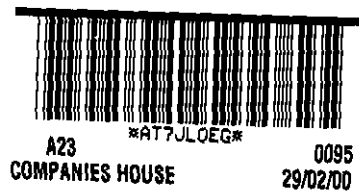


Registered no: 1040087

**R&R DEVELOPMENTS LIMITED**  
Annual report  
for the year ended 31 July 1998



# **R&R DEVELOPMENTS LIMITED**

## **Annual report for the year ended 31 July 1998**

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**Directors and advisers**

**Executive directors**

D B Anthony  
S R I Liddle  
D F Pickering

**Non-executive directors**

C C Roberts  
B E Mellin

**Secretary and registered office**

D F Pickering  
c/o PricewaterhouseCoopers  
Princess House  
Princess Way  
SWANSEA  
SA1 5LH

**Auditors**

PricewaterhouseCoopers

**Bankers**

Julian Hodge Bank Limited

**Directors' report  
for the year ended 31 July 1998**

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

**Principal activities**

The principal activity of the company is the supply of general maintenance and engineering work. The profit and loss account for the year is set out on page 6.

**Dividends**

The directors do not recommend the payment of a dividend in respect of the year ended 31 July 1998.

**Directors**

The directors of the company at 31 July 1998 and for the whole of the year ended on that date, except where indicated, were as follows:

D B Anthony  
S R I Liddle (appointed 31 July 1998)  
D F Pickering (appointed 31 July 1998)  
C C Roberts  
B E Mellin

A H Roberts, who was a director at 31 July 1997, resigned as a director with effect from 31 July 1998.

**Significant events**

During the financial year the holding company directors disposed of their shares in the holding company to R & R Group Limited (formerly Dayhow Limited) and the company became a subsidiary of R & R Group Limited with effect from 16 March 1998.

**Directors' interests in shares of the company**

None of the directors held any interest in the share capital of the company during the year ended 31 July 1998. The directors' interests in the shares of the holding company are shown in the directors' report of that company.

**Directors' interests in contracts with the company**

Except for the matters disclosed in note 16 to the financial statements, none of the directors had a material interest in any contract of significance to which the company was a party during the financial year.

**Directors' responsibilities**

The directors are required by UK company law to prepare financial statements for each financial year which 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 of the company for that year.

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 year ended 31 July 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 taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**Donations**

During the year ended 31 July 1998 the company made charitable donations amounting to £300.

**Year 2000**

Many computer systems store or process data by the last two digits of the year only, resulting in incorrect or unpredictable treatment of dates after the year 2000 in software applications. The company is reviewing the potential impact of this event on all computer systems which the company, its advisors and suppliers operate. The costs of making the computer system Year 2000 compliant are not considered to be significant.

**Auditors**

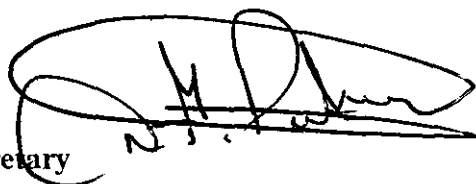
A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting.

**Exemptions**

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

**By order of the board**

Company secretary

A handwritten signature in black ink, appearing to be 'N. S. P. ...', written over a horizontal line. The signature is somewhat stylized and cursive.

**Auditors' report to the members of  
R & R DEVELOPMENTS LIMITED**

We have audited the financial statements on pages 6 to 16, which have been prepared under the historical cost convention and in accordance with the accounting policies set out on pages 8 and 9.

**Respective responsibilities of directors and auditors**

As described on page 3 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, on those statements and to report our opinion to you.

**Basis of audit 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 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.

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the recoverability of amounts of £235,790 due from related companies. Details of the circumstances relating to the recoverability of these amounts are set out in note 8(b). Our opinion is not qualified in this respect.

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the recoverability of amounts of £62,718 due from a former director of the company. Details of the circumstances relating to the recoverability of these amounts are set out in note 8 (c). Our opinion is not qualified in this respect.

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. The financial statements have been prepared on a going concern basis and the validity of this depends on the continued support of the company's bankers and related companies by providing adequate overdraft and loan facilities. The financial statements do not include any adjustments that would result from a failure to obtain such continued support. Details of the circumstances relating to the fundamental uncertainty are described in note 1. Our opinion is not qualified in this respect.

**Auditors' report to the members of  
R & R DEVELOPMENTS LIMITED (continued)**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 July 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985, applicable to small companies.

A large, stylized handwritten signature in black ink, appearing to read 'Greenwaterhouse Cooper', is written over the printed text of the auditor's name and title.

Chartered Accountants and Registered Auditors

Swansea, 14 January 2000

## Profit and loss account for the year ended 31 July 1998

	Notes	1998 £	1997 £
Turnover	2	2,796,776	2,472,365
Change in stocks of finished goods and work in progress		67,080	7,153
		<u>2,863,856</u>	<u>2,479,518</u>
Raw materials and consumables		(449,526)	(283,585)
Other external charges		(128,990)	(122,340)
		<u>2,285,340</u>	<u>2,073,593</u>
Staff costs		(1,856,506)	(1,764,358)
Depreciation and other amounts written off tangible fixed assets		(25,753)	(34,910)
Other operating charges		(314,024)	(299,586)
		<u>89,057</u>	<u>(25,261)</u>
Operating profit/(loss)			
Interest receivable and similar income		131	61
Interest payable and similar charges	3	(36,841)	(29,438)
		<u>52,347</u>	<u>(54,638)</u>
Profit/(loss) on ordinary activities before taxation	4		
Tax (charge)/credit on profit/(loss) on ordinary activities	5	(44,356)	21,870
		<u>7,991</u>	<u>(32,768)</u>
Profit/(loss) for the year	13		
		<u><u>7,991</u></u>	<u><u>(32,768)</u></u>
<b>Statement of retained profits</b>			
Retained profits at 1 August 1997		182,613	215,381
Profit/(loss) for the year		7,991	(32,768)
		<u>190,604</u>	<u>182,613</u>

The company has no recognised gains or losses other than the profits 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 profit for the year stated above, and their historical cost equivalents.

The turnover and operating profit for the year have been derived from the continuing operations of the company.



## Balance sheet at 31 July 1998

	Notes	1998 £	1997 £
<b>Fixed assets</b>			
Tangible assets	6	<u>139,020</u>	<u>211,175</u>
<b>Current assets</b>			
Stocks	7	248,857	165,795
Debtors	8	1,163,711	983,726
Cash at bank and in hand		<u>2,574</u>	<u>1,768</u>
		<u>1,415,142</u>	<u>1,151,289</u>
Creditors: amounts falling due within one year	9	<u>(1,333,387)</u>	<u>(1,147,749)</u>
<b>Net current assets</b>		<u>81,755</u>	<u>3,540</u>
<b>Total assets less current liabilities</b>		<u>220,775</u>	<u>214,715</u>
Creditors: amounts falling due after more than one year	10	(5,446)	(14,777)
Provision for liabilities and charges	11	(24,700)	(17,300)
<b>Net assets</b>		<u>190,629</u>	<u>182,638</u>
<b>Capital and reserves</b>			
Called-up share capital	12	25	25
Profit and loss account		<u>190,604</u>	<u>182,613</u>
<b>Equity shareholders' funds</b>	13	<u>190,629</u>	<u>182,638</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements on pages 6 to 16 were approved by the board of directors on 12 January 2000 and were signed on its behalf by:

*Scott Liddle*

*D. S. Anthony*

Directors

**Notes to the financial statements  
for the year ended 31 July 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, which have been applied consistently, is set out below.

**Basis of accounting**

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

**Basis of preparing the financial statements**

During the year the company achieved a profit of £7,991 and at 31 July 1998 current assets exceed current liabilities by £81,755. The company meets its day to day working capital requirements through a bank overdraft facility which, in common with all such facilities, is repayable on demand. At the balance sheet date the bank overdrafts totalled £249,004.

The company's bankers have agreed to continue the overdraft facilities to the company and the financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the company's bankers continuing their support by providing adequate overdraft facilities.

If the company were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

Whilst the directors are presently uncertain as to the outcome of the matters mentioned above, they believe that it is appropriate for the financial statements to be prepared on a going concern basis.

**Tangible fixed assets**

Tangible fixed assets are stated at their purchase price together with any incidental expenses. Depreciation is calculated so as to write off the cost, less the estimated net realisable value, of fixed assets on a reducing balance basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Fixtures, fittings and equipment	20%
Plant and machinery	20%
Motor vehicles	20%
Helicopter	10%

**Finance and operating leases**

Where assets are financed by leasing agreements which give substantially the same rights as ownership ("finance leases"), the assets are treated as if they had been purchased outright at the capital value of the assets, and the corresponding leasing commitments are shown as obligations due to the lessor. The capital element of lease payments is applied to reduce the outstanding obligations and the interest is charged to the profit and loss account over the period of the lease. Other rentals are charged wholly to the profit and loss account.

**Stocks and work in progress**

Stocks and work in progress are valued at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis. Net realisable value is the price at which stocks can be sold in the normal course of business, after allowing for the cost of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks.

**Turnover**

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied.

**Cash flow statement**

The company qualifies as a small company under the terms of Section 247 of the Companies Act 1985. As a consequence it is exempt from the requirement to publish a cashflow statement.

**Deferred taxation**

Provision is made for deferred taxation at the rate of corporation tax expected to apply when the timing differences reverse (the liability method), to the extent that it is probable that a liability or asset will crystallise.

**2 Turnover**

The turnover of the company is wholly attributable to the principal activity and arose entirely within the United Kingdom.

**3 Interest payable and similar charges**

	1998	1997
	£	£
On bank overdrafts and other loans:		
Repayable within 5 years, not by instalments	21,107	18,090
On finance leases and hire purchase contracts	2,946	7,067
Interest on tax paid late	12,788	4,281
	<u>36,841</u>	<u>29,438</u>

**4 Profit/(loss) on ordinary activities before taxation**

	1998 £	1997 £
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Directors' remuneration (see below)	70,099	63,723
Compensation for loss of office paid to former director	30,000	-
Depreciation charge for the year:		
Tangible owned fixed assets	13,285	13,508
Assets held under hire purchase	18,410	20,498
Auditors' remuneration	3,950	3,500
Hire of plant and machinery - operating leases	71,034	74,890
	<u>71,034</u>	<u>74,890</u>

Retirement benefits are accruing to two (1997: 2) directors under money purchase schemes.

**5 Tax (charge)/credit on profit/(loss) on ordinary activities**

	1998 £	1997 £
United Kingdom corporation tax at 27% (1997: 24%)		
Current	(27,500)	20,000
Deferred	800	2,100
Over/(under) provision in respect of prior years:		
Current	544	(230)
Adjustment to deferred tax balances due to changes in tax rates (see below)	(8,200)	-
	<u>(34,356)</u>	<u>21,870</u>

The higher than expected taxation charge is due to the effect of increasing the tax rate in providing for deferred taxation liabilities at 31% as compared with the previous years taxation rate of 24%. In addition the company has provided for tax due on potentially disallowable expenditure.

## 6 Tangible fixed assets

	Fixtures, fittings and equipment £	Plant and machinery £	Motor vehicles £	Helicopter £	Total £
<b>Cost</b>					
At 1 August 1997	40,925	225,434	82,269	76,117	424,745
Additions	5,858	11,740	-	-	17,598
Disposals	-	-	-	(76,117)	(76,117)
<b>At 31 July 1998</b>	<b>46,783</b>	<b>237,174</b>	<b>82,269</b>	<b>-</b>	<b>366,226</b>
<b>Depreciation</b>					
At 1 August 1997	31,503	138,131	25,877	18,059	213,570
Charge for year	2,719	17,929	11,047	-	31,695
Eliminated on disposal	-	-	-	(18,059)	(18,059)
<b>At 31 July 1998</b>	<b>34,222</b>	<b>156,060</b>	<b>36,924</b>	<b>-</b>	<b>227,206</b>
<b>Net book value</b>					
At 31 July 1998	12,561	81,114	45,345	-	139,020
At 31 July 1997	9,422	87,303	56,392	58,058	211,175

The net book value of tangible fixed assets includes an amount of £56,537 (1997: £97,747) in respect of assets held under finance leases and hire purchase contracts.

## 7 Stocks

	1998 £	1997 £
Raw materials and consumables	72,874	56,892
Work in progress	175,983	108,903
	<b>248,857</b>	<b>165,795</b>

**8 Debtors**

	1998	1997
	£	£
<b>Amounts falling due within one year</b>		
Trade debtors (see (a) below)	654,944	553,158
Amounts owed by related companies (see (b) below)	235,790	256,932
Amounts owed by ultimate holding company (see note 16)	500	-
Prepayments and accrued income	193,609	173,186
Former directors' loan account (see (c) below)	62,718	-
Other debtors	16,150	450
	<u>1,163,711</u>	<u>983,726</u>

- (a) The trade debtors are subject to factoring arrangements whereby the legal title to the debt has been assigned to a factoring company.
- (b) The amounts owed by related companies are due from companies under the control of the directors of the company. The amounts of £235,790 are interest-free and have no fixed terms for their repayment (see note 16). At 31 July 1998 The Pontardawe Foundry and Engineering Company Limited had net assets of £62,090 and continues to be dependant on its future viability on the support of R & R Developments Limited. At 31 December 1998, the latest audited financial statements of R & R Refractories Limited, this related company had net assets of £566.
- (c) The former directors' loan account is interest free and has no fixed terms for its repayment. The loan was overdrawn during the year and the maximum amount overdrawn was £129,479 which is in contravention of section 330 of the Companies Act 1985, which prohibits making loans to a director of the company. The former director, A H Roberts, is making arrangements to repay this loan to the company.

**9 Creditors: amounts falling due within one year**

	1998	1997
	£	£
Bank overdrafts (secured)	249,004	260,159
Hire purchase instalments due in one year	9,329	43,343
Factoring advances (see note 8 (a) )	413,331	317,248
Trade creditors	138,218	146,818
Amounts owed to related companies (see note 16)	11,652	9,276
Corporation tax	36,015	7,711
Other taxation and social security payable	261,175	232,540
Accruals and deferred income	204,663	130,644
Directors' loan account (see below)	10,000	10
	<u>1,333,387</u>	<u>1,147,749</u>

The directors' loan account is interest free, unsecured and has no fixed terms for its repayment (see note 16).

**10 Creditors: amounts falling due after more than one year**

	1998	1997
	£	£
Obligations under hire purchase contracts (see below)	14,775	58,120
Less amounts falling due for repayment within one year	(9,329)	(43,343)
	<u>5,446</u>	<u>14,777</u>

**Hire purchase**

The future minimum hire purchase payments to which the company is committed to under hire purchase contracts are as follows:

	1998	1997
	£	£
In one year or less	9,329	43,343
Between one and two years	5,446	14,777
	<u>14,775</u>	<u>58,120</u>

**11 Provision for liabilities and charges**

	Deferred taxation (see below)
	£
At 1 August 1997	17,300
Transfer to profit and loss account	7,400
	<u>24,700</u>
At 31 July 1998	<u>24,700</u>

**Deferred taxation**

Deferred taxation provided and unprovided in the financial statements, are as follows:

	Amount provided		Amount unprovided	
	1998	1997	1998	1997
	£	£	£	£
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	24,700	17,400	-	-
Other timing differences	-	(100)	-	-
	<u>24,700</u>	<u>17,300</u>	<u>-</u>	<u>-</u>

**12 Called-up share capital**

	1998	1997
	£	£
<b>Authorised</b>		
4,000 ordinary shares of 25p each	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up and fully paid</b>		
100 ordinary shares of 25p each	<u>25</u>	<u>25</u>

**13 Reconciliation of movements in shareholders' funds**

	1998	1997
	£	£
Opening shareholders' funds	182,638	215,406
Profit/(loss) for the year	<u>7,991</u>	<u>(32,768)</u>
<b>Closing shareholders' funds</b>	<u>190,629</u>	<u>182,638</u>

**14 Capital commitments**

The directors have neither contracted for nor authorised any capital expenditure which is not provided for in these financial statements.

**15 Financial commitments**

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

	1998	1997
	Land and buildings £	Land and buildings £
Expiring within one year	-	30,000
Expiring in over five years	<u>15,000</u>	-
	<u>15,000</u>	<u>30,000</u>

**16 Related party transactions**

The company has accrued management charges of £30,000 (1997: £30,000) due to, and management and service charges of £50,000 (1997: £50,000) due from, The Pontardawe Foundry and Engineering Company Limited, a company owned and controlled by the directors of the company, D B Anthony, D F Pickering and S R I Liddle. The company has also made purchases of £2,600 (1997: Nil) from The Pontardawe Foundry and Engineering Company Limited.



**16 Related party transactions (continued)**

The company has made sales of £130,254 (1997: £115,549) to R & R Refractories Limited, a subsidiary company which is owned and controlled by D B Anthony, D F Pickering and S R I Liddle. The company has also accrued amounts of £45,836 due to R & R Refractories Limited in respect of work done by that company and has accrued management and service charges of £34,000 due from R & R Refractories Limited. Included in work in progress is £47,400 of work carried out for R & R (Roll Developments) Limited (see below) and £23,050 of work carried out for R & R Refractories Limited.

The company has made purchases of £14,187 (1997: £14,028) from Pickering Safety Products Limited, a company in which A H Roberts and D F Pickering are joint owners. At 31 July 1998 an amount of £8,914 (1997: £9,276) was due to this related company which is included in creditors: amounts falling due within one year at 31 July 1998.

The company has paid consultancy fees of £5,000 (1997: £Nil) to D F Pickering, a director and shareholder of the ultimate holding company.

The company has paid rent of £25,000 (1997: £30,000) for occupying a property owned by A H Roberts, a former director of the company, from where the company trades. The company has paid consultancy fees of £5,000 to A H Roberts, a former director and shareholder of the company.

During the year the company received interest free, unsecured loans of £10,000 from D F Pickering, a director of the company, the whole of which was outstanding at the end of the financial year and this is included in creditors: amounts falling due within one year (see note 9).

During the year the company made loans of £62,718 to A H Roberts, a former director who resigned during the year (see note 8 (c)). An amount of £62,718 is included in debtors: amounts falling due within one year.

The company has made the following loans to related companies which were owned and controlled by A H Roberts and are now owned and controlled by D B Anthony, D F Pickering and S R I Liddle and which are included in debtors at 31 July 1998.

	1998	1997
	£	£
The Pontardawe Foundry and Engineering Company Limited	132,257	181,507
R & R Refractories Limited	50,661	48,992
R & R Group Limited (formerly Dayhow Limited)	500	-
	<u>183,418</u>	<u>230,499</u>

**16 Related party transactions (continued)**

The company has made the following loans to related companies which are owned and controlled by A H Roberts and which are included in debtors: amounts falling due within one year at 31 July 1998.

	1998	1997
	£	£
R & R (Roll Developments) Limited	<u>52,872</u>	<u>26,443</u>

The company has made sales of £28,434 to R & R (Rolls Developments) Limited, a company which is owned and controlled by A H Roberts. The company has accrued amounts of £20,000 due to R & R (Rolls Developments) Limited in respect of work done by that company and has accrued management and service charges of £8,000 due from R & R (Roll Developments) Limited.

The company has made purchases of £56,743 (1997: £1,440) from BHL (Hastie Fabrications) Limited and sales of £3,071, to a company in which S R I Liddle is a director and is owned and controlled by A H Roberts and D F Pickering. At 31 July 1998 an amount of £2,738 was due to this related company which is included in creditors: amounts falling due within one year.

**17 Ultimate and immediate parent company**

The directors regard R & R Group Limited (formerly Dayhow Limited), a company registered in the United Kingdom as the ultimate parent company. According to the register kept by the company R & R Group Limited has a 98% interest in the equity share capital of the company at 31 July 1998.