

METALLIFACTURE LIMITED

REPORT AND ACCOUNTS

31 OCTOBER 1997

Company Registration Number : 341841



METALLIFACTURE LIMITED

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 1997

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REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 OCTOBER 1997

The directors present the audited accounts for the year ended 31 October 1997.

Principal activities

The results for the year are set out in the profit and loss account on page 4. The main activity of the company is unchanged since last year and remains the manufacture of components for the automotive industry.

Review of business and future developments

Both the level of business and the year end financial position were satisfactory and the directors expect the present level of activity to be sustained for the foreseeable future.

Dividends

The directors recommend that a dividend of £675,000 (1996:£500,000) be paid in respect of the year ended 31 October 1997.

Research and development

The company is committed to research and development activities to maintain its position as a market leader.

Directors

The directors of the company who, unless otherwise stated, served throughout the year were:

Mr H Balmer	Chairman
Mr G Bond	
Mr J T Clifford	
Mr J M Swindells	
Mr K W Walters	
Mr R D Blunt	
Mr S Broadstock	

Directors' interest in shares

At 31 October 1997 and at 31 October 1996, Mr J T Clifford held an option under the Bullough Executive Share Option Scheme to acquire 61,200 Bullough plc 20p ordinary shares exercisable between 22 August 1991 and 22 August 1998, and also an option to acquire 68,000 Bullough plc 20p ordinary shares exercisable between 26 July 1997 and 26 July 2004.

At 31 October 1997 Mr H Balmer held 9,707 (1996: 9,459) Bullough plc 20p ordinary shares. In addition Mr Balmer held options to acquire 72,500 Bullough plc 20p

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ordinary shares exercisable between 30 January 1999 and 29 January 2006. (1996: 72,500)

The interests of Mr G Bond in the shares of Bullough plc are disclosed in that company's accounts.

No other director at 31 October 1997 held shares or options to acquire shares in Bullough plc and its subsidiaries.

Directors' interests in contracts

Apart from contracts of employment, none of the directors had a beneficial interest in any contract to which the company was a party during the financial year.

Charitable and political contributions

The contributions made by the company during the year for charitable purposes were £443 (1996: £374).

Employees

The company provides employees with information on matters of concern to them by the issue of periodic newsletters. Representatives of employees are consulted on a regular basis so that views of the employees are taken into consideration.

Disabled persons

The company's policy on disabled persons is to recruit disabled and non-disabled workers on the same basis wherever possible. If any employee becomes disabled during employment every practical effort is made to retain their services and to provide retraining if necessary. All employees are eligible for promotion and disabled people are not treated any differently in this respect.

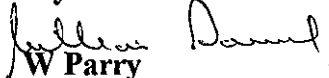
Creditors payment policy

The company agrees payment terms with its suppliers when it enters into binding purchase contracts. The company seeks to abide by the payment terms agreed with its suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The company does not have a standard code which deals specifically with the payment to suppliers. The average number of days credit taken by the company at the year end was 81 days(1996: 78 days).

Auditors

On 15 February 1991 the company passed an Elective Resolution to dispense with the obligation to appoint auditors annually. Coopers & Lybrand have expressed their willingness to continue in office.

By the order of the Board


W Parry

Company Secretary

14 January 1998

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DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company as at 31 October and of the profit or loss for the period then ended. It is also the directors' responsibility to:

- maintain adequate accounting records
- safeguard the assets of the company
- prevent and detect fraud and other irregularities.

The directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates have been used in the preparation of the accounts and that applicable accounting standards have been followed. The directors confirm that the accounts have been prepared on the going concern basis.

REPORT OF THE AUDITORS TO THE MEMBERS OF METALLIFACTURE LIMITED

We have audited the accounts on pages 4 to 13.

Respective responsibilities of directors and auditors

As described above, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

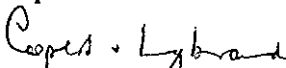
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 October 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Coopers & Lybrand
Chartered Accountants and Registered Auditors
Nottingham

16 January 1998

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 1997

	Notes	1997 £'000	1996 £'000
Turnover	2	14,588	14,225
Cost of sales		11,656	11,490
Gross profit		<u>2,932</u>	<u>2,735</u>
Net operating expenses	3	1,919	1,918
Profit on ordinary activities before interest		<u>1,013</u>	<u>817</u>
Interest payable and similar charges	5	4	7
Profit on ordinary activities before taxation	4	<u>1,009</u>	<u>810</u>
Taxation	6	317	235
Profit on ordinary activities after taxation		<u>692</u>	<u>575</u>
Dividends		675	500
Retained profit for the year		<u>17</u>	<u>75</u>

All amounts above relate to continuing operations.

The company has no recognised gains or losses other than the profits as stated above, and therefore no separate statement of total recognised gains and losses has been presented.

The difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents is shown on page 6.

Notes to the accounts are on pages 7 - 13
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BALANCE SHEET AS AT 31 OCTOBER 1997

	Notes	1997 £'000	1996 £'000
Fixed assets			
Tangible assets	10	4,423	3,236
		<u>4,423</u>	<u>3,236</u>
Current assets			
Stocks	12	1,126	1,026
Debtors	13	3,446	4,765
Cash at bank and in hand		294	20
		<u>4,866</u>	<u>5,811</u>
Creditors: Amounts falling due within one year	14	5,212	5,080
Net current (liabilities) / assets		<u>(346)</u>	<u>731</u>
Total assets less current liabilities		<u>4,077</u>	<u>3,967</u>
Provisions for liabilities and charges	16	227	134
Net assets		<u>3,850</u>	<u>3,833</u>
Capital and reserves			
Called up share capital	17	105	105
Revaluation reserve	18	573	577
Profit and loss account	18	3,172	3,151
Equity shareholders' funds		<u>3,850</u>	<u>3,833</u>

The accounts on pages 4 -13 were approved by the board of directors on 14 January, 1998
and were signed on its behalf by:



J T Clifford
Director

Notes to the accounts are on pages 7 - 13
Report of the auditors is on page 3

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	1997 £'000	1996 £'000
Reported profit on ordinary activities before taxation	1,009	810
Difference between historical cost depreciation and depreciation calculated on revalued amounts	4	4
Historical cost profit on ordinary activities before taxation	<u>1,013</u>	<u>814</u>
Historical cost retained profit for the year	<u>21</u>	<u>79</u>

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1997 £'000	1996 £'000
Profit on ordinary activities after taxation	692	575
Dividends	<u>(675)</u>	<u>(500)</u>
Net addition to shareholders' funds	17	75
Opening shareholders' funds	3,833	3,758
Closing shareholders' funds	<u>3,850</u>	<u>3,833</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 1997

1. Principal accounting policies

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

(a) Basis of accounts

The accounts are drawn up in accordance with the historical cost convention which permits the inclusion of properties at revaluation.

(b) Turnover

Turnover represents sales to third parties excluding valued added tax.

(c) Depreciation

Depreciation is calculated so as to write off the cost of fixed assets over their expected useful lives on a straight line basis. The principal annual rates used for this purpose, which are consistent with those of the previous year, are as follows :-

- (i) Freehold buildings and long leasehold land and buildings - 2%
- (ii) Short leasehold land and buildings - over the term of the leases.
- (iii) Plant and Equipment - 10 to 15%
- (iv) Motor Vehicles - 25%
- (v) Computers - 20%

No depreciation has been provided on freehold land.

(d) Deferred taxation

Taxation deferred as a result of material timing differences is provided at the rate of taxation ruling when the liabilities are expected to crystallise except to the extent that such taxation is not expected to become payable in the foreseeable future.

(e) Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis and comprises direct material cost, direct labour cost and attributable production overheads.

(f) Tooling

Tooling costs are accounted for as follows:

- (i) Customer financed tooling is carried forward until production commences when the cost of tooling is written off over the production life of the product .
- (ii) Other tooling costs are written off in the year in which the expenditure is incurred.

(g)Cash flow

The company is a wholly owned subsidiary of Bullough plc and as such is exempt under FRS1 from producing a cash flow statement.

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2. Turnover

The geographical analysis of turnover was:

	1997	1996
	£'000	£'000
United Kingdom	8,890	8,533
Rest of Europe	5,651	5,670
Rest of World	47	22
	<u>14,588</u>	<u>14,225</u>

3. Net operating expenses

	1997	1996
	£'000	£'000
Distribution costs	410	371
Administrative expenses	<u>1,661</u>	<u>1,616</u>
	2,071	1,987
Less: other operating income	<u>(152)</u>	<u>(69)</u>
	<u>1,919</u>	<u>1,918</u>

4. Profit on ordinary activities before taxation is stated after charging:

	1997	1996
	£'000	£'000
Depreciation charge for the year	564	434
Profit on sale of tangible fixed assets	87	28
Research and development expenditure	287	281
Auditors' remuneration for audit	10	10
Hire of plant and machinery - operating leases	10	10
Hire of other assets - operating leases	76	56
Directors' emoluments including pension contributions	280	253

5. Interest payable and similar charges

	1997	1996
	£'000	£'000
On bank loans, overdrafts and other loans	<u>4</u>	<u>7</u>
	<u>4</u>	<u>7</u>

6. Taxation

	1997	1996
	£'000	£'000
United Kingdom corporation tax at 31.8% (1996:33%)	226	229
Deferred tax provision	93	-
Adjustments in respect of prior years:		
Current	(2)	10
Deferred	-	(4)
	<u>317</u>	<u>235</u>

7. Directors' emoluments

Particulars of the emoluments of the company's directors are:

	1997	1996
	£'000	£'000
In respect of all directors:		
Aggregate emoluments (including benefits)	269	243
In respect of the highest paid director:		
Aggregate emoluments (including benefits)	51	51
Defined benefit pension schemes:		
Accrued pension benefit	21	

Of the directors, one is employed as a director of Bullough plc and is remunerated by that company in respect of his services to the Bullough group as a whole. His emoluments are dealt with in the accounts of Bullough plc, no emoluments are received from this company.

Of the directors who received emoluments during the year, retirement benefits are accruing to 6 directors at 31 October 1997 under defined benefit pension schemes.

8. Employee information

The average weekly number of persons (including executive directors) employed during the year was:

	1997	1996
	Number	Number
Production	226	230
Administration	34	34
	260	264

Staff costs for the above persons were:

	1997	1996
	£'000	£'000
Wages and salaries	3,667	3,579
Social security costs	317	319
Other pension costs	62	66
	4,046	3,964

9. Pension costs

The company operates a defined benefit pension scheme. The assets of the scheme are held separately from those of the company, being invested with an insurance company's managed fund.

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The pension cost for the company was £25,000 (1996: £21,000). Actuarial assessments of the scheme are made every three years by an independent actuary using the projected unit method. Reasonable assumptions have been made by the actuary for the rate of return of investments (9.5%) and the rate of increase in salaries (8.5%) and take into account increases in pensions (3%).

The assessed value of the assets of the scheme at the last valuation date (22 July 1995) was £366,100 and the actuarial value of the assets was sufficient to cover approximately 115% of the benefits which had accrued to members after allowing for future increases in earnings. The contribution of the company and of the employees will remain at 6.25% and 4% respectively.

The company also operates a defined contribution pension scheme. The assets of the fund are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £29,000 (1996: £34,000)

10. Tangible fixed assets

	Freehold Land & Buildings	Short Leasehold Land & Buildings	Plant, Machiner y, & Vehicles	Fixtures and Fittings	Total
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1 November 1996	975	15	5,663	429	7,082
Additions	-	-	1,490	-	1,490
Disposals	-	-	(195)	-	(195)
Transfer from current assets	-	-	410	-	410
At 31 October 1997	975	15	7368	429	8787
Depreciation					
At 1 November 1996	26	15	3,401	404	3,846
Charge for the Year	14	-	543	7	564
Disposals	-	-	(184)	-	(184)
Transfer from current assets	-	-	138	-	138
At 31 October 1997	40	15	3898	411	4364
Net book value at 31 October 1997	935	0	3,470	18	4,423
Net book value at 31 October 1996	949	0	2,262	25	3,236

- (i) No depreciation has been provided on land at valuation of £297,000 (1996: £297,000)

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- (ii) Freehold land and buildings were revalued on the basis of open market value for the existing use at 31 October 1994 by Richard Ellis, Chartered Surveyors. The historical cost and related depreciation of revalued assets are as follows:

	1997	1996
	£'000	£'000
Historical cost at 31 October	493	493
Accumulated depreciation	(131)	(121)
Net book value at 31 October	<u>362</u>	<u>372</u>

11. Capital commitments

Outstanding commitments of the company for capital expenditure amounted to £205,000 (1996: £270,000).

12. Stocks

	1997	1996
	£'000	£'000
Raw materials and consumables	500	452
Work in progress	408	347
Finished goods	218	227
	<u>1,126</u>	<u>1,026</u>

13. Debtors

	1997	1996
	£'000	£'000
Trade debtors	2,125	2,137
Amounts owed by other group undertakings	1,091	2,096
Prepayments and accrued income	230	532
	<u>3,446</u>	<u>4,765</u>

Prepayments and accrued income include items which fall due after more than one year totalling £nil (1996: £176,000)

14. Creditors: amounts falling due within one year

	1997	1996
	£'000	£'000
Bank loans and overdrafts	0	228
Trade creditors	2,484	2,388
Amounts owed to group undertakings	1,583	1,455
Corporation tax	242	239
Other taxation and social security payable	105	122
Accruals and deferred income	123	148
Proposed dividend	675	500
	<u>5,212</u>	<u>5,080</u>

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15. Financial commitments

At 31 October 1997 the company had annual commitments under non cancellable operating leases as follows:

	1997 Land and Buildings £'000	1996 Land and Buildings £'000
Expiring within one year	43	23
Expiring between two and five years	20	20
Expiring in over five years	13	13
	<u>76</u>	<u>56</u>

16. Provisions for liabilities and charges

Deferred taxation

	Amount provided		Total potential liability	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	230	142	442	386
Provisions arising from pension holidays	(3)	(8)	(3)	(8)
	<u>227</u>	<u>134</u>	<u>439</u>	<u>378</u>

17. Called up share capital

	1997 £'000	1996 £'000
Authorised, allotted, called up and fully paid 105,000 ordinary shares of £1 each	<u>105</u>	<u>105</u>

18. Reserves

	Revaluation Reserve £'000	Profit and Loss Account £'000
At 1 November 1996	577	3,151
Retained profit for the year	-	17
Transfers	(4)	4
At 31 October 1997	<u>573</u>	<u>3,172</u>

19. Contingent liability

The company participates in a cross guarantee arrangement with other group companies whereby the company guarantees certain borrowings of the other group companies.

20. Immediate and ultimate parent company

The Directors regard Bullough plc, a company registered in England and Wales, as the immediate and ultimate parent company and ultimate controlling party. Copies of the parent company's consolidated accounts may be obtained from The Secretary, Bullough plc, 21 The Crescent, Leatherhead, Surrey KT22 8DY.

21. Related party transactions

The company has taken advantage of the exemption under FRS8 Related Party Disclosures not to disclose related party transactions between subsidiaries.