>	<u>307,392</u>

KILLBY & GAYFORD GROUP LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2001

9. TANGIBLE FIXED ASSETS

The Group	Freehold property £	Long leasehold £	Motor vehicles £	Plant and machinery £	Fixtures and fittings £	Total £
Cost:						
At 1 January 2001	1,761,411	80,000	850,851	1,291,078	518,665	4,502,005
Additions	208,164	-	206,779	368,065	9,058	792,066
Disposals	-	-	(187,804)	-	-	(187,804)
	<u>1,969,575</u>	<u>80,000</u>	<u>869,826</u>	<u>1,659,143</u>	<u>527,723</u>	<u>5,106,267</u>
Accumulated depreciation:						
At 1 January 2001	228,948	9,600	627,608	844,107	219,810	1,930,073
Charge for year	38,158	3,200	103,793	115,946	30,259	291,356
Disposals	-	-	(184,373)	-	-	(184,373)
	<u>267,106</u>	<u>12,800</u>	<u>547,028</u>	<u>960,053</u>	<u>250,069</u>	<u>2,037,056</u>
Net book value:						
At 31 December 2001	<u>1,702,469</u>	<u>67,200</u>	<u>322,798</u>	<u>699,090</u>	<u>277,654</u>	<u>3,069,211</u>
At 31 December 2000	<u>1,532,463</u>	<u>70,400</u>	<u>223,243</u>	<u>446,971</u>	<u>298,855</u>	<u>2,571,932</u>

10. GOODWILL

The Group	2001 £	2000 £
Cost:		
At 1 January 2001 and 31 December 2001	<u>4,228,193</u>	<u>4,228,193</u>
Amortisation:		
At 1 January 2001	510,907	299,497
Charge for the year	<u>211,410</u>	<u>211,410</u>
At 31 December 2001	<u>722,317</u>	<u>510,907</u>
Net book amount:		
At 31 December 2001	<u>3,505,876</u>	<u>3,717,286</u>
At 31 December 2000	<u>3,717,286</u>	<u>3,928,696</u>

KILLBY & GAYFORD GROUP LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2001

11. INVESTMENTS

	2001 £	2000 £
(a) Subsidiary companies		
Shares at cost		
At 1 January 2001	14,044,916	11,304,838
Additions	-	2,740,078
	<u>14,044,916</u>	<u>14,044,916</u>
At 31 December 2001	<u>14,044,916</u>	<u>14,044,916</u>

The subsidiary undertakings are as follows:	% of shares and voting rights held	Principal activities
Killby & Gayford (Holdings) Limited		Building, electrical mechanical, joinery, metalwork and security contractors
30,000 management shares of £1 each (voting)	100	
24,957 cumulative preference shares of £1 each (non-voting)	100	
Killby & Gayford (Building) Limited		Dormant company
23,335 ordinary shares of £1 each	100	
Crownedge Limited		Employee benefit trust
2 ordinary shares of £1 each	100	
Subsidiaries of Killby & Gayford (Holdings) Limited		
Killby & Gayford Limited		Building, and specialist contractors
20,000 management shares of 25p each (voting)	100	
Killby & Gayford (Joinery & Security) Limited		Specialist manufacturers, joinery and security contractors
2,513 4.2% cumulative preference shares of £1 each	100	
500 ordinary shares of £1 each	100	
Killby & Gayford (Electrical & Mechanical) Limited		Electrical and mechanical contracting and engineering design
10,000 ordinary shares of £1 each	100	
Killby & Gayford (Developments) Limited		Dormant company
2 ordinary shares of £1 each	100	
Comsec Security Systems Limited		Dormant company
100 ordinary shares of £1 each	100	
Killby-Tann Limited		Dormant company
3,000 ordinary shares of £1 each	100	

All of the above undertakings are incorporated in Great Britain and registered in England and Wales.

- (b) The Killby & Gayford Group Employee Benefit Trust was established to hold shares in the Group for the benefit of employees. Crownedge Limited ("The Original Trustee of the Employee Trust") purchased 34,500 ordinary shares at a cost of £1 each in 2000.

KILLBY & GAYFORD GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

12. STOCKS

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Raw materials and consumables	936,023	758,069	-	-

13. DEBTORS

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Amounts recoverable on contracts	11,796,316	13,491,655	-	-
Trade debtors	1,930,005	2,231,859	-	-
Other debtors	648,538	128,117	2,937	1,867
Prepayments and accrued income	41,727	48,684	-	-
	<u>14,416,586</u>	<u>15,900,315</u>	<u>2,937</u>	<u>1,867</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Bank overdraft	1,136,357	197,838	211,862	-
Bank loans	852,084	779,048	852,084	779,048
Other loans	293,750	-	293,750	-
Trade creditors	9,886,989	10,933,416	-	-
Corporation tax	175,740	567,455	-	-
Amounts owed to group undertakings	-	-	3,378,736	2,426,771
Other taxes and social security costs	780,961	1,253,289	-	-
Proposed dividends	94,520	109,392	94,520	109,392
Other creditors	1,276,217	1,845,262	713,448	1,604,217
Accruals and deferred income	128,336	74,761	17,378	16,992
	<u>14,624,954</u>	<u>15,760,461</u>	<u>5,561,778</u>	<u>4,936,420</u>

The payments received on account included in creditors relate to amounts received in respect of work in progress in excess of the value attributed thereto.

Amounts falling due after one year:

Bank loans	1,777,141	3,116,130	1,777,141	3,116,130
Other loans	881,250	1,175,000	881,250	1,175,000
	<u>2,658,391</u>	<u>4,291,130</u>	<u>2,658,391</u>	<u>4,291,130</u>

KILLBY & GAYFORD GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

15. LOANS

	Bank loans		Other loans	
	2001	2000	2001	2000
	£	£	£	£
The loans are repayable as follows:				
Group and company				
Within one year, or on demand	852,084	779,048	293,750	-
Between one and two years	949,464	852,084	293,750	293,750
Between two and five years	827,677	2,264,046	587,500	881,250
	<u>2,629,225</u>	<u>3,895,178</u>	<u>1,175,000</u>	<u>1,175,000</u>

£70,775 finance costs have been deducted against the carrying value of the bank loan.

Both loans are secured by a charge over the Group's assets and are repayable by instalments. The interest paid on the bank loan is LIBOR plus the margin plus the Mandatory Liquid Asset Costs and 9.2% on the other loan.

Other loans are an amount payable to 3i plc, a preference shareholder.

16. PROVISIONS FOR LIABILITIES AND CHARGES

Group	Deferred tax	Total
	£	£
Balance at 1 January 2001	17,288	17,288
Provided in year	121,902	121,902
Balance at 31 December 2001	<u>139,190</u>	<u>139,190</u>

The amounts of deferred taxation provided in the accounts are as follows:

	2001	2000
	£	£
Deferred taxation		
Accelerated capital allowances	84,737	14,811
Other timing differences	54,453	2,477
	<u>139,190</u>	<u>17,288</u>

KILLBY & GAYFORD GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

17. CALLED UP SHARE CAPITAL

	Group and Company	
	2001	2000
	£	£
Authorised:		
402,000 ordinary shares of £1 each	402,000	402,000
198,000 'A' ordinary shares of £1 each	198,000	198,000
1,175,000 8% 'A' preference shares of 1p each	11,750	11,750
1,300,000 8% 'B' preference shares of £1 each	1,300,000	1,300,000
	<u>1,911,750</u>	<u>1,911,750</u>
Called up, allotted and fully paid:		
384,000 ordinary shares of £1 each	384,000	384,000
198,000 'A' ordinary shares of £1 each	198,000	198,000
1,175,000 8% 'A' preference shares of 1p each	11,750	11,750
1,300,000 8% 'B' preference shares of £1 each	1,300,000	1,300,000
	<u>1,893,750</u>	<u>1,893,750</u>

Both the ordinary shares and 'A' ordinary shares carry one vote per share. The preference shares have no voting rights and attract a cumulative dividend of 8%.

Redemption of 'A' and 'B' preference shares are by class, redeemable in four equal annual instalments from 31 May 2002 or earlier in tranches of £100,000 and by mutual agreement. 'A' preference shares are redeemable at a premium of 99 pence each and 'B' preference shares at par.

Capital repayment

In the event of a capital repayment the amounts available for payment to shareholders will be the subscription price on each share in the following order:

- (a) 'A' preference shares
- (b) 'B' preference shares
- (c) 'A' ordinary shares
- (d) Ordinary shares

The surplus goes to 'A' ordinary and ordinary shares as if the shares were the same class. If any share has dividend arrears/accruals these must be cleared prior to return of capital or an equivalent sum added to the amount of capital returned.

KILLBY & GAYFORD GROUP LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2001

18. RESERVES

	Profit and loss account £
Group	
At 1 January 2001	1,322,724
Retained profit	546,294
	<hr/>
At 31 December 2001	1,869,018
	<hr/>
Company	£
At 1 January 2001	2,141,993
Retained profit	628,691
	<hr/>
At 31 December 2001	2,770,684
	<hr/>

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Profit on ordinary activities after taxation	838,814	1,351,335
Dividends (see note 8)	(292,520)	(307,392)
	<hr/>	<hr/>
Net addition to shareholders' funds:	546,294	1,043,943
Opening shareholders' funds	4,379,724	3,335,781
	<hr/>	<hr/>
Closing shareholders' funds	4,926,018	4,379,724
	<hr/>	<hr/>

20. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 £	2000 £
Operating profit	1,824,399	2,557,872
Depreciation of fixed assets	291,356	384,832
Amortisation of goodwill	211,410	211,410
Profit on sale of fixed assets	(15,420)	(9,301)
(Decrease)/increase in creditors	(2,055,502)	4,066,059
Decrease/(increase) in debtors	1,483,729	(2,972,161)
Increase in stock	(177,954)	(200,102)
Decrease in provisions	-	(50,687)
	<hr/>	<hr/>
	1,562,018	3,987,922
	<hr/>	<hr/>

KILLBY & GAYFORD GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

21. ANALYSIS OF NET DEBT

	1 January 2001 £	Cashflow £	Non cash movement £	31 December 2001 £
Cash	1,466,501	(1,080,144)	-	386,357
Overdraft	(197,838)	(938,519)	-	(1,136,357)
	<u>1,268,663</u>	<u>(2,018,663)</u>	<u>-</u>	<u>(750,000)</u>
Debt due before one year	(779,048)	1,300,000	(1,666,786)	(1,145,834)
Debt due after one year	(4,291,130)	-	1,632,739	(2,658,391)
	<u>(5,070,178)</u>	<u>1,300,000</u>	<u>(34,047)</u>	<u>(3,804,225)</u>
	<u>(3,801,515)</u>	<u>(718,663)</u>	<u>(34,047)</u>	<u>(4,554,225)</u>

22. CAPITAL COMMITMENTS

There were no capital commitments contracted for but not provided for at 31 December 2001 (2000 – £nil).