

**Howarth Timber & Building Supplies Limited**

**Directors' report and financial  
statements**

**Registered number 201929**

**31 March 2008**

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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2008

### Principal activities and business review

The principal trade of the business is the supply of timber and other building supplies to merchants, building material suppliers and DIY retailers. The business activities are conducted through the company's network of branches.

During the period the company has opened new branches in Bradford and Rochdale.

Operating profit from continuing operations, before new store opening and reorganisation costs from the continuing activities has reduced from £1.8m to £1.4m as a result of economic conditions, increased maintenance costs and a change in sales mix towards lower margin products.

On 1 April 2007 the company disposed of its timber engineering business to Howarth Timber Engineering Limited, a fellow group company. As the company no longer operates directly in the timber engineering sector the results of these operations have been classified as a discontinued operation.

During the year turnover from the continuing business has grown by £6.3m.

Included within operating profit are costs of £411,000 relating to losses and investments made at newly opened stores. The directors consider these costs to be non-recurring and expect the two branches to be profitable in 2009.

Trading conditions are expected to continue to be challenging in the new financial year.

The principal risks and uncertainties affecting the business include the following:

- Raw material availability and prices: the company monitors raw material sources on a national basis.
- Environmental risks: the company places considerable emphasis upon environmental compliance in each of its businesses and not only seeks to ensure ongoing compliance with relevant legislation but also strives to ensure that environmental best practice is incorporated into its key processes.
- Debtors: the company maintains strong relationships with each of its key customers and has established credit control parameters. Appropriate credit terms are agreed with all customers and these are closely managed. In addition, the company maintains credit insurance whereby the majority of outstanding debts are credit insured.
- Major disruption/disaster: business continuity planning is reviewed regularly.
- The effect of legislation or other regulatory activities: the group monitors forthcoming and current legislation regularly.
- All appropriate measures are taken to protect the company's intellectual property rights and to minimise the risk of infringement of third party rights.
- Competitive risk: The company operates in highly competitive markets. The diversity of operations reduces the possible effect of action by any single competitor.

Key areas of strategic development and performance of the business include:

- Sales and marketing: new and replacement business is being won continually and key customer relationships are monitored on a regular basis.
- Health and Safety: accident and absenteeism rates are monitored and the company continues to seek ways of ensuring that a safe and healthy working environment is progressively improved.

## Directors' report *(continued)*

Key financial performance indicators include the monitoring of the management of profitability and working capital

	2008	2007	Measure
<b>Financial</b>			
Return on capital	0.09	0.17	Profit before tax/net assets
Current ratio	1.94	1.72	Current assets/current liabilities
Stock turnover	11.18	10.28	Turnover/stock
Days debtors	46	51	Trade debtors/average turnover
Sales per employee (£000)	148	139	Turnover/average number of employees
Operating profit per employee (£000)	2.4	3.8	Operating profit/average number of employees

### Proposed dividend and transfer to reserves

During the year a dividend of £100 (2007 £100) was paid on the cumulative preference shares

### Directors

The directors who held office during the year were as follows

AP Howarth  
 ND Howarth (Chairman)  
 DJ Storey

The chairmanship of the company rotates on an annual basis

The director retiring by rotation is ND Howarth who, being eligible, offers himself for re-election

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company nor any other group undertaking, other than as shown in the directors' report of Howarth Timber Group Limited

### Employees

The company's policy is founded on the belief that the disabled do not belong to a single category but are individuals offering a wide range of skills and capabilities whose disabilities vary in their nature and severity and may not necessarily limit the work they do. Within that context, it is the company's policy that disabled people should have the same considerations as others for all job vacancies for which they apply as suitable candidates. Depending on their own skills and abilities, the disabled have the same career prospects and opportunities for promotion as other employees and the same scope for realising their full potential within the working structure of the company.

The company is committed to the development of employee consultation so that the views of the employees can be taken into account in making decisions which are likely to affect their interests.

### Political and charitable contributions

The Company made no political contributions during the year. Donations to UK charities amounted to £5,700.

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## **Directors' report** *(continued)*

### **Auditors**

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board



ND Howarth  
Director

Prince Edward Works  
Pontefract Lane  
LEEDS  
LS9 0RA

4 August 2008

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

## **Independent auditors' report to the members of Howarth Timber & Building Suppliers Limited**

We have audited the financial statements of Howarth Timber & Building Suppliers Limited for the year ended 31 March 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 directors' remuneration and other transactions is not disclosed.

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

### **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 judgments 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.

**Independent auditors' report to the members of Howarth Timber & Building Supplies Limited (*continued*)**

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 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 Directors' Report is consistent with the financial statements

KPMG LLP

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

4 August 2008

**Profit and loss account**  
*for the year ended 31 March 2008*

	<i>Note</i>	<b>2008</b> £	<b>2007</b> £
<b>Turnover</b>	<i>1</i>		
Continuing operations		<b>61,242,807</b>	54,989,852
Discontinued		-	17,482,881
		<hr/>	<hr/>
	<i>3</i>	<b>61,242,807</b>	72,472,733
Change in stocks of finished goods and work in progress		<b>159,896</b>	566,534
Other operating income		<b>13,423</b>	7,637
Raw materials and consumables		<b>(42,077,406)</b>	(48,774,871)
Other external charges		<b>(2,453,260)</b>	(2,314,264)
Staff costs	<i>5</i>	<b>(10,069,929)</b>	(12,346,647)
Depreciation and other amounts written off fixed assets	<i>2</i>	<b>(1,011,806)</b>	(1,246,503)
Other operating charges		<b>(4,799,788)</b>	(6,385,375)
		<hr/>	<hr/>
<b>Operating profit</b>			
Operating profit before new store opening and reorganisation costs		<b>1,414,605</b>	1,979,244
New store opening and reorganisation costs	<i>2</i>	<b>(410,668)</b>	-
		<hr/>	<hr/>
Continuing operations		<b>1,003,937</b>	1,848,934
Discontinued		-	130,310
		<hr/>	<hr/>
	<i>3</i>	<b>1,003,937</b>	1,979,244
Interest receivable and similar income	<i>6</i>	<b>204,068</b>	193,553
Interest payable and similar charges	<i>7</i>	<b>(10,438)</b>	(11,856)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>1,197,567</b>	2,160,941
Tax on profit on ordinary activities	<i>8</i>	<b>(423,539)</b>	(761,911)
		<hr/>	<hr/>
<b>Profit for the financial year</b>		<b>774,028</b>	1,399,030
		<hr/>	<hr/>

There have been no recognised gains or losses except for profit as disclosed above

There is no difference between the profit on ordinary activities before taxation and the retained profit for the financial period stated above and their historical cost equivalent

**Balance sheet**  
**at 31 March 2008**

	Note	2008	2007
		£	£
<b>Fixed assets</b>			
Intangible assets	9	153,846	169,230
Tangible assets	10	2,339,734	3,091,357
Investments	11	57,213	57,213
		<u>2,550,793</u>	<u>3,317,800</u>
<b>Current assets</b>			
Stocks	12	5,479,778	7,049,895
Debtors	13	13,086,315	12,615,660
Cash at bank and in hand		4,918,694	3,988,487
		<u>23,484,787</u>	<u>23,654,042</u>
<b>Creditors</b> amounts falling due within one year	14	(12,098,039)	(13,748,271)
<b>Net current assets</b>		<u>11,386,748</u>	<u>9,905,771</u>
<b>Total assets less current liabilities</b>		<u>13,937,541</u>	<u>13,223,571</u>
<b>Creditors</b> amounts falling due after one year	15	(84,901)	(144,959)
		<u>13,852,640</u>	<u>13,078,612</u>
<b>Capital and reserves</b>			
Called up share capital	17	48,000	48,000
Profit and loss account	18	13,804,640	13,030,612
		<u>13,852,640</u>	<u>13,078,612</u>

These financial statements were approved by the board of directors on 4 August 2008 and were signed on its behalf by

  
 ND Howarth  
 Director

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items, except as outlined below, which are considered material in relation to the company's financial statements except as noted

#### ***Basis of preparation***

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

A consolidated cash flow statement prepared in accordance with Financial Reporting Standard 1 (Revised) is included in the financial statements of Howarth Timber Group Limited

As the company is a wholly owned subsidiary of Howarth Timber Group Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Howarth Timber Group Limited, within which this company is included, can be obtained from the address given in note 21

#### ***Goodwill***

Purchased goodwill (both positive and negative) arising on business combination in respect of acquisitions before 1 January 1998, when FRS 10 'Goodwill and intangible assets' was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life

#### ***Fixed assets and depreciation***

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Fixtures and fittings	-	15% of cost per annum
Plant and machinery	-	15% of cost per annum
Motor vehicles	-	25% of cost per annum
Computers	-	20% of cost per annum

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***Pension costs***

Howarth Timber Group Limited operates two defined contribution pension schemes. The assets of the schemes are held separately from those of the Howarth Timber Group in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

The company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### ***Stocks***

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the purchase price is used. For work in progress and finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

#### ***Bank balances***

Bank balances are stated at the amount of the balance shown on the bank statement of the company adjusted for the bank charges and interest accrued but not charged at the financial year end.

#### ***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Classification of financial instruments issued by the Company*

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

#### **Turnover**

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

### 2 Profit on ordinary activities before taxation

	2008 £	2007 £
<i>Profit on ordinary activities before taxation is stated after charging.</i>		
Auditors' remuneration		
Audit of these financial statements	54,440	46,000
Depreciation and other amounts written off tangible fixed assets		
Wholly owned	906,138	1,098,986
Leased	90,283	132,132
Amortisation and other amounts written off intangible fixed assets	15,385	15,385
Amounts payable in respect of hire of plant and machinery	82,417	219,080
	<u>          </u>	<u>          </u>

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Howarth Timber Group Limited.

During the year costs of £410,668 were incurred in relation to new site openings. These related to the costs of conversion of the new sites to the Howarth format.

## Notes (continued)

### 3 Analysis of continuing and discontinued operations

	2008 Con- tinuing £000	2007 Con- tinuing £000	2007 Dis- continued £000	2007 Total £000
<b>Turnover</b>	<b>61,242,807</b>	<b>54,989,852</b>	<b>17,482,881</b>	<b>72,472,733</b>
Change in stocks of finished goods and work in progress	159,896	40,733	525,801	566,534
Other operating income	13,423	7,637	-	7,637
Raw materials and consumables	(42,077,406)	(37,012,988)	(11,761,883)	(48,774,871)
Other external charges	(2,453,260)	(1,704,105)	(610,159)	(2,314,264)
Staff costs	(10,069,929)	(9,156,005)	(3,190,642)	(12,346,647)
Depreciation and other amounts	(1,011,806)	(944,905)	(301,598)	(1,246,503)
Other operating charges	(4,799,788)	(4,371,285)	(2,014,090)	(6,385,375)
<b>Operating profit</b>	<b>1,003,937</b>	<b>1,848,934</b>	<b>130,310</b>	<b>1,979,244</b>

### 4 Remuneration of directors

	2008 £	2007 £
Directors' emoluments	64,201	95,441
Pension contributions	14,871	13,442
	<u>79,072</u>	<u>108,883</u>

Retirement benefits are accruing to two directors under the defined benefit scheme (2007 two)

## Notes (continued)

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2008	2007
Production	163	238
Selling and distribution	178	210
Administration	72	74
	<u>413</u>	<u>522</u>

The aggregate payroll costs of these persons were as follows

	2008	2007
	£	£
Wages and salaries	8,822,451	10,932,871
Social security costs	847,817	1,036,641
Other pension costs (see note 20)	399,661	377,135
	<u>10,069,929</u>	<u>12,346,647</u>

### 6 Interest receivable and similar income

	2008	2007
	£	£
Bank interest receivable	203,534	192,840
Other	534	713
	<u>204,068</u>	<u>193,553</u>

### 7 Interest payable and similar charges

	2008	2007
	£	£
Finance costs on shares classified as liabilities	100	100
Other	10,338	11,756
	<u>10,438</u>	<u>11,856</u>

## Notes (continued)

### 8 Taxation

	2008 £	2007 £
UK corporation tax		
Current tax on income for the period	473,577	709,465
Adjustments in respect of prior years	(16,651)	1,860
Total current tax	456,926	711,325
Deferred tax (note 15)		
Origination/reversal of timing differences	(69,245)	49,412
Adjustments in respect of prior years	15,836	1,174
Effect of change in tax rates	20,022	-
Total deferred tax	(33,387)	50,586
<b>Tax on profit on ordinary activities</b>	<b>423,539</b>	<b>761,911</b>

#### *Factors affecting the tax charge for the current period*

The current tax charge for the period is higher (2007 higher) than the standard rate of corporation tax in the UK of 30% (2007 30%). The differences are explained below

	2008 £	2007 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,197,567	2,160,941
Current tax at 30% (2007 30%)	359,270	648,282
<i>Effects of</i>		
Expenses not deductible for tax purposes	52,542	110,595
Fixed asset timing differences	63,500	(52,472)
Short term timing differences	3,221	3,060
Industrial Building Allowances	(4,956)	-
Adjustments to tax charge in respect of previous periods	(16,631)	1,860
Total current tax charge (see above)	456,926	711,325

**Notes (continued)**

**9 Intangible fixed assets - Goodwill**

	<b>2008</b>
	<b>£</b>
<i><b>Cost</b></i>	
At beginning of year	200,000
Additions	-
	<hr/>
At end of year	200,000
	<hr/>
<i><b>Amortisation</b></i>	
At beginning of year	30,770
Charge for the year	15,384
	<hr/>
At end of year	46,154
	<hr/>
<i><b>Net book value</b></i>	
At 31 March 2008	<b>153,846</b>
	<hr/>
At 31 March 2007	169,230
	<hr/>

Goodwill has arisen on the acquisition of a merchant business during the previous year

The goodwill represents the difference between the total cash consideration paid less the fair value of the fixed assets acquired

The goodwill is being written off over the remaining period of the property lease (13 years)

**Notes (continued)**

**10 Tangible fixed assets**

	Fixtures and fittings £	Computers £	Plant and machinery £	Motor Vehicles £	Total £
<b>Cost</b>					
At beginning of year	2,473,269	464,919	4,637,626	3,482,947	11,058,761
Additions	248,053	14,030	379,331	634,775	1,276,189
Disposals	(61,703)	(1,100)	(86,729)	(277,150)	(426,682)
Group transfers	(189,328)	(143,760)	(1,534,078)	(569,427)	(2,436,593)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	2,470,291	334,089	3,396,150	3,271,145	9,471,675
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>					
At beginning of year	1,799,929	395,793	3,399,943	2,371,739	7,967,404
Charge for year	205,363	15,339	198,179	577,540	996,421
Disposals	(61,701)	(1,099)	(82,266)	(275,690)	(420,756)
Group transfers	(58,481)	(94,924)	(850,808)	(406,915)	(1,411,128)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,885,110	315,109	2,665,048	2,266,674	7,131,941
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>					
At 31 March 2008	<u>585,181</u>	<u>18,980</u>	<u>731,102</u>	<u>1,004,471</u>	<u>2,339,734</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2007	<u>673,340</u>	<u>69,126</u>	<u>1,237,683</u>	<u>1,111,208</u>	<u>3,091,357</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Included within the total net book value of plant and machinery is £101,646 (2007 £282,287) of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £90,283 (2007 £132,132).

## Notes (continued)

### 11 Investments

	£
<b>Cost</b>	
At beginning and end of year	58,213
<b>Provisions</b>	
At beginning and end of year	1,000
<b>Net book value</b>	
At 31 March 2008	57,213
At 31 March 2007	57,213

The companies in which the company's interest is more than 10% are as follows

	Country of registration	Principal activity	Class and percentage of shares held
<b>Subsidiary undertakings</b>			
Howarth Timber (Elland) Limited	England	Non-trading	100%
Howarth Timber (Ashton) Limited	England	Non-trading	100%
Howarth Timber (Austin) Limited	England	Non-trading	100%
Howarth Timber (Barnsley) Limited	England	Non-trading	100%
Howarth Timber (Bradford) Limited	England	Non-trading	100%
Howarth Timber (Corby) Limited	England	Non-trading	100%
Howarth Timber (Derby) Limited	England	Non-trading	100%
Howarth Timber (Dewsbury) Limited	England	Non-trading	100%
Howarth Timber (Grimsby) Limited	England	Non-trading	100%
Howarth Timber (Leeds) Limited	England	Non-trading	100%
Howarth Timber (London) Limited	England	Non-trading	100%
Howarth Timber (Malton) Limited	England	Non-trading	100%
Howarth Timber (Mansfield) Limited	England	Non-trading	100%
Howarth Timber (Newcastle) Limited	England	Non-trading	100%
Howarth Timber (Richmond) Limited	England	Non-trading	100%
Howarth Timber (Scunthorpe) Limited	England	Non-trading	100%
Howarth Timber (Sheet Materials) Limited	England	Non-trading	100%
Howarth Timber (Thorne) Limited	England	Non-trading	100%
Howarth Timber (Tottenham) Limited	England	Non-trading	100%
Howarth Timber (Wakefield) Limited	England	Non-trading	100%
Howarth Timber (York) Limited	England	Non-trading	100%
Howarth (Builders Merchants) Limited	England	Non-trading	100%
Howarth Timber (Forest Products) Limited	England	Non-trading	100%
Howarth Timber (Liverpool) Limited	England	Non-trading	100%

### 12 Stocks

	2008 £	2007 £
Raw materials and consumables	-	1,730,013
Finished goods and goods for resale	5,479,778	5,319,882
	<u>5,479,778</u>	<u>7,049,895</u>

**Notes (continued)**

**13 Debtors**

	2008	2007
	£	£
Trade debtors	7,765,773	10,106,821
Credits not cleared by bank	376,109	781,539
Amounts owed by group undertakings	3,125,887	-
Other debtors	146,410	98,351
Prepayments and accrued income	1,391,827	1,382,027
Deferred taxation (note 16)	280,309	246,922
	<u>13,086,315</u>	<u>12,615,660</u>

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

	2008	2007
	£	£
Obligations under finance leases and hire purchase contracts	37,650	96,744
Cheques issued not presented	4,163,787	3,482,442
Trade creditors	4,358,414	6,737,869
Amounts owed to group undertakings	965,440	897,837
Other creditors including taxation and social security		
Corporation tax	950,834	1,142,758
Other taxes and social security	732,634	606,893
	<u>1,683,468</u>	<u>1,749,657</u>
Taxation and social security	342,003	330,310
Other creditors		
	<u>2,025,471</u>	<u>2,079,961</u>
Accruals and deferred income	547,277	453,418
	<u>12,098,039</u>	<u>13,748,271</u>

**Notes (continued)**

**15 Creditors: amounts falling due after one year**

	2008 £	2007 £
Obligations under finance leases and hire purchase contracts	82,901	142,959
Shares classified as liabilities	2,000	2,000
	<u>84,901</u>	<u>144,959</u>

**Analysis of finance lease and hire purchase obligations**

	2008 £	2007 £
Finance lease and hire purchase obligations can be analysed as falling due		
In one year or less, or on demand	37,650	96,744
Between one and two years	82,901	142,959
	<u>120,551</u>	<u>239,703</u>

**16 Deferred taxation**

	2008 £	2007 £
Deferred tax asset at beginning of year	246,922	297,509
Credit for the year	33,387	(50,586)
	<u>280,309</u>	<u>246,922</u>

**The elements of deferred taxation are as follows**

	2008 £	2007 £
Difference between accumulated depreciation and capital allowances	273,939	243,318
Other timing differences	6,370	3,604
	<u>280,309</u>	<u>246,922</u>

**Notes (continued)**

**17 Called up share capital**

	2008 £	2007 £
<i>Authorised</i>		
<i>Equity shares</i>		
48,000 Ordinary shares of £1 each	48,000	48,000
<i>Non equity shares</i>		
4,000 5% cumulative preference shares of 50p each	2,000	2,000
	<u>50,000</u>	<u>50,000</u>
<i>Allotted, called up and fully paid</i>		
<i>Equity shares</i>		
48,000 Ordinary shares of £1 each	48,000	48,000
<i>Non equity shares</i>		
4,000 5% cumulative preference shares of 50p each	2,000	2,000
	<u>50,000</u>	<u>50,000</u>
Shares classified as liabilities	2,000	2,000
Shares classified as shareholders' funds	48,000	48,000
	<u>50,000</u>	<u>50,000</u>

The preference shares carry rights to dividends of 5% of their capital value payable annually

**18 Reserves**

	Profit and loss account £
At beginning of year	13,030,612
Retained profit for the financial year	774,028
	<u>13,804,640</u>
At end of year	

## Notes (continued)

### 19 Contingent liabilities and commitments

The company, its parent and fellow subsidiary undertakings are party to unlimited multilateral company guarantees to HSBC plc in respect of any liability to HSBC plc incurred by Howarth Timber Group Limited or its subsidiaries. The total guaranteed borrowings of parent and fellow subsidiary undertakings at 31 March 2008 amounted to £6,477,000 (2007 £9,709,804)

#### Commitments

Annual commitments under non-cancellable operating leases are as follows

	2008 £	2007 £
Annual commitments under operating leases expiring		
Within one year	65,975	137,025
In the second to fifth years	166,237	466,020
	<hr/>	<hr/>
	232,212	603,045
	<hr/>	<hr/>

### 20 Pension scheme

The details of the pension schemes operated by the group are disclosed in the consolidated accounts of Howarth Timber Group Limited, the company's ultimate parent. Howarth Timber Group Limited operates two defined contribution schemes and one defined benefit scheme of which certain company employees are members.

#### Defined contribution schemes

The pension cost charge for the year in respect of the defined contribution schemes and Group stakeholder scheme represents contributions payable by the company to the funds and amounted to £32,052 (2007 £41,940). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

#### Defined benefit scheme

The company is a member of a larger group wide pension scheme providing benefits based on final pensionable pay. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis the scheme is accounted for as if the scheme were a defined contribution scheme, as permitted by FRS 17 'Retirement benefits'.

The assets of the defined benefit scheme are held in separate trustee administered funds.

The pension cost charge for the year in respect of the defined benefit scheme represents contributions payable by the company to the fund and amounted to £367,609 (2007 £335,195). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 6 April 2007 for the Retirement and Death Benefits Plan. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries and pensions. It was assumed that the investment returns would be 6.50% per annum and that salary increases would average 4.65% per annum.

At the last actuarial valuation the market value of the assets of the scheme was £12,794,000. There was a deficit of £1,942,000 on current funding levels. The actuarial value of the scheme's assets represented 89% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

**Notes (continued)**

**21 Ultimate parent company and parent undertaking of larger group of which the company is a member**

The company is a subsidiary undertaking of Howarth Timber Group Limited incorporated in Great Britain and registered in England and Wales

The largest group in which the results of the company are consolidated is that headed by Howarth Timber Group Limited. The consolidated accounts of this group may be obtained from

The Registrar  
Companies House  
Crown Way  
Mandy  
Cardiff  
CF4 3UZ

No other group accounts include the results of the company