

**Birtley Building Products Limited**

**Directors' report and financial  
statements**

Registered number 00602575

For the year ended 31 December 2003



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## Directors' report

The directors present their annual report and financial statements for the year ended 31 December 2003.

### Principal activity

The principal activity of the company continues to be the manufacture and distribution of products for the building industries.

### Business review and future developments

The company continued to show profit growth despite very competitive market conditions. The core products of galvanizing and steel lintels improved their market positions with developing products such as external doorsets significantly increasing contribution levels. The directors are confident of a further improvement in the current year.

### Dividends

The directors recommend that a final dividend of £650,000 (2002: £500,000) be paid for the year ended 31 December 2003.

### Creditor payment terms

It is the company's normal practice to agree terms of transactions, including payment terms, with suppliers. Provided suppliers perform in accordance with the agreed terms, it is the company's policy that payment is made accordingly. Creditor days were 84 days (2002: 92 days).

### Directors and their interests

The directors serving during the year were as follows:

DL Grove  
CJ Burr  
HC Everett (resigned 31 December 2003)  
J Moorhouse  
GK Miller  
GP Bowles (resigned 11 July 2003)

None of the directors has any beneficial interest in the shares of the company.

Mr DL Grove and Mr CJ Burr are directors of the ultimate holding company, Hill & Smith Holdings PLC. Mr HC Everett was also a director of Hill & Smith Holdings PLC until he resigned on 31 December 2003. All three of these directors' interests in the shares and share options of that company are shown in its financial statements.

The interests of the other directors in office at the end of the year in the shares and share options of Hill & Smith Holdings PLC are detailed as follows:

#### Shares

	2003	2002
GK Miller	1,860	1,860

## Directors' report (continued)

### Directors and their interests (continued)

#### Share options

	At beginning and end of year	Exercise price p	Date exercisable	Expiry date	Note No
<b>GK Miller</b>					
	4,000	68.5	04.08.02	04.08.06	3
	10,000	68.5	04.08.02	04.08.09	2
	8,855	41.3	01.03.04	01.09.04	1
	<hr/> 22,855 <hr/>				
<b>J Moorhouse</b>					
	14,000	68.5	04.08.02	04.08.09	2
	<hr/>				

Note 1: These options were granted under the 1995 Savings Related Share Option Scheme

Note 2: These options were granted under the 1995 Executive Share Option Scheme

Note 3: These options were granted under the 1999 Non-approved Executive Share Option Scheme

#### Auditor

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the company is to be proposed at the forthcoming annual general meeting.

By order of the board

  
**CJ Burr**  
 Secretary

2 Highlands Court  
 Cranmore Avenue  
 Shirley  
 Solihull  
 West Midlands  
 B90 4LE

16 March 2004

## **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 of the company 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 keeping 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.



**KPMG Audit Plc**

2 Cornwall Street  
Birmingham  
B3 2DL

**Independent auditor's report to the members of Birtley Building Products Limited**

We have audited the financial statements on pages 5 to 15.

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 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 1985. 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 audit 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 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

16 March 2004

**Profit and loss account**  
*for the year ended 31 December 2003*

	<i>Note</i>	<b>2003</b> <b>£000</b>	<b>2002</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>14,337</b>	<b>11,943</b>
Cost of sales		<b>(10,131)</b>	<b>(8,098)</b>
<b>Gross profit</b>		<b>4,206</b>	<b>3,845</b>
Distribution costs		<b>(829)</b>	<b>(675)</b>
Administrative expenses		<b>(2,470)</b>	<b>(2,292)</b>
<b>Operating profit</b>		<b>907</b>	<b>878</b>
Profit on sale of properties		<b>206</b>	<b>-</b>
<b>Profit on ordinary activities before interest</b>		<b>1,113</b>	<b>878</b>
Bank interest receivable		<b>35</b>	<b>20</b>
Interest payable and similar charges	<b>3</b>	<b>(24)</b>	<b>(39)</b>
<b>Profit on ordinary activities before taxation</b>	<b>4</b>	<b>1,124</b>	<b>859</b>
Tax on profit on ordinary activities	<b>7</b>	<b>(317)</b>	<b>(372)</b>
<b>Profit on ordinary activities after taxation</b>		<b>807</b>	<b>487</b>
Dividends		<b>(650)</b>	<b>(500)</b>
<b>Retained profit/(loss) for the financial year</b>	<b>17</b>	<b>157</b>	<b>(13)</b>

All the results for the year are derived from continuing operations.

There is no material difference between the results as shown in the profit and loss account and their historical cost equivalents.

There were no recognised gains or losses in the current or preceding year apart from the profit for the financial year shown above.

**Balance sheet**  
*as at 31 December 2003*

	<i>Note</i>	<b>2003</b> <b>£000</b>	<b>£000</b>	<b>2002</b> <b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Intangible assets	8		78		83
Tangible assets	9		5,019		5,303
			<hr/>		<hr/>
			5,097		5,386
<b>Current assets</b>					
Stocks	10	1,946		1,886	
Debtors	11	2,407		1,965	
Property held for resale	12	-		359	
Cash at bank and in hand		1,425		1,259	
		<hr/>		<hr/>	
		5,778		5,469	
<b>Creditors: Amounts falling due within one year</b>	13	(8,744)		(8,717)	
		<hr/>		<hr/>	
<b>Net current liabilities</b>			(2,966)		(3,248)
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			2,131		2,138
<b>Creditors: Amounts falling due after more than one year</b>	14		(281)		(414)
<b>Provisions for liabilities and charges</b>	15		(763)		(794)
			<hr/>		<hr/>
<b>Net assets</b>			1,087		930
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	16		100		100
Share premium account			336		336
Profit and loss account	17		651		494
			<hr/>		<hr/>
<b>Equity shareholder's funds</b>			1,087		930
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 16 March 2004 and signed on their behalf by:

GK Miller  
 Director

J Moorhouse  
 Director



**Reconciliation of movement in shareholder's funds**  
*for the year ended 31 December 2003*

	2003 £'000	2002 £'000
Profit/(loss) for the financial year	157	(13)
Net increase/(reduction) in equity shareholder's funds	157	(13)
Opening shareholder's funds	930	943
Closing equity shareholder's funds	1,087	930

## 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 financial statements:

#### *Basis of accounting*

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and in accordance with applicable Accounting Standards. The company has applied the transitional rules contained in FRS 15: *Tangible fixed assets* to retain previous valuations as the basis on which certain of these assets are held.

#### *Consolidation*

In accordance with Section 228 of the Companies Act 1985, consolidated accounts have not been prepared as the company is a wholly owned subsidiary of Hill & Smith Holdings PLC, a company incorporated in England, which has prepared consolidated financial statements to include the results of the company.

#### *Cash flow statement*

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

#### *Intangible assets*

Intangible assets are amortised over their expected useful economic lives.

#### *Fixed assets and depreciation*

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

Freehold buildings	- 50 years
Leasehold land and buildings	- over the life of the lease
Plant, equipment and vehicles	- 4 to 20 years

No depreciation is provided on freehold land.

#### *Stocks and work in progress*

These are valued on a "first-in, first-out" basis at the lower of cost and net realisable value. In respect of work in progress and finished goods, cost includes all production overheads and the attributable proportion of indirect overhead expenses.

#### *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.

#### *Foreign currency*

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date.

#### *Government grants*

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

#### *Turnover*

Turnover, which excludes value added tax and trade discounts represents the invoiced value of goods and services supplied.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Pension scheme arrangements*

Contributions are charged to the profit and loss account so as to spread the cost of pensions evenly over the employees' working lives with the company.

The company has adopted the transitional disclosure requirements of FRS 17.

#### *Leased assets*

Assets acquired under finance lease and hire purchase contracts are capitalised and the future lease obligations are shown in creditors. Finance charges are allocated to the profit and loss account over the period of the lease.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

### 2 Turnover

The turnover of the company is derived from the following geographical markets:

	2003 £000	2002 £000
United Kingdom	14,337	11,918
Rest of Europe	-	25
	<hr/> 14,337	<hr/> 11,943

### 3 Interest payable and similar charges

	2003 £000	2002 £000
On bank loans and overdrafts	-	7
On hire purchase and finance leases	24	32
	<hr/> 24	<hr/> 39

### 4 Profit on ordinary activities before taxation

	2003 £000	2002 £000
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#### *Profit on ordinary activities before taxation is stated*

#### *after charging:*

Depreciation of owned assets	439	458
Depreciation of assets held under finance leases	114	114
Amortisation of intangible assets	5	5
Auditor's remuneration	14	13
Operating leases - plant and equipment	80	68
- other	111	72

#### *after crediting:*

Government grant written off	3	6
Profit on disposal of fixed assets	1	3
Release of prior year warranty provision	-	165

Profit on sale of properties relate to the sale of the Bainbridge property, completed in 2003.

## Notes (continued)

### 5 Remuneration of directors

Aggregate directors' remuneration for the year was as follows:

	2003 £000	2002 £000
Emoluments	221	203
Number of directors who are members of defined benefit pension schemes	2	2

The remuneration of the highest paid director excluding pension contributions was £104,000 (2002: £85,000). His accrued pension entitlement per annum at the year end was £17,228 (2002: £12,151).

### 6 Staff numbers and costs

The average number of persons employed by the company (including directors), all of whom were involved in the principal activity, was:

	2003 Number	2002 Number
Production	146	123
Sales and distribution	19	19
Administration	19	21
	184	163

The aggregate payroll costs of these persons were:

	£000	£000
Wages and salaries	3,439	2,931
Social security costs	361	291
Other pension costs	140	124
	3,940	3,346

### 7 Tax on profit on ordinary activities

*Analysis of charge in year*

	2003 £000	2002 £000
<i>UK corporation tax</i>		
Current tax on income for the year	333	264
Total current tax	333	264
<i>Deferred tax (see note 15)</i>		
Origination/reversal of timing differences	(9)	53
Relating to the prior year	(7)	55
	317	372

## Notes (continued)

### 7 Tax on profit on ordinary activities (continued)

#### Factors affecting tax charge for the year

The effective current tax charge for the year is lower (2002: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2003 £000	2002 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	1,124	859
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	337	258
<i>Effects of:</i>		
Expenses not deductible for tax purposes	42	59
Difference between capital allowances for year and depreciation	5	(12)
Income and expenditure timing differences	4	(41)
Capital profits not taxable	(55)	-
Current tax charge	333	264

### 8 Intangible fixed assets

	Goodwill £000
<i>Cost</i>	
At beginning and end of year	100
<i>Amortisation</i>	
At beginning of year	17
Charge for the year	5
At end of year	22
<i>Net book value</i>	
At 31 December 2003	78
At 31 December 2002	83

## Notes (continued)

### 9 Tangible fixed assets

	Freehold land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000
<i>Cost or valuation</i>			
At beginning of year	2,409	5,531	7,940
Additions	50	219	269
At end of year	2,459	5,750	8,209
<i>Depreciation</i>			
At beginning of year	215	2,422	2,637
Charge for the year	41	512	553
At end of year	256	2,934	3,190
<i>Net book value</i>			
At 31 December 2003	2,203	2,816	5,019
At 31 December 2002	2,194	3,109	5,303

The gross book value of land and buildings includes freehold land of £500,000 (2002: £500,000).

Included above are assets held under finance leases with a net book value at 31 December 2003 of £864,000 (2002: £1,092,000). Depreciation for the year on these assets was £114,000 (2002: £161,000).

The freehold property at Mary Avenue, Birtley was revalued in 1997 by Sellers, Chartered Surveyors, on an open market value for existing use. The leasehold land and buildings were revalued in 2001 by DTZ, on an open market value for existing use. Both valuations were performed in accordance with the RICS Statement of Asset Valuation Practice and Guidance Notes.

The amount of revalued property as determined according to the historical cost accounting rule is:

	Freehold land and buildings 2003 £000	2002 £000
Cost	2,365	2,365
Depreciation	(507)	(460)
Net book value	1,858	1,905

### 10 Stocks

	2003 £000	2002 £000
Raw materials and consumables	1,298	1,194
Work in progress	70	27
Finished goods and goods for resale	578	665
	1,946	1,886

## Notes (continued)

### 11 Debtors

	2003 £000	2002 £000
Trade debtors	2,242	1,665
Amounts owed by group undertakings	22	22
Prepayments and accrued income	143	278
	<u>2,407</u>	<u>1,965</u>

### 12 Assets held for resale

	£000
At beginning of year	359
Sold during the year	(359)
At end of year	<u>-</u>

Assets held for resale related to the Bainbridge property.

### 13 Creditors: amounts falling due within one year

	2003 £000	2002 £000
Finance leases	167	204
Trade creditors	1,720	1,498
Amounts owed to group undertakings	4,985	5,290
Other creditors	120	322
Corporation tax	341	268
Accruals and deferred income	1,411	1,135
	<u>8,744</u>	<u>8,717</u>

### 14 Creditors: amounts falling due after more than one year

	2003 £000	2002 £000
Finance leases	<u>281</u>	<u>414</u>
Obligations under finance leases are payable as follows:		
Within one year	167	204
In the second to fifth years	281	414
	<u>448</u>	<u>618</u>

Obligations under finance leases and hire purchase contracts are secured upon the assets to which they relate.

## Notes (continued)

### 15 Provision for liabilities and charges

	Deferred Taxation £000	Other £000	Total £000
At beginning of year	779	15	794
Utilised in year	-	(15)	(15)
Profit and loss account	(16)	-	(16)
<b>At end of year</b>	<b>763</b>	<b>-</b>	<b>763</b>

Other provisions relate to potential liabilities in respect of warranties.

Details of amounts provided for deferred taxation:

	2003 £000	2002 £000
Difference between accumulated depreciation, amortisation and capital allowances	753	770
Other timing differences	10	9
	<b>763</b>	<b>779</b>

### 16 Share capital

	2003 £000	2002 £000
<b>Authorised:</b>		
1,000 ordinary shares of £1 each	1	1
100,000 deferred shares of £1 each	100	100
	<b>101</b>	<b>101</b>
<b>Allotted called up and fully paid:</b>		
598 ordinary shares of £1 each	-	-
100,000 deferred shares of £1 each	100	100
	<b>100</b>	<b>100</b>

The deferred shares confer on their holders no right to participate in profits resolved to be distributed to shareholders and no right to attend or vote at any general meeting of the company but confer on their holders the right on a return of capital in a winding-up or otherwise to repayment of the amounts paid up or credited as paid up thereon after payment to the holders of the ordinary shares in such winding-up or other return of capital of the sum of £10,000 per share.



## Notes (continued)

### 17 Profit and loss account

	£000
At beginning of year	494
Retained profit for the year	157
	<hr/>
At end of year	651
	<hr/>

### 18 Contingent liabilities

The company is a party to cross-guarantees given for bank loans and overdrafts of the parent company and certain fellow subsidiaries of £61,153,000 (2002: £68,480,000).

### 19 Financial commitments

The company had annual commitments under non-cancellable other operating leases as detailed below:

	2003 £000	2002 £000
<b>Operating leases which expire:</b>		
Within one year	38	27
Within one to two years	115	22
Within two to five years	37	92
	<hr/>	<hr/>
	190	141
	<hr/>	<hr/>

### 20 Pension scheme

The company is a subsidiary of Hill & Smith Holdings PLC and was a member of the Hill & Smith Group Pension and Assurance Scheme. Benefits under this scheme ceased accruing as at 5 April 2001. The company now contributes to two new group pension schemes; one providing benefits accruing in the future on a defined benefit basis and a second scheme providing benefits that are on a defined contribution basis. Details of the scheme and their most recent actuarial valuation are contained in the financial statements of Hill & Smith Holdings PLC. The pension cost for the year was £110,000 (2002: £115,000). There were no outstanding or prepaid contribution at either the beginning or end of the financial year.

The company also operates its own defined contribution scheme, the assets of which are held separately from those of the company in an independently administered fund. The pensions cost of this scheme for the year, representing contributions payable by the company to the fund, were £30,000 (2002: £9,000).

The company is a member of the Group pension scheme which provides benefits on final pensionable pay. As the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17: *Retirement Benefits*, the scheme will be accounted for by the company when the accounting standard is fully adopted by the company as if they were defined contribution schemes.

### 21 Related party transactions

The company has taken advantage of the exemption available under FRS 8: *Related Party Transactions* not to disclose transactions that have been made between the company and other fellow subsidiaries of Hill & Smith Holdings PLC.

### 22 Ultimate parent company

The company is a wholly owned subsidiary of Hill & Smith Holdings PLC, a company registered in England. Copies of the Group financial statements may be obtained from group headquarters:

2 Highlands Court  
 Cranmore Avenue  
 Shirley, Solihull  
 B90 4LE