

William Williams (Bridgnorth) Limited

Report and Financial Statements

31 December 2002

 **ERNST & YOUNG**



William Williams (Bridgnorth) Limited

Registered No: 2097035

Directors

C J Folkes
R W Stokes
P M Turner
C Griffin
A L Folkes
C F Banks

Secretary

P M Turner

Auditors

Ernst & Young LLP
One Colmore Row
Birmingham
B3 2DB

Registered office

Forge House
Dudley Road
Lye
Stourbridge
West Midlands
DY9 8EL

Directors' report

The directors present their report and financial statements for the year ended 31 December 2002.

Results and dividends

The profit for the year, after taxation, amounted to £13,463. The directors do not recommend the payment of any dividends.

The company continues to operate satisfactorily, particularly as margins come under increasing pressure from DIY merchants. This performance is expected to continue into 2003.

Principal activities and review of the business

The principal activity of the company during the year was that of builders merchants.

Directors

The directors who served the company during the year were as follows:

C J Folkes	
R W Stokes	
A L Folkes	
C F Banks	
P M Turner	(Appointed 17 December 2002)
C Griffin	(Appointed 17 December 2002)
C V Fraser - Macnamara	(Resigned 17 December 2002)

The interests of C J Folkes and A L Folkes in the shares of Folkes Holdings Limited are shown in the Directors' report of that company.

Auditors

During the year Ernst & Young LLP replaced Price Pearson Limited as auditors of the company.

A resolution to reappoint Ernst & Young LLP will be put to the members at the Annual General Meeting.

By order of the board



P M Turner
Secretary

13 November 2003

Statement of directors' responsibilities in respect of the financial statements

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 year. 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; and
- 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.

Independent auditors' report

to the members of William Williams (Bridgnorth) Limited

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 16. These financial statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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 Directors' Report 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit 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.



Independent auditors' report

to the members of William Williams (Bridgnorth) 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 December 2002 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 'Ernst & Young LLP'.

Ernst & Young LLP
Registered Auditor
One Colmore Row
Birmingham
B3 2DB

13 November 2003

Profit and loss account
for the year ended 31 December 2002

		2002	(11 months) 2001 (Restated)
	Notes	£	£
Turnover	2	968,904	1,057,027
Cost of sales		624,198	698,297
Gross profit		344,706	358,730
Distribution costs		(18,950)	(19,334)
Administrative expenses		(305,179)	(378,544)
Other operating income		—	9,299
Operating profit / (loss)	3	20,577	(29,849)
Income from fixed asset investments		—	119
Interest receivable and similar income	6	17,589	5,710
Bank interest payable		(5,552)	(7,110)
Profit / (loss) on ordinary activities before taxation		32,614	(31,130)
Tax on profit on ordinary activities	7	19,151	513
Profit / (loss) for the financial year transferred to reserves		13,463	(31,643)

Statement of total recognised gains and losses

for the year ended 31 December 2002

	2002	(11 months) 2001 (Restated)
	£	£
Profit / (loss) for the financial period	13,463	(31,643)
Unrealised surplus on revaluation of freehold property	100,400	10,400
Current UK corporation tax charge on sale of property	–	(59,487)
Total recognised gains and losses relating to the period	<u>113,863</u>	<u>(80,730)</u>
Prior year adjustment (note 1)	<u>390,021</u>	
Total gains and losses recognised since the last annual report	<u>503,884</u>	

Note of historical cost profits and losses

for the year ended 31 December 2002

	2002	(11 months) 2001 (Restated)
	£	£
Profit / (loss) on ordinary activities before taxation	32,614	(31,130)
Realisation of property revaluation gains of previous periods	6,200	291,200
Historical cost profit on ordinary activities before taxation	<u>38,814</u>	<u>260,070</u>
Historical cost profit for the period after taxation and dividends	<u>19,663</u>	<u>200,070</u>

Balance sheet

at 31 December 2002

	Notes	2002 £	2001 (Restated) £
Fixed assets			
Tangible assets	8	797,112	668,708
Investment		750	750
		<u>797,862</u>	<u>669,458</u>
Current assets			
Stocks	9	227,172	185,688
Debtors	10	154,529	518,675
Cash at bank		91,519	250
		<u>473,220</u>	<u>704,613</u>
Creditors: amounts falling due within one year	11	183,012	399,864
		<u>290,208</u>	<u>304,749</u>
Net current assets			
		<u>1,088,070</u>	<u>974,207</u>
Total assets less current liabilities			
		<u>1,088,070</u>	<u>974,207</u>
Capital and reserves			
Called up share capital	14	10,000	10,000
Revaluation reserve	15	526,217	432,017
Profit and loss account	15	551,853	532,190
		<u>1,088,070</u>	<u>974,207</u>
Equity shareholders' funds	15	<u>1,088,070</u>	<u>974,207</u>



P M Turner
Director

13 November 2003

13 November 200313 November 2003

Notes to the financial statements

at 31 December 2002

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, modified to include the revaluation of freehold land and buildings, and in accordance with applicable accounting standards.

Following the acquisition of the company by Folkes Holdings Limited, the accounting policy regarding land and buildings has been amended to comply with group accounting policies. Previously land and buildings were carried at their historical cost and were not depreciated. Land and buildings are now revalued, in accordance with FRS 15, on a regular basis and at least every five years, and buildings are depreciated over their estimated useful life. The effect of the change in accounting policy is as follows:

	2002 £	2001 £
Increase in depreciation charge for the period	(10,400)	(11,868)
Reduction in profit in the period (before and after taxation)	(10,400)	(11,868)
Increase in tangible fixed assets	480,021	390,021
Increase in net assets	480,021	390,021
Increase in revaluation reserve	526,217	432,017
Decrease in profit and loss account	(46,196)	(41,996)
Increase in shareholders' funds	480,021	390,021

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

Related parties transactions

The company is a wholly owned subsidiary of Folkes Holdings Limited, the consolidated financial statements of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the Folkes group.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life as follows:

Freehold buildings	- 50 years
Fixtures and fittings	- 2 to 6 years
Motor vehicles	- 4 years
Plant and machinery	- 4 to 6 years

Stocks

Stock is valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less any further costs expected to be incurred to disposal.

Notes to the financial statements

at 31 December 2002

1. Accounting policies (continued)

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 or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- 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.

2. Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. All turnover arises in the United Kingdom

3. Operating profit

This is stated after charging / (crediting):

	2002	(11 months) 2001 (Restated)
	£	£
Auditors' remuneration - audit services	3,375	4,203
Depreciation of owned fixed assets	18,996	25,239
Redundancy costs	—	18,331
Rent receivable	—	(9,299)

4. Staff costs

	2002	(11 months) 2001
	£	£
Wages and salaries	185,810	136,335
Social security costs	18,085	13,265
	203,895	149,600

Notes to the financial statements

at 31 December 2002

4. Staff costs (continued)

The monthly average number of employees during the year was as follows:

	(11 months)	
	2002	2001
	No.	No.
Production staff	6	6
Distribution staff	2	2
Administrative staff	5	5
	<u>13</u>	<u>13</u>

5. Directors' emoluments

	(11 months)	
	2002	2001
	£	£
Emoluments	88,301	118,004
Compensation for loss of office	2,637	—
	<u>90,938</u>	<u>118,004</u>

The directors do not receive any pension benefits from the company. One director (2001 – nil) is a member of a group defined benefit pension scheme.

6. Interest receivable and similar income

	(11 months)	
	2002	2001
	£	£
Interest from related companies (note 12)	17,589	5,258
Bank interest	—	452
	<u>17,589</u>	<u>5,710</u>

7. Tax

(a) Tax on profit / (loss) on ordinary activities

The tax charge is made up as follows:

	(11 months)	
	2002	2001
	£	£
<i>Current tax:</i>		
UK corporation tax (note 7(b))	20,486	513
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(1,335)	—
Tax on profit on ordinary activities	<u>19,151</u>	<u>513</u>

Notes to the financial statements

at 31 December 2002

8. Tax (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit / (loss) on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2001 - 30%). The differences are reconciled below:

	2002	(11 months) 2001
	£	£
Profit / (loss) on ordinary activities before taxation	32,614	(31,130)
Profit / (loss) on ordinary activities at the standard rate of tax	9,784	(9,339)
Expenses not allowable	9,367	9,852
Accelerated capital allowances	1,335	—
Total current tax (note 7(a))	20,486	513

(c) Deferred tax

The deferred tax asset provided is as follows:

	2002	2001
	£	£
Capital allowances in advance of depreciation	1,335	—

The unprovided deferred tax in respect of the surplus on revaluation of property is £75,000 (2001 - £50,000).

8. Tangible fixed assets

	Freehold property (Restated) £	Fixtures, fittings, motor vehicles, plant and machinery £	Total (Restated) £
Cost or valuation:			
At 1 January 2002	650,000	121,727	771,727
Additions	—	47,000	47,000
Surplus on revaluation	90,000	—	90,000
At 31 December 2002	740,000	168,727	908,727
Depreciation:			
At 1 January 2002	—	103,019	103,019
Provided during the year	10,400	8,596	18,996
Surplus on revaluation	(10,400)	—	(10,400)
At 31 December 2002	—	111,615	111,615
Net book value:			
At 31 December 2002	740,000	57,112	797,112
At 1 January 2002	650,000	18,708	668,708

Notes to the financial statements

at 31 December 2002

8. Tangible fixed assets (continued)

An external revaluation of the company's freehold property was carried out as at 31 December 2002, by Phoenix Beard, Chartered Surveyors. The property was valued in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors on an existing use value.

The net book value of freehold land and buildings on a historical cost basis would be £213,783 (2001 - £217,983)

9. Stocks

	2002 £	2001 £
Goods for resale	227,172	185,688

10. Debtors

	2002 £	2001 £
Trade debtors	113,393	100,778
Loan to related undertaking (note 12)	—	400,000
Other debtors	39,801	17,897
Deferred taxation (note 7(c))	1,335	—
	154,529	518,675

11. Creditors: amounts falling due within one year

	2002 £	2001 £
Bank overdraft - secured	—	139,272
Trade creditors	55,477	77,483
Corporation tax	39,819	72,889
Other taxation and social security	21,928	12,927
Other creditors	65,788	97,293
	183,012	399,864

12. Related party transactions

During the preceding period C V Fraser-Macnamara (a director) repaid an interest free loan of £27,436.

During the period ended 31 December 2001 the company made a loan of £400,000 to Folkes Holdings Limited, a company controlled by C J Folkes. The loan was repaid on 18 November 2002.

Interest charged on this loan was £17,589 (2001 - £5,258). This was paid during the respective periods.

On 17 December 2002, Folkes Holdings Limited became the company's ultimate holding company.

13. Contingent liability

The Company is party to an unlimited guarantee to secure balances due to bankers by certain members of the group headed by Folkes Holdings Limited. At 31 December 2002 the secured bank borrowings were £24,750,000.

Notes to the financial statements

at 31 December 2002

14. Share capital

	<i>Authorised, allotted, called up and fully paid</i>		<i>2002</i>		<i>2001</i>	
	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Ordinary shares of £1 each	10,000	10,000	10,000	10,000		

15. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Revaluation reserve</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	<i>£</i>	<i>(Restated)</i>	<i>(restated)</i>	<i>(restated)</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
At 1 February 2001:				
As originally stated	10,000	–	389,916	399,916
Prior year adjustment (note 1)	–	712,817	(57,796)	655,021
As restated	10,000	712,817	332,120	1,054,937
Loss for the year	–	–	(31,643)	(31,643)
Revaluation of fixed assets	–	10,400	–	10,400
Realised revaluation surplus on sale of property	–	(285,000)	285,000	–
Current UK corporation tax charge on sale of property	–	–	(59,487)	(59,487)
Depreciation transfer	–	(6,200)	6,200	–
At 31 December 2001	10,000	432,017	532,190	974,207
At 1 January 2002:				
As originally stated	10,000	–	574,186	584,186
Prior year adjustment (note 1)	–	432,017	(41,996)	390,021
As restated	10,000	432,017	532,190	974,207
Profit for the year	–	–	13,463	13,463
Revaluation of fixed assets	–	100,400	–	100,400
Depreciation transfer	–	(6,200)	6,200	–
At 31 December 2002	10,000	526,217	551,853	1,088,070

16. Ultimate parent company

The Company's immediate parent undertaking is Nevinshield Limited, a company registered in England and Wales.

The Company's ultimate parent undertaking is Folkes Holdings Limited, a company registered in England and Wales. Consolidated financial statements of the group are available to the public from Companies House, Crown Way, Cardiff, CF14 3UZ.

Folkes Holdings Limited is the parent company of the only group of which the company is a member and for which group financial statements are drawn up.