

Company Number: 687831

Terrapin Limited

Financial Statements

For the 52 weeks ended 28 September 1997



Terrapin Limited

Financial Statements

For the 52 weeks ended 28 September 1997

Company Registration Number:	687831
Registered Office:	South House Bond Avenue Milton Keynes MK1 1JJ
Directors:	M P Holiday T Mason M G McLellan D H Smith N S Whitehouse
Secretary:	M P Holiday
Bankers:	Lloyds Bank Plc Central Milton Keynes
Solicitors:	Fennemores Central Milton Keynes Jansons London
Auditors:	Grant Thornton Registered Auditors Chartered Accountants Central Milton Keynes

Terrapin Limited

Financial Statements

For the 52 weeks ended 28 September 1997

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Terrapin Limited

Report of the Directors

The directors present their report together with financial statements for the 52 weeks ended 28 September 1997.

Principal activities

The company is principally engaged in the design and construction of buildings and the manufacture of building components for sale, lease and hire.

Results and dividends

The profit for the period after taxation amounted to £969,000. The directors do not recommend payment of a dividend and the profit has been transferred to reserves.

Business review

The directors' confidence expressed in last year's report has been borne out. The company has improved sales during the year under review by more than 38%; significant increases in the income earned from contracts incorporating timber framed Uni-trex units, steel framed Prospex modules and from Design & Build projects being the main contributors. At the same time, a material improvement has been gained in the margin earned from manufacturing. The reduction in overhead costs following last year's management restructure and the improvement in sales have combined to increase the company's profit before taxation to £1,163,000.

Margins and some traditional market areas continue to be under pressure but demand for the company's factory built Prospex modules has remained strong and this, together with the hiring and leasing business, is expected to provide a firm base for 1997/98 trading.

Research and development

The company carries out research and development to ensure that its products remain competitive and, where appropriate, utilise the latest technologies.

Directors

The directors in office at the end of the year are listed below. All served throughout the year except where indicated. Mr M McLellan and Mr T Mason retire by rotation, and being eligible, offer themselves for re-election.

Terrapin Limited

Report of the Directors (continued)

Directors (continued)

No director had any interest in the shares of the company at any time during the period.

The interests of the directors in the shares of the parent undertaking as at 30 September 1996 or date of appointment if later and at 28 September 1997 were as follows:

		Ordinary shares
M P Holiday	(appointed 17 October 1996)	100
T Mason		50
M G McLellan		100
D H Smith		-
N S Whitehouse	per parent undertaking's financial statements	

P M Cheshire and P T Gill resigned from the Board on 11 October 1996.

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial period 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:

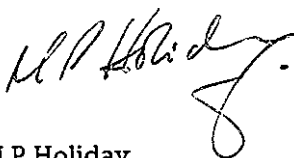
- i select suitable accounting policies and then apply them consistently;
- ii make judgements and estimates that are reasonable and prudent;
- iii state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- iv 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution concerning the re-appointment of Grant Thornton, who offer themselves for re-appointment as auditors in accordance with Section 385 of the Companies Act 1985, will be submitted to the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD



M P Holiday
Secretary

15 January 1998

Terrapin Limited

Report of the Auditors

to the members of Terrapin Limited

We have audited the financial statements on pages 4 to 17 which have been prepared under the accounting policies set out on pages 4 and 5.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, of 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 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 of the state of the company's affairs as at 28 September 1997 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
Central Milton Keynes

15 January 1998

Terrapin Limited

Principal Accounting Policies

For the 52 weeks ended 28 September 1997

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The principal accounting policies of the company have remained unchanged from the previous year, and are set out below.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

In the case of long term contracts, turnover reflects the contract activity in the period.

Operating lease income is taken to turnover in equal monthly instalments over the period of hire and amounts received in advance attributable to the subsequent accounting period are treated as deferred income.

Costs associated with hire contracts

Rehabilitation costs incurred in preparing components and building units for hire and the associated installation costs are treated as deferred charges and amortised on a straight line basis over the period of hire.

Annual estimates are made of the costs that will be incurred in dismantling and returning components at the termination of each contract and a provision is created by charging amounts to the Profit and Loss Account on a straight line basis.

Depreciation

Depreciation is calculated to write down the cost of fixed assets by equal annual instalments over their expected useful lives.

The rates generally applicable are:

Motor vehicles	25%
Furniture and equipment	20% - 33%
Plant and machinery	10% - 20%

Research and development

Regularly recurring costs of development are written off as incurred.

Stocks and work in progress

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

Long term contracts

The attributable profit on long-term contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the project.

Terrapin Limited

Principal Accounting Policies (continued)

For the 52 weeks ended 28 September 1997

Long term contracts (continued)

Costs associated with long term contracts are included in stock to the extent that they cannot be matched with contract work accounted for as turnover.

Long term contract balances included in stocks are stated at cost after provision has been made for any foreseeable losses and the deduction of applicable payments on account.

Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

Deferred taxation

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse, and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Components and building units for hiring

Components and building units for hiring are stated at cost less accumulated amortisation. Amortisation is calculated to write off the cost of a unit by equal monthly instalments over the estimated useful life of each of its principal components.

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of the leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

Finance leases

Transactions relating to the finance leasing of assets are recorded as an investment in finance lease debtor, recoverable over the lease term. Interest on the investment is calculated to provide an equal return over the lease term. Interest is included in the profit and loss account on a receivable basis.

Contributions to defined benefit pension scheme

The pension costs charged against profits are based on the actuarial methods and assumptions designed to spread the anticipated costs of providing benefits over the service lives of the employees entitled to receive them, so as to ensure that the regular costs of providing benefits represent a substantially level percentage of current and expected future payroll.

Variations from regular cost are spread over the expected remaining service lives of employees currently entitled to receive benefits.

Terrapin Limited

Profit and Loss Account

For the 52 weeks ended 28 September 1997

		52 weeks 1997 Total £000	Normal £000	52 weeks 1996 Exceptional £000	Total £000
	Note				
Turnover	1	19,760	14,259	-	14,259
Cost of sales		(15,539)	(10,849)	-	(10,849)
Gross profit		4,221	3,410	-	3,410
Administrative expenses		(3,062)	(3,099)	(228)	(3,327)
Other operating income		-	-	88	88
Operating profit/(loss)		1,159	311	(140)	171
Net interest	3	4	(17)	-	(17)
Profit/(loss) on ordinary activities before taxation	1	1,163	294	(140)	154
Tax on profit on ordinary activities	5	(194)			(142)
Profit for the financial period, retained	16	969			12

There were no recognised gains or losses other than the profit for the period.

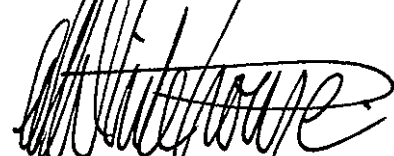
The accompanying accounting policies and notes form an integral part of these financial statements.

Terrapin Limited

Balance Sheet

	Note	28 September 1997		29 September 1996	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	6		166		215
Components for hiring	7		3,394		3,415
			<u>3,560</u>		<u>3,630</u>
Current assets					
Stocks	8	569		815	
Debtors - due outside one year	9	1,755		1,612	
Debtors - falling due within one year	9	5,387		4,139	
Cash at bank and in hand		-		129	
		<u>7,711</u>		<u>6,695</u>	
Creditors - amounts falling due within one year	10	<u>6,343</u>		<u>5,779</u>	
Net current assets			<u>1,368</u>		<u>916</u>
Total assets less current liabilities			<u>4,928</u>		<u>4,546</u>
Creditors- amounts falling due after more than one year	11	383		703	
Provisions for liabilities and charges	13	<u>631</u>		<u>898</u>	
			<u>1,014</u>		<u>1,601</u>
			<u>3,914</u>		<u>2,945</u>
Capital and reserves					
Called up share capital	15		500		500
Profit and loss account	16		3,414		2,445
Shareholders' funds	17		<u>3,914</u>		<u>2,945</u>

The financial statements were approved by the Board of Directors on 15 January 1998.



N S Whitehouse Director

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the Financial Statements

For the 52 weeks ended 28 September 1997

1 Turnover and profit on ordinary activities before taxation

In the opinion of the directors there is one class of business as described in the report of the directors. All sales were made within the United Kingdom.

The profit on ordinary activities is stated after:

	1997 £000	1996 £000
Auditors' remuneration	32	29
Depreciation and amortisation		
Tangible fixed assets	79	97
Components on hire	948	949
Hire of plant and machinery	5	6
Other operating lease rentals	399	426
	<hr/>	<hr/>

Turnover includes income of £4,335,000 (1996: £4,526,000) in respect of operating leases and £15,000 (1996: £12,000) in respect of finance leases.

2. Exceptional items

The exceptional items in the 1996 profit and loss account are as follows:

	£000
Administrative expenses	
Reorganisation costs	228
Other operating income	
Net profit on sale of rental stream from a hire contract	(88)
	<hr/>
	140
	<hr/>

3 Net interest

	1997 £000	1996 £000
Interest payable:		
On bank loans and overdrafts	(103)	(139)
Interest receivable from group undertaking	52	86
Other interest receivable and similar income	55	36
	<hr/>	<hr/>
	4	(17)
	<hr/>	<hr/>

Notes to the Financial Statements (continued)

For the 52 weeks ended 28 September 1997

4 Directors and employees

Staff costs during the period were as follows:

	1997 £000	1996 £000
Wages and salaries	2,113	2,137
Social security costs	174	178
Other pension costs	210	114
	<u>2,497</u>	<u>2,429</u>

The company is a member of a funded group defined benefit pension scheme. The financial statements of the holding company, Terrapin International Limited, contains details of the actuarial valuation of the group scheme.

Pension costs are assessed in accordance with the advice of a qualified actuary. The most recent valuation was at 1 October 1996.

The average number of employees of the company during the period was 134 (1996:139).

Remuneration in respect of directors was as follows:

	1997 £000	1996 £000
Emoluments	130	178
Compensation for loss of office	73	-
Total	<u>203</u>	<u>178</u>

During the period 3 directors (1996: 5 directors) participated in the deferred benefit pension scheme.

Notes to the Financial Statements (continued)

For the 52 weeks ended 28 September 1997

5 Tax on profit on ordinary activities

The taxation charge based on the profit for the period is made up as follows:-

	1997 £000	1996 £000
Corporation tax at 32% (1996:33%)	490	189
Deferred tax	(251)	(51)
	<u>239</u>	<u>138</u>
Adjustments in respect of prior periods:		
Corporation tax	(45)	4
	<u>194</u>	<u>142</u>

The corporation tax charge will be partly settled by surrender to group companies, for which payment will be made.

The 1997 tax charge is £100,000 lower than would be expected due to the availability of losses brought forward.

The 1996 tax charge was £150,000 higher than would be expected due to restricted relief in respect of tax losses and on certain restructuring provisions.

Notes to the Financial Statements (continued)

For the 52 weeks ended 28 September 1997

6 Tangible fixed assets

	Total £000	Furniture and equipment £000	Motor vehicles £000	Plant and machinery £000
Cost				
At 30 September 1996	844	344	155	345
Additions	47	32	-	15
Disposals	(57)	-	(57)	-
At 28 September 1997	834	376	98	360
Depreciation				
At 30 September 1996	629	311	94	224
Provided in the period	79	23	18	38
Eliminated on disposals	(40)	-	(40)	-
At 28 September 1997	668	334	72	262
Net book amount				
At 28 September 1997	166	42	26	98
Net book amount				
At 29 September 1996	215	33	61	121

The figures stated above include assets held under finance leases and similar hire purchase contracts as follows:

	Motor vehicles £000
Net book amount at 28 September 1997	13
Net book amount at 29 September 1996	41
Depreciation provided in the period	28

The cost of assets held for the purpose of letting under finance leases is £79,000.

Notes to the Financial Statements (continued)

For the 52 weeks ended 28 September 1997

7 Components for hiring

	£000
Cost	
At 30 September 1996	7,988
Additions	1,063
Disposals	(437)
At 28 September 1997	8,614
Amounts written off	
At 30 September 1996	4,573
Provided in the period	948
Eliminated on disposals	(301)
At 28 September 1997	5,220
Net book amount	
At 28 September 1997	3,394
Net book amount	
At 29 September 1996	3,415

8 Stocks

	1997 £000	1996 £000
Long-term contract balances	40	33
Raw materials	326	323
Short term work in progress	113	135
Finished goods	90	324
	569	815

Notes to the Financial Statements (continued)

For the 52 weeks ended 28 September 1997

9 Debtors

	1997 £000	1996 £000
Amounts falling due after more than one year		
Trade debtors	482	105
Deferred charges	1,254	1,469
Net investment in finance leases	19	38
	<u>1,755</u>	<u>1,612</u>
Amounts falling due within one year		
Trade debtors	2,334	2,751
Amounts owed by group undertakings	1,829	-
Amounts recoverable on contracts	194	10
Deferred charges	854	1,191
Other debtors	128	121
Prepayments and accrued income	31	54
Net investment in finance leases	17	12
	<u>5,387</u>	<u>4,139</u>

Notes to the Financial Statements (continued)

For the 52 weeks ended 28 September 1997

10 Creditors - amounts falling due within one year

	1997 £000	1996 £000
Bank overdraft	23	-
Block discounting loan facility	276	268
Secured loan	35	35
Trade creditors	1,376	1,185
Amounts owed to group undertakings	123	666
Corporation tax	490	189
Social security and other taxes	42	57
Other creditors	15	18
Accruals	2,065	1,292
Deferred income	1,892	2,051
Amounts due under finance leases	6	18
	<u>6,343</u>	<u>5,779</u>

11 Creditors: amounts falling due after more than one year

	1997 £000	1996 £000
Block discounting loan facility	-	276
Secured loan	383	418
Amounts due under finance leases	-	9
	<u>383</u>	<u>703</u>

The block discounting loan facility is repayable by monthly instalments over 3 years ending in 1998 and bears interest at 12.99%. The loan is secured by a charge over certain operating leases.

The secured loan is repayable by quarterly instalments over 20 years ending in 2009 and bears interest at 11.25%. The loan is secured by a fixed charge over specific components for hiring.

Notes to the Financial Statements (continued)

For the 52 weeks ended 28 September 1997

12 Borrowings

Borrowings are repayable as follows:

	1997 £000	1996 £000
Within one year		
Bank overdraft	23	-
Block discounting loan facility	276	268
Secured loan	35	35
Finance leases	6	18
After one and within two years		
Block discounting loan facility	-	276
Secured loan	35	35
Finance leases	-	9
After two and within five years		
Secured loan	104	104
After five years		
Secured loan	244	279
	<u>723</u>	<u>1,024</u>

Borrowings repayable partly after five years are repayable by instalments.

13 Provisions for liabilities and charges

	Deferred taxation (note 14) £000	Return and dismantling provision £000	Total £000
At 30 September 1996			
Provisions	645	253	898
Included in accruals	-	440	440
	<u>645</u>	<u>693</u>	<u>1,338</u>
Provided during the period	(251)	209	(42)
Utilised during the period	-	(110)	(110)
	<u>394</u>	<u>792</u>	<u>1,186</u>
Included in accruals	-	(555)	(555)
	<u>394</u>	<u>237</u>	<u>631</u>
At 28 September 1997			

Notes to the Financial Statements (continued)

For the 52 weeks ended 28 September 1997

14 Deferred taxation

	Amount provided	
	1997	1996
	£000	£000
Accelerated capital allowances	(1)	(4)
Deferred charges	633	878
Return and dismantling provision	(238)	(229)
	<u>394</u>	<u>645</u>

15 Share capital

	1997 and 1996
	£000
Authorised, allotted, called up and fully paid 500,000 ordinary shares of £1 each	<u>500</u>

16 Profit and loss account

	£000
At 30 September 1996	2,445
Retained profit for the period	<u>969</u>
At 28 September 1997	<u>3,414</u>

17 Reconciliation of movements in shareholders' funds

	1997	1996
	£000	£000
Profit for the financial period	969	12
Shareholders funds at beginning of period	<u>2,945</u>	<u>2,933</u>
Shareholders funds at end of period	<u>3,914</u>	<u>2,945</u>

Notes to the Financial Statements (continued)

For the 52 weeks ended 28 September 1997

18 Contingent liabilities

The company has performance bonds outstanding at the period end with a value of £283,000 (1996: £114,000).

The company has cross guarantees with other group companies to a limit of £500,000 (1996: £500,000).

19 Leasing commitments

Operating lease payments amounting to £372,000 (1996: £354,000) are due within one year. The leases to which these amounts relate expire as follows:

		1997		1996
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
In one year or less	-	3	-	31
Between one and five years	-	77	-	31
In five years or more	292	-	292	-
	<u>292</u>	<u>80</u>	<u>292</u>	<u>62</u>

20 Ultimate holding company

The ultimate holding company is Terrapin International Limited, a company registered in England and Wales.

The largest and smallest group of companies for which accounts are prepared is headed by Terrapin International Limited. Copies of the group accounts can be obtained from the registered office, Bond Avenue, Bletchley, Milton Keynes, MK1 1JJ.

21 Transactions with related parties

As a wholly owned subsidiary of Terrapin International Limited, the company is exempt from the requirements of FRS8 to disclose the transactions with other members of the group headed by Terrapin International Limited.