

**SANDERSON KAYSER LIMITED**  
**DIRECTORS' REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31ST MARCH 1996**

Registered Number 4606



# **SANDERSON KAYSER LIMITED**

## **REPORT OF THE DIRECTORS**

### **FOR THE YEAR ENDED 31ST MARCH 1996**

The directors present their annual report together with the audited accounts of the company for the year ended 31st March 1996.

#### **Activity and Results**

The company is principally engaged in the development, manufacture and sale of high grade steel, wire, saws for wood and metal, machine knives and engineering specialities. The results are shown on page five of the accounts. The directors do not propose a dividend for the year. The retained loss for the year of £6,589,271 (1995:£751,867) has been transferred to reserves.

#### **Business Review and Prospects**

The company has experienced a difficult year, despite good order intake. Towards the end of the year a complete reorganisation of the business was begun. As a result of this reorganisation, certain operations of the business will be discontinued, giving others better prospects for the future.

#### **Research and Development**

Company policy is to invest in product innovation at a level designed to enable it to retain and enhance its market position. This expenditure covers product development and investigation into the application of relevant new technologies and is written off in the year during which it is incurred.

#### **Employment of Disabled Persons**

It is the company's policy to give fair consideration to the employment needs of disabled people and to comply with any current legislation with regard to disabled persons.

#### **Fixed Assets**

Details of the movement in fixed assets are included in note 8 to the accounts.

#### **Directors and Directors' interests**

The directors of the company during the year were:

P R Andrews	(resigned 11 December 1995)
L A Fife	
D A A Bedford	(resigned 13 June 1996)
S A Rawlinson	
R J Dutnall	
M Stanley	(appointed 18 July 1995, resigned 15 February 1996)
W A Elms	(appointed 12 January 1996)
G Royle	(appointed 12 January 1996)
D G L Prior	(appointed 15 February 1996)
R Day	(appointed 15 February 1996)
M Stephenson	(appointed 12 April 1996)

None of the directors in office at the end of the year held any interest in the share capital of the company or any other group company, except as noted below.

# **SANDERSON KAYSER LIMITED**

## **REPORT OF THE DIRECTORS**

**FOR THE YEAR ENDED 31ST MARCH 1996**

### **Directors' Interests (continued)**

Messrs Rawlinson and Elms are directors of the company's ultimate holding company, GEI International PLC, and their share interests are shown in the directors' report of that company. The other directors' interests in the ordinary shares of the company's ultimate holding company, GEI International PLC, are as follows:

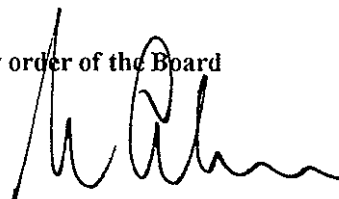
	Option to subscribe for shares	
	31.3.96 Number	31.3.95 Number
R J Dutnall	25,000	38,333

The above options are exercisable during the years 1997 to 2002 at a price of 82p per share.

### **Employee Involvement**

The company has maintained its arrangement by way of discussions, meetings and the distribution of information annually and periodically, as relevant, aimed at promoting the co-operation and involvement of its employees in the future of the business.

By order of the Board



**W A Elms  
Director  
20th June 1996**

## **SANDERSON KAYSER LIMITED**

### **STATEMENTS OF DIRECTORS' AND AUDITORS' RESPONSIBILITY**

#### **Directors' Responsibility for the Financial Statements**

The following statement, which should be read in conjunction with the Statement of Auditors' Responsibility set out below, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditors in relation to the financial statements.

In accordance with the Companies Act 1985, the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss for that period. The Directors presume that the Company will continue in business and therefore the accounts have been prepared on the going concern basis.

The Directors consider that in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all the accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company enabling them to ensure that the financial statements comply with the Companies Act 1985. The Directors have a general responsibility to take reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

#### **Statement of Auditors' Responsibility**

The Auditors are responsible for forming an independent opinion on the financial statements presented by the Directors, based on their audit, and for reporting their opinion to members. They also have the responsibility under the Companies Act 1985 to report to members if particular requirements are not met. These requirements are:

- a) that the Company has maintained proper accounting records and obtained proper returns from branches not visited by the auditors;
- b) that the financial statements are in agreement with the accounting records;
- c) that Directors' emoluments and other transactions with Directors are properly disclosed in the financial statements; and
- d) that they have obtained all the information and explanations which, to the best of their knowledge and belief, are necessary for the purpose of their audit.

The Auditors' opinion does not encompass the Directors' Report on pages 1 and 2 (together with matters included therein by reference). However, the Companies Act 1985 requires the Auditors to report to members if the matters contained in the Directors' Report are inconsistent with the financial statements.

## **Auditors' Report to the Members of Sanderson Kayser Limited**

We have audited the financial statements on pages 5 to 16.

### **Respective responsibilities of Directors and Auditors**

As described on the previous page, the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial 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 mis-statement, 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 31st March 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG  
Chartered Accountants  
Registered Auditors  
Birmingham

20th June 1996.

**SANDERSON KAYSER LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31ST MARCH 1996**

	Notes	1996 £	1995 £
Turnover	2	12,635,946	11,060,878
Cost of sales		(14,364,174)	(8,795,779)
		-----	-----
Gross (loss)/profit		(1,728,228)	2,265,099
Net operating expenses	3	(2,709,991)	(2,993,199)
		-----	-----
Operating loss and loss before taxation	4	(4,438,219)	(728,100)
Provision for loss on discontinuance of operations		(2,129,000)	-
		-----	-----
Loss on ordinary activities before interest		(6,567,219)	(728,100)
Net interest expense	6	(22,052)	(23,767)
		-----	-----
Retained loss for the year and loss on ordinary activities before taxation		(6,589,271)	(751,867)
		=====	=====

The turnover and results reported above related to continuing operations.

There is no material difference between the loss before taxation and the loss for the year and their historical cost equivalents.

The movement in reserves is set out in note 16 on page 15.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31ST MARCH 1996**

	1996 £	1995 £
Loss for the financial year	(6,589,271)	(751,867)
Revaluation of property	-	(163,377)
	-----	-----
Total recognised loss	(6,589,271)	(915,244)
	=====	=====

# SANDERSON KAYSER LIMITED

## BALANCE SHEET

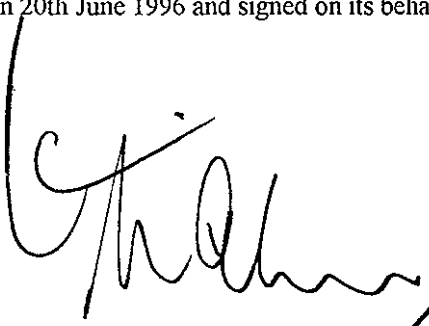
AS AT 31ST MARCH 1996

	Notes	1996	1995
		£	£
<b>Fixed Assets</b>			
Tangible assets	8	5,541,858	6,137,046
Investments	9	102	102
		<u>5,541,960</u>	<u>6,137,148</u>
<b>Current Assets</b>			
Stocks	10	4,069,734	5,991,650
Debtors	11	5,752,745	5,368,248
Cash at bank and in hand		-	26,503
		<u>9,822,479</u>	<u>11,386,401</u>
<b>Creditors: amounts falling due within one year</b>	12	(11,128,234)	(6,695,661)
		<u>(11,128,234)</u>	<u>(6,695,661)</u>
<b>Net current (liabilities)/assets</b>		<u>(1,305,755)</u>	<u>4,690,740</u>
<b>Total assets less current liabilities</b>		<u>4,236,205</u>	<u>10,827,888</u>
<b>Creditors: amounts falling due after more than one year</b>	13	(2,994,594)	(2,997,006)
		<u>(2,994,594)</u>	<u>(2,997,006)</u>
<b>Net assets</b>		<u>1,241,611</u>	<u>7,830,882</u>
		<u>1,241,611</u>	<u>7,830,882</u>
<b>Capital and reserves</b>			
Called up share capital	15	1,695,426	1,695,426
Revaluation reserve	16	2,808,040	2,808,040
Profit and loss account	16	(3,261,855)	3,327,416
		<u>1,241,611</u>	<u>7,830,882</u>
<b>Equity shareholders' funds</b>	17	<u>1,241,611</u>	<u>7,830,882</u>
		<u>1,241,611</u>	<u>7,830,882</u>

Approved by the Board of Directors on 20th June 1996 and signed on its behalf :-

S A RAWLINSON, Director

W A ELMS, Director



# **SANDERSON KAYSER LIMITED**

## **NOTES TO THE ACCOUNTS**

### **FOR THE YEAR ENDED 31ST MARCH 1996**

#### **1. Principal Accounting Policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts.

##### **a) Basis of Accounting**

The accounts have been prepared under the historical cost convention, as modified by the revaluation of land and buildings. Subsequent to the year end, the directors decided to discontinue the operation of the company and adjustments have been made to reduce the value of assets to their recoverable amounts.

##### **b) Accounting Standards**

The accounts have been prepared in accordance with applicable Accounting Standards.

##### **c) Research and Development**

Research and development expenditure, which forms an integral part of the cost structure of the business, is written off in the year during which it is incurred. It is not always specifically identified and any form of allocation would be contrived and, as such, not meaningful.

##### **d) Turnover**

Turnover represents the total value of amounts invoiced to customers in respect of goods supplied or services rendered during the year, excluding value added tax, and after deducting trade discounts, rebates and other allowances.

##### **e) Depreciation of Fixed Assets**

Depreciation has been provided on buildings over their expected working lives, or 50 years, whichever is less. Land is not depreciated. A permanent diminution in value below cost arising from a revaluation is reflected in the profit and loss account for the year. Other fixed assets are depreciated by equal instalments over their estimated lives which vary between three and ten years. Costs of repairs and maintenance are charged against revenue in the year in which they are incurred.

##### **f) Foreign Currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

##### **g) Stocks and Work in Progress**

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and appropriate works overheads.



**SANDERSON KAYSER LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST MARCH 1996**  
(continued)

**h) Deferred Tax**

Provision is made for deferred tax where it is probable that tax will become payable or receivable in the foreseeable future.

**i) Goodwill**

Goodwill arising on acquisition is written off directly against reserves in the year of acquisition.

**j) Hire purchase and leasing**

Assets acquired under hire purchase contracts are depreciated over their useful lives. Assets leased under finance lease agreements are capitalised and depreciated over the shorter of the lease term and their useful lives. The capital element of future obligations under these agreements is included in creditors and the interest element is charged to the profit and loss account over the life of the agreement. Operating lease rental costs are charged to the profit and loss account as they arise.

**k) Pension**

The expected pension cost of the employees who are members of the GEI International Group pension scheme is charged to the profit and loss account over the service lives of the employees. Variations from regular costs are spread over the expected remaining service lives of the relevant employees.

**l) Cash Flow Statement**

No cash flow statement is included in these accounts. The consolidated accounts of GEI International PLC incorporate the results of Sanderson Kayser Limited and include a consolidated cash flow statement.

**m) Government Grants**

Capital based grants are released to the profit and loss account over the life of the assets concerned.

# SANDERSON KAYSER LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31ST MARCH 1996

(continued)

#### 2. Turnover

The principal activity of the company continues to be the manufacture and finishing of stainless and high speed steel, wire and bars.

The geographical analysis of turnover is as follows:

	1996 £	1995 £
United Kingdom	8,616,762	8,286,389
Rest of Europe	1,972,990	1,248,072
The Americas	936,804	791,638
Australia	363,056	366,934
Africa	599,906	280,720
Asia Pacific	146,428	87,125
	-----	-----
	12,635,946	11,060,878
	=====	=====

#### 3. Net operating expenses

Distribution costs	857,302	808,761
Administrative expenses	1,860,190	1,537,483
Exceptional item	-	700,000
	-----	-----
	2,717,492	3,046,244
Less: other operating income	(7,501)	(53,045)
	-----	-----
	2,709,991	2,993,199
	=====	=====

# SANDERSON KAYSER LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31ST MARCH 1996

(continued)

#### 4. Operating loss

##### a) Operating loss is stated after charging/(crediting):

	1996 £	1995 £
KPMG - audit fees	20,000	19,400
- other	1,810	1,678
Depreciation of tangible fixed assets		
- owned	357,652	321,038
- leased	55,032	54,813
Directors' emoluments		
- as executives	188,996	206,966
- pension contributions	6,254	12,430
Exchange losses/(gains)	57,947	(19,198)
Amortisation of government grants	(2,412)	(2,412)
Hire of plant and machinery	-	7,232

##### b) Particulars of directors' emoluments excluding pension contributions:

Chairman	Nil	Nil
	-----	-----
Highest paid director	46,423	55,207
	-----	-----

Directors:	Number	Number
Nil to £5,000	6	2
£15,001 to £20,000	1	-
£20,001 to £25,000	-	1
£30,001 to £35,000	1	-
£40,001 to £45,000	2	2
£45,001 to £50,000	1	1
£55,001 to £60,000	-	1

# SANDERSON KAYSER LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31ST MARCH 1996

(continued)

#### 5. Staff Numbers and Costs

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

	1996 Number	1995 Number
Production and development	321	297
Distribution and selling	24	20
Administration	17	16
	-----	-----
	362	333
	=====	=====

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	5,687,964	4,641,315
Social security costs	481,944	416,244
Other pension costs	306,467	30,462
	-----	-----
	6,476,375	5,088,021
	=====	=====

#### 6. Net Interest Expense

Interest payable:		
Bank loans, overdrafts and other loans	6,621	-
Finance charges in respect of finance leases	15,431	23,767
	-----	-----
	22,052	23,767
	=====	=====

#### 7. Taxation

Due to trading losses incurred a charge to taxation does not arise.

# SANDERSON KAYSER LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31ST MARCH 1996

(continued)

#### 8. Tangible Fixed Assets Cost or valuation

	Freehold land and buildings £	Plant, machinery & motor vehicles £	Fixtures, fittings tools & equipment £	Assets in course of construction £	Total £
At 1st April 1995	4,292,596	6,080,224	842,612	233,640	11,449,072
Additions	-	-	26,854	1,650,288	1,677,142
Disposals	(236,625)	(114,594)	-	-	(351,219)
Transfers from group companies	-	23,088	662	-	23,750
At 31st March 1996	4,055,971	5,988,718	870,128	1,883,928	12,798,745
Valuation at October 1994	3,950,268	-	-	-	3,950,268
Cost	105,703	5,988,718	870,128	1,883,928	8,847,477
At 31st March 1996	4,055,971	5,988,718	870,128	1,883,928	12,798,745

#### Depreciation

At 1st April 1995	13,004	4,756,594	542,428	-	5,312,026
Charge for the year	36,239	245,721	130,724	-	412,684
Disposals	(8,240)	(100,480)	-	-	(108,720)
Transfers from group companies	-	11,544	353	-	11,897
Permanent diminution in value	66,000	-	-	1,563,000	1,629,000
At 31st March 1996	107,003	4,913,379	673,505	1,563,000	7,256,887

#### Net Book Value

At 31st March 1996	3,948,968	1,075,339	196,623	320,928	5,541,858
At 31st March 1995	4,279,592	1,323,630	300,184	233,640	6,137,046

The total net book value of freeholds includes £1,734,319 (1995:£1,798,943) in respect of depreciable assets and £ 2,280,649 (1995:£2,480,649) in respect of land.

If stated under the historical cost principles the cost of land and buildings would be £1,247,931 (1995:£1,484,556).

The net book value of assets held under finance leases included in fixtures and fittings, tools and equipment is £101,592 (1995:£156,624).

The company's property was revalued as at 1st October 1994. The basis of the valuation was that of open market value for existing use. Additions subsequent to that date are included at cost.

# SANDERSON KAYSER LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31ST MARCH 1996

(continued)

#### 9. Investments

Share in subsidiary companies at cost:	£
At 31st March 1995 and 31st March 1996	102
	=====

The company owns directly all the called up share capital consisting of ordinary shares of the following companies:

	Country of registration or incorporation
Sanderson Kayser Distribution Limited	England
Sanderson Brothers and Newbould Limited and its wholly owned subsidiaries	England
Sanderson Newbould (Australia) Pty Limited	Australia
Sanderson Newbould Limited	Canada
Sanderson Kayser Holdings SA (Pty) Limited	South Africa
Sanderson Newbould SA (Pty) Limited	South Africa

#### 10. Stocks

	1996 £	1995 £
Raw materials and consumables	490,947	206,703
Work in progress	3,578,787	5,497,947
Finished goods	-	287,000
	-----	-----
	4,069,734	5,991,650
	=====	=====

#### 11. Debtors

Amounts falling due within one year:		
Trade debtors	2,227,143	2,479,799
Amounts owed by parent and fellow subsidiary companies	57,808	70,340
Amounts owed by subsidiary companies	1,445,740	768,292
Other debtors	68,219	87,488
Prepayments and accrued income	153,835	162,329
	-----	-----
	3,952,745	3,568,248
Amounts falling due after more than one year:		
Amounts owed by group companies	1,800,000	1,800,000
	-----	-----
	5,752,745	5,368,248
	=====	=====

Included in amounts owed by subsidiary companies is a debt due from a South African subsidiary amounting to £256,097 (1995:£90,205). Repayment is subject to exchange control restrictions.

# SANDERSON KAYSER LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31ST MARCH 1996

(continued)

#### 12. Creditors: amounts falling due within one year

	1996 £	1995 £
Bank loans & overdrafts	4,495,554	-
Obligations under finance leases	-	75,404
Trade creditors	2,198,453	2,625,407
Amounts owed to parent and fellow subsidiary companies	3,296,127	3,207,799
Amounts owed to subsidiary companies	8,761	54,810
Social security and other taxes	361,142	172,251
Accruals and deferred income	768,197	559,990
	<u>11,128,234</u>	<u>6,695,661</u>

#### 13. Creditors: amounts falling due after more than one year

Amounts owed to parent and fellow subsidiary companies	2,800,000	2,800,000
Deferred income	194,594	197,006
	<u>2,994,594</u>	<u>2,997,006</u>

#### 14. Provisions for liabilities and charges

Other provisions	-	-
	<u>=====</u>	<u>=====</u>

#### 15. Called up share capital

<b>Authorised</b>		
1,810,000 (1995:1,810,000) ordinary shares of £1 each	1,810,000	1,810,000
	<u>=====</u>	<u>=====</u>
<b>Issued</b>		
Allotted, called up and fully paid:		
1,695,426 (1995:1,695,426) ordinary shares of £1 each	1,695,426	1,695,426
	<u>=====</u>	<u>=====</u>

# SANDERSON KAYSER LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31ST MARCH 1996

(continued)

#### 16. Reserves

	Revaluation Reserve £	Profit and Loss Account £
At 1st April 1995	2,808,040	3,327,416
Loss for the financial year	-	(6,589,271)
At 31st March 1996	2,808,040	(3,261,855)

#### 17. Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Loss for the financial year	(6,589,271)	(751,867)
Property revaluation	-	(163,377)
Net decrease in shareholder' funds	(6,589,271)	(915,244)
Shareholders' funds at beginning of year	7,830,882	8,746,126
Shareholders' funds at end of year	1,241,611	7,830,882

#### 18. Deferred Taxation

The unprovided liability comprises:		
Accelerated capital allowances	566,109	367,350
Other timing differences	-	(7,633)
Unrealised surplus on the revaluation of properties	860,653	724,800
	1,426,762	1,084,517

#### 19. Financial Commitments

The company has no commitments for future rental payments under non-cancellable operating leases.

#### Capital expenditure

Contracted for but not provided	-	296,435
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# **SANDERSON KAYSER LIMITED**

## **NOTES TO THE ACCOUNTS**

### **FOR THE YEAR ENDED 31ST MARCH 1996**

(continued)

#### **20. Contingent Liability**

Cash and bank balances include an amount of £nil (1995:£26,503) which under a composite accounting agreement with the company's bankers may be offset against other group companies' overdrafts at the direction of the bank.

#### **21. Group Accounts**

As permitted by section 228 of the Companies Act 1985, consolidated accounts dealing with the results of subsidiaries have not been prepared by the company as it is itself a wholly owned subsidiary of a UK company

#### **22. Pensions**

The GEI International Group operates a funded defined benefit scheme, the GEI International PLC Pension and Life Assurance Scheme, of which the company is a member. The contributions for the year ended 31st March 1996 are based on the pension costs for the group as a whole. Full details of the actuarial valuation of the group scheme are contained in the accounts of GEI International PLC, the ultimate holding company.

No account has been taken of the financial impact of the additional liabilities which may arise when the pension increase provisions of the Social Securities Act 1990 come into force.

#### **23. Subsequent Events**

Subsequent to the year end the company ceased the steel manufacturing element of its business.

#### **23. Ultimate Holding Company**

The ultimate holding company is GEI International PLC, which is incorporated in Great Britain and registered in England and Wales.

The largest group in which the results of the company are consolidated is that headed by GEI International PLC. The consolidated accounts of GEI International PLC are available to the public and may be obtained from:

The Company Secretary  
GEI International PLC  
Aspley Hill  
Woburn Sands  
Bedfordshire  
MK17 8NW

No other group accounts include the results of the company.