

Devar Flooring Limited

Directors' report and financial  
statements

Registered number 65181

31 July 1999



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## Directors' report

The directors present their annual report and audited financial statements for the year ended 31 July 1999.

### Principal activities

The principal activity of the company is the business of flooring contractors.

### Business review

The directors are satisfied with the company's performance in a very competitive market.

### Year 2000

Year 2000 compliance issues including issues connected with suppliers and customers were dealt with during the year. *The cost of compliance was not material to the company and was treated as normal revenue expenditure.*

### Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend.

The profit for the year retained in the company is £202,286 (1998: £107,785).

### Directors and directors' interests

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

John P Devine  
Jane H Devine  
J Alan Devine

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company:

	Ordinary shares of £ each	
	Interest at end of year	Interest at beginning of year
John P Devine	1,320	1,320
Jane H Devine	20	20
Peter H Reilly (resigned 31 August 1998)	-	660
J Alan Devine	-	-

## Directors' report *(continued)*

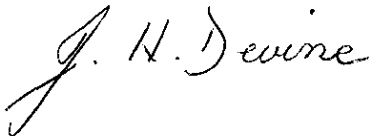
### *Acquisition of own shares*

The company acquired 660 ordinary £1 shares for an amount of £250,000 from a retiring director. The shares represented 33% of called-up share capital.

### **Auditors**

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

By order of the board



JH Devine  
*Director*

Spiersbridge Industrial Park  
Spiersbridge Avenue  
Thornliebank  
Glasgow

*with February* 2000

## 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;
- 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.



24 Blythswood Square  
Glasgow  
G2 4QS  
United Kingdom

## Report of the auditors to the members of Devar Flooring Limited

We have audited the financial statements on pages 5 to 14.

### Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of 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 as at 31 July 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG  
Chartered Accountants  
Registered Auditors

2000

**Profit and loss account**  
*for the year ended 31 July 1999*

	<i>Note</i>	<b>1999</b> £	<b>1998</b> £
<b>Turnover</b>	<b>2</b>	<b>2,761,855</b>	<b>2,604,977</b>
Cost of sales		(2,001,830)	(1,871,563)
<b>Gross profit</b>		<b>760,025</b>	<b>733,414</b>
Administrative expenses		(540,434)	(630,290)
<b>Operating profit</b>		<b>219,591</b>	<b>103,124</b>
Other interest receivable and similar income	6	43,286	43,217
Interest payable and similar charges	7	(5,401)	(5,713)
<b>Profit on ordinary activities before taxation</b>	<b>2-5</b>	<b>257,476</b>	<b>140,628</b>
Tax on profit on ordinary activities	8	(55,190)	(32,843)
<b>Profit for the financial year</b>		<b>202,286</b>	<b>107,785</b>

A statement of movements on reserves is given in note 18.

**Statement of recognised gains and losses**

There are no recognised gains or losses other than those reflected in the profit for the year as stated above.

**Balance sheet**  
*at 31 July 1999*

	Note	1999	1998
		£	£
<b>Fixed assets</b>			
Tangible assets	9	360,972	410,938
Investments	10	250,100	250,100
		<u>611,072</u>	<u>661,038</u>
<b>Current assets</b>			
Stocks	11	86,143	233,672
Debtors	12	634,137	764,591
Investments	13	435,389	367,734
Cash at bank and in hand		159,714	209,111
		<u>1,315,383</u>	<u>1,575,108</u>
<b>Creditors: amounts falling due within one year</b>	14	353,938	(581,883)
		<u>961,445</u>	<u>993,225</u>
<b>Net current assets</b>			
		<u>1,572,517</u>	<u>1,654,263</u>
<b>Total assets less current liabilities</b>			
<b>Creditors: amounts falling due after more than one year</b>	15	(5,833)	(39,383)
<b>Accruals and deferred income</b>	16	(18,822)	(19,304)
		<u>1,547,862</u>	<u>1,595,576</u>
<b>Net assets</b>			
		<u>1,547,862</u>	<u>1,595,576</u>
<b>Capital and reserves</b>			
Called up share capital	17	1,340	2,000
Capital redemption reserve		660	-
Profit and loss account	18	1,545,862	1,593,576
		<u>1,547,862</u>	<u>1,595,576</u>
<b>Shareholders' funds - equity interests</b>	18		
		<u>1,547,862</u>	<u>1,595,576</u>

These financial statements were approved by the board of directors on *14th February* 2000 and were signed on its behalf by:

  
JP Devine  
Director



## 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.

#### *Basis of preparation*

The 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. Motor vehicles are depreciated using the reducing balance method while leasehold property, plant and machinery and fixtures and fittings are written off in equal instalments. The rates applicable are as follows:

Leasehold property	-	2%
Motor vehicles	-	25%
Plant and machinery	-	20%
Fixtures, fittings, tools and equipment	-	15% - 25%

#### *Government grants*

Capital based government grants are credited to trading profit over the estimated economic lives of the assets to which they relate. The grants shown in the balance sheet under the "accruals and deferred income" comprise the total grants received and receivable to date less amounts so far credited to profits.

#### *Leases*

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

#### *Pension costs*

The company operates a defined contribution pension scheme providing pensions based upon the level of accumulated contributions. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions paid by the company to the fund and amounted to £37,375 (1998: £30,000). There were no outstanding or prepaid contributions at the balance sheet date.

## Notes (continued)

### Accounting policies (continued)

#### Stocks

Stocks are stated at the lower of cost and net realisable value. Work in progress is valued at the lower of cost, comprising direct materials and direct labour, and estimated net realisable value.

#### 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.

#### Turnover

Turnover is stated net of value added tax and after adjustments for opening and closing work in progress.

#### Cash flow statement

Under Financial Reporting Standard 1, the company is exempt from the requirement of preparing a cash flow statement on the grounds that it qualifies as a small company.

### 2 Analysis of turnover and profit on ordinary activities before taxation

The turnover and pre-tax profit are wholly attributable to the company's main activity.

The turnover arises entirely in the United Kingdom.

### 3 Profit on ordinary activities before taxation

	1999 £	1998 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration	5,287	5,832
Depreciation and other amounts written off tangible and intangible fixed assets:		
Owned	53,636	64,726
Directors' emoluments (see note 4)	176,950	249,496
Hire of other assets - operating lease	892	920
	<hr/>	<hr/>
<i>after crediting</i>		
(Loss)/gain on disposal of fixed assets	(5,806)	130
Gain on sale of investments	104,677	105,359
Regional Development Grant released	482	482
	<hr/>	<hr/>

## Notes (continued)

### 4 Remuneration of directors

	1999 £	1998 £
Directors' emoluments		
Remuneration as executives	176,950	249,496

The emoluments, excluding pension contributions, of the chairman were £51,191 (1998: £60,846). The emoluments excluding pension contributions of the highest paid director were £75,597 (1998: £86,235).

### 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	
	1999	1998
Office and management	14	14
Manufacturing	22	17
	36	31

The aggregate payroll costs of these persons were as follows:

	1999 £	1998 £
Wages and salaries	779,071	807,918
Social security costs	79,943	81,982
Other pension costs	37,375	30,000
	896,389	919,900

### 6 Other interest receivable and similar income

	1999 £	1998 £
Income from listed investments	24,781	25,340
Other interest receivable	18,505	17,877
	43,286	43,217

## Notes (continued)

### 7 Interest payable and similar charges

	1999 £	1998 £
On bank loans, overdrafts and other loans wholly repayable within five years	579	998
Finance charges payable in respect of finance leases and hire purchase contracts	4,822	4,715
	<u>5,401</u>	<u>5,713</u>

### 8 Taxation

	1999 £	1998 £
UK corporation tax at 21% (1998: 21%) on the profit for the year on ordinary activities	52,000	28,000
Tax attributable to franked investment income	4,353	5,068
Adjustment relating to an earlier year	(1,163)	(225)
	<u>55,190</u>	<u>32,843</u>

### 9 Tangible fixed assets

	Long leasehold property £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At beginning of year	277,944	36,884	81,999	280,907	677,734
Additions	-	651	825	14,000	15,476
Disposals	-	-	-	(58,225)	(58,225)
At end of year	<u>277,944</u>	<u>37,535</u>	<u>82,824</u>	<u>236,682</u>	<u>634,985</u>
<b>Depreciation</b>					
At beginning of year	45,471	36,283	54,826	130,216	266,796
Charge for year	5,559	482	9,374	38,221	53,636
On disposals	-	-	-	(46,419)	(46,419)
At end of year	<u>51,030</u>	<u>36,765</u>	<u>64,200</u>	<u>122,018</u>	<u>274,013</u>
<b>Net book value</b>					
At 31 July 1999	<u>226,914</u>	<u>770</u>	<u>18,624</u>	<u>114,664</u>	<u>360,972</u>
At 31 July 1998	<u>232,473</u>	<u>601</u>	<u>27,173</u>	<u>150,691</u>	<u>410,938</u>

Included in the net book value of fixed assets is £74,485 (1998: £85,313) in respect of assets held under hire purchases contracts. Depreciation for the year on these assets was £24,828 (1998: £28,438).

**Notes (continued)**

**10 Fixed asset investments**

	Loans to related companies £	Other loans £	Shares in related companies £	Total £
<i>Cost</i>				
At beginning and end of year	100,000	149,900	200	250,100

The principal company in which the company's interest is more than 10% is as follows:

Related company	Country of registration or incorporation	Principal activity	Class and percentage of shares held	Aggregate share capital and reserves at 31 July 1999 £	Profit for the year ended 31 July 1999 £
Devar Industrial Flooring Systems Limited	Scotland	Flooring contractor	Ordinary 21%	96,516	31,521

**11 Stocks**

	1999 £	1998 £
Raw materials and consumable	12,029	8,862
Work in progress	175,358	358,869
Payments on account	(101,244)	(134,059)
	<u>86,143</u>	<u>233,672</u>

**12 Debtors**

	1999 £	1998 £
Trade debtors	352,077	538,853
Amounts owed by related undertakings	68,941	7,217
Other debtors	3,400	181,660
Prepayments and accrued income	209,719	36,861
	<u>634,137</u>	<u>764,591</u>

## Notes (continued)

### 13 Current asset investment

	1999 £	1998 £
<i>Cost</i>		
Other investments	435,389	367,734

Other investments includes listed investments amounting to £435,389 (1998: £367,734). At 31 July 1999, the market value of these investments was £494,377 (1998: £532,281).

### 14 Creditors: amounts falling due within one year

	1999 £	1998 £
Obligations under finance leases and hire purchase contracts (see note 15)	42,495	40,156
Trade creditors	120,508	189,334
Amounts owed to related undertaking	-	128,981
Other creditors	4,526	6,900
Corporation tax	52,000	28,000
Other taxes and social security	102,022	73,566
Accruals and deferred income	32,388	114,946
	<u>353,938</u>	<u>581,883</u>

Notes (continued)

15 Creditors: amounts falling due after more than one year

	1999 £	1998 £
Obligations under finance leases and hire purchase contracts	5,833	39,383

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

	1999 £	1998 £
Within one year	42,495	40,156
In the second to fifth years	5,833	39,383
	48,328	79,539

Amounts due under finance leases and hire purchase contracts are secured on certain items of plant and equipment.

16 Accruals and deferred income

	1999 £	1998 £
<i>Regional Development Grant</i>		
At beginning of year	19,304	19,786
Released in year	(482)	(482)
At end of year	18,822	19,304

17 Called up share capital

	1999 £	1998 £
<i>Authorised</i>		
Ordinary shares of £1 each	5,000	5,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	1,340	2,000

## Notes (continued)

### 18 Shareholders' funds

	Capital redemption reserve £	Share capital £	Profit and loss account £	Shareholders' Funds £
At beginning of year	-	2,000	1,593,576	1,595,576
Retained profit for year	-	-	202,286	202,286
Purchase of own shares	660	(660)	(250,000)	(250,000)
At end of year	<u>660</u>	<u>1,340</u>	<u>1,545,862</u>	<u>1,547,862</u>

### 19 Commitments

At the end of the financial year the company had annual commitments under non-cancellable operating leases as follows:

	1999		1998	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	-	-	-
In the second to fifth years inclusive	-	920	-	920
Over five years	2,800	-	1,500	-
	<u>2,800</u>	<u>920</u>	<u>1,500</u>	<u>920</u>

### 20 Related party transactions

During the year, the company purchased goods with a value of £10,120 and sold goods with a value of £10,010 to Devar Industrial Flooring Systems Limited, an associated company, under normal trading conditions.

At 31 July 1999, the balance due from Devar Industrial Flooring Systems Limited was £30,710.