**Sanquhar Tile Services Limited**

Report and Financial Statements

Year Ended

31 December 2007

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**Sanquhar Tile Services Limited**

**Annual report and financial statements for the year ended 31 December 2007**

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**Directors**

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, 4 Atlantic Quay, 70 York Street, Glasgow G2 8JX

**Bankers**

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

**Solicitors**

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

## Report of the directors for the year ended 31 December 2007

The directors present their report together with the audited financial statements for the year ended 31 December 2007

### Results and dividends

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

Dividends of £147,000 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 developements

The company is engaged in the manufacture and commission manufacture of carpet tiles for the UK and EU markets. There have been no changes in the company's activities in the year under review

The profit and loss account is set out on page 5 and shows sales turnover for the year of £9.948m compared with the previous year of £9.671m, representing an increase of 2.9% Gross Profit of £1.732m (2006 : £1.630m) increased by 6 3%.
Operating Profit of £0 569m (2006 . £0 576m) decreased by 1 2%. Net Profit before Tax of £0 575m (2006 : £0.525m) increased by 9 5% A number of cost increases during the year, were unable to be passed on to customers via price increases Nevertheless, sales turnover, gross profit, operating profit and net profit before taxation all exceeded 2007 budget figures.

New customers and new business will continue to be developed, going forward, and which should increase projected turnover over 2007.

Regular maintenance of plant and machinery continues to be carried out

There have been no events since the balance sheet date which materially effect the position of the company.

### Principal risks and uncertainties

The market for carpet tiles remains highly competitive. The company continues to pursue its objectives of providing both a high quality product and a high quality service to its customers, and in increasing the overall business level and activity

The continuing increase of crude oil prices poses both risk and uncertainty for the company, since a significant proportion of our raw materials are oil price related The falling value of Sterling against the Euro also poses a further threat to price stability of certain raw materials, although the weaker Sterling value may work in our favour in terms of boosting our exports to other EU countries

Trade Debtor management is carried out by ensuring timely collections, the carrying out of credit checks and the operation of a Trade Credit Insurance policy.

The company has an overdraft facility with Bank of Scotland at a rate of 2% above base rate, which falls for renewal in June, 2008. The company monitors cash flow as part of its day to day control procedures, and the present bank overdraft facility is considered to be currently more than adequate.

Repayments of Bank of Scotland Term Loan, Development Loan and Hire Purchase commitments are in line with, or ahead of agreed schedules.

## Directors

The directors of the company during the year were

J B Smith (date of death 6 June 2007)
D Watters
D. Lind
F.C. Williamson

## Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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

## Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information The directors are not aware of any relevant audit information of which the auditors are unaware

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

**On behalf of the board**

D Watters

D Watters

**Director**

Date: 4 June 2008

## Independent auditor's report

### 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 2007 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes These financial statements have been prepared under the accounting policies set out therein.

*Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

**BDO STOY HAYWARD LLP**
*Chartered Accountants*
*and Registered Auditors*
Glasgow

Date: 4 June 2008

## Profit and loss account for the year ended 31 December 2007

| | Note | 2007 £ | 2006 £ |
|---|---|---|---|
| **Turnover** | 2 | **9,947,871** | 9,670,754 |
| Cost of sales | | **8,215,552** | 8,040,511 |
| **Gross profit** | | **1,732,319** | 1,630,243 |
| Distribution costs | | **713,408** | 648,325 |
| Administrative expenses | | **449,606** | 405,956 |
| | | **569,305** | 575,962 |
| Other operating income | | | 41 |
| **Operating profit** | 5 | **569,305** | 576,003 |
| Other interest receivable and similar income | 6 | **291** | 337 |
| Interest payable and similar charges | 7 | **(80,004)** | (73,769) |
| Other finance income | 8 | **85,000** | 23,000 |
| **Profit on ordinary activities before taxation** | | **574,592** | 525,571 |
| Taxation on profit on ordinary activities | 9 | **210,213** | 159,543 |
| **Profit on ordinary activities after taxation** | | **364,379** | 366,028 |

All amounts relate to continuing activities

The notes on pages 9 to 25 form part of these financial statements

## Statement of total recognised gains and losses for the year ended 31 December 2007

| | 2007<br>£ | 2006<br>£ |
|---|---|---|
| Profit for the financial year | 364,379 | 366,028 |
| Actuarial gain/ (loss) on pension scheme, net of deferred tax at 28% | 107,280 | 134,000 |
| **Total recognised gains and losses for the financial year** | 471,659 | 500,028 |

The notes on pages 9 to 25 form part of these financial statements

## Balance sheet at 31 December 2007

| | Note | 2007 £ | 2007 £ | 2006 £ | 2006 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 11 | | 33,000 | | 44,000 |
| Tangible assets | 12 | | 1,722,845 | | 2,010,302 |
| | | | **1,755,845** | | 2,054,302 |
| **Current assets** | | | | | |
| Stocks | 13 | 1,704,930 | | 1,894,384 | |
| Debtors | 14 | 1,771,818 | | 1,755,792 | |
| Cash at bank and in hand | | 347,669 | | 85,056 | |
| | | 3,824,417 | | 3,735,232 | |
| **Creditors: amounts falling due within one year** | 15 | 2,040,878 | | 2,269,198 | |
| **Net current assets** | | | **1,783,539** | | 1,466,034 |
| **Total assets less current liabilities** | | | **3,539,384** | | 3,520,336 |
| **Creditors: amounts falling due after more than one year** | 16 | 326,901 | | 453,319 | |
| **Provisions for liabilities** | 17 | 210,042 | | 217,595 | |
| **Accruals and deferred income** | | 69,000 | | 70,000 | |
| | | | **605,943** | | 740,914 |
| **Net assets excluding pension asset** | | | **2,933,441** | | 2,779,422 |
| **Pension asset** | 22 | | **721,640** | | 551,000 |
| **Net assets including pension asset** | | | **3,655,081** | | 3,330,422 |
| **Capital and reserves** | | | | | |
| Called up share capital | 19 | | 67,720 | | 67,720 |
| Profit and loss account | 20 | | 3,587,361 | | 3,262,702 |
| **Shareholders' funds** | 21 | | **3,655,081** | | 3,330,422 |

The notes on pages 9 to 25 form part of these financial statements

**Balance sheet at 31 December 2007** ***(Continued)***

The financial statements were approved by the board of directors and authorised for issue on 4 June 2008



D Watters
**Director**

## 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 The Sanquest Group Limited and the company is included in consolidated financial statements

*Goodwill*

Purchased goodwill is capitalised and amortised through the profit and loss account over 5 years being the directors' estimate of its useful life

*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 or valuation, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates.

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

## 1 Accounting policies *(continued)*

*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

*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 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 are not discounted.

*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

*Pension costs*

The difference between the fair value of the assets held in the company's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the company's balance sheet as a pension scheme asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the company is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the company are charged to the profit and loss account or the statement of total recognised gains and losses in accordance with FRS 17 'Retirement benefits'

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the period in which they become payable.

*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.

## 2 Turnover

| | 2007 £ | 2006 £ |
|---|---|---|
| Analysis by geographical market | | |
| United Kingdom | **8,808,404** | 8,835,673 |
| Europe | **1,139,467** | 835,081 |
| | **9,947,871** | 9,670,754 |

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

## 3 Employees

Staff costs (including directors) consist of

| | 2007 £ | 2006 £ |
|---|---|---|
| Wages and salaries | **2,475,960** | 2,370,405 |
| Social security costs | **197,953** | 187,053 |
| Other pension costs | **223,000** | 245,000 |
| Defined contribution pension costs | **17,491** | 10,087 |
| | **2,914,404** | 2,812,545 |

Other pension costs charged in arriving at the operating profit comprise the following:

| | 2007 £ | 2006 £ |
|---|---|---|
| Current service cost of defined benefit scheme | **223,000** | 245,000 |

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

| | 2007 Number | 2006 Number |
|---|---|---|
| Management and administration | **11** | 10 |
| Production, installation and sales | **105** | 105 |
| | **116** | 115 |

## 4 Directors' remuneration

| | 2007 £ | 2006 £ |
|---|---|---|
| Directors' emoluments | **214,549** | 215,171 |

There were 3 directors in the company's defined benefit pension scheme during the year (2006 3).

The total amount payable to the highest paid director in respect of emoluments was £75,010 (2006 £71,611). He is a member of a defined benefit scheme, under which the accrued pension at the year end was £27,668 (2006 £24,876).

## 5 Operating profit

| | 2007 £ | 2006 £ |
|---|---|---|
| This is arrived at after charging/(crediting) | | |
| Depreciation of tangible fixed assets | **393,781** | 391,608 |
| Profit on disposal of tangible fixed assets | **-** | (2,957) |
| Hire of plant and machinery operating leases | **57,190** | 51,994 |
| Audit services | **18,500** | 17,500 |
| Non audit services | **4,500** | 2,500 |
| Release of government grants | **(31,000)** | (40,000) |

Depreciation includes £47,746 (2006 £118,781) charged on assets held under finance leases and hire purchase contracts.

## 6 Other interest receivable and similar income

| | 2007 £ | 2006 £ |
|---|---|---|
| Bank deposits | **291** | 337 |

## 7 Interest payable and similar charges

| | 2007<br>£ | 2006<br>£ |
|---|---|---|
| Bank loans and overdrafts | 52,557 | 44,593 |
| Hire purchase contracts | 27,447 | 29,176 |
| | 80,004 | 73,769 |

## 8 Other finance income

| | 2007<br>£ | 2006<br>£ |
|---|---|---|
| Expected return on pension scheme assets | (268,000) | (235,000) |
| Interest on pension scheme liabilities | 183,000 | 212,000 |
| | (85,000) | (23,000) |

## 9 Taxation on profit on ordinary activities

| | 2007 £ | 2007 £ | 2006 £ | 2006 £ |
|---|---|---|---|---|
| *UK Corporation tax* | | | | |
| Current tax on profits of the year | 186,338 | | 181,207 | |
| Adjustment in respect of previous periods | (3,783) | | (3,714) | |
| Group relief | 10,571 | | 6,261 | |
| Total current tax | | 193,126 | | 183,754 |
| *Deferred tax* | | | | |
| Origination and reversal of timing differences | (24,215) | | (20,532) | |
| Adjustment in respect of previous periods | (8,437) | | (2,679) | |
| Deferred tax on pension scheme asset | 24,640 | | (1,000) | |
| Effect of rate change on opening balance | 25,099 | | | |
| Movement in deferred tax provision | | 17,087 | | (24,211) |
| Taxation on profit on ordinary activities | | 210,213 | | 159,543 |

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

| | 2007 £ | 2006 £ |
|---|---|---|
| Profit on ordinary activities before tax | 574,592 | 525,571 |
| Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 30%) | 172,378 | 157,671 |
| Effect of: | | |
| Expenses not deductible for tax purposes | 17,186 | 8,838 |
| Depreciation for period in excess of capital allowances | 35,654 | 30,140 |
| Adjustment to tax charge in respect of previous periods | (3,783) | (3,714) |
| Marginal relief | - | (3,677) |
| Other timing differences | (28,309) | (5,504) |
| Current tax charge for period | 193,126 | 183,754 |

## 10 Dividends

| | 2007 £ | 2006 £ |
|---|---|---|
| Ordinary shares | | |
| Interim and final paid totalling £2 17 (2006 £1.59) per share | **147,000** | 108,000 |

## 11 Intangible assets

| | Development costs £ |
|---|---|
| *Cost* | |
| At 1 January 2007 and 31 December 2007 | **55,000** |
| *Amortisation* | |
| At 1 January 2007 | 11,000 |
| Provided for the year | 11,000 |
| At 31 December 2007 | **22,000** |
| *Net book value* | |
| At 31 December 2007 | **33,000** |
| At 31 December 2006 | 44,000 |

## 12 Tangible fixed assets

| | Freehold land and buildings £ | Plant and machinery £ | Motor vehicles £ | Total £ |
|---|---|---|---|---|
| *Cost* | | | | |
| At 1 January 2007 | 1,138,065 | 3,967,587 | 5,124 | 5,110,776 |
| Additions | 6,529 | 99,795 | | 106,324 |
| At 31 December 2007 | **1,144,594** | **4,067,382** | **5,124** | **5,217,100** |
| *Depreciation* | | | | |
| At 1 January 2007 | 437,943 | 2,657,407 | 5,124 | 3,100,474 |
| Provided for the year | 59,113 | 334,668 | | 393,781 |
| At 31 December 2007 | **497,056** | **2,992,075** | **5,124** | **3,494,255** |
| *Net book value* | | | | |
| At 31 December 2007 | **647,538** | **1,075,307** | - | **1,722,845** |
| At 31 December 2006 | 700,122 | 1,310,180 | | 2,010,302 |

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

| | 2007 £ | 2006 £ |
|---|---|---|
| *Net book value* | | |
| Plant and machinery | **275,578** | 656,209 |
| *Depreciation charged* | | |
| Plant and machinery | **47,746** | 118,781 |

## 13 Stocks

| | 2007 £ | 2006 £ |
|---|---|---|
| Raw materials and consumables | 1,117,577 | 1,307,958 |
| Work in progress | 2,396 | 1,387 |
| Finished goods and goods for resale | 584,957 | 585,039 |
| | 1,704,930 | 1,894,384 |

## 14 Debtors

| | 2007 £ | 2006 £ |
|---|---|---|
| Trade debtors | 1,305,700 | 1,359,860 |
| Amounts owed by group undertakings | 388,070 | 323,973 |
| Prepayments and accrued income | 78,048 | 71,959 |
| | 1,771,818 | 1,755,792 |

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

## 15 Creditors: amounts falling due within one year

| | 2007 £ | 2006 £ |
|---|---|---|
| Bank overdraft and loans (secured) | 85,799 | 103,143 |
| Trade creditors | 1,068,708 | 1,144,175 |
| Corporation tax | 184,295 | 181,207 |
| Other taxation and social security | 244,134 | 251,605 |
| Obligations under finance lease and hire purchase contracts | 51,547 | 134,820 |
| Other creditors | 162,343 | 164,954 |
| Accruals and deferred income | 244,052 | 289,294 |
| | 2,040,878 | 2,269,198 |

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

| | 2007 £ | 2006 £ |
|---|---|---|
| Bank loans (secured) | **260,866** | 335,737 |
| Obligations under hire purchase contracts | **66,035** | 117,582 |
| | **326,901** | 453,319 |

Maturity of debt:

| | Overdraft and Loans 2007 £ | Overdraft and Loans 2006 £ | Hire Purchase 2007 £ | Hire Purchase 2006 £ |
|---|---|---|---|---|
| In one year or less, or on demand | **85,799** | 103,143 | **51,547** | 134,820 |
| In more than one year but not more than two years | **83,217** | 74,726 | **40,626** | 51,547 |
| In more than two years but not more than five years | **177,649** | 261,011 | **25,409** | 66,035 |
| | **260,866** | 335,737 | **66,035** | 117,582 |

The hire purchase obligations are secured on the assets being purchased

A loan of £330,000 was received from the Bank of Scotland on 30 November 2004. The loan is repayable in equal monthly instalments by December 2011 and bears interest at 2% over base rate. The bank holds a standard security over a property owned by the company and a floating charge over its whole assets

A loan of £250,000 was received from the Bank of Scotland in August 2006. The loan is repayable in equal monthly instalments by July 2016 and bears interest at 2% over base rate The bank holds a standard security over both properties owned by the company and a floating charge over its whole assets

## 17 Provisions for liabilities

| | Deferred taxation £ |
|---|---|
| At 1 January 2007 | 217,595 |
| Credited to profit and loss account | (7,553) |
| At 31 December 2007 | **210,042** |

*Deferred taxation*

| | 2007 £ | 2006 £ |
|---|---|---|
| Accelerated capital allowances | 214,337 | 217,599 |
| Sundry timing differences | (4,295) | (4) |
| | **210,042** | 217,595 |

## 18 Accruals and deferred income

| | 2007 £ | 2006 £ |
|---|---|---|
| Deferred income | | |
| At 1 January 2005 | 70,000 | 60,000 |
| Received in year | 30,000 | 50,000 |
| Released to the profit and loss in the year | (31,000) | (40,000) |
| | **69,000** | 70,000 |

## 19 Share capital

| | Authorised | | Allotted, called up and fully paid | |
|---|---|---|---|---|
| | 2007 £ | 2006 £ | 2007 £ | 2006 £ |
| Ordinary shares of £1 each | 90,000 | 90,000 | 67,720 | 67,720 |

## 20 Reserves

| | Profit and loss account £ |
|---|---|
| At 1 January 2007 | 3,262,702 |
| Profit for the year | 364,379 |
| Dividends | (147,000) |
| Actuarial gains on pension scheme, net of deferred tax | 107,280 |
| At 31 December 2007 | **3,587,361** |

The effect on the profit and loss reserve of the pension scheme asset being incorporated into the financial statements is as follows:

| | 2007 £ | 2006 £ |
|---|---|---|
| Profit and loss reserve excluding pension asset | **2,865,721** | 2,711,702 |
| Pension asset | **721,640** | 551,000 |
| Profit and loss reserve | **3,587,361** | 3,262,702 |

## 21 Reconciliation of movements in shareholders' funds

| | 2007<br>£ | 2006<br>£ |
|---|---|---|
| Profit for the year | 364,379 | 366,028 |
| Dividends | (147,000) | (108,000) |
| | 217,379 | 258,028 |
| Other net recognised gains and losses relating to the year | 107,280 | 134,000 |
| Net additions to shareholders' funds | 324,659 | 392,028 |
| Opening shareholders' funds | 3,330,422 | 2,938,394 |
| Closing shareholders' funds | 3,655,081 | 3,330,422 |

## 22 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 contributions for the year ended 31 December 2007 in respect of this scheme were £173,993 (2006 £157,667). The contributions made in the period 1 January 2007 to 31 December 2007 for the company were at the rates of 8.885% and 6 885% of Pensionable Salaries for Category A members and Category B members respectively Employee contributions were 3.5% of Pensionable Salaries for Category A members and 5 5% of Pensionable Salaries for Category B members. Contribution rates will be reviewed at the date of the next actuarial valuation as at 1 April 2008.

There were outstanding contributions at the end of the financial year of £17,493 (2006 £15,500) for Category A and £5,015 (2006 £5,000) for Category B.

In addition to the above, the company contributes to a life assurance scheme The cost of providing life cover during the year was £52,007(2006 - £60,333)

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the company to the fund and amounted to £17,491 (2006 £10,087)

There were outstanding contributions at the end of the financial year of £1,919 (2006 £1,200).

## 22 Pensions *(continued)*

A full actuarial valuation of the defined benefit scheme was carried out at 1 April 2002 and updated to 31 December 2007 by a qualified independent actuary on a FRS17 basis The major assumptions at 31 December 2007 used by the actuary were·

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Rate of increase in inflation | **3.50%** | 3 00% | 2 70% |
| Salary escalation | **3.50%** | 3 50% | 3 50% |
| Pension increases | **3.50%** | 3 00% | 3 00% |
| Discount rate | **5.60%** | 5 00% | 4 75% |
| Deferred pension increases | **3.50%** | 3 00% | 3 00% |

The assets in the scheme and the expected rate of return at 31 December 2007 were

| | Long term rate of return expected at 2007 | Value at 2007 | Long term rate of return expected at 2006 | Value at 2006 | Long term rate of return expected at 2005 | Value at 2005 |
|---|---|---|---|---|---|---|
| | | £'000 | | £'000 | | £'000 |
| Equities | **6.70%** | **3,860** | 6 70% | 3,524 | 6 70% | 3,075 |
| Bonds | **5.50%** | **399** | 5.50% | 270 | 5 50% | 205 |
| Other property | **4.00%** | **100** | 4.00% | 215 | 4.00% | 195 |
| cash | **4.00%** | **389** | 4.00% | 206 | 4.00% | 130 |
| Cash on deposit | **4.00%** | **2** | 4.00% | 8 | 4.00% | 127 |
| Total market value of assets | | **4,750** | | 4,223 | | 3,732 |
| Present value of scheme liabilities | | **(3,725)** | | (3,435) | | (3,132) |
| Surplus in scheme | | **1,025** | | 788 | | 600 |
| Related deferred tax liability | | **(287)** | | (237) | | (180) |
| Net pension asset on a FRS17 basis | | **738** | | 551 | | 420 |

## 22 Pensions *(continued)*

| *Movement in surplus during the year* | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Surplus in scheme at beginning of year | 788 | 600 |
| Operating cost | (223) | (245) |
| Other finance costs/income | 85 | 23 |
| Actuarial gains and losses | 149 | 192 |
| Contributions paid | 226 | 218 |
| Surplus in scheme at end of year | 1,025 | 788 |

| *Analysis of the amount charged to operating profit* | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Current service cost | 223 | 245 |

| *Analysis of the amount credited to other finance income* | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Expected return on pension scheme assets | 268 | 235 |
| Interest on pension scheme liabilities | (183) | (212) |
| | 85 | 23 |

| *Analysis of amount recognised in statement of total recognised gains and losses* | 2007 £'000 | 2006 £'000 |
|---|---|---|
| Actual return less expected return on pension scheme assets | 260 | 256 |
| Experience gains and losses arising on the scheme liabilities | (236) | (323) |
| Changes in assumptions underlying the present value of the scheme liabilities | 125 | 259 |
| Actuarial gain recognised in statement of total recognised gains and losses | 149 | 192 |

22 Pensions *(continued)*

| *History of experience gains and losses* | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| Difference between the expected and actual return on scheme assets | | | | | |
| Amount £'000 | **260** | 256 | 669 | 153 | 360 |
| Percentage of scheme assets | **5.50%** | 6 10% | 17 90% | 5 30% | 15 00% |
| Experience gains and losses on scheme liabilities | | | | | |
| Amount £'000 | **(236)** | (323) | (215) | (80) | (91) |
| Percentage of the present value of the scheme liabilities | **-6.30%** | 9 40% | -6 90% | 3 30% | -4.50% |
| Total amount recognised in statement of total recognised gains and losses | | | | | |
| Amount £'000 | **149** | 192 | 138 | 73 | 269 |
| Percentage of the present value of the scheme liabilities | **4.00%** | 5.60% | 4.40% | 3 00% | 13 20% |

## 23 Capital commitments

| | 2007 £ | 2006 £ |
|---|---|---|
| Contracted but not provided for | 5,023 | |

## 24 Commitments under operating leases

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

| | 2007 Other £ | 2006 Other £ |
|---|---|---|
| Operating leases which expire: | | |
| Within one year | 39,158 | |
| In two to five years | 20,384 | 54,134 |
| | 59,542 | 54,134 |

## 25 Related party disclosures

Balances due by group undertakings are included in note 14 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 £90,297 (2006 £136,992) to Leigh Carpet Tiles Limited a company in which The Sanquest Group 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 2007 was £45,496 (2006 £54,208)

## 26 Ultimate parent company

The directors regard Styletuft Limited as the company's ultimate parent company

Styletuft Limited 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 No single party has overall control of Styletuft Limited.