



BDO Stoy Hayward
Chartered Accountants

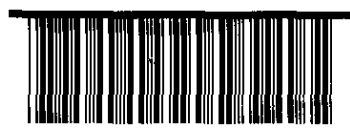
Sanquhar Tile Services Limited

Report and Financial Statements

Year Ended

31 December 2000

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Sanquhar Tile Services Limited

Annual report and financial statements for the year ended 31 December 2000

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Directors

J.B. Smith
D. Watters
D. Lind
A D Curran

Secretaries and registered office

Wright, Johnston & MacKenzie,
The Industrial Estate, Blackaddie Road, Sanquhar, Dumfriesshire DG4 6DB

Company number

9331

Auditors

BDO Stoy Hayward, Ballantine House, 168 West George Street, Glasgow G2 2PT

Bankers

Bank of Scotland, 5 Wavell Drive, Rosehill Business Park, Carlisle CA1 2ST

Solicitors

Wright, Johnston & MacKenzie, 302 St. Vincent Street, Glasgow G2 5RZ

Sanquhar Tile Services Limited

Report of the directors for the year ended 31 December 2000

The directors present their report together with the audited financial statements for the year ended 31 December 2000.

Results and dividends

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

Dividends of £67,825 on ordinary shares were paid during the year.

The directors recommend the payment of a further dividend of £4,925 on ordinary shares.

Principal activities, trading review and future developments

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

Both the level of business and the year end financial position were satisfactory.

The directors do not envisage any significant changes in the company's operations in the near future.

Directors

The directors of the company during the year were:

J.B. Smith
D. Watters
D. Lind
A D Curran

No director had any beneficial interest in the share capital of the company.

Sanquhar Tile Services Limited

Report of the directors for the year ended 31 December 2000 (*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:

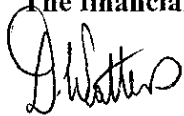
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

The financial statements were approved by the Board on 2 April 2001.



D. Watters
Director

Sanguhar Tile Services Limited**Report of the auditors**

To the shareholders of Sanguhar Tile Services Limited

We have audited the financial statements on pages 4 to 17 which have been prepared under the accounting policies set out on pages 6.

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



Chartered Accountants
and Registered Auditors

2 April 2001

Sanquhar Tile Services Limited**Profit and loss account for the year ended 31 December 2000**

	Note	2000 £	1999 £
Turnover	2	6,806,186	6,288,751
Cost of sales		5,439,721	4,974,099
Gross profit		1,366,465	1,314,652
Distribution costs		525,447	533,819
Administrative expenses		362,602	295,282
Operating profit	5	478,416	485,551
Interest receivable	6	65	2,104
Interest payable and similar charges	7	(48,067)	(32,257)
Profit on ordinary activities before taxation		430,414	455,398
Taxation on profit on ordinary activities	8	124,085	28,798
Profit for the year		306,329	426,600
Dividends	9	72,750	72,675
Transfer for the year		233,579	353,925

All amounts relate to continuing activities.

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

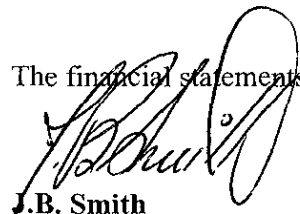
The notes on pages 6 to 17 form part of these financial statements.

Sanquhar Tile Services Limited

Balance sheet at 31 December 2000

	Note	2000	1999
		£	£
Fixed assets			
Tangible assets	10	1,293,255	1,282,581
Current assets			
Stocks	11	1,001,633	873,149
Debtors	12	1,409,883	1,523,824
Cash at bank and in hand		69,203	40,837
		<u>2,480,719</u>	<u>2,437,810</u>
Creditors: amounts falling due within one year	13	<u>1,353,458</u>	<u>1,455,389</u>
Net current assets		<u>1,127,261</u>	<u>982,421</u>
Total assets less current liabilities		<u>2,420,516</u>	<u>2,265,002</u>
Creditors: amounts falling due after more than one year	14	464,533	532,916
Provisions for liabilities and charges	15	69,450	39,132
Accruals and deferred income	16	100,000	140,000
Net assets		<u>1,786,533</u>	<u>1,552,954</u>
Capital and reserves			
Called up share capital	17	67,720	67,720
Profit and loss account	18	1,718,813	1,485,234
Equity shareholders' funds	19	<u>1,786,533</u>	<u>1,552,954</u>

The financial statements were approved by the Board on 2 April 2001.


J.B. Smith
Director

The notes on pages 6 to 17 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:

Turnover

Turnover represents the invoiced amount of goods sold and services provided, stated net of value added tax.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets over their expected useful lives. It is calculated at the following rates:

Freehold property	- depreciated over 20 years
Plant and equipment	- depreciated over varying periods ranging between
	- 5 and 10 years depending on the anticipated life of
	- the asset concerned.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value as follows:-

Costs incurred in bringing each product to its present location and condition:

Raw materials - purchase cost on a first-in, first-out basis.

Work-in-progress and finished goods - cost of direct materials and labour plus attributable overheads based on normal level of activity.

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

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

Pensions

The company operates a defined benefits pension scheme and pension contributions are charged to profit and loss account to spread the cost of the pensions over the employees working lives.

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

1 Accounting policies (*continued*)

Deferred government grants

Deferred government grants represent grants received on capital expenditure, and for approved regional projects. The grants are credited to the profit and loss account from date of receipt, over either the expected useful lives of the assets concerned, or the lives of the assets relating to the regional projects.

Group accounts

The company is included in the consolidated accounts of the parent company, Justcreek Limited.

2 Turnover

Turnover is wholly attributable to the principal activity of the company.

Geographical analysis:

	2000 £	1999 £
United Kingdom	4,023,142	4,346,306
Europe	2,783,044	1,942,445
	6,806,186	6,288,751

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

3 Employees

Staff costs (including directors) consist of:

	2000 £	1999 £
Wages and salaries	2,158,204	1,986,626
Social security costs	166,218	153,720
Other pension costs	178,058	95,691
	<u>2,502,480</u>	<u>2,236,037</u>

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

	2000 Number	1999 Number
Management and administration	11	9
Production, installation and sales	98	89
	<u>109</u>	<u>98</u>

4 Directors

	2000 £	1999 £
Directors' emoluments consist of:		
Emoluments	<u>210,905</u>	<u>200,788</u>

4 directors were members of the company's defined benefit pension scheme (1999 - 4).

The total amount payable to the highest paid director in respect of emoluments and amounts receivable under long term incentive schemes was £69,903 (1999 - £85,037).

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

5 Operating profit

This is arrived at after charging/(crediting):

	2000 £	1999 £
Depreciation of tangible fixed assets		
- owned by the company	108,183	103,923
- held under finance leases	67,954	60,054
Auditors' remuneration	14,000	13,500
Operating lease rentals - plant and machinery	37,792	23,829
Profit on sale of fixed assets	(5,432)	(800)
	<u> </u>	<u> </u>

Amounts paid to BDO Stoy Hayward by the company in respect of non-audit services were 2000 £4,088 (1999 - £2,213).

6 Interest receivable

	2000 £	1999 £
Bank interest receivable	65	2,104
	<u> </u>	<u> </u>

7 Interest payable and similar charges

	2000 £	1999 £
On bank loans and overdrafts	29,400	20,206
On finance leases and hire purchase contracts	18,667	12,051
	<u> </u>	<u> </u>
	48,067	32,257
	<u> </u>	<u> </u>

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

8 Taxation

	2000 £	1999 £
<i>Current Year</i>		
UK corporation tax	56,858	23,593
Transfer to/(from) deferred taxation	21,577	(4,402)
Consortium relief	20,953	-
Group relief	15,964	16,307
	<u>115,352</u>	<u>35,498</u>
<i>Prior years</i>		
UK corporation tax	(8)	(6,700)
Deferred taxation	8,741	-
	<u>124,085</u>	<u>28,798</u>

9 Dividends

	2000 £	1999 £
<i>Equity shares</i>		
Ordinary shares		
Interim paid of 1.00 (1999 - £1.00) per share	67,825	67,750
Final proposed of 0.07 (1999 - £0.07) per share	4,925	4,925
	<u>72,750</u>	<u>72,675</u>

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2000 (Continued)

10 Tangible assets

	Property £	Plant and equipment £	Total £
<i>Cost</i>			
At 1 January 2000	652,012	1,983,557	2,635,569
Additions	9,329	187,550	196,879
Disposals	(15,500)	(22,033)	(37,533)
At 31 December 2000	645,841	2,149,074	2,794,915
<i>Depreciation</i>			
At 1 January 2000	180,481	1,172,507	1,352,988
Provided for the year	31,120	145,017	176,137
Disposals	(5,432)	(22,033)	(27,465)
At 31 December 2000	206,169	1,295,491	1,501,660
<i>Net Book Value</i>			
At 31 December 2000	439,672	853,583	1,293,255
At 31 December 1999	471,531	811,050	1,282,581

Included above are assets held under finance leases or hire purchase contracts with net book values as follows:

	2000 £	1999 £
Plant and machinery	521,168	480,425

Sanquhar Tile Services Limited**Notes forming part of the financial statements for the year ended 31 December 2000 (Continued)****11 Stocks**

	2000 £	1999 £
Raw materials and consumables	545,046	554,791
Work in progress	5,063	246
Finished goods and goods for resale	451,524	318,112
	1,001,633	873,149

12 Debtors

	2000 £	1999 £
Trade debtors	1,370,006	1,497,826
Amounts due from group undertakings	2,071	-
ACT recoverable	-	1,231
Other debtors	1,763	-
Prepayments and accrued income	36,043	24,767
	1,409,883	1,523,824

All amounts shown under debtors fall due for payment within one year.

13 Creditors: amounts falling due within one year

	2000 £	1999 £
Bank loans and overdrafts	31,000	31,000
Trade creditors	507,426	610,028
Amounts owed to group undertakings	-	72,281
Taxation and social security	135,213	162,248
Proposed dividend	4,925	4,925
Corporation tax	56,858	23,593
Net obligations under hire purchase contracts	109,800	94,000
Other creditors	204,969	223,445
Accruals and deferred income	303,267	233,869
	1,353,458	1,455,389

Sanquhar Tile Services Limited**Notes forming part of the financial statements for the year ended 31 December 2000 (Continued)****14 Creditors: amounts falling due after more than one year**

	2000 £	1999 £
Loans	188,583	219,583
Net obligations under finance lease and hire purchase contracts	275,950	313,333
	<u>464,533</u>	<u>532,916</u>
Included within the above are amounts falling due as follows:		
In 1 - 2 years:		
Loan instalments	31,000	31,000
Finance lease and hire purchase obligations	109,800	94,000
In 2 - 5 years:		
Loan instalments	93,000	93,000
Finance lease and hire purchase obligations	166,150	219,333
In more than 5 years:		
Loan instalments	64,583	95,583
	<u>464,533</u>	<u>532,916</u>

The hire purchase obligations are secured on the assets being purchased.

A Loan of £310,000 was received from the Bank of Scotland on 5 January 1998. The loan is repayable in equal monthly installments by December 2007 and bears interest at 1% over base rate. The bank holds a standard security over property owned by the company and a floating charge over its whole assets.

Sanquhar Tile Services Limited**Notes forming part of the financial statements for the year ended 31 December 2000 (Continued)****15 Provisions for liabilities and charges***Deferred Taxation*

The amount of deferred taxation provided is as follows:

	2000 £	1999 £
Accelerated capital allowances	74,179	43,861
Other timing differences	(4,729)	(4,729)
	<u>69,450</u>	<u>39,132</u>

There is no deferred taxation unprovided.

	£
Deferred taxation movements:	
Balance at 1 January 2000	39,132
Transfer to profit and loss account	30,318
Balance at 31 December 2000	<u>69,450</u>

	2000 £	1999 £
Total provisions for liabilities and charges	<u>69,450</u>	<u>39,132</u>

16 Accruals and deferred income

	2000 £	1999 £
<i>Deferred income</i>		
At 1 January 2000	140,000	80,000
Received in the year	-	100,000
Released to the profit and loss account in the year	(40,000)	(40,000)
	<u>100,000</u>	<u>140,000</u>
At 31 December 2000	100,000	140,000

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2000 (Continued)

17 Called up share capital

	Authorised		Allotted, called up and fully paid	
	2000 £	1999 £	2000 £	1999 £
Ordinary shares of £1 each	90,000	90,000	67,720	67,720

18 Reserves

	£
<i>Profit and loss account</i>	
At 1 January 2000	1,485,234
Transfer for the year	233,579
At 31 December 2000	1,718,813

19 Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Profit for the year	306,329	426,600
Dividends	(72,750)	(72,675)
	233,579	353,925
Opening shareholders' funds	1,552,954	1,199,029
Closing shareholders' funds	1,786,533	1,552,954

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

20 Pensions

The company was, until 31 March 1996, a subsidiary undertaking of Interface Europe Limited, and was part of that company's pension scheme arrangement until 31 December 1996. Funds held within the Interface scheme attributable to employees of Sanquhar Tile Services Limited were transferred to the new defined benefit scheme operated by the company in 1998.

The funds of this scheme are administered by trustees, and are separate from the company.

The pension cost relating to this scheme is assessed every three years in accordance with the advice of a qualified actuary using the attained age method. Although a formal valuation was not required until April 2001, it was desirable to perform calculations following the significant transfer of assets from the Interface Europe Scheme. The most recent valuation at 1 April 1999, indicated that on the basis of service to date and current salaries, the scheme's assets were sufficient to meet its liabilities. The actuarial assumptions underlying the valuation are that the investment return will be 8.5% per annum, that salary increases will average 6.5% per annum and that present and future pensions will increase at the rate of 8%.

At 1 April 1999 the scheme, which is contracted out of the state scheme, had assets of approximately £1.9m and the valuation at that date reflected a small surplus of £25,000

21 Commitments under operating leases

As at 31 December 2000 the company had annual commitments under non-cancellable operating leases as set out below:

	Plant and equipment	
	2000	1999
	£	£
Operating leases which expire:		
Within one year	-	9,180
In two to five years	22,584	14,852
	22,584	24,032

22 Commitments on behalf of group and other undertakings

A standard security over the company's heritable property to the extent of £500,000 and a floating charge over its assets have been granted to Mirate Investments B.V., a director and shareholder in the parent undertaking, Justcreek Limited, in support of a guarantee given to Mirate Investments B.V. in respect of borrowings by Justcreek Limited.

The company has provided a guarantee to the Bank of Scotland in respect of the hire purchase borrowings of Versatek Limited. At 31 December 2000 the outstanding liability due by Versatek Limited was £272,020.

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2000 (Continued)

23 Related party transactions

Balances due to or by group undertakings are included in note 13. The company has taken advantage of the exemptions to disclose group transactions as conferred by Section 3(c) of Financial Reporting Standard No. 8.

During the year the company invoiced charges of £40,585 to Versatek Limited a company in which Justcreek Limited, the parent company of Sanquhar Tile Services Limited, holds 50% of the issued share capital and of which J.B. Smith and D. Watters are directors. The net balance due by Versatek Limited at 31 December 2000 was £21,558.

Hire charges of £9,539 were made in the year by Styletuft Limited a company in which Justcreek Limited, the parent company of Sanquhar Tile Services Limited, holds 25% of the issued share capital and in which J.B. Smith and D. Watters are shareholders and directors. The balance due to Styletuft Limited at 31 December 2000 was £18,277.

24 Ultimate parent company

The directors regard Justcreek Limited as the company's ultimate parent company.

Justcreek Limited, controlled by J.B. Smith, is the only company within the group of companies for which group financial statements are drawn up and of which the company is a member.