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H. & M.E. FEARON LTD.

DIRECTORS REPORT

The Directors submit their report and accounts for the year ended 31st March 1989.

RESULTS & DIVIDENDS

The trading loss for the year after taxation was £10,810. No payment of dividend is recommended.

REVIEW OF THE BUSINESS

The principal activity of the company continues to be that of road haulage contractors and warehousing. Business is continuing satisfactorily in the current year.

MARKET VALUE OF LAND AND BUILDINGS

The directors are of the opinion that the market value of the land and buildings shown on the Balance Sheet is approximately £110,000.

DIRECTORS AND THEIR INTEREST

The directors at 31st March 1989 and their interest in the share capital of the company were as follows:-

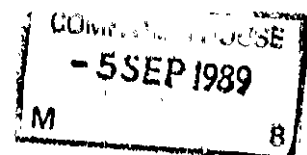
	<u>1989</u>	<u>1988</u>
H. Fearon	25,000	25,000
M.E. Fearon	25,000	25,000

AUDITORS

A resolution to continue the appointment as auditor of Mr J.W. Gillcrist will be put to the members at the Annual General Meeting.

By Order of the Board.

.....M. E. Fearon..... Secretary.



REPORT OF THE AUDITORTO THE MEMBERS OF H. & M.E. FEARON LTD.

I have audited the financial statements on pages 3 to 6 in accordance with approved auditing standards having regard to the matters referred to in the following paragraphs.

In common with many businesses of similar size and organisation the company's system of control is dependent upon the close involvement of the directors, who are major shareholders in the company. Where independent confirmation of the completeness of the accounting records was therefore not available, I have accepted reassurances from the directors that all the company's transactions have been reflected in the records.

Subject to the foregoing in my opinion the financial statements which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at the 31st March 1989 and of its loss and source and application of funds for the year then ended and comply with the Companies Act 1985.



J.W. Gillcrist
Authorised Public Accountant.

H. & M.E. FEARON LTD.PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 1989

		<u>1989</u>	<u>1988</u>
	<u>Note</u>		
TURNOVER	(3)	65,837	79,037
Staff Costs	(4)	24,612	23,823
Depreciation		12,357	14,704
Other Operating Costs		39,447	45,985
		<u>76,416</u>	<u>84,512</u>
<u>Operating Profit</u>	(5)	(10,579)	(5,475)
Bank Interest payable		<u>(231)</u>	<u>(198)</u>
<u>Profit/(Loss) on ordinary activities before taxation</u>		(10,810)	(5,673)
Tax on profit on ordinary activities	(6)	-	-
Retained Profits Brought Forward		<u>73,474</u>	<u>79,147</u>
Retained Profits Carried Forward		<u>62,664</u>	<u>73,474</u>

The notes on pages 7,8 and 9 form part of these accounts.

H. & M.E. FEARON LTD.BALANCE SHEET AS AT 31st MARCH 1989

		<u>1989</u>	<u>1988</u>
	<u>Note</u>		
<u>TANGIBLE ASSETS</u>	(8)		
Leasehold Land and Buildings		60,621	63,593
Motor Vehicles		21,151	20,395
Plant Machinery etc.		6,429	8,570
		<hr/> 88,201	<hr/> 92,558
Investment	(9)	225	225
		<hr/> 88,426	<hr/> 92,783
<u>Current Assets</u>			
Trade Debtors		18,900	13,734
Prepayments		3,559	13,299
Cash on Money Market		-	18,000
Cash at Bank		6,353	-
		<hr/> 28,812	<hr/> 45,033
<u>Creditors:- amounts falling due within one year</u>			
Bank Overdraft		-	1,591
Directors Loan	(10)	(4,813)	(8,730)
Trade Creditors		2,116	15,205
Current Corporation Tax		3,093	3,094
Other Taxes and Social Security Costs		2,898	2,482
Accruals		1,280	700
		<hr/> 4,574	<hr/> 14,342
Net Current Assets		24,238	30,691
<u>Total Assets Less Current Liabilities</u>		<hr/> 112,664	<hr/> 123,474
<u>CAPITAL AND RESERVES</u>			
Called Up Share Capital		50,000	50,000
Profit and Loss Account		62,664	73,474
		<hr/> 112,664	<hr/> 123,474

BALANCE SHEET AS AT 31st MARCH 1989 (cont'd)

The notes on pages 7, 8 and 9 form part of these accounts.

Approved by the Directors

.....*H. Fearon*.....

H. Fearon

.....*M.E. Fearon*.....

M.E. Fearon

Date*29-3-89*.....

H. & M.E. FEARON LTD.Statement of Source and Application of Funds during the year ended 31st March 1989

	<u>1989</u>		<u>1988</u>	
<u>SOURCE OF FUNDS</u>				
Loss on Ordinary Activities before taxation		(10,810)		(5,673)
Adjustment for items not involving movement of working capital:				
Depreciation etc.	12,164		2,080	
Loss on Tangible Assets	<u>193</u>	<u>12,357</u>	<u>12,624</u>	<u>14,704</u>
Total Generated from Operations		1,547		9,031
Funds from other Sources:				
Proceeds of disposal of Tangible Fixed Assets		<u>16,000</u>		<u>9,641</u>
		17,547		18,672
<u>APPLICATION OF FUNDS</u>				
Cost of Tangible Fixed Assets		<u>24,000</u>		<u>21,991</u>
Increase/(Decrease) in Working Capital		<u>(6,453)</u>		<u>(3,319)</u>
Components of Increase/Decrease in Working Capital:-				
Debtors		(4,574)		6,679
Creditors		8,177		2,698
Movement in Net Liquid Funds - Bank		<u>(10,056)</u>		<u>(12,696)</u>
		(6,453)		(3,319)

H. & M.E. FEARON LTD.Notes to the Accounts for the year ended 31st March 19891. ACCOUNTING POLICIESAccounting Convention

The accounts are prepared under the historical cost convention.

Depreciation

Depreciation is provided on all tangible fixed assets at the following rates, calculated to write off the cost, less residual value over their expected useful life:-

Leasehold Land and Property	4%
Motor Vehicles	25%
Plant, Machinery etc.	25%

Deferred Taxation

No provision is made for depreciation timing differences as in the opinion of the directors the depreciating timing difference is unlikely to affect the company in the foreseeable future.

2. SHARE CAPITAL

	<u>Authorised</u>		<u>Issued and Fully Paid</u>	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
Ordinary Shares of £1 each	50,000	50,000	50,000	50,000

3. TURNOVER

Turnover represents the amount of services rendered stated net of value added tax and was made up as under:-

	<u>1989</u>	<u>1988</u>
Haulage and Storage	64,806	78,151
Bank Interest	337	-
Money Market Interest	694	886
	<u>£65,837</u>	<u>£79,037</u>

4. STAFF COSTS

	<u>1989</u>	<u>1988</u>
Wages	24,612	21,376
Social Security Costs	2,052	1,907
The average number of employees was:-		
General	2	2
Clerical	1	1

5. OPERATING PROFIT

This is stated after charging:-

Directors Remuneration	11,440	9,640
Auditors Remuneration	350	350

6. TAX ON ORDINARY ACTIVITIES

The charge for taxation consists of:-

U.K. Corporation Tax on Ordinary Activities	NIL	NIL
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7. DIVIDENDS

No payment of a dividend is proposed.

8. TANGIBLE FIXED ASSETS

	Land etc.	Motor Vehicles	Plant etc.	TOTAL
Cost at 31.3.88	74,292	47,026	28,949	150,267
Additions		24,000		24,000
Sales		(21,591)		(21,591)
Cost at 31.3.89	74,292	49,435	28,949	152,676
Depreciation @ 31.3.88	10,699	26,631	20,379	57,709
Charge for year	2,972	7,051	2,141	12,164
Sales		(5,398)		(5,398)
as at 31.3.89	13,671	28,284	22,520	64,475
Net Book Value @ 31.3.88	63,593	20,395	8,570	92,558
Net Book Value @ 31.3.89	60,621	21,151	6,429	88,201

9. INVESTMENT

The investment of £225 represents the cost of shares in Cumberland Transport Training Board.

10. DIRECTORS' LOAN

Arrangements have been made to bring the Directors' Loan back into credit by the Directors paying an appropriate cheque to the Company.