

**BRITISH & MIDLAND FORGINGS
LIMITED**

Report and Financial Statements

31 March 2001

Deloitte & Touche
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN



REPORT AND FINANCIAL STATEMENTS

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REPORT AND FINANCIAL STATEMENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D J Greaves
S H Walters

SECRETARY

S H Walters

REGISTERED OFFICE

Howard Street
Hill Top
West Bromwich
B70 0SN

SOLICITORS

George Green & Co.
195 High Street
Cradley Heath
Warley
West Midlands
B64 5HW

AUDITORS

Deloitte & Touche
Chartered Accountants
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY

The company has not traded during the year, and it is not intended that the company will trade in the foreseeable future.

RESULTS AND DIVIDENDS

The results of the company for the year are set out in detail on page 5.

The directors do not recommend the payment of a dividend for the year (18 month period ended 31 March 2000 - £181,561). No interim dividend was paid during the year (18 month period ended 31 March 2000 - £181,561).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year are shown on page 1.

The interests of the directors of the company at 31 March 2001 in the shares of the ultimate parent company, Brockhouse Group Limited, according to the Register required to be kept by the Companies Act 1985, were as follows:

Ordinary shares of £1 each		At 31 March 2001	At 31 March 2000
D J Greaves		24,000	24,000
S H Walters		24,000	24,000
P G Jones	(resigned 28 February 2001)	24,000	24,000
R Tranter	(resigned 28 February 2001)	-	-

AUDITORS

Deloitte & Touche were appointed auditors during the period and have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



S H Walters
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 year. 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.



AUDITORS' REPORT TO THE MEMBERS OF

BRITISH & MIDLAND FORGINGS LIMITED

We have audited the financial statements on pages 5 to 12 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 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 March 2001 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and Registered Auditors

4 October 2001

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2001

	Note	Year ended 31 March 2001 £	18 months ended 31 March 2000 £
TURNOVER	2	-	6,330,729
Cost of sales		-	(5,326,314)
Gross profit		-	1,004,415
Distribution costs		-	(277,174)
Administrative expenses		-	(726,335)
OPERATING PROFIT	4	-	906
Interest receivable	5	-	7,204
Interest payable		-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	8,110
Tax on profit on ordinary activities	6	-	36,388
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		-	44,498
Dividends	7	-	(181,561)
RETAINED LOSS FOR THE FINANCIAL YEAR		-	(137,063)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 March 2001

	Year ended 31 March 2001	18 months ended 31 March 2000
	£	£
Profit for the financial year	-	44,498
Surplus on revaluation of plant	-	656,615
Total recognised gains and losses relating to the year	-	701,113

NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 31 March 2000

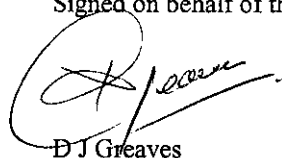
	Year ended 31 March 2001	18 months ended 31 March 2000
	£	£
Reported profit on ordinary activities before taxation	-	8,110
Realisation of revaluation gain in the year	-	996,801
Historical cost profit on ordinary activities before taxation	-	1,004,911
Historical cost profit for the year retained after taxation	-	1,041,299

BALANCE SHEET
31 March 2001

	Note	31 March 2001 £	31 March 2000 £
FIXED ASSETS			
Investments	8	56,430	56,430
CURRENT ASSETS			
Debtors – recoverable in more than one year	9	943,570	943,570
TOTAL NET ASSETS		<u>1,000,000</u>	<u>1,000,000</u>
CAPITAL AND RESERVES			
Called up equity share capital	10	<u>1,000,000</u>	<u>1,000,000</u>

These financial statements were approved by the Board of Directors on 28/9/01

Signed on behalf of the Board of Directors



D J Greaves

Director

NOTES TO THE ACCOUNTS**Year ended 31 March 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 as modified by the revaluation of land and buildings.

Tangible fixed assets

Interests in land and buildings are stated at valuation or historical cost. The cost of other fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost or valuation of fixed assets over the expected useful and economic lives of the assets concerned.

Freehold buildings are depreciated at 2% per annum. Freehold land is not depreciated.

Plant, equipment and vehicles are depreciated in accordance with prudent commercial bases, at rates calculated on the assumed lives which vary between 4 and 20 years.

Investments

Investments are held at cost less any provision for impairment.

Stocks

Stocks are valued on a "first-in, first-out" basis at the lower of cost and net realisable value. In respect of work in progress and finished goods, cost includes all production overheads and the attributable proportion of indirect overhead expenses.

Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences other than those which are expected with reasonable probability to continue in the foreseeable future. This represents a change from the previous accounting policy in order to bring the company into line with the Brockhouse Group (note 13).

Turnover

Turnover, which excludes value added tax and trade discount, represents the invoiced value of goods and services supplied.

Pension scheme arrangements

Contributions were charged to the profit and loss account so as to spread the cost of pension evenly over the members' working lives with the company.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

NOTES TO THE ACCOUNTS**Year ended 31 March 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. The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to one activity, the manufacture of steel drop forgings.

	Year ended 31 March 2001 £	18 months ended 31 March 2000 £
Geographical analysis of turnover		
United Kingdom	-	5,971,408
Rest of Europe	-	70,984
America	-	288,337
	<u>-</u>	<u>6,330,729</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 March 2001 £	18 months ended 31 March 2000 £
Directors' emoluments		
Other emoluments	-	179,470
Compensation for loss of office	-	45,474
Contributions to a defined benefit pension scheme	-	1,333
Contributions to a defined contribution pension scheme	-	3,735
	<u>No</u>	<u>No</u>
Number of directors accruing retirement benefits under a defined benefit scheme	-	2
Number of directors accruing retirement benefits under a defined contribution scheme	-	2
Remuneration of the highest paid director (excluding pension contributions)	-	122,888
Pension contributions to a defined contribution scheme in relation to the highest paid director	-	2,987

NOTES TO THE ACCOUNTS**Year ended 31 March 2001****3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)**

	Year ended 31 March 2001 No	18 months ended 31 March 2000 No
Average number of persons employed		
Production	-	73
Sales and distribution	-	6
Administration	-	1
	<u>-</u>	<u>80</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	-	1,958,938
Social security costs	-	134,615
Other pension costs	-	43,603
	<u>-</u>	<u>2,137,156</u>

4. OPERATING PROFIT

	Year ended 31 March 2001 £	18 months ended 31 March 2000 £
Operating profit is after charging/(crediting):		
Depreciation		
Owned assets	-	450,964
Rentals under operating leases		
Hire of plant and machinery	-	22,438
Auditors' remuneration	-	5,150
Profit on disposal of tangible fixed assets	-	(20,763)
Exchange loss	-	1,099
Exceptional costs of reorganisation	-	272,855
	<u>-</u>	<u>272,855</u>

5. INTEREST RECEIVABLE

	Year ended 31 March 2001 £	18 months ended 31 March 2000 £
Bank interest receivable	-	7,204
	<u>-</u>	<u>7,204</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 March 2001 £	18 months ended 31 March 2000 £
United Kingdom corporation tax charge/(credit) at 30% (1999 – 30%) based on the profit for the year	-	-
Deferred taxation	-	(37,446)
	-	(37,446)
Adjustments to prior years' tax provisions		
Corporation tax	-	1,058
Prior year adjustment (note 16)	-	-
	-	(36,388)

The taxation charge on the profit for the prior period has been increased by £4,000 by expenditure not allowable for corporation tax purposes and has been reduced by £45,000 by losses surrendered as group relief not paid for.

7. DIVIDENDS

	Year ended 31 March 2001 £	18 months ended 31 March 2000 £
Interim	-	181,561

8. INVESTMENTS

The company acquired the entire share capital of Criterion Stampings Limited, a company incorporated in England and Wales at nominal value, totalling £56,430. Criterion Stampings Limited, a company registered in England and Wales, is dormant.

9. DEBTORS – RECOVERABLE IN MORE THAN ONE YEAR

	2001 £	2000 £
Amounts owed by group undertakings	943,570	943,570

10. CALLED UP SHARE CAPITAL

	2001 £	2000 £
Authorised, called up, allotted and fully paid 1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000

NOTES TO THE ACCOUNTS**Year ended 31 March 2001****11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2001 £	2000 £
Profit for the financial year	-	44,498
Dividends	-	(181,561)
Surplus on revaluation of properties	-	656,615
	<hr/>	<hr/>
Net addition to/(reduction in) shareholders' funds	-	519,552
Opening shareholders' funds	1,000,000	480,448
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Closing shareholders' funds	1,000,000	1,000,000
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12. ULTIMATE PARENT COMPANY AND RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Brockhouse Group Limited, a company registered in England.

Copies of the financial statements of Brockhouse Group Limited can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

As the company is a wholly owned subsidiary it has taken advantage of the exemption order FRS 8 "Related Party Disclosures" not to disclose transactions with other companies within the group.

The company is exempt from the obligation to prepare and deliver group accounts as its ultimate parent company, Brockhouse Group Limited, draws up group accounts.