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SIDLAW TILE SERVICES LIMITED

ACCOUNTS - 31 AUGUST 1985

C.R.O. EDINBURGH
22 OCT 1986

Coopers
& Lybrand

SIDLAW TILE SERVICES LIMITED

Report of the directors
for the period from 29 September 1984
to 31 August 1985

1 The directors present herewith the audited accounts for the period from 29 September 1984 to 31 August 1985.

Principal activities

2 Following the acquisition of the company by Heuga (UK) Limited, during the period, the company changed its accounting reference date from 30 September to 31 August.

3 The principal activity of the company is the commission backing of carpet tiles.

Review of business

4 The results for the period are set out in the profit and loss account on page 4. Both the level of business and the period end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Dividend

5 The directors do not recommend payment of a dividend in respect of the period.

Directors

6 The directors of the company at 31 August 1985, all of whom were appointed on 15 February 1985, were:-

J D Knight
P R Van Dijk
R J Cobuzzi

7 Both M G N Walker and C M Nichol, who were directors at 30 September 1984, resigned on 15 February 1985.

Changes in tangible assets

8 The movements in tangible assets during the period are set out in note 9 to the accounts.

Directors' interests in shares of the company

9 No director had any interest in the ordinary share capital of the company during the period.

22 OCT 1985

Close company provisions

10 The company is not a close company within the provisions of the Income and Corporation Taxes Act 1970, as amended.

Auditors

11 During the period Deloitte Haskins & Sells resigned as auditors and Coopers & Lybrand were appointed in their place. A resolution to reappoint Coopers & Lybrand as auditors will be proposed at the annual general meeting.

BY ORDER OF THE BOARD

W & J BURNES W S

Secretary
EDINBURGH, 24 October 1985

Report of the auditors to the members of
SIDLAW TILE SERVICES LIMITED

We have audited the accounts set out on pages 4 to 14 in accordance with approved Auditing Standards. The accounts have been prepared under the historical cost convention.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 August 1985 and of its profit and source and application of funds for the period then ended and comply with the Companies Act 1985.

COOPERS & LYBRAND

Chartered Accountants
GLASGOW, 24 October 1985

SIDLAW TILE SERVICES LIMITED

Profit and loss account
for the period from 29 September 1984
to 31 August 1985

	<u>Notes</u>	11 months ended 31 August 1985 £	Year ended 28 September 1984 £
Turnover	2	£3,056,889	£2,195,611
Profit on ordinary activities before taxation	3	329,801	91,757
Tax on profit on ordinary activities	7	134,948	37,446
Profit after tax and before extraordinary item		194,853	54,311
Extraordinary item	8	-	7,426
Profit for the period		194,853	61,737
Dividend paid		-	40,000
Retained profit for the period		£194,853	£21,737

STATEMENT OF RETAINED PROFITS

Retained profits at 1 October 1984	97,047	75,310
Retained profit for the financial period	194,853	21,737
Retained profits at 31 August 1985	£291,900	£97,047

The notes on pages 8 to 14 form part of these accounts.

Auditors' report page 3.

SIDLAW TILE SERVICES LIMITED

Balance sheet at 31 August 1985

	Notes	31 August 1985	28 September 1984
		£	£
FIXED ASSETS			
Tangible assets	9	136,578	141,775
CURRENT ASSETS			
Stocks	10	158,982	207,777
Debtors	11	692,448	460,267
Cash at bank and in hand		385	247
		851,815	668,291
CREDITORS: amounts falling due within one year	12	589,878	546,921
NET CURRENT ASSETS		261,937	121,370
Total assets less current liabilities		398,515	263,145
CREDITORS: amounts falling due after more than one year	13	-	73,624
PROVISIONS FOR LIABILITIES AND CHARGES	14	19,659	16,308
DEFERRED INCOME	15	19,236	8,446
		38,895	98,378
		£359,620	£164,767
CAPITAL AND RESERVES			
Called up share capital	16	67,720	67,720
Profit and loss account		291,900	97,047
		£359,620	£164,767

J D KNIGHT)
) Directors
 P R VAN DIJK)

The notes on pages 8 to 14 form part of these accounts.

Auditors' report page 3.

SIDLAW TILE SERVICES LIMITED

Statement of source and application of funds
for the period from 29 September 1984 to
31 August 1985

	11 months ended 31 August 1985	Year ended 28 September 1984
	£	£
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	329,801	91,757
Adjustments for items not involving movement of funds:		
Depreciation	35,738	39,728
Gain on sale of tangible fixed assets	(3,088)	(11,780)
Grants released	(9,271)	(6,395)
	<u>23,379</u>	<u>21,553</u>
Total from operations	353,180	113,310
Funds from other sources:		
Sale proceeds of tangible fixed assets	3,088	15,568
Grants received	13,479	8,312
Loans received from holding company	<u>225,000</u>	<u>39,134</u>
	241,567	63,014
Total source of funds	594,747	176,324
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	(30,541)	(76,011)
Taxation relieved by group relief	-	(23,134)
Dividends paid	-	(40,000)
Taxation paid	(13,233)	(126)
Loans repaid	(285,129)	-
	<u>£265,844</u>	<u>£37,053</u>

SIDLAW TILE SERVICES LIMITED

Statement of source and application of funds
for the period from 29 September 1984 to
31 August 1985 (continued)

	11 months ended 31 August 1985	Year ended 28 September 1984
	£	£
INCREASE IN WORKING CAPITAL		
Represented by:-		
Increase/(decrease) in stocks	(48,795)	36,010
Increase in debtors, excluding taxation	225,599	118,816
(Increase)/decrease in creditors, excluding taxation	9,940	(109,077)
	<u>186,744</u>	<u>45,749</u>
Movement in net liquid funds:		
Cash at bank and in hand	<u>79,100</u>	<u>(8,696)</u>
	<u>£265,844</u>	<u>£37,053</u>

Auditors' report page 3.

SIDLAW TILE SERVICES LIMITED

Notes to the accounts

Principal accounting policies

1 A summary of the more important accounting policies of the company, which have been applied consistently, is set out below.

(a) Tangible fixed assets

Tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition.

Provision for depreciation is made so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful economic life of the assets concerned. The principal annual rates used for this purpose are:-

Plant and equipment - amortised over varying periods ranging between 5 and 10 years depending on the anticipated life of the asset concerned.

Improvements to leasehold property - amortised over the period of the lease.

(b) Deferred credit for government grants

Deferred credit for government grants represents grants received or receivable on capital expenditure. The grants are credited to profit and loss account over the expected useful lives of the assets concerned.

(c) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general cost is determined on a first in, first out basis and comprises all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the cost of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made where necessary for obsolete, slow moving and defective stocks.

(d) Deferred tax

This comprises corporation tax deferred due to allowances in respect of qualifying fixed assets obtained in excess of the depreciation provided in the accounts and timing differences arising from expenses and income being allowed or charged in accounting periods differing from those in which they are recognised in the accounts. Provision is made for deferred tax at 35% under the "liability method".

Notes to the accounts (continued)Turnover:

2 Turnover comprises the value of goods invoiced to customers excluding value added tax. Turnover is analysed as follows:-

	11 months ended 31 August 1985 £	Year ended 28 September 1984 £
United Kingdom	2,920,189	2,122,539
Export	136,700	73,072
	<u>£3,056,889</u>	<u>£2,195,611</u>

Profit on ordinary activities before taxation

	11 months ended 31 August 1985 £	Year ended 28 September 1984 £
3		
Turnover (note 2)	3,056,889	2,195,611
Cost of sales	(2,285,154)	(1,776,112)
Gross profit	771,735	419,499
Distribution costs	(304,741)	(205,330)
Administrative expenses	(119,594)	(110,360)
Operating profit (note 4)	347,400	103,809
Inter-company interest	(9,250)	(4,356)
Bank overdraft interest	(8,349)	(7,696)
Profit on ordinary activities before taxation	<u>£329,801</u>	<u>£ 91,757</u>

Operating profit

4 Operating profit is stated after charging:-

	11 months ended 31 August 1985 £	Year ended 28 September 1984 £
Auditors' remuneration	3,950	-
Depreciation of tangible fixed assets	35,738	39,728
and after crediting:-		
Provisions no longer required	62,750	-

SIDLAW TILE SERVICES LIMITEDNotes to the accounts (continued)Employee information

5(a) The average number of persons employed by the company (including executive directors) during the period is analysed below:-

	11 months ended 31 August 1985	Year ended 28 September 1984
Production	69	55
Selling and distribution	2	2
Administration	7	7
	<u>78</u>	<u>64</u>

(b) Employment costs of all employees included above:-

	11 months ended 31 August 1985	Year ended 28 September 1984
	£	£
Gross wages and salaries	626,517	471,483
Employer's national insurance and state pension contributions	49,102	41,939
Employer's pension contributions under the company pension scheme	29,876	23,267
	<u>£705,495</u>	<u>£536,689</u>

Directors' emoluments

6 None of the directors received any emoluments from the company during the period (1984 - £Nil).

Tax on profit on ordinary activities

7 The tax charge is based on the profit on ordinary activities for the period and comprises:-

	11 months ended 31 August 1985	Year ended 28 September 1984
	£	£
United Kingdom corporation tax at 40.87%	131,859	36,629
Deferred tax at 35%	3,351	1,581
	<u>135,210</u>	<u>38,210</u>
Overprovision in respect of prior years	(262)	(764)
	<u>£134,948</u>	<u>£37,446</u>

SIDLAW TILE SERVICES LIMITED

Notes to the accounts (continued)

Extraordinary item

8	11 months ended 31 August 1985	Year ended 28 September 1984
Release of deferred taxation due to change in legislation	£ -	£7,426

Tangible fixed assets

9	Improvements to leasehold property £	Plant and equipment £	Total £
Cost			
At 29 September 1984	32,359	441,316	473,675
Expenditure	-	30,541	30,541
Disposals	-	(21,963)	(21,963)
At 31 August 1985	32,359	449,894	482,253
Depreciation			
At 29 September 1984	14,474	317,426	331,900
Charge for period	1,366	34,372	35,738
Disposals	-	(21,963)	(21,963)
At 31 August 1985	15,840	329,835	345,675
Net book value at 31 August 1985	£16,519	£120,059	£136,578
Net book value at 28 September 1984	£17,885	£123,890	£141,775

Stocks

10	31 August 1985 £	28 September 1984 £
Raw materials and consumables	128,940	163,914
Work in progress	14,647	6,818
Finished goods and goods for resale	15,395	37,045
	£158,982	£207,777

SIDLAW TILE SERVICES LIMITED

Notes to the accounts (continued)Debtors

11	31 August 1985 £	28 September 1984 £
Trade debtors	402,712	456,582
Amounts due by group companies	266,647	-
Prepayments and accrued income	23,089	3,685
	<u>£692,448</u>	<u>£460,267</u>

All the above amounts are due within one year of the balance sheet date.

Creditors: amounts falling due within one year

12	31 August 1985 £	28 September 1984 £
Trade creditors	300,225	256,394
Amounts owed to group companies:		
Holding company	14,760	11,563
Fellow subsidiaries	25,356	2,773
Other creditors	47,505	70,000
Taxation and social security	153,985	56,628
Accruals and deferred income	42,333	64,887
Bank overdraft	5,714	84,676
	<u>£589,878</u>	<u>£546,921</u>

Taxation and social security includes corporation tax payable of £131,859 (1984 £675).

Creditors: amounts falling due after more than one year

13	31 August 1985 £	28 September 1984 £
Corporation tax	-	13,495
Loan from former holding company	-	60,129
	<u>£ -</u>	<u>£73,624</u>

SIDLAW TILE SERVICES LIMITED

Notes to the accounts (continued)Provisions for liabilities and charges

14 Deferred taxation:-

	31 August 1985		28 September 1984	
	Provision made	Full potential liability	Provision made	Full potential liability
	£	£	£	£
Accelerated capital allowances	£19,659	£19,659	£16,308	£16,308

Movements on the provision for deferred taxation are:-

	£
At 29 September 1984	16,308
Transferred from profit and loss account	3,351
At 31 August 1985	£19,659

Deferred income

15 This comprises the balance on the reserve for government grants relating to the purchase of fixed assets. Movements on this account are as follows:-

	£
At 29 September 1984	8,446
Grant receivable on eligible capital expenditure during the period	20,061
	28,507
<u>Less: Transfer to profit and loss account</u>	<u>(9,271)</u>
At 31 August 1985	£19,236

SIDLAW TILE SERVICES LIMITEDNotes to the accounts (continued)Called up share capital

16	11 months 1985 £	28 September 1984 £
Authorised:		
Ordinary shares of £1 each	£90,000 <u> </u>	£90,000 <u> </u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	£67,720 <u> </u>	£67,720 <u> </u>

Capital expenditure commitments

17 There were capital expenditure commitments of £20,000 approved by the directors but not yet contracted for at 31 August 1985, (1984 - Nil).

Ultimate holding company

18 The ultimate holding company at 31 August 1985 was Compo Inc, which is incorporated in the United States of America.