

Wessex Construction & Plant Hire Co Ltd

Report and Financial Statements

Year Ended

31 December 2002

645 898



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Directors

R G A Spraggs
S J T Spraggs
B Masterson
J H Brooks

Secretary and registered office

S J T Spraggs, New Lane, Havant, Hampshire, PO9 2JH

Company number

645898

Auditors

BDO Stoy Hayward LLP, Park House, 102-108 Above Bar, Southampton, SO14 7NH

Report of the directors for the year ended 31 December 2002

The directors present their report together with the audited financial statements for the year ended 31 December 2002.

Results and dividends

The profit and loss account is set out on page 5 and shows the loss for the year.

The directors do not propose a payment of a dividend.

Principal activities, review of business and future developments

The principal activity of the company in the year under review was that of civil engineering contractors.

During the year the company reviewed its activities and restructured its business to move away from its traditional areas of work in the utilities sector in which it had sustained substantial losses to develop its more profitable specialist operations of refurbishment of retail and highly utilised car parks.

As the restructuring will necessitate the moving away from long term contracts in the utility sector, there will be changes to the company's staffing, labour and plant requirements, which will involve significant adjustment costs in the form of disposal of plant and equipment, redundancies and retraining requirements.

As part of the overall group restruture, the building supplies division has been closed and the assets employed in this division disposed. The staff employed will be made redundant.

The group proposes to restructure and ultimately eliminate its borrowings by selling its property at Letcombe House and using the surplus to fund working capital.

The group is planning to focus its future activities in specialist construction services to the retail sector, waste management and recycling and the production of recycled aggregates.

In order to fulfil these objectives, the group has a viable and achievable business plan in place that is fully supported by its bankers and professional team.

The results for the year and the financial position of the company are shown in the attached accounts.

Directors

The directors of the company during the year were:

R G A Spraggs
S J T Spraggs
B Masterson
J H Brooks

No director had any beneficial interest in the share capital of the company. The directors interest in the shares of group companies are shown in the accounts of Hamafunta Limited, the ultimate holding company.

Report of the directors for the year ended 31 December 2002 (*Continued*)

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 affairs of the company and of the profit or loss of the company for that year. 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.

Auditors

BDO Stoy Hayward were appointed as auditors during the year. On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to re-appoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

On behalf of the board

R G A Spraggs

R G A Spraggs 27/7/04.

Director

Report of the independent auditors

To the shareholders of Wessex Construction & Plant Hire Co Ltd

We have audited the financial statements of Wessex Construction & Plant Hire Co Ltd for the year ended 31 December 2002 on pages 5 to 18 which have been prepared under the accounting policies set out on pages 8 to 9.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 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.

Fundamental uncertainty - going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 21 of the financial statements concerning the continuation of the company's bank facilities. In view of the significance of this uncertainty, we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors
Southampton*

27 July, 2004

Wessex Construction & Plant Hire Co Ltd**Profit and loss account for the year ended 31 December 2002**

	Note	2002 £	2001 £
Turnover	2	6,187,653	9,098,157
Cost of sales		5,871,363	8,172,578
		<hr/>	<hr/>
Gross profit		316,290	925,579
Administrative expenses		1,290,240	1,684,936
		<hr/>	<hr/>
		(973,950)	(759,357)
Other operating income		22,843	19,215
		<hr/>	<hr/>
Operating loss	3	(951,107)	(740,142)
Income from other fixed asset investments		81	89
Interest payable and similar charges	6	(145,212)	(164,004)
		<hr/>	<hr/>
Loss on ordinary activities before and after taxation for the financial year		(1,096,238)	(904,057)
Accumulated loss brought forward		(938,651)	(34,594)
		<hr/>	<hr/>
Accumulated loss carried forward		(2,034,889)	(938,651)
		<hr/>	<hr/>

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

There are no movements in shareholders' funds in the current and prior year apart from the loss for the year.

The notes on pages 8 to 18 form part of these financial statements.

Wessex Construction & Plant Hire Co Ltd

Balance sheet at 31 December 2002

	Note	2002 £	2002 £	2001 £	2001 £
Fixed assets					
Tangible assets	8		-		65,500
Fixed asset investments	9		781		781
			<u>781</u>		<u>66,281</u>
Current assets					
Stocks	10	267,640		237,642	
Debtors	11	990,854		1,309,958	
Cash at bank and in hand		2,100		1,950	
		<u>1,260,594</u>		<u>1,549,550</u>	
Creditors: amounts falling due within one year	12	3,172,986		2,431,204	
		<u>3,172,986</u>		<u>2,431,204</u>	
Net current liabilities			(1,912,392)		(881,654)
Total assets less current liabilities			<u>(1,911,611)</u>		<u>(815,373)</u>
Capital and reserves					
Called up share capital	13		14,000		14,000
Share premium account			109,278		109,278
Profit and loss account			(2,034,889)		(938,651)
			<u>(1,911,611)</u>		<u>(815,373)</u>
Equity shareholders' funds			<u>(1,911,611)</u>		<u>(815,373)</u>

The financial statements were approved by the Board on

R G A Spraggs
Director

R G A Spraggs 27/7/04

The notes on pages 8 to 18 form part of these financial statements.

Cash flow statement for the year ended 31 December 2002

	Note	2002 £	2002 £	2001 £	2001 £
Net cash (outflow)/inflow from operating activities	16		(304,221)		393,950
Returns on investments and servicing of finance					
Interest paid: other		(141,812)		(167,404)	
Dividends received		81		89	
Net cash outflow from returns on investments and servicing of finance			(141,731)		(167,315)
Cash (outflow)/inflow before financing			(445,952)		226,635
Financing					
Capital element of finance leases repaid			(1,527)		(45,592)
(Decrease)/increase in cash	17		(447,479)		181,043

The notes on pages 8 to 18 form part of these financial statements.

1 Accounting policies

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

The following principal accounting policies have been applied:

Consolidated financial statements

The company is exempt from the requirement to prepare consolidated financial statements by virtue of section 248 of the Companies Act 1985 as the group it heads qualifies as a medium sized group. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

Depreciation

The freehold land is not depreciated.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items.

Costs include all direct expenditure and an appropriate proportion of fixed and variable overheads.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

1 Accounting policies (*continued*)

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Operating loss

	2002 £	2001 £
This is arrived at after charging/(crediting):		
Profit on disposal of tangible fixed assets	(6,550)	-
Audit services	9,000	7,500
	<u> </u>	<u> </u>

4 Employees

Staff costs (including directors) consist of:

	2002 £	2001 £
Wages and salaries	2,092,881	2,722,996
Social security costs	194,250	202,250
Other pension costs	4,793	1,875
	<u> </u>	<u> </u>
	2,291,924	2,927,121
	<u> </u>	<u> </u>

4 Employees (continued)

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

	2002 Number	2001 Number
Production staff	79	98
Office and management	35	44
	<hr/>	<hr/>
	114	142
	<hr/>	<hr/>

5 Directors' remuneration

	2002 £	2001 £
Directors' emoluments	108,423	84,997
	<hr/>	<hr/>

6 Interest payable and similar charges

	2002 £	2001 £
Bank loans and overdrafts	145,212	164,004
	<hr/>	<hr/>

7 Taxation on loss on ordinary activities

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £	2001 £
Loss on ordinary activities before tax	(1,096,238)	(904,057)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2001 - 30%)	(328,871)	(271,217)
Effect of:		
Expenses not deductible for tax purposes	5,172	2,696
Losses carried forward	249,257	208,071
Group relief surrendered	74,442	60,450
Current tax charge for period	-	-

8 Tangible fixed assets

	Freehold land £
<i>Cost</i>	
At 1 January 2002	65,500
Group transfers	(65,500)
At 31 December 2002	-
At 31 December 2001	65,500

9 Fixed asset investments

		Listed investments (other than own shares) £
<i>Cost or valuation</i>		
At 1 January 2002 and 31 December 2002		781
		<hr/>
	2002 £	2001 £
Listed investments:		
Market value	5,678	3,502
	<hr/>	<hr/>

Subsidiary undertakings

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

	Proportion of voting rights and ordinary share capital held	Nature of business
<i>Subsidiary undertakings</i>		
Aggregates & Soil Direct Limited	100%	Dormant company
Wessex Machinery Moving Limited	100%	Dormant company
Wessex Civil Engineering Limited	100%	Dormant company
Wessex Vehicle & Plant Maintenance Limited	100%	Dormant Company
Sortan Limited	100%	Dormant Company

10 Stocks

	2002 £	2001 £
Raw materials and consumables	206,434	106,890
Work in progress	61,206	130,752
	<u>267,640</u>	<u>237,642</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

11 Debtors

	2002 £	2001 £
Trade debtors	865,535	1,265,135
Amounts owed by group undertakings	72,050	-
Other debtors	1,042	21,602
Prepayments and accrued income	52,227	23,221
	<u>990,854</u>	<u>1,309,958</u>

All amounts shown under debtors fall due for payment within one year.

12 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank loans and overdrafts (secured)	1,395,411	947,782
Trade creditors	1,083,989	616,671
Amounts owed to group undertakings	441,148	463,100
Taxation and social security	140,607	324,699
Obligations under finance lease and hire purchase contracts	-	1,527
Other creditors	84,083	74,825
Accruals and deferred income	27,748	2,600
	<u>3,172,986</u>	<u>2,431,204</u>

In February 2004, the bank overdraft was consolidated with the holding company's loan to form a £3,100,000 group loan repayable on demand. This new loan will be held in the books of Wessex Construction and Plant Hire Company Limited.

The overdraft is secured by way of a legal charge over the land and properties owned by other related group companies.

13 Share capital

	2002 £	Authorised 2001 £	Allotted, called up and fully paid 2002 £	2001 £
<i>Equity share capital</i>				
Ordinary shares of £1 each	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>

14 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

	2002	2001
	Land and	Land and
	buildings	buildings
	£	£
Operating leases which expire:		
Within one year	-	47,000
In two to five years	16,160	16,160
After five years	73,333	115,000
	<hr/>	<hr/>
	89,493	178,160
	<hr/>	<hr/>

15 Related party disclosures

Controlling parties

The company is controlled by the directors.

15 Related party disclosures (continued)

Related party transactions and balances

	Payments to related party £	Receipts from related party £	Amounts owed by related party £	Amounts owed to related party £
2002				
Unity Wessex Limited	-	-	-	441,148
Cost of management services received	120,000	-	-	-
Rental charges	73,333	-	-	-
Running costs for plant and vehicles recharged	627,451	-	-	-
Share of parent loan interest from funding of working capital	84,000	-	-	-
Management services recharged to parent company	-	1,937,333	-	-
Hamafunta Limited	-	-	72,050	-
Consideration on transfer of land	-	72,050	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2001				
Unity Wessex Limited	-	-	-	463,100
Cost of management services received	120,000	-	-	-
Rental charges	131,160	-	-	-
Running costs for plant and vehicles recharged	254,973	-	-	-
Management services recharged to parent company	-	1,889,442	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

16 Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

	2002 £	2001 £
Operating loss	(951,107)	(740,142)
Profit on sale of tangible fixed assets	(6,550)	-
(Increase)/decrease in stocks	(29,998)	386,682
Decrease in debtors	391,154	968,220
Increase/(decrease) in creditors	292,280	(220,810)
	<u> </u>	<u> </u>
Net cash (outflow)/inflow from operating activities	(304,221)	393,950
	<u> </u>	<u> </u>

17 Reconciliation of net cash flow to movement in net debt

	2002 £	2001 £
(Decrease)/increase in cash	(447,479)	181,043
Cash outflow from changes in debt	1,527	45,592
	<hr/>	<hr/>
Movement in net debt	(445,952)	226,635
Opening net debt	(947,359)	(1,173,994)
	<hr/>	<hr/>
Closing net debt	(1,393,311)	(947,359)
	<hr/>	<hr/>

18 Analysis of net debt

	At 1 January 2002 £	Cash flow £	At 31 December 2002 £
Cash at bank and in hand	1,950	150	2,100
Bank overdrafts	(947,782)	(447,629)	(1,395,411)
		<hr/>	
		(447,479)	
Finance leases	(1,527)	1,527	-
	<hr/>	<hr/>	<hr/>
Total	(947,359)	(445,952)	(1,393,311)
	<hr/>	<hr/>	<hr/>

19 Ultimate parent company and parent undertaking of larger group

The company is owned by Unity Wessex Limited and the ultimate parent company at the balance sheet date was Hamafunta Limited, a company incorporated in England and Wales.

20 Contingent asset

A contractual dispute spanning over two years severely affected the performance of the business due to the amount of management time taken up dealing with this issue. In order to remedy the overall company shortfall resulting from this dispute the company took legal advice on its position and has initiated proceedings for damages. In addition to the contractual dispute, a final account has yet to be submitted for work done for the same client. It is envisaged both matters will be resolved together.

During the year a second contractual dispute arose over which the directors are considering legal action.

In all cases, an estimate of the financial effect of these claims has not been disclosed due to the sensitivity of these cases.

21 Going concern

At the balance sheet date, there was a deficiency in shareholders' funds of £1,911,611. The company meets its day to day working capital requirements through loan and overdraft facilities from its bankers, which are repayable on demand. A company under common control is negotiating the sale of a property, and it is anticipated that the proceeds will be advanced to this company and will be sufficient to repay the bank and provide working capital. On the basis of discussions with the company's bankers, the directors consider that adequate bank facilities will remain in place until the sale is achieved and consider it appropriate to prepare the financial statements on a going concern basis. However, there can be no certainty in relation to these matters. The financial statements do not include any adjustments that would result from a withdrawal of the facilities by the company's bankers.