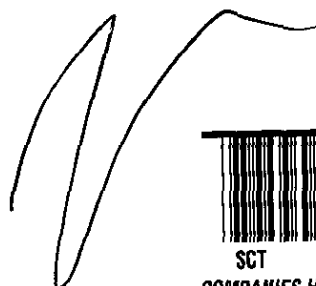


**Devar Flooring Limited**

**Directors' report and financial  
statements**

Registered number SC65181

31 July 2000



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## Directors' report

The directors present their annual report and audited financial statements for the year ended 31 July 2000.

### 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.

### Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend.

The loss for the year retained in the company is £239,245 (*1999: profit of £202,286*).

### Directors and directors' interests

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

John P Devine	(resigned 26 July 2000)
Jane H Devine	(resigned 26 July 2000)
J Alan Devine	
Brian G Devine	(appointed 26 July 2000)

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
J Alan Devine	1	-
Brian G Devine	1	-

### Acquisition of own shares

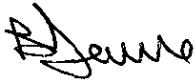
The company acquired 1,338 ordinary £1 shares for an amount of £500,000 from two retiring directors.

## Directors' report *(continued)*

### 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



BG Devine  
*Director*

Spiersbridge Industrial Park  
Spiersbridge Avenue  
Thornliebank  
Glasgow

26th FEBRUARY 2001

## 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

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. 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 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 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'KPMG', written over the printed KPMG logo.

KPMG  
Chartered Accountants  
Registered Auditors

S March 2001

**Profit and loss account**  
*for the year ended 31 July 2000*

	<i>Note</i>	2000 £	Restated 1999 £
Turnover	2	3,239,820	2,761,855
Cost of sales		(2,521,582)	(2,001,830)
<b>Gross profit</b>		<b>718,238</b>	<b>760,025</b>
Administrative expenses		(735,213)	(540,434)
<b>Operating (loss)/profit</b>		<b>(16,975)</b>	<b>219,591</b>
Other interest receivable and similar income	6	29,989	38,933
Interest payable and similar charges	7	(10,622)	(5,401)
<b>Profit on ordinary activities</b>	2-5	<b>2,392</b>	<b>253,123</b>
Write off of investments		(249,900)	-
<b>(Loss)/profit before tax</b>		<b>(247,508)</b>	<b>253,123</b>
Tax on profit on ordinary activities	8	8,263	(50,837)
<b>(Loss)/profit for the financial year</b>		<b>(239,245)</b>	<b>202,286</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 2000*

	Note	£	2000 £	£	1999 £
<b>Fixed assets</b>					
Tangible assets	9		357,255		360,972
Investments	10		-		250,100
			<hr/>		<hr/>
			357,255		611,072
<b>Current assets</b>					
Stocks	11	323,162		86,143	
Debtors	12	530,775		634,137	
Investments	13	-		435,389	
Cash at bank and in hand		103,304		159,714	
		<hr/>		<hr/>	
			957,241	1,315,383	
<b>Creditors: amounts falling due within one year</b>	14	(450,682)		(353,938)	
		<hr/>		<hr/>	
<b>Net current assets</b>			506,559		961,445
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			863,814		1,572,517
			<hr/>		<hr/>
<b>Creditors: amounts falling due after more than one year</b>	15		(36,857)		(5,833)
<b>Accruals and deferred income</b>	16		(18,340)		(18,822)
			<hr/>		<hr/>
<b>Net assets</b>			808,617		1,547,862
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	17		2		1,340
Capital redemption reserve			1,998		660
Profit and loss account	18		806,617		1,545,862
			<hr/>		<hr/>
<b>Equity shareholders' funds</b>	18		808,617		1,547,862
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 26th FEBRUARY 2001 and were signed on its behalf by:

JA 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 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 £34,375 (1999: £37,375). 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.

#### Investment income

Unfranked investment income includes tax deducted at source. In accordance with Financial Reporting Standard 16, franked income does not include tax credits. Prior year figures have been restated to reflect this change.

### 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

	2000 £	1999 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration	5,109	5,287
Depreciation and other amounts written off tangible and intangible fixed assets:		
Owned	55,384	53,636
Directors' emoluments (see note 4)	217,253	176,950
Hire of other assets - operating lease	892	892
Loss on disposal of fixed assets	5,028	5,806
	<hr/>	<hr/>
<i>after crediting</i>		
Gain on sale of investments	25,622	104,677
Regional Development Grant released	482	482
	<hr/>	<hr/>

## Notes (continued)

### 4 Remuneration of directors

	2000 £	1999 £
Directors' emoluments		
Remuneration as executives	217,253	176,950

The emoluments, excluding pension contributions, of the chairman were £48,878 (1999: £51,191). The emoluments excluding pension contributions of the highest paid director were £79,595 (1999: £75,597).

### 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	
	2000	1999
Office and management	13	14
Manufacturing	31	22
	44	36

The aggregate payroll costs of these persons were as follows:

	2000 £	1999 £
Wages and salaries	972,891	779,071
Social security costs	94,725	79,943
Other pension costs	34,375	37,375
	1,101,991	896,389

### 6 Other interest receivable and similar income

	2000 £	Restated 1999 £
Income from listed investments	17,267	20,428
Other interest receivable	12,722	18,505
	29,989	38,933

## Notes (continued)

### 7 Interest payable and similar charges

	2000 £	1999 £
On bank loans, overdrafts and other loans wholly repayable within five years	1,719	579
Finance charges payable in respect of finance leases and hire purchase contracts	8,662	4,822
Other interest payable	241	-
	<u>10,622</u>	<u>5,401</u>

### 8 Taxation

	2000 £	1999 £
UK corporation tax at 21% (1999: 21%) on the profit for the year on ordinary activities	(6,000)	52,000
Adjustment relating to an earlier year	(2,263)	(1,163)
	<u>(8,263)</u>	<u>50,837</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	37,535	82,824	236,682	634,985
Additions	-	6,797	8,459	172,659	187,915
Disposals	-	(35,126)	(37,356)	(239,572)	(312,054)
At end of year	<u>277,944</u>	<u>9,206</u>	<u>53,927</u>	<u>169,769</u>	<u>510,846</u>
<b>Depreciation</b>					
At beginning of year	51,030	36,765	64,200	122,018	274,013
Charge for year	5,559	1,704	10,352	37,769	55,384
On disposals	-	(35,126)	(37,356)	(103,324)	(175,806)
At end of year	<u>56,589</u>	<u>3,343</u>	<u>37,196</u>	<u>56,463</u>	<u>153,591</u>
<b>Net book value</b>					
At 31 July 2000	<u>221,355</u>	<u>5,863</u>	<u>16,731</u>	<u>113,306</u>	<u>357,255</u>
At 31 July 1999	<u>226,914</u>	<u>770</u>	<u>18,624</u>	<u>114,664</u>	<u>360,972</u>

Included in the net book value of fixed assets is £101,120 (1999: £74,485) in respect of assets held under hire purchases contracts. Depreciation for the year on these assets was £33,707 (1999: £24,828).

Notes (continued)

10 Fixed asset investments

	Loans to related companies £	Other loans £	Shares in related companies £	Total £
<b>Cost</b>				
At beginning of year	100,000	149,900	200	250,100
Transfer	(100,000)	100,000	-	-
Disposal during year	-	-	(200)	(200)
At end of year	-	249,900	-	249,900
<b>Provision</b>				
Created during the year and at end of year	-	249,900	-	249,900
<b>Net book value</b>				
At end of year	-	-	-	-
At beginning of year	100,000	149,900	200	250,100

11 Stocks

	2000 £	1999 £
Raw materials and consumables	8,672	12,029
Work in progress	1,055,621	175,358
Payments on account	(741,131)	(101,244)
	<u>323,162</u>	<u>86,143</u>

12 Debtors

	2000 £	1999 £
Trade debtors	286,407	352,077
Amounts owed by related undertakings	-	68,941
Other debtors	2,400	3,400
Prepayments and accrued income	235,968	209,719
Corporation tax recoverable	6,000	-
	<u>530,775</u>	<u>634,137</u>

## Notes (continued)

### 13 Current asset investment

	2000	1999
	£	£
<i>Cost</i>		
Other investments	-	435,389

Other investments includes listed investments amounting to £Nil (1999: £435,389). At 31 July 2000, the market value of these investments was £Nil (1999: £494,377).

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

	2000	1999
	£	£
Obligations under finance leases and hire purchase contracts (see note 15)	38,048	42,495
Trade creditors	248,115	120,508
Other creditors	11,217	4,526
Corporation tax	-	52,000
Other taxes and social security	123,085	102,022
Accruals and deferred income	30,217	32,388
	<u>450,682</u>	<u>353,938</u>

### 15 Creditors: amounts falling due after more than one year

	2000	1999
	£	£
Obligations under finance leases and hire purchase contracts	36,857	5,833

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

	2000	1999
	£	£
Within one year	38,048	42,495
In the second to fifth years	36,857	5,833
	<u>74,905</u>	<u>48,328</u>

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

## Notes (continued)

### 16 Accruals and deferred income

	2000 £	1999 £
<i>Regional Development Grant</i>		
At beginning of year	18,822	19,304
Released in year	(482)	(482)
At end of year	<u>18,340</u>	<u>18,822</u>

### 17 Called up share capital

	2000 £	1999 £
<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	<u>2</u>	<u>1,340</u>

### 18 Reconciliation of movement in shareholders' funds

	Share capital £	Capital redemption reserve £	Profit and loss account £	Shareholders' Funds £
At beginning of year	1,340	660	1,545,862	1,547,862
Retained profit for year	-	-	(239,245)	(239,245)
Purchase of own shares	(1,338)	1,338	(500,000)	(500,000)
At end of year	<u>2</u>	<u>1,998</u>	<u>806,617</u>	<u>808,617</u>

**Notes (continued)**

**19 Commitments**

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

	2000		1999	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
In the second to fifth years inclusive	-	892	-	920
Over five years	2,800	-	2,800	-
	<u>2,800</u>	<u>892</u>	<u>2,800</u>	<u>920</u>

**20 Related party transactions**

During the year the company purchased goods with a value of £1,660 and sold goods with a value of £9,573 to K Systems Limited and purchased goods with a value of £24,112 from Devar Industrial Flooring Systems Limited, associated companies, under normal trading conditions.