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MORGANITE ELECTRICAL CARBON LIMITED

REPORT AND ACCOUNTS

FOR THE 53 WEEKS ENDED

3RD JANUARY, 1982



MORGANITE ELECTRICAL CARBON LIMITED

DIRECTORS

R. S. Rowland	(Chairman)
E. J. Hand	(Managing Director)
S. G. G. Buckham	(Resigned 23. February, 1981)
J. Church	
J. Cunningham	
M. H. Hillman	(Resigned 29. October, 1981)
D. W. C. Morgan	
G Nicolaj	
I. P. Norris	
A. R. Parrish	
M. J. Scott	
J. P. Seymour	
J. S. Shipperlee	
A. H. Watson	

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 1981.

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. ENTERPRISE ZONE

As a result of the Government's approval in June 1981, of the Swansea City Council's application for the establishment of an Enterprise Zone, payment of general rates by the company ceased as from that date.

4. PROFIT APPROPRIATIONS

The profit for the year after providing for taxation is	£341,976
Interim dividends have been paid amounting to	179,000
Leaving a balance of	162,976
The directors recommend :	
Payment of a final dividend of	60,000
Leaving a balance to be retained of	£102,976

5. EXPORT SALES

The value of goods exported by the company from the United Kingdom during the year was £6,329,359 (last year £6,113,260).

6. SHARE AND LOAN CAPITAL

There were no changes in share and loan capital during the year.

MORGANITE ELECTRICAL CARBON LIMITED

REPORT OF THE DIRECTORS

7. 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.
- (b) In accordance with the provision of Article 70 of the Companies Articles of Association, Mr. D. W. C. Morgan, Mr. A. R. Parrish and Mr. M. J. Scott who were appointed Directors on 29. October, 1981 and Mr. J. P. Seymour who was appointed Director on 30. April, 1981, retire and being eligible offer themselves for re-election.
- (c) Directors' interest in shares, debentures and unsecured loan stock are as follows :-

<u>Directors' names</u>	<u>Interest in shares of</u> <u>The Morgan Crucible Company Limited</u>			
	<u>Ordinary shares</u> <u>fully paid</u>		<u>Ordinary shares on which an</u> <u>amount of 2.5p. per share</u> <u>has been paid</u>	
	28.12.80 (or on appoint- ment)	3.1.82	28.12.80	3.1.82
J. Cunningham	541	541	-	-
E. J. Hand	587	733	-	-
J. S. Shipperlee	550	550	-	-
A. H. Watson	1250	1562	15,000	15,000

NOTE: Share and debenture holdings in respect of directors of The Morgan Crucible Company Limited are not included above.

8. DISABLED PERSONS

In common with its practice towards all applicants for employment, the Company considers applications from disabled people in the light of its requirements, and the qualifications, aptitudes and abilities of each individual.

Where people become disabled during the course of their employment, all practical efforts are made to retain their services and to provide re-training and career development opportunities and disabled people are not treated any differently in this respect.

9. AUDITORS

Messrs. Ernst and Whinney have indicated their willingness to continue in office and a resolution will be proposed for their re-appointment.

By order of the board,

J. CHURCH
Secretary

52 Clase Road,
Morrison,
SWANSEA.

MORGANITE ELECTRICAL CARBON LIMITED

PROFIT STATEMENT

for 53 weeks ended 3. January, 1982

	Note	1981 £.	1980 £.
Sales	1 (a)	12,470,959	13,487,997
Trading surplus of the year	2	1,066,317	1,361,510
Less:			
Depreciation of fixed assets	1 (c)	635,289	632,079
Trading profit		431,028	729,431
Net finance charges	3	392,935	328,669
Profit before taxation		38,093	400,762
Taxation, less grants for capital expenditure (gross)	4	(303,883)	(173,347)
Profit after taxation		341,976	574,109
Dividends	5	239,000	401,000
Transfer to reserves	6	102,976	173,109

MORGANITE ELECTRICAL CARBON LIMITED

BALANCE SHEET

as at 3. January, 1982

	Note	1981 £.	1980 £.
<u>CAPITAL EMPLOYED</u>			
Authorised - shares of £1. each		2,876,674	2,876,674
Issued - shares of £1. each		2,876,674	2,876,674
Reserves and retained profit	6	1,444,204	1,341,228
Grants for capital expenditure held in suspense	7	216,200	301,329
		<u>4,537,078</u>	<u>4,519,231</u>
<u>EMPLOYMENT OF CAPITAL</u>			
Current assets			
Stock in-trade	8	4,223,669	4,336,564
Debtors and bills receivable less provisions	9	3,138,523	3,019,784
Bank balances and cash		72,610	46,523
Taxation recoverable		264,759	55,993
Advance Corporation Tax paid		114,000	-
		<u>7,813,561</u>	<u>7,458,864</u>
Current liabilities			
Creditors including bills payable	10	5,880,958	5,161,981
Bank Overdraft		322	150,884
Proposed dividend		60,000	160,000
		<u>5,941,280</u>	<u>5,472,865</u>
Net Current assets / (liabilities)		1,872,281	1,985,999
Fixed assets	11	2,664,797	2,533,232
		<u>4,537,078</u>	<u>4,519,231</u>

W. P. Hartland
W. P. Hartland
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DIRECTORS

MORGANITE ELECTRICAL CARBON LIMITED

NOTES RELATING TO THE ACCOUNTS 1981

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 amortisation is provided on gross values, without regard to grants for capital expenditure, in equal annual instalments over the expected life of fixed assets in use at the beginning of the year. The principal annual rates of depreciation are :-

Computer and photocopiers	20%
Plant and machinery	10%
Furniture, fixtures & fittings	5%
Motor vehicles (commencing in year of purchase)	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) Provision is made for deferred taxation only to the extent that tax is payable in the foreseeable future.
- (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.
- (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.

MORGANITE ELECTRICAL CARBON LIMITED

NOTES RELATING TO THE ACCOUNTS 1981 (CONT.)

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

	1981 £.	1980 £.
Auditors remuneration	18,600	21,000
Hire of plant and equipment	22,440	22,590
Directors' emoluments including fees (£1,500), last year (nil), and pension scheme contributions	121,407	117,576

Excluding pension scheme contributions:

(a) The emoluments of Mr. R. S. Rowland as chairman were NIL 4,525

(b) The emoluments of the highest paid director were £22,569. (last year £21,587).

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

	1981	1980
Nil	7	6
£ 5,001 - £10,000	-	1
£10,001 - £15,000	-	3
£15,001 - £20,000	4	1

(d) The number of employees in the United Kingdom other than directors whose pre-tax emoluments exceed £20,000 were :

NIL

3. Net finance charges

Bank loans and overdrafts	30,751	23,088
Other loans - holding company	362,184	310,983
	<u>392,935</u>	<u>334,071</u>
Less income from :-		
Short term deposits	-	5,402
	<u>392,935</u>	<u>328,669</u>

MORGANITE ELECTRICAL CARBON LIMITED

NOTES RELATING TO THE ACCOUNTS 1981 (CONT.)

	1981 <u>£.</u>	1980 <u>£.</u>
4. <u>Taxation, less grants for capital expenditure</u>		
United Kingdom taxation		
Corporation tax recoverable at 52%	(213,044)	(55,993)
Overprovision in respect of 1980	(11,594)	(85)
Transfer to /(from) tax equalisation account including prior year adjustments	-	(20,000)
	<u>(224,638)</u>	<u>(76,078)</u>
Less: Grants for capital expenditure applicable to the depreciation provision	79,245 CR <u>(303,883)</u>	97,269 CR <u>(173,347)</u>

The charge for taxation shown above is after the benefit of accelerated capital allowances, stock appreciation relief and other timing differences amounting to £462,000. (last year £509,000).

5. Dividends

Interim	179,000	241,000
Proposed	60,000	160,000
	<u>239,000</u>	<u>401,000</u>

MORGANITE ELECTRICAL CARBON LIMITED

NOTES RELATING TO THE ACCOUNTS 1981 (CONT.)

6. Reserves and retained profits

Balance at the beginning of the year :	1,341,228
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Movements in the year :

Retained profit of the year	102,976
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Balance at the end of the year	1,444,204
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Sub-divided as follows :-

Share-premium account	37,451
Reserves	1,406,753

1,444,204

7. Grants for capital expenditure held
in suspense

Balance at the beginning of the year	301,329
(Over)/Under provision for previous year	(5,884)
	295,445

<u>Less</u> : Transfer to profit statement (see note 4)	79,245
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Balance at the end of the year	£216,200
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MORGANITE ELECTRICAL CARBON LIMITED

NOTES RELATING TO THE ACCOUNTS 1981 (CONT.)

	1981 £.	1980 £.
8. <u>Stock and work-in-progress</u>		
Raw materials & stores	1,056,739	1,041,204
Finished goods & work in progress	3,166,930	3,295,360
	<u>4,223,669</u>	<u>4,336,564</u>
9. <u>Debtors</u>		
(a) Fellow subsidiaries including loans	1,060,889	776,117
(b) Trade & sundry debtors, less provisions	2,077,634	2,243,667
	<u>3,138,523</u>	<u>3,019,784</u>
10. <u>Creditors</u>		
(a) Holding company including loans	4,044,793	3,423,139
(b) Fellow subsidiaries	195,709	54,072
(c) Trade and sundry creditors	1,640,456	1,684,770
	<u>5,880,958</u>	<u>5,161,981</u>

MORGANITE ELECTRICAL CARBON LIMITED
NOTES RELATING TO THE ACCOUNTS 1981 (CONT.)

	<u>Plant and Equipment</u>
	<u>£.</u>
11. <u>Fixed assets</u>	
Cost or as revalued	
At 29. December, 1980	7,667,081
Additions	911,470
	<u>8,578,551</u>
Items scrapped and sold (including to fellow subsidiaries)	100,790
At 3. January, 1982	<u>8,477,761</u>
- made up of	
Assets - revalued in 1964	319,012
- other items at cost	8,158,749
	<u>8,477,761</u>
Aggregate depreciation	
At 29. December, 1980	5,133,849
On assets acquired intra group	109,619
Amount provided for year	635,289
	<u>5,878,757</u>
Less eliminated in respect of disposals	65,793
At 3. January, 1982	<u>5,812,964</u>
Net book amounts at cost or valuation, less depreciation	<u>2,664,797</u>
Part of the assets of the company was revalued in 1964.	

MORGANITE ELECTRICAL CARBON LIMITED

NOTES RELATING TO THE ACCOUNTS 1981 (CONT.)

- | | <u>1981</u>
<u>£.</u> | <u>1980</u>
<u>£.</u> |
|--|--------------------------|--------------------------|
|--|--------------------------|--------------------------|
12. Deferred taxation
- The potential amount of deferred taxation calculated on the liability method and arising from all timing differences which has not been provided for in the accounts is :-
- | | | |
|---------------------|------------------|------------------|
| Plant and equipment | <u>1,281,000</u> | <u>1,217,000</u> |
|---------------------|------------------|------------------|
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 £103,656.
15. Capital expenditure
- Capital expenditure authorised by the board but not contracted for at 3. January, 1982 amounts to £717,344.

MORGANITE ELECTRICAL CARBON LIMITED

NOTES RELATING TO THE ACCOUNTS 1981 (CONT.)

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 Debentures Stock issued by The Morgan Crucible Company Limited. The debentures 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. \$ 6,000,000 under a Eurodollar credit agreement, between The Morgan Crucible Company Limited and J. Henry Schroder Bank & Trust Company.

At 3. January, 1982 the amount outstanding under the agreement was U.S. \$ 4,576,132.22.

MORGANITE ELECTRICAL CARBON LIMITED
NOTES RELATING TO THE ACCOUNTS 1981 (CONT.)

SOURCE AND APPLICATION OF FUNDS

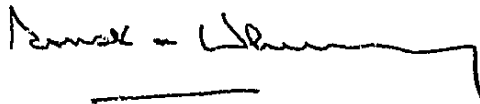
for the 53 weeks ended 3. January, 1982

	<u>1981</u> £.	<u>1980</u> £.
<u>SOURCE OF FUNDS</u>		
Profit before taxation & extraordinary items	38,093	400,762
Depreciation charges against profit	635,289	632,079
Generated from operations	673,382	1,032,841
<u>FUNDS FROM OTHER SOURCES</u>		
Depreciation on inter-group additions	109,619	97,142
Disposal of fixed assets (note 3)	34,997	48,265
Grants for capital expenditure (note 4)	(5,834)	38,736
	<u>812,114</u>	<u>1,216,984</u>
<u>APPLICATION OF FUNDS</u>		
Dividend paid	339,000	562,000
Taxes paid	98,128	533,915
Additions to fixed assets	911,470	809,265
Increase (decrease) in working capital (note 1)	(713,133)	(628,658)
Increase (decrease) in funds (note 2)	176,649	(59,538)
	<u>812,114</u>	<u>1,216,984</u>
<u>NOTES:</u>		
1. Increase (decrease) in stocks	(112,895)	(310,420)
Increase (decrease) in debtors	118,739	(172,289)
(Increase) decrease in creditors	(718,977)	(145,949)
	<u>(713,133)</u>	<u>(628,658)</u>
2. Increase (decrease) in bank balances and deposits	26,087	3,245
(Increase) decrease in bank overdrafts	150,562	(62,783)
	<u>176,649</u>	<u>(59,538)</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.		

REPORT OF THE AUDITORS TO THE MEMBERS

We have examined the accounts of Morganite Electrical Carbon Limited set out on pages 4 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. Our audit has been carried out in accordance with approved auditing standards

In our opinion the accounts give a true and fair view of the state of affairs of the company at 3. January, 1982 and of the profit, changes in retained profits and source and application of funds for the year then ended and comply with the Companies Acts 1948 to 1981.



Chartered Accountants

CARDIFF.

24 February 1982