

COPY FOR
REGISTRATION

REGISTERED NUMBER: 1307059

SUMITOMO ELECTRIC HARDMETAL LIMITED

ABBREVIATED ACCOUNTS AND

AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1996



SUMITOMO ELECTRIC HARDMETAL LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996

DIRECTORS

M Sugaya
M Nishino
Dr T Asai
W Hasegawa

SECRETARY

W Hasegawa

REGISTERED OFFICE

50 Summerleys Road
Princes Risborough
Bucks
HP27 9PW

COMPANY NUMBER

1307059

AUDITORS

B Fish & Partners
The Mill House
Boundary Road
Loudwater
High Wycombe
Bucks
HP10 9QN

SUMITOMO ELECTRIC HARDMETAL LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996

CONTENTS

Pages	3	Report of the Directors
	5	Report of the Auditors
	7	Profit and Loss Account
	8	Balance Sheet
	9	Cash Flow Statement
	10 to 17	Notes to the Accounts

SUMITOMO ELECTRIC HARDMETAL LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 1996

The Directors present their Report and the audited Financial Statements of the Company for the year ended 31 December 1996.

DIRECTORS RESPONSIBILITIES

Company law requires the Directors to prepare Financial Statements 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 Financial Statements, the Directors are required to:-

- 1) select suitable accounting policies and then apply them consistently.
- 2) make judgements and estimates that are reasonable and prudent.
- 3) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements.
- 4) prepare the Financial Statements 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 Financial Statements 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.

PRINCIPAL ACTIVITIES

The principal activity of the Company continued to be Engineering Cutting Tool Distributors

BUSINESS REVIEW

The Directors consider the results for the year to be satisfactory.

RESULTS AND DIVIDENDS

	1996	1995
	£	£
Profit after tax for the year	73,767	66,441
Transfer to Reserves	£ 73,767	£ 66,441

The Directors do not recommend the payment of a dividend.

SUMITOMO ELECTRIC HARDMETAL LIMITED

DIRECTORS' REPORT (CONT.)
FOR THE YEAR ENDED 31 DECEMBER 1996

FIXED ASSETS

Acquisitions and disposals of Fixed Assets during the year are shown in the Notes to the Accounts.

LAND AND BUILDINGS

In the opinion of the Directors, the value of the Company's Freehold Land and Buildings is not materially in excess of that shown in the Financial Statements in relation to its use in the Company's trade.

DIRECTORS

The Directors who served during the year are shown below.

M Sugaya
M Nishino
Dr T Asai
W Hasegawa

The Directors have no beneficial interests in the issued ordinary Share Capital of the Company which is wholly held by Sumitomo Electric Industries Limited, Incorporated in Japan.

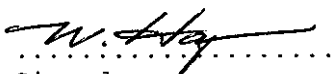
The Directors do have beneficial interests in the issued Share Capital of Sumitomo Electric Industries Limited which represents 0.002 % (1995 0.002 %) of the issued Capital and these are as follows:

	At end of year No.	At start of year No.
M Sugaya	5,000	5,000
M Nishino	1,000	1,000
Dr T Asai	5,000	5,000
W Hasegawa	Nil	Nil

AUDITORS

The auditors, B Fish & Partners, will be proposed for reappointment in accordance with Section 385 of the Companies Act 1985.

This Report was approved by the Board on 25 February 1997 and signed on their behalf.


.....
Signed
W Hasegawa

SUMITOMO ELECTRIC HARDMETAL LIMITED

AUDITORS' REPORT

TO THE DIRECTORS OF SUMITOMO ELECTRIC HARDMETAL LIMITED
FOR THE YEAR ENDED 31 DECEMBER 1996
UNDER PARAGRAPH 24 OF SCHEDULE 8
TO THE COMPANIES ACT 1985

We have examined the abbreviated Accounts set out on pages 7 to 17, together with the full financial statements of the Company for the year ended 31 December 1996, prepared under section 226 of the Companies Act 1985.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the abbreviated accounts in accordance with Schedule 8 to the Companies Act 1985. It is our responsibility to form an opinion as to the Company's entitlement to the exemptions claimed in the directors' statement on page 8 and whether the abbreviated accounts have been properly prepared in accordance with that Schedule.

BASIS OF OPINION

We have carried out the procedures considered necessary to confirm, by reference to the audited financial statements that the Company is entitled to the exemptions and that the abbreviated accounts have been properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

OPINION

In our opinion the Company is entitled under sections 246 and 247 of the Companies Act 1985 to the exemptions conferred by Section B of Part III of Schedule 8 to that Act, in respect of the year ended 31 December 1996, and the abbreviated accounts on pages 7 to 17 have been properly prepared in accordance with that Schedule.

OTHER INFORMATION

On 25 February 1997 we reported, as auditors of Sumitomo Electric Hardmetal Limited, to the shareholders on the full financial statements prepared under section 226 of the Companies Act 1985 for the year ended 31 December 1996, and our audit report was as follows:

"We have audited the Financial Statements on pages 6 to 16 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3 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 statements and to report our opinion to you.

SUMITOMO ELECTRIC HARDMETAL LIMITED

AUDITORS' REPORT (CONT.)

TO THE DIRECTORS OF SUMITOMO ELECTRIC HARDMETAL LIMITED

FOR THE YEAR ENDED 31 DECEMBER 1996

UNDER PARAGRAPH 24 OF SCHEDULE 8

TO THE COMPANIES ACT 1985

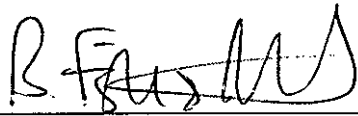
BASIS OF OPINION

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 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 Financial Statements.

OPINION

In our opinion the Financial Statements give a true and fair view of the state of the Company's affairs at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985."



B Fish & Partners

Chartered Accountants
and Registered Auditor

The Mill House
Boundary Road
Loudwater
High Wycombe
Bucks
HP10 9QN

25 February 1997

SUMITOMO ELECTRIC HARDMETAL LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996

	Notes	1996	1995
GROSS PROFIT		1,102,714	1,000,535
Other Operating Expenses	2	920,443	836,656
OPERATING PROFIT		182,271	163,879
Interest Receivable and Similar Income	3	2,572	3,195
Interest Payable and Similar Charges	4	(48,761)	(51,723)
PROFIT ON ORDINARY ACTIVITIES			
BEFORE TAXATION	5	136,082	115,351
Tax on Profit on Ordinary Activities	7	62,315	48,910
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		73,767	66,441
Retained Profit/(Loss) Brought Forward		3,696	(62,745)
RETAINED PROFIT CARRIED FORWARD		£ 77,463	£ 3,696

All activities of this and the previous year are in respect of continuing operations.

The Company made no recognised gains and losses other than those reported in the Profit and Loss Account.

The Notes on Pages 10 to 17 form part of these Accounts

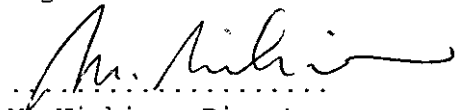
SUMITOMO ELECTRIC HARDMETAL LIMITED

BALANCE SHEET
AT 31 DECEMBER 1996

	Notes	1996	1995
FIXED ASSETS			
Tangible Assets	8	567,687	582,771
CURRENT ASSETS			
Stock	9	939,151	788,160
Debtors	10	913,034	885,875
Cash at Bank and in Hand		9,626	10,025
		<u>1,861,811</u>	<u>1,684,060</u>
CREDITORS: Amounts falling due within one year	11	<u>1,752,035</u>	<u>1,663,135</u>
NET CURRENT ASSETS		109,776	20,925
NET ASSETS		<u>£ 677,463</u>	<u>£ 603,696</u>
CAPITAL AND RESERVES			
Called up Share Capital	14	600,000	600,000
Profit and Loss Account	15	77,463	3,696
SHAREHOLDERS' FUNDS		<u>£ 677,463</u>	<u>£ 603,696</u>

In preparing these accounts, advantage has been taken of the exemptions conferred by Section B of Part III of Schedule 8 to the Companies Act 1985. In the opinion of the Directors, the Company is entitled to those exemptions as it has met the qualifying conditions for a Medium-Sized Company set out in Sections 246 and 247 of the Companies Act 1985.

Signed on behalf of the Board



M. Nishino, Director

Approved by the Board: 25 February 1997

The Notes on Pages 10 to 17 form part of these Accounts

SUMITOMO ELECTRIC HARDMETAL LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1996

	Note	1996	1995
NET CASH INFLOW FROM			
OPERATING ACTIVITIES	16a	117,647	32,653
RETURNS ON INVESTMENTS AND			
SERVICING OF FINANCE			
Interest Received		2,572	3,195
Interest Paid		(48,761)	(51,723)
NET CASH OUTFLOW FROM			
RETURNS ON INVESTMENTS AND			
SERVICING OF FINANCE		(46,189)	(48,528)
TAX PAID		(48,851)	(3,364)
INVESTING ACTIVITIES			
Payments to acquire Tangible			
Fixed Assets		(13,006)	(10,172)
Receipts from Sales of			
Tangible Fixed Assets		-	-
NET CASH OUTFLOW TO			
INVESTING ACTIVITIES		(13,006)	(10,172)
NET CASH INFLOW/(OUTFLOW)			
BEFORE FINANCING		9,601	(29,411)
FINANCING	16d		
Loan Repayments		(10,000)	(20,000)
NET CASH OUTFLOW TO			
FINANCING		(10,000)	(20,000)
DECREASE IN CASH AND CASH			
EQUIVALENTS	16b	£ (399)	£ (49,411)

The Notes on Pages 10 to 17 form part of these Accounts

SUMITOMO ELECTRIC HARDMETAL LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1996

1. ACCOUNTING POLICIES

1a. Basis of Accounting

The Accounts have been prepared under the historical cost convention.

1b. Tangible Fixed Assets

Fixed Assets are shown at historical cost.

Depreciation is provided at the following annual rates in order to write off each Asset over its estimated useful life.

		1996	1995
Freehold Land	- % cost	Nil	Nil
Freehold Buildings	- % cost	4	4
Plant and Equipment	- % written down value	25	25
Fixtures and Fittings	- % written down value	25	25

1c. Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

1d. Deferred Taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the Directors, there is reasonable probability that the liability will not arise in the foreseeable future.

1e. Pension Costs

The Company operates a defined contribution scheme. The scheme funds are administered by Trustees and are independent of the Company's finances. The Company's contributions are charged against profits in the year in which the contributions are made.

1f. Foreign Currencies

Monetary Assets and Liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the Balance Sheet date. Non-monetary assets denominated in foreign currencies are translated at the rate ruling at the date of the transaction.

All differences are taken to the Profit and Loss Account.

SUMITOMO ELECTRIC HARDMETAL LIMITED

NOTES TO THE ACCOUNTS (CONT.)

1. ACCOUNTING POLICIES (CONT.)

1g. Turnover

Turnover represents the amount receivable for goods sold and services rendered in the ordinary course of business excluding Value Added Tax.

1h. Leases

The Company enters into Operating Leases. The annual rentals are charged to the Profit and Loss Account over the Lease term.

1i. Related Parties

The Company has taken advantage of the exemption in Financial Reporting Standard No 8 from disclosing related party transactions where the transactions are between group members qualifying as related parties.

2. OTHER OPERATING EXPENSES	1996	1995
Selling and Distribution Expenses	417,472	349,334
Establishment Expenses	34,541	29,511
Miscellaneous Expenses	50,433	63,658
Administrative Expenses	393,353	369,855
Costs Relating to the Purchase, Use, and Disposal of Assets	24,644	24,298
	<hr/>	<hr/>
	£ 920,443	£ 836,656
	<hr/>	<hr/>

3. INTEREST RECEIVABLE AND OTHER INCOME	1996	1995
Bank Interest Receivable	2,572	3,195
	<hr/>	<hr/>
	£ 2,572	£ 3,195
	<hr/>	<hr/>

4. INTEREST PAYABLE AND SIMILAR CHARGES	1996	1995
Interest on Short Term Loans repayable within five years, not by Instalments	48,761	51,723
	<hr/>	<hr/>
	£ 48,761	£ 51,723
	<hr/>	<hr/>

SUMITOMO ELECTRIC HARDMETAL LIMITED

NOTES TO THE ACCOUNTS (CONT.)

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1996	1995
Profit on Ordinary Activities before Taxation is stated after Charging:		
Depreciation	27,099	26,711
Auditors' Remuneration	7,200	6,900
Operating Leases:		
Hire of Plant and Machinery	15,809	15,809
Hire of Other Assets	46,537	53,109
Directors' Emoluments including Benefits and Pension Contributions	-	109,138
	<hr/> <hr/>	<hr/> <hr/>

SUMITOMO ELECTRIC HARDMETAL LIMITED

NOTES TO THE ACCOUNTS (CONT.)

6. DIRECTORS AND EMPLOYEES

Particulars of employees (including Directors) are shown below:

Employee costs during the year amounted to:	1996	1995
Wages and Salaries	410,010	390,073
Social Security Costs	39,963	34,423
Other Pension Costs	27,180	21,125
	<hr/>	<hr/>
	£ 477,153	£ 445,621
	<hr/>	<hr/>

The average weekly numbers of employees during the year were as follows:

	1996	1995
	No.	No.
Management and Administration	9	9
Production and Selling	10	9
	<hr/>	<hr/>
	19	18
	<hr/>	<hr/>

Details of Directors' emoluments are:

	1996	1995
Directors' emoluments including Benefits	£ -	£ 109,138
	<hr/>	<hr/>
Highest paid Director's emoluments	£ -	£ 109,138
	<hr/>	<hr/>

The emoluments of the other Directors were within the following ranges:

	1996	1995
	No.	No.
£ 0 - £ 5,000	4	3

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996	1995
Corporation Tax at 33%	62,315	48,858
	<hr/>	<hr/>
	62,315	48,858
Adjustment of Current Taxation in respect of Prior Years	-	52
	<hr/>	<hr/>
	£ 62,315	£ 48,910
	<hr/>	<hr/>

SUMITOMO ELECTRIC HARDMETAL LIMITED

NOTES TO THE ACCOUNTS (CONT.)

8. TANGIBLE FIXED ASSETS

	Land and Buildings	Plant & Machinery	Fixtures & Equipment	Total
Cost				
At 1 January 1996	600,331	37,840	87,940	726,111
Additions	-	6,511	6,495	13,006
Disposals	-	-	(11,187)	(11,187)
At 31 December 1996	600,331	44,351	83,248	727,930
Depreciation				
At 1 January 1996	48,832	30,596	63,919	143,347
Disposals	-	-	(10,203)	(10,203)
For the Year	16,277	3,439	7,383	27,099
At 31 December 1996	65,109	34,035	61,099	160,243
Net Book Amounts				
At 31 December 1996	£ 535,222	£ 10,316	£ 22,149	£ 567,687
At 31 December 1995	£ 551,499	£ 7,244	£ 24,021	£ 582,764

9. STOCK

	1996	1995
Advertising & Promotion Materials	-	2,369
Finished Goods & Goods for Resale	939,151	785,791
	£ 939,151	£ 788,160

10. DEBTORS

	1996	1995
Trade Debtors	901,434	809,981
Less : Bad Debt Provision	(63,934)	(49,498)
	837,500	760,483
Other Debtors	43,861	98,225
Prepayments	31,673	27,167
	£ 913,034	£ 885,875

SUMITOMO ELECTRIC HARDMETAL LIMITED

NOTES TO THE ACCOUNTS (CONT.)

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996	1995
Loans	850,000	860,000
Amounts owed to Group Company	653,978	586,003
Trade Creditors	62,964	55,901
Social Security and Other Taxes	65,594	75,224
Corporation Tax	62,315	48,858
Other Creditors	-	15,113
Accruals	57,184	22,036
	<u>£1,752,035</u>	<u>£1,663,135</u>

Included in the Loans are unsecured borrowings of £650,000 (1995 £600,000) due to Group Finance Companies.

**12. PROVISIONS FOR LIABILITIES AND CHARGES
DEFERRED TAXATION**

	1996	1995
Potential deferred tax not provided comprises:-		
Accelerated Capital Allowances	5,754	6,060
	<u>£ 5,754</u>	<u>£ 6,060</u>

**13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1996**

	1996	1995
Profit for the Financial Year	73,767	66,441
	<u>73,767</u>	<u>66,441</u>
Net Addition to Shareholders' Funds	73,767	66,441
Opening Shareholders' Funds	603,696	537,255
Closing Shareholders' Funds	<u>£ 677,463</u>	<u>£ 603,696</u>

SUMITOMO ELECTRIC HARDMETAL LIMITED

NOTES TO THE ACCOUNTS (CONT.)

14. CALLED UP SHARE CAPITAL	1996	1995
Authorised:		
Ordinary Shares of £1 each	996,498	996,498
4% Non-Cumulative Preference Shares	3,502	3,502
	<u>£1,000,000</u>	<u>£1,000,000</u>
Allotted, Issued and Fully Paid:		
Ordinary Shares of £1 each	596,498	596,498
4% Non-Cumulative Preference Shares	3,502	3,502
	<u>£ 600,000</u>	<u>£ 600,000</u>

15. RESERVES	Profit and Loss Account
At 1 January 1996	3,696
Profit for the Year	73,767
	<u> </u>
At 31 December 1996	£ 77,463
	<u> </u>

16. CASH FLOW STATEMENT

16a. Reconciliation of Operating Profit to net Cash Flow from Operating Activities	1996	1995
Operating Profit	182,271	163,879
Depreciation	27,099	26,711
Loss on Sale of Tangible Fixed Assets	984	-
Increase in Stocks	(150,991)	(152,858)
Increase in Debtors	(41,595)	(76,508)
Increase in Creditors	99,879	71,429
	<u> </u>	<u> </u>
Net Cash Inflow from Operating Activities	£ 117,647	£ 32,653
	<u> </u>	<u> </u>

16b. Analysis of Changes in Cash and Cash Equivalents during the year	1996	1995
Balance at 1 January 1996	10,025	59,436
Net Cash Outflow	(399)	(49,411)
	<u> </u>	<u> </u>
Balance at 31 December 1996	£ 9,626	£ 10,025
	<u> </u>	<u> </u>

SUMITOMO ELECTRIC HARDMETAL LIMITED

NOTES TO THE ACCOUNTS (CONT.)

16. CASH FLOW STATEMENT (CONT.)

16c. Analysis of the Balances of Cash and Cash
Equivalents as shown in the Balance Sheet

	1996	1995	Change in Year
Cash at Bank and in Hand	9,626	10,025	(399)
	<u>£ 9,626</u>	<u>£ 10,025</u>	<u>£ (399)</u>

16d. Analysis of Changes in Financing during the Year

	Share Capital	Loans and Finance Lease Obligations
Balance at 1 January 1996	600,000	860,000
Cash Inflow from Financing	-	(10,000)
Balance at 31 December 1996	<u>£ 600,000</u>	<u>£ 850,000</u>

17. OPERATING LEASE COMMITMENTS

At 31 December 1996 the company had annual commitments under non-cancellable operating leases as follows:

	1996	1995
Plant and Machinery:		
Expiring within 1 year	£ 14,074	£ 11,309
Expiring within 2 and 5 years inclusive	<u>£ 32,457</u>	<u>£ 39,739</u>

18. ULTIMATE PARENT COMPANY

The Company is a Subsidiary undertaking of Sumitomo Electric Industries Limited, incorporated in Japan.