

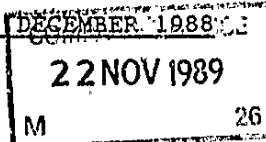
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W. CANNING MATERIALS LIMITED

DIRECTORS' REPORT AND ACCOUNTS .7

FOR THE YEAR ENDED 31st DECEMBER 1988

1290882



W. CANNING MATERIALS LIMITEDDIRECTORS' REPORT

The directors present their annual report and the audited accounts for the year ended 31st December 1988.

Principal activities

The principal activity of the company continues to be the supply of chemicals and materials for use in electroplating and surface finishing processes.

Business review

The results for the year are as follows:

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Turnover	24,590,762	21,416,423
Profit on ordinary activities before taxation	2,226,033	1,702,629
Taxation on profit on ordinary activities	(649,409)	(551,542)
Profit on ordinary activities after taxation	<u>1,576,624</u>	<u>1,151,087</u>

1988 proved to be a very successful year with sales having improved by almost 15%. This resulted in a sizeable increase in the profit before taxation compared with the previous year.

A surplus for the financial year of £1,186,624 is to be carried to reserves (1987: £799,087).

Proposed dividend

The directors recommend payment of a final dividend of £195,000 (1987: £176,000) making a total of £390,000 (1987: £352,000) for the year.

Property revaluation

The company's land and buildings were revalued on the basis of an open market value for existing use at 31st December 1988 by members of the Royal Institution of Chartered Surveyors resulting in a revaluation surplus of £1,265,066. Other changes in fixed assets are shown in the notes to the accounts.

W. CANNING MATERIALS LIMITEDDIRECTORS' REPORT
(continued)Directors

The directors who served during the year were:

D.H. Probert - Chairman
W.E.I. Galloway
B.F Johnson
J. Allwood
D.M. Brown
R.W. Gardner
A.J. Spalton (resigned 3rd February 1989)

Directors' interests in shares

No director had any interest in the shares of the company as it is a wholly owned subsidiary of W. Canning plc. Directors' interests in the shares of group companies were as follows:

	<u>W. Canning plc ordinary 25p shares</u>	
	<u>31st December 1988</u>	<u>31st December 1987</u>
B.F Johnson	4,600	4,600
J. Allwood	1,875	1,875

Mr. D.H. Probert and Mr. W.E.I. Galloway are directors of the holding company and are not therefore required to notify their interests to this company.

Employees

The company recognises the benefits of keeping employees informed of the progress of the business and of involving them in the company's performance. During the year employees were regularly provided with information regarding the financial and economic factors affecting the performance of the company and on other matters of concern to them as employees, through the medium of regular employee reports.

The company is fully aware of its statutory and social obligations towards the disabled and every consideration is given to them during recruitment and career development. Employees who become disabled are retained where possible, either in their own or more suitable jobs.

Auditors

In accordance with section 384(1) of the Companies Act 1985 a resolution concerning the re-appointment of Peat Marwick McLintock as auditors will be proposed at the forthcoming annual general meeting.

By Order of the Board


B. JOHNSON

Secretary

AUDITORS' REPORT TO THE MEMBERS OF

W. CANNING MATERIALS LIMITED

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

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31st December 1988 and of the profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PEAT MARWICK McLINTOCK

Birmingham

Chartered Accountants

7th March 1989

W. CANNING MATERIALS LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31st DECEMBER 1988

	Note	<u>1988</u> <u>£</u>	<u>1987</u> <u>£</u>
TURNOVER	4	24,590,762	21,416,423
Change in stocks of finished goods and work in progress		208,751	37,767
Other operating income - royalties		142,918	146,686
Raw materials and consumables		(14,446,577)	(11,901,852)
Other external charges		(894,777)	(1,032,078)
Staff costs	5	(4,500,952)	(4,138,539)
Depreciation		(394,225)	(391,162)
Other operating charges		(2,580,813)	(2,471,748)
Interest receivable		100,946	37,132
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	2,226,033	1,702,629
Taxation on profit on ordinary activities	6	(649,409)	(551,542)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,576,624	1,151,087
Dividend	7	(390,000)	(352,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR	15	1,186,624	799,087

W. CANNING MATERIALS LIMITEDBALANCE SHEETAT 31st DECEMBER 1988

	Note	1988		1987	
		£	£	£	£
FIXED ASSETS					
Tangible assets	8		4,610,885		3,249,309
Investments	14		102		102
			<u>4,610,987</u>		<u>3,249,411</u>
CURRENT ASSETS					
Stocks	9	2,349,115		2,088,365	
Debtors	10	4,957,332		4,687,013	
Cash at bank and in hand		<u>2,261,128</u>		<u>1,028,232</u>	
		9,567,575		7,803,610	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(4,974,945)		(4,263,888)	
NET CURRENT ASSETS			<u>4,592,630</u>		<u>3,539,722</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			9,203,617		6,789,133
PROVISIONS FOR LIABILITIES AND CHARGES	12		(206,591)		(243,797)
			<u>8,997,026</u>		<u>6,545,336</u>
CAPITAL AND RESERVES					
Called up share capital	13		250,000		250,000
Share premium account	15		3,385,640		3,385,640
Profit and loss account	15		4,096,320		2,909,696
Revaluation reserve	15		<u>1,265,066</u>		<u>-</u>
			<u>8,997,026</u>		<u>6,545,336</u>

These accounts were approved by the board of directors on 7th March 1989.

W.E.I. Galloway
B. Johnson

W.E.I. GALLOWAY)

B. JOHNSON)

) DIRECTORS

W. CANNING MATERIALS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31st DECEMBER 1988

	1988		1987	
	£	£	£	£
SOURCE OF FUNDS				
Profit on ordinary activities before taxation		2,226,033		1,702,629
Adjustments for items not involving the movement of funds:				
Depreciation		394,225		391,162
Surplus on sale of tangible fixed assets		(23,910)		(9,661)
FUNDS GENERATED FROM OPERATIONS		2,596,348		2,084,130
FUNDS FROM OTHER SOURCES				
Proceeds of sale of tangible fixed assets		78,994		70,539
		2,675,342		2,154,669
APPLICATION OF FUNDS				
Purchase of goodwill	-		150,040	
Purchase of tangible fixed assets	542,212		444,813	
Transfer of fixed assets at book value	3,607		-	
Tax paid	91,650		60,816	
Dividends paid	371,000		345,000	
Amount paid to group companies for the surrender of tax losses and ACT	211,076		457,375	
Overseas tax paid	2,063		1,930	
		(1,221,608)		(1,459,974)
INCREASE IN WORKING CAPITAL		1,453,734		694,695
COMPONENTS OF INCREASE IN WORKING CAPITAL				
Stocks		260,750		85,157
Debtors		270,319		525,891
Creditors falling due within one year		(310,231)		(768,475)
Movement in net liquid funds:				
Increase in cash at bank and in hand		1,232,896		852,122
		1,453,734		694,695

W. CANNING MATERIALS LIMITEDNOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st DECEMBER 19881. Accounting policies(a) Basis of preparation

The accounts have been prepared under alternative accounting rules set out in the 4th schedule to the Companies Act 1985, being prepared under the historical cost convention adjusted by the revaluation of the company's land and buildings.

(b) Depreciation

Depreciation is provided by equal annual instalments to write off the purchase cost over the term of the expected useful life of the asset. The useful life assumed for plant and fixtures is 10 years and for motor vehicles and computer equipment is 4 years. The useful life assumed for freehold buildings is based on independent professional advice and the leasehold property is amortised over the period of the lease.

(c) Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value. Cost comprises materials, labour and appropriate overhead expenses. Specific provisions are made as necessary for slow moving and obsolete stock.

(d) Taxation

The taxation charge is based on the profit for the year and includes deferred taxation provided under the liability method on material timing differences where there is a reasonable probability that taxation will become payable in the foreseeable future.

(e) Pensions

The company is part of a group which operates contributory pension schemes covering the majority of its permanent employees. Funds held by these schemes are administered by trustees and are independent of the group's finances. The group's contributions are in accordance with recommendations of independent actuaries and are charged against profits in the year for which they are made. The schemes are fully funded.

(f) Operating leases

Operating lease rentals are charged on a straight line basis over the term of the lease.

(g) Foreign exchange

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction.

W. CANNING MATERIALS LIMITEDNOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1988
(continued)

1. Accounting policies (continued)(h) Goodwill

Goodwill arising from the acquisition of businesses has been written off against reserves.

2. Profit before taxation

All the profit before taxation of the company was earned in the principal activity of the supply of chemicals and materials for use in electroplating and surface finishing processes.

Profit before taxation is stated after charging the following:

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Redundancy and re-organisation	-	25,119
Auditors remuneration	20,000	19,750
Directors' emoluments (note 3)	213,091	197,775
Operating lease rentals - plant and machinery	156,420	104,229
- property	28,600	28,600

3. Emoluments of directors

Excluding pension contributions, the emoluments of the chairman were £Nil (1987: £Nil) and the emoluments of the highest paid director were £47,640 (1987: £43,561); the emoluments of the other directors were within the following ranges:

	<u>1988</u>	<u>1987</u>
	<u>Number</u>	<u>Number</u>
£10,001 - £15,000	-	2
£20,001 - £25,000	1	1
£25,001 - £30,000	2	2
£30,001 - £35,000	2	1

4. Turnover

Turnover represents the invoiced value of sales, excluding value added tax, less returns.

Turnover arises entirely from the principal activity of the company which is the supply of chemicals and materials for use in electroplating and surface finishing processes.

The company has no direct export sales.

W. CANNING MATERIALS LIMITEDNOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1988
(continued)

5. Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows:

	<u>1988</u>	<u>1987</u>
	<u>Number</u>	<u>Number</u>
Sales and marketing	82	88
Administration	63	64
Production	140	143
Warehousing	63	64
	<u>348</u>	<u>359</u>

The aggregate payroll costs of these persons were as follows:

	<u>£</u>	<u>£</u>
Wages and salaries	3,921,438	3,606,100
Social security costs	288,522	264,854
Other pension costs	290,992	267,585
	<u>4,500,952</u>	<u>4,138,539</u>

6. Taxation

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Taxation based on the profit for the year:		
Corporation tax at 35% (1987: 35%)	474,815	91,989
Amount paid for ACT and losses surrendered by group companies	211,076	457,375
Overseas tax	2,063	1,930
Adjustment to prior years tax charge	(1,339)	(11,703)
Deferred tax (Note 12)	(37,206)	11,951
	<u>649,409</u>	<u>551,542</u>

7. Dividends

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Interim dividend paid	195,000	176,000
Final dividend proposed	195,000	176,000
	<u>390,000</u>	<u>352,000</u>

W. CANNING MATERIALS LIMITEDNOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st DECEMBER 1988

(continued)

8. Tangible fixed assets

<u>Cost or valuation</u>	<u>Land and buildings</u>		<u>Plant and equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	<u>Freehold properties</u>	<u>Leasehold properties</u>			
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
At 1st January 1988	1,992,326	220,500	2,975,490	450,337	5,638,653
Capital expenditure	133,731	-	181,453	227,028	542,212
Revaluation	818,674	15,000	-	-	833,674
Group transfers	-	-	-	6,658	6,658
Disposals	-	-	(93,885)	(183,625)	(277,510)
At 31st December 1988	2,944,731	235,500	3,063,058	500,398	6,743,687
<u>Depreciation</u>					
At 1st January 1988	355,752	81,400	1,788,823	163,369	2,389,344
Charge for year	55,840	13,800	206,860	117,725	394,225
On disposals	-	-	(93,885)	(128,541)	(222,426)
Revaluation	(411,592)	(19,800)	-	-	(431,392)
Group transfers	-	-	-	3,051	3,051
At 31st December 1988	-	75,400	1,901,798	155,604	2,132,802
<u>Net book value</u>					
At 31st December 1988	2,944,731	160,100	1,161,260	344,794	4,610,885
At 31st December 1987	1,636,574	139,100	1,185,667	286,968	3,249,309

All leasehold properties are held on short leases (less than fifty years).

Freehold properties includes land amounting to £934,000 at valuation (1987 : £358,069 at cost).

All the properties were revalued on 31st December 1988 by Members of the Royal Institution of Chartered Surveyors on the basis of open market value for existing use.

On the historic cost basis, the amount of land and buildings would be as follows:

	<u>1988</u>
	<u>£</u>
Cost:	
Freehold land and buildings	2,126,057
Leasehold properties	220,500
Accumulated depreciation	(506,792)
Net book value	1,839,765

W. CANNING MATERIALS LIMITEDNOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1988
(continued)

9. Stocks and work in progress

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Raw materials and consumables	965,359	913,360
Work in progress	104,161	66,269
Finished goods and goods for resale	1,279,595	1,108,736
	<u>2,349,115</u>	<u>2,088,365</u>

10. Debtors

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Trade debtors	3,955,644	3,707,490
Amounts owed by subsidiary companies	831,816	764,072
Prepayments and accrued income	149,634	155,525
Other debtors	20,238	59,926
	<u>4,957,332</u>	<u>4,687,013</u>

11. Creditors: Amounts falling due within one year

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Trade creditors	3,138,761	2,629,742
Amounts owed to group companies:		
Holding company	175,436	478,470
Fellow subsidiaries	44,555	7,574
Taxation and social security	909,190	587,931
Accruals and deferred income	334,084	227,397
Proposed dividend	195,000	176,000
Other creditors	177,919	156,774
	<u>4,974,945</u>	<u>4,263,888</u>
Taxation and social security comprises:		
Corporation tax	475,815	93,989
Other taxes and social security	433,375	493,942
	<u>909,190</u>	<u>587,931</u>

W. CANNING MATERIALS LIMITEDNOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1988
(continued)

12. Provision for liabilities and charges

	<u>Deferred taxation</u> <u>£</u>
At 1st January 1988	243,797
Movement for the year	(37,206)
At 31st December 1988	<u>206,591</u>

The provision has been calculated at 35%. The major components are:

	<u>Amount provided</u>		<u>Amount not provided in the accounts</u>	
	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Accelerated capital allowances	241,090	243,797	305,602	289,639
Other timing differences	(34,499)	-	-	3,768
	<u>206,591</u>	<u>243,797</u>	<u>305,602</u>	<u>293,407</u>

The properties which have been revalued are occupied for the purposes of the company's trade and consequently any gains arising in the U.K. on disposals are normally eligible for roll over relief. No provision in respect of potential taxation on capital gains has therefore been made.

13. Share capital

	<u>1988</u> <u>£</u>	<u>1987</u> <u>£</u>
Authorised, allotted, called up and fully paid: 250,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

14. Investments

	<u>1988</u> <u>£</u>	<u>1987</u> <u>£</u>
Shares in group companies at cost	<u>102</u>	<u>102</u>

The company owns the whole of the issued share capital of Osro-Canning Limited and of W. Canning Materials Exports Limited, both of which are incorporated in England. Osro-Canning is a dormant company.

W. CANNING MATERIALS LIMITEDNOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1988
(continued)

14. Investments (continued)

Group accounts are not submitted as this company is a wholly owned subsidiary of another company and therefore exempt under Section 229(2) of the Companies Act 1985.

In the opinion of the directors the value of the company's investment in the above subsidiaries is not less than the amount at which they are included in the balance sheet.

15. Reserves

	Profit and loss account <u>£</u>	Share premium account <u>£</u>	Revaluation reserve <u>£</u>	Total <u>£</u>
At 1st January 1988	2,909,696	3,385,640	-	6,295,336
Profit retained	1,186,624	-	-	1,186,624
Revaluation	-	-	1,265,066	1,265,066
At 31st December 1988	<u>4,096,320</u>	<u>3,385,640</u>	<u>1,265,066</u>	<u>8,747,026</u>

16. Commitments

Capital commitments at 31st December 1988 and 1987, for which no provision has been made in these accounts, were as follows:

	<u>1988</u> <u>£</u>	<u>1987</u> <u>£</u>
Contracted	138,264	33,583
Authorised but not contracted	36,500	295,763
	<u>174,764</u>	<u>329,346</u>

17. Lease commitments

Commitments for the next year under non-cancellable operating leases are as follows:

	<u>1988</u>		<u>1987</u>	
	<u>Land and buildings £</u>	<u>Other leases £</u>	<u>Land and buildings £</u>	<u>Other leases £</u>
Leases terminating:				
Within one year	26,217	60,604	-	-
Between two and five years	-	85,423	28,600	115,381
After five years	-	4,440	-	-
	<u></u>	<u></u>	<u></u>	<u></u>

W. CANNING MATERIALS LIMITEDNOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1988
(continued)

18. Contingent liabilities

The company is party to group banking arrangements and is jointly and severally liable with other group companies in respect of the holding company's bank loans and overdrafts. The amount of these borrowings at 31st December 1988 amounted to £913,908 (1987: £Nil).

19. Holding company

The ultimate holding company is W. Canning plc which is incorporated in England.