

Company Registration Number 324456

Russell Ductile Castings Limited

Report and Financial Statements

31 March 2009

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Directors' report

Directors

A M Gibbs
A Vicary
T M Hair
M J T Bache
E J Leonard

Secretary

M J T Bache

Auditors

Ernst & Young LLP
No.1 Colmore Square
Birmingham
B4 6HQ

Bankers

HSBC Bank plc
8 Stephenson Place
New Street
Birmingham
B2 4NH

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 2009.

Results and dividends

The profit for the year after taxation amounted to £317,425 (2008 - profit of £501,567). The directors have not recommend the payment of a dividend (2008 - £500,000).

Principal activity and review of the business

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

A specialist in highly engineered lower volume castings, Russell Ductile operates from sites in Leicester and Scunthorpe supplying a diverse range of industries. Unfortunately the recent downturn has reduced demand for mid-range castings, especially in the construction equipment sector served by the Leicester site. Demand for the heaviest castings made in Scunthorpe has fallen back a little, but so far this area has been less affected by the downturn.

A programme to penetrate new markets has delivered some notable successes, and Russell Ductile has now become a recognised supplier to manufacturers of defence equipment, specialist vehicles, hydraulics and railway rolling stock and is working on opportunities in both transport and renewable energy where its specialist skills are in demand.

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 2009</i>	<i>Year ended 31 March 2008</i>
Return on sales	1.8%	3.2%
Return on net assets	5.5%	9.9%
Sales per employee	£94,517	£91,787

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.

Research and Development

Research and development activities in the year, consist primarily of devising methods for achieving the manufacture of thick wall ADI castings. Expenditure capitalised is shown in note 9 to the accounts.

Principal risks and uncertainties

The significant risks and uncertainties are set out below.

The price of many raw materials is dependent upon movements in commodity prices, especially iron. In order to reduce its exposure to movements in raw material prices the company negotiates, where appropriate, price surcharge arrangements in to its customer contracts.

In common with other industrial businesses the company is subject to risks associated with the environment. The company manages these risks by continual review of its processes to identify opportunities for improvement, whilst ensuring that the conditions of its site operating licences are met or exceeded at all times.

Directors' report

Directors and their interests

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

A M Gibbs
P R McCarney (resigned 8 May 2008)
A Vicary
T M Hair
M J T Bache
E J Leonard (appointed 18 December 2008)

The company is a wholly owned subsidiary of Chamberlin plc and the interests of the group directors are disclosed in the financial statements of the parent company.

TM Hair, MJT Bache and A Vicary were also directors of the parent company during the year

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

Going concern

After making appropriate enquiries, the directors consider that the Company has adequate resources to continue in operation for the foreseeable future. In forming this view the directors have reviewed budgets and other financial information. For this reason, they continue to adopt the going concern basis in preparing the accounts.

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

A Gibbs
Director

17 July 2009

Handwritten signatures and initials: "AVP" and "EJB" with a large flourish underneath.

Statement of directors' responsibilities in respect of the financial statements

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 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 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 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 Russell Ductile Castings Limited

We have audited the company's financial statements for the year ended 31 March 2009 which comprise Profit and Loss Account, the Balance Sheet and the related notes 1 to 22. 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 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 (continued)

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 2009 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

Date *21st July 2009*

Profit and loss account

for the year ended 31 March 2009

	Notes	2009 £	2008 £
Turnover	2	20,793,742	19,458,865
Cost of sales		18,026,728	16,703,981
Gross profit		2,767,014	2,754,884
Distribution costs		829,542	783,846
Administrative expenses		1,363,823	1,245,508
Exceptional items	4	52,826	-
Operating profit	3	520,823	725,530
Loss on sale of fixed assets		(2,794)	(312)
Interest payable		(145,347)	(98,466)
Profit on ordinary activities before taxation		372,682	626,752
Taxation	7	(55,257)	(125,185)
Profit for the financial year	16	317,425	501,567

All of the activities of the company are classed as continuing.

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

Balance sheet

at 31 March 2009

	Notes	2009 £	2008 £
Fixed assets			
Tangible assets	8	4,395,352	3,661,009
Intangible assets	9	98,600	-
		<u>4,493,952</u>	<u>3,661,009</u>
Current assets			
Stocks	10	2,594,053	2,313,665
Debtors amounts falling due after more than one year	11	1,747,415	1,747,415
Debtors amounts falling due within one year	11	3,156,462	4,155,870
Deferred tax asset	14	248,866	182,069
		<u>7,746,796</u>	<u>8,399,019</u>
Creditors: amounts falling due within one year	12	10,290,396	10,427,101
		<u>(2,543,600)</u>	<u>(2,028,082)</u>
Net current liabilities			
		<u>1,950,352</u>	<u>1,632,927</u>
Total assets less current liabilities			
		<u>1,950,352</u>	<u>1,632,927</u>
Creditors: amounts falling due after more than one year	13	(17,000)	(17,000)
		<u>1,933,352</u>	<u>1,615,927</u>
Capital and reserves			
Called up share capital	15	36,000	36,000
Profit and loss account	16	1,897,352	1,579,927
		<u>1,933,352</u>	<u>1,615,927</u>
Shareholders' funds	16	<u>1,933,352</u>	<u>1,615,927</u>

These financial statements were approved by the directors on 17 July 2009 and are signed on their behalf by:

Am EQS

Director

Notes to the financial statements

at 31 March 2009

1. Accounting policies

Basis of accounting

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

The company is dependent upon continuing financial assistance being made available by its parent, Chamberlin plc, to enable it to continue operating and meeting its liabilities as they fall due. The finance and support function is available for a period of at least twelve months after the date of these financial statements and has been confirmed in writing to the directors and the directors believe that it is therefore appropriate to prepare financial statements on a going concern basis.

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.

Research and development

Development costs are treated as intangible assets and are amortised over their estimated economic lives of 5 years.

Fixed assets

Fixed assets are stated at cost less accumulated 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 property	- 2% straight line
Plant and machinery	- 10 - 20% straight line
Fixtures and fittings	- 10 - 20% 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 of 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 2009

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. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. 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 2009

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:

	2009 £	2008 £
United Kingdom	18,114,987	18,151,891
Europe	1,707,304	670,362
Rest of world	971,451	636,612
	<u>20,793,742</u>	<u>19,458,865</u>

3. Operating profit

This is stated after charging:

	2009 £	2008 £
Auditors' remuneration - audit services	37,150	30,000
Depreciation of owned fixed assets	342,093	380,316
Amortisation of development costs	3,400	-
Loss on disposal of fixed assets	2,794	312
	<u>348,287</u>	<u>380,628</u>
Operating lease rentals - land and buildings	270,000	217,500
- plant and equipment hire	50,296	108,108
	<u>320,296</u>	<u>325,608</u>

4. Exceptional costs

	2009 £	2008 £
Severance costs	52,826	-
	<u>52,826</u>	<u>-</u>

Notes to the financial statements

at 31 March 2009

5. Directors' emoluments

	2009 £	2008 £
Emoluments	175,582	175,266
Company contributions paid to money purchase schemes	8,696	11,025
	2009 No.	2008 No.
Members of money purchase schemes	1	2

The cost of those directors who are also directors of the parent company are included within the parent company's accounts and are not allocated across individual companies.

6. Staff costs

	2009 £	2008 £
Wages and salaries	5,735,995	5,961,455
Social security costs	591,614	582,190
Other pension costs	147,371	216,418
	6,474,980	6,760,063

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

	2009 No.	2008 No.
Administration	15	15
Manufacturing	191	185
Distribution	4	2
Management	10	10
	220	212

Notes to the financial statements

at 31 March 2009

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2009 £	2008 £
<i>Current tax:</i>		
UK corporation tax on the profit for the year	187,891	251,733
Over provision in prior year	(65,837)	-
Total current tax charge (note 7(b))	122,054	251,733
<i>Deferred tax:</i>		
Movement in the year	(121,827)	(45,529)
Amount over provided in prior years	55,030	(81,019)
Total deferred tax credit (note 14)	(66,797)	(126,548)
Total tax charge for year	55,257	125,185

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is higher (2008 - higher) than the standard rate of corporation tax in the UK of 28% (2008 - 30%). The differences are explained below:

	2009 £	2008 £
Profit on ordinary activities before tax	372,682	626,752
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 - 30%)	104,351	188,025
<i>Effects of:</i>		
Depreciation in excess of capital allowances	76,607	58,534
Expenses not deductible for tax purposes	6,933	5,174
Over provision of corporation tax in prior year	(65,837)	-
Current tax for the year (note 7(a))	122,054	251,733

Notes to the financial statements

at 31 March 2009

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 2008	2,188,169	2,524,044	112,019	4,824,232
Additions	18,182	1,017,865	52,677	1,088,724
Disposals			(31,213)	(31,213)
At 31 March 2009	2,206,351	3,541,909	133,483	5,881,743
Depreciation:				
At 1 April 2008	111,826	1,001,953	49,438	1,163,217
Provided during the year	66,239	261,553	14,301	342,093
Disposals			(18,919)	(18,919)
At 31 March 2009	178,065	1,263,506	44,820	1,486,391
Net book value:				
At 31 March 2009	2,028,286	2,278,403	88,663	4,395,352
At 1 April 2008	2,076,343	1,522,091	62,575	3,661,009

Included in land and buildings is land which is not depreciated. The net book value at 31 March 2009 was £173,339 (2008 - £173,339).

9. Intangible fixed assets

	<i>Development expenditure</i>
	£
Cost:	
At 1 April 2008	-
Additions	102,000
At 31 March 2009	102,000
Amortisation:	
At 1 April 2008	-
Charge for the year	3,400
At 31 March 2009	3,400
Net book value:	
At 31 March 2009	98,600
At 31 March 2008	-

Notes to the financial statements

at 31 March 2009

10. Stocks

	2009	2008
	£	£
Raw materials and consumables	331,634	635,180
Work in progress	2,084,896	1,124,346
Finished goods	177,523	554,139
	<u>2,594,053</u>	<u>2,313,665</u>

11. Debtors

Amounts falling due after one year

	2009	2008
	£	£
Amounts owed by group undertakings	1,747,415	1,747,415
	<u>1,747,415</u>	<u>1,747,415</u>

Amounts falling due within one year

	2009	2008
	£	£
Trade debtors	2,962,077	3,766,914
Other debtors	100	23,953
Prepayments and accrued income	194,285	365,003
	<u>3,156,462</u>	<u>4,155,869</u>

Notes to the financial statements

at 31 March 2009

12. Creditors: amounts falling due within one year

	2009	2008
	£	£
Bank overdraft	2,249,015	2,179,520
Trade creditors	2,547,524	2,914,439
Amounts owed to group undertakings	4,410,444	4,224,547
Corporation tax	187,984	251,733
Other taxation and social security	242,221	465,179
Other creditors	129,352	103,366
Accruals and deferred income	523,856	288,318
	<u>10,290,396</u>	<u>10,427,101</u>

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

	No.	2009	No.	2008
		£		£
4.2% preference shares of £1 each	17,000	<u>17,000</u>	17,000	<u>17,000</u>

14. Deferred taxation

The movement in the deferred taxation asset during the year was:

	2009	2008
	£	£
Asset brought forward	(182,069)	(55,521)
Profit and loss movement arising during the year	(121,827)	(126,548)
Amounts over provided in previous years	55,030	-
	<u>(248,866)</u>	<u>(182,069)</u>

The asset for deferred taxation consists of the tax effect of timing differences in respect of:

	2009	2008
	£	£
Decelerated capital allowances	(240,899)	(177,263)
Other timing differences	(7,967)	(4,806)
	<u>(248,866)</u>	<u>(182,069)</u>

Notes to the financial statements

at 31 March 2009

15. Share capital

		<i>Authorised</i>	
		<i>2009</i>	<i>2008</i>
		<i>£</i>	<i>£</i>
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>
		<u><u>36,000</u></u>	<u><u>36,000</u></u>
		<i>Allotted, called up and fully paid</i>	
		<i>2009</i>	<i>2008</i>
		<i>£</i>	<i>£</i>
	<i>No.</i>	<i>No.</i>	<i>No.</i>
Ordinary shares of £1 each	3,000	3,000	3,000
Deferred ordinary shares of £1 each	33,000	33,000	33,000
		<u>36,000</u>	<u>36,000</u>
		<u><u>36,000</u></u>	<u><u>36,000</u></u>

16. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>
At 1 April 2007	36,000	1,578,360	1,614,360
Profit for the year	-	501,567	501,567
Dividend declared and paid	-	(500,000)	(500,000)
	<u>36,000</u>	<u>1,579,927</u>	<u>1,615,927</u>
At 31 March 2008	36,000	1,579,927	1,615,927
Profit for the year	-	317,425	317,425
	<u>36,000</u>	<u>1,897,352</u>	<u>1,933,352</u>
At 31 March 2009	<u><u>36,000</u></u>	<u><u>1,897,352</u></u>	<u><u>1,933,352</u></u>

17. Capital commitments

	<i>2009</i>	<i>2008</i>
	<i>£</i>	<i>£</i>
Contracted but not provided for in the financial statements	46,017	15,953
	<u>46,017</u>	<u>15,953</u>

Notes to the financial statements

at 31 March 2009

18. Contingencies

The company together with its parent undertaking has given an unlimited multilateral guarantee to HSBC Bank Plc in respect of overdraft facilities of certain group undertakings. At 31 March 2009 these amounted to £1,225,931 (2008 - £1,275,765).

19. Other financial commitments

At 31 March 2009 the company had annual commitments under non-cancellable operating leases as set out below:

	2009		2008	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£	£	£	£
Operating leases which expire:				
within one year	-	-	-	4,365
in two to five years	-	-	-	-
after more than 5 years	270,000	-	217,500	-
	<u>270,000</u>	<u>-</u>	<u>217,500</u>	<u>4,365</u>

20. Pensions

The company participates in various Chamberlin Group pension schemes, in which assets are held independently, including a defined benefit scheme which was closed to future accrual with effect from 30 November 2007 and an ongoing defined contribution scheme. All future liabilities in relation to the defined benefit scheme are the liabilities of the parent company and no further costs of liabilities will be recognised in these accounts.

No contributions are made to the defined benefit scheme and amounts unpaid to the defined contribution scheme at year end were £13,530 (2008 - £17,885).

21. Related party transactions

The Company has taken advantage of the exemption in FRS 8 as a wholly owned subsidiary not to disclose details of related party transactions with other group companies. There were no other related party transactions requiring disclosure under FRS 8.

22. 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.