

Topek Limited

Report and Financial Statements

Year Ended

31 August 2008



BDO Stoy Hayward
Chartered Accountants

Topek Limited

Annual report and financial statements for the year ended 31 August 2008

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Director

J. Harwood

Secretary and registered office

J.A. Papureanu, Gartferry Road, Moodiesburn, Chryston, G69 0JE

Company number

76272

Auditors

BDO Stoy Hayward LLP, 4 Atlantic Quay, 70 York Street, Glasgow, G2 8JX

Bankers

Clydesdale Bank plc, 30 St Vincent Street, Glasgow, G1 2HL

Solicitors

MacRoberts, 152 Bath Street, Glasgow, G2 4TB

Topek Limited

Report of the director for the year ended 31 August 2008

The director presents his report together with the audited financial statements for the year ended 31 August 2008.

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year.

The directors do not recommend the payment of a dividend.

Principal activities, review of business and future developments

The company is engaged in the construction of industrial and commercial roofing and cladding, geographically through the United Kingdom. There have been no changes in the company's activities in the year under review.

Turnover for the year was £15,078,032 and profit after tax was £56,138. Although turnover is down compared to the previous year, the overall gross profit margin improved from 9.9% to 10.7%. Furthermore, the result for the year includes several significant provisions made against doubtful debtors and contentious accounts. Excluding these amounts, the gross margin increased 3% compared to 2007.

Administration costs have stayed at the same level in 2007 and 2008, but these are being reviewed in order to reduce them in 2009.

The company continues to review its operational systems with the view of maximising profits going into the New Year.

There have been no events since the balance sheet date which materially affect the position of the company.

Principal risks and uncertainties

The global financial crisis will most probably affect all sectors of business however it is considered that the construction industry will be particularly constricted over the short term and therefore the Director has initiated changes in the company to best accommodate the uncertain market.

The company has taken the decision to provide against all doubtful debts and contentious accounts that existed at the balance sheet date. This action has reduced the profit earned in the current financial year but does permit the company to move forward with a clear and robust balance sheet.

The company is being re-shaped and downsized to allow increased focus on improved performance and cash maximization, driving sales efforts towards government funded projects that we consider are aligned to our skills and objectives.

The new company structure allows increased deliberation to pre-contract design and financial controls - both factors that the Director considers will be a major requirement in the current markets.

Director

The director of the company during the year was:

J. Harwood

Topek Limited

Report of the director for the year ended 31 August 2008 (*continued*)

Director's responsibilities

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the director 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The current director has taken all the steps that he ought to have taken to make himself aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The director is not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the board



J. Harwood

Director

7 January 2009

Topek Limited

Independent auditor's report

To the shareholder of Topek Limited

We have audited the financial statements of Topek Limited for the year ended 31 August 2008 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The director's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of director's responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the director's report is consistent with those financial statements. We also report to you if, in our opinion, 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 director's remuneration and other transactions is not disclosed.

We read the director's report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 director 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.

Topek Limited

Independent auditor's report (*continued*)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 August 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the director's report is consistent with the financial statements.



BDO STOY HAYWARD LLP
*Chartered Accountants
and Registered Auditors*
Glasgow

7 January 2009

Topek Limited

Profit and loss account for the year ended 31 August 2008

	Note	2008 £	2007 £
Turnover	2	15,078,032	20,132,216
Cost of sales		13,458,784	18,134,106
Gross profit		1,619,248	1,998,110
Administrative expenses		1,491,046	1,499,276
Operating profit	3	128,202	498,834
Other interest receivable and similar income		-	3,612
Interest payable and similar charges	6	(29,222)	(20,166)
Profit on ordinary activities before taxation		98,980	482,280
Taxation on profit on ordinary activities	7	42,842	166,616
Profit on ordinary activities after taxation		56,138	315,664

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

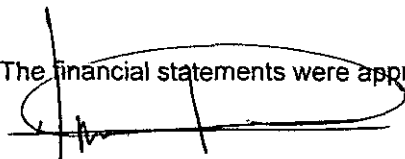
The notes on pages 8 to 18 form part of these financial statements.

Topek Limited

Balance sheet at 31 August 2008

	Note	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Tangible assets	9		108,334		127,748
Current assets					
Stocks	11	-		192,218	
Debtors	12	4,905,883		6,092,105	
Cash at bank and in hand		107,113		41,027	
		<u>5,012,996</u>		<u>6,325,350</u>	
Creditors: amounts falling due within one year	13	<u>4,313,128</u>		<u>5,674,294</u>	
Net current assets			<u>699,868</u>		<u>651,056</u>
Total assets less current liabilities			<u>808,202</u>		<u>778,804</u>
Creditors: amounts falling due after more than one year	14		<u>5,708</u>		<u>32,448</u>
			<u>802,494</u>		<u>746,356</u>
Capital and reserves					
Called up share capital	15		100		100
Profit and loss account	16		802,394		746,256
Shareholder's funds	17		<u>802,494</u>		<u>746,356</u>

The financial statements were approved by the director and authorised for issue on 7 January 2009.


J. Harwood
Director

The notes on pages 8 to 18 form part of these financial statements.

Topek Limited

Cashflow statement for the year ended 31 August 2008

	Note	2008 £	2008 £	2007 £	2007 £
Net cash inflow/(outflow) from operating activities	18		817,695		(1,255,471)
Returns on investments and servicing of finance					
Interest received		-		3,612	
Interest paid: bank loans		(27,522)		(16,452)	
Interest paid: other		-		(677)	
Interest paid: hire purchase		(1,700)		(3,037)	
Net cash outflow from returns on investments and servicing of finance			(29,222)		(16,554)
Taxation					
Corporation tax (paid)/recovered			(166,979)		72,517
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets			(55,472)		(67,585)
Dividends paid			-		(62,500)
Cash inflow/(outflow) before use of financing			566,022		(1,329,593)
Financing					
Loans repaid		(48,916)		(41,558)	
Capital element of hire purchase repaid		(13,725)		(28,192)	
Net cash outflow from financing			(62,641)		(69,750)
Increase/(decrease) in cash	19		503,381		(1,399,343)

The notes on pages 8 to 18 form part of these financial statements.

Topek Limited

Notes forming part of the financial statements for the year ended 31 August 2008

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

The following principal accounting policies have been applied:

Turnover

Turnover represents the value of work done during the year, stated net of value added sales tax.

Contract valuation and income recognition

Contracts are accounted for by recording turnover and related costs as contract activity progresses. Turnover represents the value of work carried out to date, on a contract by contract basis, in accordance with Statement of Standard Accounting Practice No. 9. Full provision is made for:

- (a) Payments on account received, which are not fully matched by attributable costs.
- (b) Known and anticipated losses on contracts.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost consists of purchase invoice costs and, where appropriate, attributable overheads. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Work in progress is valued at the lower of cost and net realisable value. Cost consists of direct materials, attributable overheads and profits estimated to be earned to date based on the stage of completion. Net realisable value is based on estimated contract value, less further costs expected to be incurred to completion. Full provision is made for known and anticipated losses on contracts.

Payments received and receivable on account of work done are deducted from the value of the work in progress.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Plant and machinery	- 25% straight line
Motor vehicles	- 25% straight line
Office equipment	- 15% straight line

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders.

Topek Limited

Notes forming part of the financial statements for the year ended 31 August 2008 (continued)

1 Accounting policies (continued)

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (hire purchase agreements), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Operating profit

	2008 £	2007 £
This is arrived at after charging:		
Depreciation of tangible fixed assets	74,886	68,208
Auditors' remuneration:		
- audit services	12,688	16,250
- non-audit services	11,132	10,188

Depreciation includes £15,369 (2007 - £38,265) charged on assets held under hire purchase contracts.

Topek Limited

Notes forming part of the financial statements for the year ended 31 August 2008 (continued)

4 Employees

Staff costs (including directors) consist of:

	2008 £	2007 £
Wages and salaries	1,578,252	1,846,577
Social security costs	186,595	206,660
Other pension costs	51,943	60,604
	<u>1,816,790</u>	<u>2,113,841</u>

The average number of employees (including directors) during the year was as follows:

	2008 Number	2007 Number
Management and administration	32	33
Production, installation and sales	16	23
	<u>48</u>	<u>56</u>

5 Director's remuneration

	2008 £	2007 £
Director's emoluments	211,958	219,936
	<u>211,958</u>	<u>219,936</u>

The total amount payable to the highest paid director in respect of emoluments was £211,958 (2007 - £219,936).

6 Interest payable and similar charges

	2008 £	2007 £
Bank loans and overdrafts	27,522	16,452
Hire purchase contracts	1,700	3,037
Interest on overdue Corporation Tax	-	677
	<u>29,222</u>	<u>20,166</u>

Topek Limited

Notes forming part of the financial statements for the year ended 31 August 2008 (continued)

7 Taxation on profit on ordinary activities

	2008 £	2007 £
<i>UK Corporation tax</i>		
Current tax on profits of the year	41,996	166,133
Adjustment in respect of previous periods	846	483
Total current tax	42,842	166,616

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2008 £	2007 £
Profit on ordinary activities before tax	98,980	482,280
Profit on ordinary activities at the standard rate of corporation tax in the UK of 29% (2007 - 30%)	28,704	144,684
Effect of:		
Expenses not deductible for tax purposes	19,462	20,677
Depreciation for period in excess of capital allowances	909	772
Adjustment to tax charge in respect of previous periods	846	483
Marginal relief	(7,079)	-
Current tax charge for the year	42,842	166,616

8 Dividends

	2008 £	2007 £
Ordinary shares		
Interim paid of £nil (2007 - £625) per share	-	62,500

Topek Limited

Notes forming part of the financial statements
for the year ended 31 August 2008 (*continued*)

9 Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Office equipment £	Total £
<i>Cost or valuation</i>				
At 1 September 2007	163,352	153,060	201,727	518,139
Additions	6,406	4,250	44,816	55,472
Disposals	-	(18,900)	-	(18,900)
At 31 August 2008	169,758	138,410	246,543	554,711
<i>Depreciation</i>				
At 1 September 2007	136,469	98,733	155,189	390,391
Provided for the year	8,875	34,238	31,773	74,886
Disposals	-	(18,900)	-	(18,900)
At 31 August 2008	145,344	114,071	186,962	446,377
<i>Net book value</i>				
At 31 August 2008	24,414	24,339	59,581	108,334
At 31 August 2007	26,883	54,327	46,538	127,748

The net book value of, and depreciation charge for the year on, tangible fixed assets includes assets held under hire purchase contracts as follows:

	2008 £	2007 £
<i>Net book value</i>		
Motor vehicles	21,666	54,327
<i>Depreciation charged</i>		
Motor vehicles	15,369	38,265

Topek Limited

Notes forming part of the financial statements
for the year ended 31 August 2008 *(continued)*

10 Fixed asset investments

	Unlisted investments £
<i>Cost or valuation</i>	
At 1 September 2007 and 31 August 2008	11,000
<i>Provisions</i>	
At 1 September 2007 and 31 August 2008	11,000
<i>Net book value</i>	
At 31 August 2007 and 31 August 2008	-

11 Stocks

	2008 £	2007 £
Long-term contract balances	-	192,218
	2008 £	2007 £
Long-term contract balances comprise the following:		
Net costs less foreseeable losses	2,038,014	9,602,280
Payments on account	(2,038,014)	(9,410,062)
	-	192,218

Topek Limited

Notes forming part of the financial statements for the year ended 31 August 2008 (continued)

12 Debtors

	2008 £	2007 £
Trade debtors	4,579,497	5,870,046
Prepayments and accrued income	35,253	6,181
Amounts recoverable on contracts	198,986	184,165
Other debtors	84,126	23,691
s419 tax recoverable	8,021	8,022
	<u>4,905,883</u>	<u>6,092,105</u>

All amounts shown under debtors fall due for payment within one year.

Included within other debtors are staff loans totalling £582 (2007 - £115) made to 2 employees (2007 - 1) and a director's loan of £4,549 (2007 - £nil). The highest balance outstanding during the year was £4,791 (2007 - £nil).

13 Creditors: amounts falling due within one year

	2008 £	2007 £
Bank loans and overdrafts (secured)	9,245	481,344
Payments received on account	154,315	615,622
Trade creditors	2,804,616	3,058,495
Amounts owed to group undertakings	23,950	23,950
Corporation tax	41,996	166,133
Other taxation and social security	377,008	244,532
Obligations under hire purchase contracts (secured)	12,629	13,726
Director's loan	-	1,872
Other creditors	6,792	258,492
Accruals and deferred income	882,577	810,128
	<u>4,313,128</u>	<u>5,674,294</u>

The bank loan and overdraft is secured by a floating charge over the assets and undertakings of the company.

Hire purchase obligations are secured on the assets being purchased.

Included within creditors is a loan from J Harwood, director, amounting to £nil (2007 - £1,872).

Topek Limited

Notes forming part of the financial statements
for the year ended 31 August 2008 (continued)

14 Creditors: amounts falling due after more than one year

	2008 £	2007 £
Bank loans (secured)	-	14,112
Obligations under hire purchase contracts (secured)	5,708	18,336
	<u>5,708</u>	<u>32,448</u>

Maturity of debt:

	Loans and overdrafts 2008 £	Loans and overdrafts 2007 £	Hire purchase 2008 £	Hire purchase 2007 £
In one year or less, or on demand	<u>9,245</u>	<u>481,344</u>	<u>12,629</u>	<u>13,726</u>
In more than one year but not more than two years	-	14,112	5,708	12,628
In more than two years but not more than five years	-	-	-	5,708
	<u>-</u>	<u>14,112</u>	<u>5,708</u>	<u>18,336</u>

15 Share capital

	2008 £	Authorised 2007 £	Allotted, called up and fully paid 2008 £	2007 £
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Topek Limited

Notes forming part of the financial statements for the year ended 31 August 2008 (continued)

16 Reserves

	Profit and loss account £
At 1 September 2007	746,256
Profit for the year	56,138
At 31 August 2008	802,394

17 Reconciliation of movements in shareholder's funds

	2008 £	2007 £
Profit for the year	56,138	315,664
Dividends	-	(62,500)
Net additions to shareholder's funds	56,138	253,164
Opening shareholder's funds	746,356	493,192
Closing shareholder's funds	802,494	746,356

18 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2008 £	2007 £
Operating profit	128,202	498,834
Depreciation of tangible fixed assets	74,886	68,208
Decrease/(increase) in stocks	192,218	(738)
Decrease/(increase) in debtors	1,186,222	(212,840)
Decrease in creditors	(763,833)	(1,608,935)
Net cash inflow/(outflow) from operating activities	817,695	(1,255,471)

Topek Limited

Notes forming part of the financial statements
for the year ended 31 August 2008 (continued)

19 Reconciliation of net cash flow to movement in net (debt)/funds

	2008 £	2007 £
Increase/(decrease) in cash	503,381	(1,399,343)
Cash outflow from changes in debt	62,641	69,750
Movement in net funds/(debt)	566,022	(1,329,593)
Opening net (debt)/funds	(486,491)	843,102
Closing net funds/(debt)	79,531	(486,491)

20 Analysis of net (debt)/funds

	At 1 September 2007 £	Cash flow £	At 31 August 2008 £
Cash at bank and in hand	41,027	66,086	107,113
Bank overdrafts	(437,295)	437,295	-
		503,381	
Debt due within one year	(44,049)	34,804	(9,245)
Debt due after one year	(14,112)	14,112	-
Hire purchase contracts	(32,062)	13,725	(18,337)
		62,641	
Total	(486,491)	566,022	79,531

21 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £51,943 (2007 - £60,604).

Topek Limited

Notes forming part of the financial statements for the year ended 31 August 2008 (continued)

22 Related party disclosures

Related party transactions and balances

Systems Aluminium Ltd and T.I. Tiles International Ltd, companies under common control, had various transactions and balances with the company throughout the year. Systems Aluminium Ltd was only under common control until 3 April 2008 at which point the company's ownership changed hands.

Systems Aluminium Ltd charged Topek Ltd £42,000 (2007 - £230,205) for the provision of office accommodation and administration services until 3 April 2008. In addition, Topek Ltd made sales to Systems Aluminium Ltd of £2,605,987 (2007 - £2,159,566) and purchases of £19,666 (2007 - £1,481,963).

T.I. Tiles International Ltd, a company controlled by J Harwood, charged Topek Ltd £6,000 (2007 - £18,000) for the provision of office accommodation.

At the balance sheet date the company was owed £1,367,407 (2007 - £992,625) by Systems Aluminium Ltd and owed it £550,985 (2007 - £553,029). The company was also owed £14,644 (2007 - £1,637) by T.I. Tiles International Ltd and owed it £13,595 (2007 - £12,035).

The company provided loans of up to £4,791 (2007 - £nil) to J. Harwood during the year.

At the year end the company owed £23,950 (2007 - £23,950) to its ultimate parent company, Group Topek Holdings Limited.

23 Ultimate parent company and parent undertaking of larger group

The director regards Group Topek Holdings Limited, a company controlled by J. Harwood, as the company's ultimate parent company.