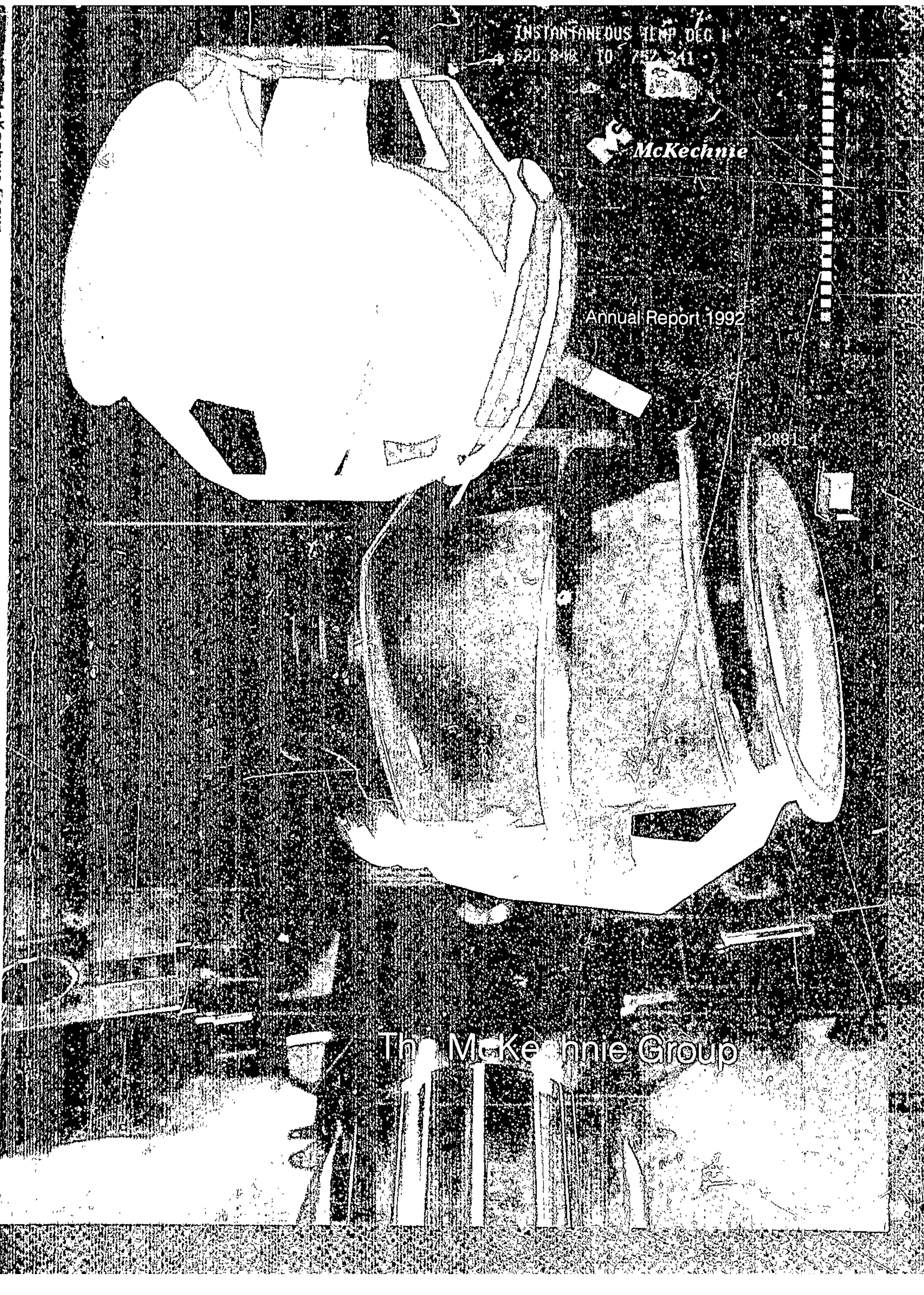
McKechnie
Annual Report 1992
The McKechnie Group

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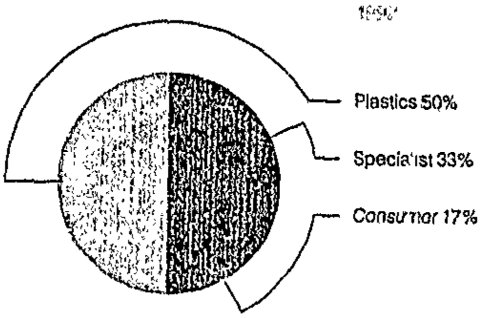
Group Profile

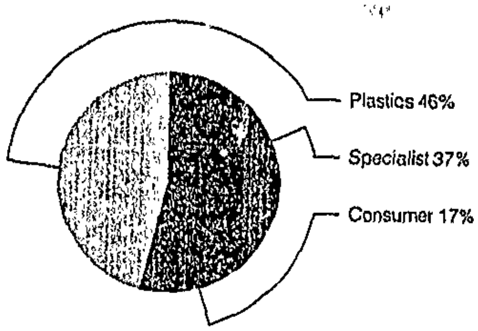
McKechnie is an international plastics and metal components group, based in the UK but with growing overseas interests in the areas of engineering plastics, specialist and consumer products.

Its products range from fashion-oriented consumer goods to advanced components for the electronics, aerospace and telecommunications industries and are sold in more than 50 countries around the world.

McKechnie's aim is to achieve long-term, above average growth in earnings and dividends by exploiting its strengths in materials technology and applying the most efficient techniques of design, manufacturing, distribution, marketing and customer service.

This objective will be pursued, both by organic growth and by acquisition, leading to a balance in the Group's geographic and business sectors and to an increasing capability to become a global supplier and market leader in its chosen market sectors.



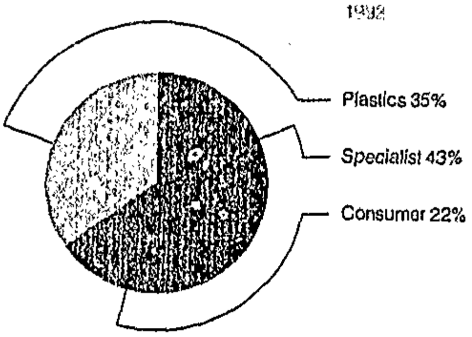


Financial Performance

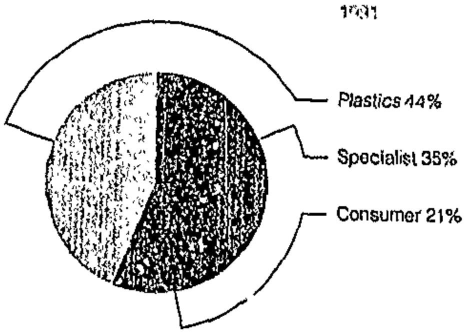
Plastics continued to increase its relative importance, accounting for exactly half of Group turnover, while UK sales for the first time fell below 50% of the total.

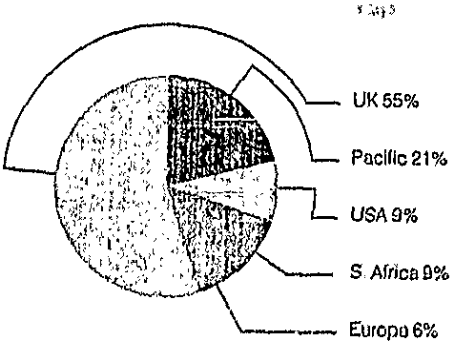
Sector analysis of profit before interest

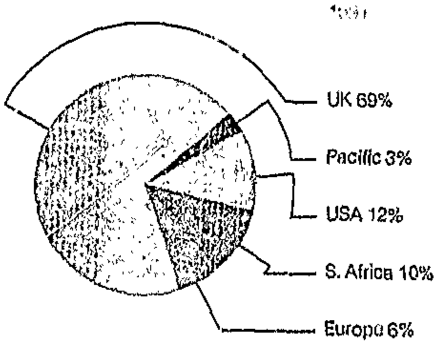
1992



1991







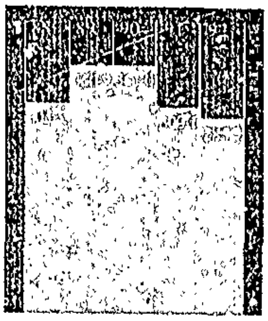
Summary of results

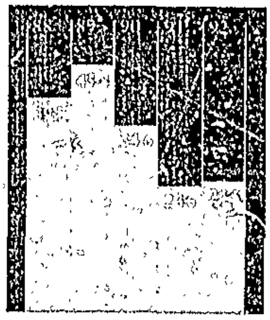
31 July 1992	1992 £000	1991* £000
Turnover	285,893	300,104
Profit on ordinary activities before taxation	24,080	19,828
Profit before extraordinary items	16,329	13,293
Profit attributable to shareholders	15,607	17,238
Retained profit	3,952	6,875
	pence	pence
Earnings per share (net basis)	20·7	17·0
Ordinary dividends per share		
— net	14·75	14·75
Average number employed	5,762	6,502

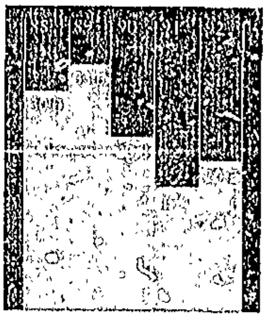
*Restated per note 1(f).

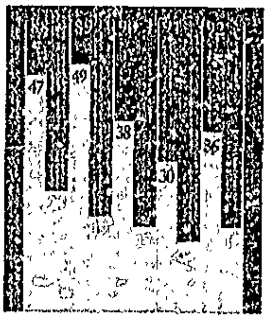
Highlights of the Year

- Strong second half improvement
- 20% return on assets – up 23%
- Gearing eliminated
- Healthy profits recovery in Australasia
- Management team restructured
- Minority in A.W. Fraser acquired
- Overseas turnover passes 50% mark
- Plastics sector sales show further growth
- Ratio of working capital to sales improved from 6·0 to 6·8
- Three new factories in increased capital investment programme



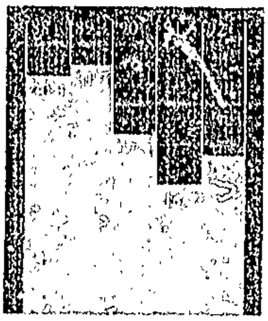






Funds from operations after interest

Capital expenditure



Times pc annum

Vanni Treves Chairman

Chairman's Statement

After the major events of the previous year, which saw the disposal of our European metals businesses, 1991/92 has been a year of consolidation. Since the recession continued to affect most of our markets — and is still deepening in some areas — management efforts were concentrated on cost control and cash generation.

The success of these measures and of the strategic repositioning completed last year is reflected in the results for the year. While turnover fell by 5% to £286m, pre-tax profits rose 21% to £24·1m and earnings per share by 22% to 20·7p. Much of the improvement came through in lower interest costs and by the year end gearing had been eliminated.

We are thus in a strong position to pursue the implementation of our strategic plan, which calls for the expansion of our activities, particularly in North America and Continental Europe. So far the price of attractive prospects has proved unrealistically high and the only acquisition made during the year was of the 40% minority in our New Zealand subsidiary, A.W. Fraser. Complete ownership and management control will allow full integration of its cast bronze components and brass extruding business into the McKechnie Pacific Group of businesses.

Operational Review

Trading conditions in the UK were tough throughout the year. Sales to the European automotive and truck markets were particularly affected by the cut-back in vehicle production and were only partially recouped by new contracts and products. In the United States stagnation continued and little growth is expected in our current financial year.

Major progress in the period under review was made in Australasia where, despite difficult trading conditions, sales were maintained and operating profit increased elevenfold. It is the first benefit of a major restructuring which was begun in 1990/91 and continued in 1991/92. The year was also the first in which turnover outside the UK accounted for more than half of the Group total and this is a trend we expect to continue.

People

To reflect our growing involvement in the US market we have appointed Melvyn Meyers to the newly created position of Chief Executive Officer, North America. Based in Columbus, Ohio, he is responsible for the management and further corporate development of the businesses. Melvyn held senior management positions in Samsonite, Hoover Universal and Libby-Owens-Ford.

In the UK too we have completed the restructuring of the top management team with the aim of sharpening market focus. John Kembery, Executive Director and Chairman of the Specialist Engineering and UK Plastic Components divisions, left the company at the end of the financial year though he retains a consultancy role. Derry Hanratty, Chief Executive of the UK Consumer Products division, has additionally assumed responsibility for Specialist Engineering and has joined the Group Main Board, while John Kerley, Managing Director of Vehicle Components, has assumed responsibility for UK Plastic Components and UK Packaging.

Our managers and work-forces have coped well in the difficult trading conditions they have encountered. Their hard work and co-operative efforts have been much appreciated.

Paul Hyde-Thomson, who is now 65, will retire at Christmas as our senior Non-Executive Director after seventeen years on the Board. Throughout that time, McKechnie has benefited greatly from his critical intelligence, broad experience and constant commitment to the Company's affairs. We are very grateful to him. We intend to appoint a successor to Paul when we identify a person of equal worth.

Prospects

There is as yet little sign of recovery in our major markets and we do not anticipate one before our next financial year at the earliest. We hope, however, that with the geographic and product balance of our activities and the steps already taken to increase efficiency further, we shall be able to report improved earnings.

Vanni Treves

Michael Ost Chief Executive

Chief Executive's Review

In another year of recession, which affected most of the Group's businesses, management again concentrated on cutting costs and preserving cash. This did not, however, prevent companies from investing in new plant and processes or from developing new products. This strategy and the full effects of the timely divestment of our UK metals businesses resulted in second half profits before interest which were [illegible]% higher than in the first half of [illegible] and [illegible]% better than in the second half of 1991.

Dri en by stock reductions, working capital turnover improved from 6·0 to 6·8 times during the year compared with only 3·7 times just a few years ago and with the potential for more to come. Gross margins increased by 2 percentage points, the operating return on sales improved from 7·9% to 8·6% while return on assets went up from 16·5% to 20·3% – a good performance in the prevailing economic climate. Despite capital expenditure of £17·2m, £2·9m up on the year before and 1·3 times depreciation, there was an improvement in the cash position of £11m which completely eliminated gearing and left us at the year end with a positive net balance of £2·3m.

The trading picture too was better than a first glance at the figures would suggest. Reported turnover fell by 5% to £286m but sales by continuing businesses were in total exactly the same as the previous year. Equally, profit before interest shows an increase of 3% to £24·5m but the underlying improvement from operating sources was a gain of 11% after eliminating such items as discontinued businesses and exchange rate effects. The sharp reduction in net interest charges was as much due to improvements in working capital as to disposals.

The higher capital expenditure, mentioned earlier, was in part due to our decision to develop three of our factories, at a total eventual cost of £6·2m. Burnett Polymer Engineering, which has been reinforcing its position as a leading supplier of precision moulded elastomeric keypads, will shortly be moving into a purpose-built factory in Northampton where it will be able to meet growing demand; Harrison Drape is concentrating production from two factories into one, while Paxton is doing the same in the Plastics sector. These investments underline our long-term confidence in the businesses.

Considerable resources also went into new processes and products to keep our operations at the forefront of their sectors. Vehicle Components, for instance, invested in fusible core technology to enable it to enter the new growth area of plastic components for automotive engines; PSM produced a number of unique brass inserts for its prestigious international customers, while the Australasian fluid controls companies scored an immediate success with their Avanti kitchen faucet.

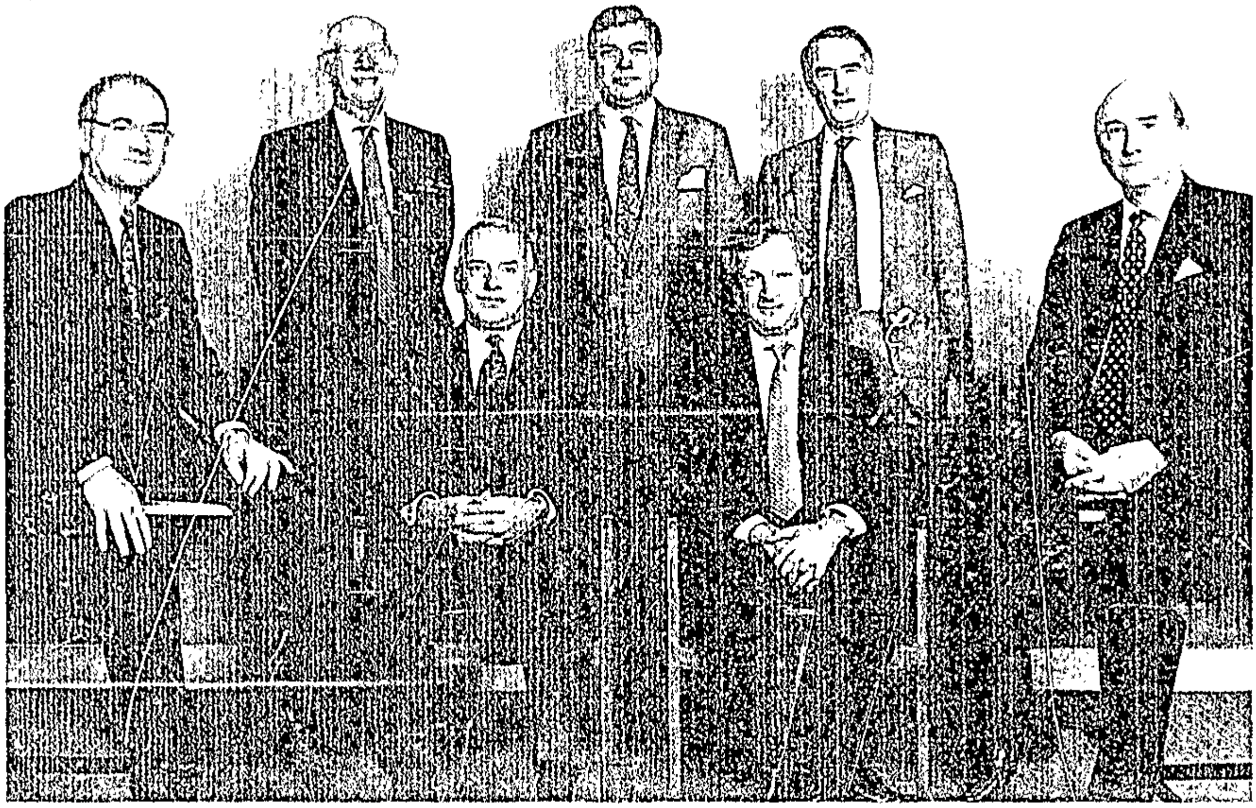
Turning to the trading results of the Group's three operating sectors, Plastics' sales showed further overall growth, despite a 12% drop in the Vehicle Components division's turnover, and accounted for exactly half of total Group sales. However, restructuring and technology costs, combined with the setback in the automotive sector, led to a reduction in pre-interest profits from £10·3m to £8·5m. Current order books are stronger than they were a year ago.

Although volumes in the Consumer Products sector were 7% down on the previous year, profit before interest was nearly 8% up, from £5m to £5·4m. The UK companies were able to make a strong contribution, despite lower sales, while the fluid controls companies in the Pacific recorded some profit recovery and South Africa had another solid year.

Specialist Products saw its turnover fall as a result of the prior year disposals, but was able to improve pre-interest profit by 26% from £8·4m to £10·6m. There was a major profit recovery by the Pacific metals companies and this improvement is expected to continue. Of the UK companies, Hawke Cable Glands had a very good year while both PSM and Burnett Polymer Engineering ended the year with stronger order books.

The changes in senior management, referred to in the Chairman's Statement, have resulted in a strengthening of our top management team. We have a clear focus on our current challenges and look forward to the continued development of the Group.

Michael Ost



Directors and Officers

Vanni Treves

Paul Hyde Thomson

Lionel Stammers

Derry Hanratty

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[illegible]

Registered Office and Head Office

Registrars

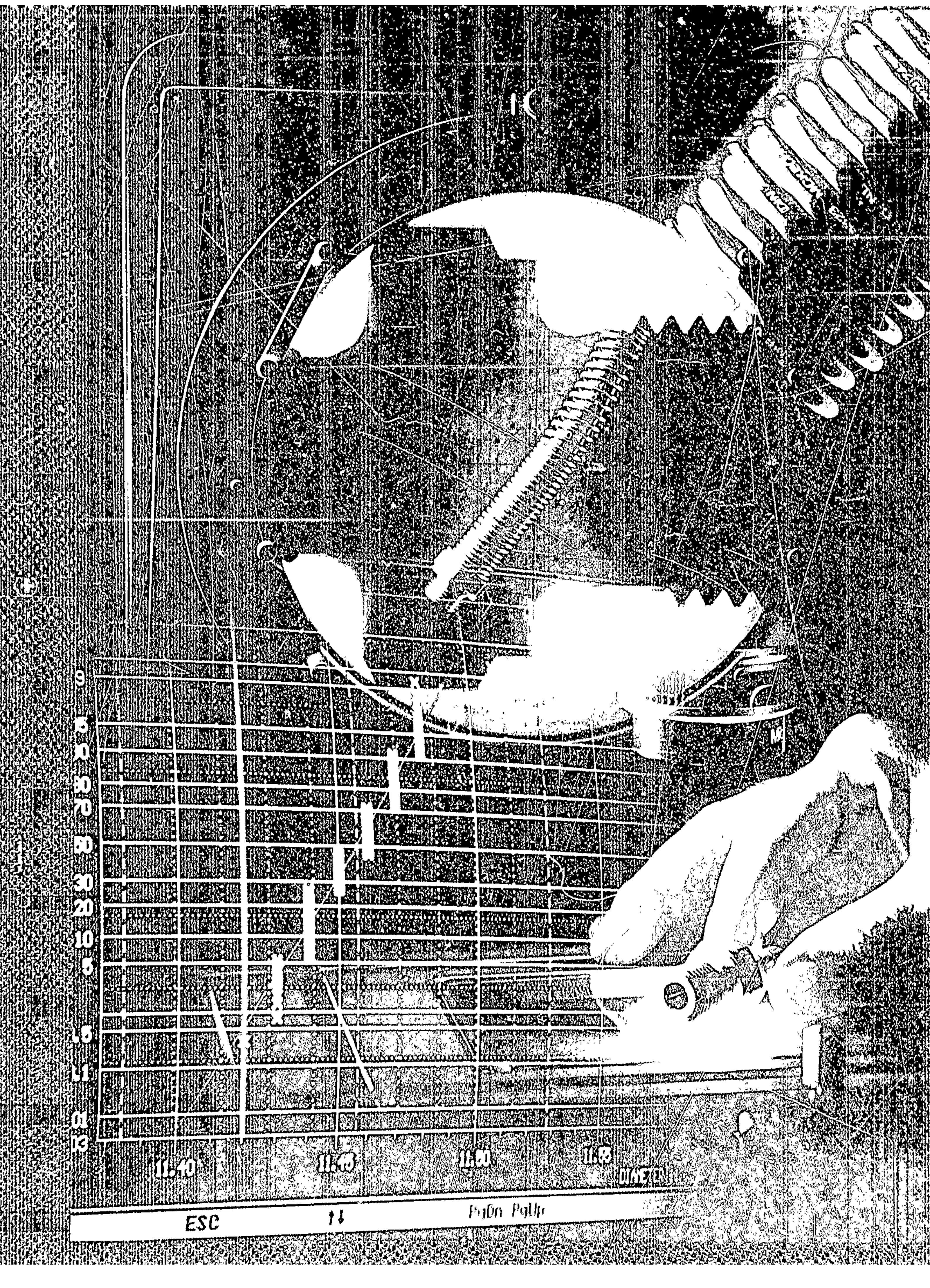
Sir John Hoskyns

[illegible]

Bankers

Auditors

Solicitors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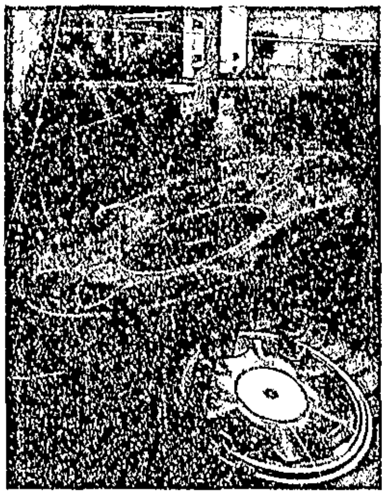


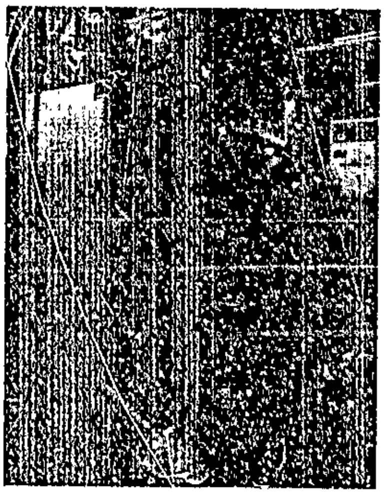
Plastics Products

Although trading conditions for both the UK and US companies were tough, the sector was able to achieve a small overall increase in sales and to reinforce its position as the Group's largest, accounting for exactly half of total sales. However, heavy investment in new technology and a major reorganisation in the US resulted in a drop in the sector's operating profit from £10·3m to £8·5m.

	1992	1991
Sales (£m)	**142·5**	138·1
Profit before interest (£m)	**8·5**	10·3
Average number employed	**3,131**	3,198

It is now 22 years since McKechnie decided to diversify into new materials technology and plastics has become the Group's fastest growing sector. This has called for constant investment in new processes and products to enable the sector to stay at the forefront. For what distinguishes the companies is not merely their advanced – in some cases unique – manufacturing facilities, but their in-house design skills and the level of support they can offer their customers at every stage, from concept to volume production. Their technical teams can advise on what types and grades of plastic material are most suitable and how tooling and components can be designed, produced or assembled most cost effectively.

VEHICLE COMPONENTS, the first of four divisions into which the sector is divided, suffered from the sharp recession which increasingly affected the European automotive and truck markets as the year progressed. Sales were 12% down on the year before, though continued heavy investment in new plant and processes helped to maintain margins and to improve significantly working capital requirements.



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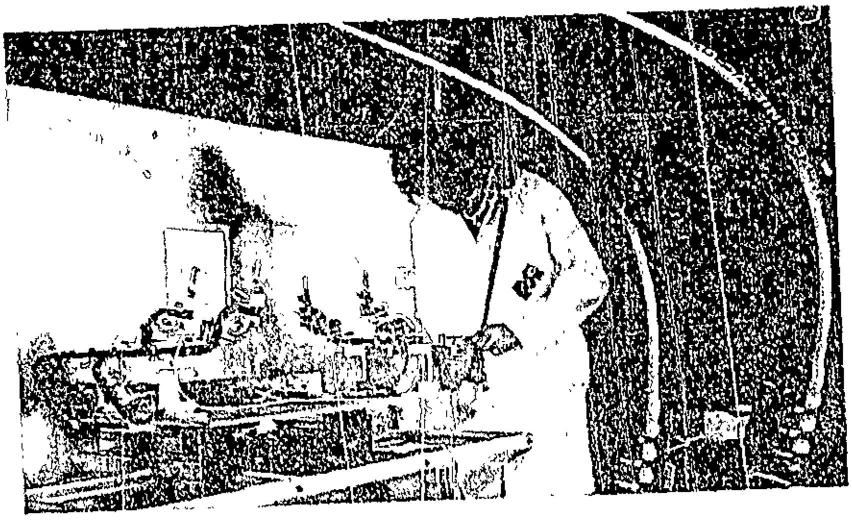
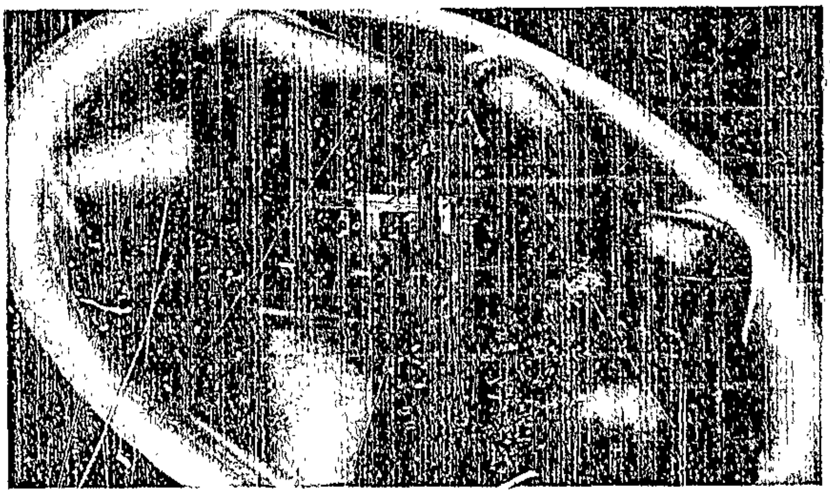
Investment in Fusible Core Technology enabled the division to enter the new growth area of plastic components for engines, while a patented tube forming process improved development and manufacturing throughput times for brake and fuel assemblies. Heavy investment in Information Technology resulted in the introduction of MRP II (Materials Requirement Planning) for 'just-in-time' operations and EDI (Electronic Data Interchange) links to customers. A further move was the creation of a new business unit, charged with becoming the lowest cost producer on a European basis of wheel trims for the automotive industry by using the latest production and finishing techniques.

These moves will strengthen the division's strong position in its areas of operation. Its Pickering plant in Yorkshire has the UK's only production capability for moulding PVC directly onto glass to produce sixth light windows for passenger cars, giving designers increased scope and versatility. Two other businesses, at Milton Keynes and at Enschede in Holland, complement each other in the supply of extruded tube and tube assemblies for car and commercial vehicle fuel lines, brake boosters and airbrake lines.





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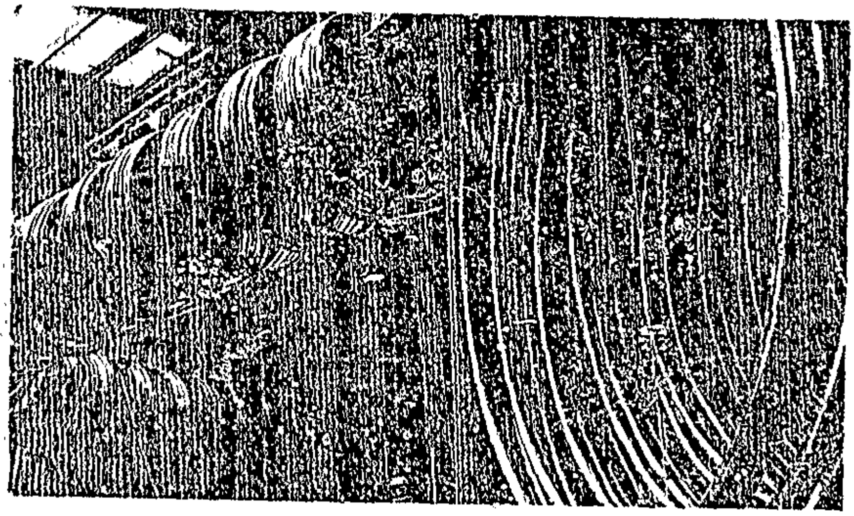
design, develop and manufacture plastic containers for a wide spectrum of third party customers, but also develop proprietary products from in-house design and production resources. Plastic Container Corporation in the US suffered from the loss of two important customers who switched from PVC to PET, a resin it decided not to process. As a result, the operation was reduced from three factories to one to reflect both the need for downsizing and to improve manufacturing efficiency.

The MATERIALS HANDLING DIVISION, centred on Paxton, launched a number of new products for the environmental market, including kerbside collection containers and oil recovery banks. It also fulfilled a major contract to supply the Kenyan government with ballot boxes worth £500,000, while a new international sales team had some good early successes in France, Germany and the Middle East.

The division's specialist industrial design team has created a range of injection moulded crates, trays and baskets for bakers and confectioners to serve as attractive point of sale display units, as well as being fully integrated components to the customer's distribution chain. This expertise is being extended to supermarket chains and High Street retailers and has resulted in a number of new contracts from major UK supermarket groups. In addition, Paxton produces containers for the agricultural sector, floats and walkways for fish farming and storage and mixing tanks for the chemical and baking industries.



Specialist Products

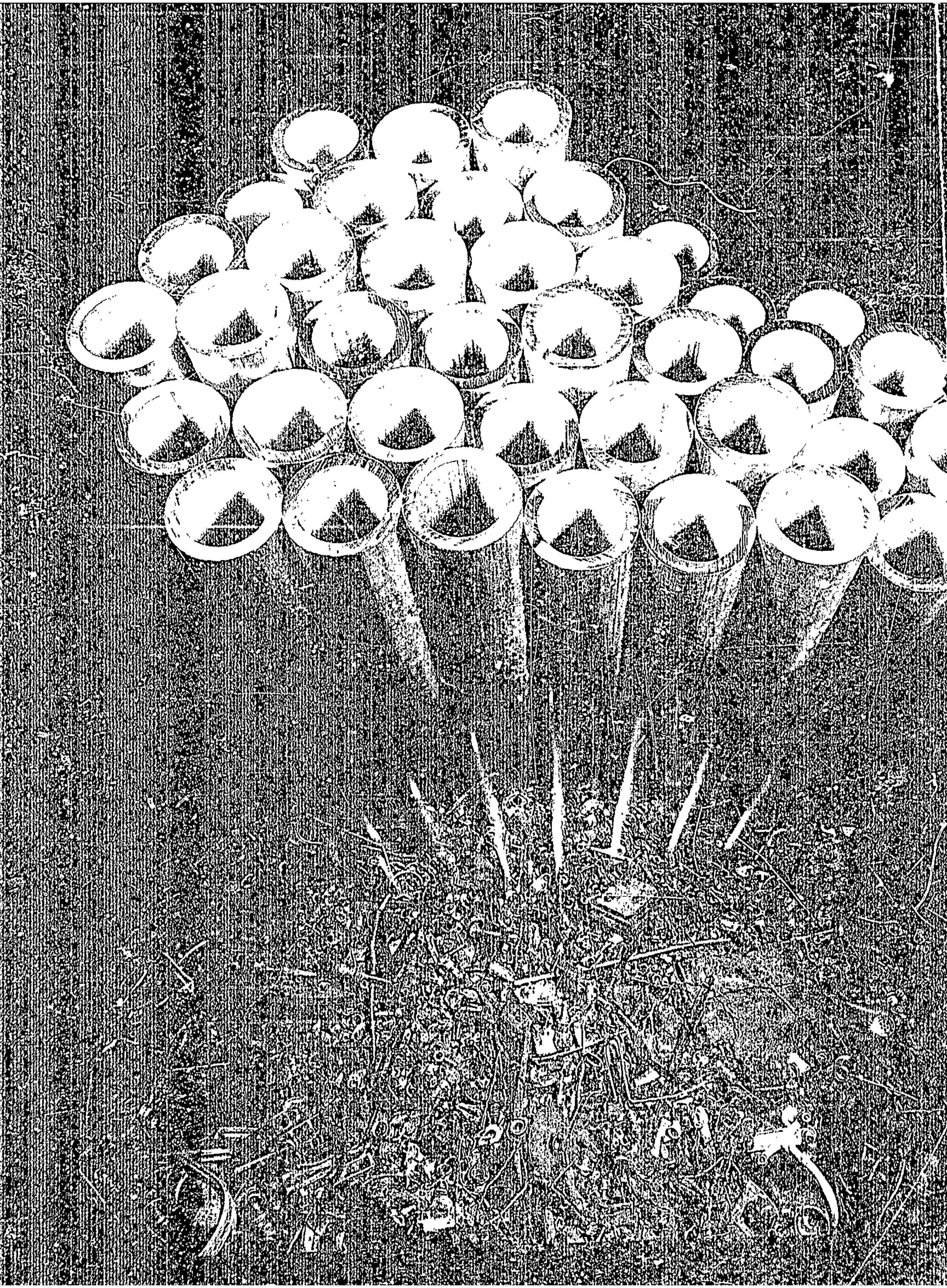
A number of valuable new contracts with some of the world's leading manufacturers, plus the introduction of new products, helped the Specialist Products sector to increase operating profit by 26% to £10·6m (1991 £8·4m), making it the biggest contributor to the Group total.

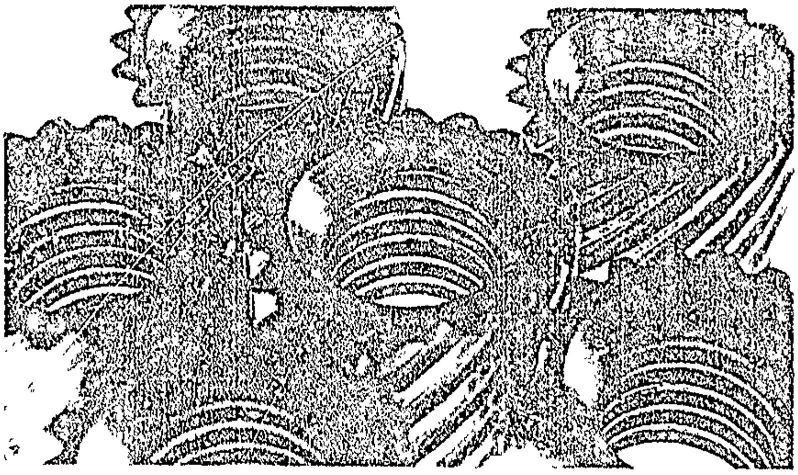
	1992	1991
Sales (£m)	**94·7**	109·6
Profit before interest (£m)	**10·6**	8·4
Average number employed	**1,620**	2,126

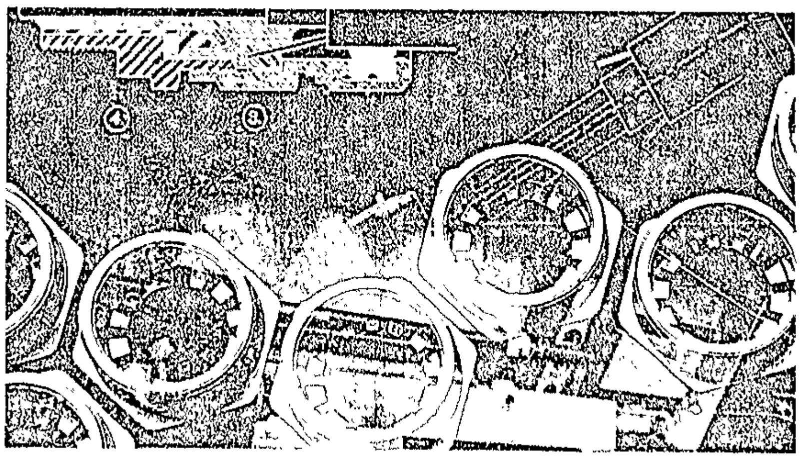
The companies in this sector, each a leader in its field, tend to concentrate on supplying components to niche engineering markets. As a result they have been less affected by the recession in the UK and overseas. The other reason for their good performance was the action taken to improve efficiency and contain costs.

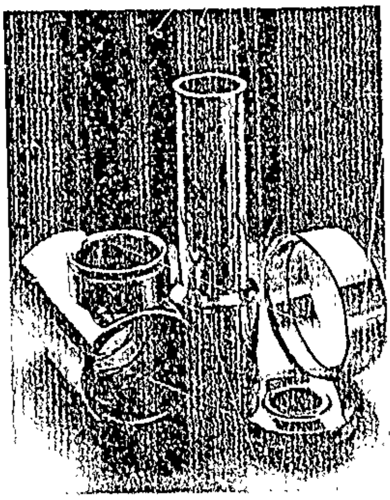
PSM, the largest operation in the sector, improved capacity and quality while at the same time reducing costs by concentrating more of its activities at Willenhall and in Taiwan relocating to new premises. It also invested heavily in new machinery and on the quality front achieved Ford Q1 rating at the two UK sites and Grade 'A' approval in France for the French automotive industry.

PSM, which specialises in making brass and stainless steel components to form high strength, durable mechanical joints between plastic mouldings and other materials, signed a number of important contracts with motor manufacturers. For General Motors in the US it is producing a unique insert with rubber O ring for cruise control units,









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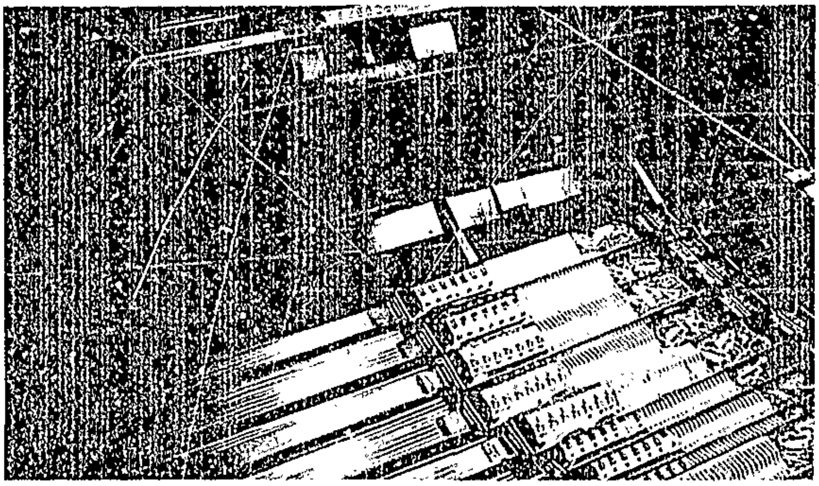
Burnett Polymer Engineering, which makes high quality mouldings for a broad range of elastomeric products, expanded its customer base and increased sales, reinforcing its position as leading supplier of precision moulded elastomeric keypads. As a result of its success, the company will shortly be moving into a purpose-built factory in Northampton.

The final component in the sector is New Zealand-based McKechnie Metal Products, where the acquisition of the 40% minority shareholding in A.W. Fraser was followed by further capital investment to improve capacity. A major restructuring at McKechnie Metals was also completed and significant improvements in efficiency and profit were achieved. Manufacturing lead times were reduced, enabling the company to remain competitive in an export market where just-in-time delivery is critical.



Consumer Products

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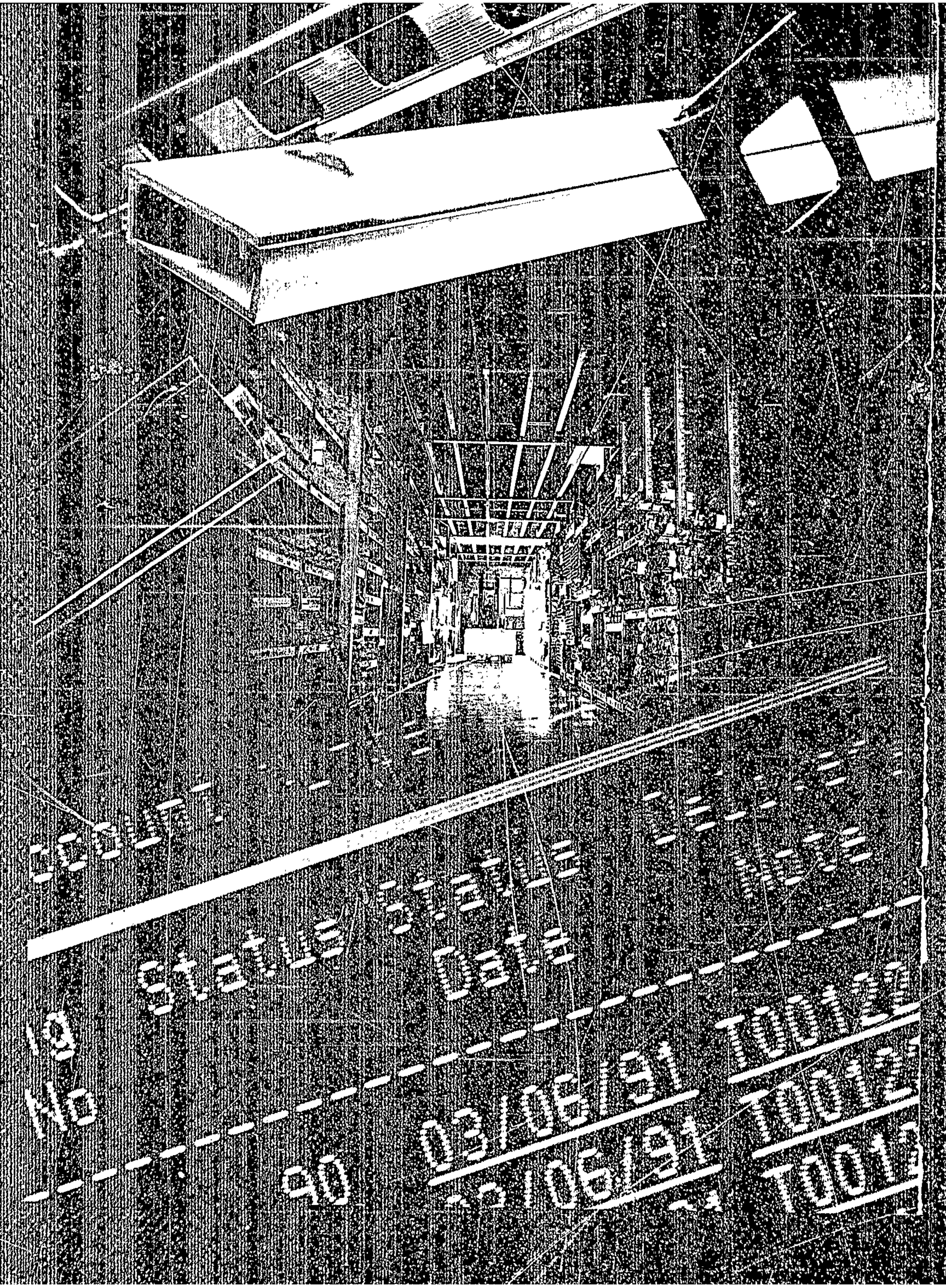
	1992	1991
Sales (£m)	**48·7**	52·4
Profit before interest (£m)	**5·4**	5·0
Average number employed	**1,011**	1,258

UK operations in this sector are market leaders in window furnishings and furniture components, whose products are to be found in almost every UK home. They would, therefore, be expected to be particularly affected by the reduction in consumer spending. Overseas, the fluid control operations, in New Zealand and Australia, are leading manufacturers of taps and plumbers' fittings, while Cobra dominates the South African tap market.

Harrison Drape, whose co-ordinated range of window furnishings includes Austrian, Festoon and Roller blinds, together with all the matching accessories such as valances and tie bac' ·, relaunched its curtain track in a new packaging format following an investment of £500,000 in new packaging equipment. It also invested £200,000 in a new paint line for curtain track products. Just before the end of the *financial year it announced a further £2·8m investment which will go into* refurbishing its Midlands factory and warehouse. The plans include new production lines and a high-tech warehouse.

The merger of Nenplas and Plastiglide, both of which supply the furniture industry – Nenplas with extruded strips and edgings, Plastiglide with high quality two-colour interior moulded handles and knobs – was successfully completed and has already led to major growth of sales of extruded products to Europe. New CAD/CNC technology has improved product design, increased customer input at



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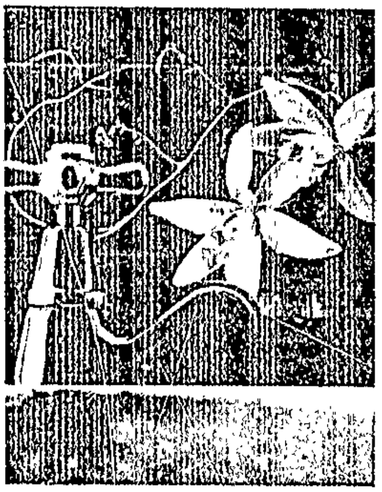

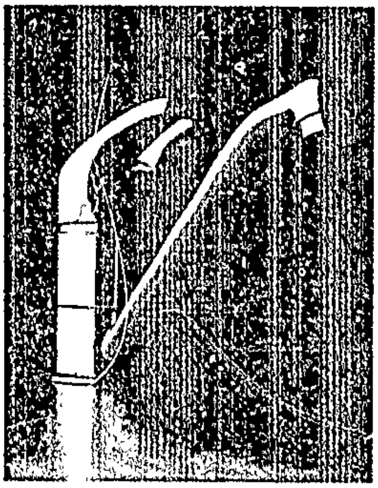

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the modelling stage and reduced lead times. As a result a number of new customers have been won. Away from furniture, success was achieved in the automotive sector with extruded cable management systems and in the transport industry w[illegible]ecialist fire retardant low conductivity profiles for carriage bu[illegible]

Trent, another market leader which supplies traditional 'finishing touch' products such as furniture trims and mouldings, shelf edgings and worktop seals, as well as sliding door kits, cable trunking and replacement drawer systems, streamlined its activities between Birmingham and Burton. Among its sales successes was a contract to supply insulation products to the enlarged Do-It-All Group and to Woolworth. It also supplied an increased range of Cabinet Shop Hardware to Texas Homecare Group.

In Australasia, the manufacturing activities of the three tap companies, Methven and Hardware Manufacturing in New Zealand and Donson Industries in Australia, were rationalised. The increased volume throughput contributed to higher profitability at both New Zealand companies. Donson's activities are now centred on assembly and distribution, with the aim of achieving increased share of the Australian market.

A number of new products were developed during the year, including the Avanti, a single lever mid market kitchen faucet which won immediate approval in the Australian market, and the Manhattan, an up-market tapware range of elegance and style which will be launched during 1993 as a flagship product.

Cobra in South Africa, which produces taps and showers as well as ceramic bowls and basins, had another solid year.

Report of the Auditors to the members of McKechnie plc

We have audited the accounts on pages 29 to 47 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 July 1992 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Chartered Accountants
Registered Auditor

Ernst & Young

Birmingham
20 October 1992

Shareholders' Information

Analysis of Ordinary Shareholders in August 1992

	Number of holdings	%	Number of shares 000's	%
Individuals	1,973	85·0	6,129	7·7
Investment and Unit Trusts	149	6·4	37,575	47·3
Insurance Companies	40	1·7	19,129	24·1
Pension Funds	89	3·9	15,142	19·0
Public Bodies and Others	70	3·0	1,545	1·9
	2,321	100·0	79,520	100·0

Shareholdings registered in the names of Nominee Companies have been reclassified according to the business of the beneficial owner.

The Directors present their Report and Accounts of the Group for the year ended 31 July 1992.

Financial results

	£000	£000
Profit for the financial year attributable to members		15,607
This has been dealt with as follows:		
Preference dividend	10	
Interim dividend of 5·0p per share	3,936	
Proposed final dividend of 9·75p per share	7,753	
Adjustment in respect of the scrip alternative for the final dividend for 1991 and the interim dividend for 1992	(44)	11,655
Leaving retained profit for the year		3,952

Dividend

Your Directors are pleased *to recommend the payment on 15 January 1993 of a final dividend of 9·75p per ordinary share* which, if approved, will make a total dividend for the year of 14·75p per ordinary share. Together with the related tax credit, this amounts to 19·67p per ordinary share, which compares with a total for 1991 of 19·67p per ordinary share. Shareholders are again being offered the alternative of receiving their dividends in either cash or shares. Details of this offer are enclosed with this Report and Accounts in a separate letter from the Chairman dated 18 November 1992.

Annual General Meeting

The notice of the Annual General Meeting together with a detailed explanation of the non-routine business to be transacted at the meeting is set out in a separate document dated 18 November 1992 enclosed with this Report.

Fixed assets

The information relating to changes in fixed assets is given in notes 11 and 12 to the financial statements.

Research and development

The Group continues to invest in research into new products and activities as well as introducing new technology to improve service to customers and reduce manufacturing costs.

Principal activities

McKechnie plc is an industrial holding company with international operations. The Group intends to continue to expand geographically through organic growth and acquisition. The main activities of the principal subsidiary and associated undertakings are described on page 47.

A review of the operations of the Group is set out on pages 11 to 23 of this Report.

The principal change during the year was:

In May 1992 McKechnie Pacific NZ Limited acquired the outstanding 40% interest not already under its control in A. W. Fraser & Sons Limited for NZ$5m.

Share capital

During the year the following number of ordinary shares in McKechnie plc was issued.	
Number of shares in issue at 1 August 1991	78,700,108
Issued:	
Exercise of share options	347,879
Capitalisation of share premium account on the issue of shares in lieu of cash for dividend paid in the year	21,114
Acquisition of minority interest in A. W. Fraser & Sons Limited	451,074
Total shares issued in year	820,067
Number of shares in issue at 31 July 1992	79,520,175

Share capital continued

The Company has been advised of the following interests of 3% or more of the issued ordinary share capital:

	Shares	%
AMP Asset Management PLC	2,663,759	3·35
Barclays Bank PLC (non-beneficial)	2,420,800	3·04
Britannic Assurance plc	3,620,000	4·55
Confederation Life Group	3,477,000	4·37
Henderson Administration Group (acting as agent for its discretionary clients)	3,386,320	4·26
Prudential Portfolio Managers Limited	2,902,293	3·65

Your Directors are aware that various funds managed or advised by M & G Investment Management Limited hold a total of 9,177,934 shares representing 11·54% of the issued ordinary share capital and that Allied Dunbar, through several unit trusts and assurance funds, controls 10,673,450 shares representing 13·42% of the issued ordinary share capital.

Corporate governance

Senior Executives' remuneration, including bonus and pension arrangements and the granting of options under the rules of the Executive Share Option Scheme, is decided by a Remuneration Committee comprising of the Non-Executive Directors.

An Audit Committee comprising all Board members has been established with power to investigate any activity of the business within its terms of reference and to call on any executive or external adviser to provide such information or advice it requires. The Committee meets with the auditors and has access to minutes of meetings held by corporate finance staff with auditors and tax advisers.

An Executive Management Committee discusses Group strategy and development, the UK members meeting monthly and overseas members joining it on two occasions in the year. The Committee comprises the three Executive Directors plus the Divisional Chief Executives of UK Plastics operations, Mr J R Kerley, Australasia, Mr R J Cox, the USA operations, Mr M F Meyers, the Company Secretary and Treasurer, Mr E Corker, and the Group Financial Controller, Mr D J Lenham.

Directors

The names of the present Directors of the Company are given on page 10. The Director retiring by rotation is Mr S G Moberley, who, being eligible, offers himself for re-election. Mr D K W Hanratty was appointed to the Board on 1 August 1992 and in accordance with the Company's Articles retires at the Annual General Meeting and offers himself for re-election. Mr Moberley has a service contract which can be determined by the Company at three years' notice and Mr Hanratty has a contract which expires in September 1995.

Dr J M Butler retired from the Board on 13 December 1991 and Mr J P Kembery on 31 July 1992.

There were no contracts subsisting during or at the end of the financial year, either with the Company or any of its subsidiary undertakings, in which any Director is or was materially interested either directly or indirectly.

The beneficial interests of the Directors and their families in the ordinary shares of the Company at the beginning and end of the financial year were as follows:

	At 31 July 1992	At 31 July 1991
Sir John A H L Hoskyns	**2,500**	2,500
P C Hyde-Thomson	**623**	596
S G Moberley	**417**	400
M S Ost	**1,117**	1,068
L J Stammers	**1,000**	1,000
V E Treves	**1,000**	1,000

There have been no changes to the above shareholdings between 31 July and 20 October 1992.

There were no non-beneficial shareholdings held by Directors and no Director has a beneficial holding of preference shares or shares in any other Group company.

Directors continued

Under the rules of the Savings Related Share Option Scheme and those of the Executive Share Option Schemes, Directors of the Company will be able to exercise options to acquire ordinary shares in the Company as follows:

	Subscription price (pence)	Options expire	Options outstanding at 31 July 1991	Options granted in year	Options exercised in year	Exercise date	Options at 31 July 1992
S G Moberley							
Savings Related Share Option Scheme							
	160	1996	7,031				7,031
	282	1997		2,659			2,659
Executive Share Option Schemes							
	268	1997	10,000		10,000	8.5.92	–
	223	1997	15,000		15,000	8.5.92	–
	302	1998	20,000				20,000
	256	1999	20,000				20,000
	225	2000	10,000				10,000
	191	2000	35,000				35,000
	278	2002		15,000			15,000
M S Ost							
Savings Related Share Option Scheme							
	160	1996	7,031				7,031
	282	1997		2,659			2,659
Executive Share Option Schemes							
	268	1997	100,000		100,000	1.5.92	–
	223	1997	25,000		25,000	1.5.92	–
	302	1998	30,000				30,000
	256	1999	40,000				40,000
	225	2000	10,000				10,000
	278	2002		5,000			5,000

Insurance of Directors and Officers

The Group maintains insurance for its Directors and Officers which, other than in the case of conviction for criminal offences, indemnifies them against any loss arising from claims made against them by reason of wrongful acts, committed or alleged to have been committed by them in their capacity as a Director or Officer of the Company.

Employees

The Group recognises its responsibilities for the employment of disabled persons. Having regard to their aptitudes and abilities the Group gives full and fair consideration to applications for employment received from disabled persons, and so far as particular disabilities permit will give employees disabled during their period of employment continued employment in the same job or if this is not practicable a suitable alternative job. Equal opportunities for appropriate training, career development and promotion are available to all employees regardless of any physical disability or their sex, religion, colour or nationality.

Employee Involvement

The Directors attach great importance to the maintenance and development of good labour relations and employee involvement and training. The results for the half year and for the financial year are discussed at meetings held with senior management and the opportunity is taken to inform them of Group developments. Employees everywhere are encouraged to be aware of the performance of their company and of the Group as a whole. The diverse nature of the Group's activities places the responsibility for such matters with local management in a manner appropriate to the particular circumstances of each company.

Employee involvement in the Group's profitability is encouraged through locally based bonus and profit related pay schemes, executive bonus schemes and the introduction of share savings and share option schemes.

Employee involvement continued

A Save As You Earn Share Savings Scheme was originally introduced in 1981 and a new Scheme was approved in 1989. At 31 July 1992 301 members held contracts granting options on 607,390 ordinary shares. All full-time staff with at least one year's service are eligible to join the Scheme. A resolution is to be submitted to the shareholders at the forthcoming Annual General Meeting seeking authority to introduce a Save As You Earn Share Savings Scheme for overseas employees.

An Executive Share Option Scheme was introduced in 1983 and at 31 July 1992 43 employees held options on 1,126,500 ordinary shares under the rules of the Scheme. The Executive Share Option Scheme 1991 was approved at the Annual General Meeting in 1991. At 31 July 1992 21 employees held options on 155,000 shares under the rules of the new Scheme.

Pensions

The McKechnie Pension Plan, which is available to all UK based employees, is established under an irrevocable trust and is an exempt approved scheme.

The Trustee is a Trust Company whose Directors are appointed by the Board of McKechnie plc, and includes two Non-Executive Directors.

The Plan is administered by William M. Mercer Fraser Ltd. and the Plan's assets are invested by Mercury Asset Management Ltd., Phillips & Drew Fund Managers Ltd. and Pensions Management (SWF) Ltd.

Plan benefits are fully funded. The Plan is subject to an annual audit by independent accountants and to a triennial actuarial valuation by a professional firm of actuaries.

All members of the Plan receive a copy of the Plan's accounts and a personal benefit statement each year setting out the member's accrued pension benefits and current life assurance cover.

There are pension schemes available to overseas employees in the principal areas of our operations and which are appropriate to local regulations and circumstances. Professional advice on matters relating to the main overseas schemes is provided by William M. Mercer Fraser Ltd.

Environmental policy

The Group actively promotes and encourages a spirit of environmental consciousness within its business. It pro-actively develops products that recognise, in design, material specification and manufacturing process, our social responsibility for the environment.

The management of all McKechnie operations are required to examine existing processes and activities, assess risks to health and the environment, introduce and monitor control procedures and ensure there is an adequate action plan to cover one-off contingencies. The Board of McKechnie plc has formulated an environmental audit programme as an integral part of its management policy and has embarked upon a systematic and continuing environmental audit procedure to identify and correct any issues and to provide an ongoing monitoring system.

Income and Corporation Taxes Act 1988

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

Charitable and political donations

The Company has paid £9,982 to UK charities during the year. Political subscriptions have been paid to the local Conservative Association of £1,500.

Auditors

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

By order of the Board

E Corker
Secretary

Aldridge

20 October 1992

Consolidated profit and loss account

For the year ended 31 July 1992	Notes	£000	1992 £000	£000	1991* £000
Turnover	2		235,893		300,104
Operating profit	3		21,845		20,754
Income from interests in associated undertakings	12		2,650		2,919
Profit before interest			24,495		23,673
Interest receivable and similar income		1,985		1,046	
Interest payable and similar charges	5	(2,400)		(4,791)	
			(415)		(3,745)
Profit on ordinary activities before taxation			24,080		19,928
Taxation	6		(7,629)		(6,696)
Profit on ordinary activities after taxation			16,451		13,232
Outside shareholders' interests			(131)		61
Profit before extraordinary items			16,320		13,293
Extraordinary items	7		(713)		3,945
Profit attributable to shareholders			15,607		17,238
Dividends	8		(11,655)		(10,363)
Retained profit	9/19		3,952		6,875
Earnings per ordinary share	10		20·7p		17·0p

*Restated per note 1(f).

Balance sheets

31 July 1992	Notes	Group 1992 £000	Group 1991 £000	Company 1992 £000	Company 1991 £000
Fixed assets					
Tangible assets	11	**93,032**	95,874	**762**	2,227
Investments	12	**3,471**	3,777	**133,293**	128,841
		96,503	99,651	**134,055**	131,068
Current assets					
Stock	13	**33,107**	41,025	**—**	—
Debtors	14	**56,431**	59,054	**10,211**	25,642
Cash at bank and in hand		**33,037**	26,387	**21,885**	27,550
		122,575	126,466	**32,096**	53,192
Less current liabilities:					
Creditors: amounts falling due					
within one year	15	**(87,986)**	(85,069)	**(57,954)**	(74,352)
Net current assets (liabilities)		**34,589**	41,397	**(25,858)**	(21,160)
Total assets less current liabilities		**131,092**	141,048	**108,197**	109,908
Less: Creditors amounts falling due					
after more than one year	16	**(10,413)**	(16,900)	**(9,766)**	(14,837)
Provisions for liabilities and charges	17	**(1,973)**	(3,472)	**—**	(122)
Net assets		**118,706**	120,676	**98,431**	94,949
Capital and reserves					
Called up share capital	18	**20,121**	19,916	**20,121**	19,916
Share premium account	19	**33,516**	31,395	**33,516**	31,395
Revaluation reserve	19	**10,577**	10,973	**12**	883
Other reserves	19	**1,302**	1,205	**—**	—
Profit and loss account	19	**49,789**	51,927	**44,782**	42,755
Associates' reserves	19	**3,162**	3,537	**—**	—
Shareholders' funds		**118,467**	118,953	**98,431**	94,949
Outside shareholders' interests		**239**	1,723	**—**	—
		118,706	120,676	**98,431**	94,949

Approved by the Board of Directors on 20 October 1992

M S Ost } Directors
S G Moberley }

Cash flow statement

For the year ended 31 July 1992	1992 £000	1991 £000
Net cash inflow from operating activities	**41,824**	32,263
Returns on investments and servicing of finance		
Interest received	**1,985**	1,046
Interest paid	**(2,400)**	(4,791)
Dividend received from associated undertaking	**1,125**	849
Dividends paid	**(11,575)**	(10,281)
Dividends paid to minority shareholders	**—**	(83)
Net cash outflow from returns on investments and servicing of finance	**(10,865)**	(13,260)
Taxation		
Corporation tax paid	**(6,192)**	(9,335)
Tax paid	**(6,192)**	(9,335)
Investing activities		
Purchase of tangible fixed assets	**(17,512)**	(14,066)
Purchase of fixed asset investments	**—**	(23)
Purchase of subsidiary undertakings, businesses and outside shareholders' interests	**—**	(572)
Disposal of tangible fixed assets	**1,561**	310
Disposal of fixed asset investments	**—**	259
Extraordinary proceeds of disposal of businesses	**—**	51,284
Cash (outflow)/inflow from investing activities	**(15,951)**	37,192
Net cash inflow before financing	**8,816**	46,860
Financing activities		
Ordinary shares issued less expenses	**(752)**	(480)
Decrease in short-term borrowing	**28**	2,829
Decrease/(increase) in long-term borrowing	**6,394**	(9,476)
(Increase)/decrease in obligations under finance leases	**(53)**	109
Decrease in bills of exchange	**162**	5,681
Cash outflow/(inflow) from financing activities	**5,779**	(1,337)
Increase in cash and cash equivalents	**3,037**	48,197
	8,816	46,860

The notes to the cash flow statement are shown in note 20.

1 Accounting policies

The principal Group accounting policies are set out below and have been applied consistently throughout the current and preceding financial year.

a) Basis of accounting

The financial statements are prepared in accordance with the Companies Act 1985, applicable accounting standards and under the historical cost accounting rules except for certain fixed assets comprising a major part of the Group's land and buildings which are included at valuation. No separate profit and loss account is presented for McKechnie plc as provided by Section 230 of the Companies Act 1985.

b) Basis of consolidation

The Group financial statements include the results of the parent undertaking, all its subsidiary undertakings and the Group's share of the results of associated undertakings. The results of businesses acquired during the year are included from the effective date of acquisition and of those sold during the year to the effective date of disposal.

Where Group accounting policies are not adopted in the financial statements of subsidiary undertakings, appropriate adjustments are made in the Group financial statements. Goodwill arising on consolidation, being the difference between the purchase consideration paid for a business and the fair value of net assets acquired, is written off against reserves. The difference between the sale consideration of a business segment and the book value of assets sold at the date of disposal is treated as an extraordinary item.

c) Associated undertakings

These are companies which are not subsidiary undertakings but in which the interest of the Group is that of a partner in a joint venture or the Group is in a position to exercise significant influence over the company in which the investment has been made or where the Group's interest is in 20% or more of the share capital and the Group participates in policy making decisions.

The Group share of profits less losses of associated undertakings is included in Group profits under 'Income from interests in associated undertakings', and the Group share of post-acquisition retained profits and reserves is added to the cost of investment in the consolidated balance sheet.

d) Foreign currencies

The profit and loss account items of overseas subsidiary and associated undertakings are translated into sterling using average exchange rates. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date unless matched by forward contracts. Where the translation of overseas subsidiary and associated undertakings, and any foreign currency borrowings used to finance them, gives rise to an exchange difference, this is taken direct to reserves. Other exchange differences are dealt with through the profit and loss account.

e) Accounting dates

i) Parent and subsidiary undertakings

The financial year ends 31 July, except for Eachairn Investments BV whose financial year ends 28 February, to facilitate the effective repatriation of overseas group profits. Special accounts have been drawn up for the purpose of consolidation.

ii) Associated undertakings

Associated undertakings which do not prepare audited financial statements up to 31 July are treated as follows:

UK, Europe, Taiwan and Japan

The year end of the associated undertakings is 31 December and the results included are based on unaudited financial statements to the following 31 July.

South Africa

The year end of the associated undertakings is 31 December and the results included are based on unaudited financial statements to the following 30 June.

Australia

The results are based on audited financial statements for the year to 30 June.

f) Reorganisation costs

In accordance with the clarification of the accounting treatment of reorganisation costs issued by the Accounting Standards Board the Group has changed its accounting policy, so that reorganisation costs which were previously treated as extraordinary are now treated as exceptional. The comparative figures for 1991 have been restated to reclassify as an exceptional item reorganisation costs of £526,000. This has the effect of reducing profit before tax from £20,454,000 to £19,928,000, reducing the taxation charge from £6,766,000 to £6,696,000 and earnings per share from 17·6p to 17·0p.

1 Accounting policies continued

g) Depreciation

Depreciation is calculated on original cost, or on subsequent valuation, on a straight-line basis over the expected economic life of the asset so as to write the asset down to its estimated residual value.

The rates of depreciation adopted are:

Freehold land	nil
Freehold buildings and long leasehold property	over expected economic life not exceeding 50 years
Short leasehold property	over the term of the lease
Plant and machinery	4% to 33⅓%
Fixtures, fittings, tools and equipment	4% to 33⅓%

h) Government grants

Grants received are treated as deferred credits and are transferred to the profit and loss account over the expected useful life of the asset or the duration of the project.

i) Stock

Stock is valued at the lower of cost and net realisable value. Cost includes all direct expenditure and appropriate production overhead expenditure incurred in bringing goods to their current state under normal operating conditions. Net realisable value is based on normal selling price less costs expected to be incurred to completion and disposal. Provision has been made for obsolescence or other losses where necessary.

j) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Advance corporation tax (ACT) payable on dividends paid or provided for in the year is written off except when recoverability against corporation tax payable is considered to be reasonably assured.

No provision is made for any potential taxation liability which may arise on the excess arising on the revaluation of property over its cost value, nor the distribution of the retained profits of overseas subsidiary and associated undertakings.

Deferred taxation represents the amount required to allow for the effect of certain items of income and expense (primarily depreciation) being attributable for tax purposes to periods different from those in which credits or charges are recorded in the financial statements.

Deferred taxation is provided on the liability method on all timing differences to the extent that they are expected to reverse in the future calculated at the rate at which it is estimated that tax will be payable. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance or included in other debtors.

k) Research and development

Expenditure on research and development is written off in the year in which it is incurred.

l) Pension and life assurance costs

The Group operates pension schemes for the benefit of its UK and overseas employees. Contributions to the Group pension schemes are based on percentages of members' pensionable remuneration as fixed by independent actuaries. The cost of these is charged against profits on a systematic basis over the service lives of the employees. The disclosures required by Statement of Standard Accounting Practice 24: Accounting for Pension Costs are included in note 24.

m) Leasing

Finance leases are capitalised at the estimated fair value at the date of inception of each lease. The total finance charges are allocated over the period of the lease so as to give an approximately constant annual rate of charge on the balance of each *obligation*.

Rentals paid under operating leases are charged to income over the term of the lease.

2 Turnover and segmental analysis

Turnover represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities, stated net of value added tax.

The Group operates in three principal areas of activity, Plastics, Consumer and Specialist Products. It also operates within four geographical markets, the UK, Europe, the Pacific Region and the USA, and has a significant associated undertaking in South Africa.

Turnover, Group profit on ordinary activities before tax and net assets are analysed as follows:

Area of Activity:

	1992				1991			
Turnover	**Total sales £000**	**Inter-segment sales £000**	**Sales to third parties £000**	**Operating profit £000**	Total sales £000	Inter-segment sales £000	Sales to third parties £000	Operating profit £000
Plastics	**142,583**	**69**	**142,514**	**8,476**	138,130	71	138,059	10,287
Consumer	**48,714**	**10**	**48,704**	**3,191**	52,422	6	52,416	2,626*
Specialist	**97,741**	**3,066**	**94,675**	**10,178**	112,759	3,130	109,629	7,841*
	289,038	**3,145**	**285,893**	**21,845**	303,311	3,207	300,104	20,754
Profit before tax of associated undertakings				**2,650**				2,919
Net interest				**(415)**				(3,745)
Profit before tax				**24,080**				19,928

	1992			1991		
Net assets	**Net assets by segment £000**	**Net assets of associated undertakings £000**	**Total net assets £000**	Net assets by segment £000	Net assets of associated undertakings £000	Total net assets £000
Plastics	**49,897**	**—**	**49,897**	49,493	—	49,493
Consumer	**18,368**	**2,234**	**20,602**	22,215	2,761	24,976
Specialist	**46,970**	**1,237**	**48,207**	45,191	1,016	46,207
	115,235	**3,471**	**118,706**	116,899	3,777	120,676
Minority interest			**(239)**			(1,723)
Total net assets			**118,467**			118,953

Geographical Area:

	1992				1991			
Turnover	**Total sales £000**	**Inter-segment sales £000**	**Sales to third parties £000**	**Operating profit £000**	Total sales £000	Inter-segment sales £000	Sales to third parties £000	Operating profit £000
UK	**143,075**	**2,831**	**140,244**	**13,530**	160,593	705	159,888	16,013
Europe	**23,209**	**92**	**23,117**	**1,263**	23,660	286	23,374	1,377
Pacific	**58,896**	**904**	**57,992**	**4,864**	59,500	673	58,827	458*
USA	**64,684**	**144**	**64,540**	**2,188**	58,209	194	58,015	2,906
	289,864	**3,971**	**285,893**	**21,845**	301,962	1,858	300,104	20,754
Profit before tax of associated undertakings				**2,650**				2,919
Net interest				**(415)**				(3,745)
Profit before tax				**24,080**				19,928

*Restated per note 1(f).

Notes on the financial statements continued

2 Turnover and segmental analysis continued

Net assets	1992 Net assets by segment £000	1992 Net assets of associated undertakings £000	1992 Total net assets £000	1991 Net assets by segment £000	1991 Net assets of associated undertakings £000	1991 Total net assets £000
UK	**52,067**	**490**	**52,557**	48,567	426	48,993
Europe	**9,785**	**297**	**10,082**	7,196	236	7,432
Pacific	**29,402**	**450**	**29,852**	36,538	355	36,893
USA	**23,981**	**—**	**23,981**	24,598	—	24,598
South Africa	**—**	**2,234**	**2,234**	—	2,760	2,760
	115,235	**3,471**	**118,706**	116,899	3,777	120,676
Minority interest			**(239)**			(1,723)
Total net assets			**118,467**			118,953

Turnover by destination	1992 £000	1991 £000
UK	**119,963**	138,790
Europe	**37,290**	39,108
Pacific	**51,720**	49,650
USA	**68,830**	63,823
Other	**8,090**	8,733
	285,893	300,104

3 Operating profit

	1992 £000	1991 £000
Turnover	**285,893**	300,104
Cost of sales	**(211,411)**	(224,306)
Gross profit	**74,482**	75,798
Distribution costs	**(30,458)**	(31,956)
Administrative expenses	**(22,718)**	(22,562)
Reorganisation costs	**—**	(526)*
Other operating income	**140**	—
Profit on disposal of surplus property	**399**	—
Operating profit	**21,845**	20,754*
Costs and expenses include the following:		
Depreciation of owned assets	**13,022**	12,277
Depreciation of assets held under finance leases	**194**	194
Hire of plant and machinery	**496**	461
Rentals payable under operating leases — land and buildings	**1,524**	1,726
— plant and machinery	**1,265**	1,677
Staff costs (note 4)	**78,317**	80,658
Auditors' remuneration	**343**	360
Research and development	**1,399**	1,462

4 Staff costs (including emoluments of Directors)

	1992 £000	1991 £000
Wages and salaries	**71,313**	73,819
Social security costs	**6,015**	6,383
Other pension costs (note 24)	**989**	456
	78,317	80,658

	Number	Number
Average number employed:		
Plastics	**3,131**	3,198
Consumer	**1,011**	1,258
Specialist	**1,620**	2,126
	5,762	6,582

*Restated per note 1(f).

Notes on the financial statements continued

4 **Staff costs** (including emoluments of Directors) continued	1992 £000	1991 £000
Directors:		
Fees	**101**	42
Other emoluments (including pension contributions)	**410**	385
Compensation for loss of office including pension provision	**239**	—
	750	427

The emoluments of the Chairman were £50,000 (1991 £59,136)

The emoluments of the highest paid Director were £184,446 (1991 £149,524)

The emoluments, excluding pension contributions, of the Directors whose duties were wholly or mainly discharged in the UK were within the following ranges:

	Directors 1992	1991
£ 5,001—£ 10,000	—	3
£ 10,001—£ 15,000	4	1
£ 45,001—£ 50,000	1	—
£ 55,001—£ 60,000	—	1
£ 80,001—£ 85,000	—	1
£ 90,001—£ 95,000	—	1
£100,001—£105,000	1	—
£115,001—£120,000	1	—
£145,001—£150,000	—	1
£180,001—£185,000	1	—

The 1992 emoluments include performance related bonuses based on the increase in earnings per share. No bonus was payable in the prior year.

5 **Interest payable and similar charges**	1992 £000	1991 £000
On bank advances and borrowings repayable within 5 years	**2,353**	4,601
Charges in respect of finance leases	**47**	77
On all other borrowings	—	113
	2,400	4,791

6 **Taxation** (on profit on ordinary activities)	1992 £000	1991 £000
Corporation tax	**4,741**	5,530
Overseas taxation	**2,333**	738*
Adjustments for previous years	**(511)**	(846)
	6,563	5,422
Associated undertakings	**1,066**	1,274
	7,629	6,696

Corporation tax has been provided for at 33% (1991 33·7%).

The transfer from deferred taxation in respect of capital allowances and other timing differences included above is £113,000 (1991 £625,000).

7 **Extraordinary items**	1992 £000	1991 £000
Profits less losses on disposal of businesses, subsidiary undertakings and other assets	—	11,376
Costs of closing business segments	**(1,111)**	(3,252)*
	(1,111)	8,124
Current and overseas tax	**268**	(4,179)*
Deferred tax	**130**	—
	(713)	3,945*

*Restated per note 1(f).

Notes on the financial statements continued

8 Dividends	%	Pence per share	1992 £000	%	Pence per share	1991 £000
Preference	4·2		10	4·2		10
Ordinary						
Interim paid		5·00	3,936		5·00	3,886
Final proposed		9·75	7,753		9·75	7,673
		14·75	11,689		14·75	11,559
Adjustment in respect of those shareholders who elected to take new ordinary shares instead of dividends in cash			(44)			(1,206)
			11,645			10,353
			11,655			10,363

9 Retained profit

The profit dealt with in the accounts of the parent undertaking was £1,157,000 (1991 £4,654,000).

10 Earnings per ordinary share	1992 £000	1991 £000
Basic earnings per share		
Net profit	16,320	13,293*
Less preference dividend	(10)	(10)
	16,310	13,283
Average number of issued ordinary shares of 25p		
Year to 31 July (thousands)	78,936	78,232
Earnings per share—net basis	20·7p	17·0p*

11 Tangible fixed assets	Land and buildings £000	Plant and machinery £000	Fixtures fittings tools and equipment £000	Payments on account and assets in course of construction £000	Total £000
Group					
Cost or valuation					
At 1 August 1991	41,020	83,587	25,147	816	150,570
Foreign exchange adjustments	(2,506)	(4,738)	(714)	(11)	(7,969)
Additions	3,174	8,482	3,945	1,602	17,203
Inter-category transfers	—	598	787	(1,385)	—
Disposals	(1,484)	(2,647)	(1,397)	—	(5,528)
At 31 July 1992	40,204	85,282	27,768	1,022	154,276
Depreciation					
At 1 August 1991	1,461	39,171	14,064	—	54,696
Foreign exchange adjustments	(345)	(2,432)	(331)	—	(3,108)
Provision for year	755	8,129	4,332	—	13,216
Disposals	(164)	(2,065)	(1,331)	—	(3,560)
At 31 July 1992	1,707	42,803	16,734	—	61,244
Net book value					
At 31 July 1992	38,497	42,479	11,034	1,022	93,032
At 1 August 1991	39,559	44,416	11,083	816	95,874

*Restated per note 1(f).

11 Tangible fixed assets continued	Land and buildings £000	Plant and machinery £000	Fixtures fittings tools and equipment £000	Payments on account and assets in course of construction £000	Total £000
Company					
Cost or valuation					
At 1 August 1991	2,109	—	559	—	2,668
Additions	—	—	229	—	229
Disposals	—	—	(28)	—	(28)
Transfer to subsidiary undertaking	(1,609)	—	—	—	(1,609)
At 31 July 1992	500	—	760	—	1,260
Depreciation					
At 1 August 1991	35	—	406	—	441
Provision for year	8	—	119	—	127
Disposals	—	—	(27)	—	(27)
Transfer to subsidiary undertaking	(43)	—	—	—	(43)
At 31 July 1992	—	—	498	—	498
Net book value					
At 31 July 1992	500	—	262	—	762
At 1 August 1991	2,074	—	153	—	2,227

	1992 £000	1991 £000
a) Land and buildings:		
Group		
Freehold	**37,843**	38,509
Long leasehold	**564**	917
Short leasehold	**90**	133
Net book value	**38,497**	39,559
Company		
Freehold	**500**	2,074

Notes:

i) Depreciation is calculated according to the accounting policies (note 1(g)).

ii) All categories of tangible fixed assets other than land and buildings are stated at cost.

	Freehold £000	Long leasehold £000	Short leasehold £000	Total £000
b) The land and buildings at 31 July 1992 include (after foreign exchange adjustments):				
Group				
At professional valuation				
In 1989	18,335	502	—	18,837
In 1990	6,890	—	—	6,890
In 1991	500	—	—	500
At valuation	25,725	502	—	26,227
At cost	13,127	655	195	13,977
	38,852	1,157	195	40,204
Company				
At professional valuation				
In 1991	500	—	—	500

11 Tangible fixed assets continued

	1992 £000	1991 £000
c) Historical cost:		
Group		
Historical cost of revalued land and buildings	**16,288**	17,472
Depreciation based on historical cost	**4,106**	4,046
Net historical cost	**12,182**	13,426
Company		
Historical cost of revalued land and buildings	**500**	1,472
Depreciation based on historical cost	**100**	291
Net historical cost	**400**	1,181

d) The net book value of tangible fixed assets includes the following amounts in respect of assets held under finance leases:

	1992			1991		
Group	**Cost £000**	**Depreciation £000**	**Net book value £000**	Cost £000	Depreciation £000	Net book value £000
Plant and machinery	**1,158**	**721**	**437**	1,138	614	524
Fixtures, fittings, tools and equipment	**134**	**81**	**53**	134	42	92
	1,292	**802**	**490**	1,272	656	616

Company

The net book value of tangible fixed assets of the Company does not include any amounts in respect of assets held under finance leases.

12 Fixed asset investments

	Shares in associated undertakings at valuation £000
Group	
At 1 August 1991	3,777
Foreign exchange adjustments	(834)
Retained profit	459
Additions	69
At 31 July 1992	3,471

	1992 £000	1991 £000
Shares in associated undertakings (unlisted):		
Cost	**309**	240
Share of post-acquisition reserves	**3,162**	3,537
Net book value	**3,471**	3,777

£1,038,000 of the above share of post-acquisition reserves is subject to Exchange Control restriction.

	Associated undertakings 1992 £000	1991 £000
Group share of aggregate profits less losses as disclosed by the financial statements received during the year:		
Before taxation	**2,650**	2,919
After taxation	**1,584**	1,645
Dividends received	**1,125**	849

12 Fixed asset investments continued	Shares in subsidiary undertakings at cost £000	Loans to subsidiary undertakings at cost £000	Total £000
Company			
At 1 August 1991	77,941	50,900	128,841
Foreign exchange adjustments	—	(143)	(143)
Additions	8,708	7,363	16,071
Amounts received	—	(9,902)	(9,902)
Disposals	(1,574)	—	(1,574)
At 31 July 1992	85,075	48,218	133,293

a) Details of subsidiary and associated undertakings at 31 July 1992 are shown in note 25.

b) The Company's cost of investment in subsidiary undertakings is stated at the aggregate of (i) the cash consideration and either (ii) the nominal value of the shares issued as consideration where Sections 131 and 133 of the Companies Act 1985 apply or (iii) in all other cases the market value of the Company's shares on the date they were issued as consideration.

c) It is impracticable to calculate the amount of attributable goodwill written off on acquisitions made prior to 1 January 1989. The cumulative goodwill written off on acquisitions made since 1 January 1989 amounts to £22,193,000. It is also impracticable to calculate the goodwill relating to the disposal of businesses acquired prior to 1 January 1989.

d) Additions to shares in subsidiary undertakings represented the recapitalisation of the principal UK subsidiary undertakings together with the acquisition of the minority interest in A.W. Fraser & Sons Limited. The shares acquired in A.W. Fraser & Sons Limited were immediately disposed of to a subsidiary undertaking.

13 Stock	Group historical cost 1992 £000	1991 £000	Group replacement cost 1992 £000	1991 £000
Raw materials	**9,377**	11,780	**10,462**	12,457
Work-in-progress	**7,462**	8,827	**7,811**	8,893
Finished stock	**15,102**	18,862	**16,615**	22,736
Consumable stores	**1,166**	1,556	**1,215**	1,897
	33,107	41,025	**36,103**	45,983

14 Debtors	Group 1992 £000	1991 £000	Company 1992 £000	1991 £000
Trade debtors	**41,249**	44,983	—	—
Amount owed by subsidiary undertakings	—	—	**4,199**	16,877
Amount owed by associated undertakings	**680**	567	—	—
Other debtors	**10,107**	9,121	**5,562**	8,203
Prepayments	**4,395**	4,383	**450**	562
	56,431	59,054	**10,211**	25,642

15 Creditors: amounts falling due within one year	Group 1992 £000	Group 1991 £000	Company 1992 £000	Company 1991 £000
Bank loans and overdrafts	**19,656**	16,985	**19,517**	16,784
Current taxation	**12,977**	12,693	**3,512**	4,986
Trade creditors	**29,523**	29,943	**—**	—
Other creditors	**3,315**	7,071	**54**	98
Other taxes and social security	**3,326**	3,407	**159**	99
Amount owed to subsidiary undertakings	**—**	—	**25,429**	44,049
Amount owed to associated undertakings	**5**	6	**—**	—
Bills of exchange	**458**	620	**—**	—
Borrowings	**42**	76	**30**	56
Obligations under finance leases	**197**	214	**—**	—
Accruals	**10,734**	6,381	**1,500**	607
Ordinary dividend	**7,753**	7,673	**7,753**	7,673
	87,986	85,069	**57,954**	74,352
Bank loans and overdrafts:				
Secured by a floating charge	**—**	508	**—**	—
Unsecured	**19,656**	16,477	**19,517**	16,784
	19,656	16,985	**19,517**	16,784
Borrowings:				
Secured by a floating charge	**—**	62	**—**	—
Unsecured	**42**	14	**30**	56
	42	76	**30**	56

The right of set-off within UK banks has been applied, and of the £21,885,000 cash at bank in the Company, £11,765,786 has been set off on consolidation against subsidiary undertakings' bank accounts.

16 Creditors: amounts falling due after more than one year	Group 1992 £000	Group 1991 £000	Company 1992 £000	Company 1991 £000
Bank loans	**9,921**	16,301	**9,766**	14,837
Borrowings	**220**	114	**—**	—
	10,141	16,415	**9,766**	14,837
Obligations under finance leases	**203**	368	**—**	—
	10,344	16,783	**9,766**	14,837
Deferred income — government grants	**69**	103	**—**	—
Corporation tax	**—**	14	**—**	—
	10,413	16,900	**9,766**	14,837
Bank loans and borrowings comprise:				
Repayable partly or wholly within 5 years				
UK — unsecured	**9,841**	14,849	**9,766**	14,837
Overseas — unsecured	**183**	917	**—**	—
Overseas — secured by mortgage on land and buildings	**—**	44	**—**	—
Repayable greater than 5 years				
Interest-free (between 1998 and 2003)				
UK — secured by floating charge	**75**	75	**—**	—
Overseas — unsecured	**42**	530	**—**	—
	10,141	16,415	**9,766**	14,837

16 Creditors: amounts falling due after more than one year continued	Group 1992 £000	Group 1991 £000	Company 1992 £000	Company 1991 £000
Bank loans, borrowings and obligations under finance leases are repayable as follows:				
a) *Between one and two years*				
Bank loans	**3,411**	4,020	**3,256**	3,709
Borrowings	**7**	23	**—**	—
Obligations under finance leases	**112**	222	**—**	—
b) Between two and five years				
Bank loans	**6,510**	11,751	**6,510**	11,128
Borrowings	**96**	16	**—**	—
Obligations under finance leases	**75**	146	**—**	—
c) In five years or more				
Bank loans	**—**	530	**—**	—
Borrowings	**117**	75	**—**	—
Obligations under finance leases	**16**	—	**—**	—
	10,344	16,783	**9,766**	14,837

17 Provisions for liabilities and charges	Deferred taxation £000	Acquisition provisions £000	Other provisions £000	Total £000
Group				
At 1 August 1991	472	2,681	319	3,472
Foreign exchange adjustments	(56)	(133)	—	(189)
Expenditure	—	(1,503)	—	(1,503)
Transfer to profit and loss account	—	(209)	—	(209)
Transfer from profit and loss account — taxation	(243)	—	—	(243)
Change in amount of recoverable ACT	645	—	—	645
At 31 July 1992	818	836	319	1,973

The transfer to profit and loss account represents a release of acquisition provisions no longer required in respect of Engineered Custom Plastics Corporation.

	Deferred taxation £000
Company	
At 1 August 1991	122
Transfer to profit and loss account — taxation	(500)
Change in amount of recoverable ACT	378
At 31 July 1992	—

	Group 1992 £000	Group 1991 £000	Company 1992 £000	Company 1991 £000
The deferred taxation balances relate to:				
Timing differences on depreciation and provisions	**1,000**	1,299	**—**	500
Recoverable ACT	**(182)**	(827)	**—**	(378)
	818	472	**—**	122

The maximum set-off for recoverable advance corporation tax has been made against deferred taxation liabilities. There is also further recoverable advance corporation tax of £2,405,000 (1991 £1,730,000) included in debtors.

	Group 1992 £000	Group 1991 £000	Company 1992 £000	Company 1991 £000
The amounts not provided are as follows:				
Revaluation of properties less unrelieved capital losses	**385**	685	**—**	—
Capital gains deferred by roll-over relief	**3,550**	3,480	**—**	—
Timing differences on depreciation and provisions	**5,427**	4,310	**—**	—
	9,362	8,475	**—**	—

Notes on the financial statements continued

18 Share Capital

	1992 £000	1991 £000
a) Authorised		
Ordinary shares of 25p each	**25,000**	25,000
4.2% + tax credit cumulative preference shares of £1 each	**250**	250
	25,250	25,250

b) Allotted, called up and fully paid	Number	£000
Ordinary shares		
At 1 August 1991	78,700,108	19,675
Allotted during year:		
Issue of ordinary shares under the scheme to permit shareholders to receive shares in lieu of cash dividends	21,114	5
Issue of ordinary shares on acquisition of minority interest in subsidiary undertaking on 8 May 1992 at £3·49 per share	451,074	113
Issue of ordinary shares under the Savings Related Share Option Scheme and Executive Share Option Scheme	347,879	87
At 31 July 1992	79,520,175	19,880
Preference shares	241,002	241
		20,121

The allottees in respect of the ordinary shares issued on acquisition of the minority interest in A.W. Fraser & Sons Limited were B J Fraser, M B Fraser and family trusts.

c) Share Option Schemes

Shareholders' approval has been given to the allocation of 10% of the issued ordinary share capital, subject to a maximum of 25,000,000 ordinary shares, to a Savings Related Share Option Scheme and Executive Share Option Schemes.

Savings Related Share Option Scheme (approved 1980)

At 31 July 1992 options had been granted on 607,390 ordinary shares exercisable at dates between 1992 and 1998 at prices ranging from 160p to 282p per share depending on the date of grant.

Executive Share Option Scheme (approved 1982)

At 31 July 1992 options had been granted on 1,126,500 ordinary shares exercisable at dates between 1992 and 2000 at prices between 191p and 307p per share depending on the date of grant.

Executive Share Option 1991 Scheme (approved 1991)

At 31 July 1992 options had been granted on 155,000 ordinary shares exercisable between 1995 and 2002 at a price of 278p.

19 Reserves

	Group (excluding associated undertakings) £000	Company £000	Associated undertakings £000
a) Share premium account			
At 1 August 1991	31,395	31,395	—
Premium on issue of 798,953 ordinary shares	2,126	2,126	—
The issue of 21,114 ordinary shares under the scheme to permit shareholders to receive shares in lieu of cash dividends	(5)	(5)	—
At 31 July 1992	33,516	33,516	—
b) Revaluation reserve			
At 1 August 1991	10,973	883	—
Foreign exchange adjustments	(323)	—	—
Disposal of tangible fixed assets	(51)	—	—
Transfer of tangible fixed asset to subsidiary undertaking	—	(871)	—
Amortisation	(22)	—	—
At 31 July 1992	10,577	12	—

19 Reserves continued	Group (excluding associated undertakings) £000	Company £000	Associated undertakings £000
c) Other reserves			
At 1 August 1991	1,205	—	—
Foreign exchange adjustments	(13)	—	—
Transfer from distributable reserves	110	—	—
At 31 July 1992	1,302	—	—
d) Profit and loss account			
At 1 August 1991	51,927	42,755	3,537
Foreign exchange adjustments	(4,922)	—	(834)
Retained profit 1992	3,493	1,157	459
Amortisation of revaluation surplus	22	—	—
Goodwill on purchase of subsidiary undertakings and businesses	(548)	—	—
Transfer of distributable reserves to other reserves	(110)	—	—
Transfer from revaluation reserve	—	870	—
Transfer to minority	(73)	—	—
At 31 July 1992	49,789	44,782	3,162

Exchange gains on currency borrowings amounting to £2,932,000 have been taken directly to reserves in the Group accounts.

20 Notes to the cash flow statement	1992 £000	1991 £000
a) Reconciliation of operating profit to net cash inflow from operating activities:		
Operating profit	**21,845**	20,754
Depreciation charges	**13,518**	12,218
Decrease in debtors	**1,011**	6,103
Increase/(decrease) in creditors	**2,605**	(1,997)
Decrease in stock	**4,352**	4,199
(Decrease) in government grants	**(35)**	(69)
Reduction in provisions for liabilities and charges	**(1,818)**	(2,983)
Costs of closing business segments	**(1,221)**	(1,699)
Currency translation differences	**1,567**	(4,263)
Net cash inflow from operating activities	**41,824**	32,263
b) Analysis of changes in cash and cash equivalents during the year:		
At 1 August 1991	**9,402**	(40,219)
Net cash inflow before adjustments for the effect of foreign exchange rate changes	**3,037**	48,197
Effect of foreign exchange rate changes	**942**	1,424
At 31 July 1992	**13,381**	9,402

	1992 £000	1991 £000	1990 £000	Change in year 1992 £000	Change in year 1991 £000
c) Analysis of cash and cash equivalents as shown in the balance sheet:					
Cash at bank and in hand	**33,037**	26,387	5,472	**6,650**	20,915
Bank overdrafts and bank loans	**(19,656)**	(16,985)	(45,691)	**(2,671)**	28,706
	13,381	9,402	(40,219)	**3,979**	49,621

Notes on the financial statements continued

20 Notes to the cash flow statement continued	Share capital (including premium) £000	Loans borrowings and finance lease obligations £000
d) Analysis of changes in financing during the year:		
At 1 August 1991	51,311	17,693
Cash inflows/(outflows) from financing	752	(6,531)
Shares issued in consideration for acquisition of minority interest in A.W. Fraser & Sons Limited	1,574	—
Effect of foreign exchange rate changes	—	(121)
At 31 July 1992	53,637	11,041

	1991 Acquisitions £000	1991 Disposals £000
e) Analysis of net cash flows in respect of the acquisition and disposal of subsidiary undertakings included in the figure for the acquisition and disposal of businesses during the year in the cash flow statement:		
Tangible fixed assets	(266)	22,604
Purchased goodwill relating to the Group	(4,488)	—
Stock	(47)	15,373
Debtors	—	20,441
Cash at bank and in hand	—	396
Creditors	—	(10,447)
Taxation	1,340	—
Acquisition provisions	2,889	—
Deferred income	—	(280)
Extraordinary profit on disposal of businesses	—	11,376
Costs of disposal	—	2,672
Realised revaluation reserve	—	(7,783)
	(572)	54,352
Cash at bank and in hand disposed of	—	(396)
Costs of disposal	—	(2,672)
Cash (paid)/received	(572)	51,284

21 Capital commitments	Group 1992 £000	Group 1991 £000	Company 1992 £000	Company 1991 £000
There are capital commitments not provided for in the financial statements:				
In respect of contracts placed and agreements made	**7,349**	2,090	**43**	18
Authorised by the Directors but not contracted for	**1,151**	344	—	—

22 Contingent liabilities	Group 1992 £000	Group 1991 £000	Company 1992 £000	Company 1991 £000
In respect of bills of exchange discounted with recourse and others	**2,293**	1,675	—	—

The Company has guaranteed the overdrafts of certain subsidiary undertakings of McKechnie Pacific NZ Limited and McKechnie Pacific Pty Limited to the extent of £965,575.

Notes on the financial statements continued

23 Operating lease commitments	Land and buildings 1992 £000	1991 £000	Other 1992 £000	1991 £000
There are annual commitments under non-cancellable operating leases:				
Group				
Expiring within one year	**129**	163	**315**	502
Expiring within two to five years	**719**	869	**498**	1,087
Expiring after five years	**580**	665	**7**	193
	1,428	1,697	**820**	1,782
Company				
Expiring within one year	**—**	—	**2**	33
Expiring within two to five years	**—**	—	**5**	19
	—	—	**7**	52

24 Pensions

The Group operates a number of pension plans throughout the world. The principal Plan is in the UK and provides final pay defined pension benefits for those employees who apply for membership. The assets of the Plan are held in separate funds administered by trustees.

The latest actuarial valuation of the Plan using the projected unit cost method was carried out at 6 April 1990. The principal assumptions used were a 10% pa return on investments, 8% pa increase in members' earnings, 3% pa pension increases, published mortality rates and withdrawals and early retirements appropriate to the Plan. The market value of the Plan's assets was £68.3 million and the actuarial value of the assets was sufficient to cover 159% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The surplus disclosed by the 1990 valuation has been used partly to fund increased benefits under the Plan, and, as a result, the assumed rate of pension increases has been raised from 3% to 5% with effect from 6 April 1991. In addition, at that date the revised actuarial value of the assets of the Plan was sufficient to cover 128% of the accrued benefits. On the recommendation of the actuaries, no company contributions will be made to the Plan until at least the next actuarial valuation.

The Group's subsidiary undertakings in the USA, Australia and New Zealand principally operate defined contribution schemes. In other locations pension schemes are operated in accordance with local custom. The contributions to these schemes are charged against profits as incurred, and the introduction of SSAP 24 in respect of these schemes would not result in any material change to the Group's pension charge.

The net pension charge for the Group was £989,000 (1991 £456,000), of which a charge of £Nil (1991 credit £810,000) related to the UK Plan after amortising an actuarial surplus over the average remaining service lives of current employees.

A prepayment of £2,247,000 (1991 £2,247,000) is included in debtors, representing the excess of the net pension credit to profit over the amounts funded.

25 Subsidiary and associated undertakings

The share capital of the subsidiary undertakings is designated, with minor exceptions, as ordinary shares.

The subsidiary undertakings operating in the UK are all registered in England. Other subsidiary undertakings are incorporated in the country of operation.

Particulars of minor or non-trading subsidiary undertakings which do not materially affect the Group results have been excluded.

All shareholdings represent 100% except where indicated. The shares of subsidiary undertakings marked * are held by subsidiary undertakings.

In respect of the associated undertaking significant influence is exercised by board representation.

Operating in the UK

McKechnie UK Limited
Curtain rails and components, window blinds, awnings, builders' and domestic hardware. Seals and mouldings in elastomers. Manufacture and distribution of industrial fastener systems, spring steel and plastic fasteners. Wire thread inserts and automated assembly equipment. Thermosetting and thermoplastic mouldings, plastic extrusions. Plastic and metal components for the furniture and building trades. Plastic closures and injection and blow moulded plastic packaging products. High pressure hose and thermoplastic tubing. Injection moulded encapsulation of filters, strainers and inserts. Handling and storage equipment for the bakery, retail, agricultural and other industries.

Hawke Cable Glands Limited*
Cable glands and pneumatic components.

MW Circuits Limited (97·5%)*
Advanced electronic circuitry.

McKechnie Properties Limited
Property company.

Operating in Europe

Conex Union BV (Netherlands)*
High grade extruded tube and tube assemblies.

Eachairn Investments BV (Netherlands)*
Holding company.

La Cornubia SA (France)*
Copper sulphate and agrochemicals.

PSM Fixation SA (France)*
Manufacture and marketing of specialised grooved pins for automotive engineering and drive train components.

Operating in Australia

McKechnie Pacific Pty Limited*
Holding company.

McKechnie Metals (Pty) Limited*
Components in brass and copper.

Donson Industries (Pty) Limited*
Plumbers' fittings.

Operating in New Zealand

McKechnie Pacific NZ Limited*
Holding company.

G. Methven & Co. Limited*
Plumbers' and engineers' fittings and brass stampings.

Hardware Manufacturing Company Limited*
Plumbers' and engineers' fittings and brass stampings.

McKechnie Metal Products Limited*
Metal extrusions and non-ferrous ingots, copper and brass tubes.

A.W. Fraser & Sons Limited*
Continuous cast bronze bar and metal extrusions.

Operating in the USA

McKechnie Investments Inc*
Holding company.

Charter Supply Corporation (80%)*
Blow moulded plastic packaging products.

Engineered Custom Plastics Corporation (90%)*
Injection moulded plastic components.

McCourtney Plastics Inc*
Injection moulded plastic components.

Plastic Container Corporation (99·9%)*
Blow moulded plastic packaging products.

PSM Fastener Corporation*
Distribution of threaded metal inserts for plastic moulded engineering products.

Associated undertaking, Country of Operation, Share Capital and Percentage held

South Africa

Cobra Group (Proprietary) Limited*
R1,000,000/18·8%
Plumbers' and engineers' fittings.

Financial Summary 1988–1992

	1992 £000	1991* £000	1990 £000	1989 £000	1988 £000
Turnover	**285,893**	300,104	361,038	360,877	305,539
Profit on ordinary activities before taxation	**24,080**	19,928	28,090	39,145	34,039
Taxation	**7,629**	6,696	9,367	12,742	11,627
Profit before extraordinary items	**16,320**	13,293	18,474	25,933	21,527
Dividends and earnings					
Ordinary dividend excluding tax credit	**14·75p**	14·75p	14·75p	14·75p	13·25p
Earnings per share (net basis)	**20·7p**	17·0p	23·8p	33·6p	30·0p
Retained profit	**3,952**	6,875	8,011	15,554	21,484
Total assets less current liabilities were financed by:					
Share capital	**20,121**	19,916	19,700	19,559	18,376
Reserves	**98,346**	99,037	101,995	102,335	87,970
Shareholders' funds	**118,467**	118,953	121,695	121,894	106,346
Outside shareholders' interests	**239**	1,723	1,705	1,686	6,061
Creditors: amounts falling due after more than one year:					
Bank loans and borrowings	**10,141**	16,415	6,795	7,391	2,899
Obligations under finance leases	**203**	368	482	606	664
Government grants	**69**	103	452	607	472
Corporation tax	**—**	14	10	838	3,910
Provisions for liabilities and charges	**1,973**	3,472	3,138	437	689
	131,092	141,048	134,277	133,459	121,041
Return on assets					
Profit before taxation to shareholders' funds and outside shareholders' interests	**20%**	17%	23%	32%	30%

*Restated per note 1(f).

The financial review section of this report has been printed on environmentally friendly paper.

NOTICE OF ILLEGIBLE DOCUMENT

ON THE MICROFICHE RECORD

Companies House regrets that the microfiche record for this company, contain some documents, which are illegible.

The poor quality has been noted, but unfortunately steps taken to improve them were unsuccessful.

Companies House would like to apologise for any inconvenience this may cause