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Grant Thornton 

4M FLOORING UK LIMITED

31 DECEMBER 2002

No : 4007476



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4M FLOORING UK LIMITED

FINANCIAL STATEMENTS

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4M FLOORING UK LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

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

Registered office

55 Duke Street
Fenton
Stoke on Trent
ST4 3NN

Bankers

Barclays Bank plc
51 Mosley Street
Manchester
M60 2AU

Auditors

Grant Thornton
Chartered Accountants
Heron House
Albert Square
Manchester
M60 8GT

4M FLOORING UK LIMITED

REPORT OF THE DIRECTORS

The directors submit their report and audited financial statements of the company for the period ended 31 December 2002.

Principal activity

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

Results and dividends

The profit for the period after taxation amounted to £56,424 (2001: £1,510). The directors recommend the payment of a dividend of £18,000 (2001: nil) leaving a profit of £38,424 (2001 : £1,510) to be transferred to reserves.

Review of the business

The company has produced a satisfactory profit in its current period of trading and following the company's acquisition by Seddon (Stoke) Limited the future order book has continued to grow which should result in increased turnover and profit in 2003.

Directors and their interests

The directors who served during the period were:

J S Seddon (appointed 11 October 2002)
C L Russell (appointed 11 October 2002)
M S Holden
M Greaves (resigned 11 October 2002)

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 period. 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.

4M FLOORING UK LIMITED

REPORT OF THE DIRECTORS

Auditors

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

By order of the Board



I H Pinnington
Secretary

13 May 2003

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 period ended 31 December 2002 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 12. 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.

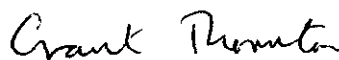
Basis of opinion

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.

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 2002 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
MANCHESTER

13 May 2003

4M FLOORING UK LIMITED

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 company has adopted FRS 19 - Deferred Taxation during the year. The principal accounting policies of the company are described below.

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 period.

TANGIBLE ASSETS AND DEPRECIATION

Depreciation on tangible fixed assets is calculated to write down their cost to their estimated residual values over the period of their estimated useful economic lives which are considered to be:

Plant and machinery 5 years

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 period.

4M FLOORING UK LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31 DECEMBER 2002

	Note	6 months to 31 December 2002 £	Year to 30 June 2002 £
Turnover – continuing operations	1	1,485,211	795,319
Cost of sales		<u>1,058,978</u>	<u>436,372</u>
Gross profit		426,233	358,947
Administrative expenses		<u>345,410</u>	<u>356,306</u>
Operating profit – continuing operations		80,823	2,641
Interest paid		<u>399</u>	<u>–</u>
Profit on ordinary activities before taxation	1	80,424	2,641
Tax on profit on ordinary activities	3	<u>24,000</u>	<u>1,131</u>
Profit on ordinary activities after taxation		56,424	1,510
Proposed dividend	4	18,000	–
Retained profit for the financial year	8	<u>38,424</u>	<u>1,510</u>

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

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	6 months to 31 December 2002 £	Year to 30 June 2002 £
Profit on ordinary activities before taxation	80,424	2,641
Realisation of revaluation gains of previous years	10,000	–
Historical cost profit on ordinary activities before taxation	<u>90,424</u>	<u>2,641</u>
Historical cost profit transferred to reserves	<u>48,424</u>	<u>1,510</u>

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

4M FLOORING UK LIMITED

BALANCE SHEET AT 31 DECEMBER 2002

		31 December 2002	30 June 2002
	Note	£	£
Fixed assets			
Tangible assets	5	–	20,782
Current assets			
Amounts recoverable on contracts		978,263	59,882
Trade debtors		244,708	690,150
Deferred taxation	6	1,000	–
Prepayments		17,354	32,514
Cash at bank and in hand		6,406	150,341
		<u>1,247,731</u>	<u>932,887</u>
Creditors : amounts due within one year			
Trade creditors		26,175	758,179
Amounts owed to group companies		806,114	94,340
Social security and other taxes		–	55,673
Accruals		78,195	16,654
Proposed dividend		18,000	–
Corporation tax		3,131	1,131
		<u>931,615</u>	<u>925,977</u>
Net current assets		316,116	27,692
Creditors: amounts due after more than one year			
Amounts owed to group companies		250,000	–
		<u>66,116</u>	<u>27,692</u>
Capital and reserves			
Called up share capital	7	2	2
Revaluation reserve	8	–	10,000
Other reserve	8	16,180	16,180
Profit and loss account	8	49,934	1,510
Equity shareholders' funds	9	<u>66,116</u>	<u>27,692</u>

The financial statements were approved by the Board of Directors on 13 May 2003.

Signed on behalf of the board of directors

J Stuart Seddon, Director

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

4M FLOORING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2002

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and 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 profit on ordinary activities before taxation is arrived at after charging :

	6 months to 31 December 2002 £	Year to 30 June 2002 £
Audit services	750	-
Depreciation	1,075	717
Hire of plant and machinery	65,572	24,540

2 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

None of the directors received any remuneration during the year (2001 : £Nil).

The average number of persons employed by the company was :

	6 months to 31 December 2002 Number	Year to 30 June 2002 Number
Construction staff	5	5
Administration staff	9	9
	14	14

The costs incurred in respect of these employees were :

	6 months to 31 December 2002 £	Year to 30 June 2002 £
Wages and salaries	223,478	140,674
Social security costs	22,177	13,729
Other pension costs	6,036	-
	251,691	154,403

4M FLOORING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2002

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

	6 months to 31 December 2002 £	Year to 30 June 2002 £
Taxation is based on the profit for the period and comprises :		
UK Corporation tax at a rate of 30% (year to 30 June 2002 : 18.61%) of taxable profit		
-Current year	2,000	1,131
-Group relief at a rate of 30%	23,000	-
	<u>25,000</u>	<u>1,131</u>
Deferred taxation		
-Current year	(1,000)	-
	<u>24,000</u>	<u>1,131</u>

Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the United Kingdom of 30% (2001 : 30%). The differences are explained as follows :

	6 months to 31 December 2002 £	Year to 30 June 2002 £
Profit on ordinary activities before taxation	<u>80,424</u>	<u>2,641</u>
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30% (2001 : 30%)	24,127	491
Effect of:		
Expenses not deductible for tax purposes	-	597
Capital allowances for the period in excess of depreciation	928	43
Other short term timing differences	(55)	-
	<u>25,000</u>	<u>1,131</u>

4 DIVIDENDS

	6 months to 31 December 2002 £	Year to 30 June 2002 £
Equity dividends:		
Ordinary shares – proposed final dividend of £9,000 (2001 : Nil) per share	<u>18,000</u>	<u>-</u>

4M FLOORING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2002

5 TANGIBLE FIXED ASSETS

	Motor vehicles £	Plant and machinery £	Total £
Cost or valuation			
At 1 July 2002	—	21,499	21,499
Additions	12,855	—	12,855
Disposals	(12,855)	(21,499)	(34,354)
At 31 December 2002	—	—	—
Depreciation			
At 1 July 2002	—	717	717
Charge for the period	—	1,075	1,075
Disposals	—	(1,792)	(1,792)
At 31 December 2002	—	—	—
Net book amount			
At 31 December 2002	—	—	—
Net book amount			
At 1 July 2002	—	20,782	20,782

6 DEFERRED TAXATION

	Deferred taxation £
At 1 January 2001 as restated	—
Asset recognised during the year	1,000
At 31 December 2002	1,000
Deferred taxation:	
	Asset recognised
	2002 2001
	£ £
Accelerated capital allowances	1,000 —

4M FLOORING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2002

7 SHARE CAPITAL

	31 December 2002 £	30 June 2002 £
Authorised		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, issued and fully paid		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

8 PROFIT AND LOSS ACCOUNT AND RESERVES

	Revaluation reserve £	Other reserve £	Profit and loss account £
At 1 July 2002	10,000	16,180	1,510
Profit for the financial year	—	—	38,424
Transfer from revaluation reserve	<u>(10,000)</u>	<u>—</u>	<u>10,000</u>
At 31 December 2002	<u>—</u>	<u>16,180</u>	<u>49,934</u>

Other reserves are retentions acquired from Begbies Traynor, acting as receivers of 4M Flooring Limited.

9 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2002 £	30 June 2002 £
Profit for the financial year	56,424	1,510
Transfers to other reserve	—	16,180
Dividend	<u>(18,000)</u>	<u>—</u>
Retained profit for the financial year	38,424	27,690
Opening shareholders' funds	<u>27,692</u>	<u>2</u>
Closing shareholders' funds	<u>66,116</u>	<u>27,692</u>

10 PENSION ARRANGEMENTS

Defined contribution schemes

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

11 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.

4M FLOORING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2002

12 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.