

ENGLISH AND OVERSEAS WOOL TRADING CO. LIMITED

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REPORT OF THE DIRECTORS

The directors present their report and the audited accounts of the group for the year ended 31st December 1985.

RESULTS AND DIVIDENDS

The group continued to trade as general merchants.

REVIEW OF THE BUSINESS

The directors consider the results for the year and the position at the year-end to be satisfactory.

RESULTS AND DIVIDENDS

The results are set out on page 3. Retained loss transferred to reserves amounted to £1,019 (1984: Profit of £2,374).

DIRECTORS

The directors who served during the year and their interests in the shares of the company at the beginning and end of the year were as follows :-

	<u>Ordinary shares of £1 each</u>	
	<u>At 31.12.85</u>	<u>At 1.1.85</u>
E L Hackenbroch	200	200
D C Hackenbroch	2450	2450

AUDITORS

J. B. Klein & Co. have expressed their willingness to continue in office as auditors and a resolution for their re-appointment will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD



Hackenbroch
.....
SECRETARY

28th November 1986.

AUDITORS' REPORT
TO THE MEMBERS OF
ENGLISH & OVERSEAS WOOL TRADING CO. LTD

We have audited the financial statements on pages 3 to 10 in accordance with approved auditing standards.

In common with most small businesses, the group's system of internal control is dependent upon the close involvement of the directors so that where independent verification of the accounting records was not available, we have the directors' assurances that all the group's transactions have been reflected in its records.

No depreciation has been provided on the freehold building owned by the subsidiary company. This policy does not comply with statement of standard accounting practice number 12. The effect of not doing so has been to increase profit before and after tax for the year by £1,700.

Subject to the foregoing and except for the effect of not providing for depreciation as described in the preceding paragraph, in our opinion these 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 31st December 1985 and of the results and source and application of funds for the year then ended and comply with the Companies Act 1985.

Temple Chambers
Temple Avenue
London EC4Y 0BB

J B KLEIN & CO.
CHARTERED ACCOUNTANTS

28th November 1986

CONSOLIDATED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST DECEMBER 1985

	Note	1985 £	1984 £
TURNOVER	1.	199,909	159,523
Cost of sales		(180,417)	(146,757)
GROSS PROFIT		19,492	12,766
Distribution costs		(9,492)	(9,184)
Administrative expenses		(36,938)	(30,704)
OPERATING LOSS	2.	(26,938)	(27,122)
Income from shares in related company		37	19
Other interest receivable and similar income	5.	27,649	29,143
Interest payable		(1,759)	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,011)	2,040
Tax on (loss)/profit on ordinary activities	6.	(9)	337
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(1,020)	2,377
Minority interest		1	(3)
RETAINED PROFIT FOR THE YEAR		(1,019)	2,374
		*****	*****

The notes on pages 7 to 10 form part of these accounts.

CONSOLIDATED BALANCE SHEET

31ST DECEMBER 1985

		1985	1984
	Note	£	£
FIXED ASSETS			
Tangible assets	7.	77,955	78,139
Investments	8.	5,672	5,644
		<hr/>	<hr/>
		83,627	83,783
CURRENT ASSETS			
Stocks	9.	13,240	15,594
Debtors	10.	56,773	30,691
Cash at bank and in hand		7,205	20,988
		<hr/>	<hr/>
		77,218	67,273
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	11.	60,333	49,524
		<hr/>	<hr/>
NET CURRENT ASSETS		16,885	17,749
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		100,512	101,532
MINORITY INTERESTS		(118)	(119)
		<hr/>	<hr/>
		100,394	101,413
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	12.	5,000	5,000
Capital reserves		22,103	22,103
Profit and loss account	13.	73,291	74,310
		<hr/>	<hr/>
		100,394	101,413
		=====	=====

Approved by the Board of Directors:

.....
) Directors

28th November 1986

The notes on pages 7 to 10 form part of these accounts.

BALANCE SHEET
AS AT 31ST DECEMBER 1985

		<u>1985</u>		<u>1984</u>	
	<u>Note</u>	£	£	£	£
FIXED ASSETS					
Investments	8.		629		629
CURRENT ASSETS					
Debtors	10.	6,172		6,172	
Cash at bank		1		1	
		<hr/>		<hr/>	
		6,173		6,173	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
	11.	(607)		(607)	
		<hr/>		<hr/>	
NET CURRENT ASSETS			5,566		5,566
TOTAL ASSETS LESS CURRENT LIABILITIES					
			<hr/>		<hr/>
			6,195		6,195
			=====		=====
CAPITAL AND RESERVES					
Called up share capital	12.	5,000		5,000	
Profit and loss account	13.	1,195		1,195	
		<hr/>		<hr/>	
			6,195		6,195
			=====		=====

Approved by the Board of Directors:

.....
) Directors

28th November 1986

The notes on pages 7 to 10 form part of these accounts.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED 31ST DECEMBER 1985

	<u>1985</u>	<u>1984</u>
	£	£
SOURCE OF FUNDS		
(Loss)/profit on ordinary activities before taxation	(1,011)	2,040
Adjustment for items not involving the movement of funds:		
Income from shares in related companies	(37)	(19)
Depreciation	255	113
Loss on sale of tangible assets	-	832
	<hr/>	<hr/>
FUNDS GENERATED FROM OPERATIONS	(792)	2,966
OTHER SOURCES		
Sale proceeds of fixed assets	-	500
	<hr/>	<hr/>
	(792)	3,466
APPLICATION OF FUNDS		
Purchase of tangible assets	(72)	-
	<hr/>	<hr/>
(DECREASE)/INCREASE IN WORKING CAPITAL	(864)	3,466
	*****	*****
Comprising:		
Stocks	(2,354)	13,519
Debtors	26,082	14,219
Creditors falling due within one year	(10,809)	(14,127)
	<hr/>	<hr/>
	12,919	13,611
Net liquid funds	(12,783)	(10,145)
	<hr/>	<hr/>
	(864)	3,466
	*****	*****

The notes on pages 7 to 10 form part of these accounts.

NOTES TO THE ACCOUNTS
YEAR ENDED 31ST DECEMBER 1985

ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with the items which are considered material in relation to the company's accounts.

a) Convention

The accounts have been prepared under the historical cost convention.

b) Basis of consolidation

The group accounts consolidate the accounts of the company and its subsidiary. The difference between the cost of shares in the subsidiary and the value attributed to its net tangible assets at the date of acquisition is adjusted in reserves in the year of acquisition.

The group's share of the results and of the post-acquisition profits and reserves of a related company is included in the group accounts.

A profit and loss account is not presented in respect of the company as provided by S.228 (7) of the Companies Act 1985.

c) Depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets over their estimated useful lives to the business as follows:-

Furniture and equipment	- 15% of net book value
Motor vehicles	- 25% of net book value

d) Stocks

Stocks are valued at the lower of cost and net realisable value.

e) Taxation

No provision for corporation tax is necessary in view of the tax losses available from previous periods.

f) Pensions

The subsidiary company operates a non-contributory pension scheme for the directors only.

NOTES TO THE ACCOUNTS

YEAR ENDED 31ST DECEMBER 1985

1. TURNOVER

Turnover represents invoiced value of goods and services supplied by the group excluding value added tax. No significant amount of goods were exported.

	<u>1985</u>	<u>1984</u>
	£	£
2. OPERATING LOSS		
Operating loss is arrived at after charging:		
Depreciation	256	113
Auditors' remuneration	1,400	1,200
	=====	=====

3. DIRECTORS

Directors' emoluments:		
Management remuneration	10,000	10,000
	=====	=====

The above remuneration was paid to one of the directors. No remuneration was paid to the other director.

4. EMPLOYEES

	<u>Number of employees</u>	
	<u>1985</u>	<u>1984</u>
Average number of people (including directors) employed by the group during the year:		
Sales and distribution	1	1
Administration	2	3
Cost in respect of these employees:		
Wages and salaries	17,613	10,017
Social Security costs	1,292	1,830
Pension costs	1,160	1,160
	<u>20,065</u>	<u>13,007</u>
	=====	=====

5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

Rent receivable	15,687	16,250
Service charges	11,222	11,506
Interest received	740	1,387
	<u>27,649</u>	<u>29,143</u>
	=====	=====

6. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

Charge for taxation based on profit for the year:

Corporation tax at 30%	9	6
Over-provision in previous years	-	(343)
	<u>9</u>	<u>(337)</u>
	=====	=====

NOTES TO THE ACCOUNTS
YEAR ENDED 31ST DECEMBER 1985

7. TANGIBLE ASSETS - GROUP

	Freehold Property	Furniture & equipment	Total
COST	£	£	£
At 1st January 1985	85,000	7,255	92,255
Additions	-	72	72
At 31st December 1985	85,000	7,327	92,327
DEPRECIATION			
At 1st January 1985	8,500	5,616	14,116
Charge for the year	-	256	256
At 31st December 1985	8,500	5,872	14,372
NET BOOK VALUE			
At 31st December 1985	76,500	1,455	77,955
At 31st December 1984	76,500	1,639	78,139

The company did not hold any tangible assets.

8. INVESTMENTS

Group		Related company £
Cost at 1st January 1985		5,644
Share of profit for the year		28
Cost at 1st January 1985 and 31st December 1985		5,672
Company	Subsidiary £	Related company £
Cost at 1st January 1985 and 31st December 1985	599	30

The company owns 24,967 ordinary £1 shares in its subsidiary, H L Wilkinston & Co. Limited, representing 99.868% of that company's issued share capital. The subsidiary's trade is that of general merchants.

The group owns 1,500 ordinary £1 shares in James Heywood Limited representing 30% of that company's voting equity. This related company's trade is that of general merchants.

ENGLISH AND OVERSEAS WOOL TRADING CO. LIMITED

10.

NOTES TO THE ACCOUNTS

YEAR ENDED 31ST DECEMBER 1985

	Group		Company	
	1985	1984	1985	1984
	£	£	£	£
9. STOCKS				
Finished goods	13,240	15,594	-	-
	*****	*****	*****	*****
10. DEBTORS				
Trade debtors	48,085	13,437	-	-
Other debtors	6,372	15,039	6,172	6,172
Amounts owed by related company	796	796	-	-
Prepayments and accrued income	1,520	1,419	-	-
	56,773	30,691	6,172	6,172
	*****	*****	*****	*****
11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
Bank overdraft	21,775	9,282	-	-
Trade creditors	22,979	31,546	-	-
Other taxation and social security	6,304	598	-	-
Other creditors	454	414	39	39
Amounts owing to group company	-	-	568	568
Accruals and deferred income	4,821	7,684	-	-
	56,333	49,524	607	607
	*****	*****	***	***
12. CALLED UP SHARE CAPITAL				
Authorised, issued and fully paid: 5,000 shares of £1 each			5,000	5,000
			*****	*****
13. PROFIT AND LOSS ACCOUNT				
			Group	Company
At 1st January 1985			74,310	1,195
Retained loss for the year			(1,019)	-
At 31st December 1985			73,291	1,195
			*****	*****
Retained in group companies			67,649	
Retained in related company			5,642	
			73,291	

Of the profit for the financial year attributable to the shareholders, £Nil (1984: £Nil) is dealt with in the accounts of the holding company.