

Sanquhar Tile Services Limited

Report and Financial Statements

Year Ended

31 December 2003

SL 9351



Sanquhar Tile Services Limited

Annual report and financial statements for the year ended 31 December 2003

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Directors

J.B. Smith
D. Watters
D. Lind
F.C. Williamson

Secretary and registered office

W.J.M. Secretaries Limited, The Industrial Estate, Blackaddie Road, Sanquhar,
Dumfriesshire DG4 6DB

Company number

SC9331

Auditors

BDO Stoy Hayward LLP, 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 2003

The directors present their report together with the audited financial statements for the year ended 31 December 2003.

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year.

Dividends of £86,100 on ordinary shares were paid during the year. The directors do not recommend the payment of a final dividend.

Principal activities, review of business and future developments

The company's principal activity is the manufacture and commission manufacture 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
F.C. Williamson

No director had any beneficial interest in the share capital of the company. Their interests in the shares of the holding company are disclosed in the financial statements of that company.

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 year. 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; and
- 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.

Sanquhar Tile Services Limited

Report of the directors for the year ended 31 December 2003 (*Continued*)

Auditors

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to re-appoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

On behalf of the board



D. Watters

Director

5 April 2004

Sanquhar Tile Services Limited

Report of the independent auditors

To the shareholders of Sanquhar Tile Services Limited

We have audited the financial statements of Sanquhar Tile Services Limited for the year ended 31 December 2003 on pages 5 to 22 which have been prepared under the accounting policies set out on pages 7 to 8.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 1985. 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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

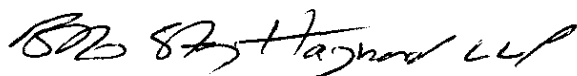
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Sanquhar Tile Services Limited

Report of the independent auditors (*Continued*)

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD LLP

Chartered Accountants

and Registered Auditors

Glasgow

5 April 2004

Sanquhar Tile Services Limited

Profit and loss account for the year ended 31 December 2003

	Note	2003 £	2002 £
Turnover	2	7,373,839	7,657,257
Cost of sales		6,146,536	6,291,099
Gross profit		1,227,303	1,366,158
Distribution costs		550,758	599,530
Administrative expenses		368,636	319,019
		307,909	447,609
Other operating income		5,043	4,947
Operating profit	5	312,952	452,556
Other interest receivable and similar income	6	84	1,704
Interest payable and similar charges	7	(72,722)	(41,810)
Profit on ordinary activities before taxation		240,314	412,450
Taxation on profit on ordinary activities	8	72,489	110,708
Profit on ordinary activities after taxation		167,825	301,742
Dividends	9	86,100	83,200
Retained profit	18	81,725	218,542

All amounts relate to continuing activities.

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

There are no movements in shareholders' funds in the current and prior year apart from the profit for the year.

The notes on pages 7 to 22 form part of these financial statements.

Sanquhar Tile Services Limited

Balance sheet at 31 December 2003

	Note	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Tangible assets	10		1,713,450		1,903,222
Current assets					
Stocks	11	1,390,974		1,113,654	
Debtors	12	1,451,464		1,560,893	
Cash at bank and in hand		3,735		190,274	
		<u>2,846,173</u>		<u>2,864,821</u>	
Creditors: amounts falling due within one year	13	<u>1,700,656</u>		<u>1,771,700</u>	
Net current assets			<u>1,145,517</u>		<u>1,093,121</u>
Total assets less current liabilities			<u>2,858,967</u>		<u>2,996,343</u>
Creditors: amounts falling due after more than one year	14	397,949		590,088	
Provision for liabilities and charges	15	176,295		148,257	
Accruals and deferred income	16	85,000		140,000	
		<u>659,244</u>		<u>878,345</u>	
			<u>2,199,723</u>		<u>2,117,998</u>
Capital and reserves					
Called up share capital	17	67,720		67,720	
Profit and loss account	18	2,132,003		2,050,278	
		<u>2,199,723</u>		<u>2,117,998</u>	
Equity shareholders' funds			<u>2,199,723</u>		<u>2,117,998</u>

The financial statements were approved by the Board on 5 April 2004.

David Lind

D. Lind
Director

The notes on pages 7 to 22 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:

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Justcreek Limited and the company is included in consolidated financial statements.

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, except for freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Freehold property	- depreciated over 20 years
Plant & machinery	- depreciated over varying periods ranging between 5 and 10 years depending on the anticipated life of the asset concerned
Motor vehicles	- Depreciated over 4 years

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.

Pension costs

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

1 Accounting policies (*continued*)

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

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 at the same rate as the depreciation on the assets to which the grant relates.

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Leased assets

Where assets are financed by hire purchase agreements, the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum hire purchase payments payable during the lease term. The corresponding hire purchase commitments are shown as amounts payable on HP contracts. Depreciation on the relevant assets is charged to the profit and loss account.

Hire purchase payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease on a straight-line basis. The capital part reduces the amounts payable on the hire purchase contract.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

2 Turnover

	2003 £	2002 £
Analysis by geographical market:		
United Kingdom	6,187,788	6,563,787
Europe	1,186,051	1,093,470
	<u>7,373,839</u>	<u>7,657,257</u>

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

3 Employees

Staff costs (including directors) consist of:

	2003 £	2002 £
Wages and salaries	2,080,219	2,190,064
Social security costs	147,285	164,236
Other pension costs	182,797	197,219
	<u>2,410,301</u>	<u>2,551,519</u>

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

	2003 Number	2002 Number
Management and administration	11	10
Production, installation and sales	92	100
	<u>103</u>	<u>110</u>

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

4 Directors' remuneration

	2003 £	2002 £
Directors' emoluments	238,656	212,127

There were 3 directors in the company's defined benefit pension scheme during the year (2002 - 3).

The total amount payable to the highest paid director in respect of emoluments was £64,897 (2002 - £66,806). He is a member of a defined benefit scheme, under which the accrued pension at the year end was £19,013 (2002 - £17,694).

5 Operating profit

	2003 £	2002 £
This is arrived at after charging:		
Depreciation of tangible fixed assets	269,769	275,870
Loss on disposal of tangible fixed assets	2,660	9,402
Hire of plant and machinery - operating leases	29,129	24,943
Audit services	14,500	16,500

Depreciation includes £161,999 (2002 - £135,709) charged on assets held under hire purchase contracts.

6 Other interest receivable and similar income

	2003 £	2002 £
Bank deposits	84	1,704

7 Interest payable and similar charges

	2003 £	2002 £
Bank loans and overdrafts	28,851	15,405
Hire purchase contracts	43,871	26,405
	72,722	41,810

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

8 Taxation on profit on ordinary activities

	2003 £	2003 £	2002 £	2002 £
<i>UK Corporation tax</i>				
Current tax on profits of the year	45,462		43,882	
Adjustment in respect of previous periods	(12,076)		(1,058)	
Group relief	6,525		4,751	
Consortium relief	4,540		4,797	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total current tax		44,451		52,372
<i>Deferred tax</i>				
Origination and reversal of timing differences	44,639		56,388	
Adjustment in respect of previous periods	(16,601)		1,948	
	<u> </u>		<u> </u>	
Movement in deferred tax provision		28,038		58,336
		<u> </u>		<u> </u>
Taxation on profit on ordinary activities		72,489		110,708
		<u> </u>		<u> </u>

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before tax	240,314	412,450
	<u> </u>	<u> </u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2002 - 30%)	72,094	123,735
Effect of:		
Expenses not deductible for tax purposes	2,776	3,287
Capital allowances for period in excess of depreciation	(5,976)	(54,843)
Adjustment to tax charge in respect of previous periods	(12,076)	(1,058)
Marginal small companies rate relief	(15,065)	(14,895)
Other timing differences	2,698	(3,854)
	<u> </u>	<u> </u>
Current tax charge for period	44,451	52,372
	<u> </u>	<u> </u>

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

9 Dividends

	2003 £	2002 £
<i>Equity shares</i>		
Ordinary shares		
Interim and final paid of £1.27 (2002 - £1.23) per share	86,100	83,200
	<u>86,100</u>	<u>83,200</u>

10 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Total £
<i>Cost</i>				
At 1 January 2003	653,223	3,099,046	21,697	3,773,966
Additions	58,534	25,123	-	83,657
Disposals	-	(23,895)	-	(23,895)
	<u>711,757</u>	<u>3,100,274</u>	<u>21,697</u>	<u>3,833,728</u>
At 31 December 2003	711,757	3,100,274	21,697	3,833,728
<i>Depreciation</i>				
At 1 January 2003	267,492	1,598,913	4,339	1,870,744
Provided for the year	35,647	229,783	4,339	269,769
Disposals	-	(20,235)	-	(20,235)
	<u>303,139</u>	<u>1,808,461</u>	<u>8,678</u>	<u>2,120,278</u>
At 31 December 2003	303,139	1,808,461	8,678	2,120,278
<i>Net book value</i>				
At 31 December 2003	408,618	1,291,813	13,019	1,713,450
	<u>408,618</u>	<u>1,291,813</u>	<u>13,019</u>	<u>1,713,450</u>
At 31 December 2002	385,731	1,500,133	17,358	1,903,222
	<u>385,731</u>	<u>1,500,133</u>	<u>17,358</u>	<u>1,903,222</u>

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

The net book value of, and depreciation charge for the year on, tangible fixed assets include assets held under hire purchase contracts as follows:

	2003 £	2002 £
<i>Net book value</i>		
Plant and machinery	958,589	1,129,230
Motor vehicles	10,200	13,600
	968,789	1,142,830
<i>Depreciation charged</i>		
Plant and machinery	158,599	132,309
Motor vehicles	3,400	3,400
	161,999	135,709

11 Stocks

	2003 £	2002 £
Raw materials and consumables	836,902	728,246
Work in progress	2,099	3,547
Finished goods and goods for resale	551,973	381,861
	1,390,974	1,113,654

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

12 Debtors

	2003 £	2002 £
Trade debtors	987,927	1,286,628
Amounts owed by group undertakings	299,640	201,563
Other debtors	-	5,333
Prepayments and accrued income	163,897	67,369
	<u>1,451,464</u>	<u>1,560,893</u>

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

13 Creditors: amounts falling due within one year

	2003 £	2002 £
Bank overdraft and loan (secured)	71,369	31,000
Trade creditors	834,978	893,695
Corporation tax	45,462	43,882
Other taxation and social security	202,272	190,548
Obligations under hire purchase contracts	163,116	230,658
Other creditors	168,825	136,277
Accruals and deferred income	214,634	245,640
	<u>1,700,656</u>	<u>1,771,700</u>

14 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Bank loan (secured)	95,583	126,583
Obligations under hire purchase contracts	302,366	463,505
	<u>397,949</u>	<u>590,088</u>

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

14 Creditors: amounts falling due after more than one year (Continued)

Maturity of debt:

	Overdraft and Loans 2003 £	Overdraft and Loans 2002 £	Hire Purchase 2003 £	Hire Purchase 2002 £
In one year or less, or on demand	<u>71,369</u>	<u>31,000</u>	<u>163,116</u>	<u>230,658</u>
In more than one year but not more than two years	31,000	31,000	124,510	163,116
In more than two years but not more than five years	64,583	93,000	177,856	300,389
In more than five years	-	2,583	-	-
	<u>95,583</u>	<u>126,583</u>	<u>302,366</u>	<u>463,505</u>

Included in creditors due after more than one year are the following amounts repayable in more than five years:

	2003 £	2002 £
Loans	<u>-</u>	<u>2,583</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 instalments by December 2007 and bears interest at 1% over base rate. The bank holds a standard security over a 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 2003 (*Continued*)

15 Provision for liabilities and charges

		Deferred taxation £
At 1 January 2003		148,257
Charged to profit and loss account		28,038
At 31 December 2003		176,295
<i>Deferred taxation</i>		
	2003 £	2002 £
Accelerated capital allowances	182,523	175,934
Sundry timing differences	(6,228)	(27,677)
	176,295	148,257

16 Accruals and deferred income

	2003 £	2002 £
Deferred income		
At 1 January 2002	140,000	140,000
Received in the year	-	75,000
Released to the profit and loss in the year	(55,000)	(75,000)
	85,000	140,000

17 Share capital

	2003 £	Authorised 2002 £	Allotted, called up and fully paid 2003 £	2002 £
<i>Equity share capital</i>				
Ordinary shares of £1 each	90,000	90,000	67,720	67,720

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

18 Reserves

	Profit and loss account £
At 1 January 2003	2,050,278
Profit for the year	81,725
At 31 December 2003	2,132,003

19 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit for the year	167,825	301,742
Dividends	(86,100)	(83,200)
	81,725	218,542
Opening shareholders' funds	2,117,998	1,899,456
Closing shareholders' funds	2,199,723	2,117,998

20 Pensions

The company operates a defined benefit pension scheme for employees. The assets of the scheme are held in a separate Trustee administered fund. The pension cost is assessed in accordance with the advice of a professionally qualified actuary on the basis of the valuations using the projected unit method.

The pension cost for the year ended 31 December 2003 was £153,627 (2002 - £164,419). The contributions made in the period 1 January 2003 to 31 December 2003 for the company were at the rates of 8.225% and 6.225% of Pensionable Salaries for Category A members and Category B members respectively. Employee contributions were 3% of Pensionable Salaries for Category A members and 5% of Pensionable Salaries for Category B members. Contribution rates will be reviewed at the date of the next actuarial valuation on 1 April 2005.

In addition to the above, the company contributes to a life assurance scheme. The cost of providing life cover during the year was £29,170 (2002- £32,800).

20 Pensions (continued)

A full actuarial valuation of the defined benefit scheme was carried out at 1 April 2002 and updated to 31 December 2003 by a qualified independent actuary on a FRS17 basis. The major assumptions at 31 December 2003 used by the actuary were:

	2003	2002	2001
Rate of increase in inflation	2.7%	2.2%	2.2%
Salary escalation	3.5%	3.7%	3.7%
Pension increases	3.0%	3.0%	3.0%
Discount rate	5.5%	5.7%	5.7%
Deferred pension increases	3.0%	3.0%	3.0%

The assets in the scheme and the expected rate of return at 31 December 2003 were:

	Long-term rate of return expected at 2003	Value at 2003 £'000	Long-term rate of return expected at 2002	Value at 2002 £'000	Long-term rate of return expected at 2001	Value at 2001 £'000
Equities	6.7%	1,923	6.9%	1,507	6.9%	1,716
Bonds	5.5%	237	5.7%	239	5.7%	271
Other - property	4.0%	98	5.3%	93	5.3%	107
- cash	4.0%	21	5.3%	26	5.3%	42
Cash on deposit	4.0%	138		58		46
Total market value of assets		2,417		1,923		2,182
Present value of scheme liabilities		(2,033)		(1,810)		(2,118)
Surplus in scheme		384		113		64
Related deferred tax liability		(115)		(34)		(13)
Net pension asset on a FRS17 basis		269		79		51

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2003 *(Continued)*

20 Pensions *(continued)*

<i>Movement in surplus during the year</i>	2003 £'000	2002 £'000
Surplus in scheme at beginning of year	113	63
Operating cost	(225)	(222)
Other finance costs/income	33	20
Actuarial gains and losses	269	54
Contributions paid	194	198
	—	—
Surplus in scheme at end of year	384	113
	==	==
<i>Analysis of the amount charged to operating profit:</i>	2003 £'000	2002 £'000
Current service cost	225	222
	==	==
<i>Analysis of the amount credited to other finance income</i>	2003 £'000	2002 £'000
Expected rate on pension scheme asset	133	145
Interest on pension scheme liabilities	(100)	(125)
	—	—
	33	20
	==	==
<i>Analysis of amount recognised in statement of total recognised gains and losses</i>	2003 £'000	2002 £'000
Actual return less expected return on pension scheme asset	360	(404)
Experience gains and losses arising on the scheme liabilities	(91)	458
	—	—
Actuarial gain recognised in statement of total recognised gains and losses	269	54
	==	==

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

20 Pensions (continued)

<i>History of experience gains and losses</i>	2003	2002
Difference between the expected and actual return on scheme assets		
Amount £'000	360	(404)
Percentage of scheme assets	15.0%	-21.0%
Experience gains and losses on scheme liabilities		
Amount £'000	(91)	458
Percentage of the present value of the scheme liabilities	-4.5%	25.3%
Total amount recognised in statement of total recognised gains and losses:		
Amount £'000	269	113
Percentage of the present value of the scheme liabilities	13.2%	6.2%
The effect on the profit and loss reserve if the pension scheme asset were incorporated into the financial statements is as follows:		
	2003	2002
	£'000	£'000
Profit and loss reserve excluding pension asset	2,132	2,050
Pension reserve	269	79
Profit and loss reserve	2,401	2,129

21 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

	2003	2002
	Other	Other
	£	£
Operating leases which expire:		
Within one year	7,120	2,628
In two to five years	18,911	17,659
	26,031	20,287

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2003 *(Continued)*

22 Commitments on behalf of group and other undertakings

A standard security over a property owned by the company 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 2003 the outstanding liability due by Versatek Limited was £117,913.

Sanquhar Tile Services Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

23 Capital commitments

	2003 £	2002 £
Contracted but not provided for	-	10,671

24 Related party disclosures

Balances due to or by group undertakings are included in note 12. 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 £206,426 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 2003 was £98,923.

During the year the company invoiced charges of £9,736 to Leigh Carpet Tiles Limited a company in which Justcreek Limited, the parent company of Sanquhar Tile Services Limited, holds 50% of the issued share capital. The net balance due by Leigh Carpet Tiles Limited at 31 December 2003 was £7,699.

25 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.