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Charles F Stead & Co Limited

Directors' Report
and
Abbreviated Accounts

for the year ended 31 December 1996

JOHN GORDON WALTON & CO.



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Company No. 80604 (England and Wales)

Charles F Stead & Co Limited

Company Information

Directors	E H Crack R Blakey Miss V K Stead OBE, TD, JP, DL P J Crack D W Bailey Mrs A P Stead D E Crack
Secretary	C J Fox
Company Number	80604 (England and Wales)
Registered Office	Sheepscar Tannery Sheepscar Street North Leeds LS7 2BY
Auditors	John Gordon Walton & Co Yorkshire House Greek Street Leeds LS1 5ST
Bankers	National Westminster Bank plc 8 Park Row Leeds LS1 1QS

Charles F Stead & Co Limited

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Charles F Stead & Co Limited

Directors' Report for the year ended 31 December 1996

The directors present their report and the financial statements for the year ended 31 December 1996.

Principal Activities

The company's principal activity during the year was that of tanners of hides and skins.

Results and Dividends

The results for the year are set out on page 6.

The directors have paid an ordinary interim dividend, amounting to £10,500, and they recommend payment of a further ordinary interim dividend amounting to £29,500. The total preference dividend paid during the year was £891.

Market Value of Land and Buildings

The directors consider that the market value of the company's interest in land and buildings exceeds the aggregate net book value included in the accounts, but that the difference is not of significance in relation to the trading activities.

Charles F Stead & Co Limited

Directors' Report for the year ended 31 December 1996 (continued)

Directors and their Interests

The directors who served during the year and their interests in the company were as stated below.

	Class of share	Number of shares at 1st January 1996 and 31st December 1996	
		Beneficial	As Trustee
E H Crack	Ordinary shares	7,500	-
	A Ordinary shares	-	-
	Cumulative Preference shares	-	-
R Blakey	Ordinary shares	900	-
	A Ordinary shares	3,600	-
	Cumulative Preference shares	-	-
Miss V K Stead	Ordinary shares	-	-
	A Ordinary shares	-	-
	Cumulative Preference shares	1,855	-
P J Crack	Ordinary shares	3,900	-
	A Ordinary shares	15,600	30,000
	Cumulative Preference shares	-	-
D W Bailey	Ordinary shares	2,242	-
	A Ordinary shares	8,968	-
	Cumulative Preference shares	-	-
Mrs A P Stead	Ordinary shares	7,800	-
	A Ordinary shares	31,200	-
	Cumulative Preference shares	1,703	-
D E Crack	Ordinary shares	3,900	-
	A Ordinary shares	15,600	30,000
	Cumulative Preference shares	-	-

The above trustee holdings of P.J and D.E.Crack relate to the same trust holding.

E H Crack and P J Crack retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Political and Charitable Contributions

During the year the company contributed £300 to charities .

Charles F Stead & Co Limited

Directors' Report for the year ended 31 December 1996 (continued)

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 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 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.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that John Gordon Walton & Co be reappointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 16 June 1997

C J Fox
Secretary

Charles F Stead & Co Limited

Auditors' Report to Charles F Stead & Co Limited Pursuant to Paragraph 24 of Schedule 8 to the Companies Act 1985

We have examined the abbreviated accounts on pages 6 to 19 together with the financial statements of Charles F Stead & Co Limited prepared under section 226 of the Companies Act 1985 for the year ended 31 December 1996.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with Schedule 8 to the Companies Act 1985. It is our responsibility to form an independent opinion as to the company's entitlement to the exemptions claimed in the directors' statement on page 7 and whether the abbreviated accounts have been properly prepared in accordance with that Schedule.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the audited financial statements, that the company is entitled to the exemptions and that the abbreviated accounts have been properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled under sections 246 and 247 of the Companies Act 1985 to the exemptions conferred by Section B of Part III of Schedule 8 to that Act, in respect of the year ended 31 December 1996, and the abbreviated accounts on pages 6 to 19 have been properly prepared in accordance with that Schedule.

Other information

On 26 June 1997 we reported, as auditors of Charles F Stead & Co Limited, to the members on the financial statements prepared under section 226 of the Companies Act 1985 for the year ended 31 December 1996, and our audit report was as follows:

'We have audited the financial statements on pages 5 to 18 which have been prepared under the historical cost convention and the accounting policies set out on page 9 and 10.

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.

Charles F Stead & Co Limited

Auditors' Report to Charles F Stead & Co Limited
Pursuant to Paragraph 24 of Schedule 8 to the Companies Act 1985 (continued)

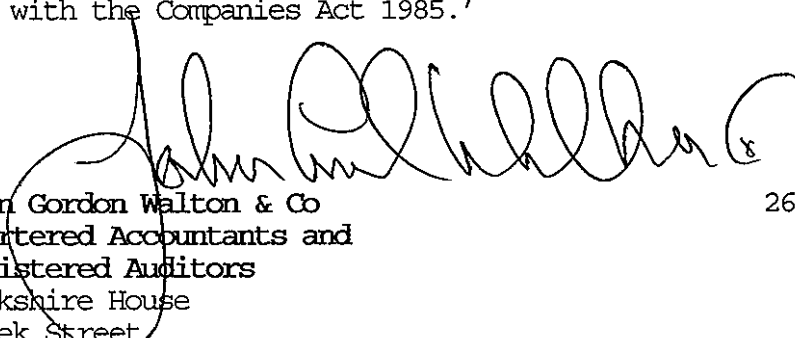
Basis of opinion

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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.'


John Gordon Walton & Co
Chartered Accountants and
Registered Auditors
Yorkshire House
Greek Street
Leeds
LS1 5ST

26 June 1997

Charles F Stead & Co Limited

Profit and Loss Account
for the year ended 31 December 1996

	Notes	£	1996 £	£	1995 £
Gross Profit			3,994,489		3,867,778
Staff costs	19	(2,203,560)		(2,037,930)	
Depreciation	2	(116,177)		(111,178)	
Other operating charges		(1,153,061)		(1,076,289)	
			<u>(3,472,798)</u>		<u>(3,225,397)</u>
Profit on ordinary activities before interest receivable	2		521,691		642,381
Other interest receivable and similar income	3		42,349		56,038
Interest payable and similar charges	4		(461)		(226)
Profit on ordinary activities before taxation			<u>563,579</u>		<u>698,193</u>
Tax on profit on ordinary activities	5		(161,257)		(217,235)
Profit for the year			<u>£ 402,322</u>		<u>£ 480,958</u>
Dividends including dividends in respect of non-equity shares	6		(40,891)		(48,891)
Retained profit for the year	15		<u>£ 361,431</u>		<u>£ 432,067</u>

Statement of Total Recognised Gains and Losses

There are no recognised gains and losses other than those passing through the profit and loss account.

Charles F Stead & Co Limited

Abbreviated Balance Sheet
as at 31 December 1996

	Notes	1996 £	1995 £
Fixed Assets			
Tangible assets	7	1,209,077	1,135,608
Investments	8	10,117	10,117
		<u>1,219,194</u>	<u>1,145,725</u>
Current Assets			
Stocks	9	1,471,024	2,012,601
Debtors	10	1,571,676	1,444,730
Cash at bank and in hand		1,449,994	832,904
		<u>4,492,694</u>	<u>4,290,235</u>
Creditors: amounts falling due within one year	11	<u>(2,125,213)</u>	<u>(2,208,216)</u>
Net Current Assets		<u>2,367,481</u>	<u>2,082,019</u>
Total Assets Less Current Liabilities		<u>3,586,675</u>	<u>3,227,744</u>
Provision for Liabilities and Charges	12	<u>(102,625)</u>	<u>(105,125)</u>
		<u>£3,484,050</u>	<u>£3,122,619</u>
Capital and Reserves			
Called up share capital	14	171,600	171,600
Profit and loss account	15	3,312,450	2,951,019
Shareholders' Funds	16	<u>3,484,050</u>	<u>3,122,619</u>
Equity interests		3,462,450	3,101,019
Non-equity interests		21,600	21,600
		<u>£3,484,050</u>	<u>£3,122,619</u>

In preparing these abbreviated accounts:

- Advantage has been taken of the exemptions conferred by Section B of Part III of Schedule 8 to the Companies Act 1985, and
- In the directors' opinion the company is entitled to these exemptions as a medium company.

The financial statements were approved by the Board on 16 June 1997.


E.H. Crack
Director


P.J. Crack
Director

Charles F Stead & Co Limited

Cash Flow Statement
for the year ended 31 December 1996

	1996	1995
	£	£
Net cash inflow from operating activities	1,034,450	47,140
Returns on investments and servicing of finance		
Interest received	42,349	56,038
Interest paid	(461)	(226)
Dividends paid	(48,891)	(44,391)
Net cash (outflow)/inflow from returns on investments and servicing of finance	(7,003)	11,421
Taxation		
Corporation tax paid (including advance corporation tax)	(220,711)	(152,704)
Tax paid	(220,711)	(152,704)
Investing activities		
Payments to acquire tangible assets	(199,591)	(130,478)
Receipts from sales of tangible assets	9,945	11,360
Net cash outflow from investing activities	(189,646)	(119,118)
Increase/(Decrease) in cash and cash equivalents	£ 617,090	£ (213,261)

Charles F Stead & Co Limited

Notes to the Cash Flow Statement
for the year ended 31 December 1996

1	Reconciliation of operating profit to net cash inflow from operating activities	1996 £	1995 £	
	Operating profit	521,691	642,381	
	Depreciation of tangible assets	118,827	110,854	
	(Profit)/loss on disposal of tangible assets	(2,650)	324	
	Decrease/(increase) in stocks	541,577	(397,098)	
	Increase in debtors	(126,946)	(282,566)	
	Decrease in creditors due within one year	(18,049)	(26,755)	
	Net cash inflow from operating activities	<u>£1,034,450</u>	<u>£ 47,140</u>	
2	Analysis of changes in cash and cash equivalents during the year	1996 £	1995 £	
	Balance at 1 January 1996	832,904	1,046,165	
	Net cash outflow	617,090	(213,261)	
	Balance at 31 December 1996	<u>£1,449,994</u>	<u>£ 832,904</u>	
3	Analysis of the balances of cash and cash equivalents as shown in the balance sheet	1996 £	1995 £	Change in year £
	Cash at bank and in hand	<u>1,449,994</u>	<u>832,904</u>	<u>617,090</u>
		£1,449,994	£ 832,904	£ 617,090

Charles F Stead & Co Limited

Notes to the Financial Statements
for the year ended 31 December 1996

1. Accounting Policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and include the results of the company's operations as indicated in the directors' report, all of which are continuing. With the exception of the accounting policy regarding the depreciation of freehold buildings the accounts have been prepared in accordance with all applicable financial reporting and accounting standards.

1.2 Turnover

Turnover represents amounts receivable for goods and services provided, stated net of value added tax.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant, machinery and sprinkler system	-	10% Reducing balance
Fixtures, fittings and computer equipment	-	25% Reducing balance
Motor vehicles	-	25% Reducing balance

Although the Companies Act would normally require the systematic depreciation of freehold buildings the directors consider that the policy of not providing depreciation is necessary for the accounts to show a true and fair view, since they are maintained to such a standard that the residual value is in excess of cost.

1.4 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.5 Stock and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Where applicable cost includes attributable labour and overheads in accordance with SSAP 9.

1.6 Pensions

The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings. Any difference between the charge to the profit and loss account and the contributions paid to the scheme is shown as an asset or liability in the balance sheet.

Charles F Stead & Co Limited

Notes to the Financial Statements for the year ended 31 December 1996

1.7 Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to crystallise.

1.8 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the accounting date, or at the rate at which the transaction will be settled. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction, or at the forward exchange rate at which the transaction is entered. All differences are taken to profit and loss account.

1.9 Group Accounts

The accounts present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 248 of the Companies Act 1985 as it is a medium sized group.

2. Operating Profit

Operating profit is stated after charging:

	1996 £	1995 £
Depreciation of tangible assets	118,827	110,854
(Profit)/loss on disposal of fixed assets	(2,650)	324
	<u>116,177</u>	<u>111,178</u>
Directors' remuneration	265,297	251,755
Auditors' remuneration	8,800	8,500
	<u><u>274,100</u></u>	<u><u>268,255</u></u>

3. Other Interest Receivable and Similar Income

	1996 £	1995 £
Bank and Building Society interest receivable	<u>42,349</u>	<u>56,038</u>

4. Interest Payable

	1996 £	1995 £
On bank overdraft	<u>461</u>	<u>226</u>
	<u><u>£ 461</u></u>	<u><u>£ 226</u></u>

Charles F Stead & Co Limited

Notes to the Financial Statements
for the year ended 31 December 1996

5.	Taxation	1996 £	1995 £
	U.K. Current year taxation		
	U.K. Corporation tax at 33% less marginal relief	170,000	215,000
	Transfer (from)/to deferred taxation	(4,500)	4,500
		<u>£ 165,500</u>	<u>£ 219,500</u>
	Prior years		
	U.K. Corporation tax	(4,243)	(2,265)
		<u>£ 161,257</u>	<u>£ 217,235</u>
6.	Dividends	1996 £	1995 £
	Dividends on equity shares:		
	Ordinary interim paid 25 November 1996	10,500	10,500
	Ordinary interim proposed	29,500	37,500
		<u>£ 40,000</u>	<u>£ 48,000</u>
	Dividends on non-equity shares:		
	Preference interim and final paid	891	891
		<u>£ 40,891</u>	<u>£ 48,891</u>

Charles F Stead & Co Limited

Notes to the Financial Statements
for the year ended 31 December 1996

7. Tangible Assets

	Freehold Land and buildings £	Sprinkler system £	Plant and machinery £	Computer equipment £	Motor vehicles £	Total £
Cost						
At 1 January 1996	287,310	22,767	2,096,014	89,609	162,881	2,658,581
Additions	-	-	169,096	-	30,495	199,591
Disposals	-	-	(12,000)	-	(22,000)	(34,000)
At 31 December 1996	287,310	22,767	2,253,110	89,609	171,376	2,824,172
Depreciation						
At 1 January 1996	1,250	17,253	1,326,051	69,067	109,352	1,522,973
Charge for year	-	551	93,871	5,135	19,270	118,827
On disposals	-	-	(11,650)	-	(15,055)	(26,705)
At 31 December 1996	1,250	17,804	1,408,272	74,202	113,567	1,615,095
Net book values						
At 31 December 1996	£286,060	£ 4,963	£ 844,838	£ 15,407	£ 57,809	£1,209,077
At 31 December 1995	£286,060	£ 5,514	£ 769,963	£ 20,542	£ 53,529	£1,135,608

Charles F Stead & Co Limited

Notes to the Financial Statements
for the year ended 31 December 1996

8. Fixed Asset Investments	1996 £	1995 £
Subsidiary undertakings	10,117	10,117
Investment in subsidiary undertakings		Shares £
Cost		
At 1 January 1996 & at 31 December 1996		10,117
Net Book Values		
At 31 December 1996		£ 10,117
At 31 December 1995		£ 10,117

In the opinion of the directors the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 10%

The company holds more than 10% of the share capital of the following companies:

Company	Country of registration	Shares held Class %	Nature of business
Subsidiary undertakings			
Charles F Stead & Company (Strensall) Ltd	England	Ordinary 100% £1	Dormant

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves	Profit for the year
Charles F Stead & Company (Strensall) Ltd	£1,483,647	£-

9. Stocks and Work in Progress	1996 £	1995 £
Raw materials and consumables	587,616	1,026,235
Work in progress	523,681	718,669
Finished goods and goods for resale	1,111,297 359,727	1,744,904 267,697
	£1,471,024	£2,012,601

Charles F Stead & Co Limited

Notes to the Financial Statements
for the year ended 31 December 1996

10. Debtors	1996 £	1995 £
Trade debtors	1,509,418	1,268,610
Other debtors	12,331	138,557
Prepayments and accrued income	49,927	37,563
	<u>£1,571,676</u>	<u>£1,444,730</u>

11. Creditors: amounts falling due within one year	1996 £	1995 £
Trade creditors	206,952	263,077
Amounts owed to group undertakings	1,305,112	1,305,112
Corporation tax	167,389	224,343
Other taxes and social security costs	96,382	54,554
Other creditors	145,809	148,945
Accruals and deferred income	174,069	174,685
Proposed dividend	29,500	37,500
	<u>£2,125,213</u>	<u>£2,208,216</u>

12. Provisions for Liabilities and Charges

Deferred tax is provided at 33% (1995 - 33%) analysed over the following timing differences:

	Not provided		Provided	
	1996 £	1995 £	1996 £	1995 £
Accelerated capital allowances	54,000	50,000	110,000	114,500
ACT available for offset	-	-	(7,375)	(9,375)
	<u>£ 54,000</u>	<u>£ 50,000</u>	<u>£ 102,625</u>	<u>£ 105,125</u>

Movements on the provision for deferred taxation are:

	£
At 1 January 1996	105,125
Transferred to profit and loss account	(4,500)
Advance corporation tax	2,000
At 31 December 1996	<u>£ 102,625</u>

Charles F Stead & Co Limited

Notes to the Financial Statements
for the year ended 31 December 1996

13. Pension Costs

The company operates a pension scheme providing benefits, for certain employees, based on final pensionable pay. The assets of the scheme are held separately from those of the company, being held with an insurance company. Contributions to the scheme are charged to the profit and loss account so as to spread the costs of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the Attained Age method.

The most recent valuation was as at 1st July 1995, using the assumptions that investment returns would be 8.5% per annum. The valuation showed that the value of the scheme's assets was £803,200 at 1st July 1995 and that this represented 108% of the level of funding required. The actuary concluded that this value was sufficient to cover in full both the liabilities of the scheme at that date and the prospective benefits accruing to members after allowing for expected future increases in earnings.

The recorded and actual contributions of the company and employees were 12.3% and 3% of pensionable pay respectively.

The pension charge for the year was £55,327 (1995 £58,401).

Charles F Stead & Co Limited

Notes to the Financial Statements
for the year ended 31 December 1996

14. Share Capital	1996 £	1995 £
Authorised		
30,000 Ordinary shares of £1 each	30,000	30,000
120,000 A Ordinary shares of £1 each	120,000	120,000
6,000 Cumulative Preference shares of £5 each	30,000	30,000
	<u>£ 180,000</u>	<u>£ 180,000</u>

Allotted, called up and fully paid

30,000 Ordinary shares of £1 each	30,000	30,000
120,000 A Ordinary shares of £1 each	120,000	120,000
4,320 Cumulative Preference shares of £5 each	21,600	21,600
	<u>£ 171,600</u>	<u>£ 171,600</u>

Shareholders' Rights

Rights of shareholders as laid down in the Company's Articles of Association are as follows :

(i) **'A' Ordinary Shares**

From 31st December 1996 'A' Ordinary shares in all respects rank pari passu with the Ordinary shares.

(ii) **Preference Shares**

Preference shares rank first for dividends and repayment of capital in the event of a winding up of the company. Voting rights only arise if either a resolution to wind up the company is proposed, or a resolution to modify the rights attaching to Preference shares is proposed, or the Preference dividend is more than six months in arrears.

15. Profit And Loss Account	1996 £	1995 £
Retained profits at 1 January 1996	2,951,019	2,518,952
Retained profit for the year	361,431	432,067
	<u>£3,312,450</u>	<u>£2,951,019</u>

Charles F Stead & Co Limited

Notes to the Financial Statements
for the year ended 31 December 1996

16. Reconciliation of Movements in Shareholders' Funds

	1996 £	1995 £
Profit for the financial year	402,322	480,958
Dividends	(40,891)	(48,891)
Net addition to shareholders' funds	361,431	432,067
Opening shareholders' funds	3,122,619	2,690,552
Closing shareholders' funds	<u>£3,484,050</u>	<u>£3,122,619</u>

17. Capital Commitments

	1996 £	1995 £
Details of capital commitments at the accounting date are as follows:		
Contracted for but not provided in the financial statements	<u>63,292</u>	<u>89,250</u>

18. Directors' Emoluments

	1996 £	1995 £
Remuneration	<u>265,297</u>	<u>251,755</u>

Emoluments disclosed above
(excluding pension contributions) include
amounts paid to:

The chairman	<u>£ 33,987</u>	<u>£ 32,039</u>
The highest-paid director	<u>£ 54,969</u>	<u>£ 53,459</u>

Other directors' emoluments (excluding
pension contributions) were in the
following ranges:

	Number	Number
£Nil - £5,000	1	1
£10,001 - £15,000	1	1
£35,001 - £40,000	-	1
£40,001 - £45,000	2	1
£50,001 - £55,000	-	1
£55,001 - £60,000	1	-
	<u> </u>	<u> </u>

Charles F Stead & Co Limited

Notes to the Financial Statements for the year ended 31 December 1996

19. Employees

Number of employees

The average weekly number of employees (including directors) during the year was:

	1996 Number	1995 Number
Office and management	16	16
Manufacturing	129	120
	<u>145</u>	<u>136</u>

Employment costs

	£	£
Wages and salaries	1,966,997	1,810,960
Social security costs	181,236	168,569
Other pension costs	55,327	58,401
	<u>£2,203,560</u>	<u>£2,037,930</u>

20. Related Party Transactions

During the year the company sold stocks at cost price of £277,813 to E.H.Crack and Sons Limited, a company in which Mr.E.H.Crack has a controlling interest. At 31 December 1996 there was a debtor balance outstanding of £38,628.

The company paid arms length agents commissions during the year to A & A Crack & Sons totalling £50,012, of which £15,502 is outstanding at 31 December 1996. Messrs. A & A Crack are sons of Mr. E.H.Crack.