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PHETCO (ENGLAND) LIMITED

Report of the Directors

Directors: Mr. P. Wilson  
Mr. T.M. Arnott  
Mr. H.C. James

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The directors submit their report and statement of accounts for the year ended 31st October 1980.

Profit for the year after taxation  
which has been added to reserves £90,506

The company, which is a subsidiary of Marley Limited, a company incorporated in the U.K., is mainly concerned with the manufacture of the Multikwick Multiple-Seal flexible self-sealing W.C. pan connectors.

On 10th December 1980 Mr. T.M. Arnott was appointed a director

During the year there have been no significant changes in the fixed assets which have been revalued as detailed in the accounts.

The directors' shareholding interests required to be reported herein and as disclosed by the register maintained pursuant to the Companies Act 1967 were:

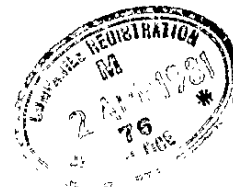
T.M. Arnott	60,200 on appointment	)	Marley Limited
H.C. James	60,000 (2976)	)	25p Ordinary shares

Messrs. Barber & Co. having notified their willingness to continue in office as auditors of the company, offer themselves for re-appointment.

For the board

H.C. James

Secretary



5th January 1981

PHETCO (ENGLAND) LIMITED

(a subsidiary of Marley Limited  
which is incorporated in Great Britain)

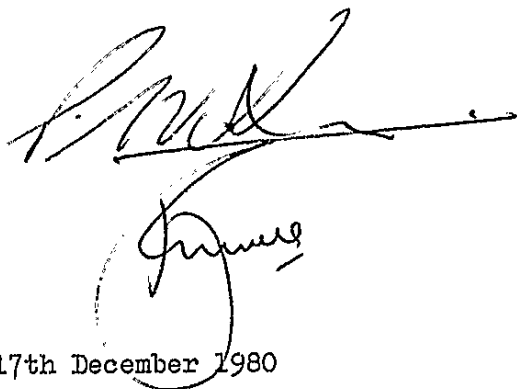
Profit and loss account

For the year ended 31st October 1980

	Notes	12 months 1980 £	10 months 1979 £
Sales to customers	3	<u>1,559,210</u>	<u>1,044,480</u>
Profit before taxation	4	537,506	336,372
Taxation	5	<u>247,000</u>	<u>169,587</u>
		290,506	166,785
Dividend		<u>200,000</u>	<u>-</u>
Retained profit for the year (1979 period)	6	<u>90,506</u>	<u>166,785</u>

PHETCO (ENGLAND) LIMITEDBalance sheet31st October 1980

	Notes	1980 £	1979 £
<b>FUNDS EMPLOYED</b>			
Share capital authorised, issued and fully paid			
100 Deferred ordinary shares of £1 each		100	100
10,000 Ordinary shares of £1 each		10,000	10,000
Reserves	6	959,419	627,618
Ordinary shareholders' funds		969,519	637,718
Advances (to)/from parent and fellow subsidiary companies		(233,465)	3,538
		<u>736,054</u>	<u>641,256</u>
<b>REPRESENTED BY</b>			
Current assets			
Stock and work in progress	7	39,717	45,382
Debtors		199,362	187,430
Cash and short term deposits		52,376	323,201
		<u>291,455</u>	<u>556,013</u>
Current liabilities			
Creditors		111,779	100,247
Taxation		130,847	197,041
		<u>242,626</u>	<u>297,288</u>
		48,829	258,725
Fixed assets	8	687,225	382,531
		<u>736,054</u>	<u>641,256</u>



 )  
 DIRECTORS

17th December 1980

PHETCO (ENGLAND) LIMITED

Source and application of funds

For the year ended 31st October 1980

		12 months 1980 £	10 months 1979 £
Source	Profit before taxation	537,506	336,372
	Depreciation	64,158	52,072
	Sales of fixed assets	10,800	57,336
		<u>612,464</u>	<u>445,780</u>
		<u><u>612,464</u></u>	<u><u>445,780</u></u>
Application	Fixed assets	138,357	137,629
	(Decrease)/increase in working capital (see below)	(276,090)	210,522
	Tax payments and group relief	313,194	66,000
	Dividends	200,000	-
	Purchase of investments	-	69,335
		<u>375,461</u>	<u>483,486</u>
		<u><u>375,461</u></u>	<u><u>483,486</u></u>
	Surplus/(deficit) represented by movement in inter-group balances	<u>237,003</u>	<u>(37,706)</u>
		<u><u>612,464</u></u>	<u><u>445,780</u></u>
 (Decrease)/increase in working capital:			
	Stock and work in progress	(5,665)	14,819
	Debtors	11,932	42,010
	Creditors	(11,532)	43,427
	Cash and bank balances	(270,825)	110,266
		<u>(276,090)</u>	<u>210,522</u>
		<u><u>(276,090)</u></u>	<u><u>210,522</u></u>

PHETCO (ENGLAND) LIMITED  
31st October 1980

Notes to the accounts

1 ACCOUNTING POLICIES

a) BASIS OF ACCOUNTING

The accounts are based on the historical cost convention.

b) SALES TO CUSTOMERS

Sales to customers comprise invoiced sales excluding all sales taxes and value added tax.

c) STOCK AND WORK IN PROGRESS

Stock and work in progress are stated at cost or net realisable value if lower. In the case of manufactured goods cost includes the relevant proportion of manufacturing overheads.

d) FIXED ASSETS

No depreciation is provided on freehold property as it is considered that current values are in excess of the book figures. On plant and vehicles depreciation is provided by equal annual instalments based on the expected service life, generally at rates between 5 and 20 per cent per annum.

e) DEFERRED TAXATION

It is not the policy of the company to provide for deferred taxation on stock relief nor on the excess of capital allowances over depreciation.

No provision is made for any tax liabilities which might arise if the fixed assets were disposed of at the amounts at which they were revalued during the year.

2 ACCOUNTING DATES

The prior year figures relate to the period 1st January 1979 to 31st October 1979.

3 SALES TO CUSTOMERS

Sales to customers include sales to fellow subsidiaries of £548,162 (1979 £401,096).

Exports from the United Kingdom amounted to £146,287 (1979 £118,872).

4 PROFIT BEFORE TAXATION

	1980 £	1979 £
This includes the following income:		
Building Society interest (net)	834	8,816
Deposit interest	9,712	5,383
Interest on advances to parent company	51,112	-
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and the following charges:		
Repairs and maintenance	36,534	25,819
Depreciation	64,158	52,072
Auditors' remuneration and expenses	2,500	3,500
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Notes to the accounts continued

## 5 TAXATION

The charge for United Kingdom taxation is arrived at as follows:

	1980 £	1979 £
Trading profit	537,506	336,372
Corporation tax at 52%	279,503	174,913
Deduct:		
Excess of capital allowances over depreciation	26,000	4,258
Prior year and other adjustments	6,503	1,068
	32,503	5,326
Tax charge	247,000	169,587

Provision was made for payment at the current rate of corporation tax (52%) between fellow subsidiaries for group relief surrendered. The amount payable for 1980 £220,000 (1979 £66,000) is included in "Advances from parent and fellow subsidiaries". The corporation tax due on 1st November 1981 £1,718 (1st November 1980 £103,847) is included with the figure for taxation under the heading "Current liabilities".

	1980 £	1979 £
Tax deferred at 31st October was as follows:		
Capital allowances	201,000	166,000

## 6 RESERVES

The movements during the year were as follows:

	£
Total at beginning of year	627,618
Amount of profit for the period retained	90,506
Valuation surplus	241,295
Total at end of year	959,419

## 7 STOCK AND WORK IN PROGRESS

	1980 £	1979 £
Raw materials	9,562	20,950
Finished goods and work in progress	30,155	24,432
	39,717	45,382

## 8 FIXED ASSETS

	Freehold property £	Plant and vehicles £	Total £
Cost at 1st November 1979	226,531	425,402	651,933
Additions	42,671	95,686	138,357
Disposals	-	(21,689)	(21,689)
Valuation increase/(decrease)	229,181	(179,153)	50,028
At 31st October 1980	<u>498,383</u>	<u>320,246</u>	<u>818,629</u>
Accumulated depreciation			
At 1st November 1979	-	269,402	269,402
At 31st October 1980	<u>-</u>	<u>131,404</u>	<u>131,404</u>
Net book amounts			
At 1st November 1979	<u>226,531</u>	<u>156,000</u>	<u>382,531</u>
At 31st October 1980	<u>498,383</u>	<u>188,842</u>	<u>687,225</u>

During the year, freehold properties were valued, together with the majority of plant, on the following bases:

## (i) Freehold property

Buildings on a depreciated replacement cost basis, as at 1st August 1980, by A.J. Oakes and Partners, Chartered Quantity Surveyors, of West Wickham.

## (ii) Plant

On a depreciated replacement cost basis, as at 1st March 1980, by the directors.

The valuation identified a surplus over net book amount of £241,295 of which £191,267 represents depreciation no longer required and which has, therefore, reduced the provision for depreciation. The balance of £50,028 is the excess of the surplus over cost or previous valuation which has been added to the gross book amount shown above.

## 9 DIRECTORS' EMOLUMENTS

Total directors' emoluments amounted to £7,075 (1979 £32,224) of which the highest paid director's remuneration was £7,075 (1979 £20,548). The chairman's remuneration was Nil (1979 £11,340).

The number of other directors in each of the following salary ranges was:

	1980	1979
Under £5,000	-	1
£20,000 - £25,000	<u>-</u>	<u>1</u>

No directors' fees were payable (1979 Nil).

Notes to the accounts continued

## 10 FUTURE CAPITAL EXPENDITURE

	1980 £	1979 £
Capital authorisations not included in the accounts (contracts placed Nil : 1979 £25,000)	<u>75,894</u>	<u>25,000</u>

AUDITORS' REPORT TO THE MEMBERS OF PHETCO (ENGLAND) LIMITED

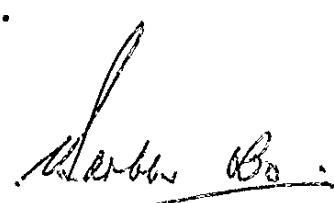
We have examined the accounts on pages 1 to 7 which have been prepared under the historical cost convention.

It is not the company's policy to provide for depreciation on freehold buildings which are included in the accounts in the sum of £327,000. This is not in accordance with the Statement of Standard Accounting Practice No.12 which requires that provision should be made for depreciation on fixed assets having a finite useful life.

Except for the effect of not providing for depreciation on freehold buildings in our opinion the accounts give, under the convention stated above, a true and fair view of the state of affairs of the company at 31st October 1980, and of the profit and the source and application of funds for the year then ended and comply with the Companies Acts 1948 and 1967.

135 Lodge Road,  
Southampton, Hants.

17th December 1980

  
CERTIFIED ACCOUNTANTS  
Auditors