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WILKINSON SWORD LIMITED

REPORT OF THE DIRECTORS

ACCOUNTS FOR THE PERIOD ENDED 29 DECEMBER 1985



WILKINSON SWORD LIMITED

REPORT OF THE DIRECTORS

THIRTEEN MONTHS ENDED 29TH DECEMBER 1985

Principal Activities and Business Review

The principal activities of the Company are the manufacture and distribution of razors, razor blades, garden tools, swords and houseware products. There has been no significant change in these activities during the period.

Results and Dividends

The loss for the year attributable to shareholders was £4,101,000 (1984: £2,987,000)

Dividends: The directors do not recommend the payment of a dividend for the period.

Board of Directors

The directors who served during the period were:

Mr. C. Lewinton	- Chairman	- Resigned 5th March 1986
Mr. F.R. Black		- Appointed 17th January 1986
Mr. J.A. Bloxidge		- Resigned 22nd July 1985
Mr. A.T. Fletcher	- Chairman	- Appointed 22nd July 1985
Mr. A.D. Shanagher		
Mr. C.W.K. Saunders		
Mr. H. Osberghaus		- Resigned 17th January 1986

Mr. A.D. Shanagher retires by rotation and, being eligible, offers himself for re-election.

Mr. A.T. Fletcher and Mr. F.R. Black having been appointed by the directors to fill casual vacancies, will resign and offer themselves for re-election at the forthcoming Annual General Meeting.

Directors' Interests

None of the directors or their families have any interests in the shares of the Company, or in the share capital or loan stocks of any other United Kingdom subsidiary of Allegheny International Inc.

None of the directors had a material interest at any time during the period in any contract of significance to the Company's business.

There are no schemes to benefit directors by enabling them to buy shares or stocks in the Company or in any other Company in the Group.

Donations

Donations to United Kingdom charitable organisations amounted to £1,339

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WILKINSON SWORD LIMITED

REPORT OF THE DIRECTORS (Continued)

Employees

The Company does not discriminate against disabled persons in its employment or training practices. Its policy is to provide continued work and employment opportunities to persons who are disabled or become disabled whilst in its employ. Overall the Wilkinson Sword Group employs in excess of the legally required numbers of disabled persons and provides special facilities and aids where required.

The Company recognises the benefits of keeping its employees informed of the progress of the business and information regarding financial and economic factors affecting the performance of the Company and other matters of concern to them as employees were provided through the medium of Company Reports.

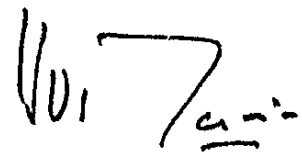
Changes in Fixed Assets

The movements in fixed assets during the period are set out in note 7 to the accounts.

Auditors

A resolution regarding the reappointment of Peat, Marwick, Mitchell & Co. as auditors of the Company will be proposed at the Annual General Meeting in accordance with section 384 of the Companies Act 1985.

By Order of the Board



Secretary

WILKINSON SWORD LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF WILKINSON SWORD LIMITED

We have audited the accounts set out on pages 5 to 17 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared in accordance with the accounting policies set out on pages 5 and 6, give a true and fair view of the state of affairs of the Company at 29th December 1985 and of the loss and source and application of funds of the Company for the period then ended and comply with the Companies Act 1985.

*Peat, Marwick, Mitchell & Co.*

Peat, Marwick, Mitchell & Co.  
Chartered Accountants

25th April 1986  
London

WILKINSON SWORD LIMITED

ACCOUNTING POLICIES

- a) Basis of accounting: The accounts have been prepared under the historical cost convention on a going concern basis modified to include the revaluation of certain assets. The Company does not prepare consolidated accounts as it is the wholly owned subsidiary of Wilkinson Sword Group Limited, a company incorporated in Great Britain.
- b) Turnover comprises amounts invoiced to customers and fellow subsidiaries less returns, excluding value added tax and trade discounts.
- c) Foreign currencies: Assets and liabilities denominated in foreign currencies are converted into sterling at rates of exchange ruling at the balance sheet date. Exchange differences arising in the course of trading are converted at the rate of exchange ruling on that date and are included in operating profit.
- d) Depreciation is provided on a straight line basis on all fixed assets except freehold land. The charge in the profit and loss account is calculated to write off the cost or valuation of fixed assets over the expected useful lives of the assets.

The lives assumed for the principal categories are generally:

Freehold Buildings	20 - 50 years
Leasehold Buildings	Life of lease
Plant and Machinery	3 - 20 years
Motor Vehicles	3 - 5 years

Provision is not made for the possible increased replacement cost of fixed assets.

- e) Deferred taxation: Provision is made for deferred taxation using the deferral method where there is a probability that a liability will arise in the foreseeable future. Debit balances arising on deferred taxation are only recognised to the extent that provision is made for liabilities against which they may be offset.
- f) Stocks and work in progress are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis and, in respect of work in progress and finished stocks, includes an appropriate proportion of overhead costs.
- g) Research and development: expenditure of a revenue nature is written off as incurred.
- h) Patent and trade mark expenditure is written off in the year in which it is incurred.
- i) Regional development grants are credited to the profit and loss account over the expected useful lives of the assets to which they relate. The amounts not so credited are carried forward in the balance sheet in deferred income.

WILKINSON SWORD LIMITED

ACCOUNTING POLICIES (Continued)

- j) Leased Assets: Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over the shorter of its estimated useful life and the lease term. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account as interest, and the capital element, which reduces the outstanding obligation for future instalments.

All other leases are operating leases and the rental charges are taken to the profit and loss account on a straight line basis over the life of the lease.

WILKINSON SWORD LIMITED

PROFIT AND LOSS ACCOUNT

THIRTEEN MONTHS ENDED 29TH DECEMBER 1985

	<u>Note</u>	13 mths ended <u>29.12.85</u> £'000	Year ended <u>30.11.84</u> £'000
Turnover	1	39,193	39,597
Cost of Sales		27,434	26,246
Gross Profit		11,759	13,351
Distribution and administration expenses	3	13,984	14,199
Operating Loss		(2,225)	(848)
Interest	4	3,759	2,124
Loss on ordinary activities before taxation	1	(5,984)	(2,972)
Taxation on Loss on ordinary activities	5	(3,189)	15
Loss on ordinary activities after taxation		(2,795)	(2,987)
Extraordinary item	6	(1,306)	-
Retained Loss for the Financial Period		(4,101)	(2,987)

The notes on pages 9 to 16 form part of these accounts.

WILKINSON SWORD LIMITED

BALANCE SHEET

AT 29TH DECEMBER 1985

	<u>Note</u>	<u>1985</u> £'000	<u>30.11.84</u> £'000
Fixed Assets			
Tangible assets	7	4,580	6,984
Investments	8	<u>4</u>	<u>4</u>
		<u>4,584</u>	<u>6,988</u>
Current Assets			
Stocks	9	7,359	5,917
Debtors	10	9,736	9,562
Cash at bank and in hand		<u>254</u>	<u>-</u>
		17,349	15,479
Creditors: amounts falling due within one year	11	<u>32,060</u>	<u>29,696</u>
Net current liabilities		<u>(14,711)</u>	<u>(14,217)</u>
Total assets less current liabilities		(10,127)	(7,229)
Creditors: amounts falling due after more than one year	12	2,015	2,015
Deferred Income: grants		134	110
Lease obligations	12	174	-
Provision for liabilities and charges	13	<u>1,971</u>	<u>966</u>
		<u>(14,421)</u>	<u>(10,320)</u>
Capital and reserves			
Called up share capital	15	5,246	5,246
Share premium account	16	360	360
Profit and loss account	16	<u>(20,027)</u>	<u>(15,926)</u>
		<u>(14,421)</u>	<u>(10,320)</u>

Approved by the Board of Directors on 25th April 1986

*A. H. H. H.* Director      *A. H. H. H.* Director

The notes on pages 9 to 16 form part of these accounts.



WILKINSON SWORD LIMITED

NOTES TO THE ACCOUNTS

1. Turnover and loss on ordinary activities before taxation

Class of Business	<u>Turnover</u>		<u>Loss Before Taxation</u>	
	13 mths ended <u>29.12.85</u> £'000	Year ended <u>30.11.84</u> £'000	13 mths ended <u>29.12.85</u> £'000	Year ended <u>30.11.84</u> £'000
Shaving & Personal Products	25,168	26,875	(2,990)	(1,565)
Garden Tools & Scissors	9,890	8,716	(2,098)	(975)
Housewares	3,314	3,163	(482)	(257)
Swords	<u>821</u>	<u>843</u>	<u>(414)</u>	<u>(175)</u>
	<u>39,193</u>	<u>39,597</u>	<u>(5,984)</u>	<u>(2,972)</u>
 <u>Geographical Markets</u>				
United Kingdom	21,317	19,480		
Americas	3,389	1,219		
Europe	8,547	11,353		
Africa and Middle East	2,739	6,219		
Pacific	<u>3,201</u>	<u>1,326</u>		
	<u>39,193</u>	<u>39,597</u>		

	13 mths ended <u>29.12.85</u> £'000	Year ended <u>30.11.84</u> £'000
Loss on ordinary activities before taxation is stated after charging:		
Depreciation charge for year	1,492	1,405
Auditors' remuneration	50	32
Hire of plant and machinery	62	55
Operating leases	397	-

2. Directors and Employees

The average number of Employees during the period was:

	<u>1985</u>	<u>1984</u>
Hourly paid	583	538
Salaried	447	482
	<u>1,030</u>	<u>1,020</u>

WILKINSON SWORD LIMITED

NOTES TO THE ACCOUNTS (Continued)

2. Directors and Employees (Continued)

Staff costs during the period were:

	13 mths ended <u>29.12.85</u> £'000	Year ended <u>30.11.84</u> £'000
Wages and Salaries	12,454	9,678
Social Security costs	835	725
Other pension costs	182	763
	13,471	11,166
	13,471	11,166

Emoluments of Directors

All of the directors, except Mr. Osberghaus, are employed as directors of Wilkinson Sword Group Limited and are remunerated by that company in respect of their services to the Group as a whole. Their emoluments are dealt with in the accounts of Wilkinson Sword Group Limited. Mr. Osberghaus receives no emoluments from the company.

The number of UK employees of the Company who received emoluments (excluding pension contributions) in the following range were:

	13 mths ended <u>29.12.85</u>	Year ended <u>30.11.84</u>
£30,000 - £35,000	4	3
£35,001 - £40,000	2	1
£40,001 - £45,000	1	-
£45,001 - £50,000	-	1
£50,001 - £55,000	3	2

3. Distribution and Administration Expenses

	13 mths ended <u>29.12.85</u> £'000	Year ended <u>30.11.84</u> £'000
Distribution costs	8,810	9,152
Administration costs	2,300	2,382
Research and Development Costs	2,874	2,665
	13,984	14,199
	13,984	14,199

WILKINSON SWORD LIMITED

NOTES TO THE ACCOUNTS (Continued)

	13 mths ended <u>29.12.85</u> £'000	Year ended <u>30.11.84</u> £'000
4. <u>Interest</u>		
Interest receivable	(27)	(13)
Payable		
Interest payable to fellow subsidiaries	3,722	2,135
Other	<u>64</u>	<u>2</u>
	<u>3,759</u>	<u>2,124</u>
5. <u>Taxation</u>		
Overseas Tax	15	15
Group Relief		
Receivable - current year	(2,003)	-
- prior year	<u>(1,201)</u>	<u>-</u>
	<u>(3,189)</u>	<u>15</u>

The tax relief is decreased in respect of the following:

	13 mths ended <u>29.12.85</u> £'000	Year ended <u>30.11.84</u> £'000
Accelerated Capital Allowances	55	692
Other timing differences including PYA	<u>(58)</u>	<u>(238)</u>
	<u>(3)</u>	<u>454</u>
6. <u>Extraordinary Items</u>		
Provision for the restructuring of the company's activities	<u>1,306</u>	<u>---</u>

WILKINSON SWORD LIMITED

NOTES TO THE ACCOUNTS (Continued)

7. Tangible Fixed Assets

	Payments on Account & Assets in the course of Construction £'000	Land & Buildings £'000	Plant & Machinery £'000	Total £'000
a) Cost or Valuation				
At 1st December 1984	3,169	1,453	8,372	12,994
Additions - 3rd Party	1,730	7	1,754	3,491
- Group Companies			172	172
Disposals - 3rd Party			(704)	(704)
- Group Companies			(83)	(83)
Sale and Lease back	(4,204)	-	-	(4,204)
At 29 December 1985	<u>695</u>	<u>1,460</u>	<u>9,511</u>	<u>11,666</u>
Depreciation				
At 1st December 1984		414	5,596	6,010
Additions - Group Companies			89	89
Charge for the year		86	1,406	1,492
Disposals - 3rd Party			(471)	(471)
- Group Companies			(34)	(34)
At 29 December 1985		<u>500</u>	<u>6,586</u>	<u>7,086</u>
Net Book Value				
At 29 December 1985	<u>695</u>	<u>960</u>	<u>2,925</u>	<u>4,580</u>
At 30 November 1984	<u>3,169</u>	<u>1,039</u>	<u>2,776</u>	<u>6,984</u>
b) Analysis of cost or valuation at 29 December 1985				
Cost	695	662	9,511	10,868
Open market valuation in 1977	-	798	-	798
	<u>695</u>	<u>1,460</u>	<u>9,511</u>	<u>11,666</u>
c) If the assets had not been revalued the balances at 29 December 1985 would have been				
Cost	695	1,532	9,511	11,738
Accumulated depreciation	-	560	6,586	7,146

Note: Plant and Machinery additions of £1,754,000 include £258,000 capitalised lease.

WILKINSON SWORD LIMITED

NOTES TO THE ACCOUNTS (Continued)

	<u>1985</u> £'000	<u>1984</u> £'000
d) Land and buildings at net book value, comprises:		
Freehold	725	738
Long Leasehold	60	201
Short Leasehold	<u>175</u>	<u>100</u>
	<u>960</u>	<u>1039</u>
	<u>1985</u> £'000	<u>1984</u> £'000
e) Capital expenditure		
Contracted for but no provision made in the accounts	<u>229</u>	<u>468</u>
Authorised by the directors but not contracted for	<u>866</u>	<u>1,326</u>

8. Investments

The Company's investments comprise shares in subsidiary companies which cost £230,000 and are stated net of £226,000 written off in previous years.

The principal subsidiaries are as follows:

<u>Company</u>	<u>Country of Incorporation</u>	<u>Percentage of Issued Shares</u>		<u>Principal Activity</u>
		<u>WS Ltd</u>	<u>WS Ltd through Subsidiaries</u>	
Bryant & May (New Zealand) Ltd.	New Zealand	Ord 50	-	Dormant
Scripto Pens Ltd.	Gt. Britain	Ord 55	-	Dormant
Scripto Industries (Shannon) Ltd	Eire	Ord 55	25	In Liquidation
Scripto Industries (Ireland) Ltd	Eire	Pref 55	25	In Liquidation
Scripto Industries (Ireland) Ltd	Eire	Ord -	80	In Liquidation
Wilkinson Sword (Argentina) Ltd	Argentina	Ord 100	-	Dormant

WILKINSON SWORD LIMITED

NOTES TO THE ACCOUNTS (Continued)

	<u>1985</u> £'000	<u>1984</u> £'000
<b>9. <u>Stocks</u></b>		
Raw Materials and Consumables	1,142	688
Work in progress		
- less progress payments	821	1,238
Finished goods and goods for sale	5,396	3,991
	<u>7,359</u>	<u>5,917</u>
<b>10. <u>Debtors: amounts falling due within one year</u></b>		
Trade Debtors	6,253	7,600
Amounts owed by subsidiaries	56	71
Amounts owed by other Group Companies	2,382	1,252
Other Debtors	138	189
Prepayments and accrued income	907	450
	<u>9,736</u>	<u>9,562</u>
<b>11. <u>Creditors: amounts falling due within one year</u></b>		
Bank loans and overdrafts	356	1,640
Trade Creditors	6,810	5,398
Amounts owed to Group Companies		
- Interest accrued	-	3,037
- Other	22,423	17,225
Taxation - PAYE	368	254
Social Security	246	157
Other Creditors	1,812	1,985
Lease Obligations	45	-
	<u>32,060</u>	<u>29,696</u>
<b>12. <u>Creditors: amounts falling due after more than one year</u></b>		
Amounts due to Group Companies	2,015	2,015
Lease obligations	<u>174</u>	<u>-</u>

Of the lease obligations falling due after more than one year, none are payable after more than five years.

WILKINSON SWORD LIMITED

NOTES TO THE ACCOUNTS (Continued)

13. Provision for Liabilities and Charges

A business re-organisation provision of £966,000 was brought forward at 1st December 1984, after providing a further £1,306,000 and applying £301,000 during the period, a provision of £1,971,000 remains at 29 December 1985.

14. Deferred Taxation

The full potential liability for deferred taxation under the deferral method is as follows:

	<u>1985</u> £'000	<u>1984</u> £'000
Capital gains rolled over	310	-
Accelerated capital allowances on plant & machinery	55	233
Other timing differences	<u>(365)</u>	<u>(233)</u>
	<u>---</u>	<u>---</u>

15. Share Capital

	<u>Authorised</u>		<u>Allotted Called up and Fully paid</u>	
	<u>1985</u> £'000	<u>1984</u> £'000	<u>1985</u> £'000	<u>1984</u> £'000
6,350,000 Ord shares of 20p each	1,270	1,270	1,270	1,270
19,882,283 Non-Voting "A" Ord shares of 20p each	3,976	3,976	3,976	3,976
3,767,717 Unclassified shares of 20p each	754	754	-	-
	<u>6,000</u>	<u>6,000</u>	<u>5,246</u>	<u>5,246</u>

WILKINSON SWORD LIMITED

NOTES TO THE ACCOUNTS (Continued)

16. Reserves

	<u>Share Premium</u> <u>Account</u> £'000	<u>Profit &amp; Loss</u> <u>Account</u> £'000
At 1st December 1984	360	(15,926)
Retained Loss	<u>—</u>	<u>(4,101)</u>
At 29 December 1985	<u>360</u>	<u>(20,027)</u>

17. Contingent Liabilities

The Company is a co-guarantor of £13,000,000 overdraft facilities of other Group Companies (1984: £13,000,000). Of the total facility the sum of £1,560,000 (1984: £798,000) has been utilised.

The Company has given counter indemnities to the National Westminster Bank in respect of advance payment guarantees and performance bonds for a total of £414,000 (1984: £151,000).

The Company has guaranteed to indemnify Kitchen Devils Limited from and against any and all costs, claims, demands, liabilities and expenses paid or incurred in acting as agents for Wilkinson Sword Limited.

Under a Group Registration, the Company is jointly and severally liable for Value Added Tax due from other Group Companies amounting to £1,375,000 (1984: £1,163,000).

18. Net Asset Deficiency

The accounts of the Company show a deficiency in net assets. Wilkinson Sword Group Limited has undertaken to ensure that it will continue to provide sufficient funds to enable Wilkinson Sword Limited to meet its debts to other creditors as these fall due until such time as this deficiency has been eliminated.

19. Ultimate Holding Company

The Company's ultimate holding company is Allegheny International Inc. a company incorporated in Pennsylvania, United States of America.



WILKINSON SWORD LIMITED

SOURCE AND APPLICATION OF FUNDS

THIRTEEN MONTHS ENDED 29TH DECEMBER 1985

	13 mths ended 29.12.85 <u>£'000</u>	Year ended 30.11.84 <u>£'000</u>
<b>Sources</b>		
Loss on ordinary activities before taxation	(5,984)	(2,972)
Extraordinary items before taxation	(1,306)	-
Items not involving the movement of funds		
Depreciation	1,492	1,405
Net deferred income realised	24	(53)
Rationalisation costs provided	<u>1,306</u>	-
	2,822	<u>1,352</u>
Funds absorbed by operations	(4,468)	(1,620)
Funds from other sources		
Disposal of fixed assets	4,486	1,244
Group relief received	3,204	-
Increase in creditors: amounts due after more than one year	<u>174</u>	-
	<u>7,864</u>	<u>1,244</u>
	3,396	(376)
<b>Applications</b>		
Acquisition of fixed assets	(3,574)	(3,615)
Rationalisation Provision applied	<u>(301)</u>	<u>(162)</u>
	(3,875)	(3,777)
	(479)	(4,153)
(Increase)/Decrease in stocks	(1,442)	(564)
(Increase)/Decrease in Debtors	941	(1,543)
Increase in Creditors: amounts due within one year	<u>1,472</u>	<u>1,347</u>
	971	(760)
Net flow of funds	492	(4,913)
Increase in Net Indebtedness of Affiliated Companies	1,046	2,849
Increase/(Decrease)in Cash Balances	<u>1,538</u>	<u>(2,064)</u>