

W. Canning Materials Limited

Directors' report and financial statements

31 December 1992

Registered number 1290882



W. Canning Materials Limited

Directors' report and financial statements

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W. Canning Materials Limited

Directors' report

The directors present their annual report and the audited accounts for the year ended 31 December 1992.

Principal activities

The principal activity of the company continues to be the supply of chemicals and materials for use in electroplating and surface finishing processes. During the year the company sold its polishing business.

Business review

The company significantly improved its financial performance in 1992 by a review of its overhead structure.

The results for the year are as follows:

	1992 £	1991 £
Turnover	<u>21,075,567</u>	<u>22,152,943</u>
Profit on ordinary activities before taxation	2,610,681	2,159,442
Taxation on profit on ordinary activities	<u>(817,106)</u>	<u>(762,185)</u>
Profit on ordinary activities after taxation	1,793,575	1,397,257
Extraordinary items	<u>639,198</u>	<u>(180,000)</u>
Profit for the financial year	<u>2,432,773</u>	<u>1,217,257</u>

After dividends, a deficit for the financial year of £2,874,227 is to be carried to reserves (1991: profit £523,257).

Proposed dividend

The directors recommend payment of a final dividend of £1,182,000 (1991: £347,000) making a total of £5,307,000 (1991: £694,000).

Fixed assets

Changes in fixed assets are shown in note 9 to the accounts.

In the opinion of the directors, the market value of the company's freehold and leasehold property is not significantly different from the value at which they are included in the accounts.

W. Canning Materials Limited

Directors' report *(continued)*

Charitable donations

The company made charitable donations of £641 during the year.

Directors

The directors who served during the year were:

GJ Green	Chairman
BF Johnson	
J Allwood	
RW Gardner	(resigned 1 January 1993)
A Dudley	
SJ Wake	
GT Sharpe	(appointed 1 January 1992, resigned 4 December 1992)
RWG Sigston	(appointed 1 April 1992, resigned 13 November 1992)
P Hannam	(appointed 1 January 1993)

Directors' interests in shares

No director had any interest in the shares of the company as it is a wholly-owned subsidiary of W. Canning plc. Directors' interests in the shares of group companies were as follows:

	W Canning plc ordinary 25p shares	
	31 December 1992	31 December 1991
		or date of appointment
BF Johnson	5,160	5,160
J Allwood	11,252	456
SJ Wake	1,000	1,000

Mr GJ Green is a director of the ultimate parent company and is therefore not required to notify his interest to this company.

The other directors had no such interests.

Employees

The company recognises the benefits of keeping employees informed of the progress of the business and of involving them in the company's performance. During the year employees were regularly provided with information regarding the financial and economic factors affecting the performance of the company and on other matters of concern to them as employees, through the medium of regular employee reports.

W. Canning Materials Limited

Directors' report *(continued)*

Employees *(continued)*

The company is fully aware of its statutory and social obligations towards the disabled and every consideration is given to them during recruitment and career development. Employees who become disabled are retained where possible, either in their own or more suitable jobs.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution concerning the re-appointment of KPMG Peat Marwick as auditors will be proposed at the forthcoming annual general meeting.

By order of the board


A Dudley
Secretary

PO Box 288
Great Hampton Street
BIRMINGHAM
B18 6AS

25 March 1993

Peat House
2 Cornwall Street
Birmingham
B3 2DL

Report of the auditors to the members of W. Canning Materials Limited

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

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1992 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick

25 March 1993

*Chartered Accountants
Registered Auditors*

W. Canning Materials Limited

Profit and loss account

for the year ended 31 December 1992

	Note	1992 £	1991 £
Turnover	2	21,075,567	22,152,943
Change in stocks of finished goods and work in progress		(64,003)	(47,678)
Other operating income - royalties		136,745	159,877
Raw materials and consumables		(10,305,008)	(11,319,517)
Other external charges		(830,824)	(951,288)
Staff costs	5	(4,261,218)	(4,521,442)
Depreciation		(481,393)	(470,656)
Other operating charges		(2,887,355)	(2,995,951)
Group interest receivable		244,024	153,154
Interest payable		(15,854)	-
Profit on ordinary activities before taxation	3	2,610,681	2,159,442
Taxation on profit on ordinary activities	6	(817,106)	(762,185)
Profit on ordinary activities after taxation		1,793,575	1,397,257
Extraordinary items	7	639,198	(180,000)
Profit for the financial year		2,432,773	1,217,257
Dividends	8	(5,307,000)	(694,000)
Retained (deficit)/profit for the financial year	16	(2,874,227)	523,257

A statement of movements on reserves is given in note 16.

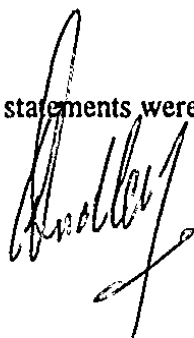
W. Canning Materials Limited

Balance sheet at 31 December 1992

	Note	£	1992 £	£	1991 £
Fixed assets					
Tangible assets	9		4,494,904		4,610,428
Investments	10		102		102
			<u>4,495,006</u>		<u>4,610,530</u>
Current assets					
Stocks	11	1,470,378		1,780,876	
Debtors	12	5,574,080		5,469,599	
Cash at bank and in hand		1,725,725		2,994,592	
		<u>8,770,183</u>		<u>10,245,067</u>	
Creditors: Amounts falling due within one year	13	(6,788,763)		(6,059,210)	
			<u>1,981,420</u>		<u>4,185,857</u>
Net current assets					
			<u>6,476,426</u>		<u>8,796,387</u>
Total assets less current liabilities					
Provision for liabilities and charges	14		(180,000)		(125,734)
			<u>6,296,426</u>		<u>8,670,653</u>
Net assets					
Capital and reserves					
Called up share capital	15		3,000,000		250,000
Share premium account	16		1,135,640		3,385,640
Revaluation reserve	16		1,564,471		1,564,471
Profit and loss account	16		596,315		3,470,542
			<u>6,296,426</u>		<u>8,670,653</u>

These financial statements were approved by the board of directors on 25 March 1993 and were signed on its behalf by:

A Dudley
Director



W. Canning Materials Limited

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

The accounts have been prepared under alternative accounting rules set out in the 4th Schedule to the Companies Act 1985, being prepared under the historical cost convention adjusted by the revaluation of the company's land and buildings and in accordance with applicable Accounting Standards.

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

Depreciation

No depreciation is provided on freehold land.

For all other assets, depreciation is provided by equal annual instalments to write off the purchase cost or valuation over the term of the expected useful life of the asset concerned. The useful life assumed for plant and fixtures varies between five and fourteen years and for motor vehicles is four to five years. The useful lives assumed for freehold buildings are based on independent professional advice and varies between twenty and fifty years and leasehold property is amortised over the period of the lease.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost comprises materials, labour and appropriate overhead expenses. Specific provisions are made as necessary for slow-moving and obsolete stock.

Taxation

The taxation charge is based on the profit for the year and includes deferred taxation provided under the liability method on material timing differences where there is a reasonable probability that taxation will become payable in the foreseeable future.

Pensions

Funds held in pension schemes are administered by trustees and are independent of the company's finances. The company's contributions are in accordance with recommendations of independent actuaries and are charged against profits on a consistent basis over the period during which employees work with the company.

Operating leases

Operating lease rentals are charged against profits as incurred.

W. Canning Materials Limited

Notes (continued)

1 Accounting policies (continued)

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transactions. Balances denominated in foreign currencies are translated into sterling at the rate ruling at the balance sheet date. Exchange gains or losses are included in trading profit.

Goodwill

Goodwill arising from the acquisition of businesses has been written off against reserves.

Research

All research expenditure is written off as incurred except for expenditure on tangible fixed assets.

2 Turnover

Turnover represents the invoiced value of sales, excluding value added tax, less returns.

Turnover arises entirely from the principal activity of the company which is the supply of chemicals and materials for use in electroplating and surface finishing processes.

The company has no direct export sales.

3 Profit on ordinary activities before taxation

All the profit before taxation of the company was earned in the principal activity of the supply of chemicals and materials for use in electroplating and surface finishing processes.

Profit before taxation is stated after charging the following:

	1992 £	1991 £
Auditors' remuneration:		
Audit	15,200	14,700
Other services	9,137	12,925
Directors' emoluments (note 4) (including pension contributions of £16,639 (1991: £13,120))	373,653	317,622
Operating lease rentals:		
Plant and machinery	308,280	404,171
Property	31,000	41,000
Research and development expenditure	665,856	602,644
Redundancy costs	162,682	256,446

W. Canning Materials Limited

Notes (continued)

4 Emoluments of directors

Excluding pension contributions, the emoluments of the chairman and highest paid director were £73,632 (1991: £65,207). The emoluments of the directors (excluding pension contributions) were within the following ranges:

	1992 Number	1991 Number
£0 - £5,000	-	1
£10,001 - £15,000	-	1
£15,001 - £20,000	-	1
£20,001 - £25,000	1	-
£35,001 - £40,000	-	2
£40,001 - £45,000	5	2
£45,001 - £50,000	1	1
£65,001 - £70,000	-	1
£70,001 - £75,000	1	-

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows:

	1992 Number	1991 Number
Sales and marketing	66	75
Administration	48	60
Production	91	107
Warehousing	32	44
	<hr/> 237	<hr/> 286

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	3,813,077	4,128,847
Social security costs	308,027	326,200
Other pension costs	140,114	66,395
	<hr/> 4,261,218	<hr/> 4,521,442

W. Canning Materials Limited

Notes (continued)

6 Taxation on profit on ordinary activities

	1992 £	1991 £
Taxation based on the profit for the year:		
Corporation tax at 33 % (1991: 33.25 %)	977,059	811,410
Prior years' over provisions	(26,760)	-
Deferred tax (note 14)	(133,193)	(49,225)
	<u>817,106</u>	<u>762,185</u>

7 Extraordinary items

	1992 £	1991 £
Profit on sale of the Polishing Division	639,198	-
Provision against investments	-	(50,096)
Provision for guarantees, legal and closure costs in respect of overseas operations	-	(174,563)
	<u>639,198</u>	<u>(224,659)</u>
Extraordinary profit/(loss)	639,198	(224,659)
Tax on extraordinary profit/(loss)	-	44,659
	<u>639,198</u>	<u>(180,000)</u>

8 Dividends

	1992 £	1991 £
Interim dividend paid	382,000	347,000
Second interim dividend paid	3,743,000	-
Final dividend proposed	1,182,000	347,000
	<u>5,307,000</u>	<u>694,000</u>

W. Canning Materials Limited

Notes (continued)

9 Tangible fixed assets

	Land and buildings Freehold properties £	Leasehold properties £	Plant and equipment £	Motor vehicles £	Total £
<i>Cost or valuation</i>					
At 1 January 1992	3,618,629	94,859	3,490,169	494,564	7,698,221
Capital expenditure	-	-	295,543	196,045	491,588
Disposals	-	-	(679,402)	(179,497)	(858,899)
	<u>3,618,629</u>	<u>94,859</u>	<u>3,106,310</u>	<u>511,112</u>	<u>7,330,910</u>
At 31 December 1992					
	<u>3,618,629</u>	<u>94,859</u>	<u>3,106,310</u>	<u>511,112</u>	<u>7,330,910</u>
<i>Depreciation</i>					
At 1 January 1992	208,941	14,594	2,595,995	268,263	3,087,793
Charge for the year	106,445	7,295	244,157	123,496	481,393
On disposals	-	-	(601,430)	(131,750)	(733,180)
	<u>315,386</u>	<u>21,889</u>	<u>2,238,722</u>	<u>260,009</u>	<u>2,836,006</u>
At 31 December 1992					
	<u>315,386</u>	<u>21,889</u>	<u>2,238,722</u>	<u>260,009</u>	<u>2,836,006</u>
<i>Net book value</i>					
At 31 December 1992	<u>3,303,243</u>	<u>72,970</u>	<u>867,588</u>	<u>251,103</u>	<u>4,494,904</u>
At 31 December 1991	<u>3,409,688</u>	<u>80,265</u>	<u>894,174</u>	<u>226,301</u>	<u>4,610,428</u>

All leasehold properties are held on short leases (less than fifty years).

Freehold properties includes land amounting to £1,161,754 at valuation (1991: £1,161,754 at valuation) which is not depreciated.

All the properties were revalued on 31 December 1989 on the basis of open market value for existing use by a member of the Royal Institute of Chartered Surveyors.

W. Canning Materials Limited

Notes (continued)

9 Tangible fixed assets (continued)

On the historic cost basis, the net book value of land and buildings would be as follows:

	1992 £	1991 £
Cost:		
Freehold land and buildings	2,577,954	2,577,954
Leasehold properties	94,859	94,859
Accumulated depreciation brought forward	(756,191)	(663,760)
Depreciation charge for the year	(92,429)	(92,431)
	<hr/>	<hr/>
Net book value	1,824,193	1,916,622
	<hr/>	<hr/>

10 Investments

	Shares in participating interest £	Shares in group companies £	Total £
Cost			
At 1 January 1992 and 31 December 1992	112,096	102	112,198
	<hr/>	<hr/>	<hr/>
Provision against investments			
At 1 January 1992 and 31 December 1992	112,096	-	112,096
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 1992 and at 31 December 1991	-	102	102
	<hr/>	<hr/>	<hr/>

The company owns the whole of the issued share capital of Osro-Canning Limited and of W. Canning Materials Exports Limited, both of which are incorporated in England. Osro-Canning is a dormant company. The shares in participating interest represent the cost of the company's investment in 50% of the issued share capital of Canning Ronal Limited (less amounts written off to reflect the value of the investment), which held 90% of the issued share capital of Canning Ronal Pty Limited, which operated in Australia.

W. Canning Materials Limited

Notes (continued)

10 Investments (continued)

In the opinion of the directors, the value of the company's investment in the above companies is not less than the amount at which they are included in the balance sheet.

Group accounts are not submitted as this company is a wholly-owned subsidiary of another company and, therefore, exempt under Section 229(2) of the Companies Act 1985.

11 Stocks and work in progress

	1992 £	1991 £
Raw materials and consumables	890,923	1,137,418
Work in progress	-	68,330
Finished goods and goods for resale	579,455	575,128
	<u>1,470,378</u>	<u>1,780,876</u>

12 Debtors

	1992 £	1991 £
Trade debtors	2,976,548	3,309,824
Amounts owed by parent company	19,287	-
Amounts owed by subsidiary undertakings	2,004,746	1,611,983
Prepayments and accrued income	240,755	180,446
Other debtors	222,360	7,223
Taxation recoverable	101,121	360,123
ACT recoverable	1,804	-
Deferred tax asset (note 14)	7,459	-
	<u>5,574,080</u>	<u>5,469,599</u>

W. Canning Materials Limited

Notes (continued)

13 Creditors: Amounts falling due within one year

	1992 £	1991 £
Trade creditors	3,650,785	3,639,454
Amounts owed to group companies:		
Parent company	877,947	916,160
Fellow subsidiary undertakings	-	4,757
Taxation and social security	558,787	616,563
Accruals and deferred income	126,261	134,522
Proposed dividend	1,182,000	347,000
Other creditors	392,983	400,754
	<u>6,788,763</u>	<u>6,059,210</u>
Taxation and social security comprises:		
Corporation tax	76,433	163,672
Other taxes and social security	482,354	452,891
	<u>558,787</u>	<u>616,563</u>

14 Provision for liabilities and charges

	Other £	Deferred taxation £
At 1 January 1992	-	125,734
Movement for the year	180,000	(133,193)
	<u>180,000</u>	<u>(7,459)</u>
At 31 December 1992	180,000	(7,459)

Deferred taxation is shown in note 12.

W. Canning Materials Limited

Notes (continued)

14 Provisions for liabilities and charges (continued)

The provision has been calculated at 33% (1991: 33%). The major components are:

	Amount provided		Amount not provided	
	1992	1991	1992	1991
	£	£	£	£
Accelerated capital allowances	103,735	142,975	455,752	442,345
Other timing differences	(111,194)	(17,241)	-	-
	<u>(7,459)</u>	<u>125,734</u>	<u>455,752</u>	<u>442,345</u>

The properties which have been revalued are occupied for the purposes of the company's trade and, consequently, any gains arising in the U.K. on disposals are normally eligible for rollover relief. No provision in respect of potential taxation on capital gains has, therefore, been made.

15 Called up share capital

	1992	1991
	£	£
<i>Authorised, allotted, called up and fully paid:</i>		
3,000,000 (1991: 250,000) ordinary shares of £1 each	<u>3,000,000</u>	<u>250,000</u>

In order to increase the capital base of the company, on 31 December the authorised share capital was increased to 3,000,000 ordinary shares of £1 each and 2,750,000 ordinary shares of £1 each were issued. Of these, 2,250,000 shares were issued by way of capitalisation of reserves and 500,000 for a cash consideration of £500,000.

16 Reserves

	Share premium account	Revaluation reserve	Profit and loss account
	£	£	£
At 1 January 1992	3,385,640	1,564,471	3,470,542
Loss retained	-	-	(2,874,227)
Issue of shares	<u>(2,250,000)</u>	<u>-</u>	<u>-</u>
At 31 December 1992	<u>1,135,640</u>	<u>1,564,471</u>	<u>596,315</u>

W. Canning Materials Limited

Notes (continued)

17 Commitments

Capital commitments at 31 December 1992 and 1991, for which no provision has been made in these accounts, were as follows:

	1992 £	1991 £
Contracted	1,295	230,425
Authorised but not contracted	<u>2,605</u>	<u>-</u>

18 Lease commitments

Commitments for the next year under non-cancellable operating leases are as follows:

	Land and buildings £	1992 Other leases £	Land and buildings £	1991 Other leases £
Leases terminating:				
Within one year	-	7,640	-	3,834
Between two and five years	-	228,639	-	98,912
After five years	<u>31,000</u>	<u>-</u>	<u>31,000</u>	<u>299</u>

19 Contingent liabilities

The company is party to group banking arrangements and is jointly and severally liable with certain other group companies in respect of their bank loans and overdrafts. The amount of these borrowings at 31 December 1992, amounted to £1,376,980 (1991: £Nil).

20 Pension schemes

The employees of the company participate in The Canning Group Retirement and Death Benefit Scheme. The details of this defined benefit scheme may be found in the financial statements of W. Canning plc.

A number of employees participate in personal pension plans to which the company makes a contribution.

The pension scheme cost charged to the profit and loss account and shown in note 5 is calculated to spread the cost of pensions over the working lives of the employees who are members of the scheme.

Included in other creditors is an amount of £176,521 (1991: £93,670) provided under the provisions of SSAP 24.

21 Ultimate parent company

The ultimate parent company is W. Canning plc, which is registered in England and Wales. Copies of the group accounts are available to the public from the following address: Canning House, St Paul's Square, Birmingham, B3 1QR.