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Canusa Systems Limited

Report and Accounts

31 December 2007

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COMPANIES HOUSE

Canusa Systems Limited

Registered No 00792437

Directors

W P Buckley
G S Love

Secretary

H McColl

Auditors

Ernst & Young LLP
Broadwalk House
Southernhay West
Exeter
Devon
EX1 1LF

Bankers

HSBC Bank plc
4 Old Town Street
Plymouth

Solicitors

Theodore Goodard & Co
16 St Martins le Grand
London
EC1A

Wolferstans Rundle McDonald
Deptford Chambers
60/64 North Hill
Plymouth
Devon
PL4 8EP

Registered Office

Bergstrand House
Parkwood Close
Broadley Industrial Park
Roborough
Plymouth
PL6 7EZ

Directors' report

The directors present their report and accounts for the year ended 31 December 2007

Results and dividends

The company's profit for the year, after taxation, amounted to £1,409,266 (2006 - £330,881). A dividend of £1,000,000 was paid in the year (2006 - £Nil)

Principal activity and review of the business

The company's principal activity during the year was the distribution of heat shrinkable sleeves, adhesives, sealants and liquid coatings for onshore and offshore pipeline protection and sealing systems for the oil and gas and water markets

Turnover for the year was £21.6m increasing 5.7% over 2006 due to the increasing investments by major oil and gas companies. Pre-tax profits were 9.3% for 2007 increasing from 2.3% in 2006. This increase in profits is primarily due to foreign exchange gains of £1.1m recorded in 2007 compared to foreign exchange losses of £0.7m in 2006.

Principal risks and uncertainties

- Political Risks

Due to the nature of our business and the regions that our projects are located, we participate in high risk countries that are in or are at risk of political unrest. This high risk requires us to take certain precautions and assessments of risk in the determination of business exposures.

- Foreign Exchange Risks

As a UK company, the majority of our contracts are negotiated in USD or EUR and hence the company is exposed to exchange fluctuations in the billing and collection of our turnover.

- Exposure to Price and Credit Risk

Due to the highly competitive nature of our business, the company is under regional price pressures in order to secure projects. Further, due to many of our customers being contractors or sub-contractors, the company is often required to extend payment terms to secure projects, including the issuance of Performance Bonds.

Fixed assets

The changes in tangible fixed assets during the year are summarised in note 7 to the accounts.

Directors

The directors during the year were as follows.

W P Buckley
G S Love

Directors' report

Directors' statement as to disclosure of information to auditors

The directors who are members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- each director has taken steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

By order of the Board



H McColl

8th October 2008

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Canusa Systems Limited

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report

to the members of Canusa Systems Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company affairs as at 31 December 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP
Registered Auditor
Exeter

14.10.2008

Profit and loss account

for the year ended 31 December 2007

	Notes	2007 £	2006 £
Turnover – continuing operations	2	21,559,565	20,390,101
Cost of sales		16,165,381	14,813,119
Gross profit		<u>5,394,184</u>	<u>5,576,982</u>
Distribution costs		519,859	551,316
Administrative expenses		2,868,605	4,624,991
Operating profit – continuing operations	3	<u>2,005,720</u>	<u>400,675</u>
Bank interest receivable		20,250	75,248
Profit on ordinary activities before taxation		<u>2,025,970</u>	<u>475,923</u>
Tax on profit on ordinary activities	4	616,704	145,042
Profit on ordinary activities after taxation	13	<u><u>1,409,266</u></u>	<u><u>330,881</u></u>

Statement of total recognised gains and losses

for the year ended 31 December 2007

There are no recognised gains or losses other than the profit for the year of £1,409,266 (2007 - £330,881)

Balance sheet

at 31 December 2007

	Notes	2007 £	2006 £
Fixed assets			
Tangible assets	7	341,585	411,190
Current assets			
Stocks	8	2,209,230	1,743,109
Debtors	9	4,838,991	6,051,586
Cash at bank and in hand		1,671,821	-
		8,720,042	7,794,695
Creditors: amounts falling due within one year	10	4,179,751	3,720,179
Net current assets		4,540,291	4,074,516
Total assets less current liabilities		4,881,876	4,485,706
Provisions for liabilities	11	-	13,096
Total assets less liabilities		4,881,876	4,472,610
Capital and reserves			
Called up share capital	12	3,516,170	3,516,170
Profit and loss account	13	1,365,706	956,440
Shareholders' funds		4,881,876	4,472,610

Approved by the Board on 8 October 2008


G.S. Love
Director

Notes to the accounts

at 31 December 2007

1. Accounting policies

Basis of accounting

The accounts are prepared under the historical cost convention and comply with applicable accounting standards

Cash flow statement

No cash flow statement has been prepared as the company is a wholly owned subsidiary of ShawCor Ltd and has relied on the exemption provided by Financial Reporting Standard 1 (revised)

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows

Leasehold improvements	-	over the lease term of 15 years
Motor vehicles	-	over 8 years
Plant and machinery	-	over 2 to 10 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value as follows

Finished goods	-	attributable overheads based on a normal level of activity
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Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- Deferred tax assets are recognised only to the extent that the directors consider it more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Notes to the accounts

at 31 December 2007

1. Accounting policies (continued)

Foreign currencies

Normal trading transactions denominated in foreign currencies are recorded in sterling at actual rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date except in the case of third party transactions covered forward where rates fixed in the contracts are used. All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

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

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

2. Turnover

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

The directors consider that turnover and the pre-tax profit is attributable to one activity, the distribution of heat shrinkable tubing, pipe coating and sealing systems.

Analysis of turnover by geographical market is given below:

	2007 £	2006 £
Africa	176,269	133,514
America	88,250	2,341
Asia	3,570,930	6,800,797
Europe	17,724,116	13,453,449
	<u>21,559,565</u>	<u>20,390,101</u>

Notes to the accounts

at 31 December 2007

3. Operating profit

This is stated after charging

	2007	2006
	£	£
Auditors' remuneration - for audit services	14,925	12,500
- for non audit services	-	2,850
Depreciation of owned fixed assets	111,456	69,279
Operating lease rentals - plant and machinery	16,512	48,880
- land and buildings	200,310	185,607
(Gain)/loss on foreign exchange	(1,050,221)	749,180
Directors' remuneration		
Other emoluments (including pension contributions)	-	-

The directors of the company are also directors of the parent company and fellow subsidiaries. Their remuneration was paid by the parent company.

The directors do not believe that it is practicable to apportion their remuneration between their services as directors of the company and their services as directors of the parent and fellow subsidiary companies.

4. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2007	2006
	£	£
<i>Current tax</i>		
UK corporation tax	610,022	127,023
Adjustments in respect of previous years	23,682	4,923
Total current tax (note 4(b))	633,704	131,946
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 4(c))	(17,000)	13,096
Total tax charge	616,704	145,042

Notes to the accounts

at 31 December 2007

4. Tax on profit on ordinary activities (continued)

(b) Factors affecting tax charge for the year

The tax assessed on the profit on ordinary activities for the year is higher (2006 - lower) than the standard rate of corporation tax in the UK of 30% (2006 - 30%) The differences are reconciled below

	2007	2006
	£	£
Profit on ordinary activities before tax	2,025,970	475,923
Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 30% (2006 - 30%)	607,791	142,777
Disallowed expenses and non-taxable income	4,168	3,811
Depreciation in excess of capital allowances	(1,937)	(15,342)
Other timing differences	-	(4,222)
Adjustments in respect of previous years	23,682	4,922
Total current tax (note 4(a))	633,704	131,946

(c) Deferred tax:

The deferred tax included in the balance sheet is as follows

	2007	2006
	£	£
Included in provisions for liabilities (note 11)	-	(13,096)
Included in debtors (note 9)	3,904	-
Accelerated capital allowances	3,663	(17,022)
Other timing differences	241	3,926
	3,904	(13,096)
		£
At 1 January 2007		(13,096)
Deferred tax credit in profit and loss account (note 4(a))		17,000
At 31 December 2007		3,904

(d) Factors that may affect future tax charges:

The rate of corporation tax is to reduce to 28% from 1 April 2008

Notes to the accounts

at 31 December 2007

5. Staff costs

	2007 £	2006 £
Wages and salaries	935,411	876,262
Social security costs	44,392	38,051
Other pension costs	7,711	6,923
	<u>987,514</u>	<u>921,236</u>

The average weekly number of employees during the year was made up as follows

	2007 No	2006 No
Office and management	<u>17</u>	<u>16</u>

6. Dividends

	2007 £	2006 £
<i>Declared and paid during the year</i>		
Equity dividends on ordinary shares		
Final dividend for 2006 £4 97	<u>1,000,000</u>	<u>-</u>

7. Tangible fixed assets

	<i>Leasehold improvements</i> £	<i>Motor vehicles</i> £	<i>Plant and machinery</i> £	<i>Total</i> £
Cost				
At 1 January 2007	22,929	8,550	622,461	653,940
Additions	-	-	61,847	61,847
Disposals	-	-	(19,996)	(19,996)
At 31 December 2007	<u>22,929</u>	<u>8,550</u>	<u>664,312</u>	<u>695,791</u>
Depreciation				
At 1 January 2007	3,036	3,207	236,507	242,750
Provided during the year	1,677	1,069	108,710	111,456
At 31 December 2007	<u>4,713</u>	<u>4,276</u>	<u>345,217</u>	<u>354,206</u>
Net book value				
At 31 December 2007	<u>18,216</u>	<u>4,274</u>	<u>319,095</u>	<u>341,585</u>
At 1 January 2007	<u>19,893</u>	<u>5,343</u>	<u>385,954</u>	<u>411,190</u>

Notes to the accounts

at 31 December 2007

8. Stocks

	2007	2006
	£	£
Finished goods and goods for resale	2,209,230	1,743,109

The difference between purchase price or production cost of stock and their replacement cost is not material

9. Debtors

	2007	2006
	£	£
Trade debtors	4,240,455	5,664,700
Other debtors and prepayments	580,900	386,886
Amounts owed by group companies	13,732	-
Deferred tax (note 4(c))	3,904	-
	<u>4,838,991</u>	<u>6,051,586</u>

10. Creditors: amounts falling due within one year

	2007	2006
	£	£
Bank overdraft	-	1,413,268
Trade creditors	306,118	282,519
Corporation tax	610,022	127,023
Other taxes and social security costs	8,551	9,250
Accruals	1,092,342	838,781
Amounts owed to fellow subsidiary undertakings	2,162,718	1,049,338
	<u>4,179,751</u>	<u>3,720,179</u>

11. Provisions for liabilities

	Deferred tax
	£
At 1 January 2007	13,096
Credited during the year (note 4(c))	(17,000)
Transfer to debtors (note 9)	3,904
At 31 December 2007	<u>-</u>

Notes to the accounts

at 31 December 2007

12. Share capital

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	248,915	248,915	201,085	201,085
Deferred shares of £1 each	4,751,085	4,751,085	3,315,085	3,315,085
	<u>5,000,000</u>	<u>5,000,000</u>	<u>3,516,170</u>	<u>3,516,170</u>

Both the ordinary shares and deferred shares have no rights to dividends (except at the discretion of the directors) and have no rights of redemption.

In the event of a return of assets on liquidation or otherwise, the deferred shares shall only qualify for repayment of the paid up value of deferred shares after the company's liabilities have been paid and the ordinary shareholders have received £100 per share. Apart from £100 per share, the ordinary shareholders also qualify for any remaining assets. The ordinary shares and deferred shares each receive one vote on a show of hands in general meeting, however, the deferred shares receive only one vote per share in a poll whereas the ordinary shares receive 100 votes per share.

13. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>
1 January 2006	3,516,170	625,559	4,141,729
Profit for the year	-	330,881	330,881
31 December 2006	<u>3,516,170</u>	<u>956,440</u>	<u>4,472,610</u>
Profit for the year	-	1,409,266	1,409,266
Dividends paid	-	(1,000,000)	(1,000,000)
31 December 2007	<u>3,516,170</u>	<u>1,365,706</u>	<u>4,881,876</u>

14. Capital commitments

Capital commitments contracted for amounted to £Nil (2006 - £Nil)

15. Pension commitments

Since 1 January 1994 the employees of the company have been members of the ShawCor Limited group pension scheme. This replaced the previous company pension scheme. The scheme is a defined contribution scheme and is fully insured. During the period contributions payable amounted to £7,711 (2006 - £6,923). The amount owed by the company to the scheme at the year end was £859 (2006 - £932).

Notes to the accounts

at 31 December 2007

16. Contingent liability

The company is subject to an unlimited inter company composite guarantee to secure all the liabilities of fellow subsidiaries in the ShawCor Limited group

17. Other financial commitments

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as set out below

	<i>Land and buildings</i>	
	<i>2007</i>	<i>2006</i>
	<i>£</i>	<i>£</i>
Operating leases which expire.		
In over five years	93,751	93,120

18. Related party transactions

The company has relied on the exemption provided by the Financial Reporting Standard No 8 and therefore has not disclosed related party transactions with other group companies

19. Ultimate holding company

The company is a wholly owned subsidiary undertaking of ShawCor Limited registered in England.

The parent undertaking of the smallest and largest group of undertakings for which group accounts are drawn up and of which the company is a member is ShawCor Ltd incorporated in Toronto, Canada. Copies of the accounts can be obtained from its registered office at 25 Bethridge Road, Rexdale, Ontario, Canada