

Caledonian Alloys Limited
Annual report
for the year ended 31 March 2002

Registered Number SC162625



Caledonian Alloys Limited

Annual report for the year ended 31 March 2002

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Caledonian Alloys Limited

Directors and Advisors for the year ended 31 March 2002

Directors

Mr H Stewart (Chairman)
Mr R McNab (Managing Director)
Mr D G Sked
Mr A Ritchie (resigned 26 June 2001)
Mr D W Anderson
Mr R B G Dingwall

Secretary

Mr H Stewart

Auditors

PricewaterhouseCoopers
Kintyre House
209 West George Street
GLASGOW
G2 2LW

Solicitors

McGrigor Donald
Pacific House
70 Wellington Street
GLASGOW
G2 6SD

Registered Office

Wyman Gordon Complex
Houston Road
Livingston
EH54 5BZ

Registered Number

SC162625

Bankers

Bank of Scotland
110 Queen Street
GLASGOW
G1 3BY

Caledonian Alloys Limited

Directors' report for the year ended 31 March 2002

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

Principal activities

The principal activity of the company is the recycling of complex alloys for reverting back into the vacuum melting industry.

Review of business and future developments

The company has grown in line with previous years as it continues to achieve success in providing services closely aligned to its customer's requirements. The year to 31 March 2002 was the most successful in the company's relatively short life despite the trading difficulties its customers have faced since the September 11th tragedy.

The company experienced a downturn in activity following September 11th, but has worked closely with its customers in new initiatives. The outlook is more uncertain as all our customers face difficulty trading conditions. An indication of this was Special Metals USA filing for Chapter 11 in March 2002 which has resulted in the company having to provide for a bad debt of around \$200,000.

Despite this uncertainty the current year has started well although at lower volumes. The company is confident that it can continue to develop its services in the coming year.

Results and dividends

The profit and loss account for the period is set out on page 5. The company recorded a profit before tax of £1,181,000 (2001: £514,000).

The directors recommend a final dividend of £834,000 in respect of the year ended 31 March 2002 (31 March 2001 - £nil).

Directors

The directors of the company at 31 March 2002 are noted on page 1.

Directors' interests

No directors had any interest in the issued share capital of the company at 31 March 2002. The interests of the directors in the shares of the parent company are shown in the accounts of that company.

Creditor payment policy

The company does not follow a universal code which deals specifically with payments to suppliers, but where appropriate, the company's practice is to:

- (i) settle the terms of the payment with those suppliers when agreeing the terms of each transaction;
- (ii) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- (iii) pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors for revenue and capital suppliers of goods and services without exception.

The company's average creditors payment period at 31 March 2002 was 127 days (2001: 152 days).

Caledonian Alloys Limited

Employees

The company's policy is to consult and discuss with employees, at meetings, matters likely to affect employees' interests.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

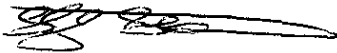
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



H Stewart

Secretary

6 August 2002

Caledonian Alloys Limited

Independent auditors' report to the members of Caledonian Alloys Limited

We have audited the financial statements which comprise the profit and loss account, balance sheet and the related notes.

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.

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.

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.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

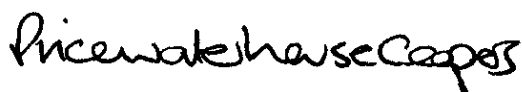
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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.

We read the other information contained in the annual report and consider the implications of our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Glasgow

6 August 2002

Caledonian Alloys Limited

Profit and loss account for the year ended 31 March 2002

	<i>Note</i>	2002 £'000	2001 £'000
Turnover	1	13,993	10,664
Cost of sales		(9,706)	(7,563)
Gross profit		4,287	3,101
Net operating expenses		(3,008)	(2,401)
Operating profit		1,279	700
Interest payable and similar charges	4	(98)	(186)
Profit on ordinary activities before taxation	5	1,181	514
Tax on profit on ordinary activities	6	(309)	(115)
Profit for the financial year		872	399
Dividends – on ordinary shares	7	(834)	-
Retained profit for the financial year	16	38	399

All operations are continuing.

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

There is no difference between the profit on ordinary activities before and after taxation and their historical cost equivalents.

Caledonian Alloys Limited

Balance sheet as at 31 March 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	8	1,390	1,231
Current assets			
Stocks	9	2,100	2,378
Debtors	10	3,838	2,858
		5,938	5,236
Creditors: amounts falling due within one year	11	(6,301)	(4,930)
Net current (liabilities)/assets		(363)	306
Total assets less current liabilities		1,027	1,537
Creditors : amounts falling due after more than one year	12	(111)	(683)
Provisions for liabilities and charges	13	(173)	(137)
Deferred income	14	(71)	(83)
Net assets		672	634
Capital and reserves			
Called up share capital	15	-	-
Profit and loss account	16	672	634
Equity shareholders' funds	17	672	634

The financial statements on pages 5 to 15 were approved by the board of directors on 6 August 2002 and were signed on its behalf by:



H Stewart
Chairman

Caledonian Alloys Limited

Accounting policies

The financial statements 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.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Change in accounting policies

In November and December 2001, the Accounting Standards Board issued FRS 17 'Retirement Benefits', FRS 18 'Accounting Policies' and FRS 19 'Deferred Tax'.

FRS 17, FRS 18 and FRS 19 have been adopted in the current year, but they did not require any change in accounting policy.

Cash flow statement

The cash flows of the company are included in the consolidated cash flow statement in the financial statements of the ultimate holding company. Consequently the company is exempt under the terms of Financial Reporting Standard No 1 (Revised) from publishing a cash flow statement.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a reducing balance basis over the expected useful economic lives of the assets concerned, as follows:

Plant and equipment	15%
Office equipment	20 - 25%

No depreciation is provided on assets under construction. Depreciation is calculated from the date the asset is brought into use.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Government grants

Grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments. Grants of a revenue nature are credited to income in the period to which they relate.

Caledonian Alloys Limited

Stocks

Stock is stated at the lower of cost and net realisable value. Cost is based on weighted average purchase price. Provision is made for slow moving or obsolete stock items where necessary.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pensions costs

The company operates a money purchase pension scheme for certain of its employees. Costs are charged to the profit and loss account in the period in which they were incurred.

Finance costs

All borrowings are initially stated at the fair value of the consideration received after deduction of issue costs. Issue costs together with finance costs are charged to the profit and loss account over the term of the borrowings and represent a constant proportion of the balance of capital repayments outstanding.

Foreign currencies

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the date of the transactions; monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. All resulting differences are dealt with in the profit and loss account in the year in which they arise.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

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Notes to the financial statements for the year ended 31 March 2002

1 Turnover

Turnover consists of services provided in the United Kingdom and overseas. Segmental information has not been disclosed as in the opinion of the directors it would be seriously prejudicial to the interests of the business.

2 Directors' emoluments

	2002 £'000	2001 £'000
Aggregate emoluments	306	406
Ex-gratia payment to be made to retiring director	-	30
Company pension contributions to money purchase schemes	71	56
	377	492

There are 4 directors who are members of the money purchase pension scheme (2001: 5).

Highest paid director	2002 £'000	2001 £'000
Emoluments	90	93
Company pension contributions to money purchase scheme	22	14

3 Employee information

The average monthly number of persons (including the directors) employed by the company during the year was:

By activity	2002 Number	2001 Number
Production	59	50
Administration/Commercial	13	11
	72	61

Caledonian Alloys Limited

3 Employee information (continued)

	2002	2001
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	1,363	1,080
Social security costs	112	104
Pension costs paid to money purchase scheme	82	77
	1,557	1,261

4 Interest payable and similar charges

	2002	2001
	£'000	£'000
On bank overdrafts	78	175
On finance leases	20	11
	98	186

5 Profit on ordinary activities before taxation

	2002	2001
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation charge for the period:		
Tangible owned fixed assets	147	135
Tangible fixed assets held under finance leases	67	45
Operating lease rentals – land and buildings	129	130
Auditors' remuneration for:		
Audit	18	12
Other	43	3

Caledonian Alloys Limited

6 Tax on profit on ordinary activities

	2002	2001
	£'000	£'000
Taxation on the profit for the year		
United Kingdom corporation tax at 26.15% (2001: 24.6%)		
Current	271	59
Deferred	35	55
Under/(overprovision) in respect of prior year		
Current	2	-
Deferred	1	1
	309	115

Factors affecting tax charge for the year

The effective rate of tax is 26.15% (2001:22.37%). The differences are explained below.

	2002	2001
	£'000	£'000
Profit on ordinary activities before tax	1,181	541
Corporation tax at 30%	354	154
Expenses not deductible for tax (permanent differences)	6	3
Relief for small companies rate	-	(18)
Group relief not paid for	(54)	25
Adjustments to tax charge in respect of prior years	3	1
Tax charge (current and deferred)	309	115
Origination and reversal of timing differences – deferred tax charge	(36)	(56)
Current tax charge for year	273	59

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7 Dividends

	2002	2001
	£'000	£'000
Equity – Ordinary		
Final paid: £417,000 (2001: £Nil) per share	834	-
	834	-

8 Tangible fixed assets

	Plant and equipment £'000	Office equipment £'000	Total £'000
Cost			
At 1 April 2001	1,484	116	1,600
Additions	341	32	373
At 31 March 2002	1,825	148	1,973
Depreciation			
At 1 April 2001	339	30	369
Charge for year	194	20	214
At 31 March 2002	533	50	583
Net book value			
At 31 March 2002	1,292	98	1,390
At 31 March 2001	1,145	86	1,231

The net book value of tangible fixed assets includes an amount of £382,174 (2001: £449,616) in respect of assets held under finance leases.

The company has assets under construction amounting to £79,972. No depreciation has been charged on these assets.

9 Stock

	2002	2001
	£'000	£'000
Raw materials and consumables	2,100	2,378

Caledonian Alloys Limited

10 Debtors

	2002	2001
	£'000	£'000
Trade debtors	2,633	2,486
Amounts due from fellow subsidiaries	1,081	-
Other debtors	77	158
Prepayments and accrued income	47	214
	3,838	2,858

11 Creditors – Amounts falling due within one year

	2002	2001
	£'000	£'000
Bank loans and overdrafts	956	1,509
Trade creditors	3,380	3,152
Obligations under finance lease	83	62
Corporation tax	257	59
Other taxation and social security	36	64
Accruals and deferred income	218	84
Amounts owed to group	1,371	-
	6,301	4,930

The bank overdrafts are secured by a bond and floating charge on the assets of the company.

12 Creditors – amounts falling due after more than one year

	2002	2001
	£'000	£'000
Group company loans	-	537
Obligations under finance leases	111	146
	111	683

Caledonian Alloys Limited

Finance leases

The net finance lease obligations to which the company is committed are those falling due:

	2002	2001
	£'000	£'000
In one year or less	83	62
Between two and five years	111	146
	194	208

13 Provisions for liabilities and charges

Deferred taxation	2002	2001
	£'000	£'000
At 1 April 2001	137	81
Charged to the profit and loss account	36	56
At 31 March 2002	173	137

The amounts provided for deferred taxation, which represents the full potential liability, are set out below:

	2002	2001
	£'000	£'000
Accelerated capital allowances	195	162
Other timing differences	(22)	(25)
	173	137

14 Deferred income

	2002	2001
	£'000	£'000
At 1 April 2001	83	98
Transfer to profit and loss account	(12)	(15)
	71	83

Caledonian Alloys Limited

15 Called up share capital

	2002	2001
	£	£
Authorised, called up and fully paid share capital		
2 ordinary shares of £1 each	2	2

16 Profit and loss account

	Profit & loss account £'000
At 1 April 2001	634
Retained profit for the year	38
At 31 March 2002	672

17 Reconciliation of movements in shareholders' funds

	2002	2001
	£'000	£'000
Opening shareholders' funds	634	235
Profit for the financial year	38	399
Closing shareholders' funds	672	634

18 Capital commitments

There were no capital commitments entered into as at 31 March 2002 (2001: £nil).

Caledonian Alloys Limited

19 Financial commitments

At 31 March 2002 the company had annual commitment under non-cancellable operating leases.

	2002	2001
	£'000	£'000
Land and buildings		
Expiring under one year	-	-
Expiring in 2-5 years	129	129
	129	129

20 Related party transactions

Caledonian Alloys Limited is a wholly owned subsidiary of Caley Group Limited, a company registered in Scotland. As such all transactions for the year ended 31 March 2002 between Caley Group Limited and Caledonian Alloys Limited are exempt from disclosure.

21 Ultimate parent company

On 3 August 2001 Caledonian Aerotech Limited, a company registered in Scotland, became the ultimate parent company and controlling party when it acquired a 100% interest in the equity share capital of Caley Group Limited.