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**WEST'S DOWELS AND MOULDINGS LIMITED**

**Financial Statements**

**For the year ended 31 December 1997**

Registered number 333593

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**COOPER  
LANCASTER  
BREWERS**  
Chartered Accountants  
MANCHESTER



# WEST'S DOWELS AND MOULDINGS LIMITED

Registered number 333593

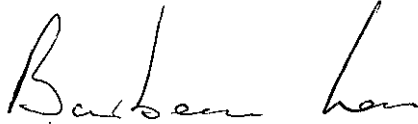
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## Notice to Shareholders in accordance with Section 253, Companies Act 1985.

The Company has dispensed with the need to lay accounts and reports before an annual general meeting.

If any Shareholder requires that a general meeting be held for the purposes of laying the accounts and reports before the Company, they should write, within 28 days of this notice, to the directors at the Company's Registered Office, advising the directors to call such a meeting.

B Lea  
Secretary



27 January 1998

Registered Office  
South Langworthy Road  
Salford  
M5 2PX

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**Directors Report**

The Directors present their report and the audited accounts for the year ended 31 December 1997.

**Results and dividends**

A summary of the results is as follows:

|                        | 1997<br>£ | 1996<br>£ |
|------------------------|-----------|-----------|
| Turnover               | 7,418,256 | 7,109,118 |
| Profit before taxation | 243,762   | 112,374   |
| Profit after taxation  | 165,840   | 80,168    |
| Proposed dividend      | (165,840) | (80,168)  |
| Transfer reserves      | -         | -         |

**Review of the business**

The principal activities of the Company during the year were those of manufacturing and distribution of wooden dowels mouldings and broomhandles, timber merchanting and importing.

Despite the difficult market sector, the Company achieved excellent results for 1997 and the Directors are confident of further growth and improvement in 1998.

**Directors and their interests**

The Directors holding office during the year were as follows :-

A Adams  
W H Gunn

No Director holds shares in the Company and no Director, whose holding is required to be mentioned in this report, holds shares or debentures in other companies in the Group.

**Creditors policy**

Operating businesses are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is Company policy that payments are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions. The number of days purchases outstanding at 31 December 1997 for the Company was 24 days.

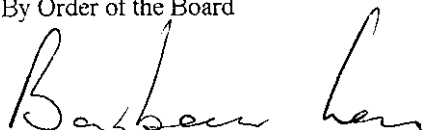
**Directors Report (continued)**

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**Auditors**

At a meeting of the members on 2 December 1994, a resolution was approved to "dispense with the need to appoint auditors annually", as required by Section 386 of the Companies Act 1985. Accordingly, Cooper Lancaster Brewers will remain in office until further notice.

By Order of the Board



B Lea  
Secretary  
27 January 1998

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**Statement of Directors' Responsibilities**

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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
- 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.

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**To the shareholders of West's Dowels and Mouldings Limited**

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We have audited the financial statements on pages 4 to 12.

**Respective responsibilities of directors and auditors**

As described on page 2, 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 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Manchester**

27 January 1998

**COOPER LANCASTER BREWERS**

Chartered Accountants

Registered Auditors

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**Profit and Loss Account**  
**For the year ended 31 December 1997**

|   | Note     | 1997<br>£        | 1996<br>£        |
|---|----------|------------------|------------------|
| <b>Turnover</b>   | <b>1</b> | <b>7,418,256</b> | <b>7,109,118</b> |
| Cost of sales   |          | (6,140,690)      | (5,871,069)      |
| <b>Gross profit</b>                                       |          | <b>1,277,566</b> | <b>1,238,049</b> |
| Distribution costs  |          | (822,354)        | (909,535)        |
| Administration expenses                                   |          | (225,959)        | (227,756)        |
| Other operating income                                    |          | 57,000           | 56,700           |
| <b>Operating profit</b>                                   | <b>2</b> | <b>286,253</b>   | <b>157,458</b>   |
| Bank interest receivable                                  |          | 12,771           | 20,963           |
| Interest payable  | <b>3</b> | (55,262)         | (66,047)         |
| <b>Profit on ordinary activities,<br/>before taxation</b> |          | <b>243,762</b>   | <b>112,374</b>   |
| Taxation  | <b>5</b> | (77,922)         | (32,206)         |
| <b>Profit on ordinary activities,<br/>after taxation</b>  |          | <b>165,840</b>   | <b>80,168</b>    |
| Dividend  | <b>6</b> | (165,840)        | (80,168)         |
| <b>Transfer reserves</b>                                  |          | <b>-</b>         | <b>-</b>         |

All turnover and operating profit arises from continuing operations.

**Statement of Total Recognised Gains and Losses**

|                                      |                |               |
|--------------------------------------|----------------|---------------|
| Profit for the year, as stated above | <b>165,840</b> | <b>80,168</b> |
|--------------------------------------|----------------|---------------|

**Balance Sheet**  
As at 31 December 1997

|   | Note | 1997<br>£   | 1996<br>£   |
|---|------|-------------|-------------|
| <b>ASSETS EMPLOYED</b>  |      |             |             |
| <b>Fixed assets</b>   |      |             |             |
| Tangible assets   | 7    | 711,747     | 728,634     |
| <b>Current assets</b>   |      |             |             |
| Stocks  | 8    | 1,659,975   | 1,586,994   |
| Debtors   | 9    | 1,466,038   | 1,350,094   |
| Cash at bank and in hand  |      | 1,518       | 243,831     |
|   |      | 3,127,531   | 3,180,919   |
| <b>Creditors : amounts falling due within one year</b>          | 10   | (2,316,368) | (2,382,126) |
| <b>Net current assets</b>                                       |      | 811,163     | 798,793     |
| <b>Total assets less current liabilities</b>                    |      | 1,522,910   | 1,527,427   |
| <b>FINANCED BY</b>  |      |             |             |
| <b>Creditors : amounts falling due after more than one year</b> | 10   | 1,500,000   | 1,500,000   |
| <b>Provision for liabilities and charges</b>                    | 11   | 16,826      | 21,343      |
| <b>Capital and reserves</b>                                     |      |             |             |
| Called up share capital   | 12   | 980         | 980         |
| Reserves  | 13   | 5,104       | 5,104       |
| <b>Total shareholders' funds</b>                                | 14   | 6,084       | 6,084       |
|   |      | 1,522,910   | 1,527,427   |

These accounts were approved by the Board of Directors on 27 January 1998 and signed on its behalf by :

A Adams *A Adams* )  
 W H Gunn *W H Gunn* ) Directors

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**Accounting Policies**

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**Basis of accounting**

These accounts have been prepared using the historical cost basis of accounting and in accordance with applicable accounting standards.

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**Cash flow statement**

The Company is exempt from the requirements to prepare a statement under Financial Reporting Standard 1 "Cash Flow Statements".

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**Turnover**

Turnover represents amounts charged to customers for goods sold, excluding value added tax, including sales to fellow subsidiaries of the Company.

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**Depreciation**

No depreciation is provided on land.

Other fixed assets are written off in equal annual instalments over their useful lives, the principal rates applied being :-

|                             |     |
|-----------------------------|-----|
| Freehold buildings          | 3%  |
| Plant and equipment         | 15% |
| Commercial vehicles         | 20% |
| Display equipment           | 25% |
| Cars and internal transport | 25% |

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**Stocks**

Stock is valued at the lower of cost and net realisable value. Cost includes a proportion of overheads, where appropriate.

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**Deferred taxation**

Deferred taxation is provided where, in the opinion of the Directors, a liability is likely to arise in the foreseeable future.

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**Leased assets**

The rental costs arising from operating leases are charged against profit as they arise.

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**Pensions**

The Company is a member of the RK Timber Limited Group Pension and Life Assurance Scheme. Contributions to the scheme are made by both employees and the Company as fixed by independent actuaries. The contributions are based on pension costs across the Group as a whole. The cost of these are charged against profits on a systematic basis over the service lives of the employees.



## Notes to the Accounts

|   | 1997<br>£        | 1996<br>£        |
|---|------------------|------------------|
| <b>1 Turnover</b>   |                  |                  |
| All sales were made in the United Kingdom.                  |                  |                  |
| <b>2 Operating profit</b>                                   |                  |                  |
| <b>Operating profit is stated after including :-</b>        |                  |                  |
| Operating leases - plant and vehicles                       | 177,645          | 162,996          |
| Depreciation  | 128,673          | 137,511          |
| Group rents received  | (57,000)         | (56,700)         |
| Profit on sale of fixed assets                              | (2,172)          | (1,728)          |
| Auditors remuneration                                       | 11,000           | 10,750           |
| <b>3 Interest payable</b>                                   |                  |                  |
| Group interest  | 55,262           | 65,085           |
| Bank interest   | -                | 962              |
|   | <u>55,262</u>    | <u>66,047</u>    |
| <b>4 Employees</b>  |                  |                  |
| The aggregate payroll costs during the year amounted to :-  |                  |                  |
| Wages and salaries  | 1,105,844        | 1,042,244        |
| Social security costs                                       | 73,291           | 68,951           |
| Other pension costs   | 72,651           | 68,341           |
| Redundancy  | 30,000           | 5,954            |
|   | <u>1,281,786</u> | <u>1,185,490</u> |
| The average monthly number of employees during the year was | <u>73</u>        | <u>73</u>        |

## Notes to the Accounts (continued)

|   | 1997           | 1996          |
|---|----------------|---------------|
|   | £              | £             |
| <b>4 Employees (continued)</b>  |                |               |
| The emoluments of the Directors, which are included in the aggregate payroll costs, were as follows :-                    |                |               |
| Emoluments, excluding pension contributions   | 65,794         | 68,563        |
| Compensation payment for loss of office, not included above, paid by Raab Karcher (UK) PLC                                | -              | 30,000        |
|   | <b>Number</b>  | <b>Number</b> |
| Directors accruing benefits under a defined benefits pension scheme in respect of contributions charged to the company :- | 2              | 3             |
| <b>5 Taxation on ordinary activities</b>  |                |               |
|   | £              | £             |
| The charge for the year comprises :-  |                |               |
| Corporation tax at 31.5% (1996 33%)   | 81,672         | 33,512        |
| Adjustment in respect of prior year   | 767            | (7,171)       |
| Transfer deferred taxation  | (4,517)        | 5,865         |
|   | <b>77,922</b>  | <b>32,206</b> |
| <b>6 Dividend</b>   |                |               |
| Ordinary - proposed   | <b>165,840</b> | <b>80,168</b> |

## Notes to the Accounts (continued)

## 7 Tangible assets

|                     | Freehold<br>Land &<br>Buildings<br>£ | Plant<br>Equipment<br>& Vehicles<br>£ | Total<br>£     |
|---------------------|--------------------------------------|---------------------------------------|----------------|
| Cost                |                                      |                                       |                |
| At 1 January 1997   | 637,444                              | 981,531                               | 1,618,975      |
| Additions           | 4,928                                | 110,086                               | 115,014        |
| Disposals           | -                                    | (30,820)                              | (30,820)       |
| Group transfers     | -                                    | -                                     | -              |
| At 31 December 1997 | 642,372                              | 1,060,797                             | 1,703,169      |
| Depreciation        |                                      |                                       |                |
| At 1 January 1997   | 203,331                              | 687,010                               | 890,341        |
| Charge for the year | 16,356                               | 112,317                               | 128,673        |
| Disposals           | -                                    | (27,592)                              | (27,592)       |
| Group transfers     | -                                    | -                                     | -              |
| At 31 December 1997 | 219,687                              | 771,735                               | 991,422        |
| Net book value      |                                      |                                       |                |
| 31 December 1997    | <b>422,685</b>                       | <b>289,062</b>                        | <b>711,747</b> |
| 31 December 1996    | 434,113                              | 294,521                               | 728,634        |

Land included above and not depreciated amounted to £101,000 (1996 £101,000).

## 8 Stocks

|                                    | 1997<br>£        | 1996<br>£        |
|------------------------------------|------------------|------------------|
| Raw materials and goods for resale | 933,990          | 959,482          |
| Finished goods                     | 725,985          | 627,512          |
|                                    | <b>1,659,975</b> | <b>1,586,994</b> |

## 9 Debtors

|                                     |                  |                  |
|-------------------------------------|------------------|------------------|
| Trade debtors                       | 1,379,453        | 1,277,212        |
| Amounts due from group undertakings | 9,365            | 12,530           |
| Prepayments and accrued income      | 77,220           | 60,352           |
|                                     | <b>1,466,038</b> | <b>1,350,094</b> |

## Notes to the Accounts (continued)

|   | 1997              | 1996                                       |
|---|-------------------|--|
|   | £                 | £  |
| <b>10 Creditors</b>                                 |                   |  |
| <b>Amounts falling due within one year</b>          |                   |  |
| Bank overdraft                                      | 81,284            | -  |
| Trade creditors                                     | 339,636           | 470,677                                    |
| Amounts due to group undertakings                   | 1,350,877         | 1,499,785                                  |
| Corporation tax                                     | 81,672            | 33,512                                     |
| Other taxes and social security costs               | 60,962            | 67,244                                     |
| Accruals  | 236,097           | 230,740                                    |
| Proposed dividend                                   | 165,840           | 80,168                                     |
|   | <u>2,316,368</u>  | <u>2,382,126</u>                           |
| <b>Amounts falling due after more than one year</b> |                   |  |
| Group finance loan                                  | <u>1,500,000</u>  | <u>1,500,000</u>                           |
| <b>11 Provision for liabilities and charges</b>     |                   |  |
| <b>Deferred taxation</b>                            |                   |  |
| Balance 1 January 1997                              | 21,343            | 15,478                                     |
| Transfer profit and loss account                    | (4,517)           | 5,865                                      |
| Balance 31 December 1997                            | <u>16,826</u>     | <u>21,343</u>                              |
| The balance represents :                            |                   |  |
| Excess of capital allowances over depreciation.     | 21,194            | 21,343                                     |
| Other timing differences                            | (4,368)           | -  |
|   | <u>16,826</u>     | <u>21,343</u>                              |
| <b>12 Called up equity share capital</b>            |                   |  |
|   | <b>Authorised</b> | <b>Allotted, issued and<br/>fully paid</b> |
| Ordinary shares of £1 each                          | <u>1,000</u>      | <u>980</u> <u>980</u>                      |

## Notes to the Accounts (continued)

|                             | 1997<br>£    | 1996<br>£ |
|-----------------------------|--------------|-----------|
| <b>13 Reserves</b>          |              |           |
| Balance at 1 January 1997   | 5,104        |           |
| Profit and loss account     | -            |           |
| Balance at 31 December 1997 | <u>5,104</u> |           |

**14 Reconciliation of movements in shareholders' funds**

|                                     |              |          |
|-------------------------------------|--------------|----------|
| Net profit for the financial year   | 165,840      | 80,168   |
| Dividends                           | (165,840)    | (80,168) |
|                                     | -            | -        |
| Shareholders' funds brought forward | <u>6,084</u> | 6,084    |
| Shareholders' funds carried forward | <u>6,084</u> | 6,084    |

**15 Contingent liabilities**

The Company has given guarantees as follows :-

In connection with the bank indebtedness of other undertakings in the group, which at 31 December 1997 amounted to £4.14 m.

To certain banks in respect of guarantees by them amounting to £40,000 given to H M Customs & Excise for potential value added tax liabilities of the Company.

**16 Future financial commitments****Capital commitments**

|   |            |            |
|---|------------|------------|
| Contracted but not provided in the accounts | <u>Nil</u> | <u>Nil</u> |
|---|------------|------------|

**Operating lease commitments**

Annual charges in respect of operating leases terminating :-

Plant

|                    |        |        |
|--------------------|--------|--------|
| Within 1 year      | 9,059  | 80,466 |
| Within 2 - 5 years | 69,822 | 20,561 |

**Notes to the Accounts (continued)**

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**17 Pensions**

The Group scheme is a funded, defined benefit pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held in an independent trust. An independent actuarial valuation was carried out on 6 April 1997 which disclosed that the scheme was in excess of funding.

Particulars of the actuarial valuation of the Group scheme are disclosed in the financial statements of RK Timber Limited.

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**18 Related party transactions**

The Company has taken advantage of exemption 3(c) of Financial Reporting Standard 8 and has not disclosed related party transactions.

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**19 Ultimate holding company**

The ultimate holding company is Veba AG, a company registered in Germany.

The immediate holding company is RK Timber Limited, formerly Raab Karcher (Timber) Limited, a company incorporated in England and Wales.

Group accounts are drawn up for Raab Karcher Shareholdings Limited, a company incorporated in England and Wales, which is the United Kingdom parent company of RK Timber Limited. These are available from South Langworthy Road, Salford.