Valmet General Limited

Annual report

for the year ended 31 December 2002

Registered Number 2055148

Valmet General Limited

Annual report

for the year ended 31 December 2002

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Valmet General Limited

Directors and advisers

Directors
M Helander
S Carey

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Auditors
PricewaterhouseCoopers LLP
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Cambridge
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Belmont and Lowe
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Valmet General Limited

Directors' report for the year ended 31 December 2002

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

Principal activities
The company is principally engaged in the manufacture of vacuum metallisers.

Review of the business and future developments
The directors consider the result for the year to be disappointing; however they expect the current level of activity to continue for the foreseeable future with a reduction in the cost base.

The ultimate parent company Metso Corporation announced on 22 November 2002 the signing of a memorandum of understanding of its intention to sell the Valmet Converting group including its investment in Valmet General Limited to Bobst Group SA. The deal is expected to be completed during the second quarter of 2003.

Results and dividends
The company's loss for the financial year is £116,000 (2001: profit £496,000). The directors do not recommend the payment of a dividend (2001: £nil).

Directors
The directors who held office during the year are shown on page 1.

The directors who held office during the financial year had no interest in the shares of any group companies, as recorded in the register of directors' interests.

Research and development
The company conducts research and development on a continuing basis to improve the range of products. Development expenditure incurred on specific projects, that the company believe will have a long term impact upon the continued success of the company, are deferred until commercial production commences.

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 confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 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.

By order of the board

M Helander
Director

Valmet General Limited

Independent auditors' report to the members of Valmet General Limited

We have audited the financial statements which comprise the profit and loss account, the 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. This report, including the opinion, has been prepared for and only for the company's members as a body 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 into 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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cambridge 23 April 2003

Valmet General Limited

Profit and loss account for the year ended 31 December 2002

	Note	2002 £'000	2001 £'000
Turnover	2	**11,612**	13,297
Changes in stocks of finished goods and in work in progress		**840**	(1,493)
		12,452	11,804
Raw materials and consumables		**(8,455)**	(7,166)
Other external charges		**(447)**	(394)
Staff costs	5	**(2,371)**	(2,387)
Depreciation and other amounts written off tangible and intangible fixed assets		**(232)**	(308)
Other operating charges		**(1,021)**	(1,286)
		(12,526)	(11,541)
Operating (loss)/profit		**(74)**	263
Profit on disposal of fixed assets	6	**-**	286
Interest receivable and similar income		**-**	21
Interest payable and similar charges		**(4)**	-
(Loss)/profit on ordinary activities before taxation	3	**(78)**	570
Taxation	7	**(38)**	(74)
(Loss)/profit for the financial year	17,18	**(116)**	496

All activities are continuing.

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

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

Valmet General Limited

Balance sheet as at 31 December 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Intangible assets	8	**1,405**	689
Tangible assets	9	**3,141**	3,186
		4,546	3,875
Current assets			
Stock	10	**2,059**	1,190
Debtors	11	**7,337**	4,436
Cash at bank and in hand		**3**	1,871
		9,399	7,497
Creditors: amounts falling due within one year	12	**(9,951)**	(6,976)
Net current (liabilities)/assets		**(552)**	521
Total assets less current assets		**3,994**	4,396
Creditors: amounts falling due after more than one year	13	**(12)**	-
Provisions for liabilities and charges	14	**(280)**	(578)
Net assets		**3,702**	3,818
Capital and reserves			
Called up share capital	16	**4,000**	4,000
Profit and loss account	17	**(298)**	(182)
Equity shareholders' funds	18	**3,702**	3,818

The financial statements on pages 4 to 15 were approved by the board of directors on 10 April 2003 and were signed on its behalf by:

M Helander
Director

Valmet General Limited

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

1 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 reviewed by the Directors in accordance with Financial Reporting Standard ('FRS') 18, 'Accounting Policies', and which have been applied consistently, is set out below:

Basis of accounting
The financial statements have been prepared in accordance with the historical cost convention.

Adoption of new accounting standards
The company has adopted FRS19, 'Deferred tax' in the year. There is no adjustment to comparative figures arising from adoption of this standard.

Cashflow statement
Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own consolidated financial statements.

Related party transactions
As the company is a wholly owned subsidiary of the Metso Corporation, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of the Metso Corporation, within which this company is included, can be obtained from the address given in note 22.

Intangible fixed assets and amortisation
Intangible fixed assets purchased separately from a business are capitalised at their cost. Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably.

Concessions, patents, licences, intellectual property and trademarks purchased by the company are amortised to nil over their useful economic lives

Deferred development expenditure and amortisation
Development expenditure incurred on specific projects is deferred where the expenditure is clearly identifiable, where the outcome of the project is known with a degree of certainty and the future revenues are expected to exceed the deferred development costs. Amortisation is provided in equal annual instalments over seven years from the date that commercial production begins.

Fixed assets and depreciation
Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets on a straight line basis over the estimated useful economic lives as follows:

Freehold buildings	40 years
Plant and machinery	4-5 years
Fixtures and fittings	5 years
Motor vehicles	4 years
Computer equipment	3 years

No depreciation is provided on freehold land.

Foreign exchange
Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease. Assets acquired under finance leases, which transfer to the company substantially all the benefits and risks of ownership, are treated as if they had been purchased outright and are included in tangible fixed assets. The capital element of the leasing commitment 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 in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Deferred taxation

Provision is made for deferred tax liabilities and assets, using full provision accounting, otherwise known as the incremental liability method, when an event has taken place by the balance sheet date which gives rise to an increased or reduced tax liability in the future in accordance with FRS 19. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Turnover

Turnover represents:

i. the amounts (excluding value added tax) derived from the provision of goods and services to customers, and
ii. the value of work done on contracts once their outcome can be assessed with reasonable certainty.

Provision for warranty costs

The company has a provision to cover the estimated costs of rectification work on machinery delivered under warranty.

Pension schemes

The company operates a defined benefit pension scheme for the benefit of employees under which contributions are administered by trustees in a fund independent of the company's assets. The cost of contributions is charged against the profit and loss account for the period in which it is incurred.

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2 Turnover

The turnover is attributable to the principal activity of the company as disclosed in the directors' report.

An analysis of turnover by geographical market is given below:

	2002 £'000	2001 £'000
Destination:		
United Kingdom	**282**	1,209
The Americas	**448**	3,584
Far East and Australia	**8,545**	4,774
Europe	**1,325**	623
Other export markets	**345**	299
Group undertakings	**667**	2,808
	11,612	13,297

3 (Loss)/profit on ordinary activities before taxation

The (loss)/profit on ordinary activities before taxation is stated after charging/(crediting):

	2002 £'000	2001 £'000
Depreciation charge for the year:		
Tangible owned fixed assets	**217**	300
Tangible fixed assets held under finance leases	**15**	9
Profit on disposal of fixed assets	**(3)**	(286)
Auditors' remuneration:		
Audit services	**18**	12

4 Directors' emoluments

	2002 £'000	2001 £'000
Aggregate emoluments	**89**	64
Company pension contributions to a defined contribution pension scheme	**3**	3

Retirement benefits are accruing to one director (2001: one) under a defined contribution pension scheme.

5 Employee information

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

	2002 Number	2001 Number
Production	**70**	73
Selling and distribution	**4**	3
Administration	**8**	8
	82	84

Staff costs during the year were as follows:

	2002 £'000	2001 £'000
Wages and salaries	**2,097**	2,101
Social security costs	**202**	207
Other pension costs (see note 21)	**72**	79
	2,371	2,387

6 Profit on disposal of fixed assets

	2002 £'000	2001 £'000
	-	286

During 2001 the company sold one of its properties, realising a profit of £286,000.

Valmet General Limited

7 Tax on ordinary activities

	2002 £'000	2001 £'000
Current tax:		
UK corporation tax on the results for the year	4	112
Adjustment in respect of prior years	189	(110)
Total current tax	193	2
Deferred tax:		
Origination and reversal of timing differences	-	12
Adjustment in respect of prior periods	(155)	60
Total deferred tax	(155)	72
Tax on result for the year	38	74

The tax assessed for the period is different to the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £'000	2001 £'000
(Loss)/profit on ordinary activities before tax	(78)	570
(Loss)/ profit on ordinary activities multiplied by standard rate in the UK 30% (2001: 30%)	(23)	171
Effects of:		
Expenses not deductible for tax purposes	5	(10)
Accelerated capital allowances and other timing differences	22	(49)
Adjustments to tax charge in respect of previous period	189	(110)
	193	2

The adjustment to deferred taxation in respect of prior periods arose on the finalisation of tax computations for the UK tax group.

8 Intangible fixed assets

	Intellectual property rights £'000	Deferred development expenditure £'000	Total £'000
Cost			
At 1 January 2002	512	490	1,002
Additions	306	410	716
At 31 December 2002	**818**	**900**	**1,718**
Amortisation			
At 1 January and 31 December 2002	**313**	**-**	**313**
Net book value			
At 31 December 2002	**505**	**900**	**1,405**
At 31 December 2001	199	490	689

The amortisation of the intellectual property rights included above will re-commence when the first machines related to this intellectual property are sold. This is expected to occur during 2003 when the first machine relating to this intellectual property is sold.

The amortisation of deferred development expenditure will commence on the commercial production of the related machines. This is expected to occur during 2003 when the first machine relating to this deferred expenditure is sold.

9 Tangible fixed assets

	Land and buildings £'000	Fixtures and fittings £'000	Plant and machinery £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
Cost						
At 1 January 2002	3,157	451	1,013	169	568	5,358
Additions	20	24	32	43	68	187
Disposals	-	-	-	(21)	-	(21)
At 31 December 2002	**3,177**	**475**	**1,045**	**191**	**636**	**5,524**
Depreciation						
At 1 January 2002	373	431	724	131	513	2,172
Charge for the year	76	8	74	22	52	232
Disposals	-	-	-	(21)	-	(21)
At 31 December 2002	**449**	**439**	**798**	**132**	**565**	**2,383**
Net book value						
At 31 December 2002	**2,728**	**36**	**247**	**59**	**71**	**3,141**
At 31 December 2001	2,784	20	289	38	55	3,186

The net book value of motor vehicles held under hire purchase contracts is £46,000 (2001: £34,000).

10 Stocks

	2002 £'000	2001 £'000
Long term contract balances	1,902	1,062
Raw materials and consumables	157	128
	2,059	1,190

In the opinion of the directors there were no significant differences between the replacement cost of stock and the values disclosed for stocks and work in progress.

11 Debtors

	2002 £'000	2001 £'000
Amounts falling due within one year:		
Trade debtors	1,473	2,444
Amounts owed by group undertakings	1,178	799
Amounts recoverable on contracts	4,161	956
Other debtors	525	237
	7,337	4,436

12 Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Trade creditors	1,496	1,042
Amounts due to group undertakings	5,082	5,022
Payable for group relief	305	112
Other taxation and social security	62	59
Other creditors	110	145
Payments received on account	2,881	588
Obligations under finance leases	15	8
	9,951	6,976

13 Creditors: amounts falling due after more than one year

	2002 £'000	2001 £'000
Obligations under finance leases	12	-

Future minimum payments under finance leases are as follows:

	2002 £'000	2001 £'000
Within one year	15	8
Between one and five years	12	-
	27	8

14 Provisions for liabilities and charges

	Deferred taxation £'000	Warranty provision £'000	Total £'000
At 1 January 2002	155	423	578
Credited to the profit and loss account during the year	(155)	(143)	(298)
At 31 December 2002	-	**280**	**280**

15 Deferred taxation

Deferred taxation

	2002 £'000
At 1 January	**155**
Credited to the profit and loss account (note 7)	**(155)**
At 31 December	-

	Amount provided		Amount unprovided	
	2002 £'000	2001 £'000	**2002 £'000**	2001 £'000
Tax effect of timing differences:				
Excess of tax allowances over depreciation	**37**	158	-	-
Short term timing differences	**(34)**	-	(51)	-
Other timing differences	(3)	(3)	-	-
	-	155	(51)	-

The potential deferred tax asset has not recognised due to the uncertainty as to whether it will be recoverable.

16 Share capital

	2002 £'000	2001 £'000
Authorised		
4,000,100 ordinary shares of £1 each (2001: 4,000,100)	**4,000**	4,000
Allotted, called up and fully paid		
At 1 January – 4,000,100 (2001: 100)	**4,000**	-
Issued during the year	-	4,000
At 31 December - 4,000,100	**4,000**	4,000

17 Profit and loss account

	£'000
At 1 January 2002	(182)
Loss for the financial year	(116)
At 31 December 2002	**(298)**

18 Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
(Loss)/profit for the financial year	(116)	496
Issued share capital in the year	-	4,000
Shareholders' funds/(deficit) at 1 January	3,818	(678)
Shareholders' funds at 31 December	**3,702**	3,818

19 Capital and financial commitments

The company had no capital or financial commitments at 31 December 2002 (2001: £nil).

20 Contingent liabilities

There were no contingent liabilities as at 31 December 2002 (2001: £nil).

21 Pensions

The group operates defined contribution schemes for the benefit of employees and directors. The pension cost charge for the year represents contributions payable to these schemes and amounted to £72,000 (2001: £79,000). An amount of £7,000 (2001: £7,000) is included in creditors at the year end.

22 Ultimate parent undertaking

Metso Corporation, incorporated in Finland, is the company's ultimate controlling related party by virtue of its 100% control of the share capital of Valmet Atlas PLC, the immediate parent undertaking.

The only group of undertakings for which group accounts have been drawn up is that headed by the Metso Corporation.

Copies of Metso Corporation financial statements can be obtained from its registered office at FabianinKatu 9A, PO Box 1220, FIN-00101, Helsinki, Finland.