

**WD-40 COMPANY LIMITED**

**DIRECTORS' REPORT AND ACCOUNTS**

**31 AUGUST 1997**

Registered in England and Wales - Number 1755958



## **WD-40 COMPANY LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 1997**

The directors present their report and the audited accounts of the company for the year ended 31 August 1997.

#### **Principal activities and review of the business**

The company continues to manufacture and market WD-40 in the UK, Europe, Middle East and Africa.

During the year the company completed a programme of change of its aerosol propellant to meet environmental needs. This change has a significant impact on the cost of sales which will be ongoing but which the directors believe will have long term benefits for the company.

In common with other manufacturers selling in foreign currencies the company suffered significant adverse effects of the fluctuations in foreign exchange rates in 1996/97 and of the high international value of the pound sterling.

The company is now in a strong position to resume its growth in both national and overseas markets.

#### **Results and dividends**

The profit for the year after taxation amounted to £960,000 (1996 - £2,275,000).

Dividends of £1,121,000 were paid in respect of the year (1996 - £1,272,000).

#### **Directors**

The directors of the company during the year were as follows:

K S Gallon  
G Schleif (retired 30 September 1997)  
C Kerfoot (resigned 21 November 1996)  
G O Ridge  
W Noble (appointed 21 November 1996)

The directors had no disclosable interest in the shares of the company or any other group undertakings during the year.

#### **Directors' responsibility for preparing the accounts**

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 4 to 13 the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

## **WD-40 COMPANY LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 1997 (Continued)**

#### **Directors' responsibility for preparing the accounts (continued)**


The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

#### **Auditors**

The auditors, Price Waterhouse, shall be deemed to be re-appointed for subsequent financial years in accordance with Section 386 of the Companies Act 1985.

By Order of the Board



KS Gallon  
Secretary

16 December 1997

*Price Waterhouse*



## AUDITORS' REPORT TO THE SHAREHOLDERS OF WD-40 COMPANY LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

### Respective responsibilities of directors and auditors

As described in the directors' report, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 August 1997 and of its profit and cashflow for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants  
and Registered Auditors

16 December 1997

## WD-40 COMPANY LIMITED

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 AUGUST 1997

|                                                  | Notes | 1997<br>£'000 | 1996<br>£'000 |
|--------------------------------------------------|-------|---------------|---------------|
| Turnover                                         | 2     | 20,620        | 19,669        |
| Cost of sales                                    |       | (11,223)      | (9,916)       |
| Gross profit                                     |       | 9,397         | 9,753         |
| Distribution costs                               |       | (1,098)       | (1,106)       |
| Administration expenses                          |       | (6,912)       | (5,293)       |
| Operating profit                                 | 3     | 1,387         | 3,354         |
| Interest receivable and similar income           |       | 61            | 98            |
| Profit on ordinary activities<br>before taxation |       | 1,448         | 3,452         |
| Tax on profit on ordinary activities             | 4     | (488)         | (1,177)       |
| Profit for the financial year                    |       | 960           | 2,275         |
| Retained profit brought forward                  |       | 5,849         | 4,846         |
|                                                  |       | 6,809         | 7,121         |
| Dividends paid and proposed                      |       | (1,121)       | (1,272)       |
| Retained profit carried forward                  |       | 5,688         | 5,849         |

The company's recognised gains and losses consist wholly of the profit for the financial year. All company operations are continuing.


The notes on pages 7 to 13 form part of these accounts.

# WD-40 COMPANY LIMITED

## BALANCE SHEET - 31 AUGUST 1997

|                                                       | Notes | <u>1997</u>    | <u>1996</u>    |
|-------------------------------------------------------|-------|----------------|----------------|
|                                                       |       | £'000          | £'000          |
| <b>Fixed assets</b>                                   |       |                |                |
| Tangible assets                                       | 5     | 1,186          | 1,167          |
| Intangible assets                                     | 6     | 886            | 953            |
|                                                       |       | <u>2,072</u>   | <u>2,120</u>   |
| <b>Current assets</b>                                 |       |                |                |
| Stock                                                 | 7     | 919            | 1,639          |
| Debtors                                               | 8     | 3,312          | 4,035          |
| Cash at bank and in hand                              |       | 3,935          | 2,000          |
|                                                       |       | <u>8,166</u>   | <u>7,674</u>   |
| <b>Creditors: amounts falling due within one year</b> | 9     | <u>(4,236)</u> | <u>(3,617)</u> |
| <b>Net current assets</b>                             |       | <u>3,930</u>   | <u>4,057</u>   |
| <b>Total assets less current liabilities</b>          |       | <u>6,002</u>   | <u>6,177</u>   |
| <b>Provision for liabilities and charges</b>          | 10    | (64)           | (78)           |
|                                                       |       | <u>5,938</u>   | <u>6,099</u>   |
| <b>Capital and reserves</b>                           |       |                |                |
| Share capital                                         | 11    | 250            | 250            |
| Profit and loss account                               |       | 5,688          | 5,849          |
| <b>Total shareholders' funds</b>                      | 17    | <u>5,938</u>   | <u>6,099</u>   |

Approved by the Board on 16 December 1997



W Noble

The notes on pages 7 to 13 form part of these accounts.

# WD-40 COMPANY LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 1997

|                                                       | Notes | <u>1997</u><br>£'000 | <u>1996</u><br>£'000 |
|-------------------------------------------------------|-------|----------------------|----------------------|
| <b>Net cash inflow from operating activities</b>      | 12    | 4,579                | 2,437                |
| <b>Returns on investment and servicing of finance</b> |       |                      |                      |
| Interest received                                     |       | 61                   | 98                   |
| <b>Taxation</b>                                       |       | (1,045)              | (1,341)              |
| <b>Capital expenditure</b>                            |       |                      |                      |
| Purchases of tangible fixed assets                    |       | (315)                | (353)                |
| Sale of fixed assets                                  |       | 69                   | 27                   |
|                                                       |       | <u>(246)</u>         | <u>(326)</u>         |
| <b>Acquisition</b>                                    |       |                      |                      |
| Purchases of brand rights                             |       | -                    | (998)                |
| <b>Equity dividends paid</b>                          |       | (1,121)              | (1,272)              |
| <b>Management of liquid resources</b>                 |       |                      |                      |
| Investment in short term deposits                     | 13    | (1,518)              | -                    |
|                                                       |       | <u>      </u>        | <u>      </u>        |
| <b>Increase/(Decrease) in cash</b>                    | 13    | 710                  | (1,402)              |
|                                                       |       | <u>      </u>        | <u>      </u>        |

The notes on pages 7 to 13 form part of these accounts.

# **WD-40 COMPANY LIMITED**

## **NOTES TO THE ACCOUNTS - 31 AUGUST 1997**

### **1 ACCOUNTING POLICIES**

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company has adopted the following accounting policies.

#### **Turnover**

Turnover represents the invoiced value of goods supplied after deduction of settlement discount and value added tax.

#### **Stock**

Stock has been included in the accounts at the lower of cost and net realisable value.

#### **Fixed assets and depreciation and amortisation**

Fixed assets are stated at cost less depreciation, which has been calculated to write off the fixed assets on a straight line basis over their estimated useful lives at the following rates:

|                       |   |           |
|-----------------------|---|-----------|
| Motor vehicles        | - | 25%       |
| Buildings             | - | 2½%       |
| Plant and machinery   | - | 10%       |
| Fixtures and fittings | - | 10% - 20% |
| Goodwill amortisation | - | 6⅔%       |

No depreciation is provided on freehold land.

Goodwill arising on the acquisitions of companies and brand rights is amortised over the economic life of the goodwill.

#### **Taxation**

The company applies US accounting principles for deferred taxation so as to be consistent with its holding company. Deferred taxation has accordingly been provided in respect of timing differences for taxation purposes relating to the excess of capital allowances over related depreciation. In addition deferred taxation has been provided in respect of other timing differences which are expected to reverse in the foreseeable future. The provision made does not differ significantly from the amount which would be provided under Statement of Standard Accounting Practice No.15 issued by the Accounting Standards Committee in the United Kingdom.

#### **Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Trading results are translated at the monthly average rates during the year. Foreign currency exchange differences are dealt with through the profit and loss account.



# WD-40 COMPANY LIMITED

## NOTES TO THE ACCOUNTS - 31 AUGUST 1997 (continued)

|          |                                                                         |                   |                   |
|----------|-------------------------------------------------------------------------|-------------------|-------------------|
| <b>2</b> | <b>TURNOVER</b>                                                         | <b>1997</b>       | <b>1996</b>       |
|          |                                                                         | <b>£'000</b>      | <b>£'000</b>      |
|          | Geographical analysis of turnover:-                                     |                   |                   |
|          | UK/Eire                                                                 | 10,828            | 8,983             |
|          | Europe                                                                  | 7,235             | 7,836             |
|          | Africa/Middle East                                                      | 2,557             | 2,850             |
|          |                                                                         | <u>          </u> | <u>          </u> |
|          |                                                                         | 20,620            | 19,669            |
|          |                                                                         | <u>          </u> | <u>          </u> |
| <b>3</b> | <b>OPERATING PROFIT</b>                                                 | <b>1997</b>       | <b>1996</b>       |
|          |                                                                         | <b>£'000</b>      | <b>£'000</b>      |
|          | Operating profit is stated after charging/(crediting):                  |                   |                   |
|          | Salaries                                                                | 1,609             | 1,311             |
|          | Social security costs                                                   | 222               | 194               |
|          | Other pension costs                                                     | 145               | 143               |
|          | Depreciation                                                            | 210               | 171               |
|          | Amortisation of goodwill                                                | 67                | 45                |
|          | Loss/(profit) on sale of fixed assets                                   | 17                | (10)              |
|          | Royalties                                                               | 1,969             | 1,942             |
|          | Auditors' remuneration                                                  |                   |                   |
|          | - for audit services                                                    | 14                | 15                |
|          | - for other services in the UK                                          | -                 | 2                 |
|          | Exchange loss/(gain)                                                    | 778               | (88)              |
|          |                                                                         | <u>          </u> | <u>          </u> |
| <b>4</b> | <b>TAXATION</b>                                                         | <b>1997</b>       | <b>1996</b>       |
|          |                                                                         | <b>£'000</b>      | <b>£'000</b>      |
|          | The taxation charge based on profit for the year is made up as follows: |                   |                   |
|          | Corporation tax at 32.16% (1996 : 33%)                                  | 499               | 1,117             |
|          | Deferred tax (Note 10)                                                  | (14)              | 56                |
|          | Overseas tax                                                            | 3                 | 4                 |
|          |                                                                         | <u>          </u> | <u>          </u> |
|          |                                                                         | 488               | 1,177             |
|          |                                                                         | <u>          </u> | <u>          </u> |

# WD-40 COMPANY LIMITED

## NOTES TO THE ACCOUNTS - 31 AUGUST 1997 (continued)

### 5 TANGIBLE FIXED ASSETS

|                        | Freehold<br>land<br>£'000 | Building<br>£'000 | Plant,<br>tools and<br>machinery<br>£'000 | Fixtures,<br>fittings &<br>equipment<br>£'000 | Motor<br>vehicles<br>£'000 | Total<br>£'000    |
|------------------------|---------------------------|-------------------|-------------------------------------------|-----------------------------------------------|----------------------------|-------------------|
| <b>Cost</b>            |                           |                   |                                           |                                               |                            |                   |
| At 1 September<br>1996 | 117                       | 622               | 143                                       | 468                                           | 405                        | 1,755             |
| Additions              | -                         | -                 | -                                         | 149                                           | 166                        | 315               |
| (Disposals)            | -                         | -                 | -                                         | -                                             | (148)                      | (148)             |
|                        | <u>          </u>         | <u>          </u> | <u>          </u>                         | <u>          </u>                             | <u>          </u>          | <u>          </u> |
| At 31 August<br>1997   | 117                       | 622               | 143                                       | 617                                           | 423                        | 1,922             |
|                        | <u>          </u>         | <u>          </u> | <u>          </u>                         | <u>          </u>                             | <u>          </u>          | <u>          </u> |
| <b>Depreciation</b>    |                           |                   |                                           |                                               |                            |                   |
| At 1 September<br>1996 | -                         | 170               | 117                                       | 187                                           | 114                        | 588               |
| Charge for year        | -                         | 15                | 4                                         | 87                                            | 104                        | 210               |
| (Disposals)            | -                         | -                 | -                                         | -                                             | (62)                       | (62)              |
|                        | <u>          </u>         | <u>          </u> | <u>          </u>                         | <u>          </u>                             | <u>          </u>          | <u>          </u> |
| At 31 August<br>1997   | -                         | 185               | 121                                       | 274                                           | 156                        | 736               |
|                        | <u>          </u>         | <u>          </u> | <u>          </u>                         | <u>          </u>                             | <u>          </u>          | <u>          </u> |
| <b>Net book amount</b> |                           |                   |                                           |                                               |                            |                   |
| At 31 August<br>1997   | 117                       | 437               | 22                                        | 343                                           | 267                        | 1,186             |
|                        | <u>          </u>         | <u>          </u> | <u>          </u>                         | <u>          </u>                             | <u>          </u>          | <u>          </u> |
| At 31 August<br>1996   | 117                       | 452               | 26                                        | 281                                           | 291                        | 1,167             |
|                        | <u>          </u>         | <u>          </u> | <u>          </u>                         | <u>          </u>                             | <u>          </u>          | <u>          </u> |

# WD-40 COMPANY LIMITED

## NOTES TO THE ACCOUNTS - 31 AUGUST 1997 (continued)

### 5 TANGIBLE FIXED ASSETS (continued)

#### Capital commitments:

|                                                                                                     | 1997<br>£'000 | 1996<br>£'000 |
|-----------------------------------------------------------------------------------------------------|---------------|---------------|
| Future capital expenditure not provided for in<br>the accounts for which contracts have been placed | 112           | -             |
|                                                                                                     | <u>      </u> | <u>      </u> |

### 6 INTANGIBLE FIXED ASSETS

|                    | 1997<br>£'000 | 1996<br>£'000 |
|--------------------|---------------|---------------|
| Goodwill at cost   | 998           | 998           |
| Less: amortisation | (112)         | (45)          |
|                    | <u>      </u> | <u>      </u> |
| Net book value     | 886           | 953           |
|                    | <u>      </u> | <u>      </u> |

The goodwill relates to the acquisition of the 3 in 1 brand rights during 1995/96 for the UK, Europe and Middle East. The goodwill is being amortised on a straight line basis over 15 years.

### 7 STOCK

|                  | 1997<br>£'000 | 1996<br>£'000 |
|------------------|---------------|---------------|
| Raw materials    | 6             | 5             |
| Work in progress | 73            | 38            |
| Finished goods   | 840           | 1,596         |
|                  | <u>      </u> | <u>      </u> |
|                  | 919           | 1,639         |
|                  | <u>      </u> | <u>      </u> |

### 8 DEBTORS

|                                | 1997<br>£'000 | 1996<br>£'000 |
|--------------------------------|---------------|---------------|
| Trade debtors                  | 3,123         | 3,764         |
| Prepayments and accrued income | 189           | 271           |
|                                | <u>      </u> | <u>      </u> |
|                                | 3,312         | 4,035         |
|                                | <u>      </u> | <u>      </u> |

# WD-40 COMPANY LIMITED

## NOTES TO THE ACCOUNTS - 31 AUGUST 1997 (continued)

|           |                                                            |                       |                       |
|-----------|------------------------------------------------------------|-----------------------|-----------------------|
| <b>9</b>  | <b>CREDITORS : AMOUNTS FALLING DUE<br/>WITHIN ONE YEAR</b> | <b>1997<br/>£'000</b> | <b>1996<br/>£'000</b> |
|           | Trade creditors                                            | 781                   | 1,491                 |
|           | Amounts owed to group undertakings                         | 2,156                 | 349                   |
|           | Taxation and social security                               | 353                   | 923                   |
|           | Accruals and deferred income                               | 946                   | 854                   |
|           |                                                            | <hr/>                 | <hr/>                 |
|           |                                                            | 4,236                 | 3,617                 |
|           |                                                            | <hr/>                 | <hr/>                 |
| <b>10</b> | <b>DEFERRED TAXATION</b>                                   | <b>1997<br/>£'000</b> | <b>1996<br/>£'000</b> |
|           | Excess of capital allowances claimed<br>over depreciation  | 87                    | 91                    |
|           | Other timing differences                                   | (23)                  | (13)                  |
|           |                                                            | <hr/>                 | <hr/>                 |
|           |                                                            | 64                    | 78                    |
|           |                                                            | <hr/>                 | <hr/>                 |
|           | There is no unprovided potential deferred tax liability.   |                       |                       |
| <b>11</b> | <b>SHARE CAPITAL</b>                                       | <b>1997<br/>£'000</b> | <b>1996<br/>£'000</b> |
|           | Authorised:                                                |                       |                       |
|           | 500,000 ordinary shares of £1 each                         | 500                   | 500                   |
|           |                                                            | <hr/>                 | <hr/>                 |
|           | Issued, allotted and fully paid:                           |                       |                       |
|           | 250,000 ordinary shares of £1 each                         | 250                   | 250                   |
|           |                                                            | <hr/>                 | <hr/>                 |

# WD-40 COMPANY LIMITED

## NOTES TO THE ACCOUNTS - 31 AUGUST 1997 (continued)

### 12 CASH FLOW STATEMENT

| Net cash inflow from operating activities: | 1997<br>£'000 | 1996<br>£'000 |
|--------------------------------------------|---------------|---------------|
| Operating profit                           | 1,387         | 3,354         |
| Amortisation                               | 67            | 45            |
| Depreciation                               | 210           | 171           |
| Loss/(profit) on sale of fixed assets      | 17            | (10)          |
| Exchange loss on cash balances             | 293           | 44            |
| Stock decrease/(increase)                  | 720           | (435)         |
| Debtors decrease/(increase)                | 723           | (1,493)       |
| Creditors increase                         | 1,162         | 761           |
|                                            | <u>4,579</u>  | <u>2,437</u>  |

### 13 ANALYSIS OF NET FUNDS

|                            | At 31 Aug<br>1996<br>£'000 | Cash<br>Flow<br>£'000 | Exchange<br>Movements<br>£'000 | At 31 Aug<br>1997<br>£'000 |
|----------------------------|----------------------------|-----------------------|--------------------------------|----------------------------|
| Cash on demand             | 1,350                      | 710                   | (293)                          | 1,767                      |
| Cash on short term deposit | 650                        | 1,518                 | -                              | 2,168                      |
|                            | <u>2,000</u>               | <u>2,228</u>          | <u>(293)</u>                   | <u>3,935</u>               |

### 14 PENSION COMMITMENTS

There is a Group Company Pension/Life Assurance scheme administered by Standard Life. This is a money-purchase non-contributory scheme open to all employees after a qualifying period of service.

### 15 DIRECTORS' EMOLUMENTS

|                                     | 1997<br>£'000 | 1996<br>£'000 |
|-------------------------------------|---------------|---------------|
| Emoluments                          | 173           | 128           |
| Pension Contributions (2 directors) | 11            | 18            |
|                                     | <u>184</u>    | <u>146</u>    |

### 16 EMPLOYEES

The average weekly number of persons employed in the company was 51 (1996 - 44).

## WD-40 COMPANY LIMITED

### NOTES TO THE ACCOUNTS - 31 AUGUST 1997 (continued)

#### 17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

|                                     | 1997<br>£'000 | 1996<br>£'000 |
|-------------------------------------|---------------|---------------|
| Profit for the financial year       | 960           | 2,275         |
| Dividends                           | (1,121)       | (1,272)       |
|                                     | <hr/>         | <hr/>         |
| Net addition to shareholders' funds | (161)         | 1,003         |
| Opening shareholders' funds         | 6,099         | 5,096         |
|                                     | <hr/>         | <hr/>         |
| Closing shareholders' funds         | 5,938         | 6,099         |
|                                     | <hr/>         | <hr/>         |

#### 18 ULTIMATE HOLDING COMPANY

The ultimate holding company is WD-40 Company incorporated in the United States. This is the smallest and largest group for which group accounts are prepared including this company. Copies of group accounts can be requested from WD-40 Company, 1061 Cudahy Place, San Diego, California, 92110, USA. The company has taken advantage of paragraph 3 of FRS 8 'Related Party Disclosures' not to disclose transactions with members of the WD-40 group.