

**Newman Scott Limited**

Directors' report and financial  
statements

Registered number 2195418

31 October 2006

## Contents

Directors' report	1
Statement of directors' responsibilities in respect of the directors' report and the financial statements	4
Independent auditors' report to the members of Newman Scott Limited	5
Profit and Loss Account	7
Balance Sheet	8
Cash Flow Statement	9
Notes	10

## Directors' report

The directors present their directors' report and financial statements for the year ended 31 October 2006.

### Principal activities

The principal activity of the company is that of shopfitters and project managers.

### Business review

Newman Scott Limited, which was established in 1993, provides shopfitting and project management services to the retail, commercial, government and leisure markets. The company has grown to be ranked in the upper tier of UK shopfitters and is identified in the industry as one of its top trading partners. We generally act as main contractors carrying out contracts ranging from multi million pound shop fit-outs and refurbishments to specialist bespoke joinery production in our own 22,000 sq ft manufacturing facility. Our operations are carried out principally in the UK and we have a blue chip multinational customer portfolio.

### Objectives of the company

We aim to deliver to our customers a high quality 'one stop' capability providing both a proactive approach to their needs and key added value services. We wish to maintain a point of difference where time served shopfitters and professionals with sharp end experience of handling complex and difficult contracts to fixed budgets fill all operational positions. This enables our customers to exploit opportunities quickly and effectively.

### Strategy

Since the year-end, the company has carried out a detailed review of trading to define the strategy for the next stage in growth for the business and to improve the overall business performance, which was lack lustre in 2006. We are now implementing the four key elements of this strategy, which are:

- A change in marketing emphasis and approach to achieve a more extensive widening of client audience;
- An increased focus on customer needs, service and delivery, which is also serving to identify those clients imposing undue complexity but delivering only low margins;
- Reducing central overheads by eliminating unnecessary or non-value added activities; and
- The implementation of a new Microsoft based business control and reporting system across all main areas of the company.

The costs of these changes will be incurred in 2007 with only capitalised system costs being carried forward. The strategic changes will all have been introduced by the end of the 2007 financial year with the full benefits starting to be felt in 2008.

### Performance

The year to 31 October 2006 has shown a growth in turnover from £13.9 million to £15.5 million. The company has continued its strategy of expanding its customer base in its core retail sector and in developing opportunities to apply its expertise to the corporate and government sectors. Major wins in the year included flagship stores for Hugo Boss in Sloane Square and Diesel in New Bond Street together with work for Glasgow's Kelvingrove Museum and the newly opened Middlesbrough Institute of Modern Art. The company's commitment to developing long-term partnerships with its clients has resulted this year in over £0.5 million of work in the Republic of Ireland and the near continent, as long standing UK clients continue to expand their operations. Competition in the industry, however, remains vigorous and this has put pressure on margins resulting in an overall fall in gross profit percentage to 11.3% (2005: 15.2%).

## **Directors' report** *(continued)*

### ***Performance*** *(continued)*

The company's balance sheet has continued to strengthen, in particular the company's cash reserves and net funds position. During the year the company generated over £270,000 of cash from operating activities. After investing over £60,000 in capital equipment in addition to corporation tax and lease payments, this resulted in an increase in net funds of over £163,000. As the company is virtually debt free this leaves the company in a strong position to use either cash or unutilised bank facilities to finance future investment in the growth expected from the rollout of the key strategy elements.

As a part of this, in 2007, the company is investing in the region of £100,000 in implementing Microsoft leading edge technology across the business to provide management with real-time performance information.

### ***Measurement***

The key financial measurements used by the company are gross profit percentage (as disclosed above) and number of days 'lock-up' (being the number of days sales included in debtors and work in progress). Lock-up at 31 October 2006 was 63 days improving from 66 days at 31 October 2005.

### ***Risks and uncertainties***

The company operates in a very competitive marketplace where its customers are predictably focused on reducing prices. The main on-going risk facing the company in this environment is its continuing ability to manage its own costs and remain competitive.

The majority of the company's work is for the retail sector, particularly fashion and other niche retailers, and the economic factors which drive this sector directly affect the company. The nature of the industry is such that income and activity levels are irregular with intense peaks and lows whilst costs tend to be more evenly spread. Management of resources, invoicing and cash collection is, therefore, key to avoiding profitability and liquidity risk to the business.

In common with most companies in our marketplace, revenues are concentrated with a relatively small number of large customers and the loss of one can significantly reduce revenues and profitability. Conversely, winning a new larger customer significantly enhances revenues and profitability.

### ***Forward looking information***

Following the full introduction and related expense of the strategic changes highlighted above during 2007, the directors expect the 2008 financial results of the company to show significant improvement.

### **Proposed dividend**

The directors do not recommend the payment of a dividend.

## **Directors' report** *(continued)*

### **Directors**

The directors who held office during the year were as follows:

L Bell	(President)
SA Bell	(Chairman)
D Smiddy	(Managing Director)
A Paxton	(Contracts Director)
J Graham	(Legal Director)
PJ Walker	(Financial Director and Company Secretary)
DH Graham	(Director)

### **Political and charitable contributions**

The company made no political contributions during the year. Donations to UK charities amounted to £741.

### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Auditors**

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

**PJ Walker**  
*Company Secretary*

Unit BT50/46  
Sadler Forster Way  
Teesside Industrial Estate  
Thornaby  
Stockton  
TS17 9JY

22 June 2007

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards.

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX

## **Independent auditors' report to the members of Newman Scott Limited**

We have audited the financial statements of Newman Scott Limited for the year ended 31 October 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, and the related notes. 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 auditor's 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

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 judgments 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.

## **Independent auditors' report to the members of Newman Scott Limited** *(continued)*

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 October 2006 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.

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

22 June 2007

**Profit and Loss Account**  
*for the year ended 31 October 2006*

	<i>Note</i>	<b>2006</b>	2005
		<b>£</b>	£
<b>Turnover</b>	2	<b>15,527,266</b>	13,857,092
Cost of sales		<b>(13,779,708)</b>	(11,747,467)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>1,747,558</b>	2,109,625
Administrative expenses		<b>(1,663,085)</b>	(1,811,026)
		<hr/>	<hr/>
<b>Operating profit</b>		<b>84,473</b>	298,599
Interest payable and similar charges	6	<b>(1,330)</b>	(10,620)
Interest receivable		<b>20,902</b>	18,401
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	3-5	<b>104,045</b>	306,380
Tax on profit on ordinary activities	7	<b>(23,334)</b>	(69,272)
		<hr/>	<hr/>
<b>Profit for the financial year</b>	15	<b>80,711</b>	237,108
Profit and loss account at beginning of year		<b>1,599,706</b>	1,362,598
		<hr/>	<hr/>
<b>Profit and loss account at end of year</b>		<b>1,680,417</b>	1,599,706
		<hr/> <hr/>	<hr/> <hr/>

The results for the year derive from continuing operations and the company had no recognised gains or losses other than the profit for the year.

**Balance Sheet**  
*at 31 October 2006*

	<i>Note</i>	<b>2006</b>		2005	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	8		<b>282,231</b>		316,787
<b>Current assets</b>					
Stocks	9	<b>154,307</b>		254,609	
Debtors	10	<b>3,094,938</b>		3,631,431	
Cash at bank and in hand		<b>733,788</b>		582,787	
		<u>3,983,033</u>		<u>4,468,827</u>	
<b>Creditors:</b> amounts falling due within one year	11	<b>(2,577,098)</b>		<b>(3,165,463)</b>	
			<u>1,405,935</u>		<u>1,303,364</u>
<b>Net current assets</b>			<b>1,405,935</b>		1,303,364
<b>Total assets less current liabilities</b>			<b>1,688,166</b>		1,620,151
<b>Creditors:</b> amounts falling due after more than one year	12		-		(3,675)
<b>Provisions for liabilities</b>	13		<b>(6,429)</b>		(15,450)
			<u>1,681,737</u>		<u>1,601,026</u>
<b>Net assets</b>			<b>1,681,737</b>		1,601,026
<b>Capital and reserves</b>					
Called up share capital	14		<b>1,320</b>		1,320
Profit and loss account			<b>1,680,417</b>		1,599,706
			<u>1,681,737</u>		<u>1,601,026</u>
<b>Shareholders' funds</b>	15		<b>1,681,737</b>		1,601,026

These financial statements were approved by the board of directors on 22 June 2007 and were signed on its behalf by:

**D Smiddy**  
*Managing Director*

**Cash Flow Statement**  
*for the year ended 31 October 2006*

	<i>Note</i>	<b>2006</b> £	2005 £
<b>Reconciliation of operating profit to net cash flow from operating activities</b>			
Operating profit		<b>84,473</b>	298,599
Depreciation charges		<b>87,279</b>	66,134
(Profit)/loss on disposal of fixed assets		<b>(62)</b>	3,315
Decrease/(increase) in stocks and work in progress		<b>100,302</b>	(40,081)
Decrease in debtors		<b>536,074</b>	1,120,449
Decrease in creditors		<b>(536,942)</b>	(1,107,687)
		<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>		<b>271,124</b>	340,729
		<hr/> <hr/>	<hr/> <hr/>
<b>Cash flow statement</b>			
<b>Cash flow from operating activities</b>		<b>271,124</b>	340,729
<b>Returns on investments and servicing of finance</b>	<i>18</i>	<b>19,991</b>	7,362
<b>Taxation</b>		<b>(64,404)</b>	(62,981)
<b>Capital expenditure</b>	<i>18</i>	<b>(63,261)</b>	(69,946)
		<hr/>	<hr/>
Cash inflow before financing		<b>163,450</b>	215,164
<b>Financing</b>	<i>18</i>	<b>(12,449)</b>	(128,909)
		<hr/>	<hr/>
<b>Increase in cash in the year</b>		<b>151,001</b>	86,255
		<hr/> <hr/>	<hr/> <hr/>
<b>Reconciliation of net cash flow to movement in net funds</b>			
	<i>19</i>		
<b>Increase in cash in the year</b>		<b>151,001</b>	86,255
Cash outflow from decrease in debt and lease financing		<b>12,449</b>	128,909
		<hr/>	<hr/>
<b>Movement in net funds in the year</b>		<b>163,450</b>	215,164
<b>Net funds at the start of the year</b>		<b>566,663</b>	351,499
		<hr/>	<hr/>
<b>Net funds at the end of the year</b>		<b>730,113</b>	566,663
		<hr/> <hr/>	<hr/> <hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, except as noted below:

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date';
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

#### ***Basis of preparation***

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

#### ***Fixed assets and depreciation***

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Short leasehold land and buildings	-	remaining life of lease
Plant and machinery	-	10% - 33% per annum
Fixtures, fittings, tools and equipment	-	10% - 20% per annum

#### ***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### ***Leases***

Assets acquired under finance leases, including similar hire purchase arrangements, are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### ***Post retirement benefits***

The company operates two defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

In addition to the above the company makes contributions to defined contribution pension schemes for certain employees.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Stocks*

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

#### *Long term contracts*

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19.

#### *Classification of financial instruments issued by the company*

Following the adoption of FRS 25, financial instruments issued by the company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Turnover*

Turnover, which is stated net of value added tax, represents the amounts derived from the provision of goods and services to customers during the year.

#### *Dividends on shares presented within shareholders' funds*

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

#### *Cash*

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

### 2 Analysis of turnover

Analysis of turnover by geographical market is as follows:

	2006 £	2005 £
United Kingdom	15,015,251	13,857,092
Rest of Europe	512,015	-
	<hr/>	<hr/>
	15,527,266	13,857,092
	<hr/> <hr/>	<hr/> <hr/>

**Notes** (continued)

**3 Notes to the profit and loss account**

	<b>2006</b>	2005
	£	£
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation and other amounts written off tangible fixed assets		
Owned	<b>85,467</b>	55,850
Leased	<b>1,812</b>	10,284
Rentals payable under operating leases:		
Land and buildings	<b>59,000</b>	59,000
Hire of plant and machinery	<b>84,208</b>	84,743
(Profit)/loss on disposal of fixed assets	<b>(62)</b>	3,315
<i>Auditors remuneration:</i>		
Audit of these financial statements	<b>9,500</b>	7,750
Amounts receivable by the auditors and their associates in respect of:		
Other services relating to taxation	<b>1,575</b>	1,500
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>

**4 Remuneration of directors**

	<b>2006</b>	2005
	£	£
Directors' emoluments	<b>349,271</b>	575,835
Company contributions to defined contribution pension schemes	<b>37,820</b>	37,013
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>

The emoluments of the highest paid director were £78,957 (2005: £128,465) and company pension contributions of £6,473 (2005: £6,537) were made to a defined contribution scheme on his behalf.

Retirement benefits were accruing to 5 directors (2005: five directors) under defined contribution pension schemes.

**5 Staff numbers and costs**

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	<b>2006</b>	2005
Contract management and administration	<b>28</b>	27
Manufacturing and site fixing	<b>57</b>	57
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	<b>85</b>	84
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>

**Notes** (continued)

**5 Staff numbers and costs** (continued)

The aggregate payroll costs of these persons were as follows:

	2006	2005
	£	£
Wages and salaries	2,713,359	2,819,468
Social security costs	295,576	308,629
Other pension costs (see note 17)	58,510	64,437
	3,067,445	3,192,534
	3,067,445	3,192,534

**6 Interest payable and similar charges**

	2006	2005
	£	£
On bank loans and overdrafts	217	7,731
Finance charges payable in respect of finance leases	648	1,726
Other interest	465	1,163
	1,330	10,620
	1,330	10,620

**7 Taxation**

*Analysis of charge in period*

	2006		2005	
	£	£	£	£
<i>UK corporation tax</i>				
Current tax on income for the period	32,441		64,490	
Adjustments in respect of prior periods	(86)		(2,398)	
	32,355		62,092	
Total current tax		32,355		62,092
Deferred tax (see note 13)				
(Reversal)/origination of timing differences	(9,021)		4,483	
Adjustments in respect of prior periods	-		2,697	
	(9,021)		7,180	
Tax on profit on ordinary activities		23,334		69,272

## Notes (continued)

### 7 Taxation (continued)

#### Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2005: lower) than the standard rate of corporation tax in the UK, 30% (2005: 30%). The differences are explained below.

	2006 £	2005 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	<b>104,045</b>	306,380
Current tax at 30% (2005: 30%)	<b>31,214</b>	91,914
<i>Effects of:</i>		
Expenses not deductible for tax purposes	<b>10,987</b>	9,430
Capital allowances for year less than/(in excess of) depreciation	<b>9,165</b>	(5,585)
Short term timing differences	<b>(144)</b>	1,102
Marginal relief	<b>(18,781)</b>	(32,371)
Adjustments to tax charge in respect of previous periods	<b>(86)</b>	(2,398)
Total current tax charge	<b>32,355</b>	62,092

### 8 Tangible fixed assets

	Short leasehold land and buildings £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
<i>Cost</i>				
At beginning of year	260,373	282,585	19,447	562,405
Additions	6,785	30,906	15,245	52,936
Disposals	-	(26,821)	(7,693)	(34,514)
At end of year	267,158	286,670	26,999	580,827
<i>Depreciation</i>				
At beginning of year	89,461	145,332	10,825	245,618
Charge for year	22,124	59,855	5,300	87,279
Disposals	-	(26,794)	(7,507)	(34,301)
At end of year	111,585	178,393	8,618	298,596
<i>Net book value</i>				
<b>At 31 October 2006</b>	<b>155,573</b>	<b>108,277</b>	<b>18,381</b>	<b>282,231</b>
At 1 November 2005	170,912	137,253	8,622	316,787

The net book value of tangible fixed assets includes an amount of £13,439 (2005: £31,257) in respect of assets held under finance leases. Depreciation for the year on these assets amounted to £1,812 (2005: £10,284).

**Notes** *(continued)*

**9 Stocks**

	<b>2006</b>	2005
	£	£
Raw materials and consumables	<b>23,005</b>	29,408
Work in progress	<b>131,302</b>	225,201
	<hr/>	<hr/>
	<b>154,307</b>	254,609
	<hr/> <hr/>	<hr/> <hr/>

**10 Debtors**

	<b>2006</b>	2005
	£	£
Trade debtors	<b>1,053,204</b>	1,313,697
Amounts recoverable on contracts	<b>1,929,994</b>	2,209,842
Prepayments and accrued income	<b>111,740</b>	107,892
	<hr/>	<hr/>
	<b>3,094,938</b>	3,631,431
	<hr/> <hr/>	<hr/> <hr/>

**11 Creditors: amounts falling due within one year**

	<b>2006</b>	2005
	£	£
Obligations under finance leases (see note 12)	<b>3,675</b>	12,449
Trade creditors	<b>1,941,976</b>	1,913,591
Corporation tax	<b>32,441</b>	64,490
Other taxes and social security	<b>206,806</b>	210,742
Other creditors	<b>29,748</b>	35,742
Accruals and deferred income	<b>362,452</b>	928,449
	<hr/>	<hr/>
	<b>2,577,098</b>	3,165,463
	<hr/> <hr/>	<hr/> <hr/>

**Notes** (continued)

**12 Creditors: amounts falling due after more than one year**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Obligations under finance leases	-	3,675
	<u>          </u>	<u>          </u>

Obligations under finance leases are secured on the assets to which they relate.

The maturity of obligations under finance leases are as follows:

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Within one year	<b>3,675</b>	12,449
In the second to fifth years	-	3,675
	<u>          </u>	<u>          </u>
	<b>3,675</b>	16,124
	<u>          </u>	<u>          </u>

**13 Provisions for liabilities**

	<b>Deferred tax</b>
	<b>£</b>
At beginning of year	15,450
Credit to the profit and loss account for the year (see note 7)	(9,021)
	<u>          </u>
At end of year	6,429
	<u>          </u>

The elements of deferred taxation are as follows:

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Difference between accumulated depreciation and capital allowances	<b>7,387</b>	16,552
Other timing differences	<b>(958)</b>	(1,102)
	<u>          </u>	<u>          </u>
Deferred tax liability	<b>6,429</b>	15,450
	<u>          </u>	<u>          </u>

**Notes** (*continued*)

**14 Called up share capital**

	<b>2006</b>	2005
	<b>£</b>	£
<i>Authorised</i>		
9,653 (2005: 9,680) 'A' ordinary shares of £1 each	<b>9,653</b>	9,680
347 (2005: 320) 'B' ordinary shares of £1 each	<b>347</b>	320
	<hr/>	<hr/>
	<b>10,000</b>	10,000
	<hr/> <hr/>	<hr/> <hr/>
<i>Allotted, called up and fully paid</i>		
973 (2005: 1,000) 'A' ordinary shares of £1 each	<b>973</b>	1,000
347 (2005: 320) 'B' ordinary shares of £1 each	<b>347</b>	320
	<hr/>	<hr/>
	<b>1,320</b>	1,320
	<hr/> <hr/>	<hr/> <hr/>

As at the balance sheet date options over 328 'B' Ordinary shares of £1 each remained outstanding (2005: 328). Of the options, 246 are exercisable until 19 October 2011 at £606.71 per share and 82 options are exercisable until 18 March 2015 at £611.00 per share.

The 'A' and 'B' Ordinary shares rank pari passu in all respects other than restrictions imposed by the articles of association regarding the sale of shares by the holders of the 'B' Ordinary shares.

**15 Reconciliation of movements in shareholders' funds**

	<b>2006</b>	2005
	<b>£</b>	£
<b>Retained profit for the financial year</b>	<b>80,711</b>	237,108
Opening shareholders' funds	<b>1,601,026</b>	1,363,918
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>1,681,737</b>	1,601,026
	<hr/> <hr/>	<hr/> <hr/>

**Notes** (continued)

**16 Commitments**

- a) There were no capital commitments at the end of the current or preceding year.  
 b) Annual commitments under non-cancellable operating leases are as follows:

	2006		2005	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	29,249	-	12,555
In the second to fifth years inclusive	-	23,566	-	68,629
Over five years	59,000	-	59,000	-
	<u>59,000</u>	<u>52,815</u>	<u>59,000</u>	<u>81,184</u>
	<u><u>59,000</u></u>	<u><u>52,815</u></u>	<u><u>59,000</u></u>	<u><u>81,184</u></u>

**17 Pension scheme**

The company contributes to defined contribution pension schemes on behalf of its employees. The pension cost charge for the period represents contributions payable by the company to the funds and amounted to £58,510 (2005: £64,437).

Contributions amounting to £3,193 (2005: £3,674) were payable to the funds at the year end and are included in creditors.

**18 Analysis of cash flows**

	2006		2005	
	£	£	£	£
<b>Returns on investments and servicing of finance</b>				
Interest paid	(263)		(9,313)	
Interest element of finance lease payments	(648)		(1,726)	
Interest received	20,902		18,401	
	<u>          </u>	<u>19,991</u>	<u>          </u>	<u>7,362</u>
		<u><u>19,991</u></u>		<u><u>7,362</u></u>
<b>Capital expenditure</b>				
Purchase of tangible fixed assets	(63,536)		(69,946)	
Sale of tangible fixed assets	275		-	
	<u>          </u>	<u>(63,261)</u>	<u>          </u>	<u>(69,946)</u>
		<u><u>(63,261)</u></u>		<u><u>(69,946)</u></u>
<b>Financing</b>				
Capital element of finance lease rental payments	(12,449)		(16,979)	
Repayment of loans	-		(111,930)	
	<u>          </u>	<u>(12,449)</u>	<u>          </u>	<u>(128,909)</u>
		<u><u>(12,449)</u></u>		<u><u>(128,909)</u></u>

**Notes** (*continued*)

**19 Analysis of net funds**

	At beginning of year £	Cash flow £	At end of year £
Cash in hand and at bank	582,787	151,001	733,788
Finance leases	(16,124)	12,449	(3,675)
<b>Total</b>	<u>566,663</u>	<u>163,450</u>	<u>730,113</u>

**20 Related party transactions**

During the year sales totalling £108,142 were made to SA Bell, and undertakings associated with him in respect of work performed by the company on their behalf. At 31 October 2006 £105,000 was outstanding in respect of this work.

During the year sales totalling £54,945 were made to L Bell in respect of work performed by the company on his behalf. At 31 October 2006 £32,224 was outstanding in respect of this work.

**21 Ultimate controlling party**

The company is controlled by its majority shareholder, SA Bell.