Howarth Timber & Building Supplies Limited

Directors' report and financial statements

Registered number 201929

31 March 2011

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2011

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 year turnover increased by £3 0m (5 8%) to £54 5m due to a slight upturn in market conditions

Operating profit was £471,657 *(2010 Loss £67,769)* due to the increased turnover and reduction in overhead costs

Trading conditions 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

	2011	2010	Measure
Financial			
Return on capital	**0.05**	-	Profit/(loss) before tax/net assets
Current ratio	**2.08**	2 20	Current assets/current liabilities
Stock turnover	**8.9**	8 9	Turnover/stock
Days debtors	**40**	37	Trade debtors/average turnover
Sales per employee (£000)	**171**	154	Turnover/average number of employees
Operating profit per employee (£000)	**1 5**	(0 2)	Operating profit/average number of employees

Proposed dividend and transfer to reserves

During the year a dividend of £100 *(2010 £100)* was paid on the cumulative preference shares

Directors

The directors who held office during the year were as follows

AP Howarth (Chairman)
ND Howarth
DJ Storey
JA Howarth
DJ Howarth

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

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 £1,874 *(2010 £3,006)*

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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

AP Howarth
Director

Prince Edward Works
Pontefract Lane
LEEDS

LS9 0RA

18th November 2011

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)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss of the company for that period

In preparing each of the group and parent 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 adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and parent to prevent and detect fraud and other irregularities

KPMG

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

Independent auditor's report to the members of Howarth Timber & Building Supplies Limited

We have audited the financial statements of Howarth Timber & Building Supplies Limited for the year ended 31 March 2011 set out on pages 7 to 21 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's web-site at
www frc org uk/apb/scope/private cfm

Opinion

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of the company's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Jeremy Gledhill

Jeremy Gledhill (Senior Statutory Auditor)

For and on behalf of KPMG LLP
Statutory Auditor Chartered Accountants
1 The Embankment
Leeds
West Yorkshire
LS1 4DW

18th November 2011

Profit and loss account
for the year ended 31 March 2011

	Note	2011 £	2010 £
Turnover	1	**54,527,360**	51,540,970
Change in stocks of finished goods and work in progress		**718,800**	692,367
Other operating income		**60,256**	57,722
Raw materials and consumables		**(37,604,678)**	(35,486,113)
Other external charges		**(1,887,897)**	(949,493)
Staff costs	4	**(8,711,351)**	(8,909,122)
Depreciation and other amounts written off fixed assets		**(850,246)**	(912,483)
Other operating charges		**(5,780,587)**	(6,101,617)
Operating profit/(loss)			
Operating profit before exceptional costs		**665,385**	84,149
Onerous lease costs	16	**(172,500)**	-
Reorganisation costs	4	**(21,228)**	(151,918)
	2	**471,657**	(67,769)
Interest receivable and similar income	5	**142,690**	123,018
Interest payable and similar charges	6	**(3,563)**	(8,407)
Profit/(loss) on ordinary activities before taxation		**610,784**	46,842
Tax on profit on ordinary activities	7	**(435,903)**	(130,657)
Profit/(loss) for the financial year	18	**174,881**	(83,815)

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 2011

	Note	2011		2010	
		£	£	£	£
Fixed assets					
Intangible assets	*8*	**107,692**		123,077	
Tangible assets	*9*	**2,130,880**		2,225,435	
Investments	*10*	**57,213**		57,213	
			2,295,785		2,405,725
Current assets					
Stocks	*11*	**6,413,255**		5,824,400	
Debtors	*12*	**9,560,027**		9,485,793	
Cash at bank and in hand		**4,903,993**		3,813,365	
		20,877,275		19,123,558	
Creditors: amounts falling due within one year	*13*	**(10,034,301)**		(8,711,850)	
Net current assets			**10,842,974**		10,411,708
Total assets less current liabilities			**13,138,759**		12,817,433
Creditors. amounts falling due after one year	*14*		**(49,769)**		(75,824)
Provisions for liabilities and charges	*16*		**(172,500)**		-
			12,916,490		12,741,609
Capital and reserves					
Called up share capital	*17*		**48,000**		48,000
Profit and loss account	*18*		**12,868,490**		12,693,609
			12,916,490		12,741,609

These financial statements were approved by the board of directors on 18th November 2011 and were signed on its behalf by

AP 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 20

Going concern

The company is a subsidiary undertaking of Howarth Timber Group Limited and manages its day-to-day working capital requirements through a group wide facility (incorporating an overdraft, and revolving credit facility) which covers all the group's trading entities

The total group overdraft facility was renewed at a level of £7 0m in November 2010 This is an annual facility which is being renewed at £5 0m and will be reviewed in November 2012 The directors are not aware of any matters to suggest that renewal would not be forthcoming on acceptable terms

The revolving credit facility was also reviewed in November 2010 at a level of £4 0m This facility is due for renewal in June 2012 and the directors are not aware of any matters to suggest that renewal would not be forthcoming on acceptable terms

The directors have considered the going concern basis in the context of the overall Howarth Timber Group Limited group of companies, but with specific consideration of those risks that are specific to each of the individual subsidiary undertakings

The directors have prepared forecasts for the group for a period in excess of 12 months from the date of approval of these financial statements These forecasts take account of reasonable possible changes in trading performance in all areas of the business

These forecasts and projections show that the group is expected to be able to operate within the level of its current facility and in the view of the directors there is significant headroom under the committed facility that would enable the group to trade in the event of any further decline in the demand for the group's products and services

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements

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

Notes *(continued)*

1 Accounting policies *(continued)*

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
Leasehold improvements	-	over the life of the lease

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

	2011 £	2010 £
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration		
Audit of these financial statements	47,900	51,440
Depreciation and other amounts written off tangible fixed assets		
Wholly owned	811,942	858,795
Leased	38,304	38,304
Amortisation and other amounts written off intangible fixed assets	15,385	15,384
Amounts payable in respect of hire of plant and machinery	128,910	113,977

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

Notes *(continued)*

3 Remuneration of directors

	2011	2010
	£	£
Directors' emoluments	78,132	77,007
Pension contributions	8,883	7,211
	87,015	84,218

Retirement benefits are accruing to one director under the defined benefit scheme *(2010 one)*

The emoluments of the highest paid director were £78,132 *(2010 £77,007)* The highest paid director is a member of the defined benefit scheme

4 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	
	2011	2010
Production	108	117
Selling and distribution	153	157
Administration	58	62
	319	336

The aggregate payroll costs of these persons were as follows

	2011	2010
	£	£
Wages and salaries	7,471,663	7,549,208
Social security costs	708,938	739,966
Other pension costs (see note 20)	509,522	468,030
Redundancy costs - exceptional	21,228	151,918
	8,711,351	8,909,122

5 Interest receivable and similar income

	2011	2010
	£	£
Bank interest receivable	142,365	122,862
Other	325	156
	142,690	123,018

Notes *(continued)*

6 Interest payable and similar charges

	2011	2010
	£	£
Finance charges payable in respect of finance leases and hire purchase contracts	**3,563**	8,407

7 Taxation

	2011	2010
	£	£
UK corporation tax		
Current tax on income for the period	**234,986**	153,054
Adjustments in respect of prior years	**188,474**	(50,468)
Total current tax	**423,460**	102,586
Deferred tax (note 15)		
Origination/reversal of timing differences	**(8,026)**	8,731
Effects of rate change	**16,553**	-
Adjustments in respect of prior years	**3,916**	19,340
Total deferred tax	**12,443**	28,071
Tax on profit on ordinary activities	**435,903**	130,657

Factors affecting the tax charge for the current period

The current tax charge for the period is lower *(2010 higher)* than the standard rate of corporation tax in the UK of 28% *(2010 28%)* The differences are explained below

	2011	2010
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	**610,784**	**46,842**
Current tax at 28% *(2010 28%)*	**171,019**	**13,116**
Effects of		
Expenses not deductible for tax purposes	**56,302**	**54,560**
Non-taxable income	-	**(4,308)**
Fixed asset timing differences	**8,026**	**(8,731)**
Losses paid for not at standard rate	-	**102,639**
Industrial Building Allowances	**(361)**	**(722)**
Adjustments to tax charge in respect of previous periods	**188,474**	**(50,468)**
Tax not at UK standard rate	-	**(3,500)**
Total current tax charge (see above)	**423,460**	**102,586**

Notes *(continued)*

8 Intangible fixed assets - Goodwill

	£
Cost	
At beginning of year	200,000
At end of year	200,000
Amortisation	
At beginning of year	76,923
Charge for the year	15,385
At end of year	92,308
Net book value	
At 31 March 2011	**107,692**
At 31 March 2010	123,077

Goodwill relates to the acquisition of merchant businesses during prior years

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)*

9 Tangible fixed assets

	Fixtures and fittings	Computers	Plant and machinery	Motor Vehicles	Leasehold improvements	Total
	£	£	£	£	£	£
Cost						
At beginning of year	2,403,830	275,854	3,200,582	3,203,723	664,997	9,748,986
Additions	210,144	-	74,032	512,904	-	797,080
Disposals	(30,411)	-	(108,672)	(445,796)	-	(584,879)
Group transfers	-	-	-	(13,927)	-	(13,927)
At end of year	2,583,563	275,854	3,165,942	3,256,904	664,997	9,947,260
Depreciation						
At beginning of year	1,869,459	268,737	2,612,770	2,712,710	59,875	7,523,551
Charge for year	214,461	4,799	183,658	415,216	32,112	850,246
Disposals	(30,411)	-	(92,255)	(422,281)	-	(544,947)
Group transfers	-	-	-	(12,470)	-	(12,470)
At end of year	2,053,509	273,536	2,704,173	2,693,175	91,987	7,816,380
Net book value						
At 31 March 2011	**530,054**	**2,318**	**461,769**	**563,729**	**573,010**	**2,130,880**
At 31 March 2010	534,371	7,117	587,812	491,013	605,122	2,225,435

Included within the total net book value of plant and machinery is £36,484 (*2010* £74,788) of assets held under finance leases and similar hire purchase contracts Depreciation for the year on these assets was £38,304 (*2010* £38,304)

Notes *(continued)*

10 Investments

	£
Cost	
At beginning and end of year	58,213
Provisions	
At beginning and end of year	1,000
Net book value	
At 31 March 2011	**57,213**
At 31 March 2010	**57,213**

Cost

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
Subsidiary undertakings			
Howarth Timber (Elland) Limited	England	Non-trading	100%
Howarth Timber (Ashton) Limited	England	Non-trading	100%
Howarth Timber (York) Limited	England	Non-trading	100%

11 Stocks

	2011 £	2010 £
Finished goods and goods for resale	**6,413,255**	5,824,400

Notes *(continued)*

12 Debtors

	2011	2010
	£	£
Trade debtors	**6,027,049**	5,254,090
Credits not cleared by bank	**248,628**	254,343
Amounts owed by group undertakings	**1,755,593**	2,193,585
Other debtors	**104,760**	128,710
Prepayments and accrued income	**1,203,881**	1,038,479
Deferred taxation (note 15)	**215,188**	227,631
Corporation tax	-	388,955
VAT recoverable	**4,928**	-
	9,560,027	9,485,793

13 Creditors: amounts falling due within one year

	2011	2011	2010	2010
	£	£	£	£
Obligations under finance leases and hire purchase contracts		**26,055**		26,056
Cheques issued not presented		**2,256,520**		2,199,483
Trade creditors		**5,147,338**		4,782,763
Amounts owed to group undertakings		**838,499**		855,576
Corporation tax		**234,986**		-
Other creditors including taxation and social security				
Other taxes and social security	**691,611**		310,651	
Other creditors	**233,931**		255,744	
		925,542		566,395
Accruals and deferred income		**605,361**		281,577
		10,034,301		8,711,850

Notes *(continued)*

14 Creditors: amounts falling due after one year

	2011 £	2010 £
Obligations under finance leases and hire purchase contracts	**47,769**	73,824
Shares classified as liabilities (note 17)	**2,000**	2,000
	49,769	75,824

Analysis of finance lease and hire purchase obligations

	2011 £	2010 £
Finance lease and hire purchase obligations can be analysed as falling due		
In one year or less, or on demand	**26,055**	26,056
Between one and two years	**26,055**	29,619
Between two and five years	**21,714**	83,908
	73,824	139,583

15 Deferred taxation

	2011 £	2010 £
Deferred tax asset at beginning of year	**227,631**	255,702
Charge for the year	**(12,443)**	(28,071)
Deferred tax asset at end of year	**215,188**	227,631

The elements of deferred taxation are as follows

	2011 £	2010 £
Difference between accumulated depreciation and capital allowances	**215,188**	227,631

Notes *(continued)*

16 Provisions for liabilities and charges

	Onerous Leases £
At the beginning of the year	-
Provided in the year	172,500
At the end of the year	172,500

The amounts provided in the year relate to an onerous lease on a property previously occupied by a fellow group company and the vacation of a further property Both properties are legally owned by the company

17 Called up share capital

	2011	2010
Authorised	**£**	£
Equity shares		
48,000 Ordinary shares of £1 each	**48,000**	48,000
Non equity shares		
4,000 5% cumulative preference shares of 50p each	**2,000**	2,000
	50,000	50,000
Allotted, called up and fully paid		
Equity shares		
48,000 Ordinary shares of £1 each	**48,000**	48,000
Non equity shares		
4,000 5% cumulative preference shares of 50p each	**2,000**	2,000
	50,000	50,000
Shares classified as liabilities	**2,000**	2,000
Shares classified as shareholders' funds	**48,000**	48,000
	50,000	50,000

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	12,693,609
Retained profit for the financial year	174,881
At end of year	**12,868,490**

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 2011 amounted to £4,028,851 *(2010 £6,547,000)*

Commitments

Annual commitments under non-cancellable operating leases are as follows

	2011 £	2010 £
Annual commitments under operating leases expiring		
Within one year	**116,489**	68,299
In the second to fifth years	**196,583**	103,479
	313,072	171,778

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 £220,710 *(2010 £113,288)* 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 £288,812 *(2010 £348,590)* There were no outstanding or prepaid contributions at either the beginning or end of the financial year

Notes *(continued)*

20 Pension scheme *(continued)*

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method A full actuarial valuation is being carried out as at 5 April 2010 and the preliminary results have been updated to 31 March 2011 by a qualified actuary, independent of the scheme's sponsoring employer 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 40% per annum and that salary increases would average 3 60% per annum

At the last complete 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

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
Maindy
Cardiff
CF4 3UZ

No other group accounts include the results of the company