

The Insolvency Act 1986

**Administrative
Receiver's Report****S.48(1)**

Pursuant to Section 48(1) of the
Insolvency Act 1986 and Rule 3.8(3) of
the Insolvency Rules 1986

To the Registrar of Companies

For Office Use

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Company Number

4606

Insert full name
of company

Name of Company

SK Realisation Limited

We, William Scott Martin and Alan Robert Bloom

of 100 Barbirolli Square
Manchester
M2 3EY

Administrative Receivers of the company attach a copy of our report to creditors. The
statement of affairs of the Company is not yet available and will be filed on receipt.

Signed



Dated


11 / 4 / 01

Presenter's name,
address and reference
(if any):

Simon Wheeler
Ernst & Young
100 Barbirolli Square
Manchester
M2 3EY

Ref: CR/SJW/DF/NWM0267/C5.1

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Liquidation Section	Post Room
	

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GEI INTERNATIONAL PUBLIC LIMITED COMPANY
HEMMINGS LIMITED
GEI SPECIAL STEELS LIMITED
SK REALISATION LIMITED
SKD REALISATION LIMITED
GALLAY CONTAINERS & SYSTEMS LIMITED
(ALL IN ADMINISTRATIVE RECEIVERSHIP)

JOINT ADMINISTRATIVE RECEIVERS' REPORT

**PURSUANT TO SECTION 48
OF THE INSOLVENCY ACT 1986**

**GEI INTERNATIONAL PUBLIC LIMITED COMPANY AND CERTAIN
SUBSIDIARIES (ALL IN ADMINISTRATIVE RECEIVERSHIP)**

**W S MARTIN AND A R BLOOM
JOINT ADMINISTRATIVE RECEIVERS
APPOINTED ON 6 FEBRUARY 2001**

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**STRICTLY PRIVATE AND CONFIDENTIAL
NOT FOR PUBLICATION**

GEI INTERNATIONAL PUBLIC LIMITED COMPANY	("PLC")
HEMMINGS LIMITED	("Hemmings")
GEI SPECIAL STEELS LIMITED	("Special Steels")
SK REALISATION LIMITED	("SK")
SKD REALISATION LIMITED	("SKD")
GALLAY CONTAINERS & SYSTEMS LIMITED	("Gallay")
(ALL IN ADMINISTRATIVE RECEIVERSHIP)	

JOINT ADMINISTRATIVE RECEIVERS' REPORT

1. INTRODUCTION

- 1.1 We, W S Martin and A R Bloom were appointed joint administrative receivers of the above companies ("the Companies") on 6 February 2001 by HSBC Bank plc as Lead Bank and Security Trustee for a number of banks ("the Bank"), under the terms of debentures dated 27 May 1999 as amended by Deeds of Charge and Amendment to the Debentures dated 6 August 1999. In view of the connection between the Companies we have prepared a composite report.

2. STATUTORY INFORMATION AND PRINCIPAL ACTIVITIES

- 2.1 We set out salient details of statutory information for each of the Companies in Appendix 1.
- 2.2 PLC acted as the holding company for the GEI International PLC group of companies ("the Group"), which included the other companies in receivership, and various other companies which were the subject of a management buy out prior to the administrative receivers' appointment. During the year ended 31 March 2000, the principal activities of the Group comprised the manufacture of processing, packaging and pharmaceutical machinery and engineering products.
- 2.3 The principal activity of Hemmings was the development, manufacture and sale of stainless and high speed wire and bars for use in the engineering and steel industry. Hemmings traded from part freehold and part long leasehold premises at Valley Works, Grange Lane, Sheffield and had been part of the Group since 1963.
- 2.4 At the date of our appointment, SK owned certain property interests and shares, and Gallay, SKD and Special Steels had ceased trading and as far as we are aware had no assets.

3. TRADING RESULTS

- 3.1 Recent trading results and financial information are set out in Appendix 2.

4. EVENTS LEADING UP TO APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS

- 4.1 The audited financial statements of the Group record losses on ordinary activities after tax in the years ended 31 March 2000 and 1999 of £25.41 million and £11.79 million respectively. Those losses included exceptional charges in each year of £20.02 million and £4.76 million, which related mainly to redundancy and restructuring costs arising from the rationalisation and relocation of manufacturing activities, asset write downs (£6.21 million of which resulted from the presentation of realisation rather than going concern values for purposes of the 31 March 2000 financial statements) and refinancing costs.
- 4.2 During the year ended 31 March 2000, the Group sold its Pharmaceutical Businesses and closed 11 overseas offices. Continuing businesses were restructured to relocate production and reduce core activities. However, the Group had a substantial debt burden, and following poor trading results during October and November 2000, restructuring proposals under consideration after September 2000 were no longer acceptable to all of the banks within the Workout Group which was financing continued operations.
- 4.3 The Chairman's Statement in the Annual Report for the year ended 31 March 2000 dated 26 January 2001 includes the following paragraph:-

"Subsequent to the breakdown of the negotiations with the group's bankers a number of senior managers of the group, headed by Ian Gray and Philip Corke (who are also directors of the company) made an offer to purchase certain of the company's subsidiaries supported by the Bank of Scotland and JO Hambro Capital Management Ltd."

The sale of certain subsidiaries of PLC was effected on 5 February 2001 on terms which were approved by the Group's bankers. Hemmings was the only trading subsidiary which was not acquired as part of the pre receivership management buy out. However, along with other Group companies, Hemmings had guaranteed the Group's bank borrowings. Board minutes of each of the Companies record that at directors' meetings on 5 February 2001, the directors requested the Bank to appoint administrative receivers. The Bank made formal demand on each of the Companies for repayment of all monies due on 5 February 2001, and we were appointed Administrative Receivers of the Companies on the following day.

5. CONDUCT OF THE RECEIVERSHIP

Companies other than Hemmings

- 5.1 The main assets of PLC are freehold property at Darnall Road, Sheffield, a dividend expected to be paid by a subsidiary based in South Africa, and sums due from various sources in connection with agreements entered into with Krieger AG.

- 5.2 Property agents have been instructed to advise in relation to the marketing and sale of the freehold property, and a proposal is being considered for the realisation of remaining assets held in the South African subsidiary.

Continuation of trade - Hemmings

- 5.3 Following our appointment, we decided that Hemmings should continue to trade in the short term and complete work in progress which would finance the receivership and enhance realisations whilst a purchaser was sought for the business and assets as a going concern.

Sale of Business

- 5.4 We contacted a number of parties whom the directors considered may be interested in acquiring the business and assets of Hemmings. An advertisement was placed in the "Financial Times" on 13 February 2001 as a result of which 16 enquiries were received. On 8 March 2001 a sale was completed to Goodgrace Limited for the business and assets of Hemmings as a going concern. The sale consideration was £310,000 which was apportioned as follows:-

	£
Freehold/part leasehold property	274,996
Plant, office furnishings and equipment	35,000
Contracts	1
Goodwill	1
Intellectual property	1
Stock	1
	<hr/>
	310,000
	<hr/>

- 5.5 At the date of our appointment, Hemmings sales ledger balances totalled £579,683. To 10 April 2001 we have collected £236,944.

6. AMOUNT DUE TO THE DEBENTURE HOLDER

- 6.1 Sums owed to the Bank at the date of our appointment exceed £15 million. On present information there is no prospect that the Bank will be repaid in full.

7. PREFERENTIAL CREDITORS

- 7.1 Preferential creditors in Hemmings at the date of our appointment are estimated to be £21,718 and comprise the following:

	£
Department of Trade and Industry	
-wages and holiday pay	463
H M Customs & Excise - VAT	3,143
Inland Revenue - PAYE/NIC	18,112
	<hr/>
	21,718
	<hr/>

- 7.2 At present we estimate that preferential creditors of Hemmings will be paid in full. As far as we are aware there are no preferential creditors of any of the other companies in receivership.

8. NON PREFERENTIAL CREDITORS

- 8.1 We do not anticipate that there will be sufficient funds available from the realisation of assets to enable a dividend to be paid to the unsecured creditors.

9 STATEMENT OF AFFAIRS

- 9.1 We have not yet received a Statement of Affairs from the directors in relation to any of the companies in receivership. We have agreed an extension of time with the directors and we anticipate that we will receive the sworn Statement of Affairs for each of the Companies by the end of April, so that we will receive them in time for the meetings of creditors.

10 MEETINGS OF CREDITORS

- 10.1 Meetings of creditors of each of the companies will be held at the offices of Ernst & Young, Barbirolli Square, Manchester, M2 3EY on 30 April 2001 at 11.30 a.m. to receive our report on the conduct of each receivership. This report will be presented at the meeting and apart from the directors' Statements of Affairs, no further information is expected to be available. We enclose formal notice of the meetings, together with the relevant form of proxy.



W S Martin and A R Bloom
Joint Administrative Receivers
11 April 2001

STATUTORY INFORMATION

Company Name	GEI International Public Limited Company	Hemmings Limited	GEI Special Steels Limited
Previous Names	GEI International Limited	none	SK Holdings Ltd Taylor Steel Products Ltd
Company Number	326365	173481	230907
Date of Incorporation	5 April 1937	3 March 1921	1 June 1928
Directors	Ian Fowler Richard Prior Anthony Lippitt	Stephen Telford Trevor Walters Michael Jones	SK GEI Europe
Company Secretary	Lucy Fiske	Trevor Walters	Group Operations
Issued Share Capital based on latest annual return (ordinary £1 shares) (ordinary 20p shares)	none £7,830,746	£200,000 none	£60,000 none
Shareholders	Approximately 3,500 public shareholders	Special Steels Group Operations	PLC Group Operations
Registered Office	100 Barbirolli Square, Manchester M2 3EY	Valley Works, Grange Lane Sheffield S5 0DQ	100 Barbirolli Square, Manchester M2 3EY

Abbreviations

PLC : GEI International PLC

SK : SK Realisation Limited

Group Operations : GEI Group Operations Ltd

Special Steels : GEI Special Steels Ltd

GEI Europe : GEI (Europe) Limited

STATUTORY INFORMATION

Company Name	SK Realisation Limited	SKD Realisation Limited	Gallay Containers & Systems Limited
Previous Names	Sanderson Kayser Ltd	Sanderson Kayser Distribution Ltd Sanderson Kayser (Lancashire) Ltd Homesheer Ltd	Gallay Container And Systems Ltd Glengan Ltd
Company Number	4606	1931182	2435790
Date of Incorporation	27 October 1869	17 July 1985	24 October 1989
Directors	Special Steels GEI Europe	Special Steels GEI Europe	Special Steels GEI Europe
Company Secretary	Group Operations	Group Operations	Group Operations
Issued Share Capital based on latest annual return (ordinary £1 shares)	£1,695,426	£100	£150,000
(ordinary 20p shares)	none	none	none
Shareholders	Special Steels Group Operations	SK Group Operations	GEI Processing & Packaging Machinery Ltd
Registered Office	100 Barbirolli Square, Manchester M2 3EY	100 Barbirolli Square, Manchester M2 3EY	100 Barbirolli Square, Manchester M2 3EY

Abbreviations

PLC : GEI International PLC

SK : SK Realisation Limited

Group Operations : GEI Group Operations Ltd

Special Steels : GEI Special Steels Ltd

GEI Europe : GEI (Europe) Limited

PLC**Trading results for the three years
ended 31 March 2000**

	12 months to 31 March 2000 £000	12 months to 31 March 1999 £000	12 months to 31 March 1998 £000
Turnover	<u>62,606</u>	<u>81,380</u>	<u>77,679</u>
Gross Profit	<u>21,275</u>	<u>35,535</u>	<u>39,342</u>
Operating profit / (loss) before exceptional items/goodwill amortisation	(6,682)	(4,104)	7,689
Exceptional items/goodwill amortisation	(15,704)	(5,158)	(2,894)
Net Interest expense	(2,146)	(2,343)	(1,324)
Taxation	(879)	(193)	(2,037)
Dividends	0	(572)	(1,711)
Retained profit / (loss) for the financial year	<u>(25,411)</u>	<u>(12,370)</u>	<u>(277)</u>

All figures have been extracted from consolidated audited financial statements.
The 1998 financial statements were presented on a going concern basis.
The 1999 and 2000 financial statements were presented on a realisation
basis because the Group did not have adequate banking facilities and as
a result of the decision to dispose of the Group's principal assets.

Hemmings**Trading results for the two years
ended 31 March 1999 and the nine
months to 29 December 1999**

	9 months to 29 Dec 1999 £000	12 months to 31 March 1999 £000	12 months to 31 March 1998 £000
Turnover	<u>1,746</u>	<u>2,501</u>	<u>3,044</u>
Gross Profit	<u>193</u>	<u>220</u>	<u>267</u>
Operating profit / (loss)	47	(195)	(51)
Net Interest expense	0	0	(4)
Taxation	0	0	0
Retained profit / (loss) for the financial year	<u>47</u>	<u>(195)</u>	<u>(55)</u>

The figures to March 1998 and March 1999 have been extracted from
audited financial statements. The figures for the 9 months ended
December 1999 have been extracted from management accounts.
All figures are presented on a going concern basis.

12 months
to 31 March
1999
£000

12 months
to 31 March
1998
£000

GEI Special Steels Limited
Trading results for the two years
ended 31 March 1999 prepared
on a going concern basis

Net Operating Income / (expenses)	<u>126</u>	<u>(267)</u>
Profit / (loss) on ordinary activities after tax (being retained profit for the year)	<u>126</u>	<u>(267)</u>

SK Realisation Ltd.
Trading results for the two years
ended 31 March 1999 prepared
on a going concern basis

Turnover	<u>12</u>	<u>30</u>
Gross Profit	<u>12</u>	<u>5</u>
Operating Profit / (loss)	(158)	(407)
Utilisation of prior years provisions	0	289
Taxation	0	0
Retained profit / (loss) for the financial year	<u>(158)</u>	<u>(118)</u>

SKD Realisation Ltd.
Trading results for the two years
ended 31 March 1999 prepared
on a going concern basis

Turnover	<u>0</u>	<u>270</u>
Gross Profit	<u>0</u>	<u>110</u>
Operating Profit / (loss)	(66)	152
Taxation	0	0
Retained profit / (loss) for the financial year	<u>(66)</u>	<u>152</u>

Gallay Containers & Systems Limited
Trading results for the two years
ended 31 March 1999 prepared
on a going concern basis

Turnover	<u>0</u>	<u>2,249</u>
Gross Profit	<u>0</u>	<u>589</u>
Operating Profit / (loss)	0	96
Taxation	0	0
Dividends paid	(717)	0
Retained profit / (loss) for the financial year	<u>(717)</u>	<u>96</u>

ALL FIGURES EXTRACTED FROM AUDITED FINANCIAL STATEMENTS