

Howarth Timber Merchants Limited

**Directors' report and financial
statements**

Registered number 201929

31 March 2001



Contents

Directors' report	1
Statement of directors' responsibilities	3
Auditors' report to the members of Howarth Timber Merchants 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 2001.

Principal activities and business review

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

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 £100 (2000: £100) was paid on the cumulative preference shares.

Directors and directors' interests

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

AP Howarth	(Chairman from 1 January 2001)
ND Howarth	(Chairman until 31 December 2000)
DS Squires	
JR Roberts	
NC Room	
DJ Storey	

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.

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.

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



ND Howarth
Director

East Street
LEEDS
LS1 8DA
30 July 2001

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

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

*Chartered Accountants
Registered Auditors*

30 July 2001

Profit and loss account
for the year ended 31 March 2001

	Note	Continuing operations	
		2001 £	2000 £
Turnover	1	51,397,626	49,915,176
Change in stocks of finished goods and work in progress		805,277	(109,020)
Other operating income		371	-
Raw materials and consumables		(35,899,924)	(34,079,631)
Other external charges		(1,428,731)	(1,409,286)
Staff costs	4	(8,738,702)	(8,552,587)
Depreciation and other amounts written off tangible fixed assets	2	(705,705)	(749,237)
Other operating charges		(4,595,775)	(4,561,673)
Operating profit		834,437	453,742
Interest payable and similar charges	5	(143,180)	(164,085)
Profit on ordinary activities before taxation		691,257	289,657
Tax on profit on ordinary activities	6	(236,338)	1,220
Profit on ordinary activities after taxation		454,919	290,877
Dividends paid	7	(100)	(100)
Retained profit for the financial year		454,819	290,777
Retained profit brought forward		4,975,704	4,684,927
Retained profit carried forward		5,430,523	4,975,704

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

Balance sheet
at 31 March 2001

	Note	2001	2000
		£	£
Fixed assets			
Tangible assets	8	1,341,086	1,451,945
Investments	9	-	-
		<u>1,341,086</u>	<u>1,451,945</u>
Current assets			
Stocks	10	6,766,873	6,604,304
Debtors	11	8,827,730	10,190,598
Cash at bank and in hand		11,792	11,730
		<u>15,606,395</u>	<u>16,806,632</u>
Creditors: amounts falling due within one year	12	(9,105,555)	(10,871,470)
		<u>6,500,840</u>	<u>5,935,162</u>
Net current assets			
		<u>7,841,926</u>	<u>7,387,108</u>
Total assets less current liabilities			
Creditors: amounts falling due after one year	13	(2,361,403)	(2,361,403)
		<u>5,480,523</u>	<u>5,025,704</u>
Capital and reserves			
Called up share capital	14	50,000	50,000
Profit and loss account		5,430,523	4,975,704
		<u>5,480,523</u>	<u>5,025,704</u>
Shareholders' funds			
Equity		5,478,523	5,023,704
Non-equity		2,000	2,000
	15	<u>5,480,523</u>	<u>5,025,704</u>

These financial statements were approved by the board of directors on 30 July 2001 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

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

Howarth Timber Group Limited operates two pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Howarth Timber 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 Howarth Timber 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

	2001 £	2000 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit	40,000	38,197
Depreciation and other amounts written off owned tangible fixed assets	705,705	749,237
Amounts payable in respect of hire of plant and machinery	169,501	57,109
	<u> </u>	<u> </u>

3 Remuneration of directors

	2001 £	2000 £
Directors' emoluments:		
Remuneration as executives	324,636	294,911
	<u> </u>	<u> </u>

Retirement benefits are accruing to four directors under the defined benefit scheme.

The emoluments of the highest paid director, including pension contributions, were £91,115.

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	
	2001	2000
Production	279	266
Selling and distribution	136	149
Administration	99	120
	<u>514</u>	<u>535</u>

The aggregate payroll costs of these persons were as follows:

	2001	2000
	£	£
Wages and salaries	7,777,487	7,686,907
Social security costs	688,527	611,428
Other pension costs (see note 17)	272,688	254,252
	<u>8,738,702</u>	<u>8,552,587</u>

5 Interest payable and similar charges

	2001	2000
	£	£
On bank loans, overdrafts and other loans wholly repayable within five years	<u>143,180</u>	<u>164,085</u>

6 Taxation

	2001	2000
	£	£
Corporation tax at 30%	235,000	-
Adjustments relating to an earlier year	1,338	1,220
	<u>236,338</u>	<u>1,220</u>

Notes (continued)

7 Dividends

	2001 £	2000 £
<i>Non equity shares:</i>		
5% cumulative preference shares	100	100

8 Tangible fixed assets

	Fixtures and fittings £	Computers £	Plant and machinery £	Motor vehicles £	Total £
Cost					
At beginning of year	1,062,843	157,713	2,888,844	2,968,359	7,077,759
Additions	22,396	15,579	170,520	435,855	644,350
Disposals	(8,321)	-	(89,114)	(457,156)	(554,591)
Group transfers	(49,831)	131,093	(1,092)	(82,947)	(2,777)
At end of year	1,027,087	304,385	2,969,158	2,864,111	7,164,741
Depreciation					
At beginning of year	885,073	99,710	2,461,789	2,179,242	5,625,814
Charge for year	59,060	16,823	173,568	456,254	705,705
Disposals	(6,263)	-	(74,729)	(431,931)	(512,923)
Group transfers	(52,565)	145,986	(19,767)	(68,595)	5,059
At end of year	885,305	262,519	2,540,861	2,134,970	5,823,655
Net book value					
At 31 March 2001	141,782	41,866	428,297	729,141	1,341,086
At 31 March 2000	177,770	58,003	427,055	789,117	1,451,945

9 Investments

	2001 £	2000 £
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)

10 Stocks

	2001 £	2000 £
Raw materials and consumables	589,992	617,402
Work in progress	-	25,307
Finished goods and goods for resale	6,176,881	5,961,595
	<u>6,766,873</u>	<u>6,604,304</u>

11 Debtors

	2001 £	2000 £
Trade debtors	7,721,276	8,421,843
Credits not cleared by bank	465,728	955,586
Amounts owed by group undertakings	7,642	103,461
Other debtors	15,632	213,538
Prepayments and accrued income	617,452	496,170
	<u>8,827,730</u>	<u>10,190,598</u>

12 Creditors: amounts falling due within one year

	2001 £	2000 £
Bank loans and overdrafts (see note 16)	936,369	1,810,708
Cheques issued not presented	869,016	2,175,224
Trade creditors	5,710,343	5,495,388
Amounts owed to group undertakings	701,972	628,689
Other creditors including taxation and social security:		
Corporation tax	236,338	-
Other taxes and social security	482,803	636,113
	<u>719,141</u>	<u>636,113</u>
Taxation and social security	719,141	636,113
Other creditors	17,138	10,558
	<u>736,279</u>	<u>646,671</u>
Accruals and deferred income	151,576	114,790
	<u>9,105,555</u>	<u>10,871,470</u>

Notes (continued)

13 Creditors: amounts falling due after one year

	2001 £	2000 £
Amounts due to group undertakings	2,361,403	2,361,403

14 Called up share capital

	2001 £	2000 £
<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

	2001 £	2000 £
Profit for the financial year	454,919	290,877
Dividends paid	(100)	(100)
	<u>454,819</u>	<u>290,777</u>
Opening shareholders' funds	5,025,704	4,734,927
	<u>5,480,523</u>	<u>5,025,704</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 HSBC plc in respect of any liability to HSBC plc incurred by Howarth Timber Group Limited or its subsidiaries. The guaranteed borrowings of parent and fellow subsidiary undertakings at 31 March 2001 amounted to £4,811,338 (2000: £6,023,369).

Notes (continued)

16 Contingent liabilities and commitments (continued)

	2001 £	2000 £
Capital commitments		
Annual commitments under operating leases expiring:		
Within one year	53,981	42,883
In the second to fifth years	129,356	38,474
Over five years	-	-
	<hr/>	<hr/>
	183,337	81,357
	<hr/>	<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 £11,486 (2000: £12,437). 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 2000 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 £261,203 (2000: £241,815). 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 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.