

356992

JOSEPH SYKES BROTHERS LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2000



• **JOSEPH SYKES BROTHERS LIMITED**

COMPANY INFORMATION

Directors

Mr K ~~A~~ J Sheridan
Mr J M Cliff
Mr K Lydall
Mr C Malley
Mr K Ramsden
Mr J A Sturch
Mr C Mawe
Mr I Williamson
Mr M Wood

Secretary

Mr J M Cliff

Company number

356992

Registered office

Acre Street
Huddersfield
HD3 3EB

Auditors

Ernst & Young
Leeds

JOSEPH SYKES BROTHERS LIMITED

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JOSEPH SYKES BROTHERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2000

The directors present their report and the audited accounts for the company for the year ended 31 March 2000.

Principal activities and review of business

The company's principal activity during the year was the manufacture of speciality wire for use in the textile, automotive and stationery industries.

On 31 March 2000 the company acquired the trade and net assets of Lee Smith Wires Limited, a fellow subsidiary undertaking, for a consideration equal to the book value of the assets transferred (see note 20).

Results and dividends

The profit for the year amounts to £231,707 (1999 : profit £11,766) and is dealt with as shown in the profit and loss account on page 5.

Directors and their interests

The directors who held office during the year are listed below:

Name of director

Mr ~~K~~ J Sheridan

Mr J M Cliff

Mr K Lydall

Mr C Malley

Mr K Ramsden

Mr J A Sturch

Mr C Mawe

Mr I Williamson

Mr M Wood

Also directors of the company were Mr I Bates who resigned on 25 June 1999, Mr D W Adam who resigned on 30 July 1999, Mr A D Cutts who resigned on 30 November 1999 and Mr T S Kurwie who resigned on 31 March 2000. Mr ~~K~~ J Sheridan was appointed on 1 July 1999, Mr C Mawe was appointed on 3 September 1999 and Messrs K Lydall, C Malley, K Ramsden and J A Sturch were appointed on 1 April 2000.

JOSEPH SYKES BROTHERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2000

Directors' interests notifiable under the terms of the Companies Act 1985 were those listed below:

Carclo plc	5p ordinary shares	5p ordinary shares	Options held	Granted during period	Exercised during period	Options held
	1 April 1999 No.	31 March 2000 No.	1 April 1999 No.	No.	No.	31 March 2000 No.
Mr J M Cliff	1,000	1,000	10,000	-	-	10,000
	-	-	6,250*	-	-	6,250*
Mr M Wood	120	120	10,000	-	-	10,000
	-	-	1,250*	-	-	1,250*

* options granted under the Carclo Sharesave Option Scheme 1997.

Mr I Williamson and Mr C Mawe were also directors of the ultimate parent company, Carclo plc, in whose accounts their interests in the share capital of that company are shown.

Year 2000

Following the work carried out in 1999 to safeguard against the year 2000 computer issue, the directors are pleased to report that the company's computer systems are operating effectively. However the directors continue to be alert to the potential risks and uncertainties relating to the matter and at the date of this report are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the business. Any future costs associated with this issue, in the unlikely event that a problem should arise, cannot be quantified but are not anticipated to be significant.

Statement of directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that year. In preparing those accounts the directors are required to:

Select suitable accounting policies and then apply them consistently;

Make judgements and estimates that are reasonable and prudent and

Prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

JOSEPH SYKES BROTHERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2000

Auditors

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the Board



Mr J M Cliff, Secretary
8 December 2000

Acre Street
Huddersfield
HD3 3EB

AUDITORS' REPORT TO THE

SHAREHOLDERS OF JOSEPH SYKES BROTHERS LIMITED

We have audited the accounts on pages 5 to 16 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 March 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

**Ernst & Young
Registered Auditor
Leeds
8 December 2000**

JOSEPH SYKES BROTHERS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2000

	<i>Notes</i>	2000 £	1999 £
Turnover	2	14,232,283	14,178,521
Operating profit	3	408,605	236,832
Interest payable and similar charges	4	(103,760)	(194,698)
Profit on ordinary activities before taxation		304,845	42,134
Taxation	7	(73,138)	(30,368)
Profit for the financial year		231,707	11,766

All amounts relate to continuing activities.

JOSEPH SYKES BROTHERS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES AND HISTORICAL COST PROFITS AND LOSSES

FOR THE YEAR ENDED 31 MARCH 2000

	2000	1999
	£	£
Statement of total recognised gains and losses		
Profit for the financial year	231,707	11,766
Unrealised deficit on revaluation of freehold land and buildings	-	(218,249)
Total recognised gains/(losses) relating to the year	231,707	(206,483)
Historical cost profits and losses		
Profit on ordinary activities before taxation	304,845	42,134
Difference between historical cost depreciation charge and depreciation charge based on the revalued amounts	17,361	28,687
Historical cost profits on ordinary activities before taxation	322,206	70,821
Historical cost profits for the year retained after taxation, dividends and other appropriations	249,068	40,453

JOSEPH SYKES BROTHERS LIMITED

BALANCE SHEET

AS AT 31 MARCH 2000

	Notes	£	2000 £	£	1999 £
Fixed assets					
Tangible assets	8		8,113,580		5,811,791
Current assets					
Stocks	9	2,624,905		1,899,772	
Debtors	10	4,814,644		3,287,225	
Cash at bank and in hand		5,344		4,281	
		<u>7,444,893</u>		<u>5,191,278</u>	
Creditors: amounts falling due within one year	11	<u>(5,065,899)</u>		<u>(3,494,637)</u>	
Net current assets			<u>2,378,994</u>		<u>1,696,641</u>
Total assets less current liabilities			<u>10,492,574</u>		<u>7,508,432</u>
Creditors: amounts falling due after more than one year	12		<u>(3,874,776)</u>		<u>(1,106,483)</u>
Provisions for liabilities and charges					
Deferred taxation	13		<u>(292,574)</u>		<u>(308,432)</u>
			<u>6,325,224</u>		<u>6,093,517</u>
Capital and reserves					
Share capital	14		4,400,000		4,400,000
Revaluation reserve	15		1,308,496		1,325,857
Profit and loss account	15		616,728		367,660
Shareholders' funds	16		<u>6,325,224</u>		<u>6,093,517</u>



Mr K S J Sheridan
Director



Mr J M Cliff
Director

8 December 2000

The notes on pages 8 to 16 form part of these accounts.

JOSEPH SYKES BROTHERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2000

1 Accounting policies

Basis of accounting

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

As permitted by Financial Reporting Standard 1 (revised 1996) - "Cash Flow Statements", the accounts do not include a cash flow statement on the grounds that the company is a wholly owned subsidiary undertaking and the ultimate holding company includes the company in its own published consolidated accounts.

Related party transactions

The company has taken advantage of the exemption to Financial Reporting Standard 8 from disclosing transactions with related parties that are part of Carclo plc.

Depreciation

Depreciation has been provided at the following rates in order to write down the cost or valuation, less estimated residual value, of all tangible fixed assets, with the exception of freehold land, by equal annual instalments over their expected useful lives as follows:

Freehold properties	2%
Plant and machinery	10 - 20%
Motor vehicles	25%

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value, with due allowance for any obsolete or slow moving items. In the case of finished goods and work in progress cost comprises direct materials, direct labour and an appropriate proportion of manufacturing overhead expenses.

Deferred taxation

Provision is made for deferred taxation using the liability method where it is considered that such a liability may become payable in the future.

Foreign currencies

Normal trading activities denominated in foreign currencies are recorded in sterling at actual exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end, except where they are covered by forward contracts in which case the rate appropriate to the forward contracts is used.

JOSEPH SYKES BROTHERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2000

Pensions

The company contributes to group pension schemes which are defined benefit schemes and fully funded. Contributions to these schemes are charged to the profit and loss account so as to spread the cost of pensions over the employees working lives with the company. The effect of any experience surpluses is retained within the accounts of the ultimate parent company.

Hire purchase and leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet at their fair value and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

2 Turnover

Turnover is the net invoiced value of goods and services provided by the company exclusive of VAT.

Turnover is attributable to one continuing activity, the manufacture of wire.

The geographical analysis of turnover is as follows:

	2000	1999
	£	£
United Kingdom	7,504,000	8,146,017
Rest of Europe	2,177,898	2,276,817
Rest of World	4,550,385	3,755,687
	<u>14,232,283</u>	<u>14,178,521</u>

JOSEPH SYKES BROTHERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2000

3 Operating profit

The operating profit is arrived at as follows:

	2000	1999
	£	£
Turnover	14,232,283	14,178,521
Finished goods & work in progress stock change	509,099	62,208
Raw materials and consumables	5,306,183	5,378,951
Employee costs (note 5)	5,059,732	5,297,706
Depreciation	543,839	599,982
Operating lease rentals - plant and machinery	78,379	65,604
Auditors' remuneration	10,700	12,241
Management charge	160,000	160,000
Other operating charges	2,155,746	2,364,997
	<u>408,605</u>	<u>236,832</u>

Included above is £130,969 (1999 - £256,356) in respect of exceptional costs incurred as a result of rationalisation of the company. These costs are principally employee redundancy costs in nature.

4 Interest payable and similar charges

	2000	1999
	£	£
Bank overdraft	103,760	194,698

5 Directors and employees

Staff costs, including directors' remuneration, were as follows:

	2000	1999
	£	£
Wages and salaries	4,263,918	4,411,780
Social security costs	368,362	345,683
Pension costs	296,483	355,517
Redundancy costs	130,969	184,726
	<u>5,059,732</u>	<u>5,297,706</u>

JOSEPH SYKES BROTHERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2000

The average monthly number of employees, including directors, during the year was as follows:

	<i>2000</i>	<i>1999</i>
	<i>Number</i>	<i>Number</i>
The average monthly number of employees, including directors, during the year was	216	220

Directors' emoluments

	<i>2000</i>	<i>1999</i>
	<i>£</i>	<i>£</i>
Emoluments	181,212	186,864

Mr I Williamson, Mr T S Kurwie, Mr C Mawe and Mr D W Adam were also directors of the holding company and fellow subsidiaries. Mr J M Cliff was also a director of fellow subsidiaries. These directors received remuneration of £563,793 (1999 - £461,211), all of which was paid by the holding company. The directors do not believe that it is practicable to apportion this amount between their service as directors of the holding company and the fellow subsidiary companies.

	<i>2000</i>	<i>1999</i>
	<i>Number</i>	<i>Number</i>
Retirement benefits were accruing to directors as follows:		
Defined benefit schemes	4	6

6 Pensions

Contributions to the pension schemes are determined by qualified actuaries on the basis of the triennial valuations. The most recent valuations were as at 1 April 1998 and 1 April 1997 and the details of these actuarial valuations are disclosed in the accounts of the parent company.

7 Taxation

	<i>2000</i>	<i>1999</i>
	<i>£</i>	<i>£</i>
Based on the profit for the year:		
UK corporation tax	115,889	61,020
Deferred tax charge	(15,858)	(30,652)
	100,031	30,368
Prior periods:		
UK corporation tax	(26,893)	-
	73,138	30,368

JOSEPH SYKES BROTHERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2000

8 Tangible fixed assets

	<i>Freehold land and buildings</i>	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£
Cost or valuation				
At 1 April 1999	3,369,996	8,708,140	129,610	12,207,746
Additions - non group	51,353	270,506	25,555	347,414
Additions - group	1,750,000	5,334,930	-	7,084,930
Disposals - non group	(140,000)	-	(18,438)	(158,438)
Disposals - group	-	-	(25,460)	(25,460)
At 31 March 2000	5,031,349	14,313,576	111,267	19,456,192
Of which at valuation 1999	3,115,000			
Depreciation				
At 1 April 1999	-	6,309,988	85,967	6,395,955
Charge for the year	49,215	475,200	19,424	543,839
Group additions	17,000	4,415,683	-	4,432,683
Disposals - non group	(550)	-	(10,776)	(11,326)
Disposals - group	-	-	(18,539)	(18,539)
At 31 March 2000	65,665	11,200,871	76,076	11,342,612
Net book value				
At 31 March 2000	4,965,684	3,112,705	35,191	8,113,580
At 31 March 1999	3,369,996	2,398,152	43,643	5,811,791

Freehold land and buildings were revalued on an open market for existing use basis as at 31 March 1999 by Eddisons Commercial Limited in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

Included in freehold land and buildings is land valued at £1,730,000 which is not depreciated.

On a historical cost basis, freehold land and buildings would have been included as follows:

	<i>2000</i>	<i>1999</i>
	£	£
Cost	4,470,439	2,809,086
Cumulative depreciation based on cost	813,251	764,947

JOSEPH SYKES BROTHERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2000

9	Stocks	2000 £	1999 £
	Raw materials	548,986	332,952
	Work in progress	740,512	387,087
	Finished goods	1,335,407	1,179,733
		<u>2,624,905</u>	<u>1,899,772</u>
10	Debtors	2000 £	1999 £
	Trade debtors	3,773,678	2,769,773
	Amounts owed by group undertakings	885,689	491,962
	Other debtors	120,651	4,110
	Prepayments and accrued income	34,626	21,380
		<u>4,814,644</u>	<u>3,287,225</u>
11	Creditors: amounts falling due within one year	2000 £	1999 £
	Bank loans and overdrafts	2,128,170	1,379,874
	Trade creditors	1,995,066	1,258,765
	Corporation tax	115,889	61,020
	Amounts owed by group undertakings	16,102	136,614
	Other taxes and social security	151,188	98,201
	Other creditors	191,558	103,437
	Accruals and deferred income	467,926	456,726
		<u>5,065,899</u>	<u>3,494,637</u>
12	Creditors: amounts falling due after more than one year	2000 £	1999 £
	Amounts owed to parent undertaking	<u>3,874,776</u>	<u>1,106,483</u>

JOSEPH SYKES BROTHERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2000

13 Deferred taxation

	2000	1999
	£	£
At 1 April 1999	308,432	339,084
Movement in the year	(15,858)	(30,652)
At 31 March 2000	<u>292,574</u>	<u>308,432</u>

Deferred taxation is as follows:

	2000	1999
	£	£
Accelerated capital allowances	<u>292,574</u>	<u>308,432</u>

There is a potential liability in respect of tax which would arise if the company's revalued property was sold for its revalued amount. This liability is estimated at £250,000 (1999 - £250,000).

14 Share capital

	2000	1999
	£	£
Authorised		
Equity shares		
4,400,000 Ordinary shares of £1.00 each	<u>4,400,000</u>	<u>4,400,000</u>
Allotted		
Equity shares		
4,400,000 Allotted, called up and fully paid ordinary shares of £1.00 each	<u>4,400,000</u>	<u>4,400,000</u>

15 Reserves

	Revaluation reserve	Profit and loss account
	£	£
At 1 April 1999	1,325,857	367,660
Profit for the year	-	231,707
Transfer between reserves	(17,361)	17,361
At 31 March 2000	<u>1,308,496</u>	<u>616,728</u>

• **JOSEPH SYKES BROTHERS LIMITED**

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2000

16 Reconciliation of movement in shareholders' funds	2000	1999
	£	£
Profit for the financial year	231,707	11,766
Other recognised gains and losses	-	(218,249)
Increase/(decrease) in shareholders' funds	231,707	(206,483)
Opening shareholders' funds	6,093,517	6,300,000
Closing shareholders' funds	6,325,224	6,093,517

17 Capital commitments

The company had the following capital commitments:

	2000	1999
	£	£
Contracted for but not provided in the financial statements	-	1,000

18 Contingent liabilities

Guarantees have been given by the company in respect of amounts drawn against borrowing facilities of certain associated undertakings.

19 Operating lease commitments

At 31 March 2000 the company had annual commitments under non-cancellable operating leases as set out below:

Plant and machinery

	2000	1999
	£	£
Operating leases which expire:		
Within one year	21,170	25,461
Between two and five years	26,516	49,476
After five years	5,720	-
	53,406	74,937

JOSEPH SYKES BROTHERS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2000

20 Acquisition

On 31 March 2000 the company acquired the trade and net assets of Lee Smith Wires Limited, a fellow subsidiary undertaking, for a consideration of £2,538,706, which was equal to the book value of the net assets transferred.

The assets acquired were as follows:

	£
Fixed assets	2,609,736
Stock	696,175
Debtors	777,576
Cash	1,226
Bank overdraft	(845,483)
Creditors	(700,524)
Net assets acquired	<u>2,538,706</u>

21 Ultimate parent company

The parent company and ultimate controlling party of the group of undertakings for which group accounts are drawn up and of which the company is a member is Carclo plc. Copies of Carclo plc's accounts can be obtained from Ploughland House, 62 George Street, Wakefield, WF1 1ZF.