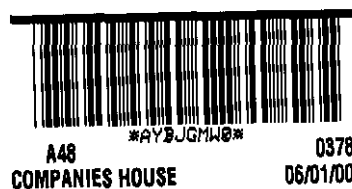


**Howarth Timber Merchants Limited formerly
Howarth Timber (Huddersfield) Limited**

Directors' report and financial statements

31 March 1999

Registered number 201929



Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	3
Auditors' report to the members of Howarth Timber Merchants Limited formerly Howarth Timber (Huddersfield) Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 1999.

Principal activities and business review

The company carries on the business of timber merchants, do-it-yourself retailers and roof truss manufacturers.

On 17 March 1999, the company changed its name to Howarth Timber Merchants Limited.

On 31 March 1999, the trade, assets and liabilities of all merchant subsidiaries of the Howarth Timber Group were transferred into this company. The assets and liabilities on the balance sheet have been aggregated as a result. The effect of this transfer is set out in note 18.

On the same day, the ultimate parent company, Howarth Timber Group Limited, waived £4,000,000 of its long term loan to the company.

The results for the year are set out in the profit and loss account on page 5.

Proposed dividend and transfer to reserves

During the year a dividend of £70 (1998: £70) was paid on the cumulative preference shares. The proposed transfer to reserves is shown on page 5.

Directors and directors' interests

The directors who held office during the year were as follows:

AP Howarth	(Chairman from 1 January 1999)
ND Howarth	(Chairman until 31 December 1998)
DS Squires	

JR Roberts, NC Room and DJ Storey were appointed directors of the company on 1 April 1999.

The chairmanship of the company rotates on an annual basis.

The director retiring by rotation is AP 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 accounts of Howarth Timber Group Limited.

Year 2000

The directors have undertaken a review of the likely impact of the year 2000 on the company's computer systems and business. The directors are satisfied that the computers and other business systems will not be adversely affected by year 2000 compliance and assess that any associated costs are likely to be insignificant.

Directors' report *(continued)*

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company, is to be proposed at the forthcoming Annual General Meeting.

By order of the board



AP Howarth
Director

East Street
LEEDS
LS1 8DA

4 August 1999

Statement of directors' responsibilities

Company law requires the directors 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 for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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.



1 The Embankment
Neville Street
Leeds
LS1 4DW

Auditors' report to the members of Howarth Timber Merchants Limited formerly Howarth Timber (Huddersfield) Limited

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG.

KPMG
Chartered Accountants
Registered Auditors

4 August 1999

Profit and loss account
for the year ended 31 March 1999

	<i>Note</i>	Continuing operations 1999 £	1998 £
Turnover	<i>1</i>	4,231,594	4,080,270
Change in stocks of finished goods and work in progress		(9,968)	(38,834)
Raw materials and consumables		(2,622,398)	(2,608,424)
Other external charges		(141,229)	(131,168)
Staff costs	<i>4</i>	(844,262)	(742,494)
Depreciation and other amounts written off tangible fixed assets	<i>2</i>	(59,586)	(61,833)
Other operating charges		(412,671)	(489,503)
Operating profit		141,480	8,014
Group loan waived		4,000,000	-
Interest payable and similar charges	<i>5</i>	(16,651)	(5,174)
Profit on ordinary activities before taxation		4,124,829	2,840
Tax on profit on ordinary activities	<i>6</i>	(40,588)	(7,956)
Profit/(loss) on ordinary activities after taxation		4,084,241	(5,116)
Dividends paid	<i>7</i>	(70)	(70)
Retained profit/(loss) for the financial year		4,084,171	(5,186)
Retained profit brought forward		600,756	605,942
Retained profit carried forward		4,684,927	600,756

The company has no recognised gains or losses other than the profit for the year.

Balance sheet

at 31 March 1999

	Note	1999	1998
		£	£
Fixed assets			
Tangible assets	8	1,397,462	76,005
Investments	9	-	-
		<hr/>	<hr/>
		1,397,462	76,005
Current assets			
Stocks	10	6,121,592	494,558
Debtors	11	8,874,814	824,248
Cash at bank and in hand		11,574	398
		<hr/>	<hr/>
		15,007,980	1,319,204
Creditors: amounts falling due within one year	12	(9,309,112)	(744,453)
		<hr/>	<hr/>
Net current assets		5,698,868	574,751
		<hr/>	<hr/>
Total assets less current liabilities		7,096,330	650,756
Creditors: amounts falling due after one year	13	(2,361,403)	-
		<hr/>	<hr/>
		4,734,927	650,756
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	14	50,000	50,000
Profit and loss account		4,684,927	600,756
		<hr/>	<hr/>
		4,734,927	650,756
		<hr/>	<hr/>
Shareholders' funds			
Equity		4,732,927	648,756
Non-equity		2,000	2,000
		<hr/>	<hr/>
	15	4,734,927	650,756
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 4 August 1999 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 which are considered material in relation to the company's financial statements.

Basis of preparation

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

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts.

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.

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:

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

Pension costs

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

The group operates two pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the group. Contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group.

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 weighted average 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 result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Notes (continued)

1 Accounting policies (continued)

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

	1999 £	1998 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit	3,325	3,250
Depreciation and other amounts written off owned tangible fixed assets	59,586	61,833
Amounts payable in respect of hire of plant and machinery	6,559	-
	<u> </u>	<u> </u>

3 Remuneration of directors

	1999 £	1998 £
Directors' emoluments:		
Remuneration as executives	59,722	29,811
	<u> </u>	<u> </u>

Retirement benefits are accruing to one director under the defined benefit scheme.

Notes (continued)

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	
	1999	1998
Production	28	26
Selling and distribution	17	18
Administration	6	5
	<hr/>	<hr/>
	51	49
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	1999	1998
	£	£
Wages and salaries	752,090	663,213
Social security costs	70,525	60,239
Other pension costs (see note 17)	21,647	19,042
	<hr/>	<hr/>
	844,262	742,494
	<hr/>	<hr/>

5 Interest payable and similar charges

	1999	1998
	£	£
On bank loans, overdrafts and other loans wholly repayable within five years	16,651	5,174
	<hr/>	<hr/>

6 Taxation

	1999	1998
	£	£
Group relief at 31% (1998: 31%)	40,588	7,956
	<hr/>	<hr/>

The corporation tax liability for the year has been reduced by £40,588 (1998: £7,956) as a result of group relief for fellow subsidiary undertaking's losses.

Notes (continued)

7 Dividends

	1999 £	1998 £
<i>Non equity shares:</i>		
5% cumulative preference shares	70	70

8 Tangible fixed assets

	Fixtures and fittings £	Computers £	Plant and machinery £	Motor vehicles £	Total £
Cost					
At beginning of year	-	24,633	243,298	394,574	662,505
Additions	-	2,500	1,635	87,960	92,095
Disposals	-	-	-	(61,549)	(61,549)
Group transfers	990,041	55,836	2,525,940	2,287,018	5,858,835
At end of year	990,041	82,969	2,770,873	2,708,003	6,551,886
Depreciation					
At beginning of year	-	19,907	211,413	355,180	586,500
Charge for year	-	2,393	9,590	47,603	59,586
Disposals	-	-	-	(51,776)	(51,776)
Group transfers	826,311	55,832	2,084,658	1,593,313	4,560,114
At end of year	826,311	78,132	2,305,661	1,944,320	5,154,424
Net book value					
At 31 March 1999	163,730	4,837	465,212	763,683	1,397,462
At 31 March 1998	-	4,726	31,885	39,394	76,005

9 Investments

	1999 £	1998 £
Cost at beginning and end of year	1,000	1,000
Provision at beginning and end of year	(1,000)	(1,000)
Net book value	-	-

Notes (continued)

9 Investments (continued)

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

	Country of registration or incorporation	Principal activity	Class and percentage of shares held
<i>Subsidiary undertakings</i>			
Howarth Timber (Elland) Limited	England	Timber, Do-it-yourself and UPVC window manufacturers	100%

The loss retained for the financial year by Howarth Timber (Elland) Limited was £206,179 (1998: £165,550 loss) and the net liabilities at 31 March 1999 were £446,582 (1998: £240,403).

10 Stocks

	1999 £	1998 £
Raw materials and consumables	416,701	327,944
Work in progress	56,783	5,679
Finished goods and goods for resale	5,648,108	160,935
	<hr/>	<hr/>
	6,121,592	494,558
	<hr/>	<hr/>

Notes (continued)

11 Debtors

	1999 £	1998 £
Trade debtors	7,699,543	602,174
Credits not cleared by bank	720,988	3,396
Amounts owed by group undertakings	-	183,168
Other debtors	47,346	6,221
Prepayments and accrued income	406,937	29,289
	<hr/>	<hr/>
	8,874,814	824,248
	<hr/>	<hr/>

12 Creditors: amounts falling due within one year

	1999 £	1998 £
Bank loans and overdrafts (see note 16)	1,659,736	55,211
Cheques issued not presented	2,633,857	192,419
Trade creditors	3,583,929	236,504
Amounts owed to group undertakings	497,236	188,982
Other creditors including taxation and social security:		
Corporation tax	106,921	43,379
Other taxes and social security	454,169	-
	<hr/>	<hr/>
Taxation and social security	561,090	43,379
Other creditors	30,640	11,617
	<hr/>	<hr/>
Accruals and deferred income	591,730	54,996
	342,624	16,341
	<hr/>	<hr/>
	9,309,112	744,453
	<hr/>	<hr/>

Notes (continued)

13 Creditors: amounts falling due after one year

	1999 £	1998 £
Amounts due to group undertakings	2,361,403	-
	<u>2,361,403</u>	<u>-</u>

14 Called up share capital

	1999 £	1998 £
<i>Authorised</i>		
<i>Equity shares</i>		
Ordinary shares of £1 each	48,000	48,000
<i>Non equity shares</i>		
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>		
Ordinary shares of £1 each	48,000	48,000
<i>Non equity shares</i>		
5% cumulative preference shares of 50p each	2,000	2,000
	<u>50,000</u>	<u>50,000</u>

15 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Profit/(loss) for the financial year	84,241	(5,116)
Dividends paid	(70)	(70)
	<u>84,171</u>	<u>(5,186)</u>
Opening shareholders' funds	650,756	655,942
	<u>650,756</u>	<u>655,942</u>
Closing shareholders' funds	734,927	650,756
	<u>734,927</u>	<u>650,756</u>

16 Contingent liabilities and commitments

The company and its parent, subsidiary and fellow subsidiary undertakings are party to unlimited multilateral or company guarantees to Midland Bank Plc and Singer and Friedlander Limited in respect of any liability to Midland Bank Plc and Singer and Friedlander Limited incurred by Howarth Timber Group Limited or its subsidiaries. The guaranteed borrowings of parent and fellow subsidiary undertakings at 31 March 1999 amounted to £2,615,009 (1998: £4,847,162).

Notes (continued)

16 Contingent liabilities and commitments (continued)

	1999 £000
Capital commitments	47
Annual commitments under operating leases expiring:	
Within one year	4
In the second to fifth years	16
Over five years	44
	<hr/> 64 <hr/>

17 Pension scheme

Howarth Timber Group operates one defined contribution scheme and two defined benefit schemes of which certain company employees are members.

Defined contribution scheme

The pension cost charge for the year in respect of the defined contribution scheme represents contributions payable by the company to the fund and amounted to £ 1,820 (1998: £1,988). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Defined benefit schemes

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

Contributions to the group's defined benefit schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. 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 1998 and 31 March 1997 for the Retirement and Death Benefits Plan and Scheme 'A' respectively. 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 8.5% per annum and that salary increases would average 7.0% per annum (6.9% per annum for scheme 'A').

The pension cost charge for the year in respect of the defined benefit schemes represents contributions payable by the company to the fund and amounted to £19,827 (1998: £17,054). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

At the last actuarial valuation at 6 April 1998 in respect of the Retirement and Death Benefits Scheme, the market value of the assets of the scheme was £4,651,000. There was a deficiency of £384,000 on current funding levels. The shortfall is being reduced by an increase to the long term funding rate. The actuarial value of the schemes' assets represented 92% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

Notes (continued)

18 Transfer of operations

On 31 March 1999, the trade, assets and liabilities of all merchant subsidiaries of the Howarth Timber Group were transferred to the company. The details of this transaction are set out below:

	£000
Acquired assets and liabilities:	
Fixed assets	1,297
Stocks	5,514
Debtors	9,667
Cash	2,625
Creditors	(22,207)
	<hr/>
Consideration settled through inter-company accounts	(3,104)
	<hr/> <hr/>

The combined results of the transferred operations for the year ended 31 March 1999 were as follows:

	£000
Turnover	45,932
Change in stocks of finished goods and work in progress	(212)
Other operating income	31
Raw materials and consumables	(32,411)
Other external charges	(1,263)
Staff costs	(7,130)
Depreciation	(622)
Other operating charges	(3,983)
	<hr/>
Operating profit	342
Other interest receivable	155
Interest payable	(287)
	<hr/>
Profit on ordinary activities before tax	210
Tax on profit on ordinary activities	(95)
	<hr/>
Profit on ordinary activities after tax	115
	<hr/> <hr/>

Notes *(continued)*

19 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.