Romford Office & Commercial Removals Limited

Directors' report and financial statements

Registered number 1668087

30 November 2001

Contents

Company information

Directors	AK Carr	(resigned 30 August 2001)
	AS Roffe	(resigned 30 August 2001)
	T Carr	(resigned 5 February 2002)
	JA Harris	(appointed 10 April 2001) (resigned 31 May 2002)
	WFE Price	(appointed 30 August 2001)
	JW Whitefield	(appointed 6 September 2001)
	MJ Bannister	(appointed 20 September 2001)
Company Secretary	JA Harris	(resigned 6 September 2001)
	JW Whitefield	(appointed 6 September 2001) (resigned 9 April 2002)
	A Long	(appointed 9 April 2002)
Company number	1668087	
Registered Office	Arion House Fairview Industrial Park Marsh Way Rainham Essex RM13 8UH	
Auditors	KPMG Altius House 1 North Fourth Street Milton Keynes MK9 1NE	
Lawyers	Birketts Solicitors 24-26 Museum Street Ipswich IP1 1HZ	
Bankers	Lloyd TSB Bank plc 182 Main Road Gidea Park Romford Essex RM2 5JA	

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 November 2001.

Principal activities and review of business

The Company's principle activity is office and commercial removals. On 19 December 2000 the Company purchased the trade and assets of Haggers Limited whose principle activity was storage.

The results for the period are set out in the profit and loss account on page 5. The directors do not recommend payment of a dividend *(2000: £113,000).*

Basis of preparing the financial statements

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate, see *note 1.*

Directors and directors' interests

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

AK Carr	(resigned 30 August 2001)	
AS Roffe	(resigned 30 August 2001)	
T Carr	(resigned 5 February 2002)	
JA Harris	(appointed 10 April 2001)	(resigned 31 May 2002)
WFE Price	(appointed 30 August 2001)	
JW Whitefield	(appointed 6 September 2001)	
M Bannister	(appointed 20 September 2001)	

None of the directors who held office at the end of the financial year had any beneficial interest in the shares of the company.

Auditors

KPMG resigned as auditors on 27 May 2002 and the directors thereupon appointed KPMG LLP to fill a casual vacancy arising. 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

A Long

Antony Long
Secretary

Arion House
Fairview Industrial Park
Rainham
Essex
RM13 8UH

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the 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 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 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

Altius House
One North Fourth Street
Central Milton Keynes
Buckinghamshire
MK9 1NE

Report of the independent auditors to the members of Romford Office & Commercial Removals Limited

We have audited the financial statements on pages 5 to 19.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. 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 with the company 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 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. However, the evidence available to us was limited because we were not appointed auditors of the company until 12 February 2002 and in consequence it was not possible to perform the auditing procedures necessary to obtain sufficient appropriate evidence as regards the preceding years figures. Any adjustment to theses figures would have a consequential effect on profit for the period ended 30 November 2000.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 November 2001 and, except for any adjustments that might have been found necessary had we been able to obtain sufficient evidence concerning the opening balances as at 1 December 2000, of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to the opening balances involved:

- we have not obtained all the information and explanations that we consider necessary for the purpose of our audit; and
- we are unable to determine whether proper accounting records had been maintained prior to 30 August 2001.

KPMG LLP

Chartered Accountants
Registered Auditors

25 September 2002

Profit and loss account
for the year ended 30 November 2001

	Note	2001 £	13 months to 30 November 2000 £
Turnover	*2*	**7,047,070**	5,457,098
Cost of sales		**(4,974,905)**	(2,830,873)
Gross profit		**2,072,165**	2,626,225
Administrative expenses		**(3,403,141)**	(2,282,890)
Operating (loss)/profit	*3*	**(1,330,976)**	343,335
Interest payable and similar charges	*4*	**(476,389)**	(42,595)
(Loss)/profit on ordinary activities before taxation		**(1,807,365)**	300,740
Tax on profit/loss on ordinary activities	*7*	**66,187**	(66,187)
(Loss)/profit on ordinary activities after taxation		**(1,741,178)**	234,553
Dividends	*8*	**-**	(113,000)
Retained (loss)/profit for the period		**(1,741,178)**	121,553
Retained profit brought forward		**551,767**	430,214
Retained (loss)/profit carried forward		**(1,189,411)**	551,767

All amounts relate to continuing activities.

There were no recognised gains or losses for 2000 or 2001 other than those included in the profit and loss account.

See note 19 for the reconciliation of movement in shareholders' funds/(deficit).

Balance sheet
at 30 November 2001

	Note	2001	2001	2000	2000
		£	£	£	£
Fixed assets					
Intangible assets	9		2,515,768		11,875
Tangible assets	10		1,443,946		497,080
Investments	11		-		23,995
			3,959,714		532,950
Current assets					
Stocks	12	-		92,000	
Debtors	13	1,432,462		1,955,577	
Cash at bank and in hand		42,139		69,899	
		1,474,601		2,117,476	
Creditors: amounts falling due within one year	14	(3,803,471)		(1,963,812)	
Net current (liabilities)/assets			(2,328,870)		153,664
Total assets less current liabilities			1,630,844		686,614
Creditors: amounts falling due after more than one year	15		(2,783,254)		(97,847)
Total (liabilities)/assets			(1,152,410)		588,767
Capital and reserves					
Called up share capital	18		37,001		37,000
Profit and loss account			(1,189,411)		551,767
Equity shareholders' (deficit)/funds	19		(1,152,410)		588,767

These financial statements were approved by the board of directors on 23 September 2002 and were signed on its behalf by:

WFE Price
Director

Cash flow statement

for the year ended 30 November 2001

	Note	2001 £	13 months to 30 November 2000 £
Reconciliation of operating profit/(loss) to net cash flow from operating activities			
Operating (loss)/profit		**(1,330,976)**	343,335
Depreciation		**268,658**	82,654
Amortisation of intangible fixed assets		**127,551**	1,625
Write off of investment		**23,995**	-
Loss on sale of fixed assets		**(2,628)**	32,577
(Increase)/decrease in stocks		**92,000**	(21,000)
(Increase)/decrease in debtors		**523,114**	(820,359)
(Increase)/decrease in creditors		**329,347**	408,270
Net cash inflow from operating activities		**31,061**	27,102
Cash flow statement			
Net cash inflow/(outflow) from operating activities		**31,061**	27,102
Returns on investments and servicing of finance	*21*	**(476,389)**	(42,595)
Taxation		**-**	(177,456)
Capital expenditure	*21*	**(412,896)**	(415,203)
Acquisitions and disposals	*21*	**(3,431,444)**	-
Equity dividends paid		**-**	(113,000)
Cash outflow before financing and liquid resources		**(4,289,668)**	(721,152)
Financing	*21*	**3,139,098**	390,364
Decrease in cash in period		**(1,150,570)**	(330,788)
Cash outflow from increase in debt and hire purchase	*21*	**(3,139,098)**	(390,364)
Increase in net debt	*22*	**(4,289,668)**	(721,152)
Net debt 1 December 2000		**(768,618)**	(47,466)
Net debt 30 November 2001	*22*	**(5,058,286)**	(768,618)

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.

Basis of preparation

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

The financial statements are prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future.

The directors believe this assumption to be appropriate as:

- The company meets its day to day working capital requirements through an overdraft facility which is repayable on demand;
- The company's results have improved since the year end;
- Capital restructuring has taken place on 18 March 2002 whereby the company's bankers have agreed to subordinate £1,665,000 of the loan and agreed a revised repayment plan for the remaining £1,665,000 of the term loan. See note 25 for impact of the subordinated loan on the pro forma balance sheet at 30 November 2001 and the terms for repayment of the remaining loan balance; and
- The directors have prepared projected cash flow information for the period ending 12 months from the date of their approval of these financial statements. On the basis of this cash flow information and discussions with the company's bankers, the directors consider that the company will continue to operate within the facility currently agreed and within that which they expect will be agreed in June 2003, when the company's bankers are due to consider renewing the facility for a further year.

Whilst the outcome of this matter is presently uncertain the directors have no reason to believe that they will not be able to operate within the facility and that the overdraft facility will not be renewed. Consequently, the directors believe that it is appropriate for the financial statements to be prepared on a going concern basis. The financial statements do not include any adjustments that would result from withdrawal of the overdraft facility by the company's bankers.

Turnover

Turnover comprises the value of sales excluding value added tax and trade discounts.

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets other than freehold land by reducing balance method over their estimated useful economic lives as follows:

Leasehold properties	-	20 years
Motor vehicles	-	25% reducing balance
Furniture and equipment	-	15% reducing balance
Computer equipment	-	33 1/3% reducing balance

Investments

Investments are included at cost less amounts written off. Profits or losses arising from disposal of fixed asset investments are treated as part of the result from ordinary activities.

Notes *(continued)*

1 Accounting policies *(continued)*

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable assets acquired) arising on business combinations in respect of acquisitions is capitalised. Goodwill is amortised to nil on a straight line basis over its estimated useful economic life of 20 years.

Taxation and deferred 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. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Pension schemes

The company operates two defined contribution pension schemes. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Hire purchase and leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet at their fair value and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the long term.

2 Turnover

The turnover was derived from the company's principal activity which was carried out wholly in the UK.

3 Profit/(loss) on ordinary activities before taxation

	2001	13 months to 30 November 2000
Profit/(loss) on ordinary activities before taxation is stated *after charging or crediting*		
Depreciation of tangible fixed assets	**268,658**	82,654
Amortisation of intangible fixed assets	**127,551**	1,625
Loss on disposal of fixed assets	**21,365**	35,277
Hire of assets under operating leases		
Plant and equipment	**341,118**	201,781
Other	**757,062**	121,014
Auditors' remuneration		
Audit services	**20,000**	20,000
Other services	**74,050**	-

Notes *(continued)*

4 Interest payable and similar charges

	2001 £	13 months to 30 November 2000 £
Payable on bank loans and overdrafts	**433,472**	21,044
Hire purchase contracts	**16,971**	20,667
Other loans	**25,946**	884
	476,389	42,595

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 2001	13 months to 30 November 2000
Administration	**26**	8
Distribution, removals and storage	**99**	70
	125	78

The aggregate payroll costs of these persons were as follows:

	2001 £	13 months to 30 November 2000 £
Wages and salaries	**3,134,845**	2,449,818
Social security costs	**297,924**	235,183
Other pension costs	**13,573**	15,901
	3,446,342	2,700,902

Notes *(continued)*

6 Remuneration of directors

	2001 £	13 months to 30 November 2000 £
Directors' emoluments	**158,861**	162,886
Social security costs	**14,951**	14,660
Pension costs	**13,573**	15,901
	187,385	193,447

7 Taxation

	2001 £	13 months to 30 November 2000 £
Corporation tax	**-**	66,187
Refund of previous year's tax	**(66,187)**	-
	(66,187)	66,187

8 Dividends

	2001 £	13 months to 30 November 2000 £
Ordinary equity dividends – paid	**-**	113,000

Notes *(continued)*

9 Intangible fixed assets

	Goodwill
	£
Cost	
At beginning of year	30,000
Additions	2,631,444
At end of year	2,661,444
Amortisation	
At beginning of year	(18,125)
Provided in the year	(127,551)
At end of year	(145,676)
Net book value	
At 30 November 2001	**2,515,768**
At 30 November 2000	**11,875**

Acquisition of business

On 19 December 2000 the Company acquired the trade and some of the assets of Haggers Limited. These transactions have been accounted for as an acquisition. The summary effect of the acquisition of the business during the period is set out below:

Net assets acquired	£	Settled by:	£
Tangible fixed assets	**800,000**	Cash	**2,700,000**
Goodwill on acquisition	**2,631,443**	Deferred consideration – cash	**300,000**
	-	Acquisition costs	**431,443**
	3,431,443		**3,431,443**

In the opinion of the directors the fair value of assets and liabilities acquired was equal to their book value at acquisition.

The business acquired during the year contributed £2,420,000 to turnover and £452,000 to operating profit.

Notes *(continued)*

10 Tangible fixed assets

	Long leasehold land and buildings £	Motor vehicles £	Furniture and equipment £	Total £
At beginning of year	46,427	360,705	450,563	857,695
Additions	-	44,644	1,186,518	1,231,162
Disposals	-	(59,987)	-	(59,987)
At end of year	46,427	345,362	1,637,081	2,028,870
Depreciation				
At beginning of year	-	(167,363)	(193,252)	(360,615)
Charge for year	(3,095)	(56,566)	(208,997)	(268,658)
On disposals	-	44,350	-	44,350
At end of year	(3,095)	(179,579)	(402,249)	(584,923)
Net book value				
At 30 November 2001	**43,332**	**165,783**	**1,234,832**	**1,443,947**
At 30 November 2000	46,427	193,342	257,311	497,080

Included in the total net book value of motor vehicles is £124,724 *(2000: £166,295)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £41,575 *(2000: £55,776)*.

Included in the total net book value of furniture and equipment is £176,138 *(2000: £201,501)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year for these assets was £25,363 *(2000: £28,551)*.

11 Fixed asset investments

	2001 £	2000 £
Cost		
At beginning of year	**23,995**	4,500
Additions	**-**	19,495
Written off	**(23,995)**	-
At end of year	**-**	23,995

Notes *(continued)*

12 Stocks

	2001	2000
	£	£
Work in progress	-	92,000

13 Debtors

	2001	2000
	£	£
Trade debtors	**1,116,454**	1,139,846
Other debtors	-	750,000
Prepayments and accrued income	**316,008**	65,731
	1,432,462	1,955,577

14 Creditors: amounts falling due within one year

	2001	2000
	£	£
Other loans	**(10,939)**	(226,293)
Bank loans and overdrafts	**(2,213,456)**	(357,385)
Hire purchase	**(92,774)**	(101,148)
Payments received on account	**(354,595)**	(389,456)
Trade creditors	**(447,550)**	(451,568)
Corporation tax	-	(66,187)
Other taxes and social security	**(285,957)**	(228,365)
Other creditors	**(5,916)**	(15,133)
Accruals and deferred income	**(392,284)**	(72,433)
Directors' loans	-	(55,844)
	(3,803,471)	(1,963,812)

Notes *(continued)*

15 Creditors: amounts falling due after more than one year

	2001	2000
	£	£
Bank loans	**(2,590,000)**	-
Hire purchase	**(193,254)**	(97,847)
	(2,783,254)	(97,847)

Analysis of debt:

	2001	2000
	£	£
Debt can be analysed as falling due:		
In one year or less, or on demand	**(2,224,395)**	(740,670)
Between one and two years	**(740,000)**	(97,847)
Between two and five years	**(1,850,000)**	-
	(4,814,395)	(838,517)

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2001	2000
	£	£
Within one year	**(92,774)**	(101,148)
In the second to fifth years	**(193,254)**	(97,847)
	(286,028)	(198,995)

The bank loans and overdrafts are secured by a fixed and floating charge over all of the company's assets.

16 Loans and borrowings

	2001	2000
	£	£
Other loans	**(10,939)**	(226,293)
Payments received in advance	**(354,595)**	-
Bank loans and overdraft	**(4,803,456)**	(357,385)
Directors' loans	**-**	(55,844)
Hire purchase	**(286,028)**	(198,995)
	(5,455,018)	(838,517)
Due within one year or on demand	**(2,671,764)**	(740,670)

Notes *(continued)*

17 Commitments

There were annual commitments under operating leases at 30 November 2001 as follows:

	2001		2000	
	Land and buildings	**Other**	Land and Buildings	Other
	£	**£**	£	£
Operating leases which expire:				
Within one year	**-**	**-**	-	-
In the second to fifth years inclusive	**-**	**206,545**	-	341,118
Over five years	**928,164**	**-**	-	-
	928,164	**206,454**	-	341,118

18 Called up share capital

	2001	2000
	£	£
Authorised		
40,000 £1 ordinary shares	**40,000**	40,000
1 £1 special share	**1**	-
	40,001	40,000
Allotted, called up and fully paid		
1 £1 special shares	**1**	-
37,000 £1 ordinary shares	**37,000**	37,000
	37,001	37,000

The holder of the special share has the right to veto payment of a dividend until the bank debt has been repaid in full. The special share confers the right in priority to the entitlement of any other class of share to 50% of any dividend.

The holder of the special share has the right to veto any application or payment of the assets of the Company available for distribution on a winding up or other return of capital until the bank debt has been repaid in full. The special share confers the right to 50% of any such excess assets over a total amount equal to the Shareholder return as accrued to that date.

The holder of the special share is entitled to receive notice and attend but not to vote at all General Meetings of the Company. In relation to matters affecting, varying or abrogating the special rights attached to the special share a resolution shall not be validly passed unless the prior consent or approval in writing of the holder of the special share has been obtained.

Notes *(continued)*

19 Reconciliation of movement in shareholders' funds/(deficit)

	2001	2000
	£	£
(Loss)/profit for the period	**(1,741,178)**	234,553
Share capital issued	**1**	-
Dividends	**-**	(113,000)
(Decrease)/increase in shareholders' fund	**(1,741,177)**	121,553
Opening shareholders' funds	**588,767**	467,214
Closing shareholders' (deficit)/funds	**(1,152,410)**	588,767

20 Pension scheme

The Company operated two defined contribution pension schemes in the period. The first, run by Allied Dunbar, provided benefits to certain employees of the Company employed before the acquisition of Haggers Limited. The second, run by Eagle Star, provided benefits to certain employees of the Company who became employees upon the acquisition of Haggers Limited. In addition the Company proposes to operate a "stakeholders" defined contribution pension scheme from 1 July 2002.

The pension charge for the year was £13,573 (2000:£15,901).

Notes *(continued)*

21 Analysis of cash flows

	2001	2000
	£	£
Returns on investment and servicing of finance		
Interest paid	**(459,419)**	(21,928)
HP Interest	**(16,970)**	(20,667)
	(476,389)	(42,595)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(431,162)**	(397,201)
Sale of assets	**18,266**	1,493
Purchase of investments	**-**	(19,495)
	(412,896)	(415,203)
Acquisitions and disposals		
Acquisition of business	**(3,431,444)**	-
Financing		
Increase/(decrease) in other loans	**(215,354)**	226,293
Increase/(decrease) in bank loans due in less than 1 year	**733,263**	6,737
Increase/(decrease) in directors' loans	**(55,844)**	32,817
Increase/(decrease) in bank loans due in greater than 1 year	**2,590,000**	-
Hire purchase	**87,033**	124,517
	3,139,098	390,364

22 Analysis of net debt

	At beginning of year	Cash flow	At end of year
	£	£	£
Cash in hand, at bank	69,899	(27,760)	42,139
Overdrafts	(350,648)	(1,122,810)	(1,473,458)
	(280,749)	(1,150,570)	(1,431,319)
Debt due within one year	(288,874)	(462,065)	(750,939)
Debt due after one year	-	(2,590,000)	(2,590,000)
Finance leases	(198,995)	(87,033)	(286,028)
	(768,618)	**(4,289,668)**	**(5,058,286)**