Grant Thornton

4M Flooring UK Limited
31 December 2003
No. 4007476

Company information

Company registration number :	4007476
Registered office :	55 Duke Street Fenton Stoke on Trent ST4 3NN
Directors :	J Stuart Seddon (Chairman and Joint Managing Director) Clive L Russell (Joint Managing Director) Mark S Holden
Secretary :	Ian H Pinnington, BA, FCA, FCIS
Bankers :	Barclays Bank plc 51 Mosley Street Manchester M60 2AU
Auditors :	Grant Thornton Registered Auditors Chartered Accountants Heron House Albert Square Manchester M60 8GT

Index to the financial statements

Report of the directors

The directors submit their report and audited financial statements of the company for the year ended 31 December 2003.

Principal activity

The activities of the company during the year were those of specialist flooring contractors.

Results and dividends

The loss for the year after taxation amounted to £120,276 (2002 : profit £56,424). The directors do not recommend the payment of a dividend (2002: £18,000) leaving a loss of £120,276 (2002 : profit £38,424) to be transferred to reserves.

Review of the business

During the year the company acquired the business of B&J Contracts Limited which had an adverse effect on the performance of the business as a result of the increased overheads. This matter is being addressed in 2004.

Directors and their interests

The directors who served during the year were:

J S Seddon
C L Russell
M S Holden

None of the directors had any interest in the share capital of the company. The interests of Mr J S Seddon in the shares of the ultimate parent company, Seddon Group Limited, are shown in the financial statements of that company. None of the other directors had any interest in the share capital of Seddon Group Limited.

Directors' responsibilities for the financial statements

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
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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.

The directors are responsible for ensuring the directors' report is prepared in accordance with company law in the United Kingdom.

Auditors

Grant Thornton have expressed their willingness to continue in office as auditors.

By order of the Board

I H Pinnington
Secretary

18 May 2004

Grant Thornton

Report of the independent auditors to the members of 4M Flooring UK Limited

We have audited the financial statements of 4M Flooring UK Limited for the year ended 31 December 2003 which comprise the principal accounting policies, the profit and loss account, note of historical cost profits and losses, the balance sheet and notes 1 to 13. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and 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 other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of 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.

Grant Thornton

Report of the independent auditors to the members of 4M Flooring UK Limited

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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
MANCHESTER

18 May 2004

Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards. The principal accounting policies remain unchanged from the previous year and are described below.

Going concern basis

These financial statements have been prepared on a going concern basis notwithstanding the deficiency on net assets because of an undertaking from the parent company to provide or procure sufficient funds to ensure the company financial support for the foreseeable future.

Turnover

Turnover represents the net amount receivable, excluding value added tax, for goods and services supplied to external customers and the value of work done during the year.

Goodwill

Purchased goodwill is capitalised and is amortised on a straight line basis over its estimated useful economic life. Any impairment loss is charged to the profit and loss account as recognised.

Amounts recoverable on contracts

Amounts recoverable on contracts are included in current assets and are stated at cost plus attributable profit, less any foreseeable losses, less payments received on account.

Subcontractor costs

Subcontractor costs in respect of work done on contracts are included in these financial statements on an accruals basis.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Pension costs

The company participates in the Seddon Group Retirement Scheme, a hybrid pension scheme providing benefits on a defined benefit and money purchase basis. Any pension cost incurred in respect of the defined benefit element is based on the pension cost across the group as a whole so as to spread the cost of pensions over the employees service lives.

The company also participates in certain defined contribution schemes. The pension costs charged against profits represent the contributions payable to the schemes in respect of the accounting year.

Profit and loss account

	Note	Year ended 31 December 2003 £	6 months to 31 December 2002 £
Turnover – continuing operations	1	**3,700,896**	1,485,211
Cost of sales		**3,306,404**	1,058,978
Gross profit		**394,492**	426,233
Redundancy costs		**60,317**	–
Administrative expenses		**502,631**	345,410
Total administrative expenses		**562,948**	345,410
Operating (loss)/profit – continuing operations		**(168,456)**	80,823
Interest paid		**19**	399
(Loss)/profit on ordinary activities before taxation	1	**(168,475)**	80,424
Tax on (loss)/profit on ordinary activities	3	**(48,199)**	24,000
(Loss)/profit on ordinary activities after taxation		**(120,276)**	56,424
Dividends	4	**–**	18,000
Retained (loss)/profit for the financial year	8	**(120,276)**	38,424

There are no recognised gains or losses other than those included in the profit and loss account.

Note of historical cost profits and losses

	Year ended 31 December 2003 £	6 months to 31 December 2002 £
(Loss)/profit on ordinary activities before taxation	**(168,475)**	80,424
Realisation of revaluation gains of previous years	**–**	10,000
Historical cost (loss)/profit on ordinary activities before taxation	**(168,475)**	90,424
Historical cost (loss)/profit transferred to reserves	**(120,276)**	48,424

Balance sheet

	Note	£	2003 £	2002 £
Fixed assets				
Intangible fixed assets	5		**20,000**	–
Current assets				
Stocks		**7,496**		–
Amounts recoverable on contracts		**2,071,325**		978,263
Trade debtors		**188,014**		244,708
Deferred taxation	6	**1,000**		1,000
Prepayments		**54,860**		17,354
Cash at bank and in hand		**151,251**		6,406
		2,473,946		1,247,731
Creditors : amounts due within one year				
Trade creditors		**–**		26,175
Amounts owed to group companies		**2,289,755**		806,114
Accruals		**8,351**		78,195
Proposed dividend		–		18,000
Corporation tax		**–**		3,131
		2,298,106		931,615
Net current assets			**175,840**	316,116
Creditors: amounts due after more than one year				
Amounts owed to group companies			**250,000**	250,000
			(54,160)	66,116
Capital and reserves				
Called up share capital	7		**2**	2
Other reserve	8		**16,180**	16,180
Profit and loss account	8		**(70,342)**	49,934
Equity shareholders' (deficit)/funds	9		**(54,160)**	66,116

The financial statements were approved by the Board of Directors on 18 May 2004.

Signed on behalf of the board of directors

J Stuart Seddon, Director

Notes to the financial statements

1 Turnover and (loss)/profit on ordinary activities before taxation

The turnover and (loss)/profit on ordinary activities before taxation of the company are attributable to the principal activities of specialist flooring contractors, all carried out within the United Kingdom.

The (loss)/profit on ordinary activities before taxation is arrived at after charging :

	Year ended 31 December 2003 £	6 months to 31 December 2002 £
Depreciation	**–**	1,075
Amortisation of goodwill	**5,000**	–
Auditors' remuneration		
– audit services	**730**	750
– non–audit services	**1,000**	–
Hire of plant and machinery	**200,157**	65,572

2 Information regarding directors and employees

None of the directors received any remuneration during the year (2002 : £Nil).

The average number of persons employed by the company was :

	Year ended 31 December 2003 Number	6 months to 31 December 2002 Number
Construction staff	**37**	5
Administration staff	**16**	9
	53	14

The costs incurred in respect of these employees were :

	Year ended 31 December 2003 £	6 months to 31 December 2002 £
Wages and salaries	**1,213,426**	223,478
Social security costs	**93,438**	22,177
Other pension costs	**15,547**	6,036
	1,322,411	251,691

3 Tax on (loss)/profit on ordinary activities

	Year ended 31 December 2003	6 months to 31 December 2002
Taxation is based on the (loss)/profit for the year and comprises :	**£**	£
UK Corporation tax at a rate of 30% (2002 : 30 %) of taxable (loss)/profit		
– Current year	**–**	2,000
– Group relief at a rate of 30%	**(48,000)**	23,000
– Adjustments in respect of prior periods	**(199)**	–
	(48,199)	25,000
Deferred taxation		
– Current year	**–**	(1,000)
	(48,199)	24,000

Factors affecting the tax (credit)/charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 30% (2002 : 30%). The differences are explained as follows :

	Year ended 31 December 2003	6 months to 31 December 2002
	£	£
(Loss)/profit on ordinary activities before taxation	**(168,475)**	80,424
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30% (2002 : 30%)	**(50,543)**	24,127
Effect of:		
Expenses not deductible for tax purposes	**2,159**	–
Depreciation for the year in excess of capital allowances	**384**	928
Other short term timing differences	**–**	(55)
Adjustments in respect of prior periods	**(199)**	–
	(48,199)	25,000

4 Dividends

	Year ended 31 December 2003	6 months to 31 December 2002
Equity dividends:	**£**	£
Ordinary shares – proposed final dividend of £Nil (2002 : £9,000) per share	**–**	18,000

5 Intangible fixed assets

	Goodwill
	£
Cost or valuation	
At 1 January 2003	–
Additions	25,000
At 31 December 2003	25,000
Amortisation	
At 1 January 2003	–
Charge for the year	5,000
At 31 December 2003	5,000
Net book amount	
At 31 December 2003	20,000
Net book amount	
At 31 December 2002	–

On 1 August 2003 the company acquired the trade and assets of B&J Contracts Limited. The goodwill arising on acquisition amounted to £25,000 which is being amortised over 5 years.

6 Deferred taxation

	Deferred taxation
	£
At 1 January 2003 and 31 December 2003	1,000

Deferred taxation:

	Asset recognised	
	2003	2002
	£	£
Accelerated capital allowances	**1,000**	1,000

The recoverability of the deferred tax asset is dependent on future taxable profits in excess of those arising from the reversal of deferred tax liabilities. The asset is anticipated to be recoverable in more than one year.

7 Share capital

	2003	2002
	£	£
Authorised		
1,000 Ordinary shares of £1 each	**1,000**	1,000
Allotted, issued and fully paid		
2 Ordinary shares of £1 each	**2**	2

8 Profit and loss account and reserves

	Other reserve	Profit and loss account
	£	£
At 1 January 2003	16,180	49,934
Loss for the financial year	–	(120,276)
At 31 December 2003	16,180	(70,342)

The other reserves represent retentions acquired from the receivers of 4M Flooring Limited.

9 Reconciliation of movements in shareholders' (deficit)/funds

	2003	2002
	£	£
(Loss)/profit for the financial year	**(120,276)**	56,424
Dividend	**–**	(18,000)
Retained (loss)/profit for the financial year	**(120,276)**	38,424
Opening shareholders' funds	**66,116**	27,692
Closing shareholders' (deficit)/funds	**(54,160)**	66,116

10 Contingent liabilities

During the year a bank cross guarantee and set off arrangement was set up between the company, Seddon Group Limited and certain other fellow subsidiary companies. This facility was £2,925,487 in hand at 31 December 2003.

11 Pension arrangements

The group operates a hybrid scheme whose assets are held in independently managed funds separate from those of the group. Within the final salary section of the scheme, annual contributions are paid on the recommendation of independent qualified actuaries following triennial actuarial valuations, the latest of which was at 1 November 2002. The valuation method used is the Projected Accrued Benefit valuation method and the principal assumptions made by the actuary were :

Investment rate of return	6.55% per annum
Salary growth	4.25% per annum
Retail price inflation	2.25% per annum
Pension increases	As guaranteed

At 1 November 2002, the market value of the scheme's assets was £11,561,021 which was sufficient to cover 77% of the benefits that had accrued to members. At 31 December 2003 the group had made additional contributions of £1,650,000 designed to reduce the deficit, with increased contributions over future years.

This company is unable to identify its own share of the underlying assets and liabilities of the defined benefit scheme. The pension costs charged against operating profit are the contributions payable to the scheme in respect of the accounting period. At 31 December 2003 the scheme showed a deficit under the revised method (required under FRS 17 Retirement Benefits), which must be used to discount the scheme liabilities which fall due after the valuation date. Additional disclosures required under the transitional provisions of FRS 17 Retirement Benefits are disclosed in the financial statements of Seddon Group Limited.

Defined contribution schemes

The group also operates three defined contribution pension schemes, the assets of which are held in independently administered funds.

12 Related party transactions

As a wholly owned subsidiary of Seddon Group Limited, the company is exempt from the requirements of FRS 8 to disclose details of transactions with other members of the group.

13 *Ultimate parent company*

The ultimate parent company is Seddon Group Limited and the immediate holding company is Seddon (Stoke) Limited, which are both registered in England and Wales.

Both the ultimate and immediate parent and holding companies prepare consolidated financial statements, copies of which are available from Companies House.