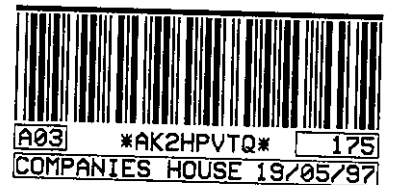

Coupe Foundry Limited

Report and Financial Statements

◆ *Year ended 31 July 1996* ◆



COMPANY NO: 2610871

COUPE FOUNDRY LIMITED

CONTENTS

	Page
Company information	1
Report of the directors	2 - 3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes to the financial statements	8 - 19

COUPE FOUNDRY LIMITED

COMPANY INFORMATION

Directors	S R Hall (Chairman) G N Harrison I Brothwood
Secretary	S R Hall
Registered office	The Foundry Higher Walton Preston PR5 4DQ
Registered number	2610871
Auditors	Robson Rhodes Chartered Accountants Colwyn Chambers 19 York Street Manchester M2 3BA

COUPE FOUNDRY LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 July 1996.

Principal activities

The principal activity of the company during the year was as ironfounders.

Business review and future developments

The company had a very successful year increasing turnover by 35%. Increased sales to existing customers were achieved together with the successful introduction of several significant new customers. In particular the growth in exports accounted for over half of the increase in sales. Since the year end, orders from new export customers have been won which provide opportunities for further growth. The company also continues to find opportunities in the home market.

The company has maintained a strong growth in profitability over the last few years and indications are that next year should see this trend continue.

Results and dividend

Profit for the year after tax amounted to £442,000 (1995: £233,000). The directors do not propose the payment of a dividend.

Directors

The present directors of the company are set out on page 1. All the directors served throughout the year.

Those directors serving at the end of the year had interests in the share capital of the company at 31 July as follows:

	Ordinary shares of £1 each	
	1996	1995
S R Hall	40,000	40,000
G N Harrison	40,000	40,000
I Brothwood	-	-

COUPE FOUNDRY LIMITED

REPORT OF THE DIRECTORS (Continued)

Auditors

The auditors, Robson Rhodes are willing to continue in office, and a resolution to reappoint them will be proposed at the annual general meeting.

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 and of the profit or loss of the company for that period. In preparing these financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the financial statements on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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.

Approval

The report of the directors was approved by the Board on 17 March 1997 and signed on its behalf by:



S R Hall
Secretary

COUPE FOUNDRY LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF COUPE FOUNDRY LIMITED

We have audited the financial statements on pages 5 to 19 which have been prepared on the basis of the accounting policies set out on page 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3 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 judgments 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 affairs of the company as at 31 July 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Robson Rhodes

Robson Rhodes
Chartered Accountants and Registered Auditor

Manchester
17 March 1997

COUPE FOUNDRY LIMITED**PROFIT AND LOSS ACCOUNT
for the year ended 31 July 1996**

	Note	1996 £'000	1995 £'000
Turnover: continuing operations	2	6,784	5,026
Cost of sales		(5,303)	(4,176)
		<hr/>	<hr/>
Gross profit		1,481	850
Distribution costs		(140)	(121)
Administrative expenses		(617)	(353)
		<hr/>	<hr/>
Operating profit: continuing operations	3	724	376
Interest payable	4	(55)	(70)
Interest receivable		1	3
		<hr/>	<hr/>
Profit on ordinary activities before taxation		670	309
Taxation	7	(228)	(76)
		<hr/>	<hr/>
Retained profit for the financial year	16	442	233
		<hr/> <hr/>	<hr/> <hr/>

There were no recognised gains or losses in either year other than those noted in the profit and loss account.

COUPE FOUNDRY LIMITED**BALANCE SHEET
at 31 July 1996**

	Note	1996 £'000	1995 £'000
Fixed assets			
Tangible fixed assets	8	1,050	1,029
		<hr/>	<hr/>
Current assets			
Stocks	10	386	202
Debtors	11	1,443	1,106
Cash at bank and in hand		30	2
		<hr/>	<hr/>
		1,859	1,310
Creditors: Amounts falling due within one year	12	(1,685)	(1,505)
		<hr/>	<hr/>
Net current assets/(liabilities)		174	(195)
		<hr/>	<hr/>
Total assets less current liabilities		1,224	834
Creditors: Amounts falling due after more than one year	13	(195)	(295)
Provision for liabilities and charges			
Deferred taxation	14	(112)	(64)
		<hr/>	<hr/>
		917	475
		<hr/>	<hr/>
Capital and reserves			
Equity share capital	15	80	80
Share premium account	16	1	1
Profit and loss account	16	836	394
		<hr/>	<hr/>
Equity shareholders funds		917	475
		<hr/>	<hr/>

The financial statements were approved by the Board on 17 March 1997 and signed on its behalf by:


S R Hall
Director

COUPE FOUNDRY LIMITED**CASH FLOW STATEMENT
for the year ended 31 July 1996**

	Note	1996 £'000	1995 £'000
Net cash inflow from operating activities	19	772	320
Returns on investment and servicing of finance			
Interest received		1	3
Interest element of hire purchase		(20)	(23)
Interest paid		(35)	(47)
		(54)	(67)
Taxation (paid)/received			
UK corporation tax		(55)	8
		(55)	8
Investing activities			
Payments for tangible fixed assets		(183)	(170)
Receipts from sale of tangible fixed assets		8	3
		(175)	(167)
Net cash inflow before financing		488	94
Financing	20		
Repayment of loans		(34)	(32)
Repayment of hire purchase		(93)	(75)
		(127)	(107)
Increase/(decrease) in cash and cash equivalents	21	361	(13)

COUPE FOUNDRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 July 1996

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention.

The financial statements only present information about the company and do not contain information relating to the group as a whole. The company is not required to prepare group accounts because the group qualifies as medium-sized under section 249 of the Companies Act 1985.

Turnover

Turnover consists of the invoiced value (excluding VAT) for goods and services supplied in the year.

Investments in subsidiary undertaking

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

Tangible fixed assets and depreciation

Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. The principal annual rates used are:

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

Leased assets

Where assets are financed by leasing agreements ("finance leases") the assets are included in the balance sheet at cost less depreciation in accordance with the company's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account as incurred.

Stocks

Stocks and work in progress are valued at the lower of cost and estimated net realisable value. Cost is determined on a first-in first-out basis. The cost of work in progress and finished goods comprises materials, direct labour and attributable production overheads. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

COUPE FOUNDRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 July 1996

1. ACCOUNTING POLICIES (Continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes.

Provision for deferred taxation is made under the liability method only to the extent that it is probable that the liability will become payable in the foreseeable future.

Pensions

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.

2. SEGMENTAL ANALYSIS

The analysis of turnover by geographical market is as follows:

	1996 £'000	1995 £'000
United Kingdom	5,578	4,792
Other EC countries	1,206	234
	<hr/>	<hr/>
	6,784	5,026
	<hr/>	<hr/>

3. OPERATING PROFIT

Operating profit is arrived at after charging:

	1996 £'000	1995 £'000
Operating lease rentals		
- plant and machinery	-	3
- land and buildings	100	120
Auditors' remuneration	8	7
Depreciation of tangible fixed assets	133	96
Depreciation of assets held under hire purchase contracts	55	50
Directors' emoluments (note 6)	396	201
Loss on disposal of fixed assets	2	-
	<hr/>	<hr/>

COUPE FOUNDRY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 July 1996**

4. INTEREST PAYABLE

	1996 £'000	1995 £'000
Hire purchase	20	23
Interest on loans and overdrafts	4	6
Other interest	31	41
	<hr/>	<hr/>
	55	70
	<hr/>	<hr/>

5. EMPLOYEES

Average weekly number of employees, including directors:

	1996 No	1995 No
Manufacturing and distribution	74	67
Administration and selling	7	7
	<hr/>	<hr/>
	81	74
	<hr/>	<hr/>

Staff costs, including directors:

	1996 £'000	1995 £'000
Wages and salaries	1,648	1,203
Social security costs	164	133
Other pension costs - defined contribution	41	53
- defined benefit	75	50
	<hr/>	<hr/>
	1,928	1,439
	<hr/>	<hr/>

COUPE FOUNDRY LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

31 July 1996

6. DIRECTORS' EMOLUMENTS

Emoluments of the directors:

	1996 £'000	1995 £'000
As directors	-	-
Remuneration as executives	396	201
	<hr/>	<hr/>
	396	201
	<hr/>	<hr/>

The emoluments of the chairman were £145,720 (1995: £54,648) and of the highest paid director £145,891 (1995: £54,648) both exclusive of pension contributions. The emoluments of all directors, also exclusive of pension contributions, were in the following ranges:

	1996 No	1995 No
£45,001 - £50,000	-	1
£50,001 - £55,000	-	2
£60,001 - £65,000	1	-
£145,001 - £150,000	2	-
	<hr/>	<hr/>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996 £'000	1995 £'000
Taxation charge for the year		
Corporation tax at 33% (1995: 25%) payable	180	56
Deferred taxation - current year	25	20
Change in applicable rate	21	-
	<hr/>	<hr/>
	226	76
Underprovision in respect of previous years	2	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	228	76
	<hr/>	<hr/>

COUPE FOUNDRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 July 1996

8. TANGIBLE FIXED ASSETS

	Plant and machinery £'000
Cost or valuation	
At 1 August 1995	1,953
Additions	219
Disposals	(67)
	<hr/>
At 31 July 1996	2,105
	<hr/>
Depreciation	
At 1 August 1995	924
Charged in year	188
Eliminated on disposal	(57)
	<hr/>
At 31 July 1996	1,055
	<hr/>
Net book value	
At 31 July 1996	1,050
	<hr/>
At 31 July 1995	1,029
	<hr/>

The net book value of tangible fixed assets includes £342,000 (1995: £397,000) in respect of assets held under hire purchase contracts. Depreciation charged in the year on those assets amounted to £55,000 (1995: £50,000).

COUPE FOUNDRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 July 1996

9. INVESTMENTS

	Shares in subsidiary undertaking £'000
Cost	
At 1 August 1995 and at 31 July 1996	302
	<hr/>
Provision	
Provision for diminution in value at 1 August 1995 and at 31 July 1996	302
	<hr/>
Net book value	
At 31 July 1996	-
	<hr/>
At 31 July 1995	-
	<hr/>

Subsidiary undertaking

The shares in the subsidiary undertaking comprise the following investment:

	Country of incorporation or registration	Capital and reserves £'000	Activity	Interest in ordinary shares
Incomeround Limited	England	-	Dormant	100%
		<hr/>	<hr/>	<hr/>

10. STOCKS

	1996 £'000	1995 £'000
Raw materials and consumables	52	38
Finished goods and goods for resale	334	164
	<hr/>	<hr/>
	386	202
	<hr/>	<hr/>

COUPE FOUNDRY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
31 July 1996****11. DEBTORS**

	1996	1995
	£'000	£'000
Factored trade debtors	1,330	1,023
Prepayments and accrued income	113	82
Tax recoverable	-	1
	<hr/>	<hr/>
	1,443	1,106
	<hr/>	<hr/>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996	1995
	£'000	£'000
Advance from factor	54	384
Bank overdraft	-	3
Obligations under hire purchase contracts	97	82
Secured loan	21	34
	<hr/>	<hr/>
Borrowings	172	503
Trade creditors	1,037	738
Corporation tax	180	56
Other taxation and social security	84	116
Other creditors	7	11
Accruals and other deferred income	205	81
	<hr/>	<hr/>
	1,685	1,505
	<hr/>	<hr/>

The secured loan was taken out to purchase tangible fixed assets. The loan is secured on the assets purchased and is due to be repaid by instalments by 1997.

The amounts due under a factoring agreement are secured by a first fixed charge on company debts and a floating charge on the company undertaking.

COUPE FOUNDRY LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

31 July 1996

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

	1996 £'000	1995 £'000
Obligations under hire purchase contracts		
- due within 1 - 2 years	99	85
- due within 2 - 5 years	42	128
Secured loan		
- due within 1 - 2 years	-	21
- due within 2 - 5 years	-	-
	<hr/>	<hr/>
Borrowings	141	234
Pension obligations	54	61
	<hr/>	<hr/>
	195	295
	<hr/>	<hr/>

The security given for the loan is described at note 12.

14. PROVISIONS FOR LIABILITIES AND CHARGES

Full provision is made for deferred taxation as follows:

	1996 £'000	1995 £'000
Capital allowances	120	83
Short term timing differences	(8)	(19)
	<hr/>	<hr/>
	112	64
	<hr/>	<hr/>

The movement in the year comprises:

At 1 August 1995	64
Transfer from profit and loss account	
- current year	25
- change in applicable rate	21
- underprovision in respect of prior years	2
	<hr/>
At 31 July 1996	112
	<hr/>

COUPE FOUNDRY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 July 1996**

15. SHARE CAPITAL

	1996 £'000	1995 £'000
Authorised		
150,000 ordinary shares of £1 each	150	150
Allotted and fully paid		
80,000 ordinary shares of £1 each	80	80

16. RESERVES

	Share Premium £'000	Profit and loss account £'000
At 1 August 1995	1	394
Retained profit	-	442
At 31 July 1996	1	836

17. FINANCIAL COMMITMENTS

Capital commitments

Capital expenditure commitments were as follows:

	1996 £'000	1995 £'000
Contracted for, but not provided in the accounts	-	20

Operating lease commitments

The payments which the company is committed to make in the next year under operating leases are as follows:

	1996 £'000	1995 £'000
(i) Land and buildings, leases expiring		
within one year	-	-
beyond five years	100	100
	100	100

COUPE FOUNDRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 July 1996

17. FINANCIAL COMMITMENTS (Continued)

	1996 £'000	1995 £'000
(ii) Plant and machinery, leases expiring		
within one year	-	-
one to five years	-	-
beyond five years	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

18. 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 1 May 1994 using the projection unit method. The principal assumption was that return on investments would exceed the growth in pensionable earnings by 2% per annum. At 1 May 1994 the market value of the combined assets of the fund was £462,000 and the actuarial values of the assets was sufficient to cover 95% 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 increased by £3,000 (1995 increased by £3,000) being the spreading of the actuarial deficit in accordance with SSAP 24.

The total pension cost in the period was £116,000 (1995: £103,000) of which £41,000 (1995: £50,000) was payable to the defined benefit scheme and, £75,000 (1995: £53,000) was paid in respect of other pension related benefits (medical insurance, life insurance and disability insurance).

19. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996 £'000	1995 £'000
Operating profit	724	376
Depreciation	188	146
Loss on sale of tangible fixed assets	2	-
(Increase)/decrease in stocks	(184)	12
Increase in debtors	(338)	(352)
Increase in creditors	380	138
	<hr/>	<hr/>
Net cash inflow from continuing activities	772	320
	<hr/>	<hr/>

COUPE FOUNDRY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 July 1996****20. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR**

	Share capital including premium £'000	Loans £'000	Hire purchase £'000	
At 1 August 1994	81	87	350	
New agreements	-	-	20	
Repayments	-	(32)	(75)	
	<hr/>	<hr/>	<hr/>	
At 1 August 1995	81	55	295	
New agreements	-	-	36	
Repayments	-	(34)	(93)	
	<hr/>	<hr/>	<hr/>	
At 31 July 1996	81	21	238	
	<hr/>	<hr/>	<hr/>	

21. ANALYSIS OF CASH AND CASH EQUIVALENTS

	Cash at bank and in hand £'000	Bank overdraft £'000	Advance from factor £'000	Total £'000
At 1 August 1995	2	(30)	(344)	(372)
Net cash inflow/(outflow)	-	27	(40)	(13)
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 August 1996	2	(3)	(384)	(385)
Net cash inflow	28	3	330	361
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 1996	30	-	(54)	(24)
	<hr/>	<hr/>	<hr/>	<hr/>

COUPE FOUNDRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 July 1996

22. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	1996	1995
	£'000	£'000
Retained profit for the year	442	233
Opening shareholders' funds	475	242
	<hr/>	<hr/>
Closing shareholders' funds	917	475
	<hr/>	<hr/>

TRADING AND PROFIT AND LOSS ACCOUNT
Year ended 31 July 1996

	1996		1995	
	£	£	£	£
Sales		6,783,626		5,025,992
Cost of Sales				
Opening work in progress	164,158		183,405	
Purchases	2,839,304		2,035,503	
Wages and salaries	1,312,714		1,050,330	
Employers' national insurance	130,519		112,126	
Pension costs	47,229		53,000	
Sick pay	6,516		4,205	
Rent	126,066		120,270	
Depreciation	160,267		131,044	
Loss/(profit) on disposal of fixed assets	192		(78)	
Heat, light and power	163,734		146,007	
Internal transport and sand removal	63,557		60,325	
Laboratory costs	89,248		61,151	
Training	16,389		5,045	
Canteen and welfare	35,465		23,414	
Repairs	332,931		211,338	
Rates	61,065		60,232	
Insurance	53,830		54,765	
Advertising	6,460		7,937	
Selling expenses	27,376		19,824	
Closing work in progress	(333,976)		(164,158)	
		<u>5,303,044</u>		<u>4,175,685</u>
Gross profit		1,480,582		850,307
Distribution costs	139,774		120,545	
Administrative expenses	617,143		353,089	
		<u>756,917</u>		<u>473,634</u>
		723,665		376,673
Net interest payable		54,120		67,113
Profit before taxation		<u>669,545</u>		<u>309,560</u>

TRADING AND PROFIT AND LOSS ACCOUNT
Year ended 31 July 1996
(Continued)

	1996 £	1995 £
Distribution costs		
Wages and salaries	14,952	14,192
Employers' national insurance	1,487	1,515
Pension costs	538	716
Depreciation	5,726	6,082
Profit on disposal of fixed assets	(11)	(350)
Lorry expenses and carriage	117,082	98,390
	<hr/>	<hr/>
	139,774	120,545
	<hr/> <hr/>	<hr/> <hr/>
Administrative expenses		
Wages and salaries	320,464	138,761
Employers' national insurance	31,863	14,813
Pension costs	68,603	49,574
Depreciation	22,273	8,948
Telephone	11,526	11,174
Printing and stationery	7,447	6,427
Cleaning	5,880	4,508
Office equipment	10,490	7,439
Bank charges (including factor)	21,696	17,284
Motor and travelling expenses	29,901	19,843
Subscriptions	5,125	5,237
Sundry expenses	1,394	192
Professional charges	42,222	42,383
Credit insurance	19,244	13,479
Rockwell discount	16,971	13,027
Loss on fixed assets	2,044	-
	<hr/>	<hr/>
	617,143	353,089
	<hr/> <hr/>	<hr/> <hr/>