

**Report of the Directors**

Directors: D Blake (Chairman)  
D Houghton  
N D Shaw  
A J Travis

1 The Directors present their report together with the audited accounts of the Company for the year ended 31st December 1994.

2 **Principal activities**

Until 30th June 1994, the Company developed, manufactured and sold automatic vending machines for a variety of markets. The Company also sold spare parts for use in vending machines. On 1st July 1994 the stock, certain fixed assets and the business were transferred to Wittenborg SA and the Company changed its name to GKN Ventures Limited. The Company ceased to trade from that date.

3 **Directors' responsibilities for the accounts**

At the end of each financial year the Directors are required by the Companies Act 1985 to prepare accounts 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 year. In preparing the accounts for the year ended 31st December 1994, appropriate accounting policies, supported by reasonable and prudent judgements and estimates, have been consistently used and UK applicable accounting standards have been followed.

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985. In addition, the Directors are responsible for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Company are properly safeguarded and to ensure that reasonable steps are taken to prevent or detect fraud and other irregularities.

The Auditors' responsibilities in relation to the accounts are set out in their report on page 3.

4 **Results**

The profit and loss account of the Company shows a loss of £824,031.

5 **Dividends and reserves**

No dividend has been declared for the year ended 31st December 1994. The amount deducted from reserves is £824,031.

6 **Changes in fixed assets**

Changes in fixed assets are set out in note 8 to the accounts.



**Report of the Directors - (continued)****7 Directors**

On 1st July 1994 Mr S M A Bridge and Mr J W Dixon resigned as Directors of the Company. The Directors wish to record their appreciation of their services to the Company. On 12th July 1994 Mr N D Shaw and Mr D Houghton were appointed as Directors of the Company.

Interests in shares or debentures of GKN plc and its subsidiaries of persons who were Directors of the Company on 31st December 1994 as required to be disclosed by the Companies Act 1985, were as follows:

<u>Name</u>	<u>Type of security</u>	<u>Holdings including family interests at</u>		<u>Employees' Share Option Schemes</u>	
		<u>1.1.94 or date appointment</u>	<u>31.12.94</u>	<u>Options Granted in 1994</u>	<u>Option Exercised in 1994</u>
D Blake	GKN plc £1 ordinary shares	5,909	7,090	573	-
N D Shaw	GKN plc £1 ordinary shares	-	-	1,311	-

**8 Auditors**

A resolution to reappoint Coopers & Lybrand as Auditors of the Company will be proposed at the Annual General Meeting.

By Order of the Board



N D Shaw

3rd February 1995

**REPORT OF THE AUDITORS TO THE MEMBERS OF**  
**GKN VENTURES LIMITED**

We have audited the annual accounts on pages 4 to 14.

**Respective responsibilities of directors and auditors**

As described on page 1, the Company's Directors are responsible for the preparation of the annual accounts. It is our responsibility to form an independent opinion, based on our audit, on those annual 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 annual accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the annual 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 annual 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 annual accounts.

**Opinion**

In our opinion the annual accounts give a true and fair view of the state of the Company's affairs at 31st December 1994 and of its loss and total recognised losses for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Coopers & Lybrand*

Coopers & Lybrand  
Chartered Accountants and Registered Auditors  
Birmingham  
3rd February 1995

**Accounting policies 31st December 1994**

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom, including Financial Reporting Standard No 4 - "Capital Instruments" and Financial Reporting Standard No 5 - "Reporting the substance of transactions". Prior year figures have been restated wherever practicable and appropriate. As the Company is a wholly owned subsidiary of GKN plc, it is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement. A summary of principal accounting policies is set out below.

**1 Basis of accounting**

These accounts are prepared under the historical cost convention as modified by the revaluation of land and buildings.

**2 Turnover**

Sales shown in the profit and loss account exclude value added taxes and represent the invoiced value of goods and services charged to customers.

**3 Depreciation**

- (a) Depreciation is not provided on freehold land. In the case of buildings and computers, depreciation is provided on valuation or original cost. For all other categories of asset, depreciation is provided on the written down value at the beginning of the financial year. Except in special cases, depreciation is not charged on fixed assets capitalised during the year and available for use, but a full year's depreciation is charged on fixed assets sold or scrapped during the year.
- (b) Depreciation is applied to specific classes of asset by reference to their useful lives. The rates of depreciation used are :

	<u>Straight line</u> %	<u>Reducing balance</u> %
Freehold buildings	2 to 10	-
Plant and machinery	-	8 to 35
Computers	20	-
Motor vehicles:		
Commercial	-	40
Other	-	27 to 44

**4 Operating Profit**

- (a) Costs of reorganisation and redundancy which are not part of a fundamental restructuring are charged against operating profit in the period when the announcement is made. The losses arising from the disposal by the Company of its business and net assets are shown as exceptional items.
- (b) Revenue expenditure on research and development is written off against trading profits as incurred.
- (c) Operating lease rentals are charged to the profit and loss account as incurred during the lease term.

**Accounting policies 31st December 1994 - (continued)****5 Foreign currencies**

Where practicable, transactions involving foreign currencies are protected by forward contracts. Assets and liabilities in foreign currencies are translated to sterling at the appropriate forward contract rate or, if not covered, at the exchange rate ruling at the balance sheet date. Differences on revenue transactions are dealt with through the profit and loss account.

**6 Tangible fixed assets**

Where fixed assets are financed by leasing agreements which give rights approximating to ownership, the assets are treated as if they had been purchased and the capital element of the leasing commitments is shown as obligations under finance leases. The rentals payable are apportioned between interest, which is charged in the profit and loss account, and capital, which reduces the outstanding obligation. All other leases are recognised as operating leases.

**7 Fixed asset investments**

Fixed asset investments are stated at cost less any provisions considered necessary for permanent diminution in value.

**8 Stocks**

Stocks are valued at the lower of cost and estimated net realisable value, due allowance being made for obsolete or slow moving items. Cost includes the relevant proportion of works overheads assuming normal levels of activity.

**9 Deferred taxation**

Provision is made for deferred taxation to the extent that there is a reasonable probability that such tax will become payable in the foreseeable future, calculated at the rate of corporation tax expected to apply for the period when the tax is forecast to become payable. The liability is reduced by any tax losses available for set off against future profits.

Profit and loss account for the year ended 31st December 1994

	Notes	<u>1993</u>	
		<u>£</u>	<u>£</u>
TURNOVER	1	5,300,019	10,115,769
OPERATING (LOSS)/PROFIT	2	(18,454)	163,951
Loss on sale or closure of business	3	(1,100,000)	-
(LOSS)/PROFIT BEFORE INTEREST AND TAXATION			
Interest payable	4	(1,118,454)	163,951
		(5,912)	(6,721)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			
Taxation	5	(1,124,366)	157,230
		300,335	(62,454)
(LOSS)/PROFIT FOR THE YEAR TRANSFERRED (FROM)/TO RESERVES	17	(824,031)	94,776

Note of historic cost profits and losses

	<u>1993</u>	<u>£</u>
	<u>£</u>	<u>£</u>
Reported (loss)/profit on ordinary activities before taxation	(1,124,366)	157,230
Realisation of property revaluation gains of previous years	701,897	-
Historical cost (loss)/profit on ordinary activities before taxation	(422,469)	157,230
Historic cost (loss)/profit on ordinary activities after taxation	(122,134)	157,230

The Company has no recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statements of recognised gains and losses has been prepared.

The notes on pages 8 to 14 and the accounting policies on pages 4 and 5 form part of these accounts.

Auditors' report page 3.

Balance sheet at 31st December 1994

	Notes	£	£	£	1993 £
FIXED ASSETS					
Tangible assets	8		23,582		1,553,462
Investments	9		-		28,691
			<u>23,582</u>		<u>1,582,153</u>
CURRENT ASSETS					
Stocks	10	-		1,793,153	
Debtors	11	505,475		1,465,598	
Cash at bank and in hand		2,463		152,909	
		<u>507,938</u>		<u>3,411,660</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Bank loans and overdrafts		359		-	
Creditors	12	604,031		1,648,548	
Taxation payable		-		66,000	
		<u>604,390</u>		<u>1,714,548</u>	
NET CURRENT (LIABILITIES)/ASSETS			(96,452)		1,697,112
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(72,870)</u>		<u>3,279,265</u>
CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR					
Obligations under finance leases	13		-		152,507
ACCOUNT WITH GKN (UNITED KINGDOM) PLC	14		2,858,757		5,234,354
CAPITAL AND RESERVES					
Called up share capital	16	1,385,327		1,385,327	
Revaluation reserve	17	-		701,897	
Profit and loss account	17	(4,316,954)		(4,194,820)	
Equity interest			(2,931,627)		(2,107,596)
CAPITAL EMPLOYED IN FINANCING TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(72,870)</u>		<u>3,279,265</u>

Signed on behalf of the Board

N D Shaw


  
Director

The notes on pages 8 to 14 and the accounting policies  
on pages 4 and 5 form part of these accounts.

Auditors' report page 3.

Notes on the accounts 31st December 1994**1 Turnover**

	<u>1993</u>	
	<u>Discontinued operations</u>	
	£	£
Geographical analysis by ultimate destination:		
United Kingdom	4,091,912	7,065,788
Continental Europe	675,865	1,916,298
North America	531,206	1,123,819
Rest of the world	1,036	9,864
	<u>5,300,019</u>	<u>10,115,769</u>

All turnover and operating profit were attributable to the principal activity of the business as shown in the Directors' report.

**2 Operating (loss)/profit is after charging/(crediting)**

	<u>1993</u>	
	<u>Discontinued operations</u>	
	£	£
Decrease/(Increase) in finished goods and work in progress	21,459	(3,730)
Raw materials and consumables	2,884,536	5,454,549
Wages and salaries	1,394,779	2,699,883
Social security costs	114,786	220,541
Other pension costs	108,653	100,330
Redundancy costs in on-going activities	-	25,752
Depreciation on assets under finance leases	23,501	55,184
Depreciation on owned assets	47,751	112,874
Rental for hire of plant and vehicles	86,731	217,707
Auditors' remuneration:		
for audit	8,188	8,368
Other external charges	628,089	1,060,360
	<u>5,318,473</u>	<u>9,951,818</u>

**3 Exceptional items**

	<u>1993</u>	
	<u>Discontinued operations</u>	
	£	£
Losses on sale of business	165,773	-
Closure costs	934,227	-
	<u>1,100,000</u>	<u>-</u>

A taxation credit of £281,030 (1993: £Nil) is attributable to exceptional items.

**4 Interest payable**

	<u>1993</u>	
	£	£
Finance leases	<u>5,912</u>	<u>6,721</u>



Notes on the accounts 31st December 1994 - (continued)5 **Taxation**

	£	<u>1993</u> £
United Kingdom taxation :		
Corporation tax at 33% payable by way of group relief	-	(66,000)
Taxation recoverable by way of group relief	285,000	-
Adjustment to taxation of earlier years	15,335	3,546
	<u>300,335</u>	<u>(62,454)</u>

The credit for deferred taxation on the full liability basis would have been £76,827 (1993 - £173).

6 **Employee information**

The average number of persons employed during the period of trading was:

	<u>1994</u>	<u>1993</u>
Works	121	122
Staff	66	68
	<u>187</u>	<u>190</u>

The average number of employees during the period from 1st July 1994 to 31st December 1994 was 3.

7 **Directors' emoluments**

Directors' emoluments are disclosed in accordance with the Companies Act 1985.

- (a) The emoluments of directors wholly in respect of executive services amounted to £235,460 (1993 - £305,727).
- (b) The following table shows the number of directors whose emoluments (excluding pension contributions) were within the scales stated:

<u>Scale</u>	<u>1994</u>	<u>1993</u>
£70,001 to £75,000	1	1
£60,001 to £65,000	-	1
£55,001 to £60,000	1	-
£45,001 to £50,000	-	1
£30,001 to £35,000	1	-
£25,001 to £30,000	1	2
£10,001 to £15,000	-	1
£5,001 to £10,000	-	1
£0 to £5,000	2	-

Notes on the accounts 31st December 1994 - (continued)7 **Directors emoluments (continued)**

- (c) The emoluments of those serving as Chairman of the Company amounted to £71,985 (1993- £53,553).
- (d) The emoluments of the highest paid director of the company amounted to £71,985 (1993- £74,484).
- (e) Payments made to directors in connection with compensation for loss of office amounted to £180,890 (1993: £Nil).
- (f) Certain directors are employed by, and receive their emoluments from, GKN plc. The amounts shown above represent remuneration applicable to their executive services to the Company.

8 **Tangible assets**

	Land and <u>buildings</u> £	Other fixed <u>assets</u> £	<u>Total</u> £
<b>Cost or valuation</b>			
At 1st January 1994	999,750	2,086,390	3,086,140
Capital expenditure	-	72,195	72,195
Group transfers	(999,750)	(202,117)	(1,201,867)
Disposals	-	(1,921,688)	(1,921,688)
At 31st December 1994	-	34,780	34,780
<b>Accumulated depreciation</b>			
At 1st January 1994	48,000	1,484,678	1,532,678
Group transfers	(64,000)	(117,201)	(181,201)
Disposals	-	(1,429,293)	(1,429,293)
Charge for the year	16,000	73,014	89,014
At 31st December 1994	-	11,198	11,198
<b>Net book values at 31st December 1994</b>			
Owned assets	-	23,582	23,582
<b>Net book values at 31st December 1993</b>			
Owned assets	951,750	402,987	1,354,737
Leased assets	-	198,725	198,725
	951,750	601,712	1,553,462

Other fixed assets include plant, machinery, fixtures, fittings, equipment and motor vehicles.

All freehold properties were professionally valued in 1990 by Chartered Surveyors employed by the group on the basis of open market value assuming existing use.

**Notes on the accounts 31st December 1994 - (continued)**

**9 Investments**

	Group companies <u>shares</u> £
<b>Cost</b>	
At 1st January 1994 and 31st December 1994	28,691
<b>Amounts written off</b>	
At 1st January 1994	-
Amounts written off during the year	(28,691)
At 31st January 1994	(28,691)
<b>Net book value</b>	
At 31st December 1994	-
At 31st December 1993	28,691

**Interests are as follows:**

<u>Name of company</u>	<u>Country of registration or incorporation</u>	Proportion of nominal value of shares held <u>Description of shares held</u>	<u>By the Company</u>
Sankey Vending GmbH	Germany	25,000 shares of 1DM each	5%
Sankey Vending France Sarl	France	500 shares of 100 francs each	10%

**10 Stocks**

	£	<u>1993</u> £
Raw materials and consumables	-	823,439
Work in progress	-	526,949
Finished goods and goods for resale	-	442,765
	-	<u>1,793,153</u>

Notes on the accounts 31st December 1994 - (continued)**11 Debtors**

	£	<u>1993</u> £
Receivable within one year:		
Trade debtors	41,539	871,575
Amounts owed by group companies:		
Fellow subsidiary companies	179	567,263
Amounts owed by associated companies	2,203	-
Other debtors	176,554	26,760
Taxation recoverable by way of group relief	285,000	-
	<u>505,475</u>	<u>1,465,598</u>

**12 Creditors**

	£	<u>1993</u> £
Trade creditors	37,092	1,425,125
Amounts owed to group companies:		
Fellow subsidiary companies	84,176	39,155
Non corporate taxes and social security	-	106,317
Other creditors	270,802	58,687
Accruals	192,293	-
Short term obligations under finance leases (see note 13)	19,668	19,264
	<u>604,031</u>	<u>1,648,548</u>

**13 Obligations under finance leases**

The future minimum lease payments to which the Company is committed under finance leases are as follows:

	£	<u>1993</u> £
Within one year	19,668	19,264
Within two to five years	-	84,842
Over five years	-	67,665
	<u>19,668</u>	<u>171,771</u>
<u>Less:</u> Short term obligations included in creditors (see note 12)	(19,668)	(19,264)
	<u>-</u>	<u>152,507</u>

**14 Account with GKN (United Kingdom) plc**

The account with GKN (United Kingdom) plc represents, together with the equity interest, the GKN Group interest in the Company excluding normal intra-group trading balances with fellow subsidiaries. This account includes funding of a permanent nature and is without any repayment terms.

**Notes on the accounts 31st December 1994 - (continued)****15 Provisions for liabilities and charges**

No provision has been made for deferred taxation as at 31st December 1994 (1993 - £nil). The full potential liability is calculated at 33% (1993 - 33%) amounted to £Nil (1993 - £76,827).

**16 Share capital**

	<u>Authorised</u> £	<u>1994 and 1993</u> Issued, called up and fully paid £
Ordinary shares of £1 each	2,000,000	1,385,327

**17 Reserves**

	<u>Revaluation reserve</u> £	<u>Profit and loss account</u> £	<u>Total</u> £
At 1st January 1994	701,897	(4,194,820)	(3,492,923)
Transfers from revaluation reserve to profit and loss account	(701,897)	701,897	-
Transfer from profit and loss account	-	(824,031)	(824,031)
At 31st December 1994	-	(4,316,954)	(4,316,954)

**18 Statement of reconciliation on shareholders' funds**

	£	<u>1993</u> £
At 1st January 1994	(2,107,596)	(2,202,372)
Total recognised (losses)/gains for the year	(824,031)	94,776
At 31st December 1994	(2,931,627)	(2,107,596)

**19 Capital expenditure**

There was no capital expenditure sanctioned by the Board outstanding at 31st December 1994 or 31st December 1993.

**Notes on the accounts 31st December 1994 - (continued)****20 Contingent liabilities**

Sankey Vending France Sarl has entered into an arrangement with a third party for the provision, by that third party, of finance facilities to customers of Sankey Vending France Sarl. As part of this arrangement, the Company has underwritten any losses which may be incurred by the third party arising from customer default which Sankey Vending France Sarl is unable to meet. The Directors are of the opinion that the Company does not have a liability under this guarantee at the year end.

**21 Operating leases**

The minimum payments which the Company is committed to make in 1994 under operating leases, none of which relate to land and buildings, are as follows:

	£	<u>1993</u> £
Commitment expiring within one year	-	8,604
Commitment expiring within two to five years	-	76,832
	<hr/>	<hr/>
	-	85,436
	<hr/>	<hr/>

**22 Pensions**

The Company participates in the externally funded defined benefit group pension arrangements of GKN plc. The Company's pension cost is based on pension contributions payable as assessed across the UK Group as a whole in accordance with the advice of professionally qualified actuaries. The latest actuarial assessment was carried out at April 1993 and particulars of the valuation are contained in the accounts of GKN plc.

**23 Ultimate and immediate parent companies**

GKN plc and GKN (United Kingdom) plc, which are registered in England, are the ultimate and immediate parent companies respectively. Copies of their accounts may be obtained from Ipsley House, PO Box 55, Redditch, Worcestershire, B98 0TL.