

SMC Parr Architects Limited

REPORT AND FINANCIAL STATEMENTS

Year to 31 December 2007

FRIDAY



LB9UB6YE

LD3

30/01/2009

335

COMPANIES HOUSE

SMC Parr Architects Limited

FINANCIAL STATEMENTS

For the year ended 31 December 2007

Contents	Pages
Company information	1
The directors report	2-3
Directors' responsibilities	4
Independent auditor's report	5-6
Profit and loss account	7
Balance Sheet	8
Notes to the financial statements	9-18

SMC Parr Architects Limited

Company information

DIRECTORS

R Boardman

C Littlemore

SECRETARY

R Boardman

REGISTERED OFFICE

Elliot Street Mews

40 Elliot Street

Glasgow

G3 8DZ

AUDITOR

Ernst & Young LLP

1 More London Place

London

SE1 2AF

BANKERS

Bank of Scotland

The Mound

Edinburgh

EH1 1YZ

SMC Parr Architects Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of SMC Parr Architects Limited for the year to 31 December 2007.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, is £1,360,955 (2006: £190,888). No ordinary dividend (2006: £97,200) was paid during the year.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was the business of architecture and design.

KEY FINANCIAL PERFORMANCE INDICATORS

The Company's key financial performance indicators during the year were as follows:

	2007	2006	Change %
Company turnover	6,545,643	5,248,074	25%
Total operating profit	1,270,594	395,116	322%
Profit after tax	1,360,955	190,888	713%
Shareholders' funds	2,945,259	1,567,437	188%

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

During 2007 the business traded well due to the ability to win and retain key contracts and staff. At the end of 2008 the business ceased to trade and its assets and liabilities were transferred to Archial Architects Limited, a newly formed company with the same group of trading companies as part of a group reorganisation. Archial Architects Limited continues with the trade of the company from 1 January 2009 in combination with other similar business transferred at 31 December 2008.

PRINCIPAL RISKS AND UNCERTAINTIES

Changes in Company law require the Group to report on the principal risks and uncertainties facing the business, which the Directors believe to be as follows:

Financial Risks

Debt Funding

The parent company enjoys certain debt facilities with its bank, which are used to provide term loans for acquisitions and working capital for the Group. These facilities are secured upon the shares and assets of the Company and may be withdrawn at the discretion of the lender if the Group were to breach covenants or the terms of these facilities. The risk of withdrawal of these facilities is mitigated by compliance with covenants and regular communication with the bank.

Default risk

The Company invoices its work to clients and usually offers 30 days of credit to clients to settle these invoices. Should a significant amount of debtors default on payment then this would adversely affect the working capital position of the Company and the banking facilities of the Group. This risk is mitigated by credit control procedures, which monitor and attempt to recover debtors outside the terms of payment offered.

SMC Parr Architects Limited

DIRECTORS' REPORT

Accounting estimates made by Directors

The Company's financial performance can be impacted by the judgement of directors in terms of their estimates of the level of completion and likely profitability of contracts. This risk is mitigated by review procedures over estimates of work in progress by the accounting function, which is independent of the operating directors.

Business Risks

Staff Resources

Maintenance of the correct level and mix of staff resources is key to the Company's ability to deliver under the terms of its revenue generating contracts and its profitability. The directors evaluate the level of staff required against the Company's revenues on a regular basis.

Loss of key client relationships and early termination of projects

As with any professional services company, the strength of our client relationships is key to our continued success. The loss of any major client and early termination of a key contract would cause a revenue shortfall that would need to be replaced by new work. This is mitigated by the number, geographical spread and sector diversity of contracts, which mean that the loss of any one contract would not materially impact the Group's performance as well as the maintenance of a level of temporary staffing which can be adjusted in line with workload.

DIRECTORS

The following directors have held office since 1 January 2007:

Robert Hall	resigned 31 December 2008
Patrick Clark	resigned 31 December 2008
Mark Fresson	resigned 31 December 2008
Kevin Cooper	resigned 31 December 2008
Neil Davidson	resigned 31 December 2008
Derek Reid	resigned 31 December 2008
Robert Boardman	
Stewart McColl	resigned 30 May 2007
Christopher Littlemore	appointed 1 February 2008

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

In accordance with s.385 of the Companies Act 1985, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditors of the Company



By order of the board
Robert Boardman
Secretary

30 JAN 2009

SMC Parr Architects Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d. 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 requirements of 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.

SMC Parr Architects Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SMC PARR ARCHITECTS LIMITED

For the year ended 31 December 2007

We have audited the financial statements of SMC Parr Architects Limited for the year ended 31 December 2007, which comprise the Profit and Loss Account, the Balance Sheet and the Statement of Total Recognised Gains and Losses, and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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 International Standards on Auditing (UK and Ireland).

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 whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions 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.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst + Young LLP

ERNST & YOUNG LLP
Registered Auditor
London

30 January 2009

SMC Parr Architects Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2007

	Notes	Year to 31 December 2007 £	13 months to 31 December 2006 £
TURNOVER	1	6,545,643	5,248,074
COST OF SALES		(3,563,821)	(3,900,352)
GROSS PROFIT		2,981,822	1,347,722
Administrative expenses		(1,748,228)	(952,606)
Other operating income	2	37,000	-
OPERATING PROFIT	3	1,270,594	395,116
Interest receivable and similar income	4	63,437	264
Interest payable and similar charges	5	(950)	(98,578)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,333,081	296,802
Tax on profit on ordinary activities	7	27,874	(105,914)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	17	1,360,955	190,888

The operating profit for the period arises from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

SMC Parr Architects Limited

BALANCE SHEET

at 31 December 2007

		2007	2006
	Notes	£	£
FIXED ASSETS			
Intangible assets	9	422,917	447,917
Tangible assets	10	318,366	346,792
Investments	11	15,800	15,800
		<u>757,083</u>	<u>810,509</u>
CURRENT ASSETS			
Debtors	12	2,572,091	2,100,357
Cash at bank and in hand		1,019,806	471
		<u>3,591,897</u>	<u>2,100,828</u>
CREDITORS: amounts falling due within one year	13	(1,403,721)	(1,341,881)
NET CURRENT ASSETS		<u>2,188,176</u>	<u>758,947</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,945,259</u>	<u>1,569,456</u>
NET ASSETS		<u>2,945,259</u>	<u>1,569,456</u>
 CAPITAL AND RESERVES			
Called up share capital	16	10,000	10,000
Capital Contribution Reserve	17	1,223,474	1,208,626
Profit and loss account	17	1,711,785	350,830
 EQUITY SHAREHOLDERS' FUNDS	18	<u>2,945,259</u>	<u>1,569,456</u>

The financial statements were approved and authorised for issue by the Board on 29 January 2009 and signed on their behalf by:



Robert Boardman
Director

30 JAN 2009

SMC Parr Architects Limited

ACCOUNTING POLICIES

for the year ended 31 December 2007

BASIS OF ACCOUNTING

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

TURNOVER

Turnover represents the invoices, net of Value Added Tax, raised in the year which are adjusted for movements in the level of amounts recoverable on contracts.

Contracts are assessed on a contract by contract basis and reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Turnover is ascertained in a manner appropriate to the stage of completion of the contract, and credit taken for profit earned to date when the outcome of the contract can be assessed with reasonable certainty. The amount by which turnover exceeds payments on account is classified as "amounts recoverable on contracts" and included in debtors; to the extent that payments on account exceed relevant turnover, the excess is included as a creditor.

Turnover is only recognised in the financial statements when there is a contractual right to consideration.

INTANGIBLE FIXED ASSETS

Goodwill arising on the incorporation of Parr Partnership has been classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life of 20 years. It is reviewed for impairment, at the end of its first full financial year following incorporation and, in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

TANGIBLE FIXED ASSETS

All fixed assets are initially recorded at cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value over its expected useful life, as follows:

Land and Buildings Leasehold	15% reducing balance
Fixtures, Fittings & Equipment	25% reducing balance

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying values may not be recoverable.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

SMC Parr Architects Limited

ACCOUNTING POLICIES

for the year ended 31 December 2007

INVESTMENTS

Fixed Asset Investments are initially recorded at cost. The carrying values are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

LEASED ASSETS AND OBLIGATIONS

All leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease. Lease incentives are recognised over the shorter of the lease term and the date of the next rent review.

PENSION COSTS

The company operates a group personal pension scheme and the pension costs charged against profits represent the amount of the contributions payable in respect of the accounting period.

SHARE BASED PAYMENTS

Equity settled share options are granted under various schemes operated by the group to selected employees on a discretionary basis. The options are over the shares in SMC Group Plc.

For all grants of share options, the fair value as at the date of grant is calculated using an option pricing model and the corresponding expense is recognised over the vesting period. The fair value of shares awarded under the SIP scheme is the market value of the shares at the date of the award. The share based payments expense is recognised as a staff cost and the associated credit entry is made to a Capital Contribution Reserve.

CASHFLOW

The company is exempt under FRS1 (revised) from preparing a statement of cash flow, as it is a subsidiary of a company which holds at least 90% of the voting rights and whose consolidated financial statements are publicly available.

SMC Parr Architects Limited

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2007

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and profit before taxation were derived from its principal activity wholly undertaken in the United Kingdom.

2	OTHER OPERATING INCOME	2007 £	2006 £
	Management Fee	35,000	-
	Training Grant	2,000	-
		<u>37,000</u>	<u>-</u>
3	OPERATING PROFIT	2007 £	2006 £
	This is stated after charging / (crediting)		
	Amortisation of intangible assets	25,000	27,087
	Depreciation of tangible assets	94,621	113,730
	Loss on disposal of tangible assets	493	-
	Rentals under operating leases		
	- Land and buildings	220,079	213,720
	- Other	104,090	124,715
	Auditors' remuneration for audit services	22,500	15,000
		<u></u>	<u></u>
4	INTEREST RECEIVABLE AND SIMILAR INCOME	2007 £	2006 £
	Bank interest	63,437	264
		<u></u>	<u></u>
5	INTEREST PAYABLE AND SIMILAR CHARGES	2007 £	2006 £
	On bank loans and overdrafts	950	26,407
	Other interest	-	72,171
		<u>950</u>	<u>98,578</u>

SMC Parr Architects Limited

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2007

6	EMPLOYEES	2007	2006
	The average monthly number of persons (including directors) employed by the company during the year was:		
	Professional	86	81
	Administration	17	5
		<u>103</u>	<u>86</u>
	Staff costs for above persons:	2007	2006
		£	£
	Wages and salaries	3,075,818	2,702,896
	Social security costs	320,571	277,942
	Other pension costs	19,082	19,922
	Share-based payments	14,848	-
		<u>3,430,319</u>	<u>3,000,760</u>
		2007	2006
		£	£
	DIRECTORS' REMUNERATION		
	Aggregate emoluments	631,347	373,212
	Share-based payments	<u>3,712</u>	<u>-</u>
	Total emoluments	<u>635,059</u>	<u>373,212</u>

Directors' remuneration disclosed above includes emoluments of £121,173 (2006: £78,096) and pension costs of £nil (2006: £nil) in respect of the highest paid director.

Other group companies settled some of the directors' remuneration.

SMC Parr Architects Limited

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2007

7	TAXATION	2007 £	2006 £
(a)	Domestic current year tax		
	UK corporation tax on profits of the period	-	106,185
	Over provision in respect of previous year	(24,979)	-
	Deferred tax movement	(2,895)	(271)
	Total current tax	(27,874)	105,914
(b)	Factors affecting the tax charge for the period		
	Profit on ordinary activities before tax	1,333,081	296,802
	Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2006: 19%)	399,924	89,041
	Effects of:		
	Expenses not deductible for tax purposes	19,288	11,876
	Decelerated / (accelerated) capital allowances	2,865	5,268
	Group relief claimed for nil payment	(422,077)	-
	Over provision in respect of previous year	(24,979)	-
	Tax charge for period (note 7 (a))	(24,979)	106,185
8	DIVIDENDS	2007 £	2006 £
	Ordinary interim paid	-	97,200

SMC Parr Architects Limited

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2007

9	INTANGIBLE FIXED ASSETS	Goodwill £
	Cost	
	At 1 January 2007	500,000
	At 31 December 2007	500,000
	Amortisation	
	At 1 January 2007	52,083
	Charge for the period	25,000
	At 31 December 2007	77,083
	Net book value	
	At 31 December 2007	422,917
	At 31 December 2006	447,917

Goodwill arose on the incorporation of the business of The Parr Partnership.

10	TANGIBLE FIXED ASSETS	Land and Buildings Leasehold £	Fixtures Fittings & Equipment £	Total £
	Cost			
	At 1 January 2007	113,793	457,501	571,294
	Additions	1,252	65,719	66,971
	Disposals	-	(1,380)	(1,380)
	At 31 December 2007	115,045	521,840	636,885
	Depreciation			
	At 1 January 2007	28,785	195,717	224,502
	Charge for the period	12,939	81,682	94,621
	On Disposals		(604)	(604)
	At 31 December 2007	41,724	276,795	318,519
	Net book value			
	At 31 December 2007	73,321	245,045	318,366
	At 31 December 2006	85,008	261,784	346,792

SMC Parr Architects Limited

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2007

11 FIXED ASSETS INVESTMENTS

	Unlisted Investments £
Cost	
At 1 January 2007	15,800
At 31 December 2007	15,800
Net book value	
At 31 December 2007	15,800
At 31 December 2006	15,800

12 DEBTORS

	2007 £	2006 £
Trade debtors	1,568,745	1,443,969
Amounts due by group undertakings	384,329	-
Amounts recoverable on contracts	480,563	538,771
Other debtors	33,051	23,905
Prepayments and accrued income	102,237	93,441
Deferred Tax (note 14)	3,166	271
	2,572,091	2,100,357

13 CREDITORS: amounts falling due within one year

	2007 £	2006 £
Bank Loans and overdrafts	-	94,033
Trade creditors	160,816	186,480
Amounts due to group undertakings	-	250,000
Payments on Account	331,729	167,559
Corporation tax	81,206	106,185
Other taxes and social security costs	528,789	445,757
Accruals and deferred income	301,181	91,867
	1,403,721	1,341,881

SMC Parr Architects Limited

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2007

14 DEFERRED TAX ASSET

	2007 £
Provision for deferred taxation:	
Balance as at 1 January 2007	271
Profit and loss credit	2,895
Balance as at 31 December 2007	<u>3,166</u>

The deferred tax asset relates to depreciation in excess of capital allowances. The deferred tax asset is included within debtors (note 12).

15 PENSION COSTS

Defined contribution

The company operates a defined contribution group personal pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

	2007 £	2006 £
Contributions payable by the company for the period	<u>19,082</u>	<u>19,922</u>

16 SHARE CAPITAL

	2007 £	2006 £
Authorised 100,000 Ordinary Shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid 10,000 Ordinary Shares of £1 each	<u>10,000</u>	<u>10,000</u>

SMC Parr Architects Limited

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2007

17	PROFIT AND LOSS ACCOUNT	2007 £	2006 £
	1 January 2007	350,830	27,542
	Prior period adjustment	-	229,600
	Balance brought forward restated	350,830	257,142
	Profit for the financial period	1,360,955	190,888
	Dividends	-	(97,200)
	31 December 2007	1,711,785	350,830

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £	Capital Contribution reserve £	Profit and loss reserve £	Total £
Opening equity shareholders' funds (restated)	10,000	1,208,626	350,830	1,569,456
Profit for the financial period	-	-	1,360,955	1,360,955
Dividends paid	-	-	-	-
Capital Contribution	-	14,848	-	14,848
Closing equity shareholders' funds	10,000	1,223,474	1,711,785	2,945,259

The capital contribution reserve relates to share based payment charge recorded during the period.

19 FINANCIAL COMMITMENTS

At 31 December 2007 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2008:

	Land and buildings At 31 December 2007 £	Other At 31 December 2007 £	Land and buildings At 31 December 2006 £	Other At 31 December 2006 £
Operating leases which expire:				
Within one year	102,650	16,486	31,000	16,857
Between two and five years	115,765	53,820	187,415	54,192
After more than five years	-	-	-	-
	218,415	70,306	218,415	71,049

SMC Parr Architects Limited

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2007

20 CONTINGENT LIABILITY

The company is party to a cross guarantee in connection with group banking arrangements. Archial Group plc, formerly known as SMC Group plc, and all of its wholly owned subsidiaries participate in the group facility. At 31 December 2007, there was no debt owed by the company under this cross guarantee (2006: £13,061,335) and as a result there is no contingent liability (2006: £12,967,302).

21 RELATED PARTY TRANSACTIONS

The company is exempt under FRS 8 from disclosing related party transactions with parent and fellow subsidiary undertakings as it is a subsidiary of a company which holds at least 90% of the voting rights and whose consolidated financial statements are publicly available.

22 ULTIMATE HOLDING COMPANY

The Company's ultimate parent company and controlling party is Archial Group plc, formerly known as SMC Group plc. Archial Group plc is incorporated in the United Kingdom. Copies of the parent company's financial statements are publicly available via the Archial Group plc website.

23 POST BALANCE SHEET EVENTS

On 31 December 2008, SMC Group plc restructured the trading business, which resulted in the transfer of SMC Parr Architects Limited net assets into a new group operating entity structure, which will continue with the business of SMC Parr Architects Limited from 1 January 2009. On 5 January 2009, SMC Group plc changed its name to Archial Group plc.