

Kemlite Limited

Report and Financial Statements

For the year ended 31 December 2002

**Deloitte & Touche LLP
Southampton**



REPORT AND FINANCIAL STATEMENTS 2002

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D J Pickett
E C Fast
R W Schueller

SECRETARY

G Redshaw

REGISTERED OFFICE

25 Caker Stream Road
Alton
Hampshire
GU34 2QF

BANKERS

Natwest Bank plc
Carlyle House
Carlyle Road
Cambridge
CB4 3DH

SOLICITORS

Dutton Gregory
Trussell House
23 St Peters Street
Winchester
SO23 8BT

AUDITORS

Deloitte & Touche LLP
Chartered Accounts and Registered Auditors
Southampton

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2002.

ACTIVITIES

The principal activity of the company is the manufacture of plastic laminates.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

Turnover for the period was £5.885 million giving rise to a profit after tax of £87,000. The company undertakes an active programme of continuous development and improvement driven by the Operational Excellence programme that encompasses lean manufacturing and improving customer satisfaction.

The result for the year represents twelve months of solid achievement which has laid the foundation for the ongoing development of products for the world market.

DIVIDENDS

The directors do not recommend the payment of any dividend for the period (2001: £nil).

DIRECTORS AND THEIR INTERESTS

The present membership of the board is set out below. All directors served throughout the year.

Directors

Richard William Schueller

Eric Carson Fast

David John Pickett

Secretary

Graham Redshaw

David John Pickett resigned as Company secretary on 1 September 2002. Graham Redshaw was appointed as Company Secretary on 1 September 2002.

The directors of the company did not have any interest in the shares of the company during the period. The interest of E C Fast who is a director of the ultimate parent company, Crane Co Inc., is disclosed in that company's financial statements. R W Schueller and D J Pickett did not have any interest in the shares of any other group company during the year.

AUDITORS

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.

A resolution for the re-appointment of Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board



David Pickett

Director

5th Sept 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial period which *give a true and fair view of the state of affairs of the company as at the end of the financial period 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; 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 KEMLITE LIMITED

We have audited the financial statements of Kemlite Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 19. 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above period and consider the implications for our report if we become aware of any apparent misstatements.

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 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 as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Southampton

8 September 2003

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2002

		Year ended 31 December 2002 £'000	14 months ended 31 December 2001 £'000
	Note		
TURNOVER: continuing operations	2	5,885	4,761
Cost of sales		(4,381)	(3,821)
Gross profit		1,504	940
Distribution costs		(329)	(230)
Administrative expenses		(980)	(813)
OPERATING PROFIT/(LOSS): continuing operations	3	195	(103)
Interest payable and similar charges	5	(36)	(30)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		159	(133)
Tax on profit/(loss) on ordinary activities	6	(72)	18
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL PERIOD	14	87	(115)

There have been no recognised gains and losses attributable to the shareholders other than the retained profit/(loss) for the current and prior financial periods respectively and, accordingly, no statement of total recognised gains and losses or reconciliation of movements in shareholders' funds is shown.

BALANCE SHEET
31 December 2002

	Note	31 December 2002 £'000	31 December 2001 £'000
FIXED ASSETS			
Intangible assets	7	2,074	2,190
Tangible assets	8	800	806
		<u>2,874</u>	<u>2,996</u>
CURRENT ASSETS			
Stocks	9	772	773
Debtors	10	1,273	1,418
Cash at bank and in hand		165	84
		<u>2,210</u>	<u>2,275</u>
CREDITORS: amounts falling due within one year	11	<u>(1,157)</u>	<u>(1,472)</u>
NET CURRENT ASSETS		<u>1,053</u>	<u>803</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,927</u>	<u>3,799</u>
PROVISIONS FOR LIABILITIES AND CHARGES	12	<u>(121)</u>	<u>(80)</u>
		<u>3,806</u>	<u>3,719</u>
CAPITAL AND RESERVES			
Called up share capital	13	-	-
Share premium account	14	3,834	3,834
Profit and loss account deficit	14	(28)	(115)
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>3,806</u>	<u>3,719</u>

These financial statements were approved by the Board of Directors on ~~5TH SEPTEMBER~~ 2003.

Signed on behalf of the Board of Directors



David Pickett

Director

NOTES TO THE ACCOUNTS

For the year ended 31 December 2002

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Goodwill and intangible fixed assets

Purchased goodwill is capitalised in the year in which it arises and amortised over its estimated useful life up to a maximum of 20 years with a full year's amortisation charge in the first year. The directors regard 20 years as a maximum for the estimated useful life of goodwill since it is difficult to make projections exceeding this period.

Patent costs are valued at cost on acquisition and are amortised in equal annual amounts over their estimated useful economic lives (20 years).

Tangible fixed assets

Tangible fixed assets are stated at cost, less depreciation and provision for any impairment.

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Leasehold buildings	4% per annum
Plant and equipment	10% per annum
Motor vehicles	33% per annum

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Leases

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pensions

The company operates a defined contribution pension scheme. The pension cost represents contributions payable by the company during the period, which are charged to the profit and loss account as incurred.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2002

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services within one class of business which fall within the company's ordinary activities after deduction of trade discounts and Value Added Tax.

	Year ended 31 December 2002 £'000	14 months ended 31 December 2001 £'000
By geographical area:		
United Kingdom and the Republic of Ireland	3,888	3,313
Continental Europe	1,457	1,323
Other	540	125
	<u>5,885</u>	<u>4,761</u>

3. OPERATING PROFIT/(LOSS)

	Year ended 31 December 2002 £'000	14 months ended 31 December 2001 £'000
Operating profit/(loss) is stated after charging:		
Depreciation of owned assets	97	81
Amortisation	116	108
Rentals under operating leases:		
Land and buildings	144	135
Hire of plant and machinery	19	8
Other operating leases	16	2
Foreign exchange loss	4	18
Auditors' remuneration – audit services	12	12
	<u>12</u>	<u>12</u>

NOTES TO THE ACCOUNTS
For the year ended 31 December 2002

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 December 2002 £'000	14 months ended 31 December 2001 £'000
Directors' remuneration		
Fees	57	47
Other emoluments	1	1
Pension contributions	7	5
	<u>65</u>	<u>53</u>
	No.	No.
Number of directors who are members of defined contribution pension scheme	<u>1</u>	<u>1</u>
Average number of persons employed		
Production	21	18
Administration	17	17
	<u>38</u>	<u>35</u>
	£'000	£'000
Staff costs during the period (including directors)		
Wages and salaries	890	698
Social security costs	85	66
Pension costs	47	32
	<u>1,022</u>	<u>796</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2002 £'000	14 months ended 31 December 2001 £'000
Intercompany loan interest	<u>36</u>	<u>30</u>

NOTES TO THE ACCOUNTS
For the year ended 31 December 2002

6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	Year ended 31 December 2002 £'000	14 months ended 31 December 2001 £'000
<i>Current taxation</i>		
UK corporation tax charge/(credit) for the year	31	(98)
<i>Deferred taxation</i>		
Origination and reversal of timing differences (see note 12)	41	80
Tax on profit/(loss) on ordinary activities	72	(18)

The tax assessed for the year is lower (2001: higher) than that resulting from applying the standard 30% rate of corporation tax in the UK (2001: 30%). The differences are explained below.

	2002 %	2001 %
Standard rate tax as a percentage of profits	30	30
<i>Factors affecting charge for the year:</i>		
Expenses not deductible for tax purposes	15	(17)
Capital allowances in excess of depreciation	(45)	64
Movement in short term timing differences	19	(4)
Current tax rate for year as a percentage of profits	19	73

NOTES TO THE ACCOUNTS
For the year ended 31 December 2002

7. INTANGIBLE FIXED ASSETS

	Patents	Goodwill	Total
	£'000	£'000	£'000
Cost			
At 1 January 2002 and 31 December 2002	975	1,323	2,298
Accumulated depreciation			
At 1 January 2002	44	64	108
Charge for the year	49	67	116
At 31 December 2002	93	131	224
Net book value			
At 31 December 2002	882	1,192	2,074
At 31 December 2001	931	1,259	2,190

8. TANGIBLE FIXED ASSETS

	Leasehold buildings	Plant and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2002	10	858	19	887
Additions	-	92	-	92
Transfers from other group companies	-	31	-	31
Disposals	-	(1)	(8)	(9)
At 31 December 2002	10	980	11	1,001
Accumulated depreciation				
At 1 January 2002	1	74	6	81
Charge for the period	4	88	5	97
Transfers from other group companies	-	28	-	28
Disposals	-	(1)	(4)	(5)
At 31 December 2002	5	189	7	201
Net book value				
At 31 December 2002	5	791	4	800
At 31 December 2001	9	784	13	806

NOTES TO THE ACCOUNTS
For the year ended 31 December 2002

9. STOCKS

	31 December 2002 £'000	31 December 2001 £'000
Raw materials	404	485
Finished goods and goods for resale	368	288
	<u>772</u>	<u>773</u>

10. DEBTORS

	31 December 2002 £'000	31 December 2001 £'000
Trade debtors	1,133	1,164
Amounts owed by group undertakings	2	22
Other debtors	62	28
Prepayments	76	106
Corporation tax recoverable	-	98
	<u>1,273</u>	<u>1,418</u>

All amounts are due within one year.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2002 £'000	31 December 2001 £'000
Bank overdrafts	-	90
Trade creditors	474	555
Amounts owed to group undertakings	580	661
Corporation tax	31	-
Other taxes and social security	43	108
Accruals and deferred income	29	58
	<u>1,157</u>	<u>1,472</u>

NOTES TO THE ACCOUNTS
For the year ended 31 December 2002

12. PROVISIONS FOR LIABILITIES AND CHARGES

	£'000
<i>Deferred taxation movement for the period</i>	
Balance as at 1 January 2002	80
Charged to profit and loss account (see note 6)	41
	<hr/>
Balance at 31 December 2002	121
	<hr/>

Deferred taxation is analysed as follows:

	31 December 2002 £'000	31 December 2001 £'000
Capital allowances in advance of depreciation	157	85
Other timing differences	(36)	(5)
	<hr/>	<hr/>
	121	80
	<hr/>	<hr/>

13. CALLED UP SHARE CAPITAL

	31 December 2002 £'000	31 December 2001 £'000
Authorised		
1,000 ordinary shares of £1 each	1	1
	<hr/>	<hr/>
Called up, allotted and fully paid		
1 ordinary share of £1 each	-	-
	<hr/>	<hr/>

One £1 ordinary share was issued for cash consideration of £1 on incorporation of the company.

14. RESERVES

	Share premium account £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2002	3,834	(115)	3,719
Profit for the period	-	87	87
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2002	3,834	(28)	3,806
	<hr/>	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
For the year ended 31 December 2002

15. FINANCIAL COMMITMENTS

Operating lease commitments

	Land and buildings £'000	Other £'000
Leases which expire:		
Within one year	43	5
Within two to five years	83	30
	<u>126</u>	<u>35</u>

16. PENSION SCHEME

The company operates a defined contribution pension scheme for all employees and contributions are charged to the profit and loss account as they arise. The contributions paid in the period amounted to £47,000 (2001: £32,000). There were no outstanding contributions payable at the year end (2001: £nil).

17. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption contained within FRS 8 not to disclose transactions with group companies as it is a 100% subsidiary of Crane Inc., whose consolidated accounts are publicly available.

18. CASH FLOW STATEMENT

The company has taken advantage of the exemption contained with FRS 1 not to prepare a cash flow as it is a 100% subsidiary of Crane Inc., whose consolidated financial statements are publicly available.

19. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The ultimate parent company and controlling party, which heads the smallest and largest group for which consolidated accounts are produced, is Crane Co Inc., which is incorporated in the USA. Copies of the consolidated financial statements of the ultimate parent company can be obtained from Crane Co, Executive offices, 100 First Stamford Place, Stamford, CT 06902, USA.