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Gibraltar Joinery and Building Services Limited

Annual report for the year ended 31 December 2003

Registered number: 25860

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Gibraltar Joinery and Building Services Limited

Annual report for the year ended 31 December 2003

Directors' report for the year ended 31 December 2003

The directors present their report and the audited financial statements of the company for the year ended 31 December 2003.

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 an increase in the company's turnover of approximately 22% from £4.77M in 2002 to £5.83M in 2003. This was reflected in the company's overall expenditure for the year, which rose to £5.71M, an increase of £986,821 over that incurred in the previous accounting period.

The position as at 31 December 2003 was that the company made an operating profit of £119,899 compared to £42,249 in 2002.

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 £79,506 (2002: £37,811). The directors do not recommend the payment of a dividend and the retained profit for the year of £79,506 (2002: £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 2003 – continued

Auditors

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

By order of the Board

D D Tirathdas
Company secretary

Gibraltar, 1 September 2004

Profit and loss account for the year ended 31 December 2003

	Note	**2003** £	2002 £
Turnover – continuing operations	1 & 3	**5,832,230**	4,767,759
Cost of sales		**(5,342,341)**	(4,378,268)
Gross profit		**489,889**	389,491
Administrative expenses		**(369,990)**	(347,242)
Operating profit – continuing operations	4	**119,899**	42,249
Interest receivable and similar income		**4,060**	7,421
Interest payable and similar charges		**(1,744)**	-
Profit on ordinary activities before taxation		**122,215**	49,670
Tax on profit on ordinary activities	7	**(42,709)**	(11,859)
Retained profit for the financial year	13	**79,506**	37,811

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 2003

	Note	2003 £	2002 £
Fixed assets			
Tangible assets	8	**209,801**	237,706
Current assets			
Stocks	9	**1,182,759**	832,527
Debtors	10	**1,268,108**	1,111,460
Cash at bank and in hand	16	**293,800**	126,542
		2,744,667	2,070,529
Creditors: amounts falling due within one year	11	**(1,371,831)**	(805,104)
Net current assets		**1,372,836**	1,265,425
Net assets		**1,582,637**	1,503,131
Capital and reserves			
Called up share capital	12	**1,000,000**	1,000,000
Profit and loss account	13	**582,637**	503,131
Equity shareholders' funds	14	**1,582,637**	1,503,131

The financial statements on pages 4 to 16 were approved by the board of directors on 1st September 2004 and were signed on its behalf by:

M Estella
Managing Director

W A Crisp
Director

Cash flow statement for the year ended 31 December 2003

	Note	**2003** **£**	2002 £
Net inflow from operating activities	15	**41,913**	61,623
Return on investments and servicing of finance			
Interest received on bank deposits		**4,060**	7,421
Bank interest payable		**(1,744)**	-
Net cash inflow from returns on investments and servicing of finance		**2,316**	7,421
Taxation		**(164,342)**	(80,000)
Capital expenditure and financial investment			
Proceeds on sale of tangible fixed assets		-	5,225
Purchase of tangible fixed assets		**(62,629)**	(115,484)
Net cash outflow from capital expenditure and financial investments		**(62,629)**	(110,259)
Cash flow before management of liquid resources and financing		**(182,742)**	(121,215)
Management of liquid resources			
Increase in cash placed on short term deposit		**(10,326)**	(304)
Financing			
Receipt of Government short-term advances		**350,000**	-
Increase/(decrease) in cash	16	**156,932**	(121,519)

Reconciliation of net cash flow to movement in net funds

	Note	**2003** **£**	2002 £
Increase/(decrease) in cash during the year		**156,932**	(121,519)
Cash flow from management of liquid resources		**10,326**	304
Movement in net funds for the year	16	**167,258**	(121,215)
Net funds at 1 January		**126,542**	247,757
Net funds at 31 December	16	**293,800**	126,542

Notes to the financial statements for the year ended 31 December 2003

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.

All hand tools purchased prior to 1 January 2001 that 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 fully funded defined-contribution schemes. The cost of these contributions is charged against profit in the period to which the contributions relate.

Notes to the financial statements for the year ended 31 December 2003 - 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 short term 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

Long-term contracts represents major construction contracts with a value of £5,000 or greater. Costs include all direct expenditure and production overheads based on a normal level of activity.

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 is made at the applicable rate 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 the 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 2003 - 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.

	2003	2002
	£	£
Analysis of turnover		
Government of Gibraltar departments and sponsored bodies	**5,240,970**	4,417,828
Commercial work	**591,260**	349,931
	5,832,230	4,767,759

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, and those due to the Government under the various headings are shown below.

	2003	2002
	£	£
Amounts due from Government of Gibraltar departments and their sponsored bodies		
Trade debtors	**593,983**	244,218
Provisions made against trade debtors for disputed items	**-**	(23,426)
Amounts due to the Government of Gibraltar		
Short term advance	**350,000**	-
Taxation and social security	**509,704**	219,783
Corporation tax	**33,549**	162,708

Notes to the financial statements for the year ended 31 December 2003 - continued

4 Operating profit

	2003 £	2002 £
Operating profit is stated after charging/crediting:		
Wages and salaries	**1,903,248**	1,768,161
Social security costs	**121,077**	122,411
Other pension costs (see note 17)	**120,443**	108,706
Staff costs	**2,144,768**	1,999,278
Depreciation of tangible fixed assets	**89,634**	92,481
Loss/(profit) on sale of tangible fixed assets	**900**	(758)

5 Director's emoluments

	2003 £	2002 £
Managing director's emoluments	**54,405**	50,477
Contributions to pension scheme	**5,362**	4,887

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:

	2003 No.	2002 No.
By activity:		
Production	**81**	98
Administration	**9**	7
	90	105

Included in the average number of production employees is an average of two trainees employed during 2003 (2002: 13).

Notes to the financial statements for the year ended 31 December 2003 – continued

7 Tax on profit on ordinary activities

(a) Analysis of charge in year

	2003 £	2002 £
Current tax		
Gibraltar corporation tax for the financial year at 35% (2002: 20%)	**33,549**	4,654
Overprovision in prior periods	**(366)**	(2,371)
Deferred tax		
Originating timing differences (see note 11)	**9,526**	9,576
Tax on profit on ordinary activities	**42,709**	11,859

(b) Factors affecting tax charge for the year

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

	2003 £	2002 £
Profit on ordinary activities before tax	**122,215**	49,670
Notional tax at 35%/20%	**42,775**	9,934
Effects of:		
Expenses not deductible for tax purposes	**123**	192
Wear and tear allowances in excess of depreciation	**(9,349)**	(5,472)
Current tax charge for the year	**33,549**	4,654

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

Notes to the financial statements for the year ended 31 December 2003 – continued

8 Tangible fixed assets

	Motor vehicles £	Hand tools £	Fixed plant £	Office equipment £	**Total £**
Cost					
At 1 January 2003	241,351	7,793	390,560	92,597	**732,301**
Additions	47,135	-	5,884	9,610	**62,629**
Disposals	(29,545)	-	-	-	**(29,545)**
Retirements	-	(7,793)	-	-	**(7,793)**
At 31 December 2003	**258,941**	**-**	**396,444**	**102,207**	757,592
Depreciation					
At 1 January 2003	137,904	6,494	293,899	56,298	**494,595**
Charge for year	45,553	1,299	27,791	14,991	**89,634**
Disposals	(28,645)	-	-	-	**(28,645)**
Retirements	-	(7,793)	-	-	**(7,793)**
At 31 December 2003	**154,812**	**-**	**321,690**	**71,289**	**547,791**
Net book value					
At 31 December 2003	**104,129**	**-**	**74,754**	**30,918**	**209,801**
At 31 December 2002	103,447	1,299	96,661	36,299	237,706

9 Stocks

	2003 £	2002 £
Stocks and work in progress		
Raw materials and consumables	**432,578**	394,904
Short term work in progress	**100,194**	150,220
Long term work in progress	**649,987**	287,403
	1,182,759	832,527

Notes to the financial statements for the year ended 31 December 2003 – continued

10 Debtors

	2003	2002
	£	£
Amounts falling due within one year:		
Trade debtors	**824,225**	357,188
Other debtors	**8,600**	31,594
Amounts recoverable on contracts	**435,283**	722,678
	1,268,108	1,111,460

11 Creditors: amounts falling due within one year

	2003	2002
	£	£
Government advance	**350,000**	-
Trade creditors	**267,685**	324,071
Other creditors	**61,603**	22,987
Taxation and social security	**509,704**	219,783
Corporation tax payable	**33,549**	164,708
Deferred tax (see below)	**13,304**	3,778
Accruals and deferred income	**135,986**	69,777
	1,371,831	805,104

Included in other creditors are pension contributions payable amounting to £12,061 (2002: £14,171).

The advance from the Government of Gibraltar is interest free with no fixed date for repayment.

The deferred tax liability consists of accelerated wear and tear allowances and the movement on the liability is shown below:

	2003	2002
	£	£
At 1 January	**(3,778)**	5,798
Charged to the profit and loss account (see note 7)	**(9,526)**	(9,576)
At 31 December	**(13,304)**	(3,778)

Notes to the financial statements for the year ended 31 December 2003 – continued

12 Called up share capital

	2003	2002
	£	£
Authorised, issued and fully paid		
1,000,000 ordinary shares of £1 each	**1,000,000**	1,000,000

13 Profit and loss account

	2003	2002
	£	£
At 1 January	**503,131**	465,320
Retained profit for the financial year	**79,506**	37,811
At 31 December	**582,637**	503,131

14 Reconciliation of movements in shareholders' funds

	2003	2002
	£	£
Profit for the year and net addition to shareholders' funds	**79,506**	37,811
At 1 January	**1,503,131**	1,465,320
At 31 December	**1,582,637**	1,503,131

Notes to the financial statements for the year ended 31 December 2003 – continued

15 Cash flow from operating activities

	2003 £	2002 £
Operating profit	**119,899**	42,249
Depreciation of tangible fixed assets	**89,634**	92,481
Loss/(profit) on sale of tangible fixed assets	**900**	(758)
(Increase) in stocks	**(350,232)**	(356,442)
(Increase)/decrease in trade debtors	**(467,037)**	557,930
Decrease/(Increase) in other debtors and amounts recoverable on contracts	**310,389**	(62,191)
(Decrease)/increase in trade creditors	**(56,386)**	31,988
Increase/(decrease) in other creditors	**38,616**	(509)
Increase/(decrease) in taxation and social security	**289,921**	(118,320)
Increase/decrease) in accruals and deferred income	**66,209**	(124,805)
Net cash inflow from operating activities	**41,913**	61,623

16 Analysis of changes in net funds

	1 January 2003 £	Cash flow £	31 December 2003 £
Net cash			
Cash at bank and in hand	126,542	167,258	**293,800**
Deposits treated as liquid resources	(16,978)	(10,326)	**(27,304)**
	109,564	156,932	**266,496**
Liquid resources			
Deposits included in cash	16,978	10,326	**27,304**
Net funds	126,542	167,258	**293,800**

Notes to the financial statements for the year ended 31 December 2003 – continued

17 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, were 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.

18 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 2003. 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.

PRICEWATERHOUSECOOPERS

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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 opinion has been prepared for and only for the company's members as a body, in accordance with Section 182 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 2003 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

PricewaterhouseCoopers
Registered Auditors

Gibraltar, 2[k] October 2004

A list of partner's names is available for inspection at the above address.