

Joseph Sykes Brothers Limited

Report and Accounts

31 March 1999

Registered No. 356992



DIRECTORS' REPORT

Directors: T S Kurwie (Chairman)
J M Cliff
A D Cutts
C Mawe
K Sheridan
I Williamson
M Wood

Secretary: J M Cliff

Registered office: Acre Street, Huddersfield, HD3 3EB.

The directors present their report and accounts for the year ended 31 March 1999.

RESULTS AND DIVIDENDS

The profit for the year amounts to £11,766 and is dealt with as shown in the profit and loss account.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is the manufacture of speciality steel wire.

Difficult trading conditions continued throughout the year but following reorganisation and a redundancy program the company is now better able to compete profitably in world markets.

YEAR 2000

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000.

We have carried out a review of both our computer installations and systems and other business automation facilities to determine those which are not Year 2000 compliant. This review also considered the impact on our business of Year 2000 related failures by our significant suppliers and customers.

Our computer facilities are either compliant or will shortly be upgraded to achieve compliance, current year and outstanding expenditure for which is not material.

Given the complexity of the problem, it is not possible to guarantee that no Year 2000 problems will remain, because some level of failure may still occur. However, we believe that the company will achieve an acceptable state of readiness.

DIRECTORS' REPORT

The directors of the company during the year ended 31 March 1999 were those listed above together with Mr A Simpson who resigned on 1 April 1998, Mr T S Hall who resigned on 31 January 1999, Mr I Bates who resigned on 25 June 1999 and Mr D W Adam who resigned on 30 July 1999. Mr K Sheridan was appointed a director of the company on 1 July 1999 and Mr C Mawe was appointed on 3 September 1999.

Carclo Engineering Group PLC

				Holdings of ordinary shares of 5p each 31 March 1998 (or date of appointment if later)
	31 March 1999	No.	No.	
I Bates	20,300			20,300
J M Cliff	1,000			1,000
T S Kurwie	5,096			-
M Wood	120			120

	As at 31 March 1998 (or date of appointment if later)	Granted during period	Exercised during period	Options to purchase ordinary shares of 5p each As at 31 March 1999
	No.	No.	No.	No.
I Bates	34,000	-	-	34,000
	6,250 *	-	-	6,250 *
J M Cliff	10,000	-	-	10,000
	6,250 *	-	-	6,250 *
A D Cutts	500 *	-	-	500 *
M Wood	10,000	-	-	10,000
	1,250 *	-	-	1,250 *

I Williamson and D W Adam were also directors of the ultimate parent company, Carclo Engineering Group PLC, in whose accounts their interests in the share capital of that company are shown.

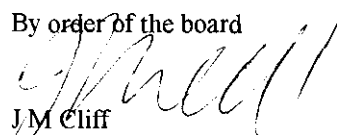
Joseph Sykes Brothers Limited

DIRECTORS' REPORT

AUDITORS

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

By order of the board



J.M. Cliff
Secretary

26 November 1999

Joseph Sykes Brothers Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 of the company for that period. 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 to 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.

REPORT OF THE AUDITORS
to the members of Joseph Sykes Brothers Limited

We have audited the accounts on pages 6 to 15 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

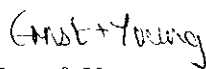
Basis of opinion

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 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 the 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 information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 March 1999 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Registered Auditor
Leeds

26 November 1999

Joseph Sykes Brothers Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1999

	Notes	1999 £	1998 £
TURNOVER	2	14,178,521	15,588,873
OPERATING PROFIT	3	236,832	1,585,504
Interest payable	4	194,698	172,798
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		42,134	1,412,706
Taxation	7	30,368	421,859
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		11,766	990,847
Dividends	8	-	990,847
RETAINED PROFIT FOR THE FINANCIAL YEAR	15	11,766	-

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 March 1999

	1999 £	1998 £
Profit on ordinary activities after taxation	11,766	990,847
Unrealised deficit on revaluation of freehold land and buildings	(218,249)	-
	(206,483)	990,847

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 March 1999

	1999 £	1998 £
Reported profit on ordinary activities before taxation	42,134	1,412,706
Difference between a historical cost depreciation charge and the actual depreciation charge of the period calculated on the revalued amount	28,687	28,687
Historical cost profit on ordinary activities before taxation	70,821	1,441,393
Historical cost profit for the period retained after taxation, minority interests, extraordinary items and dividends	40,453	28,687

Joseph Sykes Brothers Limited

BALANCE SHEET

at 31 March 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Tangible assets	9	5,811,791	6,054,625
CURRENT ASSETS			
Stocks	10	1,899,772	1,984,887
Debtors	11	3,287,225	3,563,635
Cash at bank and in hand		4,281	2,258
CREDITORS: amounts falling due within one year	12	5,191,278 3,494,637	5,550,780 4,966,321
NET CURRENT ASSETS		1,696,641	584,459
TOTAL ASSETS LESS CURRENT LIABILITIES		7,508,432	6,639,084
CREDITORS: amounts falling due after more than one year			
Medium term loan from parent company		1,106,483	-
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	13	308,432	339,084
		6,093,517	6,300,000
CAPITAL AND RESERVES			
Called up share capital	14	4,400,000	4,400,000
Revaluation reserve	15	1,325,857	1,572,793
Profit & Loss Account	15	367,660	327,207
EQUITY SHAREHOLDERS' FUNDS	16	6,093,517	6,300,000

K Sheridan)
J M Cliff) Directors

26 November 1999

KMS Sheridan
JM Cliff

Joseph Sykes Brothers Limited

NOTES TO THE ACCOUNTS

at 31 March 1999

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention, as modified by the revaluation of land and buildings, and in accordance with applicable accounting standards.

Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 8 from disclosing transactions with related parties that are part of Carclo Engineering Group PLC.

Leased assets

Rentals in respect of operating leases are charged to the profit and loss account on a straight line basis.

Depreciation

Land and buildings are shown at cost or valuation. Other fixed assets are shown at cost, any related government grants being deducted from the cost.

Freehold land is not depreciated.

Depreciation is provided at annual rates calculated to write off the cost or valuation after deducting government grants, on all fixed assets on a straight line basis over their expected useful lives as follows:-

Freehold buildings	2%
Plant and equipment	10 - 20%
Computer equipment	20 - 33 1/3%
Motor vehicles	25%

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.

Research and development

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

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.

Pensions

The company contributes to group pension schemes which are defined benefit schemes and fully funded. Contributions to the 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.

Joseph Sykes Brothers Limited

NOTES TO THE ACCOUNTS

at 31 March 1999

1. ACCOUNTING POLICIES (continued)

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.

2. TURNOVER

Turnover is the net invoiced value of goods and services provided by the company exclusive of VAT but inclusive of intra group transactions of £ 1,749,303 (1998 - £1,978,585).

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

By geographical area

	1999 £	1998 £
United Kingdom	8,146,017	8,512,509
Rest of Europe	2,276,817	2,658,822
Rest of World	3,755,687	4,417,542
	<u>14,178,521</u>	<u>15,588,873</u>

3. OPERATING PROFIT

Operating profit is arrived at as follows:

	1999 £	1998 £
Turnover	14,178,521	15,588,873
(Decrease)/increase in stocks of finished goods and work in progress	(62,208)	142,354
	<u>14,116,313</u>	<u>15,731,227</u>
Raw materials and consumables	5,378,951	5,965,053
Employee costs (note 5)	5,297,706	5,086,693
Depreciation	599,982	590,383
Charitable and political donations	310	385
Auditors' remuneration	12,241	13,000
Operating lease rentals - plant and machinery	65,604	56,241
Management charge	160,000	160,000
Other operating charges	2,364,687	2,273,968
	<u>13,879,481</u>	<u>14,145,723</u>
	<u>236,832</u>	<u>1,585,504</u>

Included within the above costs is £256,356 (1998 - nil) in respect of exceptional costs as a result of rationalisation. These costs are principally employee redundancy costs in nature.

Joseph Sykes Brothers Limited

NOTES TO THE ACCOUNTS

at 31 March 1999

4. INTEREST PAYABLE

	1999 £	1998 £
Bank overdraft	194,698	172,798

5. EMPLOYEE COSTS

Employee costs during the period amounted to:

	1999 £	1998 £
Wages and salaries	4,596,506	4,418,783
Social security costs	345,683	353,871
Pension costs	355,517	314,039
	5,297,706	5,086,693

The average weekly number of persons employed by the company during the period was 220 (1998 - 235).

The employee costs shown above include the following remuneration in respect of the directors:

	1999 £	1998 £
Emoluments	186,864	225,243
Emoluments of the highest paid director	68,572	71,347

D W Adam and I Williamson are also directors of the holding company and fellow subsidiaries. J M Cliff and T S Kurwie are also directors of fellow subsidiaries. These directors received total remuneration of £461,211 (1998 - £513,881), all of which was paid by the holding company. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the holding and fellow subsidiary companies.

The number of directors who were eligible to receive retirement benefits under the group defined benefit pension schemes at 31 March 1999 was 6 (1998 - 8). The accrued future benefits payable under these schemes to the highest paid director as at 31 March 1999 was £45,637 (1998 - £44,143)

6. PENSIONS

Contributions to the pension schemes are determined by qualified actuaries on the basis of 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.

Joseph Sykes Brothers Limited

NOTES TO THE ACCOUNTS

at 31 March 1999

7. TAXATION

	1999 £	1998 £
The charge based on the profit for the period comprises:		
Corporation tax	61,020	448,852
Deferred taxation	(30,652)	(22,186)
Adjustment relating to prior period	-	(4,807)
	<u>30,368</u>	<u>421,859</u>

8. DIVIDENDS

	1999 £	1998 £
Interim – paid	-	990,847

9. TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings</i> £	<i>Plant and equipment</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
Cost or valuation:				
At 1 April 1998	3,740,177	8,260,617	171,621	12,172,415
Additions - non group	166,121	285,956	-	452,077
- group	-	205,935	24,881	230,816
Disposals - non group	-	(44,368)	(66,892)	(111,260)
Deficit on revaluation of freehold land and buildings	(536,302)	-	-	(536,302)
At 31 March 1999	<u>3,369,996</u>	<u>8,708,140</u>	<u>129,610</u>	<u>12,207,746</u>
Of which at valuation 1999	<u>3,255,000</u>			
Depreciation:				
At 1 April 1998	257,439	5,761,122	99,229	6,117,790
Provided during the period	60,614	512,261	27,107	599,982
On group additions	-	71,290	24,181	95,471
Disposals - non group	-	(34,685)	(64,550)	(99,235)
Deficit on revaluation of freehold land and buildings	(318,053)	-	-	(318,053)
At 31 March 1999	<u>-</u>	<u>6,309,988</u>	<u>85,967</u>	<u>6,395,955</u>
Net book value:				
At 31 March 1999	<u>3,369,996</u>	<u>2,398,152</u>	<u>43,643</u>	<u>5,811,791</u>
At 31 March 1998	<u>3,482,738</u>	<u>2,499,495</u>	<u>72,392</u>	<u>6,054,625</u>

Joseph Sykes Brothers Limited

NOTES TO THE ACCOUNTS

at 31 March 1999

9. TANGIBLE FIXED ASSETS (continued)

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

Included in freehold land and buildings is land valued at £860,000 which is not depreciated.

If freehold land and buildings had not been revalued they would have been carried in the balance sheet as follows:

	1999 £	1998 £
Cost	2,809,086	2,642,965
Accumulated depreciation	764,947	733,020
	<u>2,044,139</u>	<u>1,909,945</u>

10. STOCKS

	1999 £	1998 £
Raw materials	332,952	355,859
Work in progress	387,087	431,952
Finished goods	1,179,733	1,197,076
	<u>1,899,772</u>	<u>1,984,887</u>

11. DEBTORS

	1999 £	1998 £
Trade debtors	2,769,773	3,189,464
Amounts owed by group undertakings	491,962	359,851
Other debtors	4,110	6,176
Prepayments	21,380	8,144
	<u>3,287,225</u>	<u>3,563,635</u>

Joseph Sykes Brothers Limited

NOTES TO THE ACCOUNTS

at 31 March 1999

12. CREDITORS: amounts falling due within one year

	1999 £	1998 £
Bank overdraft	1,379,874	2,393,511
Trade creditors	1,258,765	1,353,885
Corporation tax	61,020	448,846
Amounts owed to group undertakings	136,614	120,282
Other taxes and social security costs	98,201	151,950
Other creditors	103,437	115,265
Accruals	456,726	382,582
	<u>3,494,637</u>	<u>4,966,321</u>

13. DEFERRED TAXATION

	£
At 31 March 1998	339,084
Released to profit and loss account	(30,652)
At 31 March 1999	<u>308,432</u>

Deferred taxation is as follows:

	1999 £	1998 £
Accelerated capital allowances	<u>308,432</u>	<u>339,084</u>

There is a potential liability in respect of the tax which would arise if the company's revalued property was sold for its revalued amount. This liability is estimated at £250,000 (1998 - £326,000).

14. CALLED UP SHARE CAPITAL

	1999 £	Authorised 1998 £	Allotted, called up and fully paid 1999 £	1998 £
Ordinary shares of £1 each	<u>4,400,000</u>	<u>4,400,000</u>	<u>4,400,000</u>	<u>4,400,000</u>

Joseph Sykes Brothers Limited

NOTES TO THE ACCOUNTS

at 31 March 1999

15. RESERVES

	<i>Revaluation reserve £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
At 31 March 1998	1,572,793	327,207	1,900,000
Retained profit for year	-	11,766	11,766
Transfer in respect of depreciation	(28,687)	28,687	-
Deficit on revaluation of land and buildings	(218,249)	-	(218,249)
At 31 March 1999	<u>1,325,857</u>	<u>367,660</u>	<u>1,693,517</u>

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	<i>1999 £</i>	<i>1998 £</i>
Profit on ordinary activities after taxation	11,766	990,847
Dividend	-	990,847
	<u>11,766</u>	<u>-</u>
Other recognised losses relating to period	(218,249)	-
	<u>(206,483)</u>	<u>-</u>
Net reduction of shareholders' funds	(206,483)	-
Opening shareholders' funds	6,300,000	6,300,000
Closing shareholders' funds	<u>6,093,517</u>	<u>6,300,000</u>

17. CAPITAL COMMITMENTS

	<i>1999 £</i>	<i>1998 £</i>
Contracted	<u>1,000</u>	<u>7,228</u>

18. CONTINGENT LIABILITY

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

Joseph Sykes Brothers Limited

NOTES TO THE ACCOUNTS

at 31 March 1999

19. OTHER FINANCIAL COMMITMENTS

At 31 March 1999 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Plant and machinery</i>	
	<i>1999</i>	<i>1998</i>
	£	£
Operating leases which expire:		
within one year	25,461	7,028
within two to five years	49,476	40,671
	<u>74,937</u>	<u>47,699</u>

20. 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 Engineering Group PLC. Copies of Carclo Engineering Group PLC's accounts can be obtained from Carclo House, PO Box 224, Fife Street, Sheffield S9 1YX.