

REGISTERED IN ENGLAND

COMPANY NO. 01169327

M.R. ELLIS (TIMBER) LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH 1997



LARKING GOWEN  
CHARTERED ACCOUNTANTS  
NORWICH

**M.R. ELLIS (TIMBER) LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH 1997**

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## **M.R. ELLIS (TIMBER) LIMITED**

### **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements of the company for the year ended 31st March 1997.

#### **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;
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Principal activities**

The principal activity of the company is that of timber merchants.

#### **Business review**

The results for the year were again satisfactory. The prudent financial control exercised by management in past years now enables the company to respond to the changes in market conditions. This policy will be maintained and the directors expect that the company's present financial position will be sustained for the foreseeable future.

#### **Results and dividends**

The profit for the year after taxation amounted to £91,944 (1996: £147,716).

The directors recommend that no dividend be paid (1996: £Nil).

#### **Directors and their interests**

Details of the directors who served during the year and their interests in the share capital of the company are as follows:

	Ordinary Shares of £1 each	
	1997 No.	1996 No.
M R Ellis	12,800	12,800
Mrs E M Ellis	12,800	12,800
P Ellis	3,200	3,200
M Ellis	3,200	3,200

**M.R. ELLIS (TIMBER) LIMITED**

**DIRECTORS' REPORT (continued)**

**Auditors**

In accordance with section 385 of the Companies Act 1985, a resolution proposing the reappointment of Larking Gowen as auditors to the company will be put to the annual general meeting.

**By order of the board**

.....*E. M. Ellis*

Mrs E M Ellis  
Secretary

Date 5th January 1998  
.....

# LARKING GOWEN

CHARTERED ACCOUNTANTS

## AUDITORS' REPORT TO THE SHAREHOLDERS OF M.R. ELLIS (TIMBER) LIMITED

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

### Respective responsibilities of directors and auditors

As described on page 1 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.

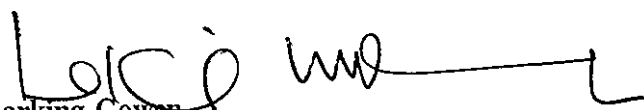
### Basis of opinion

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 31st March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Larking Gowen  
Registered Auditors  
Norwich

Date 5th January 1998

**M.R. ELLIS (TIMBER) LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31ST MARCH 1997**

	Notes	£	1997 £	£	1996 £
<b>Turnover</b>	1b.		3,568,853		3,453,349
Cost of sales			2,558,492		2,652,371
			<hr/>		<hr/>
<b>Gross profit</b>			1,010,361		800,978
Distribution costs		278,032		272,632	
Administrative expenses		574,550		383,184	
		<hr/>	852,582	<hr/>	655,816
			<hr/>		<hr/>
<b>Operating profit</b>			157,779		145,162
Other interest receivable and similar income	3.		46,931		48,798
Interest payable and similar charges	4.		3,897		15,214
			<hr/>		<hr/>
<b>Profit on ordinary activities before taxation</b>	5.		200,813		178,746
Taxation	6.		108,869		31,030
			<hr/>		<hr/>
<b>Retained profit for the financial year transferred to reserves</b>	13.		91,944		147,716
			<hr/>		<hr/>

The company's turnover and operating profit derive wholly from continuing operations.

**Statement of total recognised gains and losses**

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

**M.R. ELLIS (TIMBER) LIMITED**

**BALANCE SHEET**

**AS AT 31ST MARCH 1997**

	Notes	£	1997 £	£	1996 £
<b>Fixed assets</b>					
Tangible assets	7.		982,888		1,046,293
<b>Current assets</b>					
Stocks	8.	247,779		168,177	
Debtors	9.	693,529		743,631	
Cash at bank and in hand		700,734		815,420	
			<hr/>	<hr/>	
			1,642,042	1,727,228	
<b>Creditors: amounts falling due within one year</b>					
	10a.	738,947		979,482	
			<hr/>	<hr/>	
<b>Net current assets</b>			903,095		747,746
			<hr/>	<hr/>	
<b>Net assets</b>			1,885,983		1,794,039
			<hr/>	<hr/>	
<b>Capital and reserves</b>					
Called up share capital	12a.		32,000		32,000
Profit and loss account	13.		1,853,983		1,762,039
			<hr/>	<hr/>	
<b>Equity shareholders' funds</b>	12b.		1,885,983		1,794,039
			<hr/>	<hr/>	

The financial statements on pages 4 to 14 were approved by the board of directors on 5th January 1998 and are signed on its behalf by:-

M R ELLIS

*M. R. Ellis*

)

)

) Directors

)

Mrs E M ELLIS

)

*E m. Ellis*

**M.R. ELLIS (TIMBER) LIMITED**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31ST MARCH 1997**

	Notes	1997 £	1996 £
Net cash inflow from operating activities	14a.	246,840	462,500
Returns on investments and servicing of finance	14b.	43,034	33,584
Taxation		(34,500)	(35,000)
Capital expenditure	14c.	(200,662)	(101,286)
Cash inflow before use of liquid resources and financing		<hr/> 54,712	<hr/> 359,798
Financing	14d.	-	(3,326)
Increase in cash in the year		<hr/> 54,712	<hr/> 356,472
Reconciliation of net cash flow to movement in net funds	14e.		
Increase in cash in the year		<hr/> 54,712	<hr/> 356,472
Change in net funds in the year		54,712	356,472
Net funds at 1.4.96		<hr/> 530,166	<hr/> 173,694
Net funds at 31.3.97		<hr/> 584,878	<hr/> 530,166



**M.R. ELLIS (TIMBER) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH 1997**

**1. Accounting policies**

The significant accounting policies used in the preparation of these financial statements are:

**a. Basis of accounting**

The financial statements are prepared under the historical cost convention.

**b. Turnover**

Turnover represents the value of goods and services invoiced to customers, less returns, after deducting trade and other discounts and excluding value added tax.

**c. Depreciation**

Depreciation of tangible fixed assets is calculated on the straight line basis at a fixed percentage per annum, in order to write down the cost of each asset to its residual value over its estimated useful economic life.

The principal annual rates used are:-

	%
Freehold buildings	2
Plant and machinery	20
Motor vehicles	25

**d. Stocks**

Stocks are valued at the lower of cost and net realisable value.

**e. Deferred taxation**

Deferred taxation is provided using the liability method on timing differences between the tax and accounting treatments where these are likely to crystallise in the foreseeable future.

**f. Leasing**

Where assets are acquired under finance leasing agreements they are capitalised as if they had been purchased outright. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account using the straight line method.

Depreciation on the relevant assets is charged to the profit and loss account in the same manner as for owned assets.

All other leases are operating leases and the annual rentals are charged to the profit and loss account over the lease term.

**g. Pension scheme**

The company operates a defined contribution pension scheme. The pension cost charge represents the contributions payable by the company under the rules of the scheme.

**M.R. ELLIS (TIMBER) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31ST MARCH 1997**

<b>2. Staff costs</b>	<b>1997</b>	<b>1996</b>
	<b>No.</b>	<b>No.</b>
<b>a. Employees</b>		
The average monthly number of employees during the year was:-		
Production	22	24
Administration	4	4
	—	—
	26	28
	—	—
	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
The costs incurred during the year were:		
Wages and salaries	743,343	650,580
Social security costs	70,097	67,888
Other pension costs	59,500	37,000
	—	—
	872,940	755,468
	—	—
<b>b. Directors</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Remuneration in respect of directors was:		
Emoluments	391,073	303,223
Company pension contributions to money purchase schemes	59,500	37,000
	—	—
The above details include the following amounts in respect of the highest paid director:		
Emoluments	174,051	152,073
Company pension contributions to money purchase scheme	5,500	12,500
	—	—
Retirement benefits are accruing to three directors under a money purchase pension scheme.		
<b>3. Other interest receivable and similar income</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Other interest receivable	46,931	48,798
	—	—

**M.R. ELLIS (TIMBER) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31ST MARCH 1997**

<b>4. Interest payable and similar charges</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts	3,897	14,413
Finance leases and hire purchase contracts	-	801
	<hr/>	<hr/>
	3,897	15,214
	<hr/>	<hr/>
<b>5. Profit on ordinary activities before taxation</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before taxation is stated after charging:-		
Depreciation of tangible owned assets	284,025	239,370
Depreciation of tangible assets held under finance lease and hire purchase contracts	2,501	10,000
Hire of plant and machinery - operating leases	-	1,881
Auditors' remuneration	7,000	12,000
Staff costs (see note 2)	872,940	755,468
	<hr/>	<hr/>
and after crediting:		
Profit on sale of fixed assets	-	79,312
	<hr/>	<hr/>
<b>6. Taxation</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
UK Corporation tax		
Current at 33%/25%	78,842	31,030
Prior years at 25%	30,027	-
	<hr/>	<hr/>
	108,869	31,030
	<hr/>	<hr/>

**M.R. ELLIS (TIMBER) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31ST MARCH 1997**

**7. Tangible fixed assets**

	Total £	Freehold land and buildings £	Plant & machinery £	Motor vehicles £
<b>Cost</b>				
At 1st April 1996	2,370,089	483,211	1,474,640	412,238
Additions	268,117	77,593	89,624	100,900
Disposals	(279,891)	-	(203,988)	(75,903)
At 31st March 1997	2,358,315	560,804	1,360,276	437,235
<b>Depreciation</b>				
At 1st April 1996	1,323,796	52,727	1,052,688	218,381
Charge for year	286,526	10,327	197,319	78,880
Disposals	(234,895)	-	(189,435)	(45,460)
At 31st March 1997	1,375,427	63,054	1,060,572	251,801
<b>Net book value at 31st March 1997</b>	982,888	497,750	299,704	185,434
<b>Net book value at 31st March 1996</b>	1,046,293	430,484	421,952	193,857

Depreciation has not been charged on freehold land, which is stated at £33,958 (1996: £18,233)

The net book value of tangible fixed assets includes an amount of £Nil (1996: £2,500) in respect of assets held under finance leases and hire purchase contracts.

**8. Stocks**

	1997 £	1996 £
Stocks comprise:-		
Raw materials and consumables	115,600	46,835
Finished goods and goods for resale	132,179	121,342
	<hr/>	<hr/>
	247,779	168,177
	<hr/>	<hr/>

**M.R. ELLIS (TIMBER) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31ST MARCH 1997**

<b>9. Debtors</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Amounts falling due within one year:		
Trade debtors	683,781	723,936
Other debtors	3,867	9,916
Prepayments and accrued income	5,881	9,779
	<hr/>	<hr/>
	693,529	743,631
	<hr/>	<hr/>
<b>10. Creditors</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
a. Amounts falling due within one year:		
Bank overdrafts	115,856	285,254
Trade creditors	250,937	305,626
Corporation tax	108,869	31,030
Taxation and social security payable	132,956	99,042
Other creditors	80,001	132,920
Accruals and deferred income	50,328	125,610
	<hr/>	<hr/>
	738,947	979,482
	<hr/>	<hr/>
b. Bank overdrafts		
Bank overdrafts are repayable as follows:		
In one year or less or on demand	115,856	285,254
	<hr/>	<hr/>

**11. Deferred taxation**

Deferred taxation provided and not provided in the financial statements, are as follows:

	Amount provided		Amount unprovided	
	1997	1996	1997	1996
	£	£	£	£
Excess of tax allowances over accumulated depreciation on eligible assets	-	-	10,787	11,728
	<hr/>	<hr/>	<hr/>	<hr/>

There has been no movement in the provision for deferred taxation during the year.

**M.R. ELLIS (TIMBER) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31ST MARCH 1997**

<b>12.</b>	<b>a.</b>	<b>Called up share capital</b>	<b>1997</b>	<b>1996</b>
			<b>£</b>	<b>£</b>
		<b>Authorised</b>		
		<b>Equity: 50,000 ordinary shares of £1 each</b>	50,000	50,000
		<b>Allotted, called up and fully paid</b>		
		<b>Equity: 32,000 ordinary shares of £1 each</b>	32,000	32,000
			<hr/>	<hr/>
	<b>b.</b>	<b>Reconciliation of movements in shareholders' funds</b>	<b>1997</b>	<b>1996</b>
			<b>£</b>	<b>£</b>
		Profit for the financial year	91,944	147,716
			<hr/>	<hr/>
		Net addition to shareholders' funds	91,944	147,716
		Opening shareholders' funds	1,794,039	1,646,323
			<hr/>	<hr/>
		Closing shareholders' funds	1,885,983	1,794,039
			<hr/>	<hr/>
		Represented by:		
		Equity interests	1,885,983	1,794,039
			<hr/>	<hr/>
<b>13.</b>	<b>Reserves</b>			<b>Profit and loss account</b>
				<b>£</b>
		At 1 April 1996		1,762,039
		Retained profit for the year		91,944
				<hr/>
		At 31 March 1997		1,853,983
				<hr/>

In 1997 and 1996 the company had no non-distributable reserves as defined by Section 263 of the Companies Act 1985.

**M.R. ELLIS (TIMBER) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31ST MARCH 1997**

**14. Notes to the cash flow statement**

a.	Reconciliation of operating profit to net cash inflow from operating activities	1997 £	1996 £	
	Operating profit	157,779	145,162	
	Depreciation charges	286,526	249,370	
	Increase in stocks	(79,602)	(13,159)	
	Decrease in debtors	53,561	115,482	
	(Decrease)/increase in creditors	(178,924)	44,957	
	Loss/(profit) on sale of fixed assets	7,500	(79,312)	
		<hr/>	<hr/>	
	Net cash inflow from operating activities	246,840	462,500	
		<hr/>	<hr/>	
b.	Returns on investments and servicing of finance	1997 £	1996 £	
	Interest received	46,931	48,798	
	Interest paid	(3,897)	(15,214)	
		<hr/>	<hr/>	
		43,034	33,584	
		<hr/>	<hr/>	
c.	Capital expenditure			
	Payments to acquire tangible fixed assets	(238,162)	(218,136)	
	Receipts from sales of tangible fixed assets	37,500	116,850	
		<hr/>	<hr/>	
		(200,662)	(101,286)	
		<hr/>	<hr/>	
d.	Financing			
	Capital element of finance lease rental payments	-	3,326	
		<hr/>	<hr/>	
e.	Analysis of changes in net funds			
		At 1 April 1996 £	Cash flows £	At 31 March 1997 £
	Cash at bank and in hand	815,420	(114,686)	700,734
	Overdrafts	(285,254)	169,398	(115,856)
		<hr/>	<hr/>	<hr/>
	Total	530,166	54,712	584,878

**M.R. ELLIS (TIMBER) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31ST MARCH 1997**

**15. Pension commitments**

**Defined contribution**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

The pension cost charge represents contributions payable by the company to the fund and amounted to £59,500 (1996: £37,000).

**16. Related party transactions**

M R Ellis, Mrs E Ellis, P Ellis and M Ellis, directors and shareholders of the company, jointly control the company.

The company has loans from the directors and shareholders of the company which are repayable on demand, as follows:

	Interest paid £	Balance at 31.3.97 £	Balance at 31.3.96 £
M R Ellis	2,771	39,688	54,572
Mrs E Ellis	2,771	39,687	54,572
P Ellis	1,008	500	12,000
M Ellis	1,008	126	11,776

A property was purchased by the company from Paul and Carole Ellis for £65,000.