Company Registration No. 2610871

COUPE FOUNDRY LIMITED

Report and Financial Statements

31 July 2001

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

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P J Wieckowicz
I Brothwood
N Winn

SECRETARY

N Winn

REGISTERED OFFICE

The Foundry
Higher Walton
Preston
PR5 4DQ

BANKERS

Barclays Bank PLC
Barclays Business Centre
38 Fishergate
Preston
PR1 2DD

SOLICITORS

Chaffe Street
Brook House
77 Fountain Street
Manchester
M2 2EE

AUDITORS

Deloitte & Touche
Chartered Accountants
201 Deansgate
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M60 2AT

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 July 2001.

ACTIVITIES

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

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

Actions taken by the directors from May 2000 have resulted in a much improved financial performance during the year. This was achieved by a review of the customer base, the order book quality, improvements to the costing system, manufacturing improvements and strong management controls.

Extensions of the actions already taken, and further developments of specific markets, will further enhance the profitability of the company over the coming years.

DIVIDENDS AND TRANSFERS FROM RESERVES

The profit for the year after tax amounted to £711,000 (2000 – loss: £261,000). A redemption premium of £56,000 (2000 - £39,000) was provided for. The retained profit of £655,000 (2000 – loss: £300,000) has been transferred to reserves. No dividend has been proposed (2000 – nil).

DIRECTORS AND THEIR INTERESTS

The present directors of the company are set out on page 1. J H Beresford resigned as a director of the company on 3 October 2001.

None of the directors serving at the end of the year had interests in the share capital of the company or the parent company.

AUDITORS

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 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.

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Deloitte & Touche

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COUPE FOUNDRY LIMITED

We have audited the financial statements of Coupe Foundry Limited for the year ended 31 July 2001 which comprise the profit and loss account, the balance sheet and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and Registered Auditors

6 December 2001

PROFIT AND LOSS ACCOUNT
Year ended 31 July 2001

	Note	2001 £'000	2000 £'000
TURNOVER	2	7,068	7,089
Cost of sales		(5,618)	(6,102)
Gross profit		1,450	987
Distribution costs		(305)	(297)
Administrative expenses		(404)	(900)
		709	(1,197)
OPERATING PROFIT /(LOSS)	4	741	(210)
Interest payable and similar charges	5	(30)	(46)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		711	(256)
Tax on profit/(loss) on ordinary activities	6	-	(5)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		711	(261)
Other finance charges in respect of non-equity shares	15	(56)	(39)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	15	655	(300)

The company has no recognised gains or losses other than the result for the financial year and 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 profit for the year and loss for the prior 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.

BALANCE SHEET
31 July 2001

	Note	£'000	2001 £'000	£'000	2000 £'000
FIXED ASSETS					
Tangible assets	7		1,005		1,133
CURRENT ASSETS					
Stocks	8	264		268	
Debtors	9	1,551		1,268	
Cash at bank and in hand		295		151	
		2,110		1,687	
CREDITORS: amounts falling due Within one year	10	(1,505)		(1,828)	
NET CURRENT ASSETS/(LIABILITIES)			605		(141)
TOTAL ASSETS LESS CURRENT LIABILITIES			1,610		992
CREDITORS: amounts falling due After more than one year	11		(16)		(109)
			1,594		883
CAPITAL AND RESERVES					
Called up share capital	14		190		190
Share premium account	15		1		1
Other reserves	15		131		75
Profit and loss account	15		1,272		617
			1,594		883
Attributable to equity shareholders			1,406		751
Attributable to non equity shareholders			188		132
			1,594		883

These financial statements were approved by the Board of Directors on 4/12/01

Signed on behalf of the Board of Directors

- Director

NOTES TO THE ACCOUNTS
Year ended 31 July 2001

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

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 expected costs of providing this pension, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the schemes operated within the company in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll. The company also operates defined contribution schemes. Contribution to these schemes are charged to the profit and loss account as payable.

NOTES TO THE ACCOUNTS
Year ended 31 July 2001

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.

	2001 £'000	2000 £'000
United Kingdom	5,255	4,853
Other EC countries	1,813	2,236
	7,068	7,089

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2001 £'000	2000 £'000
Directors' emoluments	219	199
Compensation on loss of office	-	29

The highest paid director in the year was I Brothwood. His remuneration was as follows:

	£'000	£'000
Wages and salaries	51	55
Contribution to defined contribution pension scheme	31	11

2 directors are members of a defined contribution pension scheme (2000 – 2). The aggregate pension payments were £34,311 (2000 - £13,221).

	No	No
Average number of persons employed		
Manufacturing and distribution	73	84
Administration and selling	11	12
	84	96

	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	1,729	1,822
Social security costs	143	161
Pension costs - defined contribution	104	97
- defined benefit	13	20
	1,989	2,100

NOTES TO THE ACCOUNTS
Year ended 31 July 2001

4. OPERATING PROFIT/(LOSS)

		2001 £'000	2000 £'000
Operating profit/(loss) is after charging:			
Depreciation and amortisation			
Owned assets		184	235
Leased assets		60	25
Rentals under operating leases			
Land and buildings		131	131
Auditors' remuneration	- audit	11	10
	- other services	2	2

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £'000	2000 £'000
Bank loans, overdrafts and other loans repayable within five years	23	39
Finance leases and hire purchase contracts	7	7
	30	46

6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2001 £'000	2000 £'000
Group relief	-	5

NOTES TO THE ACCOUNTS
Year ended 31 July 2001

7. TANGIBLE FIXED ASSETS

Group	Improvements to leasehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
At 1 August 2000	113	2,405	198	262	2,978
Additions	11	56	24	43	134
Disposals	-	-	-	(75)	(75)
At 31 July 2001	124	2,461	222	230	3,037
Accumulated depreciation					
At 1 August 2000	19	1,575	96	155	1,845
Charge for the year	8	178	24	34	244
Disposals	-	-	-	(57)	(57)
At 31 July 2001	27	1,753	120	132	2,032
Net book value					
At 31 July 2001	97	708	102	98	1,005
At 31 July 2000	94	830	102	107	1,133

The net book value of tangible assets includes £82,000 (2000 - £147,000) in respect of assets held under hire purchase contracts. Depreciation charged in the period amounted to £60,000 (2000 - £25,000).

8. STOCKS

	2001 £'000	2000 £'000
Raw materials and consumables	54	56
Finished goods and goods for resale	210	212
	264	268

9. DEBTORS

	2001 £'000	2000 £'000
Trade debtors	1,518	1,226
Prepayments and accrued income	33	42
	1,551	1,268

NOTES TO THE ACCOUNTS
Year ended 31 July 2001

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £'000	2000 £'000
Bank overdraft	13	470
Amount owed to parent company	77	134
Trade creditors	1,057	723
Obligations under hire purchase contracts	59	59
Other creditors including taxation and social security	118	124
Accruals and deferred income	181	318
	1,505	1,828

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

	2001 £'000	2000 £'000
Obligations under hire purchase contracts		
- due within 1 - 2 years	16	58
- due within 2 - 5 years	-	14
	16	72
Pension obligations	-	37
	16	109

12. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2001 £'000	2000 £'000
This heading includes:		
Taxation and social security	107	120

13. PROVISIONS FOR LIABILITIES AND CHARGES

There is no provision for deferred taxation (2000 – same).

The amounts not provided in the accounts are as follows:

	2001 £'000	2000 £'000
Capital allowances in advance of depreciation	2	(29)
Other timing differences	(44)	(48)
	(42)	(77)

NOTES TO THE ACCOUNTS
Year ended 31 July 2001

14. CALLED UP SHARE CAPITAL

	2001 £'000	2000 £'000
Authorised		
150,000 ordinary shares of £1 each	150	150
60,000 preference shares of £1 each	60	60
	210	210
Called up, allotted and fully paid		
31,127 A ordinary shares of £1 each	31	31
31,127 B ordinary shares of £1 each	31	31
17,746 C ordinary shares of £1 each	18	18
53,351 D ordinary shares of £1 each	53	53
56,774 preference shares of £1 each	57	57
	190	190

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.

15. RESERVES

	Other reserves £'000	Share Premium £'000	Profit and loss account £'000
At 1 August 2000	75	1	617
Retained profit	-	-	655
Provision for redemption premium	56	-	-
At 31 July 2001	131	1	1,272

NOTES TO THE ACCOUNTS
Year ended 31 July 2001

16. FINANCIAL COMMITMENTS

	2001 £'000	2000 £'000
Capital commitments		
Contracted for but not provided	-	-
Obligations under finance leases and hire purchase contracts		
Minimum lease payments due:		
Within one year	66	66
Within 1 to 2 years	17	65
Within 2 to 5 years	-	14
	83	145
Finance charges allocated to future periods	(8)	(14)
	75	131
Due within one year	60	59
Due after more than one year	15	72
	75	131

Operating lease commitments

	Land and buildings £'000
Leases which expire:	
After 5 years	131

17. CONTINGENT LIABILITIES

At 31 July 2001 there were contingent liabilities amounting to £3,506,000 in respect of cross guarantees securing the bank borrowings of other group companies.

18. 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.

19. 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.

20. PENSION COSTS

Pension costs under SSAP 24

The subsidiary's defined benefit pension fund is invested and managed independently of the finances of the subsidiary. Periodic valuations at the fund are carried out by an independent actuary. The latest actuarial valuation was made at 30 April 2000 using the attained age method. The principal assumption was that return on investments would exceed the growth in pensionable earnings by 1% per annum. At 30 April 2000 the market value of the combined assets of the fund was £1,172,000 and the actuarial value of the assets was sufficient to cover 115% of the benefits that had accrued to members after allowing for expected future increase in earnings.

NOTES TO THE ACCOUNTS
Year ended 31 July 2001

20. PENSION COSTS (continued)

The pension cost in the year was £117,000 (2000 - £123,000) of which £13,000 (2000 - £20,000) was payable to the defined benefit scheme and £104,000 (2000 - £103,000) was paid in respect of other pension related benefits.

FRS 17 transitional disclosures

The following disclosures are required under the transitional rules of FRS 17 "Retirement Benefits".

The company operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 31 July 2001. The major assumptions used by the actuary were:

	At 31 July 2001
Rate of increase in salaries	5.00%
Rate of increase in pensions in payment	2.50%
Discount rate	5.91%
Inflation assumption	2.50%

The assets in the scheme and the expected rate of return were:

	Long term rate of return expected at 31 July 2001	31 July 2001 £000s
Equities	7.5%	759
Bonds	5.5%	91
Property	7.5%	89
Cash	5.0%	49
Total market value of assets		988
Present value of scheme liabilities		(1,072)
Deficit in the scheme		(84)
Related deferred tax asset		27
Net pension liability		(57)

Balance sheet disclosure	**2001 £000s**
Net assets excluding pension liabilities	1,594
Pension liabilities	(57)
Net assets including pension liabilities	1,537

Reserves note disclosure	**2001 £000s**
Profit and loss reserves excluding pension liabilities	1,272
Pension liabilities	(57)
Profit and loss reserves	1,215