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CANNON RUBBER LIMITED AND ITS SUBSIDIARIES

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1982

CLARK WHITEHILL
Chartered Accountants
25 New Street Square
LONDON EC4A 3LN



DIRECTORS' REPORT FOR THE YEAR ENDED31 DECEMBER 1982

The Directors present their report together with the accounts for the year ended 31 December 1982.

RESULTS

The results for the year are set out in the profit and loss account on page 3.

The Directors do not recommend the payment of a dividend and propose that the balance on the profit and loss account of £5,637,832 (1981 £5,465,375) be carried forward.

PRINCIPAL ACTIVITY OF THE GROUP

The group is engaged in producing and marketing rubber and plastic products.

DIRECTORS

The Directors of the company during the year and the shareholdings of themselves and their families were as follows:

	<u>£1 Ordinary Shares</u>	
	<u>31 December 1982</u>	<u>1 January 1982</u>
R. Atkin	236,850	233,708
E. Atkin	236,850	233,708
Mrs. K.C. Atkin	119,455	123,455
G. Shalet	-	-
H.M. Carlton	-	-

FIXED ASSETS

The significant movements on fixed assets are shown in Note 6 on Page 9.

It is not possible to give the market value of the freehold land and buildings without making a professional valuation and the Directors consider the expense of such a valuation to be unjustified.

THE INCOME AND CORPORATION TAXES ACT 1970

The company is a 'close company' for the purposes of the provisions of the Act.

EMPLOYEES

The average number of persons employed by the group in the United Kingdom each week during the year was 480. The gross remuneration paid to employees for the year was £3,006,988. The company supports the recruitment of disabled people wherever possible.

CHARITABLE DONATIONS

Charitable donations made during the year totalled £721.

AUDITORS

Special Notice pursuant to Section 15(1) of the Companies Act 1976 has been received of the intention to propose a resolution at the forthcoming Annual General Meeting that Price Waterhouse be appointed as auditors of the company in place of Clark Whitehill.

By Order of the Board

G. SHALET

Secretary

Ashley Road
London N17 9LH

TO THE MEMBERS OF CANNON RUBBER LIMITED

We have audited the accounts set out on pages 3 to 12 in accordance with approved Auditing Standards.

As described in note 2 (c) of the accounts, the company has not followed Statement of Standard Accounting Practice No. 9 which recommends inclusion of the element of overhead costs in the valuation of stock and work-in-progress. With this exception, in our opinion the accounts, which have been prepared under the historical cost convention, give a true and fair view, so far as concerns the members of the holding company, of the state of affairs of the group and the company at 31 December 1982 and of the profits and source and application of funds of the group for the year then ended and comply with the Companies Acts 1948 to 1981.

These accounts do not contain the current cost accounts required by Statement of Standard Accounting Practice No. 16.

CLARK WHITEHILL

Chartered Accountants

London

21 November 1983

CONSOLIDATED PROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31 DECEMBER 1982

	<u>Notes</u>	<u>1982</u> <u>£</u>	<u>1981</u> <u>£</u>
TURNOVER	2 (a)	<u>12,299,025</u>	<u>12,931,746</u>
OPERATING PROFIT	3	89,536	740,700
GROUP'S SHARE OF ASSOCIATED COMPANIES PROFIT		<u>74,253</u>	<u>155,205</u>
PROFIT BEFORE TAXATION AND EXTRAORDINARY ITEM		<u>163,789</u>	<u>895,905</u>
TAXATION	10		
On results for the year		18,807	109,161
Overprovisions in earlier years		-	(1,950)
		<u>18,807</u>	<u>107,211</u>
PROFIT BEFORE EXTRAORDINARY ITEM (of which £172,457 has been dealt with in the accounts of the holding company 1981 £423,216)		144,982	788,694
EXTRAORDINARY PROFIT	4	<u>49,017</u>	<u>-</u>
PROFIT AFTER EXTRAORDINARY ITEM		193,999	788,694
TRANSLATION LOSSES ARISING ON CONSOLIDATION		<u>5,906</u>	<u>53,386</u>
RETAINED PROFIT	5	<u>£ 188,093</u>	<u>£ 735,308</u>

The notes on pages 7 to 12 form part of these Accounts.

BALANCE SHEET31 DECEMBER 1982

	<u>Notes</u>	<u>1982</u>	<u>1981</u>
		£	£
FIXED ASSETS	6	2,643,381	2,766,865
INTEREST IN SUBSIDIARY COMPANIES	7	882,205	879,915
CURRENT ASSETS			
Stocks and work-in-progress	9	3,336,208	3,247,046
Debtors		2,525,559	1,759,484
Cash at bank and in hand		4,794	256,594
		5,866,561	5,263,124
CURRENT LIABILITIES			
Creditors		1,437,369	1,633,569
Bank overdraft		701,413	103,840
Taxation payable		30,288	75,000
		2,169,070	1,812,409
NET CURRENT ASSETS		3,697,491	3,450,715
Less: DEFERRED TAXATION	11	7,223,077 985,245	7,097,495 1,032,120
		£ 6,237,832	£ 6,065,375
SHAREHOLDERS FUNDS			
SHARE CAPITAL			
AUTHORISED, ISSUED AND FULLY PAID -600,000 Ordinary £1 shares		600,000	600,000
RESERVES	5	5,637,832	5,465,375
		£ 6,237,832	£ 6,065,375

Approved-by the board on 21 November 1983
and signed on its behalf:

E. ATKIN

R. ATKIN

DIRECTORS

The notes on pages 7 to 12 form part of these Accounts.

STATEMENT OF SOURCE AND APPLICATION OF FUNDSFOR THE YEAR ENDED 31 DECEMBER 1982

	£	1982	£	1981
				£
SOURCE OF FUNDS				
Profit before taxation		163,789		895,905
Extraordinary item		49,017		-
Adjustments for items not involving the movement of funds:				
Depreciation less surplus on disposal of fixed assets		549,530		484,356
Translation losses		(5,906)		(53,386)
FUNDS FROM OPERATIONS		756,430		1,326,875
FUNDS FROM OTHER SOURCES				
Proceeds from sale of fixed assets		48,689		35,671
Taxation recovered		25,275		122,976
Increase in loan		19,816		-
		850,210		1,485,522
APPLICATION OF FUNDS				
Loan repayment	-			28,045
Purchase of fixed assets	470,889			331,895
Taxation paid	128,493			-
		599,382		359,940
		£ 250,828		£ 1,125,582
		=====		=====
INCREASE/(DECREASE) IN WORKING CAPITAL				
Stocks	564,650			98,596
Debtors	829,682			339,755
Creditors excluding taxation	120,269			(433,748)
Associated companies	(427,028)			(415,270)
		1,087,573		(410,667)
Movement in net liquid funds:				
Bank Overdraft	(685,028)			1,147,863
Cash at bank and in hand	(151,717)			388,386
		(836,745)		1,536,249
		£ 250,828		£ 1,125,582
		=====		=====

NOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31 DECEMBER 1982

1. ACCOUNTING DISCLOSURE

The accounts have been prepared in compliance with Section 149A and 152A of and Schedule 8A to the Companies Act 1948.

2. ACCOUNTING POLICIES

a) TURNOVER OF THE GROUP

Turnover represents sales invoiced to outside customers, less returns and allowances, and excluding value added tax.

b) DEPRECIATION

Fixed assets are depreciated over their estimated useful lives, at the following rates per annum:

Plant and machinery	15% on cost
Office furniture, fittings and equipment	12½% on cost
Motor vehicles	25% on cost
Computer installation	20% on cost
Freehold buildings	2% on cost
Freehold land	Nil
Leasehold land and buildings	over the life of the lease.

c) STOCKS AND WORK-IN-PROGRESS

Stocks are stated on a basis consistent with previous years at the lower of cost and net realisable value. No overheads are included in stock and work-in-progress.

d) DEFERRED TAXATION

Provision is made, at current rates, for taxation deferred through capital allowances on fixed assets being greater than the depreciation of these assets in the accounts as it cannot be anticipated that such differences will not reverse in the foreseeable future, and also for other short term timing differences.

e) ASSOCIATED COMPANY

The associated company is shown in Note 8. An associated company is one in which the company participates in commercial and financial policy and has an interest of between 20% and 50%. The consolidated accounts include the group's share of the post acquisition retained profits of the associated company.

f) RATES OF EXCHANGE

The accounts of overseas subsidiaries and the results for the year of the associated company have been incorporated into the consolidated accounts by translating foreign currencies into sterling at the rates of exchange ruling at the balance sheet date. Exchange adjustments arising on the translation of fixed assets of subsidiaries are taken direct to reserves and disclosed in Note 5. Those arising in the translation of other assets and liabilities of subsidiaries are disclosed in the profit and loss account.

In the balance sheet of the Company amounts payable or receivable in foreign currency have been converted at the rate of exchange ruling when the balance arose. Realised profits or losses are included in the profit and loss account.

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1982

	<u>1982</u> £	<u>1981</u> £
3. PROFIT BEFORE TAXATION		
The profit before taxation is arrived at after charging:		
Depreciation	552,016	493,508
Auditors' remuneration	16,737	16,206
(Holding company £12,500 - 1981 - £12,000)		
Interest - bank and short term	81,754	127,517
	=====	=====
Directors' Remuneration		
Fees	-	-
Other emoluments	271,368	321,697
Pensions to widows of former directors	7,243	6,275
	=====	=====
	£ 278,611	£ 327,972
	=====	=====
The highest paid director received	£ 94,006	£ 119,178
	=====	=====
Number of directors receiving:		
	<u>Number</u>	<u>Number</u>
£ 20,001 - £ 25,000	2	2
£ 50,001 - £ 55,000	1	1
£ 80,001 - £ 85,000	1	-
£ 90,001 - £ 95,000	1	-
£100,001 - £105,000	-	1
£115,001 - £120,000	-	1
	=====	=====

4. EXTRAORDINARY ITEM

During the year an associated company of Cannon Rubber Singapore (Private) Limited, Precision Tool Manufacturers Private Limited was liquidated. The group's share of the surplus arising, £49,017, is shown as an extraordinary profit in the profit and loss account.

	<u>1982</u>		<u>1981</u>	
5. RESERVES	<u>Group</u> £	<u>Company</u> £	<u>Group</u> £	<u>Company</u> £
Opening balance	6,104,422	5,465,375	5,200,165	5,042,159
Retained profit for the year	188,093	172,457	735,308	423,216
Exchange gain for the year on translation of overseas fixed assets	142,231	-	168,949	-
	=====	=====	=====	=====
	£ 6,434,746	£ 5,637,832	£ 6,104,422	£ 5,465,375
	=====	=====	=====	=====

Included in group reserves is the sum of £208,736 of non-distributable reserves in respect of an increase in the issued share capital of Cannon Rubber Singapore (Private) Limited capitalised from its prior year reserves during 1979.

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1982

6. FIXED ASSETS	<u>Total</u> £	<u>Land and</u> <u>Buildings</u> £	<u>Plant and</u> <u>Machinery</u> £	<u>Office</u> <u>Furniture,</u> <u>Equipment</u> <u>and Computer</u> <u>Installation</u> £	<u>Motor</u> <u>Vehicles</u> £
THE GROUP					
Net book value					
1 January 1982	3,864,571	2,285,721	1,200,392	228,205	150,253
Restatement at					
closing rate	142,230	102,752	33,800	3,401	2,277
Additions at cost	470,889	1,263	288,943	70,514	110,169
Disposals at					
net book value	(46,203)	-	-	-	(46,203)
Depreciation	(552,015)	(55,125)	(357,752)	(66,272)	(72,866)
Net book value					
31 December 1982	£ 3,879,472	£ 2,334,611	£ 1,165,383	£ 235,848	£ 143,630
Representing:					
Cost	8,136,201	2,583,622	4,538,631	605,745	408,203
Accumulated					
depreciation	4,256,729	249,011	3,373,248	369,897	264,573
	£ 3,879,472	£ 2,334,611	£ 1,165,383	£ 235,848	£ 143,630
THE COMPANY					
Net book value					
1 January 1982	2,766,865	1,461,727	968,820	202,839	133,479
Additions at cost	385,727	1,263	220,584	66,095	97,785
Disposals at					
net book value	(46,203)	-	-	-	(46,203)
Depreciation	(463,008)	(28,044)	(310,986)	(59,419)	(64,559)
Net book value					
31 December 1982	£ 2,643,381	£1,434,946	£878,418	£209,515	£120,502
Representing:					
Cost	6,599,354	1,562,780	4,137,143	540,520	358,911
Accumulated depreciation	3,955,973	127,834	3,258,725	331,005	238,409
	£ 2,643,381	£1,434,946	£878,418	£209,515	£120,502

Apart from £192,962 of leasehold premises all of the group's land and buildings are held on freehold tenure.

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1982

	£	<u>1982</u>	£	<u>1981</u>
7. SUBSIDIARY COMPANIES				
The wholly owned subsidiary companies are:				
The Cannon Rubber Manufacturers Limited (Incorporated in Great Britain)				
Cost of shares		²		²
Current indebtedness		327,917		327,917
		<u> </u>		<u> </u>
			327,919	327,919
Cannon Rubber GmbH (Wholly owned by The Cannon Rubber Manufacturers Limited) (Incorporated in the Federal Republic of West Germany)				
Current indebtedness		653,282		423,489
		<u> </u>		<u> </u>
Cannon Rubber Singapore (Private) Limited (Incorporated in Singapore)				
Cost of shares		¹		¹
Current indebtedness		(98,997)		128,506
		<u> </u>		<u> </u>
			(98,996)	128,507
		<u> </u>	<u> </u>	<u> </u>
		£ 882,205		£ 879,915
		<u> </u>		<u> </u>
8. ASSOCIATED COMPANY				
(of Cannon Rubber Singapore (Private) Limited)				
Rubber Products (Singapore) Private Limited 2,800,000 Ordinary shares of S\$1 each				
				40%
		<u>1982</u>		<u>1981</u>
		£		£
Shares at cost		339,366		323,534
Post acquisition retained profits		139,920		62,326
		<u> </u>		<u> </u>
		£ 479,286		£ 385,860
		<u> </u>		<u> </u>
9. STOCK AND WORK-IN-PROGRESS				
	<u>1982</u>		<u>1981</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	£	£	£	£
Raw materials	955,775	908,260	1,397,526	1,072,513
Finished goods stock	3,894,719	2,224,981	2,875,907	1,985,120
Work-in-progress	222,845	202,967	235,256	189,413
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	£ 5,073,339	£ 3,336,208	£ 4,508,689	£ 3,247,046
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1982

10. TAXATION	<u>Group</u> £	<u>1982</u> <u>Company</u> £	<u>Group</u> £	<u>1981</u> <u>Company</u> £
Current taxation is as follows:				
U.K. Taxation	33,435	30,288	78,147	75,000
Overseas taxation	(36,462)	-	(845)	-
	<u>£ (3,027)</u>	<u>£ 30,288</u>	<u>£ 77,302</u>	<u>£ 75,000</u>
On results for the year:			<u>1982</u> £	<u>1981</u> £
U.K. Corporation tax - calculated at 52%			28,500	100,568
Double tax relief			-	(22,421)
Deferred taxation			(9,693)	26,144
Overseas tax			-	4,870
			<u>£ 18,807</u>	<u>£ 109,161</u>
Overprovisions in earlier years:				
U.K. Corporation tax			-	(28,644)
Overseas tax			-	(10,188)
Deferred taxation			-	36,882
			<u>£ -</u>	<u>£ (1,950)</u>

The charge for U.K. Corporation Tax for the year ended 31 December 1982 has been reduced by £99,220 because of stock appreciation relief.

11. DEFERRED TAXATION	<u>Group</u> £	<u>1982</u> <u>Company</u> £	<u>Group</u> £	<u>1981</u> <u>Company</u> £
The provision comprises:				
Accelerated capital allowances	999,929	985,245	1,070,562	1,032,120
Other short-term timing differences	166,210	-	99,659	-
	<u>£ 1,166,139</u>	<u>£ 985,245</u>	<u>£ 1,170,221</u>	<u>£ 1,032,120</u>

The provision made represents the full potential liability of the company and the group.

12. CAPITAL COMMITMENTS

Capital commitments not provided for in these accounts amount to:

	<u>Group</u>	<u>Company</u>
a) Contracted for	10,216	10,216
b) Authorised but not contracted for	-	-

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1982

13. CONTINGENT LIABILITIES

- a) The parent company has guaranteed the bank facilities granted to its subsidiary companies, Cannon Rubber Singapore (Private) Limited to the extent of 2,000,000 Singapore Dollars and Cannon Rubber GmbH to the extent of 750,000 Dm.

At 31 December 1982 the liability under these guarantees amounted to £315,162 (1,073,125 Singapore Dollars, Nil Dm).

- b) A subsidiary company, Cannon Rubber Singapore (Private) Limited, has guaranteed that a certain level of profitability will be achieved by its associated company, Rubber Products (Singapore) Private Limited. As the level of profitability of Rubber Products (Singapore) Private Limited in future years is uncertain, it is not practicable to estimate the amount, if any, of the liability which may arise under this guarantee. During the year the group bore a net charge under this guarantee of £47,000.