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CATNIC COMPONENTS LIMITED  
DIRECTORS' REPORT AND  
ACCOUNTS



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CATNIC COMPONENTS LIMITED

DIRECTORS' REPORT AND ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 1985



CATNIC COMPONENTS LIMITED

Report of the directors  
for the year ended 31 December 1985

1. The directors submit their report and the audited accounts for the year ended 31 December 1985.

2. Review of activities

The profit and loss account for the year is set out on page 5.

The main activities of the company are unchanged since last year and consist of the manufacture and distribution of steel lintels and a range of other products for the building industry.

Both the development of the business during the year and its year-end financial position were satisfactory, and the directors expect that the present level of activity will be sustained and are confident that the company is in a good position to take advantage of new opportunities that may arise in the future.

On 31 July 1985 the company acquired for cash the whole of the issued share capital of Westland Engineers Limited, which then changed its name to Garador Limited. Garador is an established manufacturer and distributor of domestic garage doors.

With effect from 31 December 1985 the company acquired the whole of the assets and undertakings of Garador Limited.

3. Dividends

An interim dividend of £113,258 was paid during the year. The directors recommend a final dividend for the year of £3,148,599 payable on 4 April 1986, and that the balance of unappropriated profit be carried to reserves.

4. Fixed assets

The movements in the company's fixed assets during the year are set out in note 13 to the accounts.

5. Research and Development

The company is committed to an active policy of research and development to ensure the quality of its products and provide a firm base for the future development of the business.

## 6. Directors

The directors of the company at 31 December 1985 were:-

D.E. Davey - Chairman  
J.W. Ray - Managing Director  
P.J. Ellicott  
A.K. Findlay  
J.F. Lane  
G. Miller  
J.P.W. Morgan  
A.J. Peach  
B. Robinson

With the exception of Mr. G. Miller who was appointed a director on 4 September 1985, all of the above have been directors for the whole of the year.

## 7. Directors' interests

According to the register kept under Section 325 of the Companies Act 1985 the interests of the directors and their families in shares, loan stock or debentures of The Rio Tinto-Zinc Corporation PLC ('RTZ') or any of its subsidiaries were as follows:-

	<u>Ordinary Shares of 25p each in RTZ</u>	
	<u>31 December 1985</u>	<u>31 December 1984</u>
P.J. Ellicott	500	233
J.P.W. Morgan	233	233
A.J. Peach	291	291

The above list does not include any shareholding of Messrs. Davey and Findlay, both of whom are directors of the immediate holding company. No other directors were interested at any time during the year in the share capital of RTZ or its subsidiaries.

## Employees

### 8. Disabled persons

The company's policy is to recruit disabled persons to those vacancies they are able to fill. All necessary assistance with initial training courses is given. Once employed, disabled persons have the same career prospects as non-disabled persons.

### 9. Participation

Arrangements through communication meetings and the company's news sheet are being maintained and developed to provide employees with information which affects them and to encourage consultation on significant changes in the company's policy. Bonus and incentive schemes encourage employee involvement in improving the company's performance.

10. RTZ share option scheme

RTZ have a Savings Related Share Option Scheme by which employees of RTZ group companies, employed with over two years service in the United Kingdom, are able to acquire Ordinary Shares of 25p each in RTZ.

11. Auditors

The auditors, Coopers & Lybrand, will be proposed for re-election at the Annual General Meeting.

BY ORDER OF THE BOARD



Secretary

Pontygwindy Industrial Estate,  
Caerphilly,  
Mid Glamorgan.  
CF8 2WJ.

18 February 1986

Report of the auditors to the members of  
CATNIC COMPONENTS LIMITED

We have audited the accounts set out on pages 5 to 20 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1985 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

Cardiff, 18 February 1986

*Cooper & Lynd*  
Chartered Accountants

CATNIC COMPONENTS LIMITED

Profit and loss account  
for the year ended 31 December 1985

	<u>Notes</u>	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Turnover	2	32,759	29,394
Cost of sales		(23,760)	(21,136)
Gross profit		8,999	8,258
Net operating expenses	3	(3,549)	(3,248)
Operating profit	4	5,450	5,010
Exceptional items	7	(379)	903
Other interest receivable and similar income	8	583	381
		5,654	6,294
Interest payable and similar charges	9	(280)	(145)
Profit on ordinary activities before taxation		5,374	6,149
Tax on profit on ordinary activities	10	(600)	(1,011)
Profit on ordinary activities after taxation		4,774	5,138
Extraordinary charges	11	-	(124)
		4,774	5,014
Dividends paid and proposed	12	(3,262)	(3,401)
Retained profit for the year		1,512	1,613
		=====	=====

STATEMENT OF RETAINED PROFITS

Retained profits at 31 December 1984		3,846	1,879
Retained profit for the year		1,512	1,613
Transfer from revaluation reserve	21	150	354
Retained profits at 31 December 1985		5,508	3,846
		=====	=====

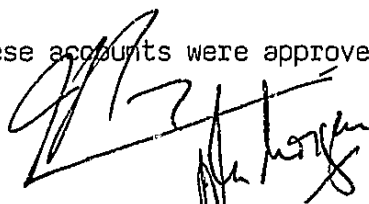
The notes on pages 8 to 20 form part of these accounts

Report of the auditors page 4

CATNIC COMPONENTS LIMITEDBalance sheet - 31 December 1985

	Notes	1985		1984	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	13		7,847		4,688
CURRENT ASSETS					
Stocks	15	3,384		3,165	
Debtors	16	12,328		9,947	
Cash at bank and in hand		66		6	
		15,778		13,118	
CREDITORS: Amounts falling due within one year	17	13,871		11,553	
NET CURRENT ASSETS			1,907		1,565
TOTAL ASSETS LESS CURRENT LIABILITIES			9,754		6,253
CREDITORS: Amounts falling due after more than one year	18	3,326		1,247	
PROVISIONS FOR LIABILITIES AND CHARGES					
Pensions and similar obligations		-		150	
Taxation, including deferred taxation	19	161		101	
			3,487		1,498
			6,267		4,755
			=====		=====
CAPITAL AND RESERVES					
Called up share capital	20		224		224
Share premium account	21		98		98
Revaluation reserve	21		437		587
Profit and loss account			5,508		3,846
			6,267		4,755
			=====		=====

These accounts were approved by the board on 5 February 1986



)  
) Directors

The notes on pages 8 to 20 form part of these accounts

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CATNIC COMPONENTS LIMITED

Statement of source and application of funds  
for the year ended 31 December 1985

	1985		1984	
	£'000	£'000	£'000	£'000
SOURCE OF FUNDS				
Profit on ordinary activities before taxation		5,374		6,149
Adjustment for items not involving the movement of funds:				
Depreciation	925		1,006	
Loss/(Profit) on sale of assets	12		(5)	
Fixed assets review adjustments	-		(84)	
Provision in relation to subsidiary company (note 14)	379		-	
	<u>379</u>	1,316	<u>-</u>	917
TOTAL FROM OPERATIONS		6,690		7,066
FUNDS FROM OTHER SOURCES:				
Regional development grants received	185		48	
Sale of fixed assets	74		116	
Lease of fixed assets	2,238		-	
	<u>2,238</u>	2,497	<u>-</u>	164
TOTAL SOURCES OF FUNDS		9,187		7,230
APPLICATION OF FUNDS				
Purchase of fixed assets		(3,681)		(1,315)
Tax paid		(737)		(1,469)
Dividend paid		(3,514)		(1,087)
Investment (note 14)		(2,588)		-
(Increase)/decrease in working capital:				
Stocks	830		(1,290)	
Debtors	(2,140)		(1,680)	
Creditors, excluding taxation, proposed dividends and overdrafts	2,419		(534)	
	<u>2,419</u>	1,109	<u>-</u>	(3,504)
TOTAL APPLICATION OF FUNDS		(9,411)		(7,375)
NET INCREASE/(DECREASE) IN FUNDS		(224)		(145)
REPRESENTED BY				
INCREASE/(DECREASE) IN:				
Net liquid funds		(383)		(196)
Other loans		159		51
		<u>(224)</u>		<u>(145)</u>

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CATNIC COMPONENTS LIMITED

Notes to the accounts - 31 December 1985

I. Principal accounting policies

A summary of the more important accounting policies is set out below.

(a) Basis of preparation of accounts

The accounts have been prepared in accordance with the historical cost convention, as modified by the revaluation of certain assets.

(b) Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services provided.

(c) Research and development expenditure

Research and development expenditure is charged to the profit and loss account when incurred.

(d) Bad debts, claims and rectification costs

All known bad debts, claims and rectification costs are written off in the year and specific provision is made for any doubtful debts and for claims and rectification costs likely to be incurred.

(e) Depreciation

Depreciation of tangible fixed assets excluding freehold land has been provided on a straight line basis to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life. The principal rates used are 2% per annum for buildings and between 10% and 25% for plant, equipment and vehicles.

(f) Regional development grants

Regional development grants received or receivable on qualifying expenditure are applied in reduction of the cost of acquisition of the fixed assets to which the grants relate. As a result, grants are effectively credited to revenue over the expected useful lives of the related assets.

(g) Finance leases

Assets which have been funded through finance leases are capitalised and the corresponding future lease obligations shown as a creditor in the balance sheet. Operating lease rentals are charged as an expense in the profit and loss account.

CATNIC COMPONENTS LIMITEDNotes to the accounts - 31 December 1985(h) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs; in the case of manufactured products cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made where necessary for obsolescent, slow moving and defective stocks.

(i) Deferred taxation

Taxation on all material timing differences between the profit stated in the accounts and the profit computed for tax purposes is provided as deferred taxation using the liability method, except where there is reasonable evidence that a liability will not arise in the foreseeable future.

(j) Overseas currencies

Assets and liabilities expressed in foreign currencies are translated to sterling at the mid-market rates ruling at the balance sheet date.

2. Turnover

Turnover is analysed as follows:

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
United Kingdom	31,174	28,375
Rest of Europe	187	109
Middle East	1,366	891
Africa	32	19
	<u>32,759</u>	<u>29,394</u>
	=====	=====

3. Net operating expenses

Net operating expenses are made up as follows:

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Distribution costs	1,555	1,490
Administration expenses	1,994	1,758
	<u>3,549</u>	<u>3,248</u>
	=====	=====

CATNIC COMPONENTS LIMITEDNotes to the accounts - 31 December 19854. Operating profit

Operating profit is stated after charging:

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Depreciation	925	1,006
Hire and lease of plant and machinery (operating leases)	16	14
Auditors' remuneration	21	20
Directors' emoluments (see note 5)	344	312
	=====	=====

5. Directors' emoluments

The emoluments of directors for management of the company are as follows:

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Emoluments of directors (including pension contributions)	344	312
	=====	=====

Directors' emoluments, disclosed in accordance with Part V of Schedule 5 of the Companies Act 1985, and excluding pension contributions, are as follows:

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Chairman	Nil	Nil
	=====	=====
Highest paid director	68	65
	=====	=====

Numbers of directors (excluding those above) whose emoluments were within the ranges:

	<u>1985</u> <u>Number</u>	<u>1984</u> <u>Number</u>
£0 - £5,000	2	2
£10,001 - £15,000	1	-
£25,001 - £30,000	-	1
£35,001 - £40,000	2	1
£45,001 - £50,000	1	1
£50,001 - £55,000	1	1

CATNIC COMPONENTS LIMITEDNotes to the accounts - 31 December 19856. Employee information

- (a) The average number of persons employed by the company, including executive directors, during the year is analysed below:

	<u>1985</u> Number	<u>1984</u> Number
Production	239	251
Distribution	38	37
Sales	49	51
Administration	67	63
	<u>393</u>	<u>402</u>
	=====	=====

- (b) Company employment costs - all employees including executive directors:

	<u>1985</u> £'000	<u>1984</u> £'000
Aggregate gross wages and salaries	4,206	4,133
Employers' national insurance contributions	329	335
Employers' pension contributions	225	358
	<u>4,760</u>	<u>4,826</u>
	=====	=====

7. Exceptional items

	<u>1985</u> £'000	<u>1984</u> £'000
Provisions created/released in relation to subsidiary companies	(379)	47
Amounts received in respect of a consequential loss insurance claim	-	437
Amounts received following settlement of a patent infringement legal action	-	419
	<u>(379)</u>	<u>903</u>
	=====	=====

CATNIC COMPONENTS LIMITEDNotes to the accounts - 31 December 19858. Other interest receivable and similar income

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
From group companies	558	381
Other interest receivable	25	-
	<u>583</u>	<u>381</u>
	=====	=====

9. Interest payable and similar charges

Interest payable on third party loans is as follows:

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
On amounts wholly repayable within five years:		
By instalments	2	12
Not by instalments	136	61
On finance lease obligations	70	-
On all other loans	72	72
	<u>280</u>	<u>145</u>
	=====	=====

10. Tax on profit on ordinary activities

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
United Kingdom corporation tax based on profits for the year at 41.25% (1984 - 46.25%)	2,673	2,977
Reduction reflecting intra-group taxation arrangements	(1,944)	(1,931)
Adjustment in respect of prior years	(189)	(12)
	<u>540</u>	<u>1,034</u>
Transfer to/(from) deferred taxation	60	(23)
	<u>600</u>	<u>1,011</u>
	=====	=====

CATNIC COMPONENTS LIMITEDNotes to the accounts - 31 December 198510. Tax on profit on ordinary activities ...Continued

In accordance with intra-group tax arrangements, the company's United Kingdom tax charge has been reduced to 11.25% (1984 - 16.25%) of taxable profits. Either a payment of this amount will be made to another group company for group relief, or a surrender of advance corporation tax will be made by the ultimate holding company for nil consideration to reduce the tax rate to 11.25%. As these arrangements are expected to continue in future years, the transfer to deferred taxation has also been made at reduced rates.

11. Extraordinary Charges

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Prior year's deferred taxation charge arising from the withdrawal of initial and first year capital allowances	- =====	124 =====

12. Dividends paid and proposed

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Ordinary:		
Interim dividend	113	-
Proposed final dividend	3,149	3,401
	<u>3,262</u> =====	<u>3,401</u> =====

CATNIC COMPONENTS LIMITEDNotes to the accounts - 31 December 198513. Tangible assets

	<u>Freehold property</u> £'000	<u>Long-term leasehold property</u> £'000	<u>Short-term leasehold property</u> £'000	<u>Plant, equipment &amp; vehicles</u> £'000	<u>Total</u> £'000
<u>Cost or valuation</u>					
At cost	1,293	489	-	3,987	5,769
At valuation 1980	-	-	-	1,545	1,545
At 1 January 1985	1,293	489	-	5,532	7,314
Additions (net of grants)	253	-	2,229	1,073	3,555
Intra-group transfers	-	-	277	996	1,273
Disposals	-	-	-	(219)	(219)
At 31 December 1985	1,546	489	2,506	7,382	11,923
At cost	1,546	489	2,506	5,837	10,378
At valuation 1980	-	-	-	1,545	1,545
<u>Depreciation</u>					
At 1 January 1985	151	81	-	2,394	2,626
Charge for the period	24	30	39	832	925
Leased assets opening	-	-	26	3	29
Intra-group transfers	-	-	1	628	629
Disposals	-	-	-	(133)	(133)
At 31 December 1985	175	111	66	3,724	4,076
<u>Net book value</u>					
At 31 December 1985	1,371	378	2,440	3,658	7,847
At 31 December 1984	1,142	408	-	3,138	4,688

The net book value of short term leasehold property and plant, equipment and vehicles includes amounts totalling £2,163,000 (1984 - Nil) and £32,000 (1984 - Nil) respectively held under finance leases. Depreciation for the year includes £44,000 (1984 - Nil) in respect of these assets.



CATNIC COMPONENTS LIMITEDNotes to the accounts - 31 December 198514. Investments

		<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
(a) <u>Investment in subsidiary companies</u>			
Purchase of Garador Ltd shares		2,588	-
less assets transferred		(2,209)	-
less amounts written off		(379)	-
		<u>-</u>	<u>-</u>
		=====	=====
(b) <u>Subsidiary companies</u>	<u>Country of registration</u>	<u>Class of shares</u>	<u>Proportion of shares held</u> %
Catnic Metal Holdings Limited	England	Ordinary	100
Catnic Metal Products Limited	England	Ordinary	100
Garador Limited	England	Ordinary	100
Weatherwise Windows Limited	England	Ordinary	100
Weatherwise Products Limited	England	Ordinary	100

In the opinion of the directors the investment in the subsidiary companies are included in the financial statements at their current value.

(c) Group accounts

Catnic Components Limited, being a wholly owned subsidiary of another body incorporated in Great Britain, does not present group accounts.

15. Stocks

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Raw materials and consumables	1,993	1,774
Finished goods	1,391	1,391
	<u>3,384</u>	<u>3,165</u>
	=====	=====

CATNIC COMPONENTS LIMITED

Notes to the accounts - 31 December 1985

16. Debtors

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Amounts falling due within one year:		
Trade debtors	7,562	4,324
Amounts owed by holding company and fellow subsidiaries	4,348	5,257
Other debtors	208	171
Prepayments and accrued income	210	195
	<u>12,328</u>	<u>9,947</u>
	=====	=====

Debt factoring - The company has an arrangement under which most of its debts are sold to Independent Factors Limited. The amount due from Independent Factors Limited at the year end was £6,943,000 (1984 - £4,021,000).

17. Creditors - amounts falling due within one year

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Bank loans and overdrafts	1,218	775
Trade Creditors	3,160	2,283
Amounts owed to group companies:		
Subsidiaries	468	179
Holding company and fellow subsidiaries	110	756
Other creditors including taxation and social security (see below)	2,540	2,066
Accruals	3,132	2,093
Dividends payable	3,149	3,401
Obligations under finance lease obligations (note 23)	94	-
	<u>13,871</u>	<u>11,553</u>
	=====	=====

'Other creditors including taxation and social security' is made up as follows:

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
UK corporation tax:		
Current period	695	1046
Prior periods - amount repayable	-	(120)
	<u>695</u>	<u>926</u>
Social security	984	126
Other creditors	861	1,014
	<u>2,540</u>	<u>2,066</u>
	=====	=====

CATNIC COMPONENTS LIMITEDNotes to the accounts - 31 December 198518. Creditors - amounts falling due after more than one year

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Mortgage loans		
Eagle Star Insurance Company	11	18
Amounts owed to Pillar Aluminium Limited	500	500
Obligations under finance lease (note 23)	729	729
	<u>2,086</u>	<u>-</u>
	<u>3,326</u>	<u>1,247</u>
	=====	=====

- (a) The mortgage loans are repayable by half yearly instalments. The last repayment is due on 30 September 1988. Interest is charged at rates between 7.5% and 7.375% per annum.
- (b) The Eagle Star loan is repayable on 15 May 2000. Interest is charged at the rate of 14.5% per annum. The loan is secured on the Pontypandy factory.
- (c) The loan of £729,000 from Pillar Aluminium Limited is free of interest. Pillar Aluminium Limited has undertaken not to require repayment without giving notice of more than one year.
- (d) An analysis of the loans by due date of repayment is set out below:

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Amounts payable more than 5 years hence, otherwise than by instalments:		
Eagle Star loan	500	500
	=====	=====
Loans due within 5 years:-		
Between one and two years hence	7	7
Two and five years hence	11	11
	<u>18</u>	<u>18</u>
	=====	=====

CATNIC COMPONENTS LIMITEDNotes to the accounts - 31 December 198519. Deferred Taxation

(a) Details of the provision included in the accounts together with the full potential liability are set out below:

	1985		1984	
	Provision in Accounts £'000	Full Potential Liability £'000	Provision in Accounts £'000	Full Potential Liability £'000
In respect of accelerated capital allowances and other timing differences	1,139	1,139	955	955
Advance Corporation Tax to be surrendered for nil consideration by the ultimate holding company	(978)	(978)	(854)	(854)
	161	161	101	101

Deferred taxation has been provided at reduced rates of corporation tax as set out in note 10.

(b) Movements on the provision for deferred taxation are as follows:

	£'000
At 1 January 1985	101
Transferred from profit and loss account	60
At 31 December 1985	161

CATNIC COMPONENTS LIMITEDNotes to the accounts - 31 December 198520. Called up share capital

	1985		1984	
	Number	£'000	Number	£'000
<u>Authorised</u>				
Ordinary shares of 1p each	55,780	1	55,780	1
Deferred ordinary shares of £1 each	222,220	222	222,220	222
Deferred 'A' shares of 1p each	222,220	2	222,220	2
		<u>225</u>		<u>225</u>
		=====		=====
<u>Issued and fully paid</u>				
Ordinary shares of 1p each	22,222	-	22,222	-
Deferred ordinary shares of £1 each	222,220	222	222,220	222
Deferred 'A' shares of 1p each	222,220	2	222,220	2
		<u>224</u>		<u>224</u>
		=====		=====

21. Reserves

	1985 £'000	1984 £'000
(a) Share premium		
At 31 December 1985	98	98
	=====	=====
(b) Revaluation reserve		
At 1 January 1985	587	941
Transfer to retained profits	(150)	(354)
	<u>437</u>	<u>587</u>
At 31 December 1985	=====	=====

CATNIC COMPONENTS LIMITEDNotes to the accounts - 31 December 198522. Capital expenditure approved

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Expenditure contracted for	100	36
Approved by the directors but not yet contracted for	32	259
Approved expenditure outstanding	<u>132</u> =====	<u>295</u> =====

23. Obligations under leases

## (a) Finance leases

The future minimum finance lease payments to which the company was committed at 31 December 1985 are as follows:

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Within one year	256	-
Between two and five years	1,023	-
Over five years	2,301	-
	<u>3,580</u>	<u>-</u>
less interest element	1,400	-
	<u>2,180</u> =====	<u>-</u> =====

## (b) Operating leases

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

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Within one year	45	-
Between two and five years	160	-
	<u>205</u> =====	<u>-</u> =====

24. Ultimate holding company

The ultimate holding company is The Rio Tinto-Zinc Corporation PLC, a company incorporated in Great Britain.

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