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MBS DISTRIBUTION LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1990**

The directors present their report together with the audited accounts for the year ended 31 December 1990.

Principal activities

- 1 The principal activity of the company is the importation and distribution of industrial fastenings.

Review of the business and future developments

- 2 In the face of difficult trading conditions the Company again reported a loss for the year. The Company has continued to improve its operating efficiency and is well placed to take advantage of increases in demand. The reorganisation of the company resulted in an exceptional cost of £425,814. The financial position at the year end was satisfactory.

The company will continue to seek opportunities to expand its range of products and services in areas related to both its existing activity and markets as well as new ones.

Dividend

- 3 The Directors do not recommend the payment of a dividend (1989: £Nil)

Movements in fixed assets

- 4 The movements in fixed assets during the period are set out in note 10 to the accounts. In the opinion of the directors, the Company's interest in leasehold land and buildings had a market value at 31 December 1990 which did not differ substantially from the aggregate book value.

Directors

- 5 The directors who served during the year were as follows:

S B Parkin	(resigned 30 November 1990)
R Littlejohns	(resigned 22 May 1990)
S M Auld	(resigned 28 February 1990)
A J Cameron	(resigned 30 November 1990)
J M Gee	(resigned 27 April 1990)
P J Henwood	
A W Thompson	
F M Thorpe	(appointed 27 February 1990)
J R D Willans	(appointed 3 December 1990)
R L Bruce	(appointed 3 December 1990)
S A Smith	(appointed 3 December 1990)

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MBS DISTRIBUTION LIMITED

Report of the directors
for the year ended 31 December 1990

Directors interests

6 The company is not required to disclose details of the interests of Messrs. S B Parkin, A J Cameron, J M Gee and J R D Willans in shares, loan stock or debentures of the RTZ Corporation PLC (RTZ) or any of its subsidiaries as they are directors of a company of which the company is a wholly-owned subsidiary.

	RTZ ordinary shares of 10p each		
	31.12.90	22.5.90	31.12.89
R Littlejohns	-	2,257	2,257
R L Bruce	983	-	-
S A Smith	751	-	-

	RTZ options on ordinary shares of 10p each	
	1.1.90	31.12.90
P J Henwood	-	1,911
A W Thompson	3,072	3,072
R L Bruce	-	3,322
S A Smith	-	217

The remaining directors had no such interests at either the beginning or end of the year.

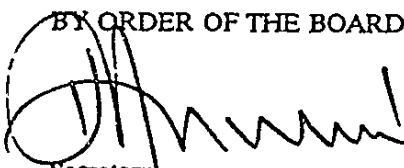
Share issue

7 During the year the company issued a further 4,000,000 shares each with a nominal value of 25p. The consideration received was £1,000,000 which was offset against the intercompany loan account.

Auditors

8 A resolution to re-appoint Coopers & Lybrand Deloitte will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD


Secretary
18 February 1991

**Report of the auditors to the members of
MBS DISTRIBUTION LIMITED**

We have audited the accounts set out on pages 4 to 14 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1990 and of its loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Birmingham
18 February 1991

MBS DISTRIBUTION LIMITED

Profit and loss account
for the year ended 31 December 1990

	Notes	1990 £'000	1989 £'000
Turnover	2	12,265	14,449
Cost of sales	3	(13,055)	(14,121)
Operating (loss)/profit	4	(790)	328
Management charge		(133)	(368)
Net operating loss		(923)	(40)
Interest	7	(484)	(263)
Loss on ordinary activities before taxation		(1,407)	(303)
Taxation on loss on ordinary activities	8	441	120
Loss on ordinary activities after taxation		(966)	(183)

The statement of reserves is given in note 17.

The notes on pages 7 to 14 form part of the accounts.

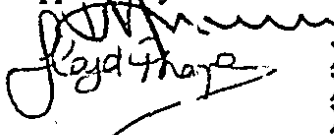
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MBS DISTRIBUTION LIMITED

Balance sheet - 31 December 1990

	Notes	1990 £'000	1989 £'000
FIXED ASSETS			
Intangible assets	9	79	93
Tangible assets	10	800	850
		<u>879</u>	<u>943</u>
CURRENT ASSETS			
Stocks	11	2,775	4,028
Debtors	12a	2,345	3,209
Amounts owed by group companies	12b	6	12
Taxation recoverable		432	130
Cash at bank and in hand		3	8
		<u>5,561</u>	<u>7,387</u>
CURRENT LIABILITIES			
Amounts falling due within one year:			
Creditors	13a	1,858	2,471
Amounts owed to group companies	13b	2,235	3,520
Short-term borrowing	14	1,084	1,101
		<u>5,177</u>	<u>7,092</u>
NET CURRENT ASSETS			
		<u>384</u>	<u>295</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>1,263</u>	<u>1,238</u>
LONG TERM LIABILITIES:			
Provisions for liabilities and charges:-			
Deferred taxation	15	-	9
		<u>1,263</u>	<u>1,229</u>
CAPITAL AND RESERVES			
Called up share capital	16	1,325	325
Share premium account		413	413
Profit and loss account	17	(475)	491
		<u>1,263</u>	<u>1,229</u>

Approved by the board on 18 February 1991


 } Directors

The notes on pages 7 to 14 form part of these accounts.
Auditors' report page 3.

MBS DISTRIBUTION LIMITED

Statement of source and application of funds for the year ended 31 December 1990

	1990 £'000	1989 £'000
SOURCES		
Loss on ordinary activities before taxation	(1,407)	(303)
Depreciation	140	210
Amortisation	14	14
Share issue	1,000	-
Taxation	130	-
	<u>(123)</u>	<u>(79)</u>
APPLICATION OF FUNDS		
Stocks	(1,253)	124
Debtors	(870)	(109)
Creditors	484	768
Net working capital	<u>(1,639)</u>	<u>783</u>
Purchase less disposals of fixed assets	90	(140)
Dividends paid		114
Taxation paid		6
	<u>(1,549)</u>	<u>763</u>
Decrease (Increase) in borrowing	<u>1,426</u>	<u>(842)</u>
Made up by :		
(Increase)/decrease in :		
Net short term borrowing	17	(66)
Loans from holding company	1,414	(776)
Cash at bank	(5)	-
	<u>1,426</u>	<u>(842)</u>

MBS DISTRIBUTION LIMITED

Notes to the accounts - 31 December 1990

Principal accounting policies

1 The accounts are prepared in accordance with the historical cost convention and in accordance with applicable accounting standards.

(a) Turnover

Turnover represents the invoiced value of goods charged to the customer excluding value added tax.

(b) Goodwill

Goodwill represents the excess of the cost over the fair value of the assets acquired over their cost at date of acquisition and is written off over 10 years.

(c) Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is provided on a straight line basis by reference to their expected useful lives as follows:-

Leasehold land and buildings: over the term of the lease

Plant and equipment: over 3 to 20 years

(d) Stocks

Stocks have been valued at the lower of cost and net realisable value. Cost, which is generally arrived at on a first in first out basis, is made up of direct materials.

(e) Deferred taxation

Deferred taxation has been accounted for on all material timing differences to the extent that it is probable that a liability will crystallise.

(f) Pensions

The expected costs of pensions in respect of defined benefit pension schemes operated by the ultimate holding company in which the company participates is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes. Contributions are based on pension costs across all participating companies. Variations from the regular cost are spread over the remaining service lives of current employees in the schemes. The pension cost is assessed in accordance with the advice of qualified actuaries.

MBS DISTRIBUTION LIMITED

Notes to the accounts - 31 December 1990 continued

(g) Foreign currencies

Transactions in foreign currencies during the year are translated at the rate of exchange on the date of transaction. Assets and liabilities in foreign currencies are translated at the rate of exchange at the balance sheet date or, where appropriate, at the relevant contract rate of exchange. Differences on exchange are recognised in the profit and loss account.

Turnover

- 2 The company's turnover and profit before taxation related to its principal activity.

The geographical analysis of turnover is as follows:-

	1990 £'000	1989 £'000
United Kingdom	12,265	14,449
Overseas	-	-
	<u>12,265</u>	<u>14,449</u>

Net operating expenses

3(a)	1990 £'000	1989 £'000
Raw materials and consumables	7,557	9,988
Change in stocks of finished goods	1,253	(124)
Staff costs:		
Wages and salaries	1,746	1,835
Social security costs	175	176
Other pension costs	12	3
Depreciation of tangible fixed assets	140	210
Amortisation of intangible fixed assets		
- goodwill	14	14
Hire of plant and machinery - operating leases	323	114
Hire of other assets - operating leases	274	360
Auditors' remuneration	30	29
Other operating charges	1,105	1,482
Reorganisation costs	426	34
	<u>13,055</u>	<u>14,121</u>

(b) The total pension cost for the company in 1990 was £11,849. Contributions made to pension schemes in 1990 amounted to £12,810.

MBS DISTRIBUTION LIMITED

Notes to the accounts - 31 December 1990 continued

Operating loss

4 The operating loss is stated after charging the following:

	1990 £'000	1989 £'000
Depreciation of tangible fixed assets	140	210
Amortisation of intangible fixed assets	14	14
Hire of plant and equipment	323	114
Auditors' remuneration	30	29
Reorganisation costs	426	34

Directors' emoluments

5 The executive directors were employed as managers by Pillar Merchanting Limited and remunerated by that company in respect of their services to the Pillar Merchanting group as a whole. The directors receive no remuneration from the company but Pillar Merchanting Limited makes a charge to the company for management services which include an allowance in respect of the executive directors services.

An ex gratia payment of £12,500 was made to the former managing director.

Employee information

6 The average number of employees during the year was 174. (1989: 206).

Interest

	1990 £'000	1989 £'000
7		
Interest payable and similar charges:-		
Bank overdrafts wholly repayable within five years	139	107
Amounts owed to group company	350	157
	489	264
Interest receivable	(5)	(1)
	484	263

MBS DISTRIBUTION LIMITED

Notes to the accounts - 31 December 1990 continued

Taxation of loss on ordinary activities

8	1990 £'000	1989 £'000
Taxation credit/(charge) based on the taxable loss of the year:		
United Kingdom Corporation Tax at 35% (1989 - 35%)	-	-
Group relief receivable at 35%	432	130
Adjustment in respect of prior years	-	(1)
	<u>432</u>	<u>129</u>
Transfer from/(to) deferred taxation	9	(9)
	<u>441</u>	<u>120</u>

Intangible fixed assets

9	1990 £'000	1989 £'000
Goodwill		
Cost:		
At 1 January	<u>130</u>	<u>130</u>
At 31 December	<u>130</u>	<u>130</u>
Amortisation:		
At 1 January	37	23
Amortisation for the year	14	14
At 31 December	<u>51</u>	<u>37</u>
Net book value at 31 December	<u>79</u>	<u>93</u>
Net book value at 1 January	<u>93</u>	<u>107</u>

MBS DISTRIBUTION LIMITED

Notes to the accounts - 31 December 1990 continued

Tangible fixed assets

10	Long leasehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost:			
At 1 January 1990	120	976	1,096
Additions	-	120	120
Disposals	-	(80)	(80)
At 31 December 1990	120	1,016	1,136
Depreciation:			
At 1 January 1990	2	244	246
Depreciation for the period	2	138	140
Attributable to disposals	-	(50)	(50)
At 31 December 1990	4	332	336
Net book value at 31 December 1990	116	684	800
Net book value at 1 January 1990	118	732	850

Stocks

11	1990 £'000	1989 £'000
Finished goods and goods for resale	2,775	4,028

Debtors

12	1990 £'000	1989 £'000
(a) Trade debtors	2,109	3,021
Other debtors	129	78
Prepayments and accrued income	107	110
	2,345	3,209
(b) Amounts owed by holding company and fellow subsidiary	6	12

MBS DISTRIBUTION LIMITED

Notes to the accounts - 31 December 1990 continued

Creditors

13	1990 £'000	1989 £'000
(a) Trade creditors	1,475	2,126
Other creditors including social security	253	161
Accruals	130	184
	<u>1,858</u>	<u>2,471</u>

(b) Amounts owed to group companies principally represent loans from the holding company bearing interest at market rates.

Short-term borrowing

14	1990 £'000	1989 £'000
Bank overdrafts	<u>1,084</u>	<u>1,101</u>

Deferred taxation

15 The provision for deferred taxation included in the accounts together with details of the full potential liability are:-

	Provision in accounts		Full potential liability	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
In respect of accelerated capital allowances and other timing differences	-	9	-	9
	<u>-</u>	<u>9</u>	<u>-</u>	<u>9</u>
	<u>-</u>	<u>9</u>	<u>-</u>	<u>9</u>

MBS DISTRIBUTION LIMITED

Notes to the accounts - 31 December 1990 continued

Share capital

16	1990 £'000	1989 £'000
Authorised:		
Ordinary shares of 25p each	<u>1,325</u>	<u>600</u>
Allotted, called up and fully paid:		
Ordinary shares of 25p each	<u>1,325</u>	<u>325</u>

During the year the company allotted 4,000,000 ordinary shares with a nominal value of 25p. The total consideration received was £1,000,000. The purpose of the allotment was to provide additional long term finance for the company and it was satisfied by a converting non-interest bearing intercompany loan into share capital.

Reserves

17	Profit & loss account	
	1990 £'000	1989 £'000
At 1 January	491	674
Loss for the year	(966)	(183)
At 31 December	<u>(475)</u>	<u>491</u>

Contingent liabilities

18 The company is committed to make the following payments next year under operating leases analysed by year of expiry.

	Land & buildings		Plant & equipment	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
First year	-	-	60	-
Second to fifth year	-	-	-	-
from balance sheet date	-	-	226	100
Thereafter	305	262	-	190
	<u>305</u>	<u>262</u>	<u>286</u>	<u>290</u>

Pension schemes

19 The company participates in two pension schemes in the UK operated by the ultimate holding company. These schemes are of the defined benefit type. The assets of the schemes are held in separate trustee administered funds. The details from the most recent actuarial valuations which were carried out as at 31 December 1989 are disclosed in the accounts of the RIZ Corporation PLC, the ultimate holding company.

MBS DISTRIBUTION LIMITED

Notes to the accounts - 31 December 1990 continued

Ultimate holding company

20 The RTZ Corporation PLC, incorporated in Great Britain, is the Company's ultimate holding company at 31 December 1990.

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