

1008317

Directa (UK) Limited

Report and Financial Statements

Year Ended

30 April 1997



BDO

BDO Stoy Hayward
Chartered Accountants

Directa (UK) Limited

Annual report and financial statements for the year ended 30 April 1997

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Directors

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Directors

L D Dennison
M D Coburn
T Neale
M V Storey

Secretary and registered office

Mrs J M Poston, Cold Norton, Essex, CM3 6UA

Registered number

1008317

Auditors

BDO Stoy Hayward, 66 Broomfield Road, Chelmsford, Essex CM1 1SW

Bankers

National Westminster Bank Plc, 6 High Street, Chelmsford, Essex, CM1 1BL

Directa (UK) Limited

Report of the directors for the year ended 30 April 1997

The directors present their report together with the audited financial statements for the year ended 30 April 1997.

Results and dividends

The profit and loss account is set out on page 4 and shows the profit for the year.

The directors recommend the payment of a dividend of £80,000 on ordinary shares, and the retained profit of £147,863 is to be carried to reserves.

Principal activities, trading review and future developments

Throughout the year the activities of the company continued to be that of manufacturers, distributors, importers and exporters, and wholesalers of adhesive tapes, abrasives, signs and industrial consumables.

It is pleasing to report, once again, an increase in both sales and pre-tax profits. The launch of the new comprehensive catalogue in the latter part of 1996 enabled us to consolidate the growth that had been achieved in the previous two years.

Further measures are planned for 1997/98 to assist the continued expansion of the company, the full effect of which should be felt in 1998/99.

Significant changes in fixed assets

The directors are of the opinion that the market value of the company's freehold properties are in excess of their net book value.

Directors

The directors of the company during the year and their interests in the ordinary share capital of the company were:

	Ordinary £1 shares	
	1997	1996
L D Dennison	100,000	100,000
M D Coburn	60,000	60,000
T Neale	-	-
M V Storey	-	-

Directa (UK) Limited

Report of the directors for the year ended 30 April 1997 (*Continued*)

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 of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 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.

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board

Mrs J M Poston

Secretary

25 September 1997



To the shareholders of Directa (UK) Limited

We have audited the financial statements on pages 4 to 16 which have been prepared under the accounting policies set out on pages 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the 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 judgments 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 30 April 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD
Chartered Accountants
and Registered Auditors
Chelmsford

13 October 1997

Directa (UK) Limited**Profit and loss account for the year ended 30 April 1997**

	Note	1997 £	1996 £
Turnover	2	4,764,782	4,594,345
Cost of sales		2,330,419	2,316,518
Gross profit		2,434,363	2,277,827
Selling and distribution costs		1,060,327	913,478
Administrative expenses		1,147,478	1,139,520
		226,558	224,829
Other operating income		47,006	46,127
Operating profit	5	273,564	270,956
Income from shares in group undertakings		18,750	12,500
Interest receivable	6	25,649	12,510
Profit on ordinary activities before taxation		317,963	295,966
Taxation on profit on ordinary activities	7	90,100	65,033
Profit on ordinary activities after taxation		227,863	230,933
Dividends	9	80,000	80,000
Retained profit for the year		147,863	150,933
Retained profit brought forward		946,966	796,033
Retained profit carried forward		1,094,829	946,966

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

There are no movements on shareholders' funds apart from the profit for the year.

The notes on pages 7 to 16 form part of these financial statements.

Directa (UK) Limited

Balance sheet at 30 April 1997

	Note	1997	1996
		£	£
Fixed assets			
Intangible assets	10	1,717	1,717
Tangible assets	11	716,888	690,276
Investments	12	500	500
		<u>719,105</u>	<u>692,493</u>
Current assets			
Stocks	13	390,484	342,176
Debtors	14	1,003,600	961,650
Cash at bank and in hand		452,115	397,436
		<u>1,846,199</u>	<u>1,701,262</u>
Creditors: amounts falling due within one year	15	1,270,475	1,246,789
		<u>1,270,475</u>	<u>1,246,789</u>
Net current assets		575,724	454,473
Total assets less current liabilities		<u>1,294,829</u>	<u>1,146,966</u>
Net assets		<u>1,294,829</u>	<u>1,146,966</u>
Capital and reserves			
Called up share capital	17	200,000	200,000
Profit and loss account		1,094,829	946,966
		<u>1,294,829</u>	<u>1,146,966</u>
Shareholders' funds		<u>1,294,829</u>	<u>1,146,966</u>

All amounts relate to equity interests.

The financial statements were approved by the Board on 25 September 1997

L D Dennison

Director



The notes on pages 7 to 16 form part of these financial statements.

Directa (UK) Limited**Cash flow statement for the year ended 30 April 1997**

	Note	1997	1996
		£	£
Net cash inflow from operating activities	18	307,887	366,125
Returns on investments and servicing of finance			
Interest received		25,649	12,510
Dividends received		-	12,500
		<u>25,649</u>	<u>25,010</u>
Taxation			
Corporation tax paid		(78,850)	(74,533)
		<u>(78,850)</u>	<u>(74,533)</u>
Capital Expenditure			
Payments to acquire tangible fixed assets		(121,107)	(58,863)
Receipts from sales of tangible fixed assets		1,100	41,468
		<u>(120,007)</u>	<u>(17,395)</u>
		134,679	299,207
Equity dividends paid		(80,000)	-
Cash inflow before use of liquid resources and financing		<u>54,679</u>	<u>299,207</u>
Increase in cash		<u>54,679</u>	<u>299,207</u>

The notes on pages 7 to 16 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Group accounts

The company is exempt from the requirement to prepare group accounts by virtue of S.248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax. This is after deducting discounts given and credit notes issued.

Depreciation

Depreciation is provided to write off the cost, less estimated residual value, of all fixed assets except freehold land and buildings (see note 21), over their expected useful lives. It is calculated at the following rates:

Plant and equipment	- 10 - 33 1/3 % per annum
Motor Vehicles	- 10 - 33 1/3 % per annum

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost has been calculated on a "first in first out" basis.

Net realisable value is based on estimated selling price less further costs to completion and disposal.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, except that no provision is made where it can reasonably be foreseen that such deferred taxation will not be payable in the future.

Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

Directa (UK) Limited**Notes forming part of the financial statements for the year ended 30 April 1997 (Continued)**

2 Turnover

Turnover is wholly attributable to the company's principal activities which are carried out in the United Kingdom.

3 Employees

Staff costs (including directors) consist of:

	1997 £	1996 £
Wages and salaries	1,014,702	947,276
Social security costs	87,173	88,749
Other pension costs	155,718	150,451
	1,257,593	1,186,476

The average number of employees (including directors) during the year was as follows:

	1997 Number	1996 Number
Manufacture	3	3
Selling and distribution	39	38
Office and management	14	15
	56	56

Directa (UK) LimitedNotes forming part of the financial statements for the year ended 30 April 1997 (*Continued*)**4 Directors' emoluments**

	1997 £	1996 £
Directors' emoluments consist of:		
Emoluments for services as directors	268,318	233,376
Contributions to "defined contribution" pension schemes	114,804	114,167
	<u>383,122</u>	<u>347,543</u>
Emoluments of highest paid director:		
Remuneration for services as a director	83,120	74,974
Contributions to "defined contribution" pension schemes	65,000	65,000
Total	<u>148,120</u>	<u>139,974</u>

5 Operating profit

This is arrived at after charging:

	1997 £	1996 £
Depreciation of tangible fixed assets	90,630	85,445
Auditors' remuneration	10,000	9,700
Loss on sale of fixed assets	2,765	1,002
	<u></u>	<u></u>

6 Interest receivable

	1997 £	1996 £
Bank interest receivable	25,649	12,510
	<u></u>	<u></u>

Directa (UK) LimitedNotes forming part of the financial statements for the year ended 30 April 1997 (*Continued*)**7 Taxation**

	1997 £	1996 £
<i>Current Year</i>		
UK Corporation Tax	86,500	76,500
Tax credit on UK dividends received	3,750	2,500
	90,250	79,000
<i>Prior years</i>		
UK corporation tax	(150)	(13,967)
	90,100	65,033

8 Income from other fixed asset investments

	1997 £	1996 £
Income from investments in group companies	18,750	12,500

9 Dividends

	1997 £	1996 £
Ordinary dividends		
Final proposed of 40p (1996 - 40p) per share	80,000	80,000

Directa (UK) Limited

Notes forming part of the financial statements for the year ended 30 April 1997 (*Continued*)

10 Intangible assets

	Patents
	£
<i>Cost</i>	
At 1 May 1996	1,717
Additions	-
At 30 April 1997	1,717
<i>Amortisation</i>	
At 1 May 1996	-
At 30 April 1997	-
<i>Net Book Value</i>	
At 30 April 1997	1,717
At 30 April 1996	1,717

Directa (UK) Limited

Notes forming part of the financial statements for the year ended 30 April 1997 (*Continued*)

11 Tangible assets

	Freehold Property £	Plant and Machinery £	Motor Vehicles £	Total £
<i>Cost</i>				
At 1 May 1996	411,596	309,151	337,520	1,058,267
Additions	-	5,540	115,567	121,107
Disposals	-	-	(36,817)	(36,817)
At 30 April 1997	411,596	314,691	416,270	1,142,557
<i>Depreciation</i>				
At 1 May 1996	-	209,090	158,901	367,991
Provided for the year	-	29,145	61,485	90,630
Disposals	-	-	(32,952)	(32,952)
At 30 April 1997	-	238,235	187,434	425,669
<i>Net Book Value</i>				
At 30 April 1997	411,596	76,456	228,836	716,888
At 30 April 1996	411,596	100,061	178,619	690,276

Directa (UK) Limited

Notes forming part of the financial statements for the year ended 30 April 1997 (*Continued*)

12 Fixed asset investments

	Investments in Subsidiaries £
<i>Cost</i>	
At 1 May 1996	500
At 30 April 1997	500
<i>Amortisation</i>	
At 1 May 1996	-
At 30 April 1997	-
<i>Net Book Value</i>	
At 30 April 1997	500
At 30 April 1996	500

Investments include an investment in a subsidiary, Akita Security Limited, a company registered in England and Wales, comprising a holding of 50% of its issued ordinary share capital.

During its latest financial year Akita Security Limited, whose principal activity was the supply of security services, made a profit after tax of £121,277 (1996 - £85,654) and at the end of that year the aggregate of its capital and reserves was £188,761 (1996 - £97,484).

The company owns 100% of the issued ordinary share capital of the following non-trading companies which are registered in England and Wales:

City Directa (Retail Sales) Limited
Kontoor Abrasives Limited

13 Stocks

	1997 £	1996 £
Finished goods	390,484	342,176

Directa (UK) Limited

Notes forming part of the financial statements for the year ended 30 April 1997 (*Continued*)

14 Debtors

	1997 £	1996 £
<i>Due after more than one year</i>		
Advance corporation tax recoverable	20,000	20,000
<i>Due within one year</i>		
Trade debtors	860,215	902,994
Amounts due from subsidiaries	15,000	-
Prepayments and accrued income	108,385	38,656
	1,003,600	961,650

15 Creditors: amounts falling due within one year

	1997 £	1996 £
Trade creditors	535,030	510,869
Corporation tax	69,000	76,500
Taxation and social security	186,977	188,445
Proposed dividend	80,000	80,000
Advance corporation tax payable	20,000	20,000
Accruals	379,468	370,975
	1,270,475	1,246,789

Directa (UK) Limited

Notes forming part of the financial statements for the year ended 30 April 1997 (*Continued*)

16 Provisions for liabilities and charges

Deferred Taxation

	1997		1996	
	Unprovided £	Provided in accounts £	Unprovided £	Provided in accounts £
Accelerated capital allowances	(4,850)	-	8,000	8,000
Short term timing differences	(9,100)	-	(16,250)	(8,000)
	<u>(13,950)</u>	<u>-</u>	<u>(8,250)</u>	<u>-</u>
less unrelieved ACT	-	-	-	-
	<u>(13,950)</u>	<u>-</u>	<u>(8,250)</u>	<u>-</u>

17 Called up share capital

	Authorised		Allotted, called up and fully paid	
	1997 £	1996 £	1997 £	1996 £
Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>200,000</u>	<u>200,000</u>

18 Reconciliation of operating profit to net cash inflow from operating activities

	1997 £	1996 £
Operating profit	273,564	270,956
Depreciation of tangible fixed assets	90,630	85,445
Loss on sale of fixed assets	2,765	1,002
(Increase)/decrease in stocks	(48,308)	46,713
Increase in debtors	(41,950)	(49,746)
Increase in creditors	31,186	11,755
	<u>307,887</u>	<u>366,125</u>
Net cash inflow from operating activities		

Directa (UK) Limited

Notes forming part of the financial statements for the year ended 30 April 1997 (*Continued*)

19 Reconciliation of net cashflow to movement in net funds

	1997 £	1996 £
Increase in cash in the year	54,679	299,207
Net funds at 1 May 1996	397,436	98,229
Net funds at 30 April 1997	452,115	397,436

The net funds are all cash at bank and in hand.

20 Analysis of changes in net funds

	At 1 May 1996 £	Cash flows £	At 30 April 1997 £
Cash at bank and in hand	397,436	54,679	452,115

21 Depreciation on freehold buildings

As stated in the accounting policies (note 1) no depreciation is provided on freehold land and buildings as the directors are of the opinion that their market value is in excess of their book value. Accordingly the provisions of the Statement of Standard Accounting Practice on Accounting for Depreciation (revised) SSAP12 have not been met.

The financial effect of the departure from SSAP12 is that the profit is overstated by an estimated £5,285 (1996 - £5,285), which is not material, and fixed assets are overstated by £66,246 (1996 - £60,961).

22 Pension costs

The company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds and amounted to £155,718 (1996 - £150,451).

The contributions unpaid at the balance sheet date amounted to £Nil (1996 - £Nil).