

UNDERWOOD & CO LIMITED

FINANCIAL STATEMENTS

30 JUNE 1996

Registered number: 46450



Douglas Dale

Chartered Accountants

Worcester

UNDERWOOD & CO LIMITED  
FINANCIAL STATEMENTS  
for the year ended 30 June 1996

CONTENTS

	Page
Company information	1
Directors' report	2
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes	8 - 18

The following pages do not form part of the statutory accounts

Detailed trading and profit and loss account	19 - 31
---	---------

## UNDERWOOD &amp; CO LIMITED

## COMPANY INFORMATION

30 June 1996

NUMBER	46450
CHAIRMAN	P C Underwood
OTHER DIRECTORS	J R E Browne
SECRETARY	R F Underwood
REGISTERED OFFICE	The Building Centre Tolladine Road Worcester
AUDITORS	Douglas Dale Chartered Accountants Sansome Lodge 4 Sansome Walk Worcester

## UNDERWOOD &amp; CO LIMITED

## DIRECTORS' REPORT

30 June 1996

The directors present their report and the audited financial statements for the year ended 30 June 1996.

**Principal activity**

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

**Business review**

In what was another poor year for the Building Industry, the company has concentrated on streamlining its operation. The balance sheet has been strengthened by tidying up the position of long dormant subsidiary and associated companies. Stock has been rigorously evaluated, resulting in a large provision against old and slow-moving items. With even better management information available, the emphasis is on increasing stock turnover and margins.

The outlook since the year end is improved with both sales and margins up.

The company is also embarking on the Investors in People programme to increase awareness throughout the company.

**Results and dividends**

The results for the year are shown in the profit and loss account on page 5. A preference dividend amounting to £8,201 was paid during the year. The directors do not propose payment of an ordinary dividend.

**Fixed assets**

In the opinion of the directors there is no significant difference between the present market value of the company's properties and the amounts at which they are stated in the accounts. Details are set out in note 9.

**Directors**

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows

	30 June 1996 Ordinary shares	1 July 1995 Ordinary shares
P C Underwood	4,822	4,822
J R E Browne	-	-
P C Underwood - family holding	25	25

**Auditors**

Douglas Dale have agreed to offer themselves for re-appointment as auditors of the company.

On behalf of the board

R F Underwood  
Secretary

The Building Centre  
Tolladine Road  
Worcester

13 December 1996

UNDERWOOD & CO LIMITED  
STATEMENT OF DIRECTORS' RESPONSIBILITIES

We are required under company law 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 we are required to:

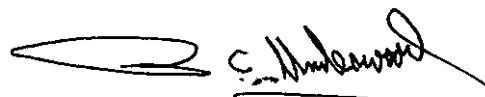
- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

We are also responsible for:

- keeping proper accounting records;
- safeguarding the company's assets;
- taking reasonable steps for the prevention and detection of fraud.

13 December 1996

On behalf of the board

  
P C Underwood  
Chairman

## UNDERWOOD &amp; CO LIMITED

## AUDITORS' REPORT

## Auditors' report to the members of

## Underwood &amp; Co Limited

We have audited the financial statements on pages 5 to 18 which have been prepared under the accounting policies set out on page 8.

**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.

**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 error or other irregularity. 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 30 June 1996 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In our opinion the company is entitled to the exemption conferred by section 248 of the Companies Act 1985 from the requirement to prepare group accounts for the financial year ended 30 June 1996.

Worcester  
13 December 1996



Douglas Dale  
Registered Auditors  
Chartered Accountants

## UNDERWOOD &amp; CO LIMITED

## PROFIT AND LOSS ACCOUNT

for the year ended 30 June 1996

	Note	1996 £	1995 £
Turnover	2	5,098,049	4,728,314
Cost of sales		(3,697,406)	(3,329,209)
Gross profit		1,400,643	1,399,105
Net operating expenses			
Distribution costs		(908,512)	(795,978)
Administrative expenses		(556,569)	(517,195)
Other operating income		-	2,550
Operating (loss)/profit	3	(64,438)	88,482
Investment income	5	287,395	69,710
Interest payable	6	(91,084)	(84,341)
Amounts written off investments		(32,825)	-
Profit on ordinary activities before taxation		99,048	73,851
Taxation	7	(2,329)	(2,444)
Profit on ordinary activities after taxation		96,719	71,407
Dividends (including non-equity interests)	8	(8,201)	(8,201)
Retained profit for the year	20	88,518	63,206

Movements in reserves are shown in the notes to the financial statements.

None of the company's activities were acquired or discontinued during the above two financial years.

There are no recognised gains and losses in 1996 or 1995 other than the profit for the year.

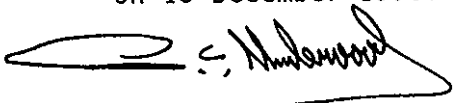
## UNDERWOOD &amp; CO LIMITED

## BALANCE SHEET

at 30 June 1996

	Note	£	1996 £	£	1995 £
Fixed assets					
Tangible assets	9		2,526,770		2,531,586
Investments	11		8,020		40,845
			<u>2,534,790</u>		<u>2,572,431</u>
Current assets					
Stocks	12	906,344		1,050,985	
Debtors	13	834,537		1,073,702	
Cash at bank and in hand		1,810		2,178	
			<u>1,742,691</u>	<u>2,126,865</u>	
Creditors: amounts falling due within one year	14	(1,724,805)		(2,214,788)	
Net current assets/(liabilities)			<u>17,886</u>	<u>(87,923)</u>	
Total assets less current liabilities			<u>2,552,676</u>	<u>2,484,508</u>	
Creditors: amounts falling due after more than one year	15		(352,000)	(372,350)	
Net assets			<u>2,200,676</u>	<u>2,112,158</u>	
Capital and reserves					
Called up share capital	18		9,656	9,656	
Other reserves	19		12,250	12,250	
Profit and loss account	20		2,178,770	2,090,252	
Total shareholders' funds	17		<u>2,200,676</u>	<u>2,112,158</u>	
Attributable to:					
Equity shareholders			2,197,987	2,109,469	
Non-equity shareholders			2,689	2,689	
			<u>2,200,676</u>	<u>2,112,158</u>	

The financial statements on pages 5 to 18 were approved by the board of directors on 13 December 1996.



P C Underwood  
Chairman



## UNDERWOOD &amp; CO LIMITED

## CASH FLOW STATEMENT

for the year ended 30 June 1996

	1996		1995	
	£	£	£	£
Net cash inflow/(outflow) from operating activities		21,745		(131,472)
Returns on investments and servicing of finance				
Dividends received	283,655		450	
Interest received	1,902		880	
Interest paid	(94,271)		(80,498)	
Dividends paid	(8,201)		(9,664)	
Rent received	1,750		68,267	
Net cash inflow/(outflow) from returns on investments and servicing of finance		184,835		(20,565)
Taxation				
Corporation tax paid (including ACT)	(2,241)		(2,331)	
Tax paid		(2,241)		(2,331)
Investing activities				
Payments to acquire: Tangible fixed assets	(70,147)		(302,214)	
Receipts from sales of: Tangible fixed assets	7,276		3,683	
Net cash outflow from investing activities		(62,871)		(298,531)
Net cash inflow/(outflow) before financing		141,468		(452,899)
Financing				
Bank loan repayments	(20,350)		(22,200)	
Net cash outflow from financing		(20,350)		(22,200)
Increase/(decrease) in cash and cash equivalents		121,118		(475,099)

See Note 25 for the notes to this statement.

UNDERWOOD & CO LIMITED  
NOTES ON FINANCIAL STATEMENTS

30 June 1996

**1 Accounting policies**

**Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

**Exemptions as small reporting entity**

The company is a parent of a medium group and has, therefore, taken advantage of the exemptions provided under section 248 of the Companies Act 1985 not to provide group accounts.

**Depreciation**

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Freehold land	nil
Freehold buildings	nil
Plant and machinery	10% - 25% p.a. on cost
Motor vehicles	25% p.a. on cost

**Leases and hire purchase contracts**

Rentals paid under operating leases are charged to income as incurred.

**Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

**Deferred taxation**

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

**2 Turnover**

Turnover represents the amount derived from the provision of goods and services which fall within the company's ordinary activities, entirely within the United Kingdom, stated net of value added tax.

UNDERWOOD & CO LIMITED  
NOTES ON FINANCIAL STATEMENTS

30 June 1996

3 Operating (loss)/profit

	1996 £	1995 £
Operating (loss)/profit is stated after crediting		
Interest receivable	-	2,550
Profit on sale of assets	6,516	3,070
	<u>          </u>	<u>          </u>
and after charging		
Staff costs (note 4)	873,490	776,852
Auditors' remuneration	4,550	5,300
Auditors' remuneration - non-audit work	9,000	9,000
Operating leases		
Hire of plant and machinery	74,177	67,699
	<u>          </u>	<u>          </u>
Depreciation of tangible fixed assets (note 9)		
owned assets	74,203	62,346
	<u>          </u>	<u>          </u>

## UNDERWOOD &amp; CO LIMITED

## NOTES ON FINANCIAL STATEMENTS

30 June 1996

## 4 Directors and employees

	1996 £	1995 £
Staff costs including directors' emoluments		
Wages and salaries	786,070	702,490
Social security costs	64,042	56,933
Pension costs	23,378	17,429
	<u>873,490</u>	<u>776,852</u>
	Number	Number
Average monthly number employed including executive directors		
Sales staff	49	40
Distribution staff	5	4
Office & management staff	22	12
	<u>76</u>	<u>56</u>
Directors	£	£
Directors emoluments	64,647	82,684
	<u>64,647</u>	<u>82,684</u>
Emoluments excluding pension scheme contributions		
Highest paid director	<u>41,291</u>	<u>42,511</u>
Other directors	Number	Number
£20,001-£25,000	1	-
£35,001-£40,000	-	1
5 Investment income	1996 £	1995 £
Income from fixed asset investments		
Unlisted	438	563
Group companies	283,305	-
Other interest receivable	1,902	880
Rent received	1,750	68,267
	<u>287,395</u>	<u>69,710</u>

UNDERWOOD & CO LIMITED  
 NOTES ON FINANCIAL STATEMENTS  
 30 June 1996

6 Interest payable

	1996 £	1995 £
Bank interest	57,448	52,335
Bank loan interest	31,187	32,006
Other interest	2,449	-
	<u>91,084</u>	<u>84,341</u>

7 Taxation

	1996 £	1995 £
Corporation tax on profit on ordinary activities at 24 & 25% (1995 25%)	-	-
Irrecoverable ACT	2,197	2,305
Tax credit on franked investment income	88	113
	<u>2,285</u>	<u>2,418</u>
Under provision in earlier years	44	26
	<u>2,329</u>	<u>2,444</u>

8 Dividends

	1996 £	1995 £
Other dividends on non-equity shares	8,201	8,201
Total dividends paid and proposed	<u>8,201</u>	<u>8,201</u>

The above is made up as follows:

Non-equity - preference	<u>8,201</u>	<u>8,201</u>
-------------------------	--------------	--------------

UNDERWOOD & CO LIMITED  
 NOTES ON FINANCIAL STATEMENTS  
 30 June 1996

9 Tangible fixed assets

Cost or valuation	Motor Vehicles £	Plant and Machinery £	Land and Buildings £	Total £
1 July 1995	182,475	553,220	2,361,233	3,096,928
Additions	53,556	10,868	5,723	70,147
Disposals	(51,234)	(4,071)	-	(55,305)
30 June 1996	<u>184,797</u>	<u>560,017</u>	<u>2,366,956</u>	<u>3,111,770</u>
Depreciation				
1 July 1995	132,254	433,088	-	565,342
Charge for year	31,709	42,494	-	74,203
Disposals	50,671	3,874	-	54,545
30 June 1996	<u>113,292</u>	<u>471,708</u>	<u>-</u>	<u>585,000</u>
Net book amount				
30 June 1996	<u>71,505</u>	<u>88,309</u>	<u>2,366,956</u>	<u>2,526,770</u>
1 July 1995	<u>50,221</u>	<u>120,132</u>	<u>2,361,233</u>	<u>2,531,586</u>

No depreciation is provided on the company's building. The directors do not consider it appropriate in view of the level of maintenance.

10 Land and buildings

	1996 £	1995 £
Freehold	<u>2,366,956</u>	<u>2,361,233</u>

UNDERWOOD & CO LIMITED  
NOTES ON FINANCIAL STATEMENTS  
30 June 1996

11 Fixed asset investments

	Investments other than loans £
<b>Cost</b>	
1 July 1995	40,845
and at	
30 June 1996	<u>          </u>
<b>Amounts written off</b>	
Provision in year	32,825
30 June 1996	<u>32,825</u>
<b>Net book amount</b>	
30 June 1996	<u>8,020</u>
1 July 1995	<u>40,845</u>
Shares in group companies (see note 24)	4,814
Trade investments at cost	3,206
	<u>8,020</u>

12 Stocks

	1996 £	1995 £
Building materials	893,022	1,035,398
Stationery & packaging stock	13,322	15,587
	<u>906,344</u>	<u>1,050,985</u>

13 Debtors

	1996 £	1995 £
<b>Amounts falling due within one year</b>		
Trade debtors	652,382	746,920
Amounts owed by connected interests	119,381	216,157
Prepayments and accrued income	59,789	107,456
Staff loans	2,985	3,169
	<u>834,537</u>	<u>1,073,702</u>

UNDERWOOD & CO LIMITED  
NOTES ON FINANCIAL STATEMENTS

30 June 1996

**14 Creditors: amounts falling due within one year**

	1996 £	1995 £
Bank loans	22,200	22,200
Bank overdraft	933,891	1,055,377
Trade creditors	379,668	560,194
Amounts owed to group undertakings	-	288,119
Amounts owed to connected interests	-	172,275
Other taxation and social security	70,634	55,470
Directors current account	209,414	5,999
Accruals and deferred income	76,040	50,038
Other loan accounts	32,958	5,116
	<u>1,724,805</u>	<u>2,214,788</u>

**15 Creditors: amounts falling due after more than one year**

	1996 £	1995 £
Bank loans	352,000	372,350
	<u>352,000</u>	<u>372,350</u>
<b>Maturity of debt</b>		
In one year or less, or on demand - see note 14	22,200	22,200
Between one and two years	22,200	22,200
Between two and five years	66,600	66,600
In five years or more	263,200	283,550
	<u>374,200</u>	<u>394,550</u>

The bank loan is repayable in monthly instalments of £1,850 , which commenced on 30 June 1991. Interest is charged at 1.75% above bank base rate.

The bank borrowing is secured by a fixed charge on the freehold property and book debts of the company.



UNDERWOOD & CO LIMITED  
NOTES ON FINANCIAL STATEMENTS

30 June 1996

16 Deferred taxation

	1996 Potential liability £	Provision made £	1995 Potential liability £	Provision made £
Corporation tax deferred by Accelerated capital allowances	-	-	1,200	-
less: trading losses	-	-	(1,200)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

The potential liability and provision are based on a corporation tax rate of 23% (1995 24%).

17 Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Profit for the financial year	96,719	71,407
Dividends	(8,201)	(8,201)
Net addition to shareholders' funds	<u>88,518</u>	<u>63,206</u>
Opening shareholders' funds	2,112,158	2,048,952
Closing shareholders' funds	<u><u>2,200,676</u></u>	<u><u>2,112,158</u></u>

UNDERWOOD & CO LIMITED  
NOTES ON FINANCIAL STATEMENTS

30 June 1996

18 Called up share capital

	1996		1995	
	Number of shares	£	Number of shares	£
<b>Authorised</b>				
Ordinary shares	7,311	7,311	7,311	7,311
Preference shares	2,689	2,689	2,689	2,689
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
		10,000		10,000
		<u>          </u>		<u>          </u>
<b>Allotted called up and fully paid</b>				
Ordinary shares	6,967	6,967	6,967	6,967
Preference shares	2,689	2,689	2,689	2,689
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
		9,656		9,656
		<u>          </u>		<u>          </u>

The Preference shares of £1 each carry the right to receive a Cumulative Preferential Dividend at a rate of 4.32% . Shares are non-voting and in the event of a winding up, shareholders are entitled to a repayment of capital plus a right to participate in the surplus assets, limited to £29 per share.

19 Other reserves

	Capital Reserve	Revenue Reserve
	£	£
Balance at 1 July 1995	2,250	10,000
Transfers in the year	-	-
	<u>          </u>	<u>          </u>
Balance at 30 June 1996	2,250	10,000
	<u>          </u>	<u>          </u>

20 Profit and loss account

	1996 £
1 July 1995	2,090,252
Retained profit for the year	88,518
	<u>          </u>
30 June 1996	2,178,770
	<u>          </u>

UNDERWOOD & CO LIMITED  
NOTES ON FINANCIAL STATEMENTS

30 June 1996

21 Guarantees and other financial commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 30 June 1997

	1996 Plant & Other £	1995 Plant & Other £
Expiring		
Within one year	-	17,056
Within two to five years	72,515	28,427
	<u>72,515</u>	<u>45,483</u>

22 Transactions with Directors

P C Underwood and his wife have material interests in Underwood Steel Stockholders Limited.

During the year purchases and sales were made on a normal trade basis with Underwood Steel Stockholders Limited.

23 Contingent Liability

There are unlimited multilateral guarantees in respect of subsidiary and connected company indebtedness to the bank.

In addition, Underwood & Co Limited have guaranteed the indebtedness of a connected company, Underwood Steel Stockholders Limited, to a third party trade creditor. At 30 June 1996 the liability was £31,777.

24 Group Companies

The wholly owned subsidiaries of Underwood & Co Limited and the number of Ordinary shares held are:

	Cost/ NRV £	£1 shares Owned	Net Assets £	Profit for the year £
Osbourne Sharpe (Worcester) Ltd	2	2	4	-
Mighty U (Kidderminster) Ltd	-	2	-	-
Hanbury Building Supplies (Worcester) Ltd	4	4	4	-
Oliver Crockett & Sons Ltd	4,808	2,003	4,808	-
	<u>4,814</u>			

All companies are registered in England & Wales and are non-trading.

UNDERWOOD & CO LIMITED  
NOTES ON FINANCIAL STATEMENTS

30 June 1996

25 Notes to the cash flow statement

Reconciliation of operating (loss)/profit to  
net cash inflow/(outflow) from operating activities

	1996 £	1995 £
Operating (loss)/profit	(64,438)	88,482
Depreciation charges	74,203	62,346
(Profit) on sale of fixed assets	(6,516)	(3,070)
Decrease/(increase) in stocks	144,641	(206,420)
Decrease/(increase) in debtors	239,165	(127,978)
(Decrease)/increase in creditors	(365,310)	55,168
Net cash inflow/(outflow) from operating activities	<u>21,745</u>	<u>(131,472)</u>

Analysis of changes in cash and cash  
equivalents as shown in the balance sheet

Balance at 1 July 1995	(1,053,199)	(578,100)
Net cash inflow/(outflow)	<u>121,118</u>	<u>(475,099)</u>
Balance at 30 June 1996	<u>(932,081)</u>	<u>(1,053,199)</u>

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	1,810	2,178	(368)
Bank overdrafts	(933,891)	(1,055,377)	121,486
	<u>(932,081)</u>	<u>(1,053,199)</u>	<u>121,118</u>

Analysis of change in financing  
during the year

	<u>Loans</u> £	<u>Share Capital</u> £
Balance at 1 July 1995	394,550	9,656
Cash outflow from financing	(20,350)	-
Balance at 30 June 1996	<u>374,200</u>	<u>9,656</u>