

Company Registration Number 324456

Russell Ductile Castings Limited

Report and Financial Statements

31 March 2007

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Russell Ductile Castings Limited

Registered No 324456

Directors

A M Gibbs
P R McCarney
A Vicary
T M Hair
M J T Bache

Secretary

M J T Bache

Auditors

Ernst & Young LLP
Birmingham

Bankers

HSBC Bank plc
Birmingham

Solicitors

Eversheds LLP
Birmingham

Registered office

Chuckery Road
Walsall
West Midlands
WS1 2DU

Directors' report

The directors present their report and financial statements for the year ended 31 March 2007

Results and dividends

The profit for the year after taxation amounted to £38,876 (2006 - profit of £817,453) The directors do not recommend a final dividend (2006 - £nil)

Principal activity and review of the business

The company's principal activity during the year was the manufacture and sale of iron castings

During the year the plan to transfer the Leicester business to Scunthorpe was re appraised and as a result the business will continue to operate from both sites £301k of costs relating to this aborted integration have been treated as exceptional in the profit & loss account In addition £204k of non operating costs have adversely impacted the result for the year The underlying operating profit before these charges was therefore £256k

Key performance indicators

The key performance indicators ("KPIs") used to monitor business performance during the year were as follows

<i>KPI</i>	<i>Year ended 31 March 2007</i>	<i>Year ended 31 March 2006</i>
Return on sales	(1.4%)	9.9%
Return on net assets	(6.0%)	75.6%
Sales per employee	88,313	93,748

Return on sales is calculated from profit on ordinary activities before tax divided by turnover for the year Return on net assets is calculated from profit on ordinary activities before tax divided by the net assets of the business excluding cash, corporation tax, deferred tax and inter-company non-trading balances, at the year end Sales per employee is calculated from the sales divided by the average number of employees for the year

Directors and their interests

The directors who served the company during the year and subsequently were as follows

A M Gibbs	(appointed 21 May 2007)
P R McCarney	(appointed 22 May 2007)
A Vicary	
T M Hair	(appointed 3 August 2006)
M J T Bache	(appointed 1 December 2006)
N B Williams	(resigned 30 September 2006)
A C Binmore	(resigned 10 November 2006)
S C Duckworth	(resigned 1 December 2006)
M A Powell	(resigned 7 April 2006)
J V Evans	(resigned 19 January 2007)
M I Johnson	(resigned 2 March 2007)

The company is a wholly owned subsidiary and the interests of the group directors, N B Williams, S C Duckworth, A Vicary T Hair and M J T Bache are disclosed in the financial statements of the parent undertaking

No director had any interest in any contract with the company during the year except for service agreements

Directors' report

Auditors

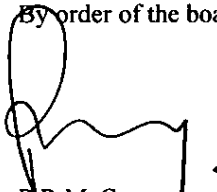
A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

By order of the board



P.R. McCarney
Director

4th January 2008

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 that 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 Russell Ductile Castings Limited

We have audited the company's financial statements for the year ended 31 March 2007 which comprise the Profit and Loss Account, 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

Independent auditors' report

to the members of Russell Ductile Castings Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Birmingham

8 January 2008

Profit and loss account

for the year ended 31 March 2007

	Notes	2007 £	2006 £
Turnover	2	17,309,418	11,624,705
Cost of sales		15,124,306	9,409,558
Gross profit		2,185,112	2,215,147
Distribution costs		699,237	475,741
Administrative expenses		1,211,194	630,797
Exceptional items	4	(538,887)	-
Operating (loss)/profit	3	(264,206)	1,108,609
(Loss) / profit on sale of fixed assets		(50,044)	500
(Loss)/Profit on ordinary activities before taxation		(314,250)	1,109,109
Taxation credit / (charge)	7	353,126	(291,656)
Profit for the financial year	15	38,876	817,453

There are no recognised gains or losses other than as shown above

Balance sheet

at 31 March 2007

	Notes	2007 £	2006 £
Fixed assets			
Tangible assets	8	3,114,817	2,931,892
Current assets			
Stocks	9	2,268,425	2,197,705
Debtors	10	4,804,212	3,887,763
Deferred tax asset	13	55,521	-
Cash at bank and in hand		477	845,302
		<u>7,128,635</u>	<u>6,930,770</u>
Creditors amounts falling due within one year	11	8,612,092	8,196,573
		<u>(1,483,457)</u>	<u>(1,265,803)</u>
Net current liabilities			
Total assets less current liabilities		<u>1,631,360</u>	<u>1,666,089</u>
Creditors: amounts falling due after more than one year	12	(17,000)	(17,000)
Provisions for liabilities and charges			
Deferred taxation	13	-	(73,605)
		<u>1,614,360</u>	<u>1,575,484</u>
Capital and reserves			
Called up share capital	14	36,000	36,000
Profit and loss account	15	1,578,360	1,539,484
Shareholders' funds	15	<u>1,614,360</u>	<u>1,575,484</u>

These financial statements were approved by the directors on 4 January 2008 and are signed on their behalf by



A M Gibbs
Director

Notes to the financial statements

at 31 March 2007

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

Statement of cash flows

The company has taken advantage of the exemption available under FRS 1 not to prepare a statement of cash flows

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales tax and duty.

Goodwill

Negative goodwill is released to the profit and loss account over the life of the non-monetary assets to which it attaches.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Freehold buildings	-	21 months to 50 years straight line
Plant and machinery	-	21 months to 10 years straight line
Fixtures and fittings	-	21 months to 10 years straight line
Motor vehicles	-	20% straight line

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Inventories are valued at the lower cost and net realisable value, which is arrived at as follows:

Raw materials	-	purchase cost on a first-in, first-out basis
Work in progress and finished goods	-	where detailed individual product costing information is available, actual cost of direct materials and labour plus attributable overheads based on a normal level of activity but excluding borrowing costs

Where considered appropriate and in the absence of detailed individual product costing information, cost of finished goods and work in progress is arrived at from selling price less the calculated margin on the products concerned.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Notes to the financial statements

at 31 March 2007

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with following exceptions

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

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 date of the transaction

All differences are taken to the profit and loss account

Leasing commitments

Rentals paid under operating leases are charged to income on a straight line basis over the lease term

Pensions

The company operates a defined contribution pension scheme for employees. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. Differences between contributions payable and contributions actually paid are shown on either accruals or prepayments in the balance sheet

Notes to the financial statements

at 31 March 2007

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to one continuing activity, as stated in the directors' report

An analysis of turnover by geographical market is given below

	2007 £	2006 £
United Kingdom	15,729,180	10,346,476
EU countries	793,000	839,595
Rest of world	787,238	438,634
	<u>17,309,418</u>	<u>11,624,705</u>

3. Profit on ordinary activities before taxation

This is stated after charging/(crediting)

	2007 £	2006 £
Auditors' remuneration - audit services	26,000	8,000
Depreciation of owned fixed assets	330,288	201,650
Loss / (Profit) on disposal of fixed assets	50,044	(500)
	<u>380,332</u>	<u>201,150</u>
Operating lease rentals - land and buildings	217,500	200,000
- plant and equipment	92,423	29,374
	<u>-</u>	<u>(104,707)</u>

4. Exceptional costs

	2007 £	2006 £
Loss on disposal of fixed assets	237,156	-
Severance costs	90,284	-
Other reorganisation costs	211,447	-
	<u>538,887</u>	<u>-</u>

Notes to the financial statements

at 31 March 2007

5. Directors' emoluments

	2007 £	2006 £
Emoluments	208,714	372,109
Company contributions paid to money purchase schemes	15,747	25,968
Members of money purchase schemes	No 3	No 4

The amounts in respect of the highest paid director are as follows

	2007 £	2006 £
Emoluments	91,662	126,752
Company contributions paid to money purchase pension schemes	5,372	12,572

6. Staff costs

	2007 £	2006 £
Wages and salaries	5,270,416	3,466,388
Social security costs	648,364	363,669
Other pension costs	277,289	164,921
	6,136,759	3,994,978

The average monthly number of employees during the year was as follows

	2007 No	2006 No
Administration	13	7
Manufacturing	170	101
Distribution	3	5
Management	10	11
	196	124

Notes to the financial statements

at 31 March 2007

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2007 £	2006 £
<i>Current tax</i>		
UK corporation tax on the profit for the year	-	334,476
Under /(over) provision in prior year	(224,000)	-
Total current tax (note7(b))	(224,000)	334,476
<i>Deferred tax</i>		
Capital allowances in excess of depreciation	(129,126)	(42,820)
Total deferred tax (note 13)	(129,126)	(42,820)
Total tax charge for year	(353,126)	291,656

(b) Factors affecting current tax charge for the year

The tax assessed for the year is lower (2006 - lower) than the standard rate of corporation tax in the UK of 30% (2006 - 30%) The differences are explained below

	2007 £	2006 £
Profit on ordinary activities before tax	(314,240)	1,109,109
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 - 30%)	(94,272)	332,733
<i>Effects of</i>		
Depreciation in excess of capital allowances	157,473	1,743
Capital allowances in excess of depreciation		(42,820)
Permanent disallowance	1,200	-
Group relief	(57,470)	
Other timing differences	(6,931)	-
Current tax for the year (note7(a))	-	291,656

(c) Further to measures announced in the UK Parliament, the standard rate of corporation tax in the UK will reduce from 30% to 28% as of 1 April 2008. Subsequent accounts will reflect this change for the purposes of calculating both current and deferred tax "

Notes to the financial statements

at 31 March 2007

8. Tangible fixed assets

	<i>Land and buildings</i>	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£
Cost				
At 1 April 2006	1,794,908	1,569,792	97,248	3,461,948
Additions	425,954	337,965	53,796	817,715
Disposals	(102,315)	(245,005)	(16,667)	(363,987)
At 31 March 2007	2,118,547	1,662,752	134,377	3,915,676
Depreciation				
At 1 April 2006	–	513,008	17,048	530,056
Provided during the year	51,413	258,087	26,590	336,090
Disposals	(705)	(60,415)	(4,167)	(65,287)
At 31 March 2007	50,708	710,680	39,471	800,859
Net book value				
At 31 March 2007	2,067,839	952,072	94,906	3,114,817
At 1 April 2006	1,794,908	1,056,784	80,200	2,931,892

Included in Land and buildings is land which is not depreciated. The net book value at 31 March 2007 was £ 173,339 (2006 - £ 173,339)

9. Stocks

	2007	2006
	£	£
Raw materials and consumables	581,053	470,854
Work in progress	1,125,480	1,044,972
Finished goods	561,892	681,879
	2,268,425	2,197,705

10. Debtors

	2007	2006
	£	£
Trade debtors	3,059,176	2,957,994
Amounts owed by group undertakings	1,713,023	903,415
Other debtors	4,380	13,392
Prepayments and accrued income	27,633	12,962
	4,804,212	3,887,763

Notes to the financial statements

at 31 March 2007

11. Creditors: amounts falling due within one year

	2007	2006
	£	£
Bank Overdraft	680,237	-
Trade creditors	2,693,433	2,723,978
Amounts owed to group undertakings	4,210,613	4,210,613
Corporation tax	13,934	446,934
Other taxation and social security	387,431	372,490
Other creditors	320,784	110,092
Accruals and deferred income	305,660	332,466
	<u>8,612,092</u>	<u>8,196,573</u>

12. Creditors: amounts falling due after more than one year

	No	2007 £	No	2006 £
4 2% preference shares of £1 each	17,000	17,000	17,000	17,000
		<u>17,000</u>		<u>17,000</u>

13. Provisions for liabilities and charges

The movement in the deferred taxation provision during the year was

	2007 £	2006 £
Provision brought forward	73,605	-
Credit to profit and loss	(129,126)	(42,820)
Transferred from group undertaking	-	116,425
Transfer to deferred tax asset	55,521	-
	<u>-</u>	<u>73,605</u>

14. Share capital

		2007 £	Authorised 2006 £
Ordinary shares of £1 each		3,000	3,000
Deferred ordinary shares of £1 each		33,000	33,000
		<u>36,000</u>	<u>36,000</u>

	No	2007 £	No	2006 £
Ordinary shares of £1 each	3,000	3,000	3,000	3,000
Deferred ordinary shares of £1 each	33,000	33,000	33,000	33,000
		<u>36,000</u>		<u>36,000</u>

Notes to the financial statements

at 31 March 2007

15. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	£	£	£
At 1 April 2005	36,000	722,031	758,031
Profit for the year	–	817,453	817,453
At 31 March 2006	36,000	1,539,484	1,575,484
Profit for the year	–	38,876	38,876
At 31 March 2007	36,000	1,578,360	1,614,360

16. Capital commitments

	<i>2007</i>	<i>2006</i>
	£	£
Contracted but not provided for in the financial statements	184,870	297,660

17. Contingencies

The company together with its parent undertaking has given an unlimited interlocking guarantee to HSBC Bank Plc in respect of overdraft facilities of certain group undertakings. At 31 March 2007 these amounted to £ 1,415,182 (2006 - £347,517)

18. Pensions

The company participates in various Chamberlin & Hill Group pension schemes, including a defined benefit scheme in which the assets are held independently

The company is unable to identify its share of the underlying assets and liabilities of the scheme and consequently in accordance with FRS 17 paragraph 9(b) the company is required to account for pension costs as if the scheme were a defined contribution scheme. Amounts unpaid at year end £17,165 (2006 £21,368)

19. Other financial commitments

At 31 March 2007 the company had annual commitments under non-cancellable operating leases as set out below

	<i>2007</i>		<i>2006</i>	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£	£	£	£
Operating leases which expire within one year		1,512	–	1,896
in two to five years	217,500		200,000	3,025
	217,500	1,512	200,000	4,921

Notes to the financial statements

at 31 March 2007

20. Related party transactions

The company has taken advantage of the exemption available under FRS 8 not to disclose transactions with other members of the group

21. Ultimate parent undertaking and controlling party

The directors consider the ultimate parent undertaking to be Chamberlin plc, a company incorporated in England. The results of Russell Ductile Castings Limited and its fellow subsidiaries have been consolidated within the financial statements of Chamberlin plc. Copies of these financial statements may be obtained from the company secretary at Chuckery Road, Walsall, West Midlands WS1 2DU.