

Durastic Limited

**Annual report
For the year ended 31 December 1998**

Registration No: 3050638



Durastic Limited

Annual report

For the year ended 31 December 1998

	Pages
Directors and advisers	1
Directors' report	2 – 3
Report of the auditors	4 - 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 – 15

Directors and advisers

Executive directors

A Clark (Managing Director)
A Eastgate
R F Antliff
J L C Bain
J W Simpson

Secretary and registered office

J L C Bain
Howdon Terminal
Willington Quay
Wallsend
Tyne and Wear

Registered Auditors

PricewaterhouseCoopers
32 Albyn Place
ABERDEEN
AB10 1YL

Solicitors

Ledingham and Chalmers
1 Golden Square
ABERDEEN
AB10 1HA

Bankers

Bank of Scotland
39 Albyn Place
ABERDEEN
AB10 1YN

Directors' report
For the year ended 31 December 1998

The directors present their report and the audited financial statements for the year ended 31 December 1998.

Principal activities

The principal activity of the company is the manufacture, supply and installation of deck and floor coverings.

Results and dividends

The profit and loss account for the period is set out on page 6.

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.

A dividend of £105,000 per share has been proposed (1997 : £150,000).

Directors

The directors of the company were as follows:

Mr A Clark

Mr J L Bain

Mr J W Simpson

Mr R F Antliff (resigned 31 March 1999)

Mr A Eastgate (resigned 23 October 1998)

Directors' interests

None of the directors of the company at 31 December 1998 had any interest in the shares of the company at any time during the period.

Details of the directors interests in the shares of the ultimate parent company are disclosed in the financial statements of that company.

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 31 December 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

Year 2000 compliance

The efficient operation of Durastic Limited business is dependant, in part, on its computer software and operating systems. Management believe that all of its current IT systems, which have been completely upgraded over the past year following a Group wide IT review, are "Year 2000" compliant.

However, the Board recognise that external circumstances, over which the Company has no control may impact the Company's activities. Where such external circumstances are identified all reasonable steps will be taken to minimise the impact on the Company.

Management believe that the costs and risks associated with "Year 2000" issues have not had, and are not expected to have, a material adverse effect on the Company's financial condition or results of operations.

Auditors

Our auditors, Coopers & Lybrand merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers as auditors.

A resolution to re-appoint the new firm, PricewaterhouseCoopers will be proposed at the Annual General Meeting.

By order of the board


Company Secretary

Report of the auditors to the members of Durastic Limited

We have audited the financial statements on pages 6 to 15, which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report including, as described on pages 2 and 3, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 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. However the evidence available to us was limited because the company did not retain stock records dated 31 December 1998 and there were no practicable alternative auditing procedures that we could apply to obtain all the information and explanations that we considered necessary to satisfy ourselves as to the existence of stock valued at £169,504 at 31 December 1998.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Report of the auditors to the members of
Durastic Limited (continued)**

Qualified opinion arising from limitation on audit scope

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the stocks referred to above, in our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1998 and of the profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to branch stocks:

- We have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- In our opinion proper accounting records have not been kept.

PricewaterhouseCoopers

21/10/99

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Aberdeen,

Profit and loss account
For the year ended 31 December 1998

	Notes	Year ended 31 December 1998 £	Year ended 31 December 1997 £
Turnover – continuing operations		6,118,000	5,507,000
Operating costs – continuing operations	2	(5,795,261)	(5,094,497)
Operating profit – continuing operations		322,739	412,503
Investment income	5	11,816	20,279
Interest payable	6	(6,815)	-
Profit on ordinary activities before taxation	7	327,740	432,782
Tax on profit on ordinary activities	8	(117,722)	(125,102)
Profit on ordinary activities after taxation		210,018	307,680
Dividends	9	(210,000)	(300,000)
Retained profit for the financial period	17	18	7,680

The company has no recognised gains and losses other than those included in the profit above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalents.

Balance sheet
At 31 December 1998

	Notes	1998 £	1997 £
Fixed assets			
Tangible assets	10	37,285	58,484
Current assets			
Stocks	11	169,504	179,805
Debtors	12	2,315,383	1,199,013
Cash in hand		67,361	6,035
		2,552,248	1,384,853
Creditors : amounts falling due within one year	13	(2,580,637)	(1,434,459)
Net current liabilities		(28,389)	(49,606)
Net assets		8,896	8,878
Capital and reserves			
Called-up share capital	16	2	2
Profit and loss account	17	8,894	8,876
Equity shareholders' funds	18	8,896	8,878

The financial statements on pages 6 to 15 were approved by the board of directors on
08-10-99 and were signed on its behalf by: *J. B. A. V.*

Director :



**Notes to the financial statements
For the year ended 31 December 1998****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, is set out below.

Cashflow statements

The company is a wholly owned subsidiary of Rigblast Group Limited, the ultimate parent company. The cash flows of the company are included in the consolidated group cash flow statement of Rigblast Group Limited. Consequently, the company is exempt under the terms of Financial Reporting Standard No. 1 for publishing a cash flow statement.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:-

Leasehold property	5 years
Plant, equipment and machinery	5 years
Motor vehicles	4 years

Finance and operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements which transfer substantially all the benefits and risks of ownership are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

**Notes to the financial statements
For the year ended 31 December 1998 (continued)****Stocks**

Stocks are stated at the lower of cost and net realisable value.

Contract balances

Amounts recoverable on contracts are shown at valuation. Valuation includes the cost of materials, current labour and overheads (based on normal levels of activity) together with attributable profit estimated to be earned to date. Full provision is made for any known or anticipated losses.

Amounts recoverable on contracts are shown net of payments on account received or receivable. Amounts received or receivable on contracts in excess of amounts reflected in turnover, are held in creditors as payment on account.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied by the company and the value of contract work done.

Deferred taxation

Provision is made for deferred taxation using the liability method on all material timing differences to the extent that it is not probable that a liability or asset will crystallise.

Pension obligations

The company is a member of the Rigblast Grouped Pension Scheme, which is a defined contribution scheme. The charge to the profit and loss account is the amount of contributions payable to the scheme in the year. The company does not provide any other post retirement benefits to its employees.

Notes to the financial statements
For the year ended 31 December 1998 (continued)

2 Operating costs

	1998 £	1997 £
Raw materials and consumables	2,277,516	2,313,821
Hire of plant and machinery	681,968	677,956
Other external charges	408,989	434,018
Depreciation of tangible owned fixed assets	21,199	20,422
Wages and salaries	1,772,444	1,291,096
Social security costs	151,424	126,752
Other pension costs (see note 15)	41,721	40,432
Management charge	440,000	190,000
	<u>5,795,261</u>	<u>5,094,497</u>

Details of remuneration paid to the auditors can be found in the financial statements of the ultimate parent company.

3 Directors' emoluments

	1998 £	1997 £
Aggregate emoluments	40,119	42,264
Company pension contributions to money purchase scheme	3,937	3,984

Only one director received emoluments from the company. The remuneration of the other directors can be found in the accounts of the ultimate parent company, Rigblast Group Limited.

4 Employee information

The average weekly number of persons (including executive directors) employed by the company during the period was:

	1998 Number	1997 Number
By function		
Management	3	5
Administration	24	23
Other	47	45
	<u>74</u>	<u>73</u>

Notes to the financial statements
For the year ended 31 December 1998 (continued)

5 Investment income

	1998 £	1997 £
Interest receivable	<u>11,816</u>	<u>20,279</u>

6 Interest payable

	1998 £	1997 £
On bank overdrafts	<u>6,815</u>	<u>-</u>

7 Profit on ordinary activities before taxation

	1998 £	1997 £
Profit on ordinary activities before taxation is stated after charging:-		
Auditors remuneration – audit	-	5,000
Hire of plant and machinery – operating leases	727,528	719,484
Hire of other assets – operating leases	<u>54,400</u>	<u>59,750</u>

Details of auditors remuneration to all group companies can be found in the financial statements of Rigblast Group Limited.

8 Tax on profit on ordinary activities

	1998 £	1997 £
United Kingdom corporation tax @ 31% (1997 : 31.5%)		
Current	121,661	139,023
Over provision in respect of prior years		
Current	<u>(3,939)</u>	<u>(13,921)</u>
	<u>117,722</u>	<u>125,102</u>

9 Dividends

	1998 £	1997 £
Dividends on equity shares:		
Ordinary	<u>210,000</u>	<u>300,000</u>

Notes to the financial statements
For the year ended 31 December 1998 (continued)

10 Tangible fixed assets

	Leasehold Property £	Plant, Equipment And machinery £	Motor Vehicles £	Total £
Cost				
At 1 January 1998 and 31 December 1998	65,134	13,717	13,648	92,499
Depreciation				
At 1 January 1998	24,568	6,766	2,681	34,015
Charge for the period	13,713	3,137	4,349	21,199
At 31 December 1998	38,281	9,903	7,030	55,214
Net book value				
At 31 December 1998	26,853	3,814	6,618	37,285
Net book value At 31 December 1997	40,566	6,951	10,967	58,484

11 Stocks

	1998 £	1997 £
Finished goods	169,504	179,805

12 Debtors

	1998 £	1997 £
Amounts falling due within one year:		
Trade debtors	1,859,761	944,952
Amounts recoverable on contracts	406,000	252,513
Other debtors	49,622	1,548
	2,315,383	1,199,013

Notes to the financial statements

For the year ended 31 December 1998 (continued)

13 Creditors: amounts falling due within one year

	1998 £	1997 £
Bank overdraft	-	54,688
Trade creditors	466,475	169,770
Payment on account	260,000	44,513
Amounts owed to group undertakings	1,413,893	682,836
Other creditors	67,056	62,741
Other taxes and social security	-	54,196
Accruals	256,335	226,692
Corporation tax	116,878	139,023
	<u>2,580,637</u>	<u>1,434,459</u>

The company's banking arrangements are part of a group facility with the Bank of Scotland plc. All sums due to the bank are secured by a floating charge over the assets of the group and a standard security over the land and buildings at the group's site at Great Yarmouth. The amounts secured at 31 December 1998 were £14,382,139 (1997 : £12,405,184).

14 Deferred taxation

Deferred taxation provided in the financial statements, and the amount unprovided of the total potential liability are as follows:-

	Amount provided 1998 £	Amount unprovided 1998 £	Amount provided 1997 £	Amount unprovided 1997 £
Tax effect of timing differences:				
Accelerated capital allowances	-	(7,986)	-	(17,309)
Other timing differences	-	(15,106)	-	(17,655)
	<u>-</u>	<u>(23,092)</u>	<u>-</u>	<u>(34,964)</u>

15 Pension obligations

The company is a member of the Rigblast Grouped Pension Scheme, which is a defined contribution scheme. The pension cost for the year was £41,721 (1997 : £40,432). There were no outstanding contributions at the balance sheet date.

Notes to the financial statements
For the year ended 31 December 1998 (continued)

16 Called-up share capital

	1998 £	1997 £
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, called-up and fully paid		
2 ordinary shares of £1 each	2	2

17 Profit and loss account

	£
At 1 January 1998	8,876
Retained profit for the period	18
At 31 December 1998	8,894

18 Reconciliation of movements in equity shareholders' funds

	1998 £	1997 £
Retained profit for the period	18	7,680
Opening shareholders' funds	8,878	1,198
Closing shareholders' funds	8,896	8,878

19 Financial commitments

At 31 December 1998, the company had annual commitments under non-cancellable operating leases as follows:-

	1998		1997	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Expiring:				
Within one year	-	1,367	-	-
Between two and five years inclusive	20,000	47,826	20,000	39,436
	20,000	49,193	20,000	39,436

Notes to the financial statements
For the year ended 31 December 1998 (continued)**20 Contingencies**

Guarantees in lieu of retentions and performance bonds have been given by the company's financiers in respect of contracts undertaken by the company. At 31 December 1998 the total of such contingencies was £28,950 (1997 : £28,950).

21 Related party disclosures

The company has taken advantage of the exemption available under Financial Reporting Standard 8, not to disclose details of intra-group transactions, on the grounds that it is a subsidiary where 90% or more of its voting rights are controlled within the group, and the consolidated financial statements of Rigblast Group Limited are publicly available.

There were no other material related party transactions during the year.

22 Ultimate holding company and controlled party

Rigblast Group Limited is the ultimate parent company of Durastic Limited. The directors regard Rigblast Group Limited as the ultimate controlling party. According to the register kept by the company, Rigblast Group Limited had a 100% interest in the equity capital of Durastic Limited at 31 December 1998. Copies of the parent's consolidated financial statements may be obtained from The Secretary, Rigblast Group Limited, North Norfolk House, Pitmedden Road, Dyce, Aberdeen, AB21 0DP.