

Wm. Canning Limited

Directors' report and financial statements

31 December 1994

Registered number 1290882



Wm. Canning Limited

Directors' report and financial statements

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Wm. Canning Limited

Directors' report

The directors present their annual report and the audited accounts for the year ended 31 December 1994.

Principal activities

The principal activities of the company continue to be the supply of chemicals and materials for use in electroplating and surface finishing processes and, since 1 January 1994, the manufacture of industrial lubricants and sealants, and additives for fuel, water and waste, previously carried on by fellow subsidiaries.

Business review

The results for the year are as follows:

	1994 £	1993 £
Turnover	<u>32,314,996</u>	<u>19,500,529</u>
Profit on ordinary activities before taxation	6,669,010	3,040,190
Taxation on profit on ordinary activities	<u>(2,137,384)</u>	<u>(1,035,088)</u>
Profit on ordinary activities after taxation and for the financial year	<u>4,531,626</u>	<u>2,005,102</u>

After dividends, a retained profit for the financial year of £1,182,737 is to be carried to reserves (1993: profit £1,355,102).

The company will continue to focus on the development of new products and technologies for its core product areas. There are opportunities to increase sales both in the UK and all overseas markets, particularly the USA, Far East and Europe, through its own overseas offices and worldwide network of distributors.

Proposed dividend

The directors recommend payment of a final dividend of £382,000 (1993: £325,000) making a total of £3,348,889 (1993: £650,000).

Wm. Canning Limited

Directors' report *(continued)*

Fixed assets

Changes in fixed assets are shown in note 8 to the financial statements.

In the opinion of the directors, the market value of the company's freehold and leasehold property is not significantly different from the value at which they are included in the accounts.

Charitable donations

The company made charitable donations of £415 during the year.

Directors

The directors who served during the year were:

GJ Green	Chairman
P Hannam	(appointed 1 September 1994)
PJ Youle	
RG Brown	(appointed 1 January 1994)
GP Dee	(appointed 1 January 1994, resigned 31 August 1994)
GE Shard	(appointed 1 September 1994)
DH Probert	(appointed 24 October 1994)

During the year, the company maintained liability insurance for its directors.

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.

Mr RG Brown, Mr GJ Green and Mr DH Probert are directors of the ultimate parent company and are therefore not required to notify their interests to this company. No other director had interests in the shares of the ultimate parent company or any other group 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.

Wm. Canning Limited

Directors' report *(continued)*

Employees *(continued)*

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.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 385 of the Companies Act 1985, a resolution concerning the re-appointment of KPMG as auditors will be proposed at the forthcoming annual general meeting.

By order of the board


A Dudley
Secretary

PO Box 288
Great Hampton Street
BIRMINGHAM
B18 6AS

31 May 1995



2 Cornwall Street
Birmingham
B3 2DL

Auditors' report to the members of Wm. Canning Limited

We have audited the financial statements on pages 5 to 18.

Respective responsibilities of directors and auditors

As described on page 3 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 December 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

K P A G

Chartered Accountants
Registered Auditors

31 May 1995



Wm. Canning Limited

Profit and loss account for the year ended 31 December 1994

	Note	1994 £	1993 £
Turnover - continuing activities	2	32,314,996	19,500,529
Change in stocks of finished goods and work in progress		179,795	(215,534)
Other operating income - royalties		157,650	127,263
Raw materials and consumables		(16,349,840)	(9,841,568)
Other external charges		(900,955)	(538,465)
Staff costs	5	(5,041,060)	(3,185,434)
Depreciation		(719,819)	(497,349)
Other operating charges		(4,005,246)	(2,435,099)
Operating profit - continuing activities		5,635,521	2,914,343
Profit on sale of the polishing division	3	695,154	-
Profit on sale of fixed assets		46,489	25,421
Profit on ordinary activities before interest		6,377,164	2,939,764
Interest receivable		327,852	134,021
Interest payable on bank overdrafts wholly repayable within five years		(36,006)	(33,595)
Profit on ordinary activities before taxation	3	6,669,010	3,040,190
Taxation on profit on ordinary activities	6	(2,137,384)	(1,035,088)
Profit on ordinary activities after taxation and profit for the financial year		4,531,626	2,005,102
Dividends	7	(3,348,889)	(650,000)
Retained profit for the financial year	15	1,182,737	1,355,102

A statement of movements on reserves is given in note 15.

There were no recognised gains or losses other than the profit for the financial year as stated above.

Wm. Canning Limited

Note of historical cost profits and losses for the year ended 31 December 1994

	1994 £	1993 £
Reported profit on ordinary activities before taxation	6,669,010	3,040,190
Revaluation reserve realised on disposal	86,818	-
Historical cost profit on ordinary activities before taxation	6,755,828	3,040,190
Retained historical cost profit for the financial year	1,269,555	1,355,102

Reconciliation of movement in shareholders' funds for the year ended 31 December 1994

	1994 £	1993 £
Profit for the financial year	4,531,626	2,005,102
Dividends	(3,348,889)	(650,000)
Net movement in shareholders' funds	1,182,737	1,355,102
Opening shareholders' funds	7,651,528	6,296,426
Closing shareholders' funds	8,834,265	7,651,528

Wm. Canning Limited

Balance sheet
at 31 December 1994

	Note	1994		1993	
		£	£	£	£
Fixed assets					
Tangible assets	8	5,626,848		5,933,123	
Investments	9	102		102	
		<u>5,626,950</u>		<u>5,933,225</u>	
Current assets					
Stocks	10	2,220,613	1,877,075		
Debtors	11	8,038,231	7,387,113		
Cash at bank and in hand		<u>2,014,982</u>	<u>4,574,684</u>		
		12,273,826	13,838,872		
Creditors: Amounts falling due within one year	12	<u>(9,066,511)</u>	<u>(11,940,569)</u>		
Net current assets		<u>3,207,315</u>	<u>1,898,303</u>		
Total assets less current liabilities		<u>8,834,265</u>	<u>7,831,528</u>		
Provisions for liabilities and charges	13	-	(180,000)		
Net assets		<u>8,834,265</u>	<u>7,651,528</u>		
Capital and reserves					
Called up share capital	14	3,000,000	3,000,000		
Share premium account	15	1,135,640	1,135,640		
Revaluation reserve	15	1,477,653	1,564,471		
Profit and loss account	15	<u>3,220,972</u>	<u>1,951,417</u>		
Equity shareholders' funds		<u>8,834,265</u>	<u>7,651,528</u>		

These financial statements were approved by the board of directors on 31 May 1995 and were signed on its behalf by:

PJ Youle
Director



Wm. Canning Limited

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost convention adjusted by the revaluation in previous years of certain of the group's land and buildings, to reflect open market value.

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

Depreciation

No depreciation is provided on freehold land.

For all other assets, depreciation is provided by equal annual instalments in order to write off their purchase cost or valuation over the term of their expected useful economic life. The useful life assumed for plant and fixtures varies between five and fourteen years and for motor vehicles is four to five years. The useful lives assumed for freehold buildings are based on independent professional advice and vary between twenty and fifty years and leasehold property is amortised over the period of the lease.

Stocks and work in progress

Stocks 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.

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.

Pensions

Funds held in pension schemes are administered by trustees and are independent of the company's finances. The company's contributions are in accordance with recommendations of independent actuaries and are charged against profits on a consistent basis over the period during which employees work with the company.

Operating leases

Operating lease rentals are charged against profits as incurred.

Wm. Canning Limited

Notes (continued)

1 Accounting policies (continued)

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transactions. Balances denominated in foreign currencies are translated into sterling at the rate ruling at the balance sheet date. Exchange gains or losses are included in trading profit.

Goodwill

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

Research

All research expenditure is written off as incurred except for expenditure on tangible fixed assets.

2 Turnover

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

Turnover arises entirely from the principal activities of the company which are the supply of chemicals and materials for use in electroplating and surface finishing processes, and the manufacture of industrial lubricants and sealants, and the sale of additives for fuel, water and waste.

The analysis of turnover by geographical market is as follows:

	1994 £	1993 £
UK Sales	30,726,147	19,500,529
Other EC Countries	346,658	-
Rest of Europe	672,693	-
Middle East and Africa	77,841	-
Australia and Far East	403,409	-
North America	85,980	-
Other	2,268	-
	<hr/>	<hr/>
	32,314,996	19,500,529
	<hr/>	<hr/>

Wm. Canning Limited

Notes (continued)

3 Profit on ordinary activities 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, and the sale of additives for fuel, water and waste.

Profit before taxation is stated after charging the following:

	1994	1993
	£	£
Auditors' remuneration:		
Audit		
Other services	27,185	19,700
Directors' emoluments (note 4) (including pension contributions of £9,198 (1993: £23,376))	33,655	13,012
Operating lease rentals:		
Plant and machinery	160,453	371,228
Property	193,164	248,588
Research and development expenditure	36,000	34,750
Redundancy costs	1,161,317	646,489
	<u>6,781</u>	<u>-</u>

The profit on sale of the polishing division comprises contingent consideration now agreed of £515,154, net of costs, and a provision no longer required of £180,000.

4 Emoluments of directors

Excluding pension contributions, the emoluments of the chairman were £Nil (1993: £86,435) and those of the highest paid director were £71,912 (1993: £86,435). The emoluments of the directors (excluding pension contributions) were within the following ranges:

	1994	1993
	Number	Number
£0 - £5,000	3	1
£10,001 - £15,000	-	1
£20,001 - £25,000	1	-
£25,001 - £30,000	2	-
£45,001 - £50,000	-	2
£50,001 - £55,000	-	2
£55,001 - £60,000	-	1
£70,001 - £75,000	1	-
£85,001 - £90,000	-	1
	<u>-</u>	<u>1</u>

Wm. Canning Limited

Notes (continued)

5 Staff numbers and costs

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

	1994 Number	1993 Number
Sales and marketing	81	56
Administration	61	43
Production	96	47
Warehousing	26	23
	<u>264</u>	<u>169</u>

The aggregate payroll costs of these persons were as follows:

		£
Wages and salaries	4,495,099	2,824,986
Social security costs	398,781	250,286
Other pension costs	147,180	110,162
	<u>5,041,060</u>	<u>3,185,434</u>

6 Taxation on profit on ordinary activities

	1994 £	1993 £
Taxation based on the profit for the year:		
Corporation tax at 33% (1993: 33%)	2,075,314	1,088,797
Prior year adjustments	105,745	(22,302)
Deferred tax (note 13)	(43,675)	(31,407)
	<u>2,137,384</u>	<u>1,035,088</u>

No capital gain arises on the disposal of the polishing division.

Wm. Canning Limited

Notes (continued)

7 Dividends

	1994 £	1993 £
Interim dividend paid	382,000	325,000
Second interim dividend paid	2,584,889	-
Final dividend proposed	382,000	325,000
	<u>3,348,889</u>	<u>650,000</u>

8 Tangible fixed assets

	Land and buildings Freehold properties £	Leasehold properties £	Plant and equipment £	Motor vehicles £	Total £
<i>Cost or valuation</i>					
At 1 January 1994	4,532,973	94,859	4,821,064	843,532	10,292,428
Capital expenditure	-	-	340,619	248,343	588,962
Disposals	(150,000)	-	(126,309)	(222,726)	(499,035)
At 31 December 1994	<u>4,382,973</u>	<u>94,859</u>	<u>5,035,374</u>	<u>869,149</u>	<u>10,382,355</u>
<i>Depreciation</i>					
At 1 January 1994	475,461	62,184	3,441,313	380,347	4,359,305
Charge for the year	113,278	7,295	414,280	184,966	719,819
On disposals	(47,667)	-	(100,051)	(175,899)	(323,617)
At 31 December 1994	<u>541,072</u>	<u>69,479</u>	<u>3,755,542</u>	<u>389,414</u>	<u>4,755,507</u>
<i>Net book value</i>					
At 31 December 1994	<u>3,841,901</u>	<u>25,380</u>	<u>1,279,832</u>	<u>479,735</u>	<u>5,626,848</u>
At 31 December 1993	<u>4,057,512</u>	<u>32,675</u>	<u>1,379,751</u>	<u>463,185</u>	<u>5,933,123</u>

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

Freehold properties includes land amounting to £1,549,254 at cost or valuation (1993: £1,589,254 at valuation) which is not depreciated.

Wm. Canning Limited

Notes (continued)

8 Tangible fixed assets (continued)

All properties were revalued on 31 December 1989 on the basis of open market value for existing use by a member of the Royal Institute of Chartered Surveyors. Additions since that date are stated at cost.

On the historic cost basis, the net book value of land and buildings would be as follows:

	1994 £	1993 £
Cost:		
Freehold land and buildings	3,135,869	3,492,298
Leasehold properties	94,859	94,859
Accumulated depreciation brought forward	(1,007,126)	(848,620)
Group transfer	-	(53,629)
Depreciation charge for the year	(62,506)	(92,430)
Net book value	<u>2,161,096</u>	<u>2,592,478</u>

9 Investments

	Shares in participating interest £	Shares in group undertakings £	Total £
<i>Cost</i>			
At 1 January 1994 and 31 December 1994	<u>112,096</u>	<u>102</u>	<u>112,198</u>
<i>Provision against investments</i>			
At 1 January 1993 and 31 December 1994	<u>112,096</u>	<u>-</u>	<u>112,096</u>
<i>Net book value</i>			
At 31 December 1994 and at 31 December 1993	<u>-</u>	<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. The shares in participating interest represent the cost of the company's investment in 50% of the issued share capital of Canning Ronal Limited (less amounts written off to reflect the value of the investment), which held 90% of the issued share capital of Canning Ronal Pty Limited, which operated in Australia.

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

Group financial statements are not submitted as this company is a wholly-owned subsidiary of another company and, therefore, exempt under Section 228 of the Companies Act 1985.

Wm. Canning Limited

Notes (continued)

10 Stocks and work in progress

	1994 £	1993 £
Raw materials and consumables	1,284,948	1,121,205
Work in progress	37,960	22,810
Finished goods and goods for resale	897,705	733,060
	<u>2,220,613</u>	<u>1,877,075</u>

11 Debtors

	1994 £	1993 £
Trade debtors	4,899,927	4,632,524
Amounts owed by parent undertaking	-	308,553
Amounts owed by fellow subsidiary undertakings	11,346	4,730
Amounts owed by subsidiary undertakings	2,110,791	2,024,862
Other debtors	595,141	42,387
ACT recoverable	-	1,804
Deferred tax asset (note 13)	50,000	6,325
Prepayments and accrued income	371,026	365,928
	<u>8,038,231</u>	<u>7,387,113</u>

Wm. Canning Limited

Notes (continued)

12 Creditors: Amounts falling due within one year

	1994 £	1993 £
Trade creditors	4,610,458	4,061,104
Amounts owed to group undertakings:		
Parent undertaking	492,666	712,858
Fellow subsidiary undertakings	66,926	4,098,983
Taxation and social security	2,466,534	1,839,358
Proposed dividend	382,000	325,000
Other creditors	775,660	512,036
Obligations under finance leases and hire purchase contracts	-	13,121
Accruals and deferred income	272,267	378,109
	<u>9,066,511</u>	<u>11,940,569</u>
Taxation and social security comprises:		
Corporation tax	1,056,306	1,201,653
Advance corporation tax	646,222	-
Other taxes and social security	764,006	637,705
	<u>2,466,534</u>	<u>1,839,358</u>

13 Provisions for liabilities and charges

	Other £	Deferred taxation £
At 1 January 1994	180,000	(6,325)
Movement for the year	(180,000)	(43,675)
At 31 December 1994	<u>-</u>	<u>(50,000)</u>

The provision of £180,000 related to the disposal of the polishing division in a prior year and is no longer required.

Deferred taxation is shown in note 11.

Wm. Canning Limited

Notes (continued)

13 Provisions for liabilities and charges (continued)

The provision for deferred tax has been calculated at 33% (1993: 33%). The major components are:

	Amount provided		Amount not provided	
	1994	1993	1994	1993
	£	£	£	£
Accelerated capital allowances	110,860	137,898	494,457	469,025
Other timing differences	(160,860)	(144,223)	-	-
	<u>(50,000)</u>	<u>(6,325)</u>	<u>494,457</u>	<u>469,025</u>

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

14 Called up share capital

	1994	1993
	£	£
<i>Authorised, allotted, called up and fully paid:</i>		
3,000,000 ordinary shares of £1 each	<u>3,000,000</u>	<u>3,000,000</u>

15 Reserves

	Share premium account	Revaluation reserve	Profit and loss account
	£	£	£
At 1 January 1994	1,135,640	1,564,471	1,951,417
Revaluation surplus realised on disposal	-	(86,818)	86,818
Profit retained	-	-	1,182,737
	<u>1,135,640</u>	<u>1,477,653</u>	<u>3,220,972</u>
At 31 December 1994			

Wm. Canning Limited

Notes (continued)

16 Commitments

Capital commitments at 31 December 1994 and 1993, for which no provision has been made in these accounts, were as follows:

	1994 £	1993 £
Contracted	20,580	33,958
Authorised but not contracted	<u>250,002</u>	<u>24,310</u>

17 Lease commitments

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

	1994		1993	
	Land and buildings £	Other leases £	Land and buildings £	Other leases £
Leases terminating:				
Within one year	-	2,368	-	46,174
Between two and five years	-	37,711	-	158,860
After five years	<u>36,000</u>	-	<u>36,000</u>	-

18 Contingent liabilities

The company is party to group banking arrangements and is jointly and severally liable with certain other group companies in respect of their bank loans and overdrafts. The amount of these borrowings at 31 December 1994 amounted to £Nil (1993: £Nil).

19 Pension schemes

During the year certain of the employees of the company participated in The Canning Group Retirement and Death Benefit Scheme. The details of this defined benefit scheme may be found in the financial statements of W. Canning plc.

As a result of the acquisition by the company of the undertaking of Marston Bentley Limited on 31 December 1993 a number of the current employees of the company participate in the Marston Bentley Limited Pension and Assurance Scheme.

A number of employees participate in personal pension plans to which the company makes a contribution.

The pension scheme cost charged to the profit and loss account and shown in note 5 is calculated to spread the cost of pensions over the working lives of the employees who are members of the scheme.

Included in other creditors is an amount of £336,000 (1993: £268,000) provided under the provisions of SSAP 24.

Wm. Canning Limited

Notes *(continued)*

20 Ultimate parent company

The ultimate parent company is W. Canning plc, which is registered in England and Wales. Copies of the group financial statements are available to the public from the following address: 133 Great Hampton Street, Birmingham, B18 6AS.