

COUPE FOUNDRY LIMITED

Report and Financial Statements

31 July 1998

**Deloitte & Touche
PO Box 500
201 Deansgate
Manchester
M60 2AT**



COUPE FOUNDRY LIMITED

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S R Hall
G N Harrison
H Beresford

SECRETARY

S R Hall

REGISTERED OFFICE

The Foundry
Higher Walton
Preston
PR5 4DQ

BANKERS

Barclays Bank PLC
Barclays Business Centre
38 Fishergate
Preston

SOLICITORS

Wacks Caller
Steam Packet House
76 Cross Street
Manchester
M2 4JU

AUDITORS

Deloitte & Touche
Chartered Accountants
201 Deansgate
Manchester
M60 2AT

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 July 1998.

ACTIVITIES

The principal activities of the company during the year were as ironfounders.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The whole of the share capital of the company was acquired by Methodcheck Limited on 16 March 1998, a company incorporated in England. Results in the year suffered from this reorganisation. Since then, results have improved and management are hopeful for further improvement in the future.

DIVIDENDS AND TRANSFERS TO RESERVES

Loss for the year after tax amounted to £353,000 (1997 - profit £534,000). Scrip dividends of £110,000 (1997 - Nil) were paid and a redemption premium of £8,000 provided for. The retained loss (1997 - profit £534,000) of £471,000 has been transferred from (1997 - to) reserves.

YEAR 2000

The potential risks attached to the so-called Millennium bug may impact the company's financial and operating results as well as those of our customers and suppliers. To identify the extent to which the electronic systems are affected, the company is reviewing all its financial and operating systems. The investment required to remedy any non-compliance has, however, yet to be fully quantified.

FIXED ASSETS

The movements in tangible fixed assets during the year are shown in note 8 on page 11.

DIRECTORS AND THEIR INTERESTS

The present directors of the company are set out on page 1. All directors served throughout the year and thereafter except as shown below:

- I Brothwood - resigned 11 March 1998
- H Beresford - appointed 4 January 1999

None of the directors serving at the end of the year had interests in the share capital of the company at 31 July 1998 follows. Directors' interest in the parent company are shown in the accounts of Methodcheck Limited.

Ordinary shares of £1 each

	1998	1997
S R Hall	-	40,000
G N Harrison	-	40,000

DIRECTORS' REPORT

AUDITORS

Robson Rhodes resigned as auditors of the company on 9 March 1998 and Deloitte & Touche were appointed on 12 March 1998. A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Secretary

STATEMENT OF 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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- 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. 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.



COUPE FOUNDRY LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 17 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of 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.

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 as at 31 July 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and Registered Auditors

5 March 1999

COUPE FOUNDRY LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 July 1998

	Note	1998 £'000	1997 £'000
TURNOVER	2	7,072	7,301
Cost of sales		(5,719)	(5,582)
Gross profit		<u>1,353</u>	<u>1,719</u>
Distribution costs		(214)	(202)
Administrative expenses		(1,429)	(739)
		<u>(1,643)</u>	<u>(941)</u>
OPERATING (LOSS)/PROFIT	4	<u>(290)</u>	<u>778</u>
Interest payable and similar charges	5	(9)	(25)
Interest receivable and similar income		22	3
		<u>13</u>	<u>(22)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(277)</u>	<u>756</u>
Tax on (loss)/profit on ordinary activities	6	(76)	(222)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(353)</u>	<u>534</u>
Equity dividends	7	(110)	-
Other finance charges in respect of non-equity shares	17	(8)	-
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(471)</u>	<u>534</u>
Retained profit brought forward		<u>1,370</u>	<u>836</u>
Retained profit carried forward		<u><u>899</u></u>	<u><u>1,370</u></u>

The company has no recognised gains or losses other than the loss for the financial year and profit for the preceding year. Accordingly a Statement of Total Recognised Gains and Losses has not been prepared.

There have been no movements in shareholders' funds other than the retained loss for the year, and accordingly, no reconciliation of movements in shareholders' funds this year and the preceding year is included in these financial statements.

The results for the year relate to continuing operations.

COUPE FOUNDRY LIMITED

BALANCE SHEET
31 July 1998

	Note	£'000	1998 £'000	£'000	1997 £'000
FIXED ASSETS					
Tangible assets	8		1,086		1,177
CURRENT ASSETS					
Stocks	10	372		490	
Debtors	11	1,606		1,771	
Cash at bank and in hand		127		294	
		<u>2,105</u>		<u>2,555</u>	
CREDITORS: amounts falling due within one year	12	<u>(2,046)</u>		<u>(2,054)</u>	
NET CURRENT ASSETS			<u>59</u>		<u>501</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			1,145		1,678
CREDITORS: amounts falling due after more than one year	13		(47)		(91)
PROVISIONS FOR LIABILITIES AND CHARGES	15		-		(136)
			<u>1,098</u>		<u>1,451</u>
CAPITAL AND RESERVES					
Called up share capital	16		190		80
Share premium account	17		1		1
Other reserves	17		8		-
Profit and loss account	17		899		1,370
			<u>1,098</u>		<u>1,451</u>
Attributable to equity shareholders			1,033		1,451
Attributable to non equity shareholders			65		-

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

21/3/99



- Director

NOTES TO THE ACCOUNTS
Year ended 31 July 1998

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Electric melting furnace	10% straight line
Plant and machinery	15% reducing balance
Office equipment	20% reducing balance
Motor vehicles	33 1/3% reducing balance

Investments in subsidiary undertaking

Investments are stated at cost less provision for any permanent diminution in value.

Stocks

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at cost on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. The present value of future rentals is shown as a liability.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Cash flow statement

The company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent company has published a consolidated cash flow statement.

Pension costs

The company operates a defined benefit pension scheme. The assets of the scheme are invested and managed independently of the finances of the company. The pension cost charge represents contributions payable in the year. The company also operates defined contribution schemes. Contributions to these schemes are charged to profit and loss account as payable.

NOTES TO THE ACCOUNTS
Year ended 31 July 1998

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax.

	1998 £'000	1997 £'000
United Kingdom	5,888	6,264
Other EC countries	1,184	1,037
	<u>7,072</u>	<u>7,301</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1998 £'000	1997 £'000
Directors' emoluments		
Fees	-	-
Other emoluments	634	482
	<u>634</u>	<u>482</u>

2 directors are members of a defined contribution pension scheme (1997 - 3). The aggregate pension payments were £544,000 (1997 - £52,000).

	£	£
Remuneration of the highest paid director	308,301	312,935
Contributions to defined contribution pension scheme	<u>258,943</u>	<u>23,461</u>

Average number of persons employed

	No	No
Manufacturing and distribution	75	76
Administration and selling	7	7
	<u>82</u>	<u>83</u>

Staff costs during the year (including directors)

	£'000	£'000
Wages and salaries	2,066	1,919
Social security costs	208	184
Pension costs - defined contributions	580	76
- defined benefit	53	43
	<u>2,907</u>	<u>2,222</u>

NOTES TO THE ACCOUNTS
Year ended 31 July 1998

4. OPERATING (LOSS)/PROFIT

	1998 £'000	1997 £'000
Operating (loss)/profit is after charging/(crediting):		
Depreciation and amortisation		
Owned assets	180	138
Leased assets	49	57
Rentals under operating leases		
Land and buildings	100	100
Auditors' remuneration		
- audit	9	8
- other services	2	-
Loss/(profit) on disposal of fixed assets	3	(1)

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £'000	1997 £'000
Bank loans, overdrafts and other loans repayable within five years	-	1
Finance leases and hire purchase contracts	9	15
Other interest	-	9
	<u>9</u>	<u>25</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £'000	1997 £'000
United Kingdom corporation tax at 31% (1997 - 33%) based on the profit for the year	-	199
Change in applicable rate	-	(7)
Deferred taxation	(136)	31
Group relief	212	-
	<u>76</u>	<u>223</u>
Adjustments to prior years' tax provisions		
Corporation tax	-	(1)
Deferred taxation	-	-
	<u>76</u>	<u>222</u>

NOTES TO THE ACCOUNTS
Year ended 31 July 1998

7. EQUITY DIVIDENDS

	1998 £'000	1997 £'000
Scrip dividend		
2.62p per ordinary A share (1997 - Nil)	82	-
0.91p per ordinary B share (1997 - Nil)	28	-
	<u>110</u>	<u>-</u>

8. TANGIBLE FIXED ASSETS

	Plant and machinery £'000
Cost	
At 1 August 1997	2,395
Additions	156
Disposals	(62)
At 31 July 1998	<u>2,489</u>
Accumulated depreciation	
At 1 August 1997	1,218
Charge for the year	229
Disposals	(44)
At 31 July 1998	<u>1,403</u>
Net book value	
At 31 July 1998	<u>1,086</u>
At 31 July 1997	<u>1,177</u>

The net book value of tangible fixed assets includes £239,000 (1997 - £298,000) in respect of assets held under hire purchase contracts. Depreciation charged in the year on those assets amounted to £49,000 (1997 - £57,000).

NOTES TO THE ACCOUNTS
Year ended 31 July 1998

9. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiaries £'000
Cost	
At 1 August 1997	302
Disposal	(302)
	<hr/>
At 31 July 1998	-
	<hr/>
Provisions	
At 1 August 1997	302
Disposal	(302)
	<hr/>
At 31 July 1998	-
	<hr/>
Net book value	
At 31 July 1998	-
	<hr/>
At 31 July 1997	-
	<hr/> <hr/>

During the year the company disposed of its 100% investment in Income Round Limited to the directors for £1.

10. STOCKS

	1998 £'000	1997 £'000
Raw materials and consumables	71	72
Finished goods and goods for resale	301	418
	<hr/>	<hr/>
	372	490
	<hr/> <hr/>	<hr/> <hr/>

11. DEBTORS

	1998 £'000	1997 £'000
Trade debtors	1,501	1,641
Prepayments and accrued income	105	130
	<hr/>	<hr/>
	1,606	1,771
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE ACCOUNTS
Year ended 31 July 1998

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998	1997
	£'000	£'000
Bank overdraft	101	-
Amount owed to parent company	426	-
Trade creditors	973	1,202
Obligations under hire purchase contracts	43	99
Other creditors including taxation and social security	198	317
Accruals and deferred income	305	436
	<u>2,046</u>	<u>2,054</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1998	1997
	£'000	£'000
Obligations under hire purchase contracts		
- due within 1 - 2 years	-	43
- due within 2 - 5 years	-	-
	<u>-</u>	<u>43</u>
Pension obligations	47	48
	<u>47</u>	<u>91</u>

14. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	1998	1997
	£'000	£'000
This heading includes:		
Taxation and social security	192	311
	<u>192</u>	<u>311</u>

NOTES TO THE ACCOUNTS
Year ended 31 July 1998

15. PROVISIONS FOR LIABILITIES AND CHARGES

	£'000
Deferred taxation	
Balance at 1 August 1997	136
Provision - current year	(136)
- prior year	-
	<hr/>
Balance at 31 July 1998	<hr/> <hr/>

The amounts provided in the accounts and the amounts not provided are as follows:

	Provided 1998 £'000	Provided 1997 £'000	Not Provided 1998 £'000	Not Provided 1997 £'000
Capital allowances in advance of depreciation	-	142	107	-
Other timing differences	-	(6)	(127)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	136	(20)	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

16. CALLED UP SHARE CAPITAL

	1998 £'000	1997 £'000
Authorised		
150,000 ordinary shares of £1 each	150	150
60,000 (1997 - Nil) preference shares of £1 each	60	-
	<hr/>	<hr/>
	210	150
	<hr/> <hr/>	<hr/> <hr/>
Called up, allotted and fully paid		
133,351 (1997 - 80,000) ordinary shares of £1 each	133	80
56,774 (1997 - Nil) preference shares of £1 each	57	-
	<hr/>	<hr/>
	190	80
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE ACCOUNTS
Year ended 31 July 1998

16. CALLED UP SHARE CAPITAL (continued)

During the year the company issued 56,774 preference shares and 53,351 ordinary shares of £1 each by means of a share dividend. Ordinary shares were redesignated as follows:

	1998 £'000
31,127 A shares of £1 each	31
31,127 B shares of £1 each	31
17,746 C shares of £1 each	18
53,351 D shares of £1 each	53
	<hr/>
	133
	<hr/> <hr/>

The preference shares entitle the holders to receive a cumulative preferential dividend of £3.50 per paid up share. Interest at a rate of 7% per annum accrues on unpaid dividends. The directors consider the payment of preference dividends as remote since its parent company has waived the right to dividends due on preference shares. On a winding up of the company or other return of capital the preference shareholders are entitled to a sum equal to the redemption value together with any unpaid dividends. Thereafter they rank pari passu with ordinary shares.

The company may redeem the preference shares at a rate of £35 per share together with any unpaid dividends at any time provided that this is done no later than 31 March 2008. They carry full voting rights.

A, B, C and D shares carry full rights to dividends provided the preference dividend has been paid in full. On a winding up they rank after preference shares. Holders are entitled to full voting rights except that in a meeting B shareholders votes are equal to the aggregate of the votes of A and D shareholders.

A, B, C and D shares are treated as equity and preference shares as non equity.

17. RESERVES

	Other reserves £'000	Share premium £'000	Profit and loss account £'000
At 1 August 1997	-	1	1,370
Retained loss	-	-	(471)
Provision for redemption premium	8	-	-
	<hr/>	<hr/>	<hr/>
At 31 July 1998	8	1	899
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE ACCOUNTS
Year ended 31 July 1998

18. FINANCIAL COMMITMENTS

	1998 £'000	1997 £'000
Capital commitments		
Contracted for but not provided	-	-
	<u> </u>	<u> </u>
Obligations under finance leases and hire purchase contracts		
Minimum lease payments due:		
Within one year	45	109
Within 2 to 5 years	-	45
After 5 years	-	-
	<u> </u>	<u> </u>
Finance charges allocated to future periods	45 (2)	154 (12)
	<u> </u>	<u> </u>
	43	142
	<u> </u>	<u> </u>
Due within one year	43	99
Due after more than one year	-	43
	<u> </u>	<u> </u>
	43	142
	<u> </u>	<u> </u>
Operating lease commitments		
		Land and buildings £'000
Leases which expire:		
Within one year	-	-
Within 2 to 5 years	-	-
After 5 years	105	-
	<u> </u>	<u> </u>
	105	-
	<u> </u>	<u> </u>

Pension commitments

The company's defined benefit pension fund is invested and managed independently of the finances of the company. Periodic valuations of the fund are carried out by an independent actuary. This latest actuarial valuation was made at 24 June 1997 using the attained age method. The principal assumption was that return on investments would exceed the growth in pensionable earnings by 2% per annum. At 24 June 1997 the market value of the combined assets of the fund was £648,000 and the actuarial value of the assets was sufficient to cover 102% of the benefits that had accrued to members after allowing for expected future increase in earnings.

This year's defined benefit scheme pension cost has been decreased by £2,000 (1997 – increase £5,000) being the spreading of the actuarial surplus (1997 – deficit) in accordance with SSAP 24.

The total pension cost in the year was £633,000 (1997 - £119,000) of which £53,000 (1997 - £43,000) was payable to the defined benefit scheme and, £580,000 (1997 - £76,000) was paid in respect of other pension schemes and related benefits (medical insurance, life assurance and disability insurance).

NOTES TO THE ACCOUNTS

Year ended 31 July 1998

19. CONTINGENT LIABILITIES

At 31 July 1998 there were contingent liabilities amounting to £3,860,000 in respect of cross guarantees securing the bank borrowings of other group companies.

20. ULTIMATE PARENT COMPANY

In the opinion of the directors, the company's ultimate parent company is Methodcheck Limited, a company incorporated in Great Britain. Copies of the group financial statements are available from The Registrar of Companies, Companies House, Crown Way, Cardiff CF4 3UZ.

21. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption included in Financial Reporting Standard No.8 "Related Party Disclosure" (para 3c) for wholly owned subsidiaries not to disclose transactions with entities that are part of the same group.

ADDITIONAL INFORMATION

The additional information on pages 19 and 20 has been prepared from the accounting records of the company. While it does not form part of the statutory financial statements, it should be read in conjunction with them and the auditors' report thereon.