

Metaldyne International (UK) Ltd
Annual report and accounts
for the year ended 31 December 2001

Registered number: 3384705



Metaldyne International (UK) Ltd

Annual report and accounts for the year ended 31 December 2001

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Metaldyne International (UK) Ltd

Directors' report for the year ended 31 December 2001

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

Principal activities and business review

The principal activity comprises the manufacture and distribution of dampers and rubber products for automotive and industrial applications.

The results for the year, which include exceptional items in relation to termination of the rubber production facility, are shown in the profit and loss account on page 4.

The directors expect that the current business activity will continue, focusing on the Heavy Duty markets.

During 2002 the engineering activities previously carried out by the company on behalf of its sister companies in Europe were transferred to those locations.

Proposed dividend

The directors do not propose the payment of a dividend for the year (2000: Nil).

Directors and their interests

The directors who served during the year were:

Edward S Ahmad	(resigned 31 August 2002)
Terence J Busby	(resigned 30 September 2002)
Vinod Khilnani	(resigned 1 April 2001)
Roy E Parrott	
Christopher M Reynier	(appointed 1 April 2001)
George P Thanopoulos	(appointed 11 September 2002)
Yves J R Gerard	(appointed 11 September 2002)
Denis R L Bardou	(appointed 11 September 2002)

In the year under review there were no disclosable directors' interests recorded in the register of directors' interests maintained by this company.

Research and Development Activities

The company carries out research and development activities in respect of dampers and rubber products for automotive and industrial applications.

Metaldyne International (UK) Ltd

Directors' report for the year ended 31 December 2001 (continued)

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each 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:

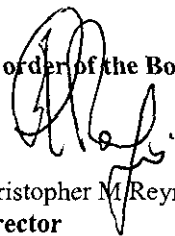
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume 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 United Kingdom 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

KPMG resigned as auditors on 20 September 2001 and PricewaterhouseCoopers were appointed to fill the resultant vacancy. The auditors PricewaterhouseCoopers have indicated a willingness to continue in office, a resolution to reappoint the auditors, PricewaterhouseCoopers will be proposed at the Annual General Meeting.

By order of the Board


Christopher M. Reynier
Director

20/12/02.

Independent auditors' report to the members of Metaldyne International (UK) Limited

We have audited the financial statements on pages 4 to 18.

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 are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

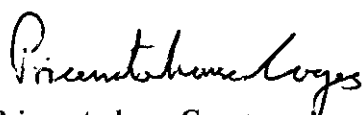
Basis of audit opinion

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 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 at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Birmingham 20th Decmbr 2002

Metaldyne International (UK) Ltd

Profit and loss account for the year ended 31 December 2001

	Note	2001 £	2000 £
Turnover - continuing operations	2	13,908,330	14,817,353
- discontinued operations	2	539,496	1,299,467
Turnover		14,447,826	16,116,820
Cost of sales	3	(11,667,407)	(12,806,535)
Gross profit	3	2,780,419	3,310,285
Distribution costs	3	(356,726)	(279,770)
Administrative expenses	3	(2,862,161)	(3,769,486)
Operating loss - continuing operations	3	(281,019)	(623,501)
- discontinued operations	3	(157,449)	(115,470)
Exceptional loss on termination of operations	7	(987,924)	-
Loss on ordinary activities before interest		(1,426,392)	(738,971)
Interest receivable and similar income	8	25,485	53,508
Interest payable and similar charges	9	(396,254)	(668,969)
Other income		5,627	110,124
Loss on ordinary activities before taxation		(1,791,534)	(1,244,308)
Taxation on loss on ordinary activities	10	-	-
Loss on ordinary activities after taxation		(1,791,534)	(1,244,308)
Loss for the financial period	19	(1,791,534)	(1,244,308)

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

The company has no recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statement of recognised gains and losses has been presented.

A statement of movements in reserves and shareholders' funds is set out in notes 19 and 20.

Metaldyne International (UK) Ltd

Balance sheet as at 31 December 2001

	Notes	2001 £	2000 £
Fixed assets			
Intangible assets	11	5,520,064	5,937,542
Tangible assets	12	3,130,541	3,776,557
		8,650,605	9,714,099
Current assets			
Stocks	13	815,856	626,453
Debtors	14	3,765,648	2,952,352
Cash at bank and in hand		368,253	2,259,406
		4,949,757	5,838,211
Creditors: amounts falling due within one year	15	(3,591,840)	(3,648,283)
Net current assets		1,357,917	2,189,928
Total assets less current liabilities		10,008,522	11,904,027
Creditors: amounts falling due after more than one year	16	(9,934,723)	(10,035,694)
Provisions for liabilities and charges	17	(28,066)	(31,066)
Net assets		45,733	1,837,267
Capital and reserves			
Called up equity share capital	18	6,662,787	6,662,787
Share premium account	19	999,205	999,205
Profit and loss account	19	(7,616,259)	(5,824,725)
Shareholders' funds – equity.	20	45,733	1,837,267

The financial statements on pages 4 to 18 were approved by the board of directors on the date shown below and were signed on its behalf by:



Christopher M Reynier
Director

20/12/02 .

Metaldyne International (UK) Ltd

Notes to the financial statements for the year ended 31 December 2001

1a Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Changes in accounting policies

The company is applying the transitional provisions of Financial Reporting Standard No 17 "Retirement Benefits" in the current year.

The company has adopted Financial Reporting Standard No 18 "Accounting Policies" and this has not resulted in any change in accounting policies.

Basis of preparation

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

Turnover

Turnover comprises the invoiced value of goods supplied by the company, exclusive of value added tax.

Cash flow statement

Under paragraph 5(a) of Financial Reporting Standard No 1 (Revised 1996), the company is exempt from the requirement to prepare a cash flow statement.

Goodwill

Goodwill arising (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalized. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life in accordance with FRS 10 Goodwill and Intangible assets. Any excess of the aggregate of the fair value of the separable net assets acquired over the fair value of the consideration given (negative goodwill) is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

Stocks

Stocks are stated at the lower of cost and net realisable value. Work in progress and finished goods are based on material content and attributable production costs.

Deferred taxation

Deferred taxation is provided for under the liability method using the tax rates estimated to arise when the timing difference reverses and is accounted for to the extent that it is probable that a liability or asset will crystallise.

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Metaldyne International (UK) Ltd

Notes to the financial statements for the year ended 31 December 2001 (continued)

1a Accounting policies (continued)

Leased assets

Assets acquired under finance leases and hire purchase agreements are capitalised in the balance sheet and depreciated over their useful lives. The capital elements of future obligations are included as liabilities on the balance sheet. The associated finance charge is charged in the profit and loss account so as to give a constant periodic rate of charge.

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Foreign currency

Transactions in foreign currencies are recorded using an average rate for the month of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Pension costs

The company contributes to a defined benefit pension scheme for the benefit of its employees. The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the period benefiting from employees' services.

1b Estimation techniques

Depreciation and amortisation

Depreciation and amortisation is provided by the company to write off the cost less estimated residual value of tangible and intangible fixed assets, other than freehold land, by equal instalments over their estimated useful economic lives as follows:

Depreciation

Freehold buildings	5%	per annum
Plant and equipment	10% - 25%	per annum
Fixtures and fittings	10%	per annum
Computer equipment	25% - 33%	per annum

Amortisation

Goodwill	5%	per annum
Patents and licenses	2.5% - 5%	per annum

During the year, the directors revised their estimate of the useful economic life of goodwill from 40 years to 20 years. The remaining balance of goodwill will be written off in equal instalments over the remainder of the 20 years since purchase. The directors consider the revised period of amortisation to be appropriate given current and expected future market conditions.

Stock provisions

Provision is made for slow moving and obsolete stocks at a rate of 10% of the gross stocks balance.

Provision for doubtful debts

All debtors are assessed individually and provision is made for all those debts which are considered by management to be doubtful.

Metaldyne International (UK) Ltd

Notes to the financial statements for the year ended 31 December 2001 (continued)

2 Turnover

The turnover and pre-tax profit is attributable to the company's principal trading activity. In the opinion of the directors, further disclosures relating to turnover, profit before taxation and net assets would be seriously prejudicial to the interests of the company.

3 Cost of sales, gross profit, distribution costs and administrative expenses

	Continuing 2001 £	Discontinued 2001 £	Total 2001 £	Continuing 2000 £	Discontinued 2000 £	Total 2000 £
Turnover	13,908,330	539,496	14,447,826	14,817,353	1,299,467	16,116,820
Cost of sales	(11,039,327)	(628,080)	(11,667,407)	(11,541,184)	(1,265,351)	(12,806,535)
Gross profit/(loss)	2,869,003	(88,584)	2,780,419	3,276,169	34,116	3,310,285
Distribution costs	(341,609)	(15,117)	(356,726)	(258,900)	(20,870)	(279,770)
Administrative	(2,808,413)	(53,748)	(2,862,161)	(3,640,770)	(128,716)	(3,769,486)
Operating loss	(281,019)	(157,449)	(438,468)	(623,501)	(115,470)	(738,971)

4 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging:

	2001 £	2000 £
Depreciation of owned fixed assets	765,409	845,578
Depreciation of assets held under finance leases	116,596	105,524
Auditors' remuneration		
Audit fees		
- PricewaterhouseCoopers	22,570	-
- KPMG	-	16,750
Other fees		
- KMPG	-	12,775
Operating lease expense – hire of plant and machinery	80,434	102,288

Metaldyne International (UK) Ltd

Notes to the financial statements for the year ended 31 December 2001 (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	2001	2000
	Number	Number
Office staff	55	61
Manufacturing and construction	88	101
	143	162

The aggregate payroll costs of these persons were as follows:

	2001	2000
	£	£
Wages and salaries	4,516,388	4,599,933
Social security costs	367,071	369,003
Other pension costs	330,892	367,229
	5,214,351	5,336,165

6 Remuneration of directors

	2001	2000
	£	£
Emoluments:		
Management services	304,124	315,259
Company contributions to defined contribution schemes	14,585	13,452
	318,709	328,711

Retirement benefits are accruing to 3 (2000:3) directors under defined benefit schemes.

	2001	2000
	£	£
The highest-paid director		
Aggregate emoluments	177,609	171,101
Defined benefit scheme:		
Accrued pension at end of period	11,333	7,808
Accrued lump sum at end of period	56,502	45,937

Metaldyne International (UK) Ltd

Notes to the financial statements for the year ended 31 December 2001 (continued)

7 Exceptional item

The exceptional item of £987,924 relates to the termination of the rubber production facility. Loss on termination comprises £484,638 in relation to redundancy costs, £303,082 relating to disposal of fixed assets and £200,204 of other costs. The impact of this item on the tax charge for the year is nil.

8 Interest receivable and similar income

	2001	2000
	£	£
Bank interest	25,485	53,508

9 Interest payable and similar charges

	2001	2000
	£	£
On parent company loan	377,821	646,877
Hire purchase interest	18,433	22,092
	396,254	668,969

10 Tax on profit on ordinary activities

There is no tax payable due to trading loss incurred during the period.

Metaldyne International (UK) Ltd

Notes to the financial statements for the year ended 31 December 2001 (continued)

11 Intangible fixed assets

	Patents and licenses £	Goodwill £	Total £
Cost			
At 1 January 2001 and 31 December 2001	3,955,404	3,013,575	6,968,979
Amortisation			
At 1 January 2001	760,921	270,516	1,031,437
Charge for the period	256,138	161,340	417,478
At 31 December 2001	1,017,059	431,856	1,448,915
Net book amount			
At 31 December 2000	3,194,483	2,743,059	5,937,542
At 31 December 2001	2,938,345	2,581,719	5,520,064

Metaldyne International (UK) Ltd

Notes to the financial statements for the year ended 31 December 2001 (continued)

12 Tangible fixed assets

	Freehold land and buildings £	Plant and equipment £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 January 2001	650,000	5,162,985	86,580	844,188	6,743,753
Additions	-	382,407	4,885	207,631	594,923
Disposals	-	(903,101)	-	(422)	(903,523)
At 31 December 2001	650,000	4,642,291	91,465	1,051,397	6,435,153
Depreciation					
At 1 January 2001	89,906	2,238,944	31,499	606,847	2,967,196
Charge for the period	25,594	648,105	8,654	199,652	882,005
Disposals	-	(544,167)	-	(422)	(544,589)
At 31 December 2001	115,500	2,342,882	40,153	806,077	3,304,612
Net book amount					
At 31 December 2000	560,094	2,924,041	55,081	237,341	3,776,557
At 31 December 2001	534,500	2,299,409	51,312	245,320	3,130,541

Included in computer equipment above are assets held under finance leases with a net book value of £91,560 (2000: £142,307) after charging depreciation of £116,596 (2000: £105,524) in the period.

13 Stocks

	2001 £	2000 £
Raw materials and consumable stocks	434,828	352,471
Work in progress	11,168	52,000
Finished goods	369,860	221,982
	815,856	626,453

Metaldyne International (UK) Ltd

Notes to the financial statements for the year ended 31 December 2001 (continued)

14 Debtors

	2001	2000
	£	£
Trade debtors	1,509,060	2,028,687
Amounts owed by group undertakings-Trade	1,405,135	666,915
Amounts owed by group undertakings-Bridging Loan	675,000	-
Other debtors	188	101,974
VAT recoverable	134,855	129,083
Prepayments and accrued income	41,410	25,693
	3,765,648	2,952,352

15 Creditors: amounts falling due within one year

	2001	2000
	£	£
Bank loans and overdraft	843,287	979,008
Trade creditors	999,843	1,147,824
Amounts owed under finance leases	98,878	121,300
Amounts owed to group undertakings	71,572	112,915
Other taxes and social security	92,818	145,520
Other creditors	943,096	974,474
Accruals and deferred income	542,346	167,242
	3,591,840	3,648,283

Metaldyne International (UK) Ltd

Notes to the financial statements for the year ended 31 December 2001 (continued)

16 Creditors: amounts falling due after more than one year

	2001	2000
	£	£
Amounts owed to group undertakings	9,858,282	9,948,609
Amounts owed under finance leases (due within 2-5 years)	76,441	87,085
	9,934,723	10,035,694

Amounts owed to group undertakings above are interest bearing at 6.5% to 6.7% and are not subject to fixed repayment terms. The parent company has given an undertaking to the company that these amounts will not be subject to repayment within twelve months.

17 Provisions for liabilities and charges

	Total
	2001
	£
Provision at 1 January 2001	31,066
Utilised in the period	(3,000)
At 31 December 2001	28,066

The above provisions include liabilities in respect of employment related and other operational costs.

The unprovided amounts of deferred taxation for timing differences are as follows:

	2001	2000
	£	£
Accelerated capital allowances	174,500	213,795
Short term timing differences	(84,108)	(84,108)
Losses	(2,061,103)	(1,821,978)
Deferred tax asset not provided	(1,970,711)	(1,692,291)

The deferred tax asset has not been provided due to uncertainty relating to when the recovery of the tax losses carried forward will take place.

Metaldyne International (UK) Ltd

Notes to the financial statements for the year ended 31 December 2001 (continued)

18 Called up equity share capital

	2001	2000
	£	£
Authorised		
Ordinary shares of £1 each	7,000,000	7,000,000
Allotted, issued, called up and fully paid		
Ordinary shares of £1 each	6,662,787	6,662,787

19 Reserves

	Share premium account	Profit and loss account	Total
	£	£	£
At 1 January 2001	999,205	(5,824,725)	(4,825,520)
Retained loss for the year	-	(1,791,534)	(1,791,534)
At 31 December 2001	999,205	(7,616,259)	(6,617,054)

20 Reconciliation of shareholders' funds

	2001	2000
	£	£
Opening shareholders' funds	1,837,267	3,081,575
Loss for the financial period	(1,791,534)	(1,244,308)
Closing shareholders' funds	45,733	1,837,267

Metaldyne International (UK) Ltd

Notes to the financial statements for the year ended 31 December 2001 (continued)

21 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2001		2000	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Operating leases which expire:				
- within one year	-	14,205	-	9,344
- in the second to fifth years inclusive	-	36,016	-	52,096
	-	50,221	-	61,440

There were £nil capital commitments as at the year end (2000: £nil).

22 Pension arrangements

As explained in the accounting policies set out on pages 6 and 7, the company operates a funded pension scheme providing benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the costs of pensions over employees' working lives with the company. The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 April 1999. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 5-6% per annum, that salary increases would average 3.7% per annum and that present and future pensions would increase at the rate of 4% per annum.

The pension cost for the company was £330,892 (2000: £367,229).

The most recent actuarial valuation showed that the market value of the scheme's assets was £6.7 million and that the actuarial value of those assets represented 100% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

Contributions amounting to £38,784 (2000: £47,880) payable to the fund are included in creditors.

Metaldyne International (UK) Ltd

Notes to the financial statements for the year ended 31 December 2001 (continued)

22 Pension arrangements (continued)

Financial reporting standard 17

The company is also required to report on the pension fund under Financial Reporting Standard 17, for information only. The results of the actuarial valuation at 1 April 1999 were projected to 31 December 2001 and then recalculated based upon the following assumptions:

Valuation method	Projected Unit
Discount rate	5.8%
Inflation rate	2.5%
Pensions increase	2.5%
Salary increases	3.5%

	Market value at 31 December 2001	Expected return for year ending
	£'000	31 December 2002
Assets		
Equities	5,005	7.8%
Gilts	2,397	5.0%

	£'000
Balance sheet	
Assets	7,402
Liabilities	(8,184)
Deficit	(782)
Related deferred tax asset	235
Net pension liability	(547)

Metaldyne International (UK) Ltd

Notes to the financial statements for the year ended 31 December 2001 (continued)

22 Pension arrangements (continued)

If the above amounts had been recognised in the financial statements, the company's net assets and profit and loss reserve at 31 December 2001 would be as follows:

	£'000
Net assets excluding pension liability	46
Pension liability	(547)
Net liabilities including pension liability	(501)
Profit and loss reserve excluding pension liability	(7,616)
Pension reserve	(547)
Profit and loss reserve	(8,163)

23 Related party transactions

As a wholly owned subsidiary of Simpson International Finance BV, the company, under the terms of Financial Reporting Standard no. 8 – Related Party Disclosures, has not disclosed transactions with other group companies.

24 Ultimate parent undertaking

Metaldyne Corporation (formerly MascoTech Incorporated) which is registered in the USA, is the ultimate parent undertaking of Metaldyne International (UK) Ltd.

The immediate parent undertaking of the company is Simpson International Finance BV which is incorporated and registered in the Netherlands.

Copies of the accounts for Metaldyne Corporation may be obtained from 131 Parkinson Lane, Halifax, HX1 3RD.