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MORGANITE ELECTRICAL CARBON LIMITED.

REPORT AND ACCOUNTS

FOR THE 52 WEEKS ENDED

1st JANUARY, 1978.



MORGANITE ELECTRICAL CARBON LIMITED.

DIRECTORS.

R. Thompson	(Chairman)
R. S. Rowland	(Managing Director)
P.A.L. Brewer	
S. G. G. Buckham	
J. Church	
J. Cunningham	
E. J. Hand	
N. G. Howard	
G. Nicolaj	
J. S. Shipperlee	
K. H. Stark	
J. S. Woods.	

SECRETARY AND REGISTERED OFFICE:

J. Church, 52 Clase Road, Morriston, Swansea,
West Glamorgan, SA6 8PP.

MORGANITE ELECTRICAL CARBON LIMITED.

REPORT OF THE DIRECTORS.

1. The Directors submit their Report with the Statement of Accounts for the year 1977.
2. PRINCIPAL ACTIVITIES.
The Company manufactures and sells a wide range of carbon sub-components for electrical and mechanical engineering industries. The products include carbon brushes and many forms of current collectors and contacts.
3. PROFIT APPROPRIATIONS.
The Profit for the year after providing for taxation is £364,936.
The Directors recommend that no dividend be paid for the year ended 1st January, 1978 and that the profit be offset against the accumulated losses.
4. EXPORT SALES.
The value of goods exported by the company from the United Kingdom during the year was £4,724,842 (last year £5,003,257).
5. SHARE AND LOAN CAPITAL.
There were no changes in Share and Loan Capital during the year.
6. DIRECTORATE.
 - (a) The names of all persons who acted as Directors at any time during the year are shown in the list on page 1, except for Mr. H. W. D. Musgrave who resigned on 21st November, 1977.
 - (b) Directors' interests in Shares, Debentures and Unsecured Loan Stock are as follows:-

MORGANITE ELECTRICAL CARBON LIMITED.

Interest in Shares of
The Morgan Crucible Company Limited.

<u>Directors' Names</u>	<u>Ordinary Shares.</u> <u>Fully Paid</u>		<u>Ordinary Shares on which</u> <u>an Amount of 2.5p per</u> <u>share has been paid.</u>	
	<u>2.1.77</u>	<u>1.1.78</u>	<u>2.1.77</u>	<u>1.1.78.</u>
P. A. L. Brewer	2138	2138	40,000	40,000
S. G. G. Buckham	1098	1098	-	-
J. Cunningham	2141	2141	-	-
E. J. Hand	587	587	-	-
H. W. D. Musgrave	2785	-	50,000	50,000
R. S. Rowland	100	100	-	-
J. S. Shipperlee	550	550	-	-
K. H. Stark	1375	275	15,000	15,000
J. S. Woods	581	581	15,000	15,000
G. Nicolaj	-	-	-	-

NOTE:

Share and debenture holdings in respect of Directors of the Morgan Crucible Company Limited are not included above.

- (c) In accordance with the provision of Article 70 of the Companies Articles of Association, Sr. G. Nicolaj who was appointed a Director on 21st November, 1977. retires and being eligible offers himself for re-election.

By Order of the Board,

J. CHURCH.

Secretary.

17th February, 1978.

52 Clase Road,
Morrison, Swansea.

MORGANITE ELECTRICAL CARBON LIMITED.

PROFIT STATEMENT.

for 52 weeks ended 1st January, 1978.

	<u>Note</u>	<u>1977</u> <u>£.</u>	<u>1976</u> <u>£.</u>
Sales	1 (a)	<u>10,212,336</u>	<u>10,247,406</u>
Trading Surplus of the year	2	1,602,178	1,573,044
<u>Less:</u>			
Depreciation of Fixed Assets	1 (c)	<u>587,997</u>	<u>575,014</u>
Trading Profit		1,014,181	998,030
Net Finance Charges	3	<u>435,472</u>	<u>438,688</u>
Profit before Taxation		578,709	559,342
Taxation, less Grants for Capital Expenditure (Gross)	4	<u>203,495</u>	<u>210,044</u>
Profit after Taxation		375,214	349,298
Extraordinary items	5	10,278 DR.	20,032 DR.
Surplus for the year		<u>£ 364,936</u>	<u>£ 329,266</u>

- 6 -
MORGANITE ELECTRICAL CARBON LIMITED.

BALANCE SHEET.

as at 1st January, 1978.

	<u>Note</u>	<u>1977</u> <u>£.</u>	<u>1976.</u> <u>£.</u>
<u>CAPITAL EMPLOYED.</u>			
Authorised - Shares of £1 each		<u>2,876,674</u>	<u>2,876,674</u>
Issued - Shares of £1 each		<u>2,876,674</u>	<u>2,876,674</u>
Reserves and Retained Profit	6	597,219	(479,842)
Grants for Capital Expenditure held in Suspense	7	<u>473,677</u>	<u>533,196</u>
		<u>£ 3,947,570</u>	<u>£ 2,930,028</u>
<u>EMPLOYMENT OF CAPITAL.</u>			
Current Assets			
Stock in-Trade	8	4,147,977	3,112,459
Debtors and Bills Receivable less provisions	9	2,371,750	2,632,727
Bank Balances and Cash		99,695	184,879
		<u>6,619,422</u>	<u>5,930,065</u>
Current Liabilities.			
Creditors including Bills Payable	10	5,522,027	6,459,517
Bank Overdraft		17,733	-
		<u>5,539,760</u>	<u>6,459,517</u>
Net Current Assets /(Liabilities)		1,079,662	(529,452)
Fixed Assets	11	3,007,781	3,299,353
Goodwill	1 (h)	827,127	827,127
Deferred Taxation	12	(967,000)	(667,000)
		<u>£ 3,947,570</u>	<u>£ 2,930,028</u>

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DIRECTORS.

MORGANITE ELECTRICAL CARBON LIMITED.

NOTES RELATING TO THE ACCOUNTS 1977.

1. Accounting Policies.

(a) Sales - Sales represent the invoiced value of sales to third parties and fellow subsidiaries exclusive of value added tax, less returns and allowances given in the normal course of trade.

(b) Assets and Liabilities expressed in foreign currencies have been converted to Sterling at market rates prevailing at the end of the year, with the exception of those current assets and current liabilities which are the subject of forward exchange contracts where contract rates have been used.

(c) Depreciation - Depreciation and Amortization is based on gross values, without regard to Grants for Capital Expenditure and except as shown below is provided in equal annual instalments over the expected life of Fixed Assets in use at the beginning of the year.

The rates of depreciation provided during the year are as follows:-

Computer	20%
Plant and Machinery	10%
Furniture, Fixtures & Fittings	5%
Motor Vehicles (commencing in year of purchase).	18 $\frac{1}{3}$ % or 33 1/3%

(d) Grants for Capital Expenditure are released to revenue in equal annual instalments over the expected life of the underlying Fixed Assets, by reducing the charge for Taxation.

(e) Deferred taxation - The provision for deferred taxation is based on the amount by which allowances for U.K. tax purposes exceed in each year the corresponding charges made in the accounts. Such differences arise principally out of allowances for plant and equipment.

(f) Stocks and work in progress have been valued at the level of direct cost and direct expenses including applicable overheads, less provision for obsolescence. In previous years' accounts the valuation has not included applicable overheads; the results for 1976 have been restated to make them comparable with 1977. Details of the effects of this change in accounting policy on the balance sheet and profit statement are disclosed in note 8.

MORGANITE ELECTRICAL CARBON LIMITED.

NOTES RELATING TO THE ACCOUNTS 1977 (CONT.)

(g) Fixed Assets purchased from fellow subsidiaries are transferred at net book value and the original cost (or revaluation) and accumulated depreciation reinstated in these accounts.

(h) Goodwill is stated at cost, no amortization being provided.

2. The following items have been taken into account in arriving at the Trading Surplus.

	<u>1977</u>	<u>1976</u>
	<u>£.</u>	<u>£.</u>
Auditors Remuneration	11,757	11,892
Directors' Emoluments including fees (nil) and Pension Scheme Contributions	107,192	91,917

Excluding Pension Scheme Contributions:

(a) The emoluments of Dr. Thompson as Chairman were nil.

(b) The emoluments of the highest paid Director were £17,894 (last year £15,450).

(c) The emoluments of other Directors who discharged their duties wholly or mainly in the United Kingdom were as follows:

	<u>1977</u>	<u>1976</u>
NIL - £ 2,500	6	5
£ 2,501 - £ 5,000	-	-
£ 5,001 - £ 7,500	-	1
£ 7,500 - £10,000	-	5
£10,001 - £12,500	4	1
£12,500 - £15,000	2	

3. Net Finance Charges.

Bank Loans and Overdrafts.	18,044	25,763
Other Loans - Holding Company	417,428	412,925
	<u>£ 435,472</u>	<u>£ 438,688</u>

MORGANITE ELECTRICAL CARBON LIMITED.

NOTES RELATING TO THE ACCOUNTS 1977 (CONT.)

4. Taxation, less Grants for Capital Expenditure.

	<u>1977</u>	<u>1976.</u>
	<u>£.</u>	<u>£.</u>
United Kingdom Taxation.		
Corporation Tax at 52%	339,000	234,597
Transfer to/(from) Tax Equalisation Account including prior year adjustments.	(30,086)	82,000
	<u>308,914</u>	<u>316,597</u>
Less: Grants for Capital Expenditure applicable to the Depreciation Provision.	105,419 CR	106,553 CR
	<u>£ 203,495</u>	<u>£ 210,044</u>

5. Extraordinary items.

Early retirement costs (after taxation of £11,000)	£ 10,278 DR	£ 20,032 DR
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6. Reserves and Retained Profit.

Balance at the beginning of the year	(479,842)
Movement in the year:-	
Overheads on stocks 3.1.77 in accord with SSAP 9	712,125
Transfer from Profit Statement	<u>364,936</u>
Balance at the end of the year	<u>£ 597,219</u>

Subdivided as follows:-

Share Premium Account	37,451
Reserves and Retained Profit	<u>559,768</u>
	<u>£ 597,219</u>

MORGANITE ELECTRICAL CARBON LIMITED.

NOTES RELATING TO THE ACCOUNTS 1977 (CONT.)

	<u>1977</u>	<u>1976.</u>
	<u>£.</u>	<u>£.</u>
7. <u>Grants for Capital Expenditure held in Suspense.</u>		
Movements in the year		
Balance at beginning of year.	533,196	625,611
(Over)/Under provision for previous year.	(5,793)	(2,067)
	<u>527,403</u>	<u>623,544</u>
<u>Add:</u> Grants receivable in respect of year.	51,693	16,205
	<u>579,096</u>	<u>639,749</u>
 <u>Less:</u> Transfers to Profit Statement.	 105,419	 106,553
	<u>£ 473,677</u>	<u>£ 533,196</u>
8. <u>Stock and Work-in-Progress.</u>		
Raw Materials & Stores	1,004,259	977,998
Finished Goods and Work-in-Progress	3,143,718	2,134,461
	<u>£ 4,147,977</u>	<u>£ 3,112,459</u>

As explained in the statement of accounting policies (note 1f) the valuation of stocks and work-in-progress includes the relevant proportion of applicable overheads with corresponding adjustments to the comparative figures on the profit statement for 1976. The effect of this change is to increase profit before tax for 1977 by £112,370; the corresponding increase for 1976 is £84,196. The inclusion of applicable overheads has increased the valuation of stocks and work-in-progress at 3rd January, 1977 by £712,125 and this amount has been added to Reserves and Retained Profit (note 6).

MORGANITE ELECTRICAL CARBON LIMITED.
NOTES RELATING TO THE ACCOUNTS 1977 (CONT.)

	<u>1977</u> <u>£:</u>	<u>1976</u> <u>£.</u>
9. <u>Debtors.</u>		
(a) Fellow Subsidiaries including loans	679,701	959,572
(b) Trade & Sundry Debtors, less provisions.	1,692,049	1,673,155
	<u>£ 2,371,750</u>	<u>£ 2,632,727</u>

10. Creditors.

(a) Holding Company, including loans	4,477,260	4,358,163
(b) Fellow subsidiaries	38,189	36,600
(c) Trade and Sundry Creditors	1,006,578	2,064,754
	<u>£ 5,522,027</u>	<u>£ 6,459,517</u>

MORGANITE ELECTRICAL CARBON LIMITED.

NOTES RELATING TO THE ACCOUNTS 1977 (CONT.)

	<u>Plant and Equipment.</u>
	<u>£.</u>
11. <u>Fixed Assets.</u>	
Cost or as revalued.	6,309,159
At 2nd January, 1977	309,237
Additions	<u>6,618,396</u>
Items scrapped and sold (including to fellow subsidiaries)	<u>51,163</u>
At 1st January, 1978	£ <u>6,567,233</u>
- made up of	
Assets - revalued in 1964	373,525
- other items at cost	<u>6,193,708</u>
	£ <u>6,567,233</u>
Aggregate depreciation.	
At 2nd January, 1977	3,009,806
On Assets acquired Intra Group	1,294
Amount provided for year	587,997
Prior year adjustments	-
	<u>3,599,097</u>
Less eliminated in respect of disposals	<u>39,645</u>
At 1st January, 1978	£ <u>3,559,452</u>
Net Book amounts at cost or valuation, less depreciation	£ <u>3,007,781</u>
Part of the Assets of the Company was revalued in 1964.	

MORGANITE ELECTRICAL CARBON LIMITED.

NOTES RELATING TO THE ACCOUNTS 1977 (CONT.)

<u>12. Deferred Taxation.</u>	<u>1977</u> <u>£.</u>	<u>1976</u> <u>£.</u>
Provision for Tax Equalisation:-		
Plant and Equipment	856,000	959,000
Stock Relief	502,000	427,000
	1,358,000	1,386,000
Tax losses carried forward	(391,000)	(719,000)
£	967,000	667,000

13. Holding Company.

The Directors regard The Morgan Crucible Company Limited, incorporated in the United Kingdom, as being the Company's ultimate Holding Company.

14. Commitments.

Commitments for Capital Expenditure for which no provision has been made in these accounts amounts to £2,375.

15. Capital Expenditure.

Capital Expenditure authorised by the Board but not contracted for at 1st January, 1978 amounts to £36,609.

16. Guarantees.

In common with certain other subsidiary companies of The Morgan Crucible Company Limited, the Company has entered into guarantees for:

- (a) an amount of £4,295,500 represented by £4,295,500 9½ per cent 1995/2000 Debenture Stock issued by The Morgan Crucible Company Limited. The debenture and guarantees are secured by a first floating charge on the undertaking, property and assets of the respective companies.
- (b) an amount of U.S. \$5,000,000 under a Eurodollar credit agreement between The Morgan Crucible Company Limited and J. Henry Schroder Banking Corporation.

At 1st January, 1978, the amount outstanding under the agreement was U.S. \$3,350,000.

MORGANITE ELECTRICAL CARBON LIMITED.
NOTES RELATING TO THE ACCOUNTS 1977 (CONT.)

SOURCE AND APPLICATION OF FUNDS.
for the 52 weeks ended 1st January, 1978.

	<u>1977</u>	£	<u>1976</u>
<u>SOURCE OF FUNDS.</u>			
Profit before taxation & extraordinary items	578,709		559,342
Depreciation charges against profit	587,997		575,014
Extraordinary items before tax.	(21,278)		(41,032)
	<u>1,145,428</u>		<u>1,093,324</u>
Generated from Operations.			
Funds from other Sources.			693,792
Tax losses surrendered to group companies	-		7,587
Depreciation on inter-Group additions	1,294		9,402
Disposal of fixed assets (Note 3)	11,518		14,138
Grants for capital expenditure (Note 4)	45,900		1,540
Adjustment re depreciation on write back of assets	-		-
	<u>1,204,140</u>		<u>1,819,783</u>
<u>APPLICATION OF FUNDS.</u>			
Tax losses recovered from group companies	575,048		-
Additions to fixed assets	309,237		167,596
Increase in working capital (Note 1)	422,772		1,532,333
Increase (decrease) in funds (Note 2)	(102,917)		119,854
	<u>1,204,140</u>		<u>1,819,783</u>
<u>NOTES:</u>			
1. Increase(decrease) in stocks	323,393		584,063
Increase(decrease) in debtors	(260,977)		728,191
(Increase) decrease in creditors	360,356		220,079
	<u>422,772</u>		<u>1,532,333</u>
2. Increase (decrease) in bank balances and deposits	(85,184)		108,176
(Increase) decrease in bank overdrafts	(17,733)		11,678
	<u>(102,917)</u>		<u>119,854</u>
3. Disposal of fixed assets.			
for the purpose of this schedule this item comprises the net book value (i.e. Cost or revaluation less accumulated depreciation).			
4. Grants for capital expenditure.			
this item comprises grants receivable for the year after adjustments for prior year items as shown in Note 7. Formerly this item represented only the cash received during the year in respect of such grants, (the amount shown for 1976 was £3,377).			

REPORT OF THE AUDITORS TO THE MEMBERS.

We have examined the accounts of Morganite Electrical Carbon Limited set out on pages 5 to 14. These accounts have been prepared under the historical cost convention, modified by the revaluation of part of the fixed assets as referred to in note 11.

In our opinion the accounts give, under the accounting conventions stated above, a true and fair view of the state of affairs at 1st January 1978 and of the profit, changes in retained profit and source and applications of funds for the 52 weeks then ended and comply with the Companies Acts 1948 and 1967.

William Murray, C.

Chartered Accountants
CARDIFF.

22 February 1978.