

Registered no: 1040087

R&R DEVELOPMENTS LIMITED

Annual report

for the year ended 31 July 1996



R&R DEVELOPMENTS LIMITED

Annual report for the year ended 31 July 1996

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Directors and advisers

Executive directors

A H Roberts
C C Roberts
D B Anthony

Non-executive directors

B E Mellin
A Bowden

Secretary and registered office

A H Roberts
c/o Coopers & Lybrand
Princess House
Princess Way
SWANSEA
SA1 5LH

Auditors

Coopers & Lybrand

Bankers

Julian Hodge Bank Limited

**Directors' report
for the year ended 31 July 1996**

The directors present their report and the audited financial statements for the year ended 31 July 1996.

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 5.

Directors

The directors of the company at 31 July 1996 and for the whole of the year ended on that date, except where indicated, were as follows:

A H Roberts
C C Roberts
D B Anthony
B E Mellin (non executive appointed 1 November 1995)

Subsequent to the end of the financial year Mr A Bowden was appointed a non-executive director of the company.

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 1996. 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.

Close company provisions

The company is a close company as defined by the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of 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 1996. 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.

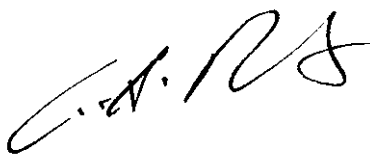
Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

Exemptions

In preparing the directors' report advantage has been taken of the special exemptions applicable to small companies conferred by Part II of Schedule 8 to the Companies Act 1985.

By order of the board



Company Secretary

**Report of the auditors to the members of
R & R DEVELOPMENTS LIMITED**

We have audited the financial statements on pages 5 to 13.

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 opinion

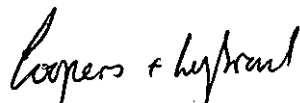
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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.

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the recoverability of the amounts due from related companies. Details of the circumstances relating to the recoverability of these amounts are set out in note 9(b). Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 July 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985, applicable to small companies.



Chartered Accountants and Registered Auditors
Swansea, 23 April 1998.

Profit and loss account for the year ended 31 July 1996

	Notes	1996 £	1995 £
Turnover	2	2,803,284	2,573,510
Change in stocks of finished goods and work in progress		(1,750)	(17,788)
		<u>2,801,534</u>	<u>2,555,722</u>
Raw materials and consumables		(360,053)	(304,208)
Other external charges		(107,329)	(143,174)
		<u>2,334,152</u>	<u>2,108,340</u>
Staff costs		(1,892,999)	(1,726,361)
Depreciation and other amounts written off tangible fixed assets		(32,965)	(24,015)
Other operating charges		(372,840)	(328,513)
		<u>35,348</u>	<u>29,451</u>
Operating profit		490	63
Interest receivable and similar income		(17,176)	(16,924)
Interest payable and similar charges	3		
		<u>18,662</u>	<u>12,590</u>
Profit on ordinary activities before taxation	4	(20,607)	(9,165)
Tax on profit on ordinary activities	5		
		<u>(1,945)</u>	<u>3,425</u>
(Loss)/profit on ordinary activities after taxation		(51,020)	-
Dividends payable	6		
		<u>(52,965)</u>	<u>3,425</u>
(Loss)/profit for the year	14		
		<u><u>268,346</u></u>	<u><u>264,921</u></u>
Statement of retained profits		(52,965)	3,425
Retained profits at 1 August 1995			
(Loss)/profit for the year		<u>215,381</u>	<u>268,346</u>
Retained profits at 31 July 1996			

The company has no recognised gains or losses in the year other than the losses 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 loss 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.

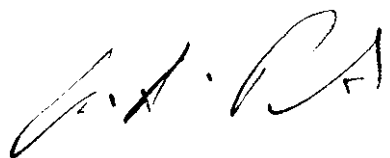
Balance sheet at 31 July 1996

	Notes	1996 £	1995 £
Fixed assets			
Tangible assets	7	<u>225,096</u>	<u>156,743</u>
Current assets			
Stocks	8	164,780	168,805
Debtors	9	1,168,941	893,343
Cash at bank and in hand		<u>2,037</u>	<u>3,284</u>
		<u>1,335,758</u>	<u>1,065,432</u>
Creditors: amounts falling due within one year	10	<u>(1,284,254)</u>	<u>(944,297)</u>
Net current assets		<u>51,504</u>	<u>121,135</u>
Total assets less current liabilities		<u>276,600</u>	<u>277,878</u>
Creditors: amounts falling due after more than one year			
	11	(41,794)	(307)
Provision for liabilities and charges	12	<u>(19,400)</u>	<u>(9,200)</u>
Net assets		<u><u>215,406</u></u>	<u><u>268,371</u></u>
Capital and reserves			
Called up share capital	13	25	25
Profit and loss account		<u>215,381</u>	<u>268,346</u>
Equity shareholders' funds	14	<u><u>215,406</u></u>	<u><u>268,371</u></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 5 to 13 were approved by the board of directors on *16* April 1998 and were signed on its behalf by:

Directors



Notes to the financial statements for the year ended 31 July 1996

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.

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

	1996	1995
	£	£
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	11,914	12,513
On finance leases and hire purchase contracts	5,262	2,037
Interest on tax paid late	-	2,374
	<u>17,176</u>	<u>16,924</u>

4 Profit on ordinary activities before taxation

	1996	1995
	£	£
Profit on ordinary activities before taxation is stated after charging:		
Directors' emoluments	183,472	58,835
Depreciation charge for the year:		
Tangible owned fixed assets	15,834	22,041
Assets held under hire purchase	15,733	1,974
Auditors' remuneration	3,000	2,500
Hire of plant and machinery - operating leases	72,100	103,690
Provision against debt due from related company	47,257	31,938
	<u>47,257</u>	<u>31,938</u>

5 Tax on profit on ordinary activities

	1996	1995
	£	£
United Kingdom corporation tax at 25% (1995: 25%)		
Current	18,000	14,000
Deferred	10,200	(6,250)
(Over)/under provision in respect of prior years:		
Current	(7,593)	1,415
	<u>20,607</u>	<u>9,165</u>

6 Dividends

	1996	1995
	£	£
Dividends payable on equity shares at £510.20 per share	<u>51,020</u>	<u>-</u>

7 Tangible fixed assets

	Fixtures, fittings and equipment £	Plant and machinery £	Motor vehicles £	Helicopter £	Totals £
Cost					
At 1 August 1995	34,304	176,563	45,134	76,117	332,118
Additions	4,147	64,261	49,160	-	117,568
Disposals	-	(16,725)	(25,960)	-	(42,685)
At 31 July 1996	<u>38,451</u>	<u>224,099</u>	<u>68,334</u>	<u>76,117</u>	<u>407,001</u>
Depreciation					
At 1 August 1995	26,822	109,003	21,491	18,059	175,375
Charge for year	2,326	18,721	10,520	-	31,567
Eliminated on disposal	-	(11,084)	(13,953)	-	(25,037)
At 31 July 1996	<u>29,148</u>	<u>116,640</u>	<u>18,058</u>	<u>18,059</u>	<u>181,905</u>
Net book value					
At 31 July 1996	<u>9,303</u>	<u>107,459</u>	<u>50,276</u>	<u>58,058</u>	<u>225,096</u>
At 31 July 1995	<u>7,482</u>	<u>67,560</u>	<u>23,643</u>	<u>58,058</u>	<u>156,743</u>

The net book value of tangible fixed assets includes an amount of £101,065 (1995: £7,895) in respect of assets held under finance leases and hire purchase contracts.

8 Stocks

	1996 £	1995 £
Raw materials and consumables	63,030	65,305
Work in progress	101,750	103,500
	<u>164,780</u>	<u>168,805</u>

The current replacement cost of the raw materials and consumables is not significantly different from the above total.

9 Debtors

	1996 £	1995 £
Amounts falling due within one year		
Trade debtors (see (a) below)	595,506	518,801
Amounts owed by related companies (see (b) below)	412,702	320,276
Other debtors	33	1,120
Prepayments and accrued income	160,700	53,146
	<u>1,168,941</u>	<u>893,343</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 A H Roberts, a director of the company. The amounts are interest free and have no fixed terms for their repayment. At 31 July 1996 the related companies had net assets of £70,756 and they continue to be dependant for their future viability on the support of R & R Developments Limited.

10 Creditors: amounts falling due within one year

	1996 £	1995 £
Bank overdrafts (secured)	121,269	157,838
Hire purchase instalments due in one year	35,087	3,532
Factoring advances (see note 9)	350,260	340,174
Trade creditors	144,556	143,785
Amounts owed to related companies	9,964	6,848
Amount owed to ultimate holding company	50,000	-
Corporation tax	27,492	22,553
Other taxation and social security payable	424,144	200,364
Accruals and deferred income	91,173	69,182
Directors' loan account (see below)	30,309	21
	<u>1,284,254</u>	<u>944,297</u>

The directors' loan account is interest free and has no fixed terms for its repayment. During the year the directors' loan was overdrawn and the maximum amount outstanding during the year was £89,759. This was in contravention of Section 330 of the Companies Act 1985, which prohibits making loans to a director of the company.

11 Creditors: amounts falling due after more than one year

	1996 £	1995 £
Obligations under hire purchase contracts (see below)	76,881	3,839
Less amounts falling due for repayment within one year	(35,087)	(3,532)
	<u>41,794</u>	<u>307</u>

Hire purchase

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

	1996 £	1995 £
In one year or less	35,087	3,532
Between one and two years	38,216	307
Between two and five years	3,578	-
	<u>76,881</u>	<u>3,839</u>

12 Provisions for liabilities and charges

	Deferred taxation (see below) £
At 1 August 1995	9,200
Transfer from profit and loss account	10,200
	<u> </u>
At 31 July 1996	<u>19,400</u>

Deferred taxation

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

	Amount provided		Amount unprovided	
	1996 £	1995 £	1996 £	1995 £
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	19,500	15,500	-	-
Other timing differences	(100)	(6,300)	-	-
	<u>19,400</u>	<u>9,200</u>	<u>-</u>	<u>-</u>

13 Called-up share capital

	1996 £	1995 £
Authorised		
4,000 ordinary shares of 25p each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
100 ordinary shares of 25p each	<u>25</u>	<u>25</u>

14 Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Opening shareholders' funds	268,371	264,946
(Loss)/profit for the year	(52,965)	3,425
	<u>215,406</u>	<u>268,371</u>

15 Capital commitments

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

16 Transactions with directors

The company has accrued service charges of £13,000 and management charges of £20,500 (1995: £35,000) due from companies owned and controlled by Mr A H Roberts. The company has accrued management charges of £20,000 (1995: £20,000) due to a company owned and controlled by Mr A H Roberts.

The company has made sales of £177,343 (1995: £196,452) to a subsidiary company owned and controlled by Mr A H Roberts. The company has accrued management charges of £34,000 (1995: £18,000) due from its subsidiary company owned and controlled by Mr A H Roberts.

The company has made purchases of £12,499 (1995: £10,351) from a company in which Mr A H Roberts is a joint owner. At 31 July 1996 an amount of £9,964 was due to the related company which is included in creditors at 31 July 1996.

The company has paid rent of £30,000 (1995: £30,000) for occupying a property owned by Mr A H Roberts.

During the year the company made loans to Mr A H Roberts, a director of the company, which were repaid during the financial year. At 31 July 1996 the company owed Mr A H Roberts £30,309 and this is included in creditors due within one year.

The company has made loans of £412,702 to related companies which are included in debtors at 31 July 1996.

The company has received loans of £50,000 from its ultimate holding company and this is included in creditors at 31 July 1996.

17 Ultimate and immediate parent company

The directors regard R&R Group 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 1996.