

COMPANY NUMBER 0533232

**DEVON CONTRACTORS
LIMITED**

**ABBREVIATED FINANCIAL
STATEMENTS**

**FOR THE YEAR ENDED
31 MAY 2003**



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**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2003**

The directors present their report and the accounts for the year ended 31 May 2003.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company continued to be that of building contracting, civil engineering contracting, property development and residential development.

The directors consider that satisfactory progress was made in the year and the company will continue to explore new opportunities for its on-going success.

RESULTS AND DIVIDENDS

The results for the year are set out on page 4.

The directors have paid an interim dividend amounting to £300,000 and they do not recommend payment of a final dividend.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year are as stated below. None of the directors held shares of Devon Contractors Limited. The directors' interests in the parent company, Clyst Holdings Limited are shown below:

	Ordinary shares held in Clyst Holdings Limited	
	31 May 2003	31 May 2002
P J Hilson	150,000	150,000
I T Buckland	150,000	150,000
G D Murrin	21,429	21,429

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 the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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.

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Milsted Langdon be reappointed as auditors of the company will be put to the Annual General Meeting.

DEVON CONTRACTORS LIMITED


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DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2003

This report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

This report was approved by the Board on 24th SEPTEMBER 2003 and signed on its behalf by

.....
Secretary



INDEPENDENT AUDITORS' REPORT TO DEVON CONTRACTORS UNDER SECTION 247B OF THE COMPANIES ACT 1985

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We have examined the abbreviated accounts set out on pages 4 to 14 together with the financial statements of Devon Contractors Limited for the year ended 31 May 2003 prepared under Section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

The directors are responsible for preparing abbreviated accounts in accordance with Section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with that provision and to report our opinion to you.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Companies Act 1985 in respect of the year ended 31 May 2003, and the abbreviated accounts on pages 4 to 14 are properly prepared in accordance with that provision.



MILSTED LANGDON
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
TAUNTON, 20 October 2003

DEVON CONTRACTORS LIMITED**4****ABBREVIATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 2003**

		Continuing operations	
		2003	2002
	Notes	£	£
GROSS PROFIT		852,217	963,290
Administrative expenses		(409,169)	(427,117)
OPERATING PROFIT	2	443,048	536,173
Other interest receivable and similar income	3	20,492	34,660
Amount written off investments	4	-	24,932
Interest payable and similar charges	5	(827)	19,665
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		462,713	595,507
Tax on profit on ordinary activities	9	(133,379)	(169,965)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		329,334	425,542
Dividends	10	(300,000)	(300,000)
RETAINED PROFIT FOR THE YEAR		29,334	125,542
Retained profit brought forward		265,927	140,385
RETAINED PROFIT CARRIED FORWARD		295,261	265,927

There are no recognised gains or losses other than the profit or loss for the above two financial years.

The notes on pages 7 to 14 form part of these financial statements.

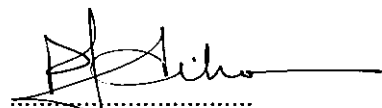
Auditors' report - page 3

DEVON CONTRACTORS LIMITED**5****ABBREVIATED BALANCE SHEET
AS AT 31 MAY 2003**

	Notes	2003 £	2002 £
FIXED ASSETS			
Tangible assets	11	145,029	144,192
CURRENT ASSETS			
Stocks	12	49,397	51,498
Debtors	13	3,079,221	2,099,877
Cash at bank and in hand		426,860	647,415
		<u>3,555,478</u>	<u>2,798,790</u>
CREDITORS: amounts falling due within one year	14	<u>(3,105,246)</u>	<u>(2,377,055)</u>
NET CURRENT ASSETS		<u>450,232</u>	<u>421,735</u>
NET ASSETS		<u>595,261</u>	<u>565,927</u>
CAPITAL AND RESERVES			
Called up share capital	15	300,000	300,000
Profit and loss account		<u>295,261</u>	<u>265,927</u>
EQUITY SHAREHOLDERS' FUNDS	16	<u>595,261</u>	<u>565,927</u>

The abbreviated accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies .

The abbreviated accounts were approved by the Board on 24/9/03 and signed on its behalf by


Director

Director

The notes on pages 7 to 14 form part of these financial statements.

Auditors' report - page 3

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MAY 2003**

	Notes	2003 £	2002 £
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
Operating profit		443,048	536,173
Depreciation		96,129	83,194
Decrease in stocks		2,101	675,125
(Increase) in debtors		(979,344)	(902,942)
Increase in creditors		762,191	(86,037)
NET CASH INFLOW FROM OPERATING ACTIVITIES		<u>324,125</u>	<u>305,513</u>

CASH FLOW STATEMENT

Net cash inflow from operating activities		324,125	305,513
Returns on investments and servicing of finance	20	19,665	34,402
Taxation	20	(167,379)	(82,265)
Capital expenditure	20	(96,966)	(126,348)
		<u>79,445</u>	<u>131,302</u>
Equity dividends paid		(300,000)	(300,000)
		<u>(220,555)</u>	<u>(168,698)</u>
Other exceptional items	20	-	24,932
DECREASE IN CASH IN THE YEAR		<u>(220,555)</u>	<u>(143,766)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 21)

DECREASE IN CASH IN THE YEAR	(220,555)	(143,766)
NET FUNDS AT 1 JUNE 2002	<u>647,415</u>	<u>791,181</u>
NET FUNDS AT 31 MAY 2003	<u>426,860</u>	<u>647,415</u>

The notes on pages 7 to 14 form part of these financial statements.

Auditors' report - page 3

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2003****1. ACCOUNTING POLICIES****1.1. Accounting convention**

The accounts are prepared under the historical cost convention.

The company has consistently applied all relevant accounting standards.

1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

1.3. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Plant and machinery	-	Straight line basis over 2 to 5 years depending on the type of asset or 50%/40% first year and straight line for the next 3 years.
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Office fixtures and fittings	-	Straight line basis up to 5 years.
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Motor vehicles	-	30% in the first year, then on a straight line basis over 3 years.
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1.4. Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value.

1.5. Long term contracts

Amounts recoverable on long term contracts, which are included in debtors are stated at the net sales value of the work done after provisions for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments received on account. Where future losses have been anticipated these have been provided for in full in accordance with Statement of Standard Accounting Practice 9.

1.6. Pensions

The pension costs charged in the financial statements represent the contribution payable by the company during the year.

1.7. Deferred taxation

Deferred tax is provided in respect of the tax effect of all timing differences, to the extent that it is probable that a liability or asset will crystallise in the foreseeable future, at the rates of tax expected to apply when the timing differences reverse.

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2003
(CONTINUED)**

2. OPERATING PROFIT	2003	2002
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	96,549	83,694
Operating lease rentals		
- Land and buildings	36,850	29,100
Auditors' remuneration	8,000	7,000
	<hr/>	<hr/>
and after crediting:		
Profit on disposal of tangible fixed assets	420	500
	<hr/>	<hr/>
3. INTEREST RECEIVABLE AND SIMILAR INCOME	2003	2002
	£	£
Bank interest	20,492	34,660
	<hr/>	<hr/>
4. EXCEPTIONAL ITEMS	2003	2002
	£	£
Group balances written off	-	24,932
	<hr/>	<hr/>
The exceptional item relates to the write off of assets and liabilities taken over by the company from H Greenaway and Sons Limited when it was disposed of by the group.		
5. INTEREST PAYABLE AND SIMILAR CHARGES	2003	2002
	£	£
On bank loans and overdrafts	827	258
	<hr/>	<hr/>

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2003
(CONTINUED)****6. EMPLOYEES****Number of employees**

The average monthly numbers of employees
(including the directors) during the year were:

	2003	2002
Directors	3	3
Administration	9	9
Labourers	37	37
	<u>49</u>	<u>49</u>

Employment costs

	2003	2002
	£	£
Wages and salaries	1,110,117	1,078,436
Social security costs	4,797	4,297
Other pension costs	35,913	44,573
	<u>1,150,827</u>	<u>1,127,306</u>

7. DIRECTORS' EMOLUMENTS

P J Hilson and I T Buckland are directors of the ultimate holding company. These directors received total remuneration including pension contributions and taxable benefits of £108,795 (2002: £148,408) from the holding company which was recharged to Devon Contractors Limited. The directors do not believe it is practicable to apportion the amount between their services as directors of the company and their services as directors of the holding company.

8. PENSION COSTS

The company operates a defined contribution pension scheme in respect of the employees. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £35,913 (2002 - £44,573).

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2003
(CONTINUED)**

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge in period	2003	2002
	£	£
Current tax		
UK corporation tax	136,000	170,000
Adjustments in respect of previous periods	(2,621)	(35)
Tax on profit on ordinary activities	<u>133,379</u>	<u>169,965</u>

Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

	2003	2002
	£	£
Profit on ordinary activities before taxation	<u>462,713</u>	<u>595,507</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (31 May 2002 : 30%)	138,814	178,652
Expenses not deductible for tax purposes	412	(7,011)
Depreciation for period in excess of capital allowances	4,287	2,859
Marginal relief	(7,513)	(4,500)
Adjustments to tax charge in respect of previous periods	(2,621)	(35)
Current tax charge for period	<u>133,379</u>	<u>169,965</u>

10. DIVIDENDS

	2003	2002
	£	£
Dividends on equity shares:		
Ordinary shares - interim paid	<u>300,000</u>	<u>300,000</u>

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2003
(CONTINUED)**

11. TANGIBLE FIXED ASSETS

	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 June 2002	216,502	50,137	292,136	558,775
Additions	33,550	5,826	60,250	99,626
Disposals	(1,500)	(3,909)	(19,445)	(24,854)
At 31 May 2003	<u>248,552</u>	<u>52,054</u>	<u>332,941</u>	<u>633,547</u>
Depreciation				
At 1 June 2002	185,784	22,691	206,108	414,583
On disposals	(1,500)	(3,909)	(17,205)	(22,614)
Charge for the year	28,140	13,053	55,356	96,549
At 31 May 2003	<u>212,424</u>	<u>31,835</u>	<u>244,259</u>	<u>488,518</u>
Net book values				
At 31 May 2003	<u>36,128</u>	<u>20,219</u>	<u>88,682</u>	<u>145,029</u>
At 31 May 2002	<u>30,718</u>	<u>27,446</u>	<u>86,028</u>	<u>144,192</u>

12. STOCKS

	2003	2002
	£	£
Work in progress	48,897	50,998
Finished goods and goods for resale	500	500
	<u>49,397</u>	<u>51,498</u>

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2003
(CONTINUED)**

13. DEBTORS	2003	2002
	£	£
Amounts recoverable on long term contracts	1,929,657	1,120,915
Amounts owed by group undertakings	1,137,879	974,059
Other debtors	11,373	4,377
Prepayments and accrued income	312	526
	<u>3,079,221</u>	<u>2,099,877</u>

Included within amounts recoverable on long term contracts is £282,007 (2002 - £313,526) for contracts being carried out for Clyst Holdings Limited.

14. CREDITORS: amounts falling due within one year	2003	2002
	£	£
Payments received on account	8,613	78,213
Trade creditors	2,579,823	2,037,271
Corporation tax	136,000	170,000
Other taxes and social security costs	355,478	72,067
Accruals and deferred income	25,332	19,504
	<u>3,105,246</u>	<u>2,377,055</u>

The company has a bank overdraft facility. Security for the facility is given by a fixed and floating charge over all of the company's assets. It is also secured by a guarantee from Clyst Holdings Limited dated 25 September 2000.

15. SHARE CAPITAL	2003	2002
	£	£
Authorised equity		
300,000 Ordinary shares of £1 each	<u>300,000</u>	<u>300,000</u>
Allotted, called up and fully paid equity		
300,000 Ordinary shares of £1 each	<u>300,000</u>	<u>300,000</u>

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2003
(CONTINUED)**

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2003	2002
	£	£
Profit for the year	329,334	425,542
Dividends	(300,000)	(300,000)
	<hr/>	<hr/>
	29,334	125,542
Opening shareholders' funds	565,927	440,385
	<hr/>	<hr/>
Closing shareholders' funds	595,261	565,927

17. CONTINGENT LIABILITIES

At the year end the company's bankers have given bonds to certain of the company's customers to guarantee completion of the projects undertaken. The amount of these bonds varied throughout the year and at the year end amounted to £187,752 (2002 - £350,532).

18. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Clyst Holdings Limited.

During the year the company made sales to Clyst Holdings Limited of £959,046 (2002 - £892,000) and paid management charges of £120,000 (2002 - £150,000).

At the year end, Clyst Holdings Limited owed Devon Contractors Limited £1,137,879 (2002 - £974,059). This loan is interest free and repayable on demand. In addition, Clyst Holdings Limited also owes the company £282,007 in respect of a long term contract being carried out.

19. ULTIMATE CONTROLLING PARTY

The directors regard Clyst Holdings Limited, a company registered in England, as the ultimate parent company. Copies of the ultimate parents' financial statements may be requested from The Secretary, Clyst Holdings Limited, Hill Barton Business Park, Clyst St Mary, Exeter, Devon EX5 1SA.

Clyst Holdings Limited is controlled by P J Hilson and I T Buckland.

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2003
(CONTINUED)**

20. GROSS CASH FLOWS

	2003	2002
	£	£
Returns on investments and servicing of finance		
Interest received	20,492	34,660
Interest paid	(827)	(258)
	<u>19,665</u>	<u>34,402</u>
Taxation		
Corporation tax paid	(167,379)	(82,265)
	<u></u>	<u></u>
Capital expenditure		
Payments to acquire tangible assets	(99,626)	(129,343)
Receipts from sales of tangible assets	2,660	2,995
	<u>(96,966)</u>	<u>(126,348)</u>

21. ANALYSIS OF CHANGES IN NET DEBT

	Opening balance	Cash flows	Closing balance
	£	£	£
Cash at bank and in hand	<u>647,415</u>	<u>(220,555)</u>	<u>426,860</u>
Net debt	<u>647,415</u>	<u>(220,555)</u>	<u>426,860</u>