

A & A.K. Butterworth Limited
Financial statements
For the year ended 31 March 2004

Grant Thornton 



Company No. 4027838

Company information

Company registration number	4027838
Registered office	Unit B Wier Lane Worcester Worcestershire WR2 4AY
Directors	J A Woodward H J Clarke R J Butterworth
Secretary	H J Clarke
Bankers	Barclays Bank PLC 54 High Street Worcester WR1 2QQ
Solicitors	Schofield Sweeney Number 1 Valley Court Canal Road Bradford BD1 4SP
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors St Johns Centre 110 Albion Street Leeds LS2 8LA

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 March 2004.

Principal activities

The company operates principally as a processor and merchant of hides, skins and wool.

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

The directors and their interests in the shares of the company

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 31 March 2004	At 1 April 2003
J A Woodward	—	—
H J Clarke	—	—
R J Butterworth	<u>250</u>	<u>250</u>

The interest of J A Woodward, a director of the parent company, in the parent company is shown in that company's financial statements.

Directors' responsibilities

United Kingdom 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 at the end of the year and of the profit or loss for the year then ended. 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.

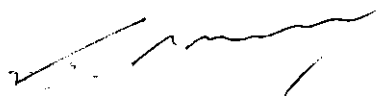
The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



H J Clarke
Secretary
28 January 2005

Report of the independent auditors to the members of A & A.K. Butterworth Limited

We have audited the financial statements of A & A.K. Butterworth Limited for the year ended 31 March 2004 which comprise the principal accounting policies, profit and loss account, balance sheet, cash flow statement and notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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' responsibilities for preparing the report of the directors and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

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 report of the directors 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.

We read other information contained in the report of the directors and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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.

Report of the independent auditors to the members of A & A.K. Butterworth Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2004 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink that reads "Grant Thornton UK LLP". The signature is written in a cursive, flowing style.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

LEEDS
28 January 2005

Principal accounting policies

Basis of accounting

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

The principal accounting policies of the company are set out below. The policies have remained unchanged from the prior period.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold property	-	2% straight line
Plant & machinery	-	20-25% straight line
Motor vehicles	-	25% straight line

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Profit and loss account

		Year to 31 Mar 04	Period from 1 Jan 02 to 31 Mar 03
	Note	£	£
Turnover	1	6,006,654	8,687,830
Cost of sales		(5,090,008)	(7,332,583)
Gross profit		916,646	1,355,247
Other operating charges	2	(913,927)	(1,187,827)
Operating profit	3	2,719	167,420
Interest payable and similar charges	6	(1,563)	(1,569)
Profit on ordinary activities before taxation		1,156	165,851
Tax on profit on ordinary activities	7	1,809	(40,910)
Retained profit for the financial year	18	2,965	124,941

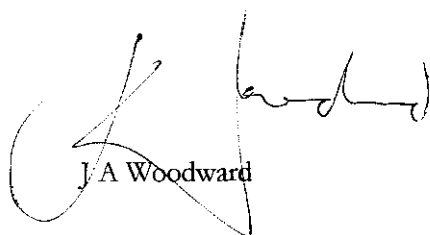
All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

Balance sheet

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	8	<u>97,783</u>	<u>114,291</u>
Current assets			
Stocks	9	180,000	127,412
Debtors	10	369,940	562,682
Cash in hand		360	487
		<u>550,300</u>	<u>690,581</u>
Creditors: amounts falling due within one year	12	305,488	463,461
Net current assets		<u>244,812</u>	<u>227,120</u>
Total assets less current liabilities		342,595	341,411
Provisions for liabilities and charges			
Deferred taxation	11	<u>—</u>	<u>1,781</u>
		<u>342,595</u>	<u>339,630</u>
Capital and reserves			
Called-up equity share capital	17	1,000	1,000
Profit and loss account	18	341,595	338,630
Shareholders' funds	19	<u>342,595</u>	<u>339,630</u>

These financial statements were approved by the directors on 28 January 2005 and are signed on their behalf by:



J A Woodward

Cash flow statement

		Year to 31 Mar 04 £	Period from 1 Jan 02 to 31 Mar 03 £
	Note		
Net cash inflow from operating activities	20	191,955	298,278
Returns on investments and servicing of finance			
Interest paid		(1,563)	(1,569)
Net cash outflow from returns on investments and servicing of finance		(1,563)	(1,569)
Taxation		(39,873)	(124,531)
Capital expenditure			
Payments to acquire tangible fixed assets		(34,940)	(75,901)
Receipts from sale of fixed assets		12,300	—
Net cash outflow from capital expenditure		(22,640)	(75,901)
Cash inflow before financing		127,879	96,277
Financing			
Capital element of finance leases and hire purchase		(3,395)	(11,104)
Net cash outflow from financing		(3,395)	(11,104)
Increase in cash	20	124,484	85,173

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.
 An analysis of turnover is given below:

	Year to 31 Mar 04	Period from 1 Jan 02 to 31 Mar 03
	£	£
United Kingdom	6,006,654	8,552,810
Rest of Europe	—	135,020
	<u>6,006,654</u>	<u>8,687,830</u>

2 Other operating income and charges

	Year to 31 Mar 04	Period from 1 Jan 02 to 31 Mar 03
	£	£
Administrative expenses	<u>913,927</u>	<u>1,187,827</u>

3 Operating profit

Operating profit is stated after charging/(crediting):

	Year to 31 Mar 04	Period from 1 Jan 02 to 31 Mar 03
	£	£
Depreciation of owned fixed assets	41,592	52,308
Depreciation of assets held under finance leases and hire purchase agreements	—	2,203
Profit on disposal of fixed assets	(2,444)	—
Auditors' remuneration:		
Audit fees	<u>5,500</u>	<u>5,500</u>

4 Directors and employees

The average number of staff employed by the company during the financial year amounted to:

	Year to 31 Mar 04 No	Period from 1 Jan 02 to 31 Mar 03 No
Yard and transport personnel	21	21
Management and administrative personnel	4	3
	<u>25</u>	<u>24</u>

The aggregate payroll costs of the above were:

	Year to 31 Mar 04 £	Period from 1 Jan 02 to 31 Mar 03 £
Wages and salaries	405,447	554,601
Social security costs	37,754	47,251
Other pension costs	4,520	5,649
	<u>447,721</u>	<u>607,501</u>

5 Directors

Remuneration in respect of directors was as follows:

	Year to 31 Mar 04 £	Period from 1 Jan 02 to 31 Mar 03 £
Emoluments receivable	46,000	73,851
Value of company pension contributions to money purchase schemes	4,520	4,620
	<u>50,520</u>	<u>78,471</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	Year to 31 Mar 04 No	Period from 1 Jan 02 to 31 Mar 03 No
Money purchase schemes	<u>1</u>	<u>1</u>

6 Interest payable and similar charges

	Year to 31 Mar 04	Period from 1 Jan 02 to 31 Mar 03
	£	£
Interest payable on bank borrowing	<u>1,563</u>	<u>1,569</u>

7 Taxation on ordinary activities

(a) Analysis of charge in the year

	Year to 31 Mar 04	Period from 1 Jan 02 to 31 Mar 03
	£	£
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2003 - 30%)	5,800	39,860
Adjustment in respect of prior periods	—	269
Total current tax	<u>5,800</u>	<u>40,129</u>
Deferred tax:		
Origination and reversal of timing differences	<u>(7,609)</u>	<u>781</u>
Tax on profit on ordinary activities	<u>(1,809)</u>	<u>40,910</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2003 - 30%).

	Year to 31 Mar 04	Period from 1 Jan 02 to 31 Mar 03
	£	£
Profit on ordinary activities before taxation	<u>1,156</u>	<u>165,851</u>
Profit/(loss) on ordinary activities by rate of tax	347	49,755
Expenses not deductible for tax purposes	120	(800)
Capital allowances for period in excess of depreciation	7,928	(881)
Tax chargeable at lower rates	(2,595)	(8,314)
Adjustments to tax charge in respect of previous periods	—	269
Other timing differences	—	100
Total current tax (note 7(a))	<u>5,800</u>	<u>40,129</u>

8 Tangible fixed assets

	Leasehold Property £	Plant & machinery £	Motor vehicles £	Total £
Cost				
At 1 April 2003	8,549	141,388	8,813	158,750
Additions	—	17,225	17,715	34,940
Disposals	—	(10,000)	(8,813)	(18,813)
At 31 March 2004	<u>8,549</u>	<u>148,613</u>	<u>17,715</u>	<u>174,877</u>
Depreciation				
At 1 April 2003	385	39,117	4,957	44,459
Charge for the year	171	36,992	4,429	41,592
On disposals	—	(4,000)	(4,957)	(8,957)
At 31 March 2004	<u>556</u>	<u>72,109</u>	<u>4,429</u>	<u>77,094</u>
Net book value				
At 31 March 2004	<u>7,993</u>	<u>76,504</u>	<u>13,286</u>	<u>97,783</u>
At 31 March 2003	<u>8,164</u>	<u>102,271</u>	<u>3,856</u>	<u>114,291</u>

Included within the net book value of £97,783 is £Nil (2003 - £3,856) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £Nil (2003 - £2,203).

9 Stocks

	2004 £	2003 £
Finished goods	<u>180,000</u>	<u>127,412</u>

10 Debtors

	2004 £	2003 £
Trade debtors	3,192	5,934
Amounts owed by group undertakings	360,920	556,748
Deferred taxation (note 11)	5,828	—
	<u>369,940</u>	<u>562,682</u>

11 Deferred taxation

The deferred tax included in the Balance sheet is as follows:

	Year to 31 Mar 04 £	Period from 1 Jan 02 to 31 Mar 03 £
Included in debtors (note 10)	<u>5,828</u>	<u>—</u>

The movement in the deferred taxation account during the year was:

	Year to 31 Mar 04 £	Period from 1 Jan 02 to 31 Mar 03 £
Balance brought forward	(1,781)	(1,000)
Profit and loss account movement arising during the year	<u>7,609</u>	<u>(781)</u>
Balance carried forward	<u>5,828</u>	<u>(1,781)</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2004 £	2003 £
Excess of taxation allowances over depreciation on fixed assets	<u>5,828</u>	<u>(1,781)</u>

12 Creditors: amounts falling due within one year

	2004 £	2003 £
Bank overdraft	18,773	143,384
Trade creditors	107,294	159,780
Amounts owed to group undertakings	43,993	—
Corporation tax	5,800	39,873
Other taxation and social security	27,769	28,498
Amounts due under finance leases and hire purchase agreements	—	3,395
Other creditors	28,859	15,122
Accruals and deferred income	<u>73,000</u>	<u>73,409</u>
	<u>305,488</u>	<u>463,461</u>

The bank overdraft is secured by a guarantee from the parent company.

13 Commitments under finance leases and hire purchase agreements

Future commitments under finance leases and hire purchase agreements are as follows:

	2004	2003
	£	£
Amounts payable within 1 year	—	3,395
	<u>—</u>	<u>3,395</u>

14 Leasing commitments

At 31 March 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	2004	2003
	£	£
Operating leases which expire:		
After more than 5 years	<u>25,000</u>	<u>25,000</u>

15 Contingent liabilities

There were no contingent liabilities at 31 March 2004 or 31 March 2003.

16 Related party transactions

During the year J A Woodward was also a director and shareholder of Bradford Hide Company Limited, the company's ultimate parent undertaking. The company purchased goods from Bradford Hide Company Limited with a value of £547,989 (2003: £393,492) and made sales to Bradford Hide Company Limited of £2,464,231 (2003: £2,071,532). A management fee of £20,000 (2003: £20,000) was also charged to A & A K Butterworth Limited from Bradford Hide Company Limited. The balance due from Bradford Hide Company Limited at 31 March 2004 was £329,810 (2003: £393,577).

A & A K Butterworth Limited also trade with McConomy & Co Limited, a fellow subsidiary of Bradford Hide Company Limited. The company sold goods to McConomy & Co Limited with a value of £638,096 (2003: £1,315,583). The company bought goods from McConomy & Co Limited with a value of £49,413 (2003: £98). The balance due to McConomy & Co Limited at 31 March 2004 was £43,993 (2003 due from McConomy & Co Limited: £15,758).

A & A K Butterworth Limited also trades with Dee Baylis Limited, a fellow subsidiary of Bradford Hide Company Limited. The company purchased goods from Dee Baylis Limited with a value of £15,317 (2003: £4,991) and made sales to Dee Baylis Limited of £2,834,329 (2003: £3,426,623). The balance outstanding due from Dee Baylis Limited at 31 March 2004 was £31,110 (2003: £147,412).

17 Share capital

Authorised share capital:

	2004	2003
	£	£
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2004		2003	
	No	£	No	£
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

18 Profit and loss account

	Year to 31 Mar 04	Period from 1 Jan 02 to 31 Mar 03
	£	£
Balance brought forward	338,630	213,689
Retained profit for the financial year	<u>2,965</u>	<u>124,941</u>
Balance carried forward	<u>341,595</u>	<u>338,630</u>

19 Reconciliation of movements in shareholders' funds

	2004	2003
	£	£
Profit for the financial year	2,965	124,941
Opening shareholders' equity funds	<u>339,630</u>	<u>214,689</u>
Closing shareholders' equity funds	<u>342,595</u>	<u>339,630</u>

20 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	Year to 31 Mar 04	Period from 1 Jan 02 to 31 Mar 03
	£	£
Operating profit	2,719	167,420
Depreciation	41,592	25,614
Profit on disposal of fixed assets	(2,444)	—
(Increase)/decrease in stocks	(52,588)	10,212
Decrease in debtors	198,570	50,737
Increase in creditors	4,106	44,295
Net cash inflow from operating activities	<u>191,955</u>	<u>298,278</u>

20 Notes to the statement of cash flows (continued)

Reconciliation of net cash flow to movement in net debt

	2004 £	2003 £
Increase in cash in the period	124,484	85,173
Cash outflow in respect of finance leases and hire purchase	3,395	11,104
Change in net debt	127,879	96,277
Net debt at 1 April 2003	(146,292)	(242,569)
Net debt at 31 March 2004	(18,413)	(146,292)

Analysis of changes in net debt

	At 1 Apr 2003 £	Cash flows £	At 31 Mar 2004 £
Net cash:			
Cash in hand and at bank	487	(127)	360
Overdrafts	(143,384)	124,611	(18,773)
	(142,897)	124,484	(18,413)
Debt:			
Finance leases and hire purchase agreements	(3,395)	3,395	-
Net debt	(146,292)	127,879	(18,413)

21 Capital commitments

The company had no capital commitments at 31 March 2004 or 31 March 2003.

22 Ultimate parent company

The directors consider that the immediate ultimate parent undertaking of this company is its parent company Bradford Hide Company Limited by virtue of its 75% ownership.

The ultimate controlling related party is J A Woodward as a result of his majority share holding in Bradford Hide Company Limited.

The largest group of undertakings for which group accounts have been drawn up is that headed by Bradford Hide Company Limited which is registered in England and Wales.

The consolidated accounts of that group are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.