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DUO RUBBER AND ENGINEERING
COMPANY, LIMITED AND ITS SUBSIDIARY

30 September 1979

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DUO RUBBER AND ENGINEERING COMPANY, LIMITED

CHAIRMAN'S STATEMENT, DIRECTORS' REPORT AND ACCOUNTS
30 SEPTEMBER 1979

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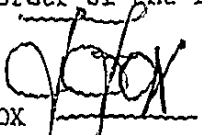
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NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the company will be held at the registered office, Aldersley Road, Tettenhall, Wolverhampton, on Thursday 24 January 1980 at 11.00 am for the following purposes:

- 1 To receive the accounts for the year ended 30 September 1979 together with the reports of the directors and auditors thereon.
- 2 To agree non-declaration of a dividend on the ordinary capital of the company.
- 3 To elect directors.
- 4 To elect auditors.
- 5 To authorise the directors to determine the remuneration of the auditors.

By Order of the Board


T FOX
Secretary

14 December 1979

CHAIRMANS' STATEMENT

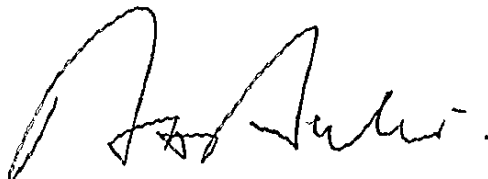
The results for the year were somewhat disappointing, showing a loss of £42,250 after extraordinary items. Within this figure, items of a substantial non-recurring nature were expended in the creation of the facility at Newton Aycliffe. These were mainly for legal and professional fees and there was a further item of redundancy cost at Wolverhampton resulting from the partial closure of the machine shop at Aldersley Road, the activity and its equipment being transferred to Aycliffe.

The company is now in a position to consolidate in its three distinct product areas.

- 1 Tyre mould manufacture and repairing at Newton Aycliffe now have an excellent facility, in fact the only one of its kind in the UK, and although the tyre industry in general is having its problems, we have a satisfactory order book and a first class relationship with our customers both at home and abroad. We look forward to the future with confidence.
- 2 The rubber moulding and rubber to metal bonding plant at Aldersley Road, Wolverhampton is now fully committed to expansion, together with a small machine shop facility retained to manufacture and repair rubber moulding tools for our own use.
- 3 The fabrication facility at Shaw Road, Wolverhampton was set up in February this year and is now making a significant contribution and should continue to expand in the coming months.

The company's order book enables us to look with confidence to the future and a return to profitability in 1979/80.

BA BUTLER
Chairman



14 December 1979

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 1979

The directors submit their annual report and the audited accounts of the company and the group for the year ended 30 September 1979.

PRINCIPAL ACTIVITIES

- 1 The company's principal activities continued to be the manufacture of rubber mouldings, rubber moulds, tyre moulds, bladder moulds, tube moulds and ancilliary equipment.

ACCOUNTS

- 2 The results of the year's trading are set out in the profit and loss account on page 6. The directors do not recommend the payment of a dividend.

FIXED ASSETS

- 3 The movements in fixed assets are shown in note 6 to the accounts.

DIRECTORS

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

GH Hayes	(resigned 12 December 1978)
AE Picken	(resigned 13 July 1979)
MA Goody	
K Sinclair	(appointed 12 December 1978)(alternate JRW Perfect)
K Altringham	(appointed 12 December 1978)
DT Guest	(appointed 12 December 1978)
BA Butler	(appointed 19 January 1979)

In accordance with the company's articles, MA Goody, K Altringham, DT Guest and BA Butler retire at the next annual general meeting, and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN SHARES

- 5 The notifiable interests of directors, beneficial and otherwise, in the shares of the company were as follows:

	<u>Ordinary shares</u>	
	<u>30 September 1979</u>	<u>30 September 1978</u>
MA Goody	8,005	5
K Altringham	4,000	-
DT Guest	24,000	24,000

SHARE CAPITAL

- 6 On 12 December 1978, the company's authorised share capital was increased by ordinary resolution by the creation of 35,000 ordinary shares of £1 each and 125,000 11½% cumulative redeemable preference shares of £1 each.

The following shares were issued for cash at par to the National Enterprise Board on 12 December 1978:

34,598 ordinary shares of £1 each

125,000 11½% cumulative redeemable preference shares of £1 each

In addition a loan of £90,000 was made in January 1979 by European Investment Bank. This increased share and loan capital is being used to finance the operations of the company and a subsidiary, Aycliffe Engineering Limited, which was acquired on 12 December 1978.

CLOSE COMPANY

- 7 The company is a close company within the provisions of the Income and Corporation Taxes Act 1970.

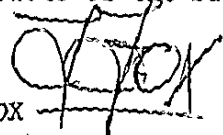
EXPORTS

- 8 During the year ended 30 September 1979, the group exported goods amounting to £3,928.

AUDITORS

- 9 The company's auditors Crombie, Lacon & Stevens resigned during the year. Price Waterhouse & Co, who were appointed in their stead, have expressed their willingness to continue in office and a resolution concerning their re-appointment will be submitted to the forthcoming annual general meeting.

By Order of the Board


T FOX
Secretary

23 November 1979



LIVERY HOUSE,
169 EDMUND STREET, (PO BOX 120)
BIRMINGHAM B3 2JB

AUDITORS' REPORT TO THE MEMBERS OF
DUO RUBBER AND ENGINEERING COMPANY, LIMITED

In our opinion the accounts set out on pages 6 to 16 which have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings, give, under that convention, a true and fair view of the state of affairs of the company and the group at 30 September 1979 and of the loss and source and application of funds of the group for the year then ended and comply with the Companies Acts 1948 and 1967.

Price Waterhouse & Co.

PRICE WATERHOUSE & CO

Chartered Accountants

23 November 1979

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 1979

	<u>Notes</u>	<u>1979</u>	<u>1978</u>
TURNOVER	1	£943,842	£500,308
(LOSS)/PROFIT ON TRADING	2	(40,652)	31,011
TAXATION	4	-	-
(LOSS)/PROFIT AFTER TAXATION AND BEFORE EXTRAORDINARY ITEMS		(40,652)	31,011
EXTRAORDINARY ITEMS	5	(1,598)	-
TRANSFERRED TO RESERVES	11	(£42,250)	£31,011

BALANCE SHEET - 30 SEPTEMBER 1979

	Notes	The group		The company	
		1979	1978	1979	1978
FIXED ASSETS	6	362,450	178,912	167,707	178,912
INTEREST IN SUBSIDIARY	7	-	-	252,385	-
CURRENT ASSETS					
Stocks and work in progress	8	100,039	49,164	41,702	49,164
Debtors		290,588	185,298	140,951	185,298
Cash in hand		310	207	247	207
		390,937	234,669	182,900	234,669
LESS:					
CURRENT LIABILITIES					
Creditors		264,720	139,499	144,526	139,499
Bank overdraft (secured)	9	116,769	105,763	116,769	105,763
		381,489	245,262	261,295	245,262
NET CURRENT ASSETS/(LIABILITIES)		9,448	(10,593)	(78,395)	(10,593)
GOODWILL		-	1,500	-	1,500
		£371,898	£169,819	£341,697	£169,819
SHARE CAPITAL	10	195,608	36,010	195,608	36,010
RESERVES	11	86,290	133,809	56,089	133,809
		281,898	169,819	251,697	169,819
LOAN	12	90,000	-	90,000	-
		£371,898	£169,819	£341,697	£169,819
DIRECTORS					
BA Butler					
MA Goody					

certified to be a true copy of every balance sheet laid before the company in general meeting during the period to which this return relates

MA Goody

CONSOLIDATED STATEMENT OF SOURCE
AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 30 SEPTEMBER 1979

	<u>1979</u>	<u>1978</u>
SOURCE OF FUNDS		
(Loss)/profit on trading	(40,652)	31,011
Adjustment for items not involving the movement of funds:		
Depreciation	45,080	11,094
Profit on disposal of fixed assets	<u>(6,228)</u>	<u>(8,876)</u>
OTHER SOURCES	(1,800)	33,229
Proceeds of disposal of fixed assets	19,243	13,552
Issue of shares	159,598	5
Loan	<u>90,000</u>	<u>-</u>
	<u>£267,041</u>	<u>£46,786</u>
APPLICATION OF FUNDS		
Purchase of fixed assets	246,902	23,749
Formation expenses	<u>98</u>	<u>-</u>
	<u>247,000</u>	<u>23,749</u>
MOVEMENT IN WORKING CAPITAL		
Increase in stocks and work in progress	50,875	32,296
Increase in debtors	105,290	117,127
Increase in creditors	<u>(125,221)</u>	<u>(82,836)</u>
	<u>30,944</u>	<u>66,587</u>
NET MOVEMENT IN LIQUID FUNDS		
Increase in cash in hand	103	99
Increase in overdraft	<u>(11,006)</u>	<u>(43,649)</u>
	<u>(10,903)</u>	<u>(43,550)</u>
	<u>£267,041</u>	<u>£46,786</u>

NOTES ON THE ACCOUNTS
30 SEPTEMBER 1979

1 ACCOUNTING POLICIES

(1) Basis of consolidation

The consolidated accounts include the accounts of Duo Rubber and Engineering Company, Limited and its subsidiary, Aycliffe Engineering Limited, both made up to 30 September 1979.

(2) Turnover

Turnover represents the net amount receivable from customers for goods and services provided in the ordinary course of business.

(3) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value, after deducting amounts invoiced on account. Cost includes appropriate production overheads.

(4) Depreciation

No depreciation is provided on freehold land. Depreciation is provided on other fixed assets at rates which are designed to reduce each asset to its estimated net realisable value by the end of its useful life. The rates applied to the net book amounts of the assets are as follows:

Freehold buildings	- 2% per annum
Plant, machinery and tools	- 15 - 20% per annum
Furniture, fixtures and fittings	- 5% per annum
Motor vehicles	- 20% per annum

(5) Deferred taxation

In accordance with Statement of Standard Accounting Practice 15, deferred taxation is provided on the liability method in respect of timing differences between profits as computed for taxation purposes and profits as stated in the accounts, except to the extent that the liability will not be payable in the foreseeable future having regard to unrelieved tax losses and the projected future capital expenditure and stock levels.

NOTES ON THE ACCOUNTS
30 SEPTEMBER 1979 (CONTINUED)

	<u>1979</u>	<u>1978</u>
2 (LOSS)/PROFIT ON TRADING		
(Loss)/Profit on trading is stated after charging:		
Amounts payable to directors, former directors and wives of former directors (Note 3)	42,240	41,533
Auditors' remuneration	3,900	1,000
Depreciation	45,080	11,094
Hire of plant and machinery	4,500	676
Redundancy and pay in lieu of notice to employees	5,889	-
Interest on loan (Note 12)	4,806	-
Interest on bank overdraft	<u>10,251</u>	<u>7,064</u>
and after crediting:		
Interest relief grant	23,000	-
Temporary employment subsidy	-	14,120
Profit on sale of fixed assets	<u>6,228</u>	<u>8,876</u>
3 AMOUNTS PAYABLE TO DIRECTORS, FORMER DIRECTORS AND WIVES OF FORMER DIRECTORS		
Directors:		
Fees	2,285	-
Other emoluments	25,155	23,975
Redundancy and compensation for loss of office	9,383	11,558
Pension to a former director	917	-
Pensions to wives of former directors	<u>4,500</u>	<u>6,000</u>
	<u>£42,240</u>	<u>£41,533</u>

NOTES ON THE ACCOUNTS
30 SEPTEMBER 1979 (CONTINUED)

	<u>1979</u>	<u>1978</u>
The Chairman (from 19 January 1979)	<u>£1,385</u>	
The highest paid director and chairman until 19 January 1979	<u>£12,880</u>	<u>£10,048</u>
The emoluments, excluding pension scheme contributions, of other directors were in the following brackets:		
£Nil - £2,500	3	1
£5,001 - £7,500	2	2

4 TAXATION

No provision for taxation is required in respect of the trading results for the year. Tax losses for the year amounting to approximately £266,000 (1978 £69,000) including relief for appreciation of stock values may be carried forward for relief against future profits of the same trade. If full provision had been made for deferred tax, there would have been a release to the profit and loss account for the year of £13,000.

5 EXTRAORDINARY ITEMS

Goodwill written off	1,500
Formation expenses of subsidiary written off	<u>98</u>
	<u>£1,598</u>

NOTES ON THE ACCOUNTS
30 SEPTEMBER 1979 (CONTINUED)

6 FIXED ASSETS

<u>The group</u>	<u>Freehold land and buildings</u>	<u>Plant, machinery and tools</u>	<u>Furniture, fixtures and fittings</u>	<u>Motor vehicles</u>	<u>Total</u>
<u>Cost or valuation</u>					
At 1 October 1978	113,973	146,582	9,451	12,232	282,238
Additions					
during year	2,410	214,782	14,450	15,260	246,902
Disposals	-	(30,768)	-	(5,473)	(36,241)
Adjustment re valuation	(3,973)	-	(4,062)	-	(8,035)
At 30 September 1979	112,410	330,596	19,839	22,019	484,864
<u>Depreciation</u>					
At 1 October 1978	2,186	93,917	2,786	4,437	103,326
Charge for the year	1,553	38,561	882	4,084	45,080
Disposals	-	(20,391)	-	(2,835)	(23,226)
Adjustment re valuation	(2,186)	-	(580)	-	(2,766)
At 30 September 1979	1,553	112,087	3,088	5,686	122,414
<u>Net book amount</u>					
At 30 September 1979	£110,857	£218,509	£16,751	£16,333	£362,450
At 30 September 1978	£111,787	£52,665	£6,665	£7,795	£178,912

NOTES ON THE ACCOUNTS
30 SEPTEMBER 1979 (CONTINUED)

6 FIXED ASSETS (CONTINUED)					
<u>The company</u>	<u>Freehold land and buildings</u>	<u>Plant, machinery and tools</u>	<u>Furniture, fixtures and fittings</u>	<u>Motor vehicles</u>	<u>Total</u>
<u>Cost or valuation</u>					
At 1 October 1978	113,973	146,582	9,451	12,232	282,238
Additions during year	2,410	20,047	2,252	10,354	35,063
Disposals	-	(30,768)	-	(4,223)	(34,991)
Adjustment re valuation	(3,973)	-	(4,062)	-	(8,035)
Transfers to subsidiary	-	(39,145)	-	-	(39,145)
At 30 September 1979	112,410	96,716	7,641	18,363	235,130
<u>Depreciation</u>					
At 1 October 1978	2,186	93,917	2,786	4,437	103,326
Charge for the year	1,553	6,756	272	3,352	11,933
Disposals	-	(20,391)	-	(2,835)	(23,226)
Adjustment re valuation	(2,186)	-	(580)	-	(2,766)
Transfers to subsidiary	-	(21,844)	-	-	(21,844)
At 30 September 1979	1,553	58,438	2,478	4,954	67,423
<u>Net book amount</u>					
At 30 September 1979	<u>£110,857</u>	<u>£38,278</u>	<u>£5,163</u>	<u>£13,409</u>	<u>£167,707</u>
At 30 September 1978	<u>£111,787</u>	<u>£52,665</u>	<u>£6,665</u>	<u>£7,795</u>	<u>£178,912</u>
Cost or valuation of fixed assets of the group comprises:				<u>1979</u>	<u>1978</u>
Freehold land and buildings - at professional valuation on 8 June 1978				110,000	113,973
- additions since at cost				2,410	-
Other fixed assets at cost				<u>372,454</u>	<u>168,265</u>
				<u>£484,864</u>	<u>£282,238</u>

NOTES ON THE ACCOUNTS
30 SEPTEMBER 1979 (CONTINUED)

7	INTEREST IN SUBSIDIARY	<u>1979</u>	<u>1978</u>
	Shares at cost	2	-
	Current account	<u>252,383</u>	<u>-</u>
		<u>£252,385</u>	<u>£ -</u>

The company acquired the whole of the issued share capital of its subsidiary, Aycliffe Engineering Limited, which is incorporated in the United Kingdom, on 12 December 1978. The subsidiary commenced to trade on 13 December 1978. Since the year end the company has agreed to subscribe for 79,998 £1 shares in the subsidiary at par which will be applied in reduction of the current account balance. The company has further agreed to provide loans amounting to not less than £210,000 to the subsidiary including the balance on the current account on terms equivalent to the terms on which the funds are provided to the company.

8	STOCKS AND WORK IN PROGRESS	<u>The group</u>		<u>The company</u>	
		<u>1979</u>	<u>1978</u>	<u>1979</u>	<u>1978</u>
	Comprise:				
	Work in progress	77,511	24,162	11,520	24,162
	Less invoiced on account	(15,607)	-	-	-
		61,904	24,162	11,520	24,162
	Raw materials and consumables	<u>38,135</u>	<u>25,002</u>	<u>30,182</u>	<u>25,002</u>
		<u>£100,039</u>	<u>£49,164</u>	<u>£41,702</u>	<u>£49,164</u>

9 BANK OVERDRAFT

The company's bank overdraft is secured by a debenture creating a fixed charge over the freehold land and buildings and a floating charge on the undertaking and all other property and assets of the company, and a fixed charge on the short leasehold property occupied by the subsidiary.

10 SHARE CAPITAL

Authorised			
11½% cumulative redeemable preference shares of £1 each	125,000	-	
Ordinary shares of £1 each	<u>75,000</u>	<u>40,000</u>	
	<u>£200,000</u>	<u>£40,000</u>	

NOTES ON THE ACCOUNTS
30 SEPTEMBER 1979 (CONTINUED)

10 SHARE CAPITAL (CONTINUED)

Issued and fully paid		
11½% cumulative redeemable preference shares	125,000	-
of £1 each		
Ordinary shares of £1 each	<u>70,608</u>	<u>36,010</u>
	<u>£195,608</u>	<u>£36,010</u>

The 11½% cumulative redeemable preference shares are redeemable at par at the company's option within three months of the end of any financial year, with the consent of the holders of the preference shares, but, otherwise, must be redeemed at par in seven equal annual instalments commencing 22 December 1982.

The preference dividends are payable on 22 June and 22 December in each year. The preference dividend of £7,601 due on 22 June 1979 was in arrear at 30 September 1979.

11 RESERVES	<u>The group</u>	<u>The company</u>
Profit and loss account		
At 1 October 1978	46,771	46,771
Loss for the year	<u>(42,250)</u>	<u>(72,451)</u>
At 30 September 1979	<u>4,521</u>	<u>(25,680)</u>
Surplus on revaluation of Freehold land and buildings		
At 1 October 1978	87,038	87,038
Adjustment to eliminate items included in both cost and valuation (Note 6)	<u>(5,269)</u>	<u>(5,269)</u>
At 30 September 1979	<u>81,769</u>	<u>81,769</u>
	<u>£86,290</u>	<u>£56,089</u>

NOTES ON THE ACCOUNTS
30 SEPTEMBER 1979 (CONTINUED)

12 LOAN

The company has borrowed the equivalent of £90,000 in certain foreign currencies from the European Investment Bank at a rate of 7½% per annum, repayable by varying half yearly instalments between 18 July 1981 and 15 January 1986. The Department of Industry has undertaken to bear any loss and is entitled to any gains in respect of this loan arising from fluctuations in currency exchange rates.

13 DEFERRED TAXATION

The potential amount of deferred taxation calculated at a corporation tax rate of 52% and not provided in the group accounts comprises:

	<u>1979</u>	<u>1978</u>
Excess of capital allowances over depreciation provided	135,000	34,000
Stock appreciation relief	<u>31,000</u>	<u>9,000</u>
	166,000	43,000
Less unrelieved tax losses carried forward	<u>(168,000)</u>	<u>(30,000)</u>
	<u>(£2,000)</u>	<u>£13,000</u>