

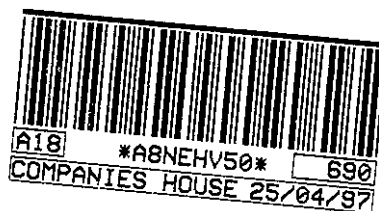


J C TIMBERS LIMITED

Report and Financial Statements

30 June 1996

**Deloitte & Touche
Blenheim House
Fitzalan Court
Newport Road
Cardiff
CF2 1TS**



**REPORT AND FINANCIAL STATEMENTS 1996****CONTENTS****Page**

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REPORT AND FINANCIAL STATEMENTS 1996

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

H G Crew (Chairman)
A Hamans
M D Howell

SECRETARY

A Hamans

REGISTERED OFFICE

The Woodmill
Bridgend Road
Llanharan
Mid Glamorgan
CF7 9RD

BANKERS

Barclays Bank plc
Pontypridd

SOLICITORS

Howells Solicitors
Cardiff

AUDITORS

Deloitte & Touche
Chartered Accountants
Blenheim House
Fitzalan Court
Newport Road
Cardiff
CF2 1TS

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 1996.

ACTIVITIES

The company's principal activity is that of manufacturing pallets, crates, boxes and other timber products.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The results for the year are set out on page 6 and the position at the year end is shown on page 7. The directors are satisfied with the results for the year.

On 1 January 1997 the company transferred its trade together with all its assets and liabilities to Pontypridd Pallet Company Limited, the company's ultimate parent company. The company ceased trading on this date.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend (1995 - £50,000 paid) and the retained loss for the year has been transferred to reserves.

FIXED ASSETS

Changes in fixed assets during the year are summarised in note 8.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year, together with their interests in the share capital of the company, are as follows:

	Ordinary shares	
	1996	1995
	No	No
H G Crew	99	99
A Hamans	-	-
M D Howell	-	-

All directors served throughout the year. The interests of the directors in the shares of the parent company can be seen in that company's accounts.

AUDITORS

Deloitte & Touche were appointed in June 1996, have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

DIRECTORS' REPORT (continued)

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 as at the end of the financial year 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 enable them to ensure that the financial statements comply with the Companies Act. 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.

Approved by the Board of Directors
and signed on behalf of the Board


A Hamans

Secretary



Chartered Accountants

Deloitte & Touche
Blenheim House
Fitzalan Court
Newport Road
Cardiff CF2 1TS

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AUDITORS' REPORT TO THE MEMBERS OF J C TIMBERS LIMITED

We have audited the financial statements on pages 6 to 17 which have been prepared under the accounting policies set out on pages 8 and 9.

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, except that the scope of our work was limited as explained below.

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 any 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 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. However, the evidence available to us was limited because we were not appointed auditors until June 1996 and did not report on the financial statements for the year ended 30 June 1995. In consequence, we were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the quantities and condition of stocks appearing in the balance sheet at 30 June 1995 at £60,427. Any adjustment to this figure would have a consequential effect on the loss for the year ended 30 June 1996.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

AUDITORS' REPORT TO THE MEMBERS OF J C TIMBERS LIMITED (continued)

Qualified opinion arising from limitation in audit scope

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 1996. Except for any adjustments to the financial statements that might have been found to be necessary had we been able to obtain sufficient evidence concerning stocks at the beginning of the year, in our opinion the financial statements give a true and fair view of the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to opening stocks:

- we have not obtained all the information and explanations that we considered necessary for the purposes of our audit, and
- we were unable to determine whether proper accounting records have been kept.

Deloitte & Touche
Deloitte & Touche

Chartered Accountants and
Registered Auditors

18 April 1997.

PROFIT AND LOSS ACCOUNT
Year ended 30 June 1996

	Note	£	1996 £	1995 £
TURNOVER: continuing operations	2		2,366,236	2,551,267
Cost of sales			1,961,292	2,147,036
Gross profit			404,944	404,231
Administrative expenses		400,560		351,101
Other operating income		-		800
			400,560	350,301
OPERATING PROFIT: continuing operations	4		4,384	53,930
Interest receivable and similar income		6,360		8,335
Interest payable and similar charges	5	(11,982)		(6,441)
			(5,622)	1,894
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			(1,238)	55,824
Tax on (loss)/profit on ordinary activities	6		6,217	17,662
(LOSS)/PROFIT FOR THE FINANCIAL YEAR			(7,455)	38,162
Dividends	7		-	50,000
			(7,455)	(11,838)
Retained profit brought forward			144,778	156,616
Retained profit carried forward			137,323	144,778

There are no recognised gains or losses for the current financial year and the preceding financial year other than as stated in the profit and loss account.

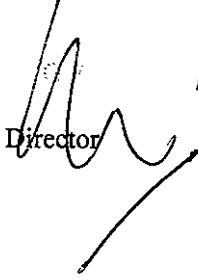



BALANCE SHEET
30 June 1996

	Note	1996 £	1995 £
FIXED ASSETS			
Tangible assets	8	147,621	211,837
CURRENT ASSETS			
Stocks	9	111,124	60,427
Debtors	10	557,494	482,516
Cash at bank and in hand		37,228	109,062
		705,846	652,005
CREDITORS: amounts falling due within one year	11	649,743	604,429
NET CURRENT ASSETS		56,103	47,576
TOTAL ASSETS LESS CURRENT LIABILITIES		203,724	259,413
CREDITORS: amounts falling due after more than one year	12	(40,511)	(90,482)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(10,890)	(9,153)
		152,323	159,778
CAPITAL AND RESERVES			
Called up share capital	15	15,000	15,000
Profit and loss account		137,323	144,778
TOTAL EQUITY SHAREHOLDERS' FUNDS		152,323	159,778

These financial statements were approved by the Board of Directors on 18/4/97

Signed on behalf of the Board of Directors


M D Howell.
Director

A Hamans

Director

NOTES TO THE ACCOUNTS
Year ended 30 June 1996

1 ACCOUNTING POLICIES

The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Depreciation is provided so as to write off the cost of an asset to its expected residual value over its estimated useful life. The rates of depreciation are as follows:

Freehold buildings	4% per annum on cost
Plant and machinery	15% per annum on reducing balance
Office equipment	15% per annum on reducing balance
Motor vehicles	25% per annum on reducing balance

No depreciation is charged on freehold land.

Investment properties

In accordance with Statement of Standard Accounting Practice 19, investment properties are not depreciated, but are revalued annually and the aggregate surplus or deficit transferred to a revaluation reserve.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease rentals in proportion to the capital element outstanding.

Operating lease rentals are charged to the profit and loss account in equal amounts over the lease term.

NOTES TO THE ACCOUNTS
Year ended 30 June 1996

1 ACCOUNTING POLICIES (continued)

Pension costs

The company runs a non-contributory defined contribution scheme for the benefit of certain employees and pays contributions into the personal pension schemes of the directors.

2 TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax.

The turnover and pre-tax loss, which arise in the UK, are attributable to the company's principal activity.

3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1996 £	1995 £
Directors' emoluments		
Fees	-	-
Other emoluments	97,910	103,443
Benefits in kind	15,131	12,825
	<u>113,041</u>	<u>116,268</u>
 Remuneration of the Chairman	 36,278	 34,515
Remuneration of the highest paid director	36,777	39,348
	<u>1996</u>	<u>1995</u>
	No	No
 Scale of directors' remuneration, including Chairman and highest paid director		
£25,001 - £30,000	1	-
£30,001 - £35,000	-	2
£35,001 - £40,000	2	1
	<u>2</u>	<u>1</u>

NOTES TO THE ACCOUNTS
Year ended 30 June 1996

3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	1996	1995
	No	No
Average number of persons employed		
Directors	3	3
Production	47	51
Administration	3	3
	<u>53</u>	<u>57</u>

	1996	1995
	£	£
Staff costs during the year (including directors)		
Wages and salaries	657,073	676,179
Social security costs	59,118	59,060
Pension costs	13,393	11,695
	<u>729,584</u>	<u>746,934</u>

4 OPERATING PROFIT

	1996	1995
	£	£
Operating profit is after charging:		
Depreciation		
Owned assets	9,452	11,500
Leased assets	25,214	23,533
Loss on disposal of fixed assets	-	5,714
Rentals under operating leases		
Other operating leases	15,122	13,198
Auditors' remuneration	3,500	7,050
	<u>3,500</u>	<u>7,050</u>
and after crediting:		
Rent receivable	-	800
Profit on disposal of fixed assets	570	-
	<u>570</u>	<u>-</u>

NOTES TO THE ACCOUNTS
Year ended 30 June 1996

5 INTEREST PAYABLE AND SIMILAR CHARGES

	1996	1995
	£	£
Bank loans, overdrafts and other loans repayable within five years	739	51
Other loan interest	-	1,500
Finance leases and hire purchase contracts	11,243	4,890
	<u>11,982</u>	<u>6,441</u>

6 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	1996	1995
	£	£
United Kingdom corporation tax at 24% (1995 - 25%) based on taxable profit for the year	4,480	18,807
Deferred taxation	1,737	(1,145)
	<u>6,217</u>	<u>17,662</u>

7 DIVIDENDS

	1996	1995
	£	£
Ordinary shares		
Interim paid nil (1995 - 50505.05 pence per ordinary share)	-	50,000
	<u>-</u>	<u>50,000</u>

In the two years ended 30 June 1995 dividends were waived on 14,001 ordinary shares of £1 each.

NOTES TO THE ACCOUNTS
Year ended 30 June 1996

8 TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Office equipment £	Motor vehicles £	Total £
Cost or valuation					
At 1 July 1995	60,500	200,427	18,499	88,195	367,621
Additions in year	-	2,200	-	37,500	39,700
Disposals in year	(55,000)	-	-	(30,424)	(85,424)
At 30 June 1996	<u>5,500</u>	<u>202,627</u>	<u>18,499</u>	<u>95,271</u>	<u>321,897</u>
Accumulated depreciation					
At 1 July 1995	495	113,915	8,415	32,959	155,784
Charge in year	220	13,310	1,514	19,622	34,666
Disposals in year	-	-	-	(16,174)	(16,174)
At 30 June 1996	<u>715</u>	<u>127,225</u>	<u>9,929</u>	<u>36,407</u>	<u>174,276</u>
Net book value					
At 30 June 1996	<u>4,785</u>	<u>75,402</u>	<u>8,570</u>	<u>58,864</u>	<u>147,621</u>
At 30 June 1995	<u>60,005</u>	<u>86,512</u>	<u>10,084</u>	<u>55,236</u>	<u>211,837</u>

The net book value of tangible fixed assets includes £89,940 (1995 - £93,209) in respect of assets held under finance leases and hire purchase contracts.

Included within freehold property is an investment property. This property was introduced into the company on 1 July 1992 at the directors' valuation of £55,000. The same property was disposed of on 2 July 1995, again, at the directors' valuation of £55,000. The directors' valuations are based on the value of similar properties on the market at the given dates.

9 STOCKS

	1996 £	1995 £
Raw materials and consumables	97,652	60,427
Finished goods	13,472	-
	<u>111,124</u>	<u>60,427</u>

NOTES TO THE ACCOUNTS
Year ended 30 June 1996

10 DEBTORS

	1996 £	1995 £
Trade debtors	540,864	468,365
Amounts owed by parent undertaking	-	11,185
Other debtors	11,837	2,966
Prepayments and accrued income	4,793	-
	<u>557,494</u>	<u>482,516</u>

All amounts are due within one year.

Included in other debtors at 30 June 1996 is a director's overdrawn current account balance of £8,283 (1995 - Nil) and a director's loan of £1,063 (1995 - £100). There are no fixed terms for repayment of these balances which are interest free. The maximum balance outstanding during the year on these loans was £9,346.

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £	1995 £
Bank loans and overdrafts	10,268	2,468
Obligations under finance leases and hire purchase contracts	32,017	26,835
Trade creditors	341,822	266,308
Directors' current accounts	93,439	157,160
Corporation tax	15,628	23,648
Other taxes and social security	75,959	68,087
Accruals	80,610	59,923
	<u>649,743</u>	<u>604,429</u>

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1996 £	1995 £
Bank loans	-	37,836
Obligations under finance leases and hire purchase contracts	40,511	52,646
	<u>40,511</u>	<u>90,482</u>



NOTES TO THE ACCOUNTS
Year ended 30 June 1996

13 BORROWINGS

	1996 £	1995 £
Analysis of loan repayments:		
Bank loans and overdrafts		
Within one year or on demand	10,268	2,468
Between one and two years	-	2,468
Between two and five years	-	7,404
After five years	-	27,964
	<u>10,268</u>	<u>40,304</u>
Other loans including finance leases and hire purchase contracts net of future finance charges		
Within one year or on demand	32,017	26,835
Between one and two years	28,688	28,570
Between two and five years	11,823	24,076
	<u>72,528</u>	<u>79,481</u>
Amounts repayable by instalments some of which fall due after five years:		
Bank loans		
Total amount	-	40,304
Instalments due after five years	-	27,964
	<u>-</u>	<u>68,268</u>

The bank overdraft is secured by fixed and floating charges over the assets of the company.

Obligations under finance leases and hire purchase contracts are secured on the related assets.

14 PROVISIONS FOR LIABILITIES AND CHARGES

	Balance at 1 July 1995 £	Charged to profit and loss account £	Applied £	Balance at 30 June 1996 £
Deferred taxation	9,153	1,737	-	10,890
	<u>9,153</u>	<u>1,737</u>	<u>-</u>	<u>10,890</u>

NOTES TO THE ACCOUNTS
Year ended 30 June 1996

14 PROVISIONS FOR LIABILITIES AND CHARGES (continued)

The amounts of deferred taxation provided and unprovided in the accounts are:

	Provided 1996 £	Provided 1995 £	Not provided 1996 £	Not provided 1995 £
Accelerated capital allowances	10,890	9,153	-	-

15 CALLED UP SHARE CAPITAL

	1996 £	1995 £
Authorised 25,000 ordinary shares of £1.00 each	25,000	25,000
Called up, allotted and fully paid 15,000 ordinary shares of £1.00 each	15,000	15,000

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
(Loss)/profit attributable to the members of the company	(7,455)	38,162
Dividends	-	(50,000)
Net reduction in shareholders' funds	(7,455)	(11,838)
Opening shareholders' funds	159,778	171,616
Closing shareholders' funds	152,323	159,778

NOTES TO THE ACCOUNTS
Year ended 30 June 1996

17 FINANCIAL COMMITMENTS

Operating lease commitments

At 30 June 1996 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings	Other
	£	£
Leases which expire:		
Within one year	8,000	2,012
After 5 years	-	739
	<hr/>	<hr/>
	8,000	2,751
	<hr/> <hr/>	<hr/> <hr/>

Guarantees

The company has given its bankers a cross-guarantee against any amounts owed by its ultimate parent company, Pontypridd Pallet Company Limited. At 30 June 1996 Pontypridd Pallet Company Limited had positive bank balances.

18 PENSION SCHEMES

The company operates a non-contributory defined contribution scheme for the benefit of certain employees and pays contributions into the personal pension schemes of the directors. The pension cost of £13,393 (1995 - £11,695) has been charged to the profit and loss account in the year.

19 EVENTS OCCURRING AFTER THE END OF THE YEAR

On 1 January 1997 the company transferred its entire assets and liabilities to Pontypridd Pallet Company Limited, the company's ultimate parent company. The company ceased trading on this date.

20 ULTIMATE PARENT COMPANY

The ultimate parent company is Pontypridd Pallet Company Limited, a company registered in England and Wales. Copies of that company's accounts can be obtained from Companies House, Crown Way, Cardiff CF4 3UZ.

NOTES TO THE ACCOUNTS
Year ended 30 June 1996

21 RELATED PARTY TRANSACTIONS

Transactions with Jade Timbers

During the year the company made purchases of £150,571, sales of £39,537 and expenditure recharges of £6,495 with Jade Timbers, a partnership in which the directors of the company are the controlling partners. At 30 June 1996 the company was owed £50,622 from Jade Timbers and owed £24,401 to Jade Timbers; these amounts have been fully provided against at 30 June 1996.

Transactions with directors

During the year the company made cash advances to a director, M D Howell, totalling £1,063; these amounts are still outstanding at 30 June 1996, are interest free and are included within other debtors.

At 30 June 1996 M D Howell had an overdrawn loan account totalling £8,283. This balance represents the maximum amount of the loan during the year, the loan account was not overdrawn at the start of the year and it is interest free.

On 2 July 1995 the company sold the freehold premises at 44 Craiglee Road, Cardiff back to H G Crew, a director of the company, at its net book value of £55,000. This value is considered to be a reasonable estimate of the open market value of the property at the date of sale. Also the mortgage loan of £40,304, secured on that property, was transferred back to the director as at that date. The property was initially purchased by the company on 1 July 1992, from the same director, at the directors' estimate of open market value of £55,000. All of these transactions have been accounted for through the director's loan account with the company.

Transactions with J C Timbers Limited CRU pension plan

This pension plan was set up by the company for the benefit of a director, H G Crew. The pension plan owns the freehold property from which the company trades and leases the premises to the company at an annual rent of £8,000. At 30 June 1996 the company owed £2,000 to the pension plan, which is included within accruals.

22 COMPARATIVES

Cost of sales has decreased by £14,187 for the year ended 30 June 1995. Consequently, administrative expenses have increased by £14,187. This adjustment reflects the reclassification of wage costs for the year.