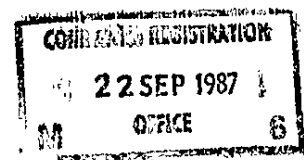


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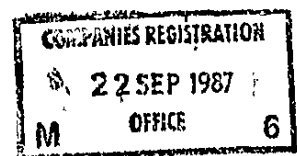
W. CANNING MATERIALS LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31st DECEMBER 1986



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W. CANNING MATERIALS LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31st DECEMBER 1986



W. CANNING MATERIALS LIMITEDDIRECTORS' REPORT

The directors present their annual report and the audited accounts for the year ended 31st December 1986.

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

Despite a slight fall in turnover, the improved profit margins on both home and export sales and tight control over expenditure combined to give an improved financial performance.

The results for the year are as follows:

	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
Turnover	19,502,845	20,246,366
Profit on ordinary activities before taxation	1,291,685	784,062
Taxation on profit on ordinary activities	(426,831)	(229,140)
Profit on ordinary activities after taxation	864,854	554,922
Extraordinary loss	-	(40,059)
Profit for the financial year	864,854	514,863

A surplus for the financial year of £526,854 is to be carried to reserves (1985: £498,689).

Proposed dividend

The directors recommend payment of a final dividend of £169,000 (1985: £16,174) making a total of £338,000 (1985: £16,174) for the year.

Market value of land and buildings

The directors are of the opinion that the market value of properties is not significantly different from the net book value of £1,817,277 which, together with the movement in fixed assets, is shown in note 9 on page 11 of the accounts.

W. CANNING MATERIALS LIMITEDDIRECTORS' REPORT
(continued)Directors

The directors who served during the year were:

F.J. Essex (resigned 30th June 1986)
D.H. Probert - Chairman
W.E.I. Galloway
B.F. Johnson
J. Allwood
D.M. Brown
G.R. Hampshire
A.J. Spalton

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 1986</u>	<u>31st December 1985</u>
B.F. Johnson	4,600	4,600
J. Allwood	375	1,875

Mr. D.H. Probert is a director of the holding company and is not therefore required to notify his interests to this company.

Share option scheme

Mr. W.E.I. Galloway had an option over 10,000 shares in the holding company under the W. Canning 1985 share option scheme at 31st December 1986 (1985: 10,000).

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.

W. CANNING MATERIALS LIMITEDDIRECTORS' REPORT
(continued)Auditors

At the company's last annual general meeting, Peat, Marwick, Mitchell & Co. were re-appointed as auditors of the company and from 1st April 1987 they will practise under the name of Peat Marwick McLintock. In accordance with section 384(1) of the Companies Act 1985 a resolution concerning their re-appointment as auditors will be proposed at the forthcoming annual general meeting.

By Order of the Board

A. J. Spalton

Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OFW. CANNING MATERIALS LIMITED

We have audited the accounts on pages 5 to 14 in accordance with approved auditing standards.

In our opinion the accounts, which have been prepared on the basis of the accounting policies set out on page 8, give a true and fair view of the state of the company's affairs at 31st December 1986 and of the profit and source and application of funds for the year to that date and comply with the Companies Act 1985.

Pearl Parnock Pittall & Co

Birmingham
26th March 1987

Chartered Accountants

W. CANNING MATERIALS LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31st DECEMBER 1986

	Note	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
TURNOVER	4	19,502,845	20,246,366
Change in stocks of finished goods and work in progress		123,159	77,438
Other operating income - royalties		88,758	116,028
Raw materials and consumables		(10,816,494)	(12,153,708)
Other external charges		(913,390)	(810,584)
Staff costs	5	(3,866,203)	(3,822,683)
Depreciation		(374,208)	(323,679)
Other operating charges		(2,439,903)	(2,504,343)
Interest receivable		550	964
Interest payable and similar charges	6	(13,429)	(41,737)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	1,291,685	784,062
Taxation on profit on ordinary activities	7	(426,831)	(229,140)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		864,854	554,922
Extraordinary loss	8	-	(40,059)
PROFIT FOR THE FINANCIAL YEAR		864,854	514,863
Dividend		(338,000)	(16,174)
RETAINED PROFIT FOR THE FINANCIAL YEAR		526,854	498,689
Retained profit brought forward		1,733,795	1,235,106
RETAINED PROFIT CARRIED FORWARD		<u>2,260,649</u>	<u>1,733,795</u>

W. CANNING MATERIALS LIMITEDBALANCE SHEETAT 31st DECEMBER 1986

	Note	1986		1985	
		£	£	£	£
FIXED ASSETS					
Tangible assets	9		3,256,536		3,009,901
Investments	15		102		102
			<u>3,256,638</u>		<u>3,010,003</u>
CURRENT ASSETS					
Stocks	10	2,003,208		2,071,716	
Debtors	11	4,161,122		4,166,756	
Cash at bank and in hand			176,110		3,017
			<u>6,340,440</u>		<u>6,241,489</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	(3,468,943)		(3,644,469)	
NET CURRENT ASSETS			<u>2,871,497</u>		<u>2,597,020</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>6,128,135</u>		<u>5,607,023</u>
PROVISIONS FOR LIABILITIES AND CHARGES	13		(231,846)		(237,588)
			<u>5,896,289</u>		<u>5,369,435</u>
CAPITAL AND RESERVES					
Called up share capital	14		250,000		250,000
Share premium account			3,385,640		3,385,640
Profit and loss account			2,260,649		1,733,795
			<u>5,896,289</u>		<u>5,369,435</u>

These accounts were approved by the board of directors on 26th March 1987.

W. B. Galloway)
A. J. Spallin) DIRECTORS

W. CANNING MATERIALS LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31st DECEMBER 1986

	1986		1985	
	£	£	£	£
SOURCE OF FUNDS				
Profit on ordinary activities before taxation		1,291,685		784,062
Extraordinary loss (before taxation benefit)		-		(40,059)
		1,291,685		744,003
Adjustments for items not involving the movement of funds:				
Depreciation		374,208		323,679
Surplus on sale of tangible fixed assets		(44,126)		(29,786)
FUNDS GENERATED FROM OPERATIONS		1,621,767		1,037,896
FUNDS FROM OTHER SOURCES				
Proceeds of sale of tangible fixed assets	120,361		63,069	
Tax refund	-		14,000	
		120,361		77,069
		1,742,128		1,114,965
APPLICATION OF FUNDS				
Purchase of tangible fixed assets	697,078		420,943	
Tax paid	127,550		-	
Dividends paid	185,174		133,000	
Amount paid to group companies for the surrender of tax losses and ACT	363,666		216,307	
Overseas tax paid	2,443		3,427	
		(1,375,911)		(773,677)
INCREASE IN WORKING CAPITAL		366,217		341,288
COMPONENTS OF INCREASE IN WORKING CAPITAL INCREASE/ (DECREASE)				
Stocks		(68,508)		48,125
Debtors		1,811		(184,084)
Creditors falling due within one year		(144,609)		434,270
Movement in net liquid funds:				
Increase/(decrease) in cash at bank and in hand		173,093		(1,730)
Decrease in overdraft		404,430		44,707
		366,217		341,288

W. CANNING MATERIALS LIMITEDNOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st DECEMBER 19861. Accounting policies(a) Basis of preparation

The accounts have been prepared in accordance with the 4th schedule to the Companies Act 1985.

(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. Balances denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date.

W. CANNING MATERIALS LIMITEDNOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1986
(continued)

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>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>
Exceptional item	-	295,826
Auditors remuneration	18,910	16,750
Directors' emoluments (note 3)	176,572	150,616
Operating lease rentals - plant and machinery	111,283	106,523

The exceptional item relates to the settlement of a legal claim.

3. Emoluments of directors

Excluding pension contributions, the emoluments of the chairmen were £Nil (1985: £Nil) and the emoluments of the highest paid director were £38,468 (1985: £32,413); the emoluments of the other directors were within the following ranges:

	<u>1986</u>	<u>1985</u>
	<u>Number</u>	<u>Number</u>
£ 0 - £ 5,000	1	1
£15,001 - £20,000	-	2
£20,001 - £25,000	3	2
£25,001 - £30,000	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 ACCOUNTSFOR THE YEAR ENDED 31st DECEMBER 1986
(continued)5. Staff numbers and costs

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

	<u>1986</u> <u>Number</u>	<u>1985</u> <u>Number</u>
Sales and marketing	89	99
Administration	69	78
Production	139	131
Warehousing	63	68
	<u>360</u>	<u>376</u>

The aggregate payroll costs of these persons were as follows:

	<u>£</u>	<u>£</u>
Wages and salaries	3,376,210	3,369,158
Social security costs	251,011	244,926
Other pension costs	238,982	208,599
	<u>3,866,203</u>	<u>3,822,683</u>

6. Interest payable

	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
On bank loans, overdrafts and other loans repayable within five years	<u>13,429</u>	<u>41,737</u>

7. Taxation

	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
Taxation based on the profit for the year:		
Corporation tax at 36.25% (1985: 41.25%)	66,464	73,050
Amount paid for ACT and losses surrendered by group companies	363,666	216,307
Overseas tax	2,443	4,592
Adjustment to prior years tax charge	-	(66,029)
Deferred tax (Note 13)	(5,742)	1,220
	<u>426,831</u>	<u>229,140</u>

W. CANNING MATERIALS LIMITEDNOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1986
(continued)

8. Extraordinary items

	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>
Extraordinary charge - purchase of the the business of Clare Chemicals	-	(40,059)
Extraordinary loss	-	(40,059)

9. Tangible fixed assets

	<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>
<u>Cost</u>					
At 1st January 1986	1,959,667	278,500	2,348,818	400,311	4,987,296
Capital expenditure	5,817	-	533,925	157,336	697,078
Disposals	-	(58,000)	(107,262)	(152,103)	(317,365)
At 31st December 1986	<u>1,965,484</u>	<u>220,500</u>	<u>2,775,481</u>	<u>405,544</u>	<u>5,367,009</u>
<u>Depreciation</u>					
At 1st January 1986	247,798	91,900	1,494,862	142,835	1,977,395
Charge for year	53,309	18,825	202,260	99,814	374,208
On disposals	-	(43,125)	(98,747)	(99,258)	(241,130)
At 31st December 1986	<u>301,107</u>	<u>67,600</u>	<u>1,598,375</u>	<u>143,391</u>	<u>2,110,473</u>
<u>Net book value</u>					
At 31st December 1986	<u>1,664,377</u>	<u>152,900</u>	<u>1,177,106</u>	<u>262,153</u>	<u>3,256,536</u>
At 31st December 1985	<u>1,711,869</u>	<u>186,600</u>	<u>853,956</u>	<u>257,476</u>	<u>3,009,901</u>

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

Freehold properties includes land amounting to £358,069 at cost (1985: £358,069).

W. CANNING MATERIALS LIMITEDNOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st DECEMBER 1986
(continued)10. Stocks and work in progress

	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>
Raw materials and consumables	865,970	1,057,637
Work in progress	127,809	148,962
Finished goods and goods for resale	1,009,429	865,117
	<u>2,003,208</u>	<u>2,071,716</u>

11. Debtors

	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>
Trade debtors	3,212,398	3,199,660
Amounts owed by subsidiary companies	766,235	832,488
Prepayments and accrued income	139,117	108,813
Other debtors	43,372	18,350
Corporation tax	-	7,445
	<u>4,161,122</u>	<u>4,166,756</u>

12. Creditors: Amounts falling due within one year

	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>
Bank loans and overdrafts	-	404,430
Trade creditors	2,160,784	2,126,193
Amounts owed to group companies:		
Holding company	388,603	295,562
Fellow subsidiaries	5,265	3,890
Taxation and social security	509,193	569,239
Accruals and deferred income	195,288	191,415
Proposed dividend	169,000	16,174
Other creditors	40,810	37,566
	<u>3,468,943</u>	<u>3,644,469</u>
Taxation and social security comprises:		
Corporation tax	74,519	143,050
Other taxes and social security	434,674	426,189
	<u>509,193</u>	<u>569,239</u>

W. CANNING MATERIALS LIMITEDNOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st DECEMBER 1986
(continued)13. Provision for liabilities and charges

	<u>Deferred taxation</u> <u>£</u>
At 1st January 1986	237,588
Movement for the year	(5,742)
At 31st December 1986	<u>231,846</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>1986</u>	<u>1985</u>	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Accelerated capital allowances	231,846	237,588	301,884	278,346
Other timing differences	-	-	(1,437)	(3,600)
	<u>231,846</u>	<u>237,588</u>	<u>300,447</u>	<u>274,746</u>

ACT of £116,443 (1985: £259,793) which has been surrendered by W. Canning plc for nil consideration, is available for set off against future corporation tax liabilities.

14. Share capital

	<u>1986</u> <u>£</u>	<u>1985</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>

15. Investments

	<u>1986</u> <u>£</u>	<u>1985</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.

W. CANNING MATERIALS LIMITEDNOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st DECEMBER 1986
(continued)15. 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.

16. Commitments

Capital commitments at 31st December 1986 and 1985, for which no provision has been made in these accounts, were as follows:

	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>
Contracted	60,962	23,700
Authorised but not contracted	16,718	453,400
	<u>77,680</u>	<u>477,100</u>

17. Lease commitments

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

	<u>1986</u>		<u>1985</u>	
	<u>Land and</u>	<u>Other</u>	<u>Land and</u>	<u>Other</u>
	<u>buildings</u>	<u>leases</u>	<u>buildings</u>	<u>leases</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Leases terminating:				
Within two to five years	<u>28,600</u>	<u>111,928</u>	<u>28,746</u>	<u>111,068</u>

18. Contingent liabilities

The company is party to group banking arrangements and is jointly and severally liable with other group companies in respect of group bank loans and overdrafts. The amount of these borrowings at 31st December 1986 amounted to £904,000.

19. Holding company

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