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Signed

BUCK & HICKMAN LIMITED

REPORT AND ACCOUNTS

31 DECEMBER 1989

HOUSE

JUN 1990

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BUCK & HICKMAN LIMITED

REPORT OF THE DIRECTORS

The directors present herewith their report, together with the accounts for the year ended 31 December 1989.

Principal activity

The principal activity of the company is the distribution of engineering tools and supplies.

Business review

On 1 January 1989 the business, assets and liabilities of Robbins and Hughes Limited (formerly Broomco (236) Limited) were transferred to the company.

The company has achieved further expansion of its turnover and has also increased its profit before taxation over the previous year. The company hopes to maintain this trend in the coming year.

The results for the year can be summarised as follows:

	£
Profit on ordinary activities after taxation	2,327,925
Dividend paid to holding company	(1,075,000)
Retained profit for the financial year	1,252,925
	=====

Directors

The directors who served during the year were as follows:

P J Ford	(Chairman)
C A Treasure	
T J Finigan	(resigned 31 December 1989)
E W Paton	
J R Donkin	
J C Dunlop	
H Stapleton	
D H Lake	
F J Guard	(appointed 1 January 1989)
B C Breckon	(appointed 1 January 1989)

P E Lazenby was appointed a director on 22 January 1990.

None of the directors had any beneficial interest in the shares of the company during the year.

The interests of Mr P J Ford in the ultimate holding company are shown in the accounts of P & O.

BUCK & HICKMAN LIMITED

REPORT OF THE DIRECTORS
(continued)

Directors (continued)

According to notifications received by the company relating to interests of directors in shares and debentures of group companies, the following beneficial interests in P & O were held by other directors at the year end:

	<u>1989</u>		<u>1988</u>	
	<u>6.3% Convertible</u> <u>Stock</u>	<u>Deferred</u> <u>Stock</u>	<u>6.3% Convertible</u> <u>Stock</u>	<u>Deferred</u> <u>Stock</u>
C A Treasure	43	9,949	1,667	9,629
T J Finigan	-	1,984	-	1,984
E W Paton	708	16,977	1,034	11,223
F J Guard	-	-	-	-
J R Donkin	165	4,664	165	5,266
J C Dunlop	-	3,853	-	3,585
H Stapleton	-	1,353	-	996
D H Lake	-	-	-	500
B C Breckon	750	150	750	150

No director had any material interest in any significant contract with the company during the year.

Fixed assets

The changes in fixed assets during the year are reflected in note 5 to the accounts on page 12.

In the opinion of the directors there is no significant difference between the book value and market value of leasehold buildings.

Employees

The company recognises its obligations towards disabled persons and its policy and practice is to give full and fair consideration to applications for employment made by disabled persons, to encourage the training, career development and promotion of disabled persons on the basis of their aptitudes and abilities and to retain and retrain employees who become disabled.

The company continues its practice of keeping all its employees informed on matters affecting them.

BUCK & HICKMAN LIMITED

REPORT OF THE DIRECTORS
(continued)


Auditors

On 1 January 1990 the company's auditors changed the name under which they practise to KPMG Peat Marwick McLintock, and accordingly have signed their report in their new name. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Peat Marwick McLintock as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

D H LAKE

Secretary



27 March 1990

REPORT OF THE AUDITORS TO THE MEMBERS OF
BUCK & HICKMAN LIMITED

We have audited the accounts on pages 5 to 16 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 1989 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

W. Peat Marwick McLintock
Chartered Accountants

Sheffield
27 March 1990

BUCK & HICKMAN LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1989

	Note	<u>1989</u> £	<u>1988</u> £
TURNOVER	1	49,309,574	43,011,279
Cost of sales		<u>(36,263,950)</u>	<u>(31,914,477)</u>
GROSS PROFIT		13,045,624	11,096,802
Distribution costs		(6,989,493)	(6,045,467)
Administrative expenses		(2,456,331)	(1,997,618)
Other interest receivable		445,480	334,151
Interest payable		<u>(267,355)</u>	<u>(139,042)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	3,777,925	3,248,826
Tax on profit on ordinary activities	4	<u>(1,450,000)</u>	<u>(1,168,000)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,327,925	2,080,826
Dividend to holding company		<u>(1,075,000)</u>	-
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>1,252,925</u>	<u>2,080,826</u>

The notes on pages 8 to 16 form
part of these accounts

BUCK & HICKMAN LIMITEDBALANCE SHEET AT 31 DECEMBER 1989

	Note	£	1989	£	£	1988	£
FIXED ASSETS							
Tangible assets	5			1,757,083			1,644,449
Investments	6			<u>100</u>			<u>100</u>
				1,757,183			1,644,549
CURRENT ASSETS							
Stocks	7		9,498,759			8,412,733	
Debtors	8		12,792,432			12,007,134	
Cash at bank and in hand			<u>938,506</u>			<u>650,925</u>	
			23,229,697			21,070,792	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9		<u>(8,979,804)</u>			<u>(7,727,410)</u>	
NET CURRENT ASSETS				<u>14,249,893</u>			<u>13,343,382</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				16,007,076			14,987,931
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	10			-			(5,947)
PROVISIONS FOR LIABILITIES AND CHARGES							
Deferred taxation	11			<u>(87,000)</u>			<u>(104,000)</u>
				<u>15,920,076</u>			<u>14,877,984</u>
CAPITAL AND RESERVES							
Called up share capital	12			100,000			100,000
Share premium account				2,647,350			2,647,350
Revaluation reserve				12			12
Profit and loss account	13			<u>13,172,714</u>			<u>12,130,622</u>
				<u>15,920,076</u>			<u>14,877,984</u>

These accounts were approved by the
board of directors on 27 March 1990

C A TREASURE)

) Directors

D H LAKE)

The notes on pages 8 to 16 form
part of these accounts

BUCK & HICKMAN LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 DECEMBER 1989

	£	<u>1989</u>	£	<u>1988</u>	£
SOURCE OF FUNDS					
Profit on ordinary activities before taxation		3,777,925		3,248,826	
Adjustments for items not involving the movement of funds:					
Depreciation	771,861		516,768		
Loss on sale of tangible fixed assets	<u>30,059</u>		<u>6,329</u>		
		<u>801,920</u>		<u>523,097</u>	
FUNDS GENERATED FROM OPERATIONS		4,579,845		3,771,923	
FUNDS FROM OTHER SOURCES					
Proceeds of sales of tangible fixed assets		<u>165,116</u>		<u>139,533</u>	
		4,744,961		3,911,456	
APPLICATION OF FUNDS					
Purchase of tangible fixed assets	1,079,670		613,149		
Dividend paid	1,075,000		44,000		
Taxation paid	1,161,000		1,023,000		
Purchase of goodwill	210,833		-		
Purchase of shares in subsidiary	<u>-</u>		<u>100</u>		
		<u>(3,526,503)</u>		<u>(1,680,249)</u>	
INCREASE IN WORKING CAPITAL		<u>1,218,458</u>		<u>2,231,207</u>	
 COMPONENTS OF INCREASE IN WORKING CAPITAL					
Stocks		1,086,026		800,382	
Debtors		785,298		1,210,927	
Creditors		(940,447)		(1,665,012)	
Movement in net liquid funds:					
Increase in cash at bank and in hand		<u>287,581</u>		<u>1,884,910</u>	
		<u>1,218,458</u>		<u>2,231,207</u>	

BUCK & HICKMAN LIMITED

NOTES TO THE ACCOUNTS

ACCOUNTING POLICIES

The principal accounting policies of the group that have been adopted where applicable in the preparation of these accounts are shown below:

- (a) **Basis of presentation:**
The accounts are prepared under the historical cost convention modified by the revaluation of short leasehold properties. Consolidated accounts have not been prepared, as the company is a wholly owned subsidiary of another body corporate incorporated in Great Britain.
- (b) **Turnover:**
Turnover represents amounts invoiced during the year in respect of goods sold, excluding Value Added Tax.
- (c) **Stocks:**
Stocks consist of goods for resale and are valued at the lower of cost and estimated net realisable value on bases which have been applied consistently with previous years.
- (d) **Deferred taxation:**
Provision is made for deferred taxation at the appropriate rate of corporation tax, to the extent that the directors expect a liability to arise in the foreseeable future.
- (e) **Fixed assets:**
Depreciation and amortisation of the cost or valuation of fixed assets is provided on a straight line basis over the expected life of the asset concerned. The rates of depreciation charged per annum are:
- | | |
|---|---------------|
| Motor vehicles | 20% - 33 1/3% |
| Fixtures and fittings | 13% - 26% |
| Tenant's improvements to short leasehold premises | 5% |
- No charge for amortisation is made in respect of long leasehold land and buildings. This policy has been adopted in order to give a true and fair view. Had depreciation been provided it would not have been material in relation to these accounts.
- (f) **Goodwill:**
Purchased goodwill is written off to reserves in the year of acquisition.
- (g) **Leased assets:**
(i) **Finance leases:**
Assets acquired under finance leases are included in tangible fixed assets at their purchase price. The capital element of future rentals is treated as a liability and the interest element is charged to the profit and loss account over the period of the lease in proportion to the balance outstanding.
- (ii) **Operating leases:**
Operating lease rentals are charged to the profit and loss account during the period in which they arise.
- (h) **Pension schemes:**
Contributions to the group pension scheme are calculated as a percentage, agreed on actuarial advice, of the pensionable salaries of employees. The cost of providing pensions is charged to the profit and loss account over the periods benefiting from the services of employees.

BUCK & HICKMAN LIMITED

NOTES TO THE ACCOUNTS

1 TURNOVER

An analysis of turnover is as follows:

	<u>1989</u> £	<u>1988</u> £
Home sales	47,397,851	40,818,874
Export sales	<u>1,911,723</u>	<u>2,192,405</u>
	<u>49,309,574</u>	<u>43,011,279</u>

All the above turnover is derived from the one class of business and the profits attributable thereto are shown in the profit and loss account.

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/ (crediting) the following:

	<u>1989</u> £	<u>1988</u> £
Depreciation of tangible fixed assets	771,861	516,768
Loss on sale of tangible fixed assets	30,059	6,329
Directors' emoluments (see note 3):		
As directors	5,000	5,000
Remuneration as executives, including pension contributions	284,183	224,735
Hire of plant and machinery	13,504	11,066
Auditors' remuneration and expenses	23,500	21,500
Rents receivable	<u>(26,693)</u>	<u>(19,591)</u>

3 DIRECTORS AND EMPLOYEES

Directors' emoluments, excluding pension contributions, were as follows:

	<u>1989</u> £	<u>1988</u> £
Highest paid director	<u>63,018</u>	<u>54,594</u>

BUCK & HICKMAN LIMITED

NOTES TO THE ACCOUNTS
(continued)

3 DIRECTORS AND EMPLOYEES (continued)

Other directors	<u>1989</u> <u>Number</u>	<u>1988</u> <u>Number</u>
£0 - £5,000	4	4
£20,001 - £25,000	-	1
£25,001 - £30,000	-	1
£30,001 - £35,000	1	1
£35,001 - £40,000	2	1
£40,001 - £45,000	-	1
£45,001 - £50,000	2	1

Certain directors (including the Chairman) are remunerated by the holding company and accordingly their emoluments are treated as being Nil in the above table.

The number of employees whose emoluments, excluding pension contributions, fell within the following range were:

	<u>1989</u>	<u>1988</u>
£30,000 - £35,000	1	1

Staff numbers:

The average number of persons employed by the company (including directors) during the period analysed by category, was as follows:

	<u>1989</u>	<u>1988</u>
At Branches	484	450
At Head Office	<u>71</u>	<u>66</u>
	555	516
	===	===

BUCK & HICKMAN LIMITED

NOTES TO THE ACCOUNTS
(continued)

3 DIRECTORS AND EMPLOYEES (continued)

Staff costs:

The aggregate payroll costs of these persons were as follows:

	<u>1989</u> £	<u>1988</u> £
Wages and salaries	4,818,275	4,053,210
Social security costs	382,248	346,935
Other pension costs	<u>14,741</u>	<u>34,890</u>
	<u>5,215,264</u>	<u>4,435,035</u>

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1989</u> £	<u>1988</u> £
UK corporation tax based on the profit for the year at 35% (1988 - 35%)	1,467,000	1,161,000
Deferred taxation	<u>(17,000)</u>	<u>7,000</u>
	<u>1,450,000</u>	<u>1,168,000</u>

BUCK & HICKMAN LIMITED

NOTES TO THE ACCOUNTS
(continued)

5 TANGIBLE FIXED ASSETS

	<u>Land and buildings</u>					
	<u>Long</u>	<u>Short</u>	<u>Tenant's</u>		<u>Fixtures</u>	
	<u>leasehold</u>	<u>leasehold</u>	<u>improvements</u>	<u>Motor</u>	<u>and</u>	
	<u>At cost</u>	<u>At</u>	<u>At cost</u>	<u>vehicles</u>	<u>fittings</u>	<u>Total</u>
	<u>£</u>	<u>valuation</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
<u>Cost or valuation</u>						
At 1 January						
1989	-	12	524,270	775,192	1,965,350	3,264,824
Additions	-	-	105,642	438,192	317,363	861,197
Arising on						
acquisition	130,000	-	-	32,240	65,900	228,140
Disposals	-	-	(88,786)	(333,504)	(8,009)	(430,299)
At 31 December						
1989	130,000	12	541,126	912,120	2,340,604	3,923,862
<u>Depreciation</u>						
At 1 January						
1989	-	-	212,055	268,848	1,139,472	1,620,375
Charge for the						
year	-	-	26,206	209,253	536,402	771,861
Arising on						
acquisition	-	-	-	1,261	8,406	9,667
Disposals	-	-	(41,989)	(186,363)	(6,772)	(235,124)
At 31 December						
1989	-	-	196,272	292,999	1,677,508	2,166,779
<u>Net book amount</u>						
At 31 December						
1989	130,000	12	344,854	619,121	663,096	1,757,083
	=====	==	=====	=====	=====	=====
At 31 December						
1988	-	12	312,215	506,344	825,878	1,644,449
	=====	==	=====	=====	=====	=====

The net book amount includes £37,285 in respect of assets held under finance leases. The depreciation charge for the year in respect of these assets amounts to £186,422.

BUCK & HICKMAN LIMITED

NOTES TO THE ACCOUNTS
(continued)

6	<u>INVESTMENT IN SUBSIDIARY</u>	<u>1989</u>	<u>1988</u>
		£	£
	Investment in subsidiary:		
	Ordinary shares at cost	100	100
		===	===

The wholly owned subsidiary company is Robbins and Hughes Limited, a company incorporated in England.

7	<u>STOCKS</u>	<u>1989</u>	<u>1988</u>
		£	£
	Finished goods and goods for resale	9,498,759	8,412,733
		=====	=====

8	<u>DEBTORS</u>	<u>1989</u>	<u>1988</u>
		£	£
	Trade debtors	9,097,054	8,006,919
	Amounts owed by group companies:		
	Holding company	3,120,658	3,101,342
	Fellow subsidiary companies	81,077	84,807
	Subsidiary companies	-	269,107
	Other debtors	329,660	290,115
	Prepayments and accrued income	163,983	254,844
		=====	=====
		12,792,432	12,007,134
		=====	=====

BUCK & HICKMAN LIMITED

NOTES TO THE ACCOUNTS
(continued)

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1989</u>		<u>1988</u>	
	£	£	£	£
Trade creditors	6,068,313		5,335,455	
Amounts owed to group companies:				
Fellow subsidiary companies	28,798		18,704	
Other creditors including taxation and social security:				
Other taxes	396,523		239,227	
Social security	<u>88,805</u>		<u>81,535</u>	
	485,238		320,762	
Other creditors	<u>895,916</u>		<u>765,884</u>	
	1,381,154		1,086,646	
Corporation tax	1,467,000		1,161,000	
Obligations under finance leases	<u>34,539</u>		<u>125,605</u>	
	<u>8,979,804</u>		<u>7,727,410</u>	

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>1989</u>	<u>1988</u>
	£	£
Obligations under finance leases	NIL	5,947
	===	=====

11 DEFERRED TAXATION

	<u>1989</u>		<u>1988</u>	
	<u>Amount</u>	<u>Full</u>	<u>Amount</u>	<u>Full</u>
	<u>provided</u>	<u>potential</u>	<u>provided</u>	<u>potential</u>
	£	£	£	£
Accelerated capital allowances	44,000	44,000	37,000	37,000
Other timing differences	<u>43,000</u>	<u>43,000</u>	<u>67,000</u>	<u>67,000</u>
	87,000	87,000	104,000	104,000
	=====	=====	=====	=====

BUCK & HICKMAN LIMITED

NOTES TO THE ACCOUNTS
(continued)

12	<u>SHARE CAPITAL</u>	<u>1989</u> £	<u>1988</u> £
	Authorised:		
	105,000 Ordinary shares of £1 each	105,000 =====	105,000 =====
	Allotted, called up and fully paid:		
	100,000 Ordinary shares of £1 each	100,000 =====	100,000 =====
13	<u>RESERVES</u>	<u>Profit and loss account</u> £	
	At 1 January 1989	12,130,622	
	Profit for the financial year	1,252,925	
	Elimination of purchased goodwill relating to acquisition of subsidiary	(210,833)	
	At 31 December 1989	13,172,714 =====	
14	<u>COMMITMENTS</u>		
	Capital commitments at 31 December 1989, for which no provision has been made in these accounts, were as follows:		
		<u>1989</u> £	<u>1988</u> £
	Contracted	35,061	17,050
	Authorised but not contracted	1,000,000 =====	- =====
15	<u>OBLIGATIONS UNDER FINANCE AND OPERATING LEASES</u>		
	(i) Finance leases:		
	The future minimum payments under finance leases, to which the company was committed at 31 December 1989, are as follows:		
		<u>1989</u> £	<u>1988</u> £
	Within one year	34,539	125,605
	Between two and five years	- =====	5,947 =====
		34,539 =====	131,552 =====

BUCK & HICKMAN LIMITED

NOTES TO THE ACCOUNTS
(continued)

15 OBLIGATIONS UNDER FINANCE AND OPERATING LEASES (continued)

(ii) Operating leases:

At 31 December 1989 the company had annual commitments under operating leases as follows:

	<u>Others</u>	<u>Land and</u>
	<u>£</u>	<u>buildings</u>
		<u>£</u>
Leases expiring:		
Between two and five years	232,749	5,000
After more than five years	-	485,633
	<u>232,749</u>	<u>490,633</u>
	=====	=====

16 PENSIONS

The company participates in the P & O Pension Scheme, the main scheme for the provision of pensions and related benefits to the Group's employees in the United Kingdom. This Scheme is of the defined benefit type. Membership of the Scheme has been voluntary since April 1988. Members contribute to the Scheme, but the balance of the cost of providing the benefits to members is borne by the participating employers who pay contributions at rates determined by independent actuaries in the light of regular valuations. The assets of the Scheme are held by a trustee and are completely separate from the P & O Group's finances. An actuarial valuation of the Scheme was carried out at 1 April 1988. Particulars of this valuation are set out in the accounts of the ultimate holding company.

17 ULTIMATE HOLDING COMPANY

The ultimate holding company is The Peninsular and Oriental Steam Navigation Company, incorporated in England by Royal Charter.