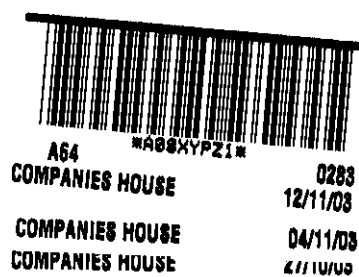


Bodycote Shu Coatings Limited

Annual report and financial statements
for the year ended 31 December 2002

Registered number: 3322354



Directors' report

For the year ended 31 December 2002

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 December 2002.

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 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 judgments and estimates that are reasonable and prudent;
- state whether applicable 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 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.

Principal activity and business review

The company did not trade during the year.

On 1 January 2001, the trade and assets of the company were transferred to Bodycote Metallurgical Coatings Limited, a fellow group company.

Results and dividends

The audited accounts for the year ended 31 December 2002 are set out on pages 5 to 6. The company did not trade during the year, and consequently made neither a profit nor a loss.

No dividend can be paid (2001 - £nil).

Directors and their interests

The directors who served during the year were as follows:

P.T. Clough
W.D. Münz
C.T. Savage
D.E. Eaton

Directors' report (continued)

Directors and their interests (continued)

The directors holding office at the end of the year had the following interests in the share capital of Bodycote International plc, the ultimate parent undertaking:

	At 31 December 2002		At 1 January 2002	
	10p ordinary shares Beneficial	Options	10p ordinary shares Beneficial	Options
C.T. Savage	9,417	99,728	6,417	84,728
P.T. Clough	5,000	48,152	5,000	33,152

The above options were granted under the terms of the Bodycote International Executive Share Option Schemes 1994 and 1996, and are exercisable between 28 November 1999 and 16 September 2009 at prices between 134.5p and 258.73p per share.

The directors do not have any other interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Auditors

On 31 July 2002 Arthur Andersen resigned as auditors of the Company and the directors appointed Deloitte & Touche to fill the casual vacancy. On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386(2) of the Companies Act 1985.

Hulley Road
Hurdsfield
Macclesfield
Cheshire
SK10 2SG

By order of the Board,


J.R. Grime
Secretary

25 September 2003

To the shareholders of Bodycote Shu Coatings Limited

We have audited the financial statements of Bodycote Shu Coatings Limited for the year ended 31 December 2002, which comprise the profit and loss account, balance sheet and the related notes numbered 1 to 6. 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 law and United Kingdom Accounting Standards 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 United Kingdom 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 to you 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 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 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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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 affairs of the company at 31 December 2002 and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Manchester

25 September 2003

Balance sheet

31 December 2002

	Notes	2002 £	2001 £
Current assets			
Creditors: Amounts falling due within one year	3	(157,232)	(157,232)
Net liabilities		<u>(157,232)</u>	<u>(157,232)</u>
Capital and reserves			
Called-up share capital	4	1,001	1,001
Profit and loss account		<u>(158,233)</u>	<u>(158,233)</u>
Equity shareholders' deficit		<u>(157,232)</u>	<u>(157,232)</u>

The company remained dormant, as defined in Section 249AA of the Companies Act 1985, throughout the year.

Signed on behalf of the board:



C.T. Savage
Director

25 September 2003

The accompanying notes are an integral part of this balance sheet.

Notes to the financial statements

31 December 2002

1 Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The company did not trade during the year or the previous year and accordingly it made neither a profit nor a loss. No profit and loss account is therefore presented.

2 Directors' remuneration

None of the directors received any remuneration in respect of their services to the company during the year (2001 - £nil).

3 Creditors: Amounts falling due within one year

	2002 £	2001 £
Amounts owed to other group companies	<u>157,232</u>	<u>157,232</u>

4 Called-up share capital

	2002 £	2001 £
Authorised, allotted, called up and fully-paid 1,001 ordinary shares of £1 each	<u>1,001</u>	<u>1,001</u>

5 Ultimate controlling party

The ultimate holding company is Bodycote International plc, a company incorporated in England and Wales. Copies of the group financial statements may be obtained from The Secretary, Bodycote International plc, Hulley Road, Hurdsfield, Macclesfield, Cheshire SK10 2SG.

6 Related party transactions

As a subsidiary undertaking of Bodycote International plc, the company has taken advantage of the exemption in FRS 8, 'Related Party Disclosures', from disclosing transactions with other members of the group headed by Bodycote International plc.