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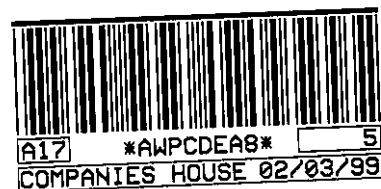
REGISTRAR OF COMPANIES

J C TIMBERS LIMITED

Report and Financial Statements

31 December 1997

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





REPORT AND FINANCIAL STATEMENTS 1997

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REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

H G Crew (resigned 30 December 1996)
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 eighteen months ended 31 December 1997.

ACTIVITIES

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

REVIEW OF DEVELOPMENTS

The results for the period are set out on page 5 and the position at the period end is shown on page 6. The directors are satisfied with the results for the period.

On 30 December 1996 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 (1996 - nil) and the retained loss for the period has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

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

| | Ordinary shares of £1 each | |
|------------|----------------------------|------|
| | 1997 | 1996 |
| | No. | No. |
| H G Crew | 99 | 99 |
| A Hamans | - | - |
| M D Howell | - | - |

H G Crew resigned as director on 30 December 1996.

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

AUDITORS

Deloitte & Touche 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.

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

A Hamans
Secretary

1/3/98

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period 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. 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.



AUDITORS' REPORT TO THE MEMBERS OF

J C TIMBERS LIMITED

We have audited the financial statements on pages 5 to 13 which have been prepared under the accounting policies set out on page 7.

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. 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 at 31 December 1997 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and Registered Auditors

1 March 1997



PROFIT AND LOSS ACCOUNT
18 months ended 31 December 1997

| | Note | 18 months ended 31 December 1997 £ | Year ended 30 June 1996 £ |
|--|------|--|---------------------------------------|
| TURNOVER: continuing operations | 2 | 1,363,712 | 2,366,236 |
| Cost of sales | | <u>(1,189,006)</u> | <u>(1,961,292)</u> |
| Gross profit | | 174,706 | 404,944 |
| Administrative expenses | 5 | <u>(234,771)</u> | <u>400,560</u> |
| OPERATING (LOSS)/PROFIT: continuing operations | 4 | <u>(60,065)</u> | <u>4,384</u> |
| Interest receivable and similar income | | 687 | 6,360 |
| Interest payable and similar charges | 6 | <u>(4,737)</u> | <u>(11,982)</u> |
| | | <u>(4,050)</u> | <u>(5,622)</u> |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | <u>(64,115)</u> | <u>(1,238)</u> |
| Tax on (loss)/profit on ordinary activities | 7 | - | <u>(6,217)</u> |
| LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL PERIOD | | <u>(64,115)</u> | <u>(7,455)</u> |
| Dividends paid | 8 | <u>(73,208)</u> | <u>-</u> |
| Retained loss for the financial period | | <u>(137,323)</u> | <u>(7,455)</u> |
| Retained profit and loss account brought forward | | <u>137,323</u> | <u>144,778</u> |
| Retained profit and loss account carried forward | | <u>-</u> | <u>137,323</u> |

There are no recognised gains or losses for the current and prior years other than as stated above.



BALANCE SHEET
31 December 1997

| | Note | 1997 £ | 1996 £ |
|--|------|-----------|-----------|
| FIXED ASSETS | | | |
| Tangible assets | 8 | - | 147,621 |
| CURRENT ASSETS | | | |
| Stocks | 9 | - | 111,124 |
| Debtors | 10 | 15,000 | 557,494 |
| Cash at bank and in hand | | - | 37,228 |
| | | 15,000 | 705,846 |
| CREDITORS: amounts falling due within one year | 11 | - | 649,743 |
| NET CURRENT ASSETS | | - | 56,103 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 15,000 | 203,724 |
| CREDITORS: amounts falling due after more than one year | 12 | - | (40,511) |
| PROVISIONS FOR LIABILITIES AND CHARGES | 14 | - | (10,890) |
| | | 15,000 | 152,323 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 15 | 15,000 | 15,000 |
| Profit and loss account | | - | 137,323 |
| | 16 | 15,000 | 152,323 |

These financial statements were approved by the Board of Directors on .

1/3/99

Signed on behalf of the Board of Directors

M D Howell
Director

A Hamans
Director

NOTES TO THE ACCOUNTS
18 months ended 31 December 1997**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Intangible fixed assets

Patents and trademarks are depreciated in equal annual amounts over a period of three years.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. 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 |

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 in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

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.

NOTES TO THE ACCOUNTS
 18 months ended 31 December 1997

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

| | 18 months ended 31 December 1997 | Year ended 30 June 1996 |
|--|---|----------------------------------|
| | £ | £ |
| Directors' emoluments | | |
| Fees | - | - |
| Other emoluments | 40,432 | 97,910 |
| Benefits in kind | 8,420 | 15,131 |
| | <u>48,852</u> | <u>113,041</u> |
| | | |
| | 18 months ended 31 December 1997 | Year ended 30 June 1996 |
| | No. | No. |
| Average number of persons employed | | |
| Directors | 2 | 3 |
| Production | 53 | 47 |
| Administration | 2 | 3 |
| | <u>57</u> | <u>53</u> |
| | | |
| | £ | £ |
| Staff costs during the year (including directors) | | |
| Wages and salaries | 303,862 | 657,073 |
| Social security costs | 31,109 | 59,118 |
| Pension costs | 2,464 | 13,393 |
| Wages - loss of office | 30,000 | - |
| | <u>367,435</u> | <u>729,584</u> |

4. OPERATING PROFIT

| | 18 months ended 31 December 1997 | Year ended 30 June 1996 |
|--|---|----------------------------------|
| | No. | No. |
| Operating profit is after charging: | | |
| Depreciation and amortisation | | |
| Owned assets | 8,193 | 9,452 |
| Leased assets | 11,229 | 25,214 |
| Loss on disposal of fixed assets | 3,079 | - |
| Rentals under operating leases | | |
| Other operating leases | 6,447 | 15,122 |
| Auditors' remuneration | 3,200 | 3,50 |
| | <u> </u> | <u> </u> |

NOTES TO THE ACCOUNTS
18 months ended 31 December 1997

5. EXCEPTIONAL ITEMS

| | 18 months ended 31 December 1997 £ | Year ended 30 June 1996 £ |
|-------------------------------------|--|---------------------------------------|
| Exceptional administrative expenses | | |
| Wages - loss of office | 30,000 | - |
| Legal fees | 16,663 | - |
| Accountancy fees | 19,500 | - |
| | <u>66,163</u> | <u>-</u> |

The exceptional item relates to payments made in respect of a management buy out. Loss of office compensation was paid to a former director, H G Crew and other expenses relate to professional fees incurred.

6. INTEREST PAYABLE AND SIMILAR CHARGES

| | 18 months ended 31 December 1997 £ | Year ended 30 June 1996 £ |
|---|--|---------------------------------------|
| Bank loans, overdrafts and other loans repayable within five years | 1,754 | 739 |
| Finance leases and hire purchase contracts | 2,983 | 11,243 |
| | <u>4,737</u> | <u>11,982</u> |

7. TAX ON LOSS ON ORDINARY ACTIVITIES

| | 18 months ended 31 December 1997 £ | Year ended 30 June 1996 £ |
|--|--|---------------------------------------|
| United Kingdom corporation tax at 24% (1996 - 24%) | - | 4,480 |
| Deferred taxation | - | 1,737 |
| | <u>-</u> | <u>6,217</u> |

8. DIVIDENDS

| | 18 months ended 31 December 1997 £ | Year ended 30 June 1996 £ |
|---|--|---------------------------------------|
| Final £4.88 per ordinary share (1996 - £nil) | <u>73,208</u> | <u>-</u> |

NOTES TO THE ACCOUNTS

18 months ended 31 December 1997

9. TANGIBLE FIXED ASSETS

| | Freehold property £ | Plant and machinery £ | Office equipment £ | Motor vehicles £ | Total £ |
|---------------------------------|---------------------------|-----------------------------|--------------------------|------------------------|------------|
| Cost | | | | | |
| At 1 July 1996 | 5,500 | 202,627 | 18,499 | 95,271 | 321,897 |
| Disposals | - | - | - | (43,471) | (43,471) |
| Transfer to parent company | (5,500) | (202,627) | (18,499) | (51,800) | (278,426) |
| At 31 December 1997 | - | - | - | - | - |
| Accumulated depreciation | | | | | |
| At 1 July 1996 | 715 | 127,225 | 9,929 | 36,407 | 174,276 |
| Charge in period | 110 | 7,006 | 1,077 | 11,229 | 19,422 |
| Eliminated on disposals | - | - | - | (19,019) | (19,019) |
| Transfer to parent company | (825) | (134,231) | (11,006) | (28,617) | (174,679) |
| At 31 December 1997 | - | - | - | - | - |
| Net book value | | | | | |
| At 31 December 1997 | - | - | - | - | - |
| At 30 June 1996 | 4,785 | 75,402 | 8,570 | 58,864 | 147,621 |

The net book value of tangible fixed assets includes £nil (1996 - £65,488) in respect of assets held under finance leases and hire purchase contracts.

10. STOCKS

| | 1997 £ | 30 June 1996 £ |
|-------------------------------|-----------|----------------------|
| Raw materials and consumables | - | 97,652 |
| Finished goods | - | 13,472 |
| | - | 111,124 |

11. DEBTORS

| | 1997 £ | 30 June 1996 £ |
|--------------------------------|-----------|----------------------|
| Amount due from parent company | 15,000 | - |
| Trade debtors | - | 540,864 |
| Other debtors | - | 11,837 |
| Prepayments and accrued income | - | 4,793 |
| | 15,000 | 557,494 |

All amounts are due within one year.

Included in other debtors at 31 December 1996 is was director's overdraft current account balance of £8,283. The loan was interest free and had no fixed term of repayment.

NOTES TO THE ACCOUNTS
18 months ended 31 December 1997

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 1997 | 30 June 1996 |
|---|----------|-----------------|
| | £ | £ |
| Bank loans and overdrafts | - | 10,268 |
| Obligations under finance leases and hire purchase contracts | - | 32,017 |
| Trade creditors | - | 341,822 |
| Director's current accounts | - | 93,439 |
| Corporation tax | - | 15,628 |
| Other taxes and social security | - | 75,959 |
| Accruals | - | 80,610 |
| | <u>-</u> | <u>649,743</u> |

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 1997 | 30 June 1996 |
|---|----------|-----------------|
| | £ | £ |
| Obligations under finance leases and hire purchase contracts | - | 40,511 |
| | <u>-</u> | <u>40,511</u> |

14. BORROWINGS

| | 1997 | 30 June 1996 |
|--|----------|-----------------|
| | £ | £ |
| Analysis of loan repayments: | | |
| Bank loans and overdrafts | | |
| Within one year or on demand | - | 10,268 |
| | <u>-</u> | <u>10,268</u> |
| Other loans including finance leases and hire purchase contracts net of future finance charges | | |
| Within one year or on demand | - | 32,017 |
| Between one and two years | - | 28,688 |
| Between two and five years | - | 11,823 |
| | <u>-</u> | <u>72,528</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.

NOTES TO THE ACCOUNTS
 18 months ended 31 December 1997

15. PROVISIONS FOR LIABILITIES AND CHARGES

| | Balance at 1 July 1996 £ | Charged to profit and loss account £ | Transferred £ | Balance at 31 December 1997 £ |
|-------------------|--------------------------------|---|------------------|---|
| Deferred taxation | 10,890 | - | 10,890 | - |

The amounts provided in the accounts and the amounts not provided are as follows:

| | Provided 1997 £ | Provided 1996 £ | Not Provided 1997 £ | Not Provided 1996 £ |
|--------------------------------|-----------------------|-----------------------|------------------------------|------------------------------|
| Accelerated capital allowances | - | 10,890 | - | - |

16. CALLED UP SHARE CAPITAL

| | 1997 £ | 30 June 1996 £ |
|---|-----------|----------------------|
| Authorised 25,000 ordinary shares of £1 each | 25,000 | 25,000 |
| Called up, allotted and fully paid 15,000 ordinary shares of £1 each | 15,000 | 15,000 |

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 1997 £ | 30 June 1996 £ |
|--|-----------|----------------------|
| Loss attributable to members of the company | (64,115) | (7,455) |
| Dividend | (73,208) | - |
| Net reduction to shareholders funds | (137,323) | (7,455) |
| Opening shareholders' funds | 152,323 | 159,778 |
| Closing shareholders' funds | 15,000 | 152,323 |

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 £2,464 (1996 - £13,393) has been charged to the profit and loss account in the period.