

Skaino Services Limited

**Annual report
for the year ended
31 December 1999**

Registered No: 1241033



PricewaterhouseCoopers
Chartered Accountants
Central Business Exchange
Midsummer Boulevard
Central Milton Keynes MK9 2DF

**Directors' report
for the year ended 31 December 1999**

The directors present their report and the audited financial statements for the year ended 31 December 1999.

Principal activities

The company continues to trade as heating, plumbing and building contractors.

Review of business and future developments

Construction activities were buoyant owing to the general economic climate and regional development in the East Midlands. The Motor engineering operation proved to have reached a plateau. The directors concluded an agreement with the Jesus Fellowship Community Trust for the transfer of this activity to the Trust with effect from 1 January 2000. All relevant provisions are reflected in the 1999 accounts. The management, premises, and working capital released will be channelled into the Atmos Heating Systems development. The directors believe this has substantial prospects in both the domestic and industrial markets.

Dividends

The directors do not recommend payment of a dividend in respect of the year ended 31 December 1999. The profit for the year of £32,858 will be taken to reserves.

Directors

The directors of the company at 31 December 1999, all of whom have been directors for the whole of the year ended on that date, were:

Mr N Stanton - chairman

Mr K Bartholomew

Mr J A Thomason

Mr I C Callard

Mr C C Lloyd

Miss H Oldham

In accordance with the Articles of Association, Mr C C Lloyd and Miss H Oldham retire from office and, being eligible, offer themselves for re-election.

Directors' interests in shares

According to the register required to be kept under section 325 of the Companies Act 1985, none of the directors held a beneficial interest in the shares of the company at 31 December 1999 or 1 January 1999.

Mr N Stanton, Mr K Bartholomew, Mr C C Lloyd, Miss H Oldham and Mr J A Thomason are trustees of the Jesus Fellowship Community Trust which owns 100% of the share capital of the company's immediate holding company at 31 December 1999.

Millennium and European Monetary Union

The company has assessed the impact of their experience since 31 December 1999 in relation to the year 2000 and considered whether their previous conclusions on year 2000 financial impacts need to be amended and whether there are any significant new matters that have a financial statement impact. The company continues to monitor significant customers, vendors and service providers and to date has no information that indicates that there is any significant year 2000 issue to address. Contingency plans remain in place for all business-critical systems.

The company has considered in particular the impact of the year 2000 issue on amounts and disclosures in the financial statements. The company is satisfied, based on this evaluation, that the annual report properly reflects the impact of this issue.

The company is aware of the implications of European Monetary Union for its systems and other aspects of its operations. It is not anticipated that significant incremental expenditure will be incurred to ensure compliance with the necessary requirements.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year, that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that period.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1999. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the company, 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

A resolution to reappoint PricewaterhouseCoopers, as auditors to the company will be proposed at the annual general meeting.

By order of the board

I C CALLARD

Secretary

1 June 2000

Report of the auditors to the members of Skaino Services Limited

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report, including, as described on page 2, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

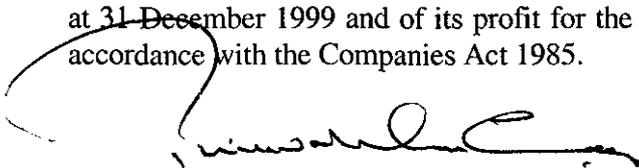
Basis of opinion

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 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 affairs at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

MILTON KEYNES

30 June 2000

**Profit and loss account
for the year ended 31 December 1999**

	Notes	1999 £	1998 £
Turnover	2		
- Continuing operations		989,001	961,530
- Discontinuing operations		<u>561,623</u>	<u>592,193</u>
		1,550,624	1,553,723
Cost of sales	3	<u>(1,259,420)</u>	<u>(1,334,463)</u>
Gross profit		291,204	219,260
Net operating expenses	3	<u>(253,122)</u>	<u>(202,235)</u>
Operating profit			
- Continuing operations		100,111	63,384
- Discontinuing operations		<u>(58,407)</u>	<u>(46,359)</u>
Profit on ordinary activities before taxation	4	38,082	17,025
Tax on profit on ordinary activities	7	<u>(5,224)</u>	<u>(1,687)</u>
Profit for the financial year		<u>32,858</u>	<u>15,338</u>
 Statement of retained profits			
Retained profits at 1 January 1999		337,175	321,837
Profit for the financial year		<u>32,858</u>	<u>15,338</u>
Retained profits at 31 December 1999		<u>370,033</u>	<u>337,175</u>

The Company has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above, and their historical cost equivalents.

**Balance sheet
at 31 December 1999**

	Notes	1999 £	1998 £
Fixed assets			
Tangible assets	8	<u>75,379</u>	<u>86,074</u>
Current assets			
Stocks and contract work in progress	9	172,518	63,291
Debtors	10	463,745	329,611
Cash at bank and in hand		-	53,629
		<u>636,263</u>	<u>446,531</u>
Creditors: amounts falling due within one year	11	<u>(336,609)</u>	<u>(190,430)</u>
Net current assets		<u>299,654</u>	<u>256,101</u>
Net assets		<u>375,033</u>	<u>342,175</u>
Capital and reserves			
Called-up share capital	13	5,000	5,000
Profit and loss account		370,033	337,175
Equity shareholders' funds	14	<u>375,033</u>	<u>342,175</u>

The financial statements on pages 4 to 13 were approved by the board of directors on 30 June 2000 and were signed on its behalf by:



I C CALLARD
Director

**Notes to the financial statements
for the year ended 31 December 1999****1 Principal accounting policies**

These financial statements are prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of completed contracts and a proportion of the total contract value of long term contracts where the outcome can be assessed with reasonable certainty.

Tangible fixed assets

Tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition.

Provision for depreciation is made so as to write off the cost or valuation of tangible fixed assets on a straight line basis over the expected useful economic life of the assets concerned. The principal annual rates used for this purpose are:

Motor vehicles	25%
Plant and equipment	20%

Leasehold property additions are depreciated over the period of the lease.

Finance and operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Research and Development costs

Research and Development costs are charged to the profit and loss account as they are incurred.

Foreign currency transactions

Monetary assets and liabilities held in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Gains and losses on translation are included in the profit and loss account. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

Principal accounting policies (continued)**Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and damaged stocks.

(i) Raw materials

The cost of raw materials consists of the purchase price including transport and handling costs calculated on a first in first out basis.

(ii) Work in progress

The cost of contract work in progress, the duration of which is less than 12 months and is therefore regarded as short term, consists of direct materials, labour and attributable production overheads.

Contract work in progress which extends over periods greater than 12 months is stated at cost, determined on the same basis as for short term contracts, less foreseeable losses and payments on account. Where the progress payments exceed the amounts matched with turnover and have been offset against long term contract balances the balance is included in creditors due within one year as payments on account.

Taxation

The charge or credit for taxation is based on the results for the year as adjusted for disallowable items. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

When taxation losses are transferred between group companies, under the group relief provisions a charge equivalent to 21% of the losses transferred is made.

Cash flow statement

The company qualifies as a small company under the terms of Section 247 of the Companies Act 1985. As a consequence, it is exempt from the requirement to publish a cash flow statement.

2 Turnover

Turnover consists entirely of sales made in the United Kingdom.

3 Continuing and discontinued operations

	1999	1999	1999	1998
	Continuing	Discontinued	Total	Total
	Operations	Operations		
	£	£	£	£
Cost of Sales	719,572	539,848	1,259,420	1,334,463
Administrative expenses	159,041	83,137	242,178	217,662
Other operating charges/(income)	13,899	(2,955)	10,944	(15,427)
	<u>892,512</u>	<u>620,030</u>	<u>1,512,542</u>	<u>1,536,698</u>

Discontinued operations relate to the Fleet and Garage Divisions, which were transferred to the Jesus Fellowship Community Trust on 1 January 2000.

4 Profit before taxation

Profit before taxation is stated after charging/ (crediting):

	1999	1998
	£	£
Auditors' remuneration		
- Audit	9,000	4,310
- Other services	600	560
Depreciation of tangible fixed assets	33,773	43,798
Profit on sale of fixed assets	611	(6,977)
Operating lease	36,344	34,976
Research and development costs	<u>7,677</u>	<u>-</u>

Operating lease commitments are disclosed within the parent company accounts to reflect the legal title of the building lease.

5 Directors' emoluments

	1999	1998
	£	£
Directors		
Aggregate emoluments	<u>28,694</u>	<u>29,900</u>

6 Employee information

The average number of persons employed (including executive directors) during the year is analysed below:

	1999	1998
	£	£
Production	24	29
Administration	9	7
	<u>33</u>	<u>36</u>

Employment costs of all employees included above:

	1999	1998
	£	£
Wages and salaries	254,460	255,351
Social security costs	10,865	11,479
	<u>265,325</u>	<u>266,830</u>

7 Taxation

The tax charge is based on the profit on ordinary activities for the year and comprises:

	1999	1998
	£	£
United Kingdom Corporation tax at 20% (1998: 21.00%)	<u>5,224</u>	<u>1,687</u>

8 Tangible fixed assets

	Short leasehold land and buildings £	Motor vehicles £	Plant and equipment £	Capital Work in Progress £	Total £
Cost					
At 1 January 1999	21,254	85,391	207,165	9,383	323,193
Additions	3,870	18,792	13,006	-	35,668
Disposals	(4,653)	(7,238)	(47,461)	-	(59,352)
Transfers	9,383	-	-	(9,383)	-
At 31 December 1999	<u>29,854</u>	<u>96,945</u>	<u>172,710</u>	<u>-</u>	<u>299,509</u>
Depreciation					
At 1 January 1999	13,074	66,124	157,921	-	237,119
Charge for year	2,702	14,182	16,889	-	33,773
Disposals	(1,373)	(4,067)	(41,322)	-	(46,762)
At 31 December 1999	<u>14,403</u>	<u>76,239</u>	<u>133,488</u>	<u>-</u>	<u>224,130</u>
Net book value					
At 31 December 1999	<u>15,451</u>	<u>20,706</u>	<u>39,222</u>	<u>-</u>	<u>75,379</u>
At 31 December 1998	<u>8,180</u>	<u>19,267</u>	<u>49,244</u>	<u>9,383</u>	<u>86,074</u>

9 Stocks and contract work in progress

The amounts attributable to the different categories are as follows:

	1999 £	1998 £
Raw materials	112,181	78,233
Raw materials – provision	(9,118)	(5,170)
	<u>103,063</u>	<u>73,063</u>
Contract work in progress	69,455	86,332
Less: progress payments	-	(96,104)
	<u>69,455</u>	<u>(9,772)</u>
	<u>172,518</u>	<u>63,291</u>

10 Debtors

	1999	1998
	£	£
Amounts falling due within one year:		
Trade debtors	409,288	274,151
Amounts owed by parent and fellow subsidiary undertakings	21,782	3,952
Prepayments and accrued income	32,675	51,508
	<u>463,745</u>	<u>329,611</u>

11 Creditors: amounts falling due within one year

	1999	1998
	£	£
Bank loans and overdrafts (see note 16)	160,429	-
Trade creditors	85,701	73,413
Amounts owed to parent and fellow subsidiary undertakings	8,127	26,986
Other creditors including taxation and social security	42,439	38,527
Accruals and deferred income	39,913	51,504
	<u>336,609</u>	<u>190,430</u>

The creditor for taxation and social security includes UK corporation tax payable amounting to £5,224 (1998: £1,687)

12 Provision for liabilities and charges**Deferred taxation**

	Amount provided		Amount unprovided	
	1999	1998	1999	1998
	£	£	£	£
Accelerated capital allowances	-	-	(8,559)	(8,606)
	<u>-</u>	<u>-</u>	<u>(8,559)</u>	<u>(8,606)</u>

13 Called up share capital

	1999 £	1998 £
Authorised		
5,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
Allotted, called up and fully paid		
5,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

14 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Profit for the financial year	32,858	15,338
Opening shareholders' funds	<u>342,175</u>	<u>326,837</u>
Closing shareholders' funds	<u>375,033</u>	<u>342,175</u>

15 Contingent liabilities**Group guarantees**

There is an interlocking guarantee given to Barclays Bank Plc by House of Goodness Limited, Skaino Services Limited, Towcester Building Supplies Limited and White and Bishop Limited. At 31 December 1999, the potential liability of Skaino Services Limited was £250,714 (1998: £304,766).

16 Capital commitments

There was no capital expenditure contracted, but not provided for, at 31 December 1999 (1998: £Nil).

17 Related party transactions

During the year the company entered into transactions with other companies connected to the immediate holding company. In accordance with FRS 8, the company is exempt from disclosing these transactions.

During the year the company made sales of £400,700 (1998: £547,630) to the ultimate controlling party with an amount due to be received of £59,320 (1998: £85,302) at 31 December 1999. These sales were made within the ordinary course of business of the company.

18 Immediate holding company

The immediate holding company is House of Goodness Limited, registered in England and Wales. Copies of the holding company's consolidated financial statements may be obtained from The Secretary, New Creation Farm, Nether Heyford, Northants NN7 3LB.

19 Ultimate holding party

The ultimate controlling party is Jesus Fellowship Community Trust.