Company Registration No. 2610871

COUPE FOUNDRY LIMITED

Report and Financial Statements

31 July 1999

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

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J H Beresford
P I Wieckowicz
I Brothwood

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

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 1999.

ACTIVITIES

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

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

Although the company increased its turnover during the year, profit results were adversely affected by a move to new markets which had significant start up costs. The company has taken steps to control these development costs. The new markets show considerable growth potential. These markets are mainly overseas however and therefore the strength of sterling also has a negative impact on margins.

DIVIDENDS AND TRANSFERS TO RESERVES

Profit for the year after tax amounted to £46,000 (1998 – loss £353,000). Scrip dividends of £Nil (1998 - £110,000) were paid and a redemption premium of £28,000 (1998 - £8,000) provided for. The retained profit (1998 – loss £471,000) of £18,000 has been transferred to (1998 – from) 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 has reviewed all its financial and operating systems. The investment required to remedy any non-compliance is not expected to be significant. The directors believe that they have undertaken all reasonable steps to ensure Year 2000 compliance.

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	(appointed 30 March 1999)
J H Beresford	(appointed 4 January 1999)
P I Wieckowicz	(appointed 10 May 1999)
R J Snook	(appointed 4 May 1999, resigned 30 September 1999)
G N Harrison	(resigned 9 September 1999)
S R Hall	(resigned 30 March 2000)

None of the directors serving at the end of the year had interests in the share capital of the company at 31 July 1999. S R Hall's and G N Harrison's interests in the parent company are shown in the accounts of Methodcheck Limited. None of the other directors held any shares in the parent company.

DIRECTORS' REPORT

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. 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.

Deloitte & Touche
(P.O. Box 500)
201 Deansgate
Manchester M60 2AT

Tel: National 0161 832 3555
International + 44 161 832 3555
Fax (Gp. 3): 0161 829 3800
DX 14324 – Manchester 1 Exchange
www.deloitte.co.uk

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COUPE FOUNDRY LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 15 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 1999 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

30 May 2000

PROFIT AND LOSS ACCOUNT
Year ended 31 July 1999

	Note	1999 £'000	1998 £'000
TURNOVER	2	7,316	7,072
Cost of sales		(6,323)	(5,719)
Gross profit		993	1,353
Distribution costs		(308)	(214)
Administrative expenses		(611)	(1,429)
		(919)	(1,643)
OPERATING PROFIT/(LOSS)	4	74	(290)
Interest payable and similar charges	5	(26)	(9)
Interest receivable and similar income		-	22
		(26)	13
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		48	(277)
Tax on profit/(loss) on ordinary activities	6	(2)	(76)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		46	(353)
Equity dividends	7	-	(110)
Other finance charges in respect of non-equity shares	16	(28)	(8)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	16	18	(471)

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

BALANCE SHEET
31 July 1999

	Note		1999		1998
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	8		1,143		1,086
CURRENT ASSETS					
Stocks	10	376		372	
Debtors	11	1,764		1,606	
Cash at bank and in hand		287		127	
		2,427		2,105	
CREDITORS: amounts falling due within one year	12	(2,373)		(2,046)	
NET CURRENT ASSETS			54		59
TOTAL ASSETS LESS CURRENT LIABILITIES			1,197		1,145
CREDITORS: amounts falling due after more than one year	13		(53)		(47)
PROVISIONS FOR LIABILITIES AND CHARGES	15		-		-
			1,144		1,098
CAPITAL AND RESERVES					
Called up share capital	16		190		190
Share premium account	17		1		1
Other reserves	17		36		8
Profit and loss account	17		917		899
			1,144		1,098
Attributable to equity shareholders			1,051		1,033
Attributable to non equity shareholders			93		65

These financial statements were approved by the Board of Directors on 25th May 2000

Signed on behalf of the Board of Directors

- Director

NOTES TO THE ACCOUNTS
Year ended 31 July 1999

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 1999

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.

	1999 £'000	1998 £'000
United Kingdom	4,766	5,888
Other EC countries	2,550	1,184
	7,316	7,072

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1999 £'000	1998 £'000
Directors' emoluments	72	634

2 directors are members of a defined contribution pension scheme (1998 – 2). The aggregate pension payments were £2,590 (1998 - £544,000).

	No	No
Average number of persons employed		
Manufacturing and distribution	84	75
Administration and selling	10	7
	94	82

	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	1,775	2,066
Social security costs	165	208
Pension costs - defined contributions	63	580
- defined benefit	13	53
	2,016	2,907

NOTES TO THE ACCOUNTS
Year ended 31 July 1999

4. OPERATING PROFIT/(LOSS)

	1999 £'000	1998 £'000
Operating profit/(loss) is after charging/(crediting):		
Depreciation and amortisation		
Owned assets	222	180
Leased assets	4	49
Rentals under operating leases		
Land and buildings	131	100
Auditors' remuneration - audit	10	9
- other services	2	2
Loss on disposal of fixed assets	-	3

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £'000	1998 £'000
Bank loans, overdrafts and other loans repayable within five years	25	-
Finance leases and hire purchase contracts	1	9
Other interest	-	-
	26	9

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £'000	1998 £'000
Deferred taxation	(2)	(136)
Group relief	7	212
	5	76
Adjustments to prior years' tax provisions		
Deferred taxation	2	-
Group relief	(5)	-
	2	76

NOTES TO THE ACCOUNTS
Year ended 31 July 1999

7. EQUITY DIVIDENDS

	1999 £'000	1998 £'000
Scrip dividend		
Nil per ordinary A share (1998 – 2.62p)	-	82
Nil per ordinary B share (1997 – 0.91p)	-	28
	-	110

8. TANGIBLE FIXED ASSETS

	Plant and machinery £'000
Cost	
At 1 August 1998	2,489
Additions	283
Disposals	(17)
At 31 July 1999	2,755
Accumulated depreciation	
At 1 August 1998	1,403
Charge for the year	226
Disposals	(17)
At 31 July 1999	1,612
Net book value	
At 31 July 1999	1,143
At 31 July 1998	1,086

The net book value of tangible fixed assets includes £21,000 (1998 - £239,000) in respect of assets held under hire purchase contracts. Depreciation charged in the year on those assets amounted to £4,000. (1998 - £49,000).

9. STOCKS

	1999 £'000	1998 £'000
Raw materials and consumables	94	71
Finished goods and goods for resale	282	301
	376	372

NOTES TO THE ACCOUNTS
Year ended 31 July 1999

10. DEBTORS

	1999 £'000	1998 £'000
Trade debtors	1,642	1,501
Prepayments and accrued income	122	105
	1,764	1,606

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £'000	1998 £'000
Bank overdraft	-	101
Amount owed to parent company	303	426
Trade creditors	1,715	973
Obligations under hire purchase contracts	5	43
Other creditors including taxation and social security	51	198
Accruals and deferred income	299	305
	2,373	2,046

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

	1999 £'000	1998 £'000
Obligations under hire purchase contracts		
- due within 1 - 2 years	5	-
- due within 2 - 5 years	5	-
	10	-
Pension obligations	43	47
	53	47

13. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	1999 £'000	1998 £'000
This heading includes:		
Taxation and social security	44	192

NOTES TO THE ACCOUNTS
Year ended 31 July 1999

14. PROVISIONS FOR LIABILITIES AND CHARGES

	£'000
Deferred taxation	
Balance at 1 August 1998	-
Provision - current year	2
- prior year	(2)
Balance at 31 July 1999	-

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

	Provided 1999 £'000	Provided 1998 £'000	Not Provided 1999 £'000	Not Provided 1998 £'000
Capital allowances in advance of depreciation	-	-	45	107
Other timing differences	-	-	(50)	(127)
	-	-	(5)	(20)

15. CALLED UP SHARE CAPITAL

	1999 £'000	1998 £'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.

NOTES TO THE ACCOUNTS
Year ended 31 July 1999

16. RESERVES

	Other reserves £'000	Share premium £'000	Profit and loss account £'000
At 1 August 1998	8	1	899
Retained profit	-	-	18
Provision for redemption premium	28	-	-
At 31 July 1999	36	1	917

17. FINANCIAL COMMITMENTS

	1999 £'000	1998 £'000
Capital commitments		
Contracted for but not provided	47	-
Obligations under finance leases and hire purchase contracts		
Minimum lease payments due:		
Within one year	6	45
Within 2 to 5 years	11	-
After 5 years	-	-
	17	45
Finance charges allocated to future periods	(2)	(2)
	15	43
Due within one year	5	43
Due after more than one year	10	-
	15	43

Operating lease commitments

	Land and buildings £'000
Leases which expire:	
After 5 years	105

NOTES TO THE ACCOUNTS
Year ended 31 July 1999

17. FINANCIAL COMMITMENTS (continued)

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 values 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 (1998 - £2,000) being the spreading of the actuarial surplus in accordance with SSAP 24.

The total pension cost in the year was £76,000 (1998 - £633,000) of which £13,000 (1998 - £53,000) was payable to the defined benefit scheme and, £63,000 (1998 - £580,000) was paid in respect of other pension schemes and related benefits (medical insurance, life assurance and disability insurance).

18. CONTINGENT LIABILITIES

At 31 July 1999 there were contingent liabilities amounting to £3,860,000 in respect of cross guarantees securing the bank borrowings of other group companies.

19. 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.

20. 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.

During the year the company purchased a car from J H Beresford, one of its directors, for a consideration of £27,000. No amounts were outstanding at the year end (1998 : Nil). The directors consider that the amount paid represented the market value of the car.