

D.W. GENERAL WOOD MACHINISTS LIMITED

REPORT OF THE DIRECTORS

607717 1.

CHAIRMAN

E.E. Dossett

DIRECTORS

A.E. Woodley
B. Dossett
Mrs I.J. Dossett
Mrs M.R. Woodley
A. Howard

SECRETARY

B. Dossett

REGISTERED OFFICE

55/857 High Road
Tottenham
London N17

REGISTERED NUMBER

607717

FINANCIAL STATEMENTS

The directors submit their report and the audited financial statements of the group for the year ended 31 August 1987.

DIVIDEND

The directors do not recommend the payment of a dividend and the profit for the year has therefore been retained.

REVIEW OF THE BUSINESS

The group's principal activities during the year were those of wood machinists and wood moulders.

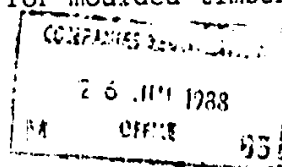
The group's reported operating profit compares favourably with the previous year, and whilst the level of turnover generated by the holding company reduced by approximately 14%, the group position was not adversely affected. Savings in production costs have assisted in the improvement of operating margins, although the margins of the previous year were materially affected by the change of depreciation policy increasing production costs and lowering margins for that year.

Operating costs have remained constant, with the exception of insurance charges, which reflect the increase in premiums payable associated with the industry, and increased charges for rates resulting from the development of the company's Tottenham factory.

The group reports a profit before taxation of £286,480 (1986 - £223,950).

FUTURE DEVELOPMENTS

The directors are confident that the group will continue to operate profitably and competitively, although a reduction in turnover and operating profit of the subsidiary, D W Mouldings Limited, is anticipated as a result of the current decline in business associated with the demand for moulded timber products.



D.W. GENERAL WOOD MACHINISTS LIMITED

REPORT OF THE DIRECTORS (continued)

FIXED ASSETS

The principal items of capital expenditure in the year are detailed under note 8 of the financial statements, which reflects the continued investment by the group to provide for future expansion and growth.

Furthermore, additional factory premises have been acquired to expand the company's Tottenham factory, providing new production facilities, which should become available during the latter part of the current financial year.

DIRECTORS

The directors in office at the end of the year are as listed on page one, all of whom served on the board throughout the year.

Mrs M.R. Woodley has expressed her intention to formally retire from office at the forthcoming annual general meeting, and the Board wish to convey their appreciation for her long-standing service to the company.

I.J. Dossett retires by rotation and being eligible offers herself for re-election.

DIRECTORS' INTERESTS

The directors' interests in the share capital of the company at 31 August 1987 as recorded in the register maintained by the company in accordance with the provisions of the Companies Act 1985, were as follows

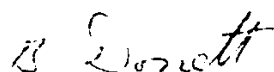
	£1 Ordinary Shares	
	31.8.87	31.8.86
E.E. Dossett	20,250	20,250
E.E. Dossett (Joint Trustee - Grandchildren's Settlement)	5,976	-
A.E. Woodley	90	8,250
Mrs I.J. Dossett	1,666	1,666
Mrs M.R. Woodley	-	1,666
B. Dossett	11,459	10,784
A. Howard	8,059	7,384
	<u>47,500</u>	<u>50,000</u>

A Partner of Menzies, the company's auditors, is a Joint Trustee with Mr E.E. Dossett of the Grandchildren's Settlement which holds 5,976 £1 ordinary shares in the company.

AUDITORS

Menzies, (formerly Menzies Middleton Hawkins & Co) have expressed their willingness to continue in office as auditors and in accordance with Section 384(1) of the Companies Act 1985 a resolution proposing their re-appointment will be submitted to the annual general meeting.

By order of the board



Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OF
D.W. GENERAL WOOD MACHINISTS LIMITED AND
ITS SUBSIDIARY COMPANY

We have audited the financial statements set out on pages four to eighteen in accordance with approved auditing standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of affairs of the company and the group at 31 August 1987 and of the profit and source and application of funds of the group for the year ended on that date, and comply with the Companies Act 1985.

16 March 1988

Farnham
Surrey

Menzies

MENZIES
Chartered Accountants

D.W. GENERAL WOOD MACHINISTS LIMITED AND ITS SUBSIDIARY COMPANY
 GROUP PROFIT AND LOSS ACCOUNT
 YEAR ENDED 31 AUGUST 1987

	Note	1987 £	1986 £
TURNOVER	2	1,881,058	1,895,062
COST OF SALES		<u>1,324,670</u>	<u>1,385,744</u>
GROSS PROFIT		556,388	509,318
Distribution costs and administrative expenses	2	<u>298,866</u>	<u>297,789</u>
OPERATING PROFIT	2	257,522	211,529
Interest receivable		<u>32,207</u>	<u>15,940</u>
		289,729	227,469
Interest payable	3	3,249	3,519
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	<u>286,480</u>	<u>223,950</u>
Tax on profit on ordinary activities	4	99,555	81,783
RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR	5	<u>186,925</u>	<u>142,167</u>

D.W. GENERAL WOOD MACHINISTS LIMITED AND ITS SUBSIDIARY COMPANY

GROUP BALANCE SHEET

31 AUGUST 1987

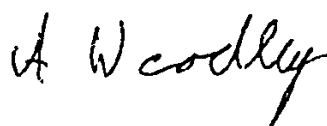
	Note	1987 £	1986 £
FIXED ASSETS			
Tangible assets	8	695,232	681,455
CURRENT ASSETS			
Stock and work in progress	10	107,365	101,125
Debtors	11	443,189	474,182
Cash at bank and in hand		526,473	255,217
		<u>1,077,027</u>	<u>830,524</u>
CREDITORS: amounts falling due within one year	12	558,877	487,687
		<u>518,150</u>	<u>342,837</u>
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,213,382</u>	<u>1,024,292</u>
CREDITORS: amounts falling due after more than one year 13		65,997	54,030
		<u>1,147,385</u>	<u>970,262</u>
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	14	132,070	141,872
		<u>1,015,315</u>	<u>828,390</u>
CAPITAL AND RESERVES			
Called up share capital	15	50,000	50,000
Profit and loss account	16	965,315	778,390
		<u>1,015,315</u>	<u>828,390</u>

The financial statements were approved by the board of directors on 16 March 1988.

DIRECTORS E.E. Dossett



A.E. Woodley



D.W. GENERAL WOOD MACHINISTS LIMITED AND ITS SUBSIDIARY COMPANY

GROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED 31 AUGUST 1987

	1987		1986	
	£	£	£	£
SOURCE OF FUNDS				
Group profit on ordinary activities before taxation		286,480		223,950
Items not involving the movement of funds				
Depreciation and amounts written off tangible fixed assets		89,483		140,850
TOTAL GENERATED FROM OPERATIONS		375,963		364,800
FUNDS FROM OTHER SOURCES				
Proceeds from sale of tangible fixed assets		1,000		600
		376,963		365,400
APPLICATION OF FUNDS				
Purchase of tangible fixed assets	104,260		228,706	
Taxation paid	28,952		36,723	
		133,212		265,429
NET INFLOW OF FUNDS		243,751		99,971
INCREASE (DECREASE) IN WORKING CAPITAL				
Stock and work in progress	6,240		(18,373)	
Debtors	(30,993)		73,517	
Creditors: amounts falling due within one year	(5,819)		(62,908)	
Creditors: amounts falling due after more than one year	3,067		2,728	
		(27,505)		(5,036)
MOVEMENT IN NET LIQUID FUNDS				
Cash at bank and in hand		271,256		105,007
		243,751		99,971

D.W. GENERAL WOOD MACHINISTS LIMITED

BALANCE SHEET

31 AUGUST 1987

	Note	1987 £	1986 £
FIXED ASSETS			
Tangible assets	8	564,535	529,146
Investment	9	7,657	7,657
CURRENT ASSETS			
Stock and work in progress	10	76,132	76,555
Debtors	11	311,016	329,240
Cash at bank and in hand		117,004	13,837
		<u>504,152</u>	<u>419,642</u>
CREDITORS: amounts falling due within one year	12	337,608	312,476
		<u>166,544</u>	<u>107,166</u>
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>738,736</u>	<u>643,969</u>
CREDITORS: amounts falling due after more than one year 13		65,997	54,030
		<u>672,739</u>	<u>589,939</u>
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	14	112,892	110,023
		<u>559,847</u>	<u>479,916</u>
CAPITAL AND RESERVES			
Called up share capital	15	50,000	50,000
Profit and loss account	16	509,847	429,916
		<u>559,847</u>	<u>479,916</u>

The financial statements were approved by the board of directors on 16 March 1988.

DIRECTORS E.E. Dossett

E. Dossett

A.E. Woodley

A. Woodley

D.W. GENERAL WOOD MACHINISTS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED 31 AUGUST 1987

	1987	1986
	£	£
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	121,904	111,316
Items not involving the movement of funds		
Depreciation and amounts written off tangible fixed assets	27,978	33,114
TOTAL GENERATED FROM OPERATIONS	149,882	144,430
FUNDS FROM OTHER SOURCES		
Proceeds on disposal of tangible fixed assets	-	600
	149,882	145,030
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	63,367	154,362
Taxation paid	10,000	36,723
	73,367	191,085
NET INFLOW (OUTFLOW) OF FUNDS	76,515	(46,055)
INCREASE (DECREASE) IN WORKING CAPITAL		
Stock and work in progress	(433)	(13,182)
Debtors	(79,276)	27,116
Creditors: amounts falling due within one year	(11,062)	2,187
Creditors: amounts falling due after more than one year	3,067	2,728
	(87,704)	18,849
INCREASE (DECREASE) IN CURRENT ACCOUNT BALANCE WITH GROUP COMPANY	61,052	(20,397)
MOVEMENT IN NET LIQUID FUNDS		
Cash at bank and in hand	103,167	(44,507)
	76,515	(46,055)

D.W. GENERAL WOOD MACHINISTS LIMITED AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 1987

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

The principal accounting policies of the group have remained unchanged from the previous year and are set out below.

Basis of consolidation

The group financial statements consolidate the financial statements of D.W. General Wood Machinists Limited and its subsidiary company, D.W. Mouldings Limited, made up to 31 August each year. No profit and loss account is presented for D.W. General Wood Machinists Limited as provided by Section 228(7) of the Companies Act 1985.

Goodwill arising on consolidation

Goodwill arising on consolidation, representing the excess of the purchase price over the fair value of the net assets acquired, has been written off in full against the group's profit and loss account reserve.

Deferred taxation

Provision is made for deferred taxation on the liability method for all short-term timing differences. Provision is also made for long-term timing differences, except to the extent that there is a reasonable probability of the tax not falling due for payment in the foreseeable future. Such tax not provided for is disclosed as a contingent liability.

Depreciation

Depreciation is charged on the cost of the group's tangible fixed assets at the following rates which are expected to reduce the assets to their net realisable values over their estimated useful lives.

Freehold land	Nil
Freehold premises	Over 100 years
Leasehold property and factory improvements	Over the life of the lease
Plant and machinery	Over 6 years
Fixtures and fittings	10% per annum on net book values
Motor vehicles	25% per annum on net book values

Profits and losses arising on the disposal of tangible fixed assets are included in the depreciation charge for the year.

With effect from 1 September 1985, the basis on which depreciation was charged in relation to plant and equipment had been changed. Details of the changes made and the effect on the group's financial statements are shown under note 2.

D.W. GENERAL WOOD MACHINISTS LIMITED AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 1987

1. ACCOUNTING POLICIES (continued)

Stock and work in progress

Stock and work in progress is valued at the lower of cost and net realisable value.

In the case of raw materials and consumable stores, cost means purchase price calculated on a first in, first out basis. In the case of work in progress and finished goods, cost consists of direct materials, direct labour and attributable production and other overheads. Where relevant, the amount of work in progress has been reduced by progress payments.

Net realisable value means estimated selling price less all further costs to completion and all costs to be incurred in marketing, selling and distribution.

Turnover

Turnover is the total amount receivable by the group in respect of work carried out during the year, excluding value added tax, trade discounts and intra group turnover.

2. TURNOVER AND GROUP PROFIT

- a) The turnover and group profit on ordinary activities before taxation may be attributed to the joint activities of wood machining and moulding.

Group profit on ordinary activities is stated after charging

	1987 £	1986 £
Auditors' remuneration	5,700	5,300
Depreciation and amounts written off tangible fixed assets	89,483	140,850
Directors' emoluments (note 6)	119,531	114,873
Interest payable (note 3)	3,249	3,519
Exceptional item - Bad debt in respect of customer in liquidation	-	16,800
	<u> </u>	<u> </u>

b) DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

	1987 £	1986 £
Distribution costs	25,437	45,319
Administrative expenses	173,707	167,335
Other operating costs	99,722	85,135
	<u> </u>	<u> </u>
	298,866	297,789
	<u> </u>	<u> </u>

D.W. GENERAL WOOD MACHINISTS LIMITED AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 1987

2. TURNOVER AND PROFIT (continued)

c) DEPRECIATION

The directors were of the opinion that the basis on which depreciation had been charged in relation to plant and equipment had overstated the useful life of the underlying assets, resulting in an understated charge for depreciation against the group's profit. To provide a more realistic basis for the charge the rates applied in computing depreciation had been changed, and was reflected in the group's financial statements for the year ended 31 August 1986. The effect on the group's reported profits for that year was as follows.

Plant and Equipment	Original Basis		Revised Basis	
	Holding Company	Subsidiary Company		
General	10% p.a. NBV	Over 10 years	Over 6 years	
Fork lift trucks	10% p.a. NBV	Over 6 years	Over 6 years	
Cranes	10% p.a. NBV	Over 8 years	Over 6 years	
			Group £	Company £
Depreciation charge under original basis			50,049	7,762
Depreciation charge under revised basis			118,180	20,296
Reduction in profits resulting from change			68,131	12,534
Depreciation in respect of obsolete plant and equipment			6,958	-
Aggregate reduction in profits resulting from additional charge for depreciation			75,089	12,534

D.W. GENERAL WOOD MACHINISTS LIMITED AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 1987

3. INTEREST PAYABLE

	1987 £	1986 £
In respect of loans repayable by instalments		
- repayable within 5 years,	760	936
- repayment wholly or partly in more than 5 years	2,489	2,583
	<u>3,249</u>	<u>3,519</u>

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is based on the profit for the year as follows

	Group		Company	
	1987 £	1986 £	1987 £	1986 £
United Kingdom corporation tax at between 27% and 40%	109,386	83,319	39,113	24,079
Deferred tax	(9,802)	(7,547)	2,869	14,918
	<u>99,584</u>	<u>75,772</u>	<u>41,982</u>	<u>38,997</u>
Adjustment in respect of prior year	(29)	6,011	(9)	6,011
	<u>99,555</u>	<u>81,783</u>	<u>41,973</u>	<u>45,008</u>

5. PROFIT ATTRIBUTABLE TO MEMBERS OF THE HOLDING COMPANY

	1987 £	1986 £
Dealt with in the accounts of the holding company	79,931	66,308
Retained by subsidiary company	106,994	75,859
	<u>186,925</u>	<u>142,167</u>

D.W. GENERAL WOOD MACHINISTS LIMITED AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 1987

6. DIRECTORS AND EMPLOYEES

	1987 £	1986 £
Staff costs during the year comprise		
Wages and salaries	838,245	815,918
Social security costs	85,572	78,216
Other pension costs	3,980	6,305
	<u>927,797</u>	<u>900,439</u>

The average number of employees during the year was as follows

	1987 No	1986 No
Factory and shop	86	86
Administration	14	12
	<u>100</u>	<u>98</u>

The emoluments of the directors, excluding pension contributions, were as follows

	1987 £	1986 £
The chairman, who was also the highest paid director	<u>37,048</u>	<u>37,131</u>

Other directors

	1987 £	1986 £
£0 - £ 5,000	1	1
£ 5,001 - £10,000	1	1
£10,001 - £15,000	-	-
£15,001 - £20,000	1	1
£20,001 - £25,000	-	2
£25,001 - £30,000	2	-
	<u>2</u>	<u>-</u>

7. INTANGIBLE ASSETS

	1987 £	1986 £
Goodwill arising on consolidation		
1 September 1986	2,657	2,657
Written off to reserves	<u>(2,657)</u>	<u>(2,657)</u>
31 August 1987	<u>-</u>	<u>-</u>

Goodwill represents the excess of cost over the fair value of the net assets acquired on the acquisition of D.W. Mouldings Limited, the company's wholly owned subsidiary.

D W GENERAL WOOD MACHINISTS LIMITED AND ITS SUBSIDIARY COMPANY
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 YEAR ENDED 31 AUGUST 1987

8. TANGIBLE ASSETS

Movements during the year are summarised as follows

GROUP	Plant and Equipment £	Motor Vehicles £	Fixtures and Fittings £	Leasehold Property Over 50 Years £	Freehold Properties £	Total £
COST						
1 September 1986	499,283	47,922	42,446	315,424	142,111	1,047,186
Additions	56,253	13,320	4,212	-	30,475	104,260
Disposals	(750)	(7,828)	-	-	-	(8,578)
31 August 1987	554,786	53,414	46,658	315,424	172,586	1,142,868
DEPRECIATION						
1 September 1986	298,334	25,753	14,725	-	-	365,731
Charged	72,884	8,612	3,238	-	-	89,438
Released	(750)	(6,783)	-	-	-	(7,533)
31 August 1987	370,468	27,582	17,963	23,515	8,108	447,636
NET BOOK VALUE						
1 September 1986	200,949	22,169	27,721	295,186	135,430	681,455
31 August 1987	184,318	25,832	28,695	291,909	164,478	695,232
COMPANY						
COST						
1 September 1986	56,267	28,184	42,446	315,424	142,111	624,432
Additions	28,680	-	4,212	-	30,475	63,367
Disposals	(750)	-	-	-	-	(750)
31 August 1987	124,197	28,184	46,658	315,424	172,586	687,049
DEPRECIATION						
1 September 1986	38,945	14,697	14,725	20,238	6,681	95,286
Charged	16,664	3,372	3,238	3,277	1,427	27,978
Released	(750)	-	-	-	-	(750)
31 August 1987	54,859	18,069	17,963	23,515	8,108	122,514
NET BOOK VALUE						
1 September 1986	57,322	13,487	27,721	295,186	135,430	529,146
31 August 1987	69,338	10,115	28,695	291,909	164,478	564,535

D.W. GENERAL WOOD MACHINISTS LIMITED AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 1987

9. FIXED ASSET INVESTMENT

At 31 August 1987 D.W. General Wood Machinists Limited held 100% of the issued share capital of D.W. Mouldings Limited, a company incorporated in the United Kingdom, whose principal activities are those of wood moulders.

	1987 £	1986 £
Investment in subsidiary company (unquoted)		
At cost	<u>7,657</u>	<u>7,657</u>

The directors are of the opinion that the market value of the investment is not less than cost.

10. STOCK AND WORK IN PROGRESS

	Group		Company	
	1987 £	1986 £	1987 £	1986 £
Raw materials and consumable stores	37,510	31,715	34,177	29,765
Work in progress	19,029	25,093	19,029	25,093
Finished goods and goods for resale	<u>50,826</u>	<u>44,317</u>	<u>22,926</u>	<u>21,707</u>
	<u>107,365</u>	<u>101,125</u>	<u>76,132</u>	<u>76,565</u>

There were no significant differences between the replacement cost and the values disclosed for all categories of stock.

11. DEBTORS

	Group		Company	
	1987 £	1986 £	1987 £	1986 £
Amounts due from subsidiary company	-	-	136,293	75,241
Trade debtors	391,427	439,173	151,207	242,871
Prepayments and accrued income	51,310	34,618	23,064	10,737
Other debtors	<u>452</u>	<u>391</u>	<u>452</u>	<u>391</u>
	<u>443,189</u>	<u>474,182</u>	<u>311,016</u>	<u>329,240</u>

All amounts included above are considered receivable within one year of the balance sheet date.

D.W. GENERAL WOOD MACHINISTS LIMITED AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 1987

12. CREDITORS: amounts falling due within one year

	Group		Company	
	1987	1986	1987	1986
	£	£	£	£
Amounts due to group company (trade)	-	-	27,433	29,016
Trade creditors	120,706	139,167	68,173	61,371
Current corporation tax	134,611	69,240	24,070	10,000
Other taxes and social security costs	73,071	51,323	15,334	12,189
Directors' loans (12a)	146,520	149,400	146,520	149,400
Mortgage (secured) (note 13)	1,111	1,008	1,111	1,008
Other loans (note 13)	1,938	1,722	1,938	1,722
Other creditors	18,412	15,324	18,412	15,413
Accruals	62,508	60,183	34,617	32,357
	<u>558,877</u>	<u>467,687</u>	<u>337,608</u>	<u>312,476</u>

a) Directors' loans

At present there are no specific provisions for the repayment of the directors' loans, which represent a medium term, interest free, source of finance for the company.

13. CREDITORS: amounts falling due after more than one year

	Group and Holding Company	
	1987	1986
	£	£
Mortgage (secured) (13a)	24,128	25,136
Loans (unsecured) (13b)	5,805	7,545
	<u>29,933</u>	<u>32,681</u>
Amounts due for repayment within one year as shown under note 12	3,049	2,730
	<u>26,884</u>	<u>29,951</u>
Corporation tax	39,113	24,079
	<u>65,997</u>	<u>54,030</u>

a) Mortgage

The mortgage is secured on the leasehold property at Sandy in Bedfordshire, and is repayable by half yearly instalments of £1,748, including interest charged at 10% per annum on the outstanding reducing balance.

D.W. GENERAL WOOD MACHINISTS LIMITED AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 1987

13. CREDITORS: amounts falling due after more than one year (continued)

b) Loans (unsecured)

The unsecured loan is repayable by quarterly instalments of £625, including interest at 11% charged on the outstanding reducing balance.

The mortgage and loans are repayable as follows

	1987 Group and Holding Company £	1986 Group and Holding Company £
Within 1 year	3,049	2,730
Between 1 and 5 years	9,575	10,999
After 5 years	17,309	18,952
	<u>29,933</u>	<u>32,681</u>

14. DEFERRED TAXATION

	Group		Company	
	1987 £	1986 £	1987 £	1986 £
1 September 1986	141,872	149,419	110,023	95,105
Transfer for the year	(9,802)	(7,547)	2,869	14,918
31 August 1987	<u>132,070</u>	<u>141,872</u>	<u>112,892</u>	<u>110,023</u>

The balance at 31 August 1987 represents the full potential liability and is entirely in respect of accelerated capital allowances.

15. CALLED UP SHARE CAPITAL

The authorised and issued share capital consists of 50,000 ordinary shares of £1 each fully paid.

D.W. GENERAL WOOD MACHINISTS LIMITED AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 AUGUST 1987

16. PROFIT AND LOSS ACCOUNT

	Company		Group	
	1987 £	1986 £	1987 £	1986 £
1 September 1986	429,916	363,608	781,047	638,850
Retained profit for the year	79,931	66,308	196,925	142,167
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
31 August 1987	509,847	429,916	967,972	781,047
	<u> </u>	<u> </u>		
Goodwill written off			2,657	2,657
			<u> </u>	<u> </u>
			965,315	778,390
			<u> </u>	<u> </u>
Holding company			509,847	429,916
Subsidiary company			458,125	351,131
			<u> </u>	<u> </u>
			967,972	781,047
Goodwill written off to reserves			2,657	2,657
			<u> </u>	<u> </u>
			965,315	778,390
			<u> </u>	<u> </u>

17. CONTINGENT LIABILITIES

The company has entered into cross guarantees in respect of bank borrowings of its subsidiary, the maximum liability under which amounted to £nil (1986 - £nil) at the balance sheet date.

18. PENSION COMMITMENTS

The group operates a pension plan for certain of its senior employees, the costs of which are calculated annually and charged in the profit and loss account when they arise. Costs for 1987 amounted to £3,980 (1986 - £6,305).

19. CAPITAL COMMITMENTS

	Group		Company	
	1987 £	1986 £	1987 £	1986 £
Contracted	300,000	35,000	300,000	10,000
Authorised but not contracted	181,000	-	181,000	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	481,000	35,000	481,000	10,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

20. CHARGED ASSETS

In addition to the second mortgage in respect of the company's leasehold property at Sandy, the company's bank, Midland Bank plc, hold a fixed charge on the group companies book debts in relation to any bank borrowings. Borrowings at 31 August 1987 amounted to £nil (1986 - £nil).