

Registered no: 1040087

R&R DEVELOPMENTS LIMITED

Annual report

for the year ended 31 July 1997



R&R DEVELOPMENTS LIMITED

Annual report for the year ended 31 July 1997

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Directors and advisers

Executive directors

D B Anthony
S R I Liddle
D F Pickering
C C Roberts

Non-executive directors

B E Mellin
A Bowden

Secretary and registered office

A H Roberts
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 1997

The directors present their report and the audited financial statements for the year ended 31 July 1997.

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.

Directors

The directors of the company at 31 July 1997 and for the whole of the year ended on that date, were as follows:

A H Roberts
C C Roberts
D B Anthony
B E Mellin
A Bowden

Subsequent to the end of the financial year A H Roberts resigned as a director on 31 July 1998 and D F Pickering and S R I Liddle were appointed as directors on 31 July 1998.

Significant events

Subsequent to the end of the financial year the holding company directors disposed of their shares in the holding company to Dayhow Limited and the company became a subsidiary of Dayhow Limited on 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 1997. 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 1997. 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.

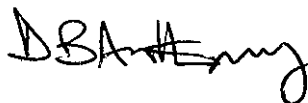
Auditors

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998 and a resolution to appoint the new firm, 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~~ Director

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

We have audited the financial statements on pages 6 to 15, in accordance with 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 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.

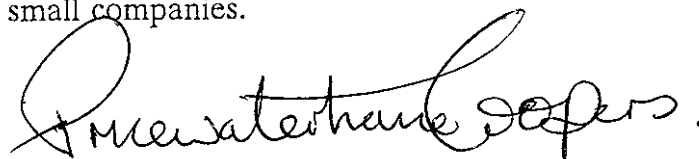
We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. 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 the amounts of £256,932 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.

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 July 1997 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.

A handwritten signature in cursive script, appearing to read "P. M. Waterhouse & Co. Chartered Accountants".

Chartered Accountants and Registered Auditors
Swansea, 23 December 1998

Profit and loss account for the year ended 31 July 1997

	Notes	1997 £	1996 £
Turnover	2	2,472,365	2,803,284
Change in stocks of finished goods and work in progress		7,153	(1,750)
		<u>2,479,518</u>	<u>2,801,534</u>
Raw materials and consumables		(283,585)	(360,053)
Other external charges		(122,340)	(107,329)
		<u>2,073,593</u>	<u>2,334,152</u>
Staff costs		(1,764,358)	(1,892,999)
Depreciation and other amounts written off tangible fixed assets		(34,910)	(32,965)
Other operating charges		(299,586)	(372,840)
		<u>(25,261)</u>	<u>35,348</u>
Operating (loss)/profit			
Interest receivable and similar income		61	490
Interest payable and similar charges	3	(29,438)	(17,176)
		<u>(29,377)</u>	<u>(16,686)</u>
(Loss)/profit on ordinary activities before taxation	4	(54,638)	18,662
Tax credit/(charge) on (loss)/profit on ordinary activities	5	21,870	(20,607)
		<u>(32,768)</u>	<u>(1,945)</u>
Loss on ordinary activities after taxation			
Dividends payable	6	-	(51,020)
		<u>(32,768)</u>	<u>(52,965)</u>
Loss for the year	14	<u>(32,768)</u>	<u>(52,965)</u>
Statement of retained profits			
Retained profits at 1 August 1996		215,381	268,346
Loss for the year		(32,768)	(52,965)
		<u>182,613</u>	<u>215,381</u>
Retained profits at 31 July 1997			

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 loss on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents.

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

Balance sheet at 31 July 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	7	211,175	225,096
Current assets			
Stocks	8	165,795	164,780
Debtors	9	983,726	1,168,941
Cash at bank and in hand		1,768	2,037
		1,151,289	1,335,758
Creditors: amounts falling due within one year	10	(1,147,749)	(1,284,254)
Net current (liabilities)/assets		3,540	51,504
Total assets less current liabilities		214,715	276,600
Creditors: amounts falling due after more than one year			
	11	(14,777)	(41,794)
Provision for liabilities and charges	12	(17,300)	(19,400)
Net assets		182,638	215,406
Capital and reserves			
Called up share capital	13	25	25
Profit and loss account		182,613	215,381
Equity shareholders' funds	14	182,638	215,406

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 15 were approved by the board of directors on ~~21~~ 21 December 1998 and were signed on its behalf by:

Directors

DB Anthony
CC [Signature]

**Notes to the financial statements
for the year ended 31 July 1997****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 incurred a loss of £32,768 and at 31 July 1997 current assets exceed current liabilities by £3,540. 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 £260,159.

The company's bankers have agreed to continue the overdraft and loan 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 and loan 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

	1997	1996
	£	£
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	18,090	11,914
On finance leases and hire purchase contracts	7,067	5,262
Interest on tax paid late	4,281	-
	<u>29,438</u>	<u>17,176</u>

4 (Loss)/profit on ordinary activities before taxation

	1997	1996
	£	£
(Loss)/profit on ordinary activities before taxation is stated after charging:		
Directors' emoluments	63,723	183,472
Depreciation charge for the year:		
Tangible owned fixed assets	13,508	15,834
Assets held under hire purchase	20,498	15,733
Auditors' remuneration	3,500	3,000
Hire of plant and machinery - operating leases	74,890	72,100
Provision against debt due from related company and crediting:	-	47,257
Waiver of amount due to holding company	50,000	-
	<u>63,723</u>	<u>183,472</u>

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

	1997	1996
	£	£
United Kingdom corporation tax at 24% (1996: 25%)		
Current	20,000	(18,000)
Deferred	2,100	(10,200)
(Under)/over provision in respect of prior years:		
Current	(230)	7,593
	<u>21,870</u>	<u>(20,607)</u>

6 Dividends

	1997	1996
	£	£
Dividends payable on equity shares at £510.20 per share	-	51,020
	<u>-</u>	<u>51,020</u>

7 Tangible fixed assets

	Fixtures, fittings and equipment £	Plant and machinery £	Motor vehicles £	Helicopter £	Totals £
Cost					
At 1 August 1996	38,451	224,099	68,334	76,117	407,001
Additions	2,474	1,335	17,180	-	20,989
Disposals	-	-	(3,245)	-	(3,245)
At 31 July 1997	40,925	225,434	82,269	76,117	424,745
Depreciation					
At 1 August 1996	29,148	116,640	18,058	18,059	181,905
Charge for year	2,355	21,491	10,160	-	34,006
Eliminated on disposal	-	-	(2,341)	-	(2,341)
At 31 July 1997	31,503	138,131	25,877	18,059	213,570
Net book value					
At 31 July 1997	9,422	87,303	56,392	58,058	211,175
At 31 July 1996	9,303	107,459	50,276	58,058	225,096

The net book value of tangible fixed assets includes an amount of £97,747 (1996: £101,065) in respect of assets held under finance leases and hire purchase contracts.

8 Stocks

	1997 £	1996 £
Raw materials and consumables	56,892	63,030
Work in progress	108,903	101,750
	165,795	164,780

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

9 Debtors

	1997 £	1996 £
Amounts falling due within one year		
Trade debtors (see (a) below)	553,158	595,506
Amounts owed by related companies (see (b) below)	256,932	412,702
Other debtors	450	33
Prepayments and accrued income	173,186	160,700
	<u>983,726</u>	<u>1,168,941</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 of £256,932 are interest-free and have no fixed terms for their repayment (see note 16). At 31 July 1997 The Pontardawe Foundry and Engineering Company Limited had net assets of £73,755 and continues to be dependant on its future viability on the support of R & R Developments Limited. At 31 December 1996, the latest audited financial statements of R & R Refractories Limited, this related company had net liabilities of £19,703.

10 Creditors: amounts falling due within one year

	1997 £	1996 £
Bank overdrafts (secured)	260,159	121,269
Hire purchase instalments due in one year	43,343	35,087
Factoring advances (see note 9 (a))	317,248	350,260
Trade creditors	146,818	144,556
Amounts owed to related companies	9,276	9,964
Amount owed to ultimate holding company (see note 16)	-	50,000
Corporation tax	7,711	27,492
Other taxation and social security payable	232,540	424,144
Accruals and deferred income	130,644	91,173
Directors' loan account (see below)	10	30,309
	<u>1,147,749</u>	<u>1,284,254</u>

The 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 £10,592 which is 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

	1997 £	1996 £
Obligations under hire purchase contracts (see below)	58,120	76,881
Less amounts falling due for repayment within one year	(43,343)	(35,087)
	<u>14,777</u>	<u>41,794</u>

Hire purchase

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

	1997 £	1996 £
In one year or less	43,343	35,087
Between one and two years	14,777	38,216
Between two and five years	-	3,578
	<u>58,120</u>	<u>76,881</u>

12 Provisions for liabilities and charges

	Deferred taxation (see below) £
At 1 August 1996	19,400
Transfer from profit and loss account	(2,100)
	<u>17,300</u>
At 31 July 1997	<u>17,300</u>

Deferred taxation

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

	Amount provided		Amount unprovided	
	1997 £	1996 £	1997 £	1996 £
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	17,400	19,500	-	-
Other timing differences	(100)	(100)	-	-
	<u>17,300</u>	<u>19,400</u>	<u>-</u>	<u>-</u>

13 Called-up share capital

	1997 £	1996 £
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

	1997 £	1996 £
Opening shareholders' funds	215,406	268,371
Loss for the year	(32,768)	(52,965)
Closing shareholders' funds	<u>182,638</u>	<u>215,406</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 Related party transactions

The company has accrued service charges of £Nil (1996: £13,000) and management charges of £Nil (1996: £20,500) due from R & R Roll Developments Limited, a company owned and controlled by Mr A H Roberts. The company has accrued management charges of £30,000 (1996: £20,000) due to, and management and service charges of £50,000 (1996: £50,000) due from, The Pontardawe Foundry and Engineering Company Limited, a company owned and controlled by Mr A H Roberts.

The company has made sales of £115,549 (1996: £177,343) to R & R Refractories Limited, the subsidiary company which is owned and controlled by Mr A H Roberts. The company has accrued management charges of £Nil (1996: £34,000) due from its subsidiary company which is owned and controlled by Mr A H Roberts.

The company has made purchases of £14,028 (1996: £12,499) from Pickering Safety Products Limited, a company in which Mr A H Roberts is a joint owner. At 31 July 1997 an amount of £9,276 (1996: £9,964) was due to this related company which is included in creditors at 31 July 1997.

The company has paid rent of £30,000 (1996: £30,000) for occupying a property owned by Mr A H Roberts from where the company trades.

During the year the company made loans to Mr A H Roberts, a director of the company, of which £10 were outstanding at the end of the financial year and this is included in creditors: amounts falling due within one year (see note 10).

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 at 31 July 1997.

	1997	1996
	£	£
The Pontardawe Foundry and Engineering Company Limited	181,507	275,832
R & R Refractories Limited	48,992	128,020
R & R Roll Developments Limited	26,443	10,850
	<u>256,932</u>	<u>412,702</u>

The company has made purchases of £1,440 from BHL (Hastie Fabrications) Limited, a company in which B E Mellin is a director.

The company received loans of £50,000 from its ultimate holding company R & R Group Limited and this was waived by the holding company during the year.

The company's bankers hold a life policy on the life of A H Roberts as part of their security for the bank overdraft.

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 1997.