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FREDERICK PARKER LIMITED

DIRECTORS' REPORT AND ACCOUNTS

30 SEPTEMBER 1975

ERIC WATERHOUSE & CO
Chartered Accountants
LEICESTER



FREDERICK PARKER LIMITED

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YEAR ENDED 30 SEPTEMBER 1975

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FREDERICK PARKER LIMITED

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1975

Directors

Permanent

FWH Parker	Chairman
AD Parker	
KJ Parker	Managing Director

Ordinary

RJ Parker
MAG Parker
JC Parker

Secretary

A Argyle

Registered office

Viaduct Works, Canon Street, Leicester

Accounts

The results of the year's trading, the financial position of the company and the group, transfers to reserves and the dividends are as shown in the annexed accounts.

Following the practice adopted last year, the accounts include a summary of the results and financial position of the Group adjusted for the effects of inflation. This summary has been prepared in accordance with the Provisional Statement of Accounting Practice No 7.

Directorate

The present directors are shown above.

Mr MAG Parker retires by rotation and, being eligible, offers himself for re-election.

FREDERICK PARKER LIMITED

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DIRECTORS' REPORT (CONTINUED)

Directors' interests

The interests of the directors in the shares and debentures of Frederick Parker Limited and its subsidiary at 30 September 1975 were as follows, except as shown in brackets the same interests applied at 1 October 1974.

In Frederick Parker Limited

	Shares of £1 each			Debentures £
	'A' Ordinary	'B' Ordinary	Preference	
FWH Parker	3,750	53,833	31,916	32,347
AD Parker	28,666 (21,666)	29,833 (53,833)	17,166	32,347
KJ Parker	8,092 (14,592)	50,028	24,766	19,497
RJ Parker	22,952	12,410	33,122	-
MAG Parker	15,916 (24,916)	24,410 (12,410)	15,416	-
JC Parker	15,916 (24,916)	24,410 (12,410)	13,416 (15,416)	-

In Frederick Parker (Canada) Limited

	Common shares with a par value of \$10 each
FWH Parker	230
AD Parker	230
KJ Parker	250

Principal activity

The principal activity of the group is the manufacture of equipment for the construction industry.

Fixed assets

The changes in fixed assets are set out in Note 7 of the accounts.

The directors consider that the market value of the land and buildings is in excess of the amount shown in the accounts but that as these assets are used in the company's business and no disposals are envisaged, the excess is not significant.

FREDERICK PARKER LIMITED

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DIRECTORS' REPORT (CONTINUED)

Employees

The average number of employees of the company was 1,144 and their aggregate remuneration £3,307,301. This includes the amount due under the employees profit sharing scheme. Under this scheme sums in excess of £1 million have been paid to employees since its inception. In addition the company has paid £39,024 to the Pension Fund Trustees for its contributions on behalf of employees during the year.

Contributions for charitable purposes

Contributions made by the group amounted to £1,378.

Exports

Export sales amounted to £12,065,079.

Close company status

The company is a close company within the meaning of the Income and Corporation Taxes Act 1970. As such the company and its shareholders can be liable to taxation where there is a shortfall of distributions but the directors do not consider that any such liabilities will arise in respect of this year.

Auditors

Price Waterhouse & Co are willing to continue in office.

On Behalf of the Board

FWH PARKER

Chairman

27 February 1976

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Price
Waterhouse & Co.

SOUTHGATE HOUSE,
61 MILLSTONE LANE,
LEICESTER LE1 50A

AUDITORS' REPORT TO THE MEMBERS OF FREDERICK PARKER LIMITED

In our opinion the accounts on pages 5 to 16 give a true and fair view of the state of affairs of the company and the group at 30 September 1975 and of the profit and the source and application of funds of the group for the year then ended and comply with the Companies Acts 1948 and 1967.

We have also examined the current purchasing power statement together with the explanatory notes set out on pages 17 to 19 which have been prepared in accordance with the provisional statement of standard accounting practice No 7. In our opinion they fairly restate in summarised form and on the basis outlined the results for the year and financial position of the group expressed in terms of the general purchasing power of money at 30 September 1975.

PRICE WATERHOUSE & CO

Chartered Accountants

27 February 1976

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FREDERICK PARKER LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 1975

	1975	1974
TURNOVER (Note 2)	<u>£17,352,967</u>	<u>£11,551,765</u>
TRADING PROFIT (Note 3)	3,088,537	1,105,084
Deduct Taxation (Note 5)	<u>1,597,740</u>	<u>586,442</u>
PROFIT AFTER TAXATION	1,490,797	518,642
Deduct Minority interests	<u>6,697</u>	<u>3,517</u>
PROFIT AVAILABLE TO FREDERICK PARKER LIMITED	1,484,100	515,125
Deduct Dividends (Note 6)	<u>36,333</u>	<u>34,488</u>
	1,447,767	480,637
AMOUNTS TRANSFERRED TO RESERVES (Note 12)		
In subsidiary company	<u>49,719</u>	<u>25,959</u>
In Frederick Parker Limited		
Plant replacement	51,000	28,000
General	<u>1,347,048</u>	<u>426,678</u>
	<u>£1,398,048</u>	<u>£454,678</u>

The annexed notes form part of these accounts.

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FREDERICK PARKER LIMITED

GROUP BALANCE SHEET - 30 SEPTEMBER 1975

	1975	1974
Net Assets employed:		
FIXED ASSETS (Note 7)	1,932,939	1,783,395
CURRENT ASSETS		
Stocks (Note 1 (b))	5,207,866	3,667,337
Debtors (Note 10)	5,181,666	3,480,789
Cash	<u>212,156</u>	<u>8,192</u>
	10,601,688	7,156,318
LESS CURRENT LIABILITIES		
Creditors	4,335,516	3,128,241
Deposits from customers	301,394	336,058
Bank overdrafts (secured)	431,051	978,669
Ontario Development Corporation loan (secured)	155,689	92,846
Current taxation	35,317	233,651
Proposed dividends	<u>22,783</u>	<u>20,936</u>
	5,281,750	4,790,401
	<u>5,319,938</u>	<u>2,365,917</u>
	7,252,877	4,149,312
Deduct Corporation tax due 1 January 1977	<u>1,022,000</u>	<u>462,235</u>
	<u>£6,230,877</u>	<u>£3,687,077</u>
Financed by:		
ISSUED SHARE CAPITAL OF FREDERICK PARKER LIMITED (Note 11)	544,887	544,887
RESERVES (Note 12)	<u>4,112,663</u>	<u>2,664,896</u>
	4,657,550	3,209,783
12% DEBENTURE STOCK	107,178	107,178
MINORITY INTERESTS	18,134	11,437
DEFERRED TAXATION (Notes 1 (d) and 5)	<u>1,448,015</u>	<u>358,679</u>
	<u>£6,230,877</u>	<u>£3,687,077</u>

The annexed notes form part of these accounts.

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FREDERICK PARKER LIMITED

BALANCE SHEET - 30 SEPTEMBER 1975

	1975	1974
Net Assets employed:		
FIXED ASSETS (Note 7)	1,827,404	1,712,811
INTEREST IN SUBSIDIARY (Note 9)	285,586	227,941
 CURRENT ASSETS		
Stocks (Note 1 (b))	4,658,587	3,436,045
Debtors (Note 10)	5,091,047	3,225,521
Cash	<u>212,084</u>	<u>3,915</u>
	9,961,718	6,665,481
 LESS CURRENT LIABILITIES		
Creditors	4,242,490	2,966,746
Deposits from customers	301,394	336,058
Bank overdraft (secured)	377,840	997,128
Current taxation	17,678	219,991
Proposed dividends	<u>22,783</u>	<u>20,936</u>
	4,962,185	4,540,859
	<u>4,999,533</u>	<u>2,124,622</u>
	7,112,523	4,065,374
 Deduct Corporation tax due 1 January 1977	 <u>1,022,000</u>	 <u>462,235</u>
	<u>£6,090,523</u>	<u>£3,603,139</u>

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FREDERICK PARKER LIMITED

BALANCE SHEET (CONTINUED) - 30 SEPTEMBER 1975

	1975	1974
Financed by:		
SHARE CAPITAL (Note 11)	544,887	544,887
RESERVES (Note 12)	<u>3,990,443</u>	<u>2,592,395</u>
	4,535,330	3,137,282
12% DEBENTURE STOCK REDEEMABLE AT THE COMPANY'S OPTION ON SIX MONTHS NOTICE		
	107,178	107,178
DEFERRED TAXATION (Notes 1 (d) and 5)	1,448,015	358,679
FWH PARKER)		
)		
)		
AD PARKER) Directors		
)		
)		
KJ PARKER)		
	<u>£6,090,523</u>	<u>£3,603,139</u>

The annexed notes form part of these accounts.

THIS IS THE COPY REFERRED TO IN
THE ANNEXED CERTIFICATE (C)

.....
DIRECTOR

.....
SECRETARY

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FREDERICK PARKER LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1975

1 Accounting policies

(a) Depreciation of fixed assets

Depreciation has been computed to write off the cost of fixed assets over their expected useful lives using the following rates:

Freehold property	2% of cost
Plant and machinery	10% of cost
Fixtures and fittings	10% of cost
Vehicles - Cars	25% of reducing balance
- Lorries	55% of cost in year of purchase and then 25% of reducing balance

(b) Stocks

Stocks are stated at the lower of cost and estimated net realisable value. The cost of finished goods and work in progress includes a proportion of factory overheads according to the stage of manufacture reached.

(c) Research and development

Research and development costs are written off when incurred.

(d) Deferred taxation

Provision has been made, using the liability method, for tax deferred as a result of timing differences between the taxation and accounts treatment of certain items of income and expenditure including stock appreciation relief. Unrelieved advance corporation tax has been deducted from the total tax deferred.

(e) Consolidation

The accounts of the subsidiary company have been consolidated and have been expressed in sterling at the rate of exchange ruling at the year end.

(f) Retirement benefits

Retirement benefits relating to current and past services are funded by way of annual contributions to Frederick Parker (1958) Pension Scheme and the trustees of the scheme secure pension and life assurance benefits through policies with the Prudential Assurance Company Limited and the Crusader Assurance Company Limited. All permanent employees become members of the scheme after the completion of six months continuous service.

2 Turnover

Turnover represents the total amount receivable in the ordinary course of business for goods sold and services provided excluding value added tax.

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FREDERICK PARKER LIMITED

NOTES TO THE ACCOUNTS (CONTINUED) - 30 SEPTEMBER 1975

3 Group trading profit

The trading profit is stated after taking account of the following:

	1975	1974
	£	£
Directors' emoluments for management (1975 includes annual pension contributions)	111,411	60,363
Depreciation	192,246	160,977
Profit on sale of fixed assets	2,308	5,889
Auditors' remuneration	8,500	7,135
Hire of plant	76,256	63,910
Interest on bank overdraft and other short-term loans	83,731	114,507
Interest on 12% Debenture Stock	12,862	12,862
Exceptional item - payments for directors' past service pension	286,704	-
	<u> </u>	<u> </u>

4 Directors' emoluments

Directors' emoluments were as follows:

	1975	1974
The chairman	<u>£30,103</u>	<u>£15,808</u>
The highest paid director	<u>£30,150</u>	<u>£16,811</u>
Number of other directors receiving:		
£2,501 - £5,000	-	1
£5,001 - £7,500	1	1
£7,501 - £10,000	-	2
£10,001 - £12,500	1	-
£12,501 - £15,000	1	-
£15,001 - £17,500	1	-
	<u> </u>	<u> </u>

5 Taxation

The taxation charge is made up as follows:

	1975	1974
(a) Tax on the profits of the year		
Corporation tax at 52%	1,022,000	473,000
Deferred taxation at 52%	539,200	86,000
Overseas taxation	40,177	21,966
	<u>1,601,377</u>	<u>580,966</u>

FREDERICK PARKER LIMITED

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NOTES TO THE ACCOUNTS (CONTINUED) - 30 SEPTEMBER 1975

5 Taxation (continued)

	1975	1974
(b) Prior year adjustments		
Corporation tax	(541,800)	-
Deferred taxation	64,800	6,000
Overseas taxation	<u>(26,637)</u>	<u>(524)</u>
	(3,637)	5,476
	<u>£1,597,740</u>	<u>£586,442</u>

The liability for Frederick Parker (Canada) Limited to UK corporation tax, after double taxation relief, has been borne by the parent company.

The deferred taxation account comprises corporation tax at 52% arising as follows:

	Amount of tax	
	1975	1974
Excess of capital allowances over depreciation	,000	392,000
Stock appreciation relief	1,025,000	-
Other timing differences	<u>(18,000)</u>	<u>(18,000)</u>
	1,478,000	374,000
Less Unrelieved advance corporation tax	<u>29,985</u>	<u>15,321</u>
	<u>£1,448,015</u>	<u>£358,679</u>

In arriving at the amount of tax deferred by reference to stock appreciation it has been assumed that the rules contained in existing legislation will be continued for accounting periods ending after 31 March 1975. The period of deferment for stock appreciation relief is uncertain.

6 Dividends

Dividends are as follows:

	1975	1974
Paid:		
On preference shares	3,503	3,503
On 'A' and 'B' ordinary shares		
Interim: 2½% actual (1974 : 2½%)	<u>10,048</u>	<u>10,048</u>
carried forward	13,551	13,551

FREDERICK PARKER LIMITED

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NOTES TO THE ACCOUNTS (CONTINUED) - 30 SEPTEMBER 1975

6 Dividends (continued)

	1975	1974
brought forward	13,551	13,551
Proposed:		
On preference shares		
Second interim in lieu of final	3,503	3,503
'A' ordinary shares at 4.7971% actual		
(1974 : 4.9425%)	9,022	9,296
'B' ordinary shares at 4.7971% actual		
(1974 : 4.9425%)	10,257	8,138
	<u>£36,333</u>	<u>£34,488</u>

The preference dividends have been paid consistently since 6 April 1973 on the basis that the relevant rate of tax was 30%, this being the original interpretation under the Finance Act 1972. A recent case in the Courts has ruled that adjustments to dividends should be made whenever there is a change in the basic tax rate. However, the Government has since indicated that it proposes to bring in legislation which would support the original interpretation. The preference dividends charged above are on the basis of the original interpretation. In 1974 dividends on the 'B' ordinary shares totalling £2,431 were waived.

7 Fixed assets

(a) The Group

Cost	Freehold land and buildings	Plant and machinery	Fixtures and fittings	Vehicles	Total
At 1 October 1974	1,172,713	1,289,260	297,850	117,223	2,876,246
Additions	86,390	213,243	38,077	44,659	384,369
Disposals	(27,422)	(4,523)	(5,187)	(26,973)	(64,097)
At 30 September 1975	<u>1,231,681</u>	<u>1,499,979</u>	<u>330,740</u>	<u>134,909</u>	<u>3,197,018</u>
Depreciation					
At 1 October 1974	214,113	642,744	176,253	60,241	1,093,351
Charge for the year	26,592	117,415	24,938	23,301	192,246
Eliminated on disposals	=	(3,757)	(4,090)	(13,671)	(21,518)
At 30 September 1975	<u>240,705</u>	<u>756,402</u>	<u>197,101</u>	<u>69,871</u>	<u>1,264,079</u>
Net book amount					
At 30 September 1975	<u>£990,986</u>	<u>£743,577</u>	<u>£133,639</u>	<u>£65,037</u>	<u>£1,932,939</u>

FREDERICK PARKER LIMITED

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NOTES TO THE ACCOUNTS (CONTINUED) - 30 SEPTEMBER 1975

7 Fixed assets (continued)

(b) The Company

	Freehold land and buildings	Plant and machinery	Fixtures and fittings	Vehicles	Total
Cost					
At 1 October 1974	1,093,632	1,263,990	291,214	113,354	2,762,190
Additions	52,106	203,216	36,755	44,267	336,344
Disposals	(27,412)	(4,524)	(5,187)	(26,974)	(64,097)
At 30 September 1975	1,118,326	1,462,682	322,782	130,647	3,034,437
Depreciation					
At 1 October 1974	193,080	626,753	171,838	57,699	1,049,370
Charge for the year	20,778	111,857	23,932	22,605	179,172
Eliminated on disposals	-	(3,757)	(4,090)	(13,671)	(21,518)
At 30 September 1975	213,867	734,853	191,680	66,633	1,207,033
Net book amount					
At 30 September 1975	£904,459	£727,829	£131,102	£64,014	£1,827,404

8 Future capital expenditure of the group and the company

At 30 September 1975 there were commitments for capital expenditure amounting to approximately £501,000 (1974 : £162,200). In addition capital expenditure of £107,300 (1974 : £22,160) had been authorised but not contracted at that date.

9 Subsidiary

The company owns 87% of the issued share capital of Frederick Parker (Canada) Limited which is incorporated in Canada.

The company's interest in the subsidiary is as follows:

Shares at cost	18,280
Amounts receivable	<u>267,306</u>
	£285,586

FREDERICK PARKER LIMITED

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NOTES TO THE ACCOUNTS (CONTINUED) - 30 SEPTEMBER 1975

10 Debtors

The debtors of Frederick Parker Limited include debts secured by bills of exchange amounting to £2,945,352 (1974 : £851,080) made up as follows:

	1975	1974
Bills on which amounts have been advanced	2,063,819	1,329,108
Less Amount discounted with Lloyds Bank Limited	<u>2,051,773</u>	<u>1,323,848</u>
Other bills	12,046 <u>2,933,306</u>	5,260 <u>845,820</u>
	<u>£2,945,352</u>	<u>£851,080</u>

Under the terms of the agreement with Lloyds Bank Limited, the company is liable to repay on demand the amount discounted, the majority of which is insured with the Export Credit Guarantee Department.

11 Share capital of Frederick Parker Limited

	Authorised	Issued and fully paid
'A' ordinary shares of £1 each	300,000	188,082
'B' ordinary shares of £1 each	350,000	213,834
7% (4.9% + tax credit) cumulative preference shares of £1 each	<u>150,000</u>	<u>142,971</u>
	<u>£800,000</u>	<u>£544,887</u>

There have been no changes during the year.

12 Reserves

The movements on reserves are as follows:

	The Group		The Company		
		Total	General	Building replacement	Plant replacement
Balanceo					
1 October 1974	2,664,896	2,592,395	2,089,441	418,954	84,000
Transfers from profit and loss account	<u>1,447,767</u>	<u>1,398,048</u>	<u>1,347,048</u>	-	<u>51,000</u>
Balanceo 30 September 1975	<u>£4,112,663</u>	<u>£3,990,443</u>	<u>£3,436,489</u>	£418,954	<u>£135,000</u>

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FREDERICK PARKER LIMITED AND ITS SUBSIDIARY

GROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDS DURING THE YEAR ENDED
30 SEPTEMBER 1975

	1975	1974
SOURCE OF FUNDS		
Profit after taxation	1,484,100	515,125
Adjustments for items not involving the movement of funds		
Minority interests	6,697	3,517
Depreciation	192,246	160,977
Increase in deferred tax	<u>1,089,336</u>	<u>85,779</u>
TOTAL GENERATED FROM OPERATIONS	2,772,379	765,398
FUNDS FROM OTHER SOURCES		
Corporation loan to subsidiary	<u>62,843</u>	<u>92,846</u>
	2,835,222	858,244
LESS APPLICATION OF FUNDS		
Purchase of fixed assets (net of disposals)	341,790	597,092
Dividends paid during year	34,486	34,787
Increase in stocks	1,540,529	1,226,839
Increase in debtors	1,700,877	237,385
Increase in creditors (including taxation)	<u>(1,534,042)</u>	<u>(714,371)</u>
	<u>2,083,640</u>	<u>1,381,732</u>
NET INCREASE (REDUCTION) IN LIQUID FUNDS:		
Increase in cash	203,964	4,833
Decrease (increase) in bank overdraft	<u>547,618</u>	<u>(528,321)</u>
	<u>£751,582</u>	<u>£(523,488)</u>

FREDERICK PARKER LIMITED AND ITS SUBSIDIARY

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SUMMARY OF RESULTS AND FINANCIAL POSITION ADJUSTED FOR THE EFFECTS OF INFLATION

(Prepared in accordance with the Accounting Standards Steering Committee Provisional Statement of Standard Accounting Practice (No 7), "Accounting for changes in the Purchasing Power of Money")

	HISTORICAL Basis		CURRENT	
	Accounts and notes on pages 18 - 19		Purchasing power basis (CPP)	
	1974 £'000H	1975 £'000H	1975 £'000C	1974 £'000C
RESULTS FOR THE YEAR				
Turnover	<u>11,552</u>	<u>17,353</u>	<u>19,388</u>	<u>15,878</u>
Trading profit (Note 2)	1,105	3,088	2,337	886
Add Net gain on monetary items (Note 3)	—	—	414	286
Profit before taxation	1,105	3,088	2,751	1,172
Deduct Taxation	<u>587</u>	<u>1,598</u>	<u>1,598</u>	<u>745</u>
Profit after taxation	518	1,490	1,153	427
Deduct Minority interests	<u>3</u>	<u>6</u>	<u>7</u>	<u>5</u>
	515	1,484	1,146	422
Dividends	<u>34</u>	<u>36</u>	<u>37</u>	<u>44</u>
Retained profits	<u>481</u>	<u>1,448</u>	<u>1,109</u>	<u>378</u>
FINANCIAL POSITION AT END OF YEAR				
Fixed assets	1,783	1,933	3,348	3,308
Net current assets	<u>1,904</u>	<u>4,298</u>	<u>4,526</u>	<u>2,522</u>
	3,687	6,231	7,874	5,830
Less:				
Preference shares (Note 4)	143	143	143	181
12% Debenture stock (Note 4)	107	107	107	135
Minority interests	1	18	35	28
Deferred taxation	<u>359</u>	<u>1,448</u>	<u>1,448</u>	<u>454</u>
TOTAL EQUITY INTEREST	<u>3,067</u>	<u>4,515</u>	<u>6,141</u>	<u>5,032</u>

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FREDERICK PARKER LIMITED AND ITS SUBSIDIARY

NOTES TO SUMMARY OF RESULTS AND FINANCIAL POSITION ADJUSTED FOR THE EFFECTS OF INFLATION

1. The figures in the current purchasing power basis columns were arrived at by converting the corresponding figures in the historical basis columns by reference to changes in the United Kingdom Consumer Price Index between dates of the original transactions and 30 September 1975. The current purchasing power basis figures for both 1975 and 1974 are measured in pounds of purchasing power at 30 September 1975. The general price index used was that specified in the Provisional Statement of Standard Accounting Practice No 7. The Retail Price Index at 30 September 1975 was 140.5 and at 30 September 1974 111.0. Both figures are based on January 1974 = 100.0.

As the Inland Revenue do not at present accept CPP basis accounting, taxation liabilities are calculated by reference to profits on the historical basis and no adjustment therefore is made to the tax charge in the CPP basis column.

2 Trading profit

The difference between the trading profit on the historical basis and the current purchasing power basis is made up as follows:

	1975	1974
	£'000	£'000
TRADING PROFIT (Historical basis)	3,088	1,105
Adjustment to convert to current purchasing power basis:		
STOCK		
Additional charge on restating the cost of stock at the beginning and end of the year in pounds of current purchasing power, thus taking the inflationary element out of the profit on sale of stocks	(892)	(356)
DEPRECIATION		
Additional depreciation based on cost, measured in pounds of current purchasing power, of fixed assets	(223)	(57)
	(1,015)	1,105

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FREDERICK PARKER LIMITED AND ITS SUBSIDIARY

NOTES TO SUMMARY OF RESULTS AND FINANCIAL POSITION ADJUSTED FOR
THE EFFECTS OF INFLATION (CONTINUED)

2	Trading profit (continued)	1975		1974
		£'000		£'000
		(1,015)	3,088	(413) 1,105

SALES, PURCHASES AND OTHER COSTS

These are increased by the change in the index between the average date at which they occurred and the end of the year. This adjustment increases profit as sales exceed the costs included in this heading

<u>264</u>	<u>(751)</u>	<u>7</u>	<u>(406)</u>
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TRADING PROFIT

(Current purchasing power basis at end of year under review)

2,337	699
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Adjustment required to update 1974 profit from 1974 pounds to 1975 pounds

<u>-</u>	<u>187</u>
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TRADING PROFIT

(Current purchasing power basis at 30 September 1975)

<u>2,337</u>	<u>886</u>
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3 NET GAIN ON MONETARY ITEMS

Net gain in purchasing power resulting from the effects of inflation on the company's net monetary liabilities, made up as follows:

	1975	1974
	£'000	£'000
Gain in purchasing power resulting from the effects of inflation on Preference Shares and 12% Debenture Stock	66	54
Net gain in purchasing power resulting from the effects of inflation on monetary assets less other monetary liabilities	<u>348</u>	<u>231</u>
	<u>414</u>	<u>286</u>

4 The preference share capital (£142,971) and 12% Debenture Stock (£107,178) at the beginning of the year amounted in total to £250,149, which is equivalent in purchasing power to £316,630 at the end of the year (because inflation has been 25.7% during the year). As the company's liability to the Preference and Debenture Stock shareholders is fixed in money terms this liability has declined during the year in real terms from £316,630 to £250,149. This reduction of £66,481 in the company's obligation in terms of current purchasing power is included in the net gain on monetary items.