



**Gibraltar Joinery and Building
Services Limited**

**Annual report
for the year ended 31 December 2002**

Registered number: 25860

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Gibraltar Joinery and Building Services Limited

Annual report for the year ended 31 December 2002

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Directors' report for the year ended 31 December 2002

The directors present their report and the audited financial statements of the company for the year ended 31 December 2002.

Principal activities

The company is registered in Gibraltar and its principal activity during the year was that of building and joinery contractors.

Review of business and future developments

The year under review saw a substantial decrease in the company's turnover of approximately 28.85% from £6.69M in 2001 to £4.76M in 2002. This was reflected in the company's overall expenditure for the year, which fell to £4.73M, a decrease of £1.53M over that incurred in the previous accounting period. However the year 2001, was considered an exceptional year in that the extra work undertaken arose as a result of the change of the lunch hours in Government schools.

The position as at 31 December 2002 was that the company made an operating profit of £42,249 compared to £434,106 in 2001. However the directors consider that the present level of activity will be sustained in the foreseeable future.

Results and dividends

The company's profit for the financial year after taxation is £37,811 (2001: £291,249). The directors do not recommend the payment of a dividend and the retained profit for the year of £37,811 will be carried forward in the reserves.

Directors

The directors who held office during the year are given below:

M Estella	(Managing)
J J Capurro	(Non-executive)
W A Crisp	(Non-executive)

Statement of directors' responsibilities

Gibraltar company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of its profit or loss for that period.

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
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business

The directors confirm that they have complied with the above requirements in preparing the financial statements and that Gibraltar Accounting Standards have been applied in their preparation.

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 the financial statements comply with the Gibraltar Companies Ordinance 1930 and other applicable legislation. 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.

Directors' report for the year ended 31 December 2002 – continued

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office.

By order of the Board



D D Tirathdas
Company Secretary

Gibraltar, 21 August 2003

Independent auditors' report to the members of Gibraltar Joinery and Building Services Limited

We have audited the financial statements on pages 4 to 16.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable Gibraltar law and 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 issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 126 of the Companies Ordinance 1930 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 Gibraltar Companies Ordinance 1930, other applicable legislation and Gibraltar Accounting Standards. 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.


Basis of audit 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Gibraltar Companies Ordinance 1930, other applicable legislation and Gibraltar Accounting Standards.



PricewaterhouseCoopers
Registered Auditors

Gibraltar, 21st August 2003

Profit and loss account for the year ended 31 December 2002

	Note	2002 £	2001 £
Turnover – continuing operations	1	4,767,759	6,692,000
Cost of sales		(4,378,268)	(5,951,416)
Gross profit		389,491	740,584
Administrative expenses		(347,242)	(306,478)
Operating profit – continuing operations	4	42,249	434,106
Interest receivable and similar income		7,421	14,652
Profit on ordinary activities before taxation		49,670	448,758
Tax on profit on ordinary activities	7	(11,859)	(157,509)
Retained profit for the financial year	13	37,811	291,249

The company has no recognised gains and losses other than the profit 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 retained profit for the year stated above and their historical cost equivalents.

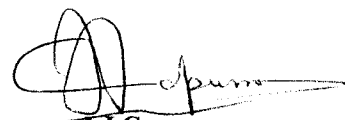
Balance sheet as at 31 December 2002

	Note	2002 £	2001 £
Fixed assets			
Tangible assets	8	237,706	219,170
Current assets			
Stocks	9	832,527	476,085
Debtors	10	1,111,460	1,612,997
Cash at bank and in hand	17	126,542	247,757
		2,070,529	2,336,839
Creditors: amounts falling due within one year	11	(805,104)	(1,090,689)
Net current assets		1,265,425	1,246,150
Net assets		1,503,131	1,465,320
Capital and reserves			
Called up share capital	12	1,000,000	1,000,000
Profit and loss account	13	503,131	465,320
Equity shareholders' funds	14	1,503,131	1,465,320

The financial statements on pages 4 to 16 were approved by the board of directors on 21st August 2003 and were signed on its behalf by:



M Estella
Director



J J Capurro
Director

Cash flow statement for the year ended 31 December 2002

	Note	2002 £	2001 £
Net inflow/(outflow) from operating activities	15	61,623	(32,074)
Return on investments and servicing of finance	16 (a)	7,421	14,652
Capital expenditure and financial investment	16 (b)	(110,259)	(118,794)
Taxation	16 (c)	(80,000)	-
Cash flow before management of liquid resources and financing		(121,215)	(136,216)
Management of liquid resources	16 (d)	(304)	183,360
Financing	16 (e)	-	-
(Decrease)/increase in cash	17	(121,519)	47,144

Reconciliation of net cash flow to movement in net funds

	Note	2002 £	2001 £
(Decrease)/increase in cash during the year		(121,519)	47,144
Cash flow from management of liquid resources		304	(183,360)
Movement in net funds for the year	17	(121,215)	(136,216)
Net funds at 1 January		247,757	383,973
Net funds at 31 December	17	126,542	247,757

Notes to the financial statements for the year ended 31 December 2002**1 Accounting policies**

These financial statements have been prepared under the historical cost convention, the accounting policies set out below, applicable legislation and in accordance with Gibraltar Accounting Standards.

The Gibraltar legislation applied in the preparation of these financial statements includes the Companies Ordinance 1930 and the Companies (Accounts) Ordinance 1999.

Turnover

Turnover comprises the value of contracting work executed on long term contracts during the year and the invoiced value of other goods and services supplied.

Foreign currencies

Transactions denominated in foreign currency are translated at the exchange rate ruling on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the year-end. Exchange gains and losses are dealt with in the profit and loss account.

Fixed assets

Tangible fixed assets are carried at cost. Cost represents purchase cost together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned which are considered to be:

Motor vehicles	4 to 10 years
Hand tools (see policy change below)	3 years
Fixed plant, machinery and equipment	5 to 15 years
Office equipment	4 years

Impairment reviews are conducted if events or changes in circumstances indicate that the carrying amount of fixed assets may not be recoverable.

Change of accounting policy

In previous years hand tools have been capitalised and depreciated on a straight-line basis over 3 years. This policy has been amended so that as from 1 January 2001 any such expenditure on hand tools is charged immediately to the profit and loss account in the year it is incurred.

In addition, all hand tools purchased prior to 1 January 2001 which had been previously capitalised continue to be depreciated over three years but are retired from tangible fixed assets when fully depreciated (see note 8).

Pensions

The company participates in three separate defined-contribution schemes. The cost of these contributions is charged to the profit and loss account in the period to which the contributions relate.

Notes to the financial statements for the year ended 31 December 2002 - continued**1 Accounting policies - continued****Stocks and work in progress, excluding long-term contracts**

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

In the case of stocks of materials and consumables, cost is determined on a first in first out basis and includes transport and handling costs.

In the case of work in progress, which represents minor construction contracts with a value under £5,000, costs include all direct expenditure and production overheads based on a normal level of activity.

Where necessary, provision is made for obsolete, slow moving and defective stocks.

Long-term contracts

Turnover on long-term contracts is recognised according to the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the contract is substantially complete, normally 70% complete, and the outcome of the contract can be assessed with reasonable certainty.

Provision is made for all losses expected to arise up to the completion of contracts in progress or entered into up to the balance sheet date, whether or not work has commenced.

Amounts recoverable on contracts

Amounts recoverable on contracts represents the excess of the turnover recognised in the accounts (see long-term contracts above) over the amount invoiced to the client.

Current taxation

Provision at the applicable rate is made for corporation tax payable on profits for the year, as adjusted for tax purposes.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between the taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted by the balance sheet date.

Cash flow statement

Cash flows are defined as increases or decreases in cash. Cash includes cash in hand and deposits with banks repayable on demand. Deposits are repayable on demand if they are in practice available within twenty-four hours. Liquid resources, for cash flow purposes, are classified as deposits with banks which are repayable after more than one day.

Notes to the financial statements for the year ended 31 December 2002 – continued

2 Segmental reporting

The company's activities consist solely of the completion of building and joinery contracting in Gibraltar.

3 Related party transactions

The Government of Gibraltar is the ultimate beneficial owner of the shares in the company. Government of Gibraltar departments and their sponsored bodies are the company's principal clients as shown by the analysis of turnover below.

	2002 £	2001 £
Analysis of turnover		
Government of Gibraltar departments and sponsored bodies	4,417,828	6,446,846
Commercial work	349,931	245,154
	4,767,759	6,692,000

All of the services provided by the company to Government of Gibraltar departments and their sponsored bodies are on normal commercial terms.

The amounts due by Government of Gibraltar departments and their sponsored bodies as at the balance sheet date, for services provided by the company, together with adjustments to those balances are shown below.

	2002 £	2001 £
Amounts due from the Government of Gibraltar departments and their sponsored bodies		
Trade debtors	244,218	786,649
Provisions made against trade debtors for disputed items	(23,426)	(23,426)
Amounts due to the Government of Gibraltar		
Taxation and social security	219,783	338,103
Corporation tax	164,708	242,425

Notes to the financial statements for the year ended 31 December 2002 – continued

4 Operating profit

	2002 £	2001 £
Operating profit is stated after charging/(crediting):		
Wages and salaries	1,768,161	1,830,542
Social security costs	122,411	131,979
Other pension costs (see note 18)	108,706	87,663
Staff costs	1,999,278	2,050,184
Depreciation of tangible fixed assets	92,481	81,466
(Profit)/loss on sale of tangible fixed assets	(758)	877

5 Directors' emoluments

	2002 £	2001 £
Aggregate emoluments	50,447	43,900
Contributions to pension scheme	4,887	4,390

Contributions made to a defined contribution pension scheme are in respect of one director.

6 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2002 No.	2001 No.
By activity:		
Production	98	101
Administration	7	7
	105	108

Included in the average number of production employees is an average of 13 trainees employed during 2002 (2001: 15).

Notes to the financial statements for the year ended 31 December 2002 – continued

7 Tax on profit on ordinary activities

(a) Analysis of charge in period

	2002 £	2001 £
Current tax		
Gibraltar corporation tax for the financial year at 20% (2001: 35%)	4,654	149,681
Overprovision in prior years	(2,371)	-
Deferred tax		
Reversal of timing differences	9,576	7,828
Tax on profit on ordinary activities	11,859	157,509

(b) Factors affecting tax charge for the period

The tax assessed for the period is lower than the applicable rate of corporation tax for the company in the current tax year. The differences are explained below.

	2002 £	2001 £
Profit on ordinary activities before tax	49,670	448,758
Notional tax at 20% / 35%	9,934	157,065
Effects of:		
Expenses not deductible for tax purposes	192	444
Wear and tear allowances in excess of depreciation	(5,472)	(7,828)
Current tax charge for the period	4,654	149,681

The company's profit for the year, as adjusted for tax purposes, is subject to corporation tax at the small company rate of 20%. In the previous year, due to the higher level of profit, the company was assessed for corporation tax at the standard rate of 35%.

(c) Factors affecting future tax charges

The Government of Gibraltar has conducted an extensive review of the Gibraltar corporate tax system and has proposed a significant reform of the corporate tax regime to operate in future years. The proposed reforms have been referred to the European Commission and are being discussed. These discussions are expected to be concluded during 2003 after which the details of the reforms and how these will impact on the company's future tax charge should be made available. The Government of Gibraltar has announced that the earliest possible implementation date for the new tax regime is now 1 July 2004.

Notes to the financial statements for the year ended 31 December 2002 – continued

8 Tangible fixed assets

	Motor vehicles £	Hand tools £	Fixed plant £	Office furniture £	Total £
Cost					
At 1 January 2002	202,011	30,892	351,485	89,986	674,374
Additions	53,585	-	39,075	22,824	115,484
Disposals	(14,245)	-	-	(20,213)	(34,458)
Retirements	-	(23,099)	-	-	(23,099)
At 31 December 2002	241,351	7,793	390,560	92,597	732,301
Depreciation					
At 1 January 2002	106,039	20,187	266,436	62,542	455,204
Charge for year	41,643	9,406	27,463	13,969	92,481
Disposals	(9,778)	-	-	(20,213)	(29,991)
Retirements	-	(23,099)	-	-	(23,099)
At 31 December 2002	137,904	6,494	293,899	56,298	494,595
Net book value					
At 31 December 2002	103,447	1,299	96,661	36,299	237,706
At 31 December 2001	95,972	10,705	85,049	27,444	219,170

9 Stocks

	2002 £	2001 £
Stocks and work in progress		
Raw materials and consumables	394,904	312,704
Work in progress	437,623	163,381
	832,527	476,085

Notes to the financial statements for the year ended 31 December 2002 – continued

10 Debtors

	2002 £	2001 £
Amounts falling due within one year:		
Trade debtors	357,188	915,118
Other debtors	31,594	30,531
Amounts recoverable on contracts	722,678	661,550
Deferred tax (see note 11)	-	5,798
	1,111,460	1,612,997

11 Creditors: amounts falling due within one year

	2002 £	2001 £
Trade creditors	324,071	292,083
Other creditors	22,987	23,496
Taxation and social security	219,783	338,103
Corporation tax payable	164,708	242,425
Deferred tax (see below)	3,778	-
Accruals and deferred income	69,777	194,582
	805,104	1,090,689

Included in other creditors are pension contributions payable amounting to £14,171 (2001: £11,482).

Deferred tax

The deferred tax (liability)/asset consists of accelerated (wear and tear allowances)/depreciation and the movement on the (liability)/asset is shown below:

	2002 £	2001 £
At 1 January	5,798	13,626
Charged to the profit and loss account (see note 7)	(9,576)	(7,828)
At 31 December	(3,778)	5,798

Notes to the financial statements for the year ended 31 December 2002 – continued

12 Called up share capital

	2002 £	2001 £
Authorised, issued and fully paid		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000

13 Profit and loss account

	2002 £	2001 £
At 1 January	465,320	174,071
Retained profit for the financial year	37,811	291,249
At 31 December	503,131	465,320

14 Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Profit for the year and net addition to shareholders' funds	37,811	291,249
Shareholders' funds as at 1 January	1,465,320	1,174,071
Shareholders' funds as at 31 December	1,503,131	1,465,320

Notes to the financial statements for the year ended 31 December 2002 – continued

15 Cash flow from operating activities

	2002 £	2001 £
Operating profit	42,249	434,106
Depreciation on tangible fixed assets	92,481	81,466
(Profit)/loss on sale of tangible fixed assets	(758)	877
(Increase) in stocks	(356,442)	(103,468)
Decrease/(increase) in trade debtors	557,930	(284,006)
(Increase) in other debtors and amounts recoverable on contracts	(62,191)	(341,447)
Increase in trade creditors	31,988	54,370
(Decrease) in other creditors	(509)	(60,947)
(Decrease)/increase in taxation and social security	(118,320)	30,402
(Decrease)/increase in accruals and deferred income	(124,805)	156,573
Net cash inflow/(outflow) from operating activities	61,623	(32,074)

16 Notes to cash flow statement

	2002 £	2001 £
(a) Return on investments and servicing of finance		
Interest received on bank deposits	7,421	14,652
(b) Capital expenditure and financial investment		
Proceeds on sale of tangible fixed assets	5,225	4,200
Purchase of tangible fixed assets	(115,484)	(122,994)
	(110,259)	(118,794)
(c) Taxation		
Corporation tax paid	(80,000)	-
(d) Management of liquid resources		
(Increase)/decrease in cash placed on short term deposit	(304)	183,360
(e) Financing		
Receipt of Government short-term advances	-	450,000
Repayment of Government short-term advances	-	(450,000)
	-	-

Notes to the financial statements for the year ended 31 December 2002 – continued

17 Analysis of changes in net funds

	1 January 2002 £	Cash flow £	31 December 2002 £
Net cash			
Cash at bank and in hand	247,757	(121,215)	126,542
Deposits treated as liquid resources	(16,674)	(304)	(16,978)
	231,083	(121,519)	109,564
Liquid resources			
Deposits included in cash	16,674	304	16,978
Net funds	247,757	(121,215)	126,542

18 Pension commitments

The company participates in three separate pension schemes, which are all funded schemes of the defined contribution type with assets held in separate trustee administered funds.

By virtue of acquired employment rights, certain employees are members of either the Gibraltar Shiprepair Limited Provident Fund or the Gibraltar Provident Trust Fund Pension Scheme.

Other employees, who are not members of either of the above schemes, are given the option of joining a new separate scheme, the Gibraltar Provident Trust (No 2) Pension Scheme, which was formally launched on 1 November 2000.

The company's pension cost for the year is disclosed in note 4.

19 Controlling party

The immediate and ultimate parent undertaking is Gibraltar Investment (Holdings) Limited, a company incorporated in Gibraltar.

According to the register kept by the company, Gibraltar Investment (Holdings) Limited has a 100% interest in the share capital of Gibraltar Joinery and Building Services Limited as at 31 December 2002. The directors regard the Government of Gibraltar as the ultimate controlling party by virtue of its 100% interest in the share capital of Gibraltar Investment (Holdings) Limited.