

COUPE FOUNDRY LIMITED

Report and Financial Statements

31 July 2002



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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P J Wieckowicz
I Brothwood
N Winn
B Kemp

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
Manchester

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 July 2002.

ACTIVITIES

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

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The results are in line with expectations. The company is continuing its commitment to adding value for customers in a wide range of sectors.

Recent investments in equipment should benefit both customers and the business, and will assist with improvements to the range of products.

DIVIDENDS AND TRANSFERS FROM RESERVES

The profit for the year after tax amounted to £584,000 (2001 - £711,000). This amount has been transferred to reserves. No dividend has been proposed (2001 - 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. B Kemp was appointed as a director of the company on 1 January 2002.

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

United Kingdom 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.

**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 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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.

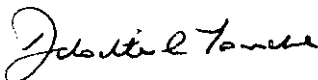
Basis of audit opinion

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors
Manchester

21 March 2003

COUPE FOUNDRY LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 July 2002

	Note	2002 £'000	2002 £'000	2001 (restated see note 2) £'000	2001 (restated see note 2) £'000
TURNOVER	3		7,065		7,068
Cost of sales			(5,564)		(5,618)
Gross profit			<u>1,501</u>		<u>1,450</u>
Distribution costs			(275)		(305)
Administrative expenses before exceptional item		(635)		(561)	
Exceptional item: release of provisions		<u>-</u>		<u>157</u>	
Administrative expenses			<u>(635)</u>		<u>(404)</u>
			<u>(910)</u>		<u>(709)</u>
OPERATING PROFIT	5		591		741
Interest payable and similar charges	6		(7)		(30)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			584		711
Tax on profit on ordinary activities	7		<u>-</u>		<u>-</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAX RETAINED FOR THE FINANCIAL YEAR	15		<u><u>584</u></u>		<u><u>711</u></u>

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 the prior year. 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 2002

	Note	2002 £'000	2002 £'000	2001 (as restated see note 2) £'000	2001 (as restated see note 2) £'000
FIXED ASSETS					
Tangible assets	8		932		1,005
CURRENT ASSETS					
Stocks	9	250		264	
Debtors	10	1,937		1,551	
Cash at bank and in hand		253		295	
		<u>2,440</u>		<u>2,110</u>	
CREDITORS: amounts falling due					
Within one year	11	(1,194)		(1,505)	
NET CURRENT ASSETS					
			<u>1,246</u>		<u>605</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
			2,178		1,610
CREDITORS: amounts falling due					
After more than one year	12		-		(16)
			<u>2,178</u>		<u>1,594</u>
CAPITAL AND RESERVES					
Called up share capital	14		190		190
Share premium account	15		1		1
Profit and loss account	15		1,987		1,403
			<u>2,178</u>		<u>1,594</u>

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

20 March 2003



- Director

NOTES TO THE ACCOUNTS

Year ended 31 July 2002

2. RESTATEMENT OF RESERVES

In prior years, the company made reserve transfers in order to accrue for the redemption of the preference shares on 31 March 2008. However, the option to redeem is retained by the company and therefore no obligation exists. The reserves have been restated as the directors feel this reflects the commercial reality more appropriately.

Balance sheet disclosure	Other reserves £'000	Profit and loss account £'000	Shareholders' funds £'000
2001 as previously reported	131	1,272	1,594
Adjustment relating to prior periods	(131)	131	-
2001 restated	-	1,403	1,594

3. 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.

	2002 £'000	2001 £'000
United Kingdom	5,376	5,255
Other EC countries	1,689	1,813
	<u>7,065</u>	<u>7,068</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2002 £'000	2001 £'000
Directors' emoluments	<u>207</u>	<u>219</u>

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

	£'000	£'000
Wages and salaries	77	51
Contribution to defined contribution pension scheme	<u>5</u>	<u>31</u>

2 directors are members of a defined contribution pension scheme (2001 - 2). The aggregate pension payments were £8,000 (2001 - £34,000).

Average number of persons employed	No	No
Manufacturing and distribution	74	73
Administration and selling	12	11
	<u>86</u>	<u>84</u>

NOTES TO THE ACCOUNTS

Year ended 31 July 2002

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2002 £'000	2001 £'000
Staff costs during the year (including directors)		
Wages and salaries	1,823	1,729
Social security costs	172	143
Pension costs - defined contribution	24	104
- defined benefit	31	13
	<u>2,050</u>	<u>1,989</u>

5. OPERATING PROFIT

	2002 £'000	2001 £'000
Operating profit is after charging:		
Depreciation and amortisation		
Owned assets	189	184
Leased assets	11	60
Rentals under operating leases		
Land and buildings	131	131
Other assets	8	-
Exceptional item: release of provisions	-	157
Auditors' remuneration - audit	11	11
- other services	2	2
	<u>2</u>	<u>2</u>

The exceptional item relates to the release of provisions that had been made in prior years that the directors consider are no longer required.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £'000	2001 £'000
Bank loans, overdrafts and other loans repayable within five years	-	23
Finance leases and hire purchase contracts	7	7
	<u>7</u>	<u>30</u>

NOTES TO THE ACCOUNTS
Year ended 31 July 2002

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £'000	2001 £'000
United Kingdom corporation tax at 30% (2001 - 20%) based on the profit for the year	-	-

The standard rate of tax for the year based on the United Kingdom standard rate of corporation tax is 30%. The actual tax charge of the current year and the prior year differs from the standard tax rate for the reasons set out in the following reconciliation.

	2002 %	2001 %
Standard rate for the year as a percentage of profits	30	20
Factors affecting charge for period:		
Expenses not deductible for tax purposes	1	1
Capital allowances in excess of depreciation	(4)	(5)
Rate differences	-	2
Group relief claimed but not paid for	(27)	(18)
	-	-

8. TANGIBLE FIXED ASSETS

Group	Improve- ments to leasehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
At 1 August 2001	124	2,461	222	230	3,037
Additions	-	131	4	4	139
Disposals	-	(7)	-	(41)	(48)
At 31 July 2002	124	2,585	226	193	3,128
Accumulated depreciation					
At 1 August 2001	27	1,753	120	132	2,032
Charge for the year	9	130	26	35	200
Disposals	-	(1)	-	(35)	(36)
At 31 July 2002	36	1,882	146	132	2,196
Net book value					
At 31 July 2002	88	703	80	61	932
At 31 July 2001	97	708	102	98	1,005

The net book value of tangible assets includes £56,000 (2001 - £82,000) in respect of assets held under hire purchase contracts. Depreciation charged in the period amounted to £11,000 (2001 - £60,000).

COUPE FOUNDRY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 July 2002

9. STOCKS

	2002 £'000	2001 £'000
Raw materials and consumables	69	54
Finished goods and goods for resale	181	210
	250	264
	250	264

10. DEBTORS

	2002 £'000	2001 £'000
Trade debtors	1,184	1,518
Amount owed by parent company	674	-
Prepayments and accrued income	79	33
	1,937	1,551
	1,937	1,551

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £'000	2001 £'000
Bank overdraft	-	13
Amount owed to parent company	-	77
Trade creditors	900	1,057
Obligations under hire purchase contracts	16	59
Other creditors including taxation and social security	65	118
Accruals and deferred income	213	181
	1,194	1,505
	1,194	1,505

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

	2002 £'000	2001 £'000
Obligations under hire purchase contracts - due within 1 - 2 years	-	16
	-	16
	-	16

13. PROVISIONS FOR LIABILITIES AND CHARGES

There is no provision for deferred taxation (2001 – same).

The amounts not provided in the accounts are as follows:

	2002 £'000	2001 £'000
Capital allowances in advance of depreciation	(12)	2
Other timing differences	(8)	(44)
	(20)	(42)
	(20)	(42)

NOTES TO THE ACCOUNTS
Year ended 31 July 2002

14. CALLED UP SHARE CAPITAL

	2002 £'000	2001 £'000
Authorised		
150,000 ordinary shares of £1 each	150	150
60,000 preference shares of £1 each	60	60
	<u>210</u>	<u>210</u>
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
	<u>190</u>	<u>190</u>

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

	Share Premium £'000	Profit and loss account £'000	Shareholders' funds £'000
At 1 August 2001 (as restated – see note 2)	1	1,403	1,594
Retained profit	-	584	584
	<u>1</u>	<u>1,987</u>	<u>2,178</u>
At 31 July 2002	1	1,987	2,178

NOTES TO THE ACCOUNTS
Year ended 31 July 2002

16. FINANCIAL COMMITMENTS

	2002 £'000	2001 £'000
Obligations under finance leases and hire purchase contracts		
Minimum lease payments due:		
Within one year	18	67
Within 1 to 2 years	-	16
Within 2 to 5 years	-	-
	<u>18</u>	<u>83</u>
Finance charges allocated to future periods	(2)	(8)
	<u>16</u>	<u>75</u>
Due within one year	16	59
Due after more than one year	-	16
	<u>16</u>	<u>75</u>

17. CONTINGENT LIABILITIES

At 31 July 2002 there were contingent liabilities amounting to £3,300,000 in respect of cross guarantees securing the bank borrowings of other group companies.

18. OPERATING LEASE COMMITMENTS

At 31 July 2002 the company was committed to making the following payments during the next year in respect of operating leases:

	2002		2001	
	Land and buildings £'000s	Other £'000s	Land and buildings £'000s	Other £'000s
Operating leases which expire				
Within two to five years	<u>137</u>	<u>20</u>	<u>131</u>	<u>-</u>

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, P J Wieckowicz purchased a motor vehicle from the company for £350. On the date of sale, the net book value of the vehicle was £361.

NOTES TO THE ACCOUNTS
Year ended 31 July 2002

21. 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 2001 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 2001 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.

The pension cost in the year was £55,000 (2001 - £117,000) of which £31,000 (2001 - £13,000) was payable to the defined benefit scheme and £24,000 (2001 - £104,000) 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 2002. The major assumptions used by the actuary were:

	At 31 July 2002	At 31 July 2001
Rate of increase in salaries	4.90%	5.00%
Rate of increase in pensions in payment	2.4%	2.50%
Discount rate	5.93%	5.91%
Inflation assumption	2.40%	2.50%

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

	Long term rate of return expected at 31 July 2002	31 July 2002 £'000	Long term rate of return expected at 31 July 2001	31 July 2001 £'000
Equities	7.5%	578	7.5%	759
Bonds	5.0%	87	5.5%	91
Property	7.5%	68	7.5%	89
Cash	5.0%	20	5.0%	49
Total market value of assets		753		988
Present value of scheme liabilities		(1,088)		(1,072)
Deficit in the scheme		(335)		(84)
Related deferred tax asset		100		27
Net pension liability		(235)		(57)

NOTES TO THE ACCOUNTS
Year ended 31 July 2002

21. PENSION COSTS (continued)

Had FRS 17 been adopted in full during the year, the following would have been reflected in the financial statements.

	2002 £'000	2001 £'000
Balance sheet disclosure		
Net assets excluding pension liabilities	2,178	1,594
Add back SSAP24 provision	55	117
Pension liabilities	(235)	(57)
	<u>1,998</u>	<u>1,654</u>
Reserves note disclosure	2002 £'000	2001 £'000
Profit and loss reserve excluding pension liabilities	1,778	1,272
Add back SSAP24 provision	55	117
Pension liabilities	(235)	(57)
	<u>1,598</u>	<u>1,332</u>
Analysis of the amount charged to operating profit		2002 £'000
Current service cost		27
Past service cost		-
		<u>27</u>
Analysis of amount recognised in the statement of total recognised gains and losses		2002 £'000
Actual return less expected return on assets		(218)
Experience gains and losses on liabilities		-
Changes in assumptions		(25)
		<u>(243)</u>
Actuarial loss recognised in STRGL		(243)
Movement in deficit during the year		2002 £'000
Deficit in scheme at 1 August 2001		(84)
Movement in year:		
Current service cost		(27)
Contributions		40
Past service costs		-
Net interest cost on liability		(21)
Actuarial loss		(243)
		<u>(335)</u>

NOTES TO THE ACCOUNTS
Year ended 31 July 2002

21. PENSION COSTS (continued)

History of experience gains and losses	Financial year ending in 2002
Difference between expected and actual return on scheme assets:	
Amount (£'000)	(218)
Percentage of scheme assets	-29%
Experience gains and losses on scheme liabilities:	
Amount (£'000)	-
Percentage of scheme liabilities	0%
Total amount recognised in statement of total recognised gains and losses:	
Amount (£'000)	(243)
Percentage of scheme liabilities	-22%