Valmet General Limited

Annual report

for the year ended 31 December 2001

Registered Number 2055148

Valmet General Limited

Annual report

for the year ended 31 December 2001

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Valmet General Limited

Directors and advisers

Directors and advisers

Directors
M Helander
S Carey (appointed 8 May 2001)

Secretary and registered office
A Pope
8 Wolseley Road
Kempston
Bedford
MK42 7XT

Auditors
PricewaterhouseCoopers
Abacus House
Castle Park
Cambridge
CB3 0AN

Solicitors
Belmont and Lowe
Henrietta House
93 Turnmill Street
London

Bankers
Barclays Bank plc
11 Bank Court
Hemel Hempstead
HP1 1BX

Valmet General Limited

Directors' report for the year ended 31 December 2001

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

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

Review of the business
The directors consider the result for the year to be satisfactory and expect that the current level of business will continue for the foreseeable future.

Results and dividends
The company's profit for the financial year is £496,000 (2000: £713,000). The directors do not recommend the payment of a dividend (2000: £nil).

During the year the company issued 4,000,000 new £1 ordinary shares at par as part settlement of an inter-company debt with its parent undertaking.

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 2001 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

A Pope

A Pope
Company Secretary

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.

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Cambridge 15 July 2002.

Valmet General Limited

Profit and loss account for the year ended 31 December 2001

	Note	**2001**	2000
		£'000	£'000
Turnover	2	**13,297**	17,661
Changes in stocks of finished goods and in work in progress		**(1,493)**	165
		11,804	17,826
Raw materials and consumables		**(7,166)**	(11,857)
Other external charges		**(394)**	(665)
Staff costs	5	**(2,387)**	(3,129)
Depreciation and other amounts written off tangible and intangible fixed assets		**(308)**	(359)
Other operating charges		**(1,286)**	(1,041)
		(11,541)	(17,051)
Operating profit		**263**	775
Profit on disposal of fixed asset	6	**286**	-
Interest receivable and similar income		**21**	21
Profit on ordinary activities before taxation	3	**570**	796
Tax on profit on ordinary activities	7	**(74)**	(83)
Profit for the financial year	16,17	**496**	713

All activities are continuing.

The company has no recognised gains or losses other than the profit 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 taxation and the profit for the year stated above and their historical cost equivalents.

Valmet General Limited

Balance sheet as at 31 December 2001

	Note	**2001** **£'000**	2000 £'000
Fixed assets			
Intangible assets	8	**689**	199
Tangible assets	9	**3,186**	4,028
		3,875	4,227
Current assets			
Stock	10	**1,190**	3,173
Debtors	11	**4,436**	9,092
Cash at bank and in hand		**1,871**	558
		7,497	12,823
Creditors: amounts falling due within one year	12	**(6,976)**	(16,863)
Net current assets/(liabilities)		**521**	(4,040)
Total assets less current assets/(liabilities)		**4,396**	187
Creditors: amounts falling due after more than one year	13	**-**	(12)
Provisions for liabilities and charges	14	**(578)**	(853)
Net assets/(liabilities)		**3,818**	(678)
Capital and reserves			
Called up share capital	15	**4,000**	-
Profit and loss account	16	**(182)**	(678)
Equity shareholders' funds/(deficit)	17	**3,818**	(678)

The financial statements on pages 4 to 13 were approved by the board of directors on 8 July 2002 and were signed on its behalf by:

S Carey
Director

Valmet General Limited

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

1 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.

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

Adoption of new accounting standards
In accordance with Financial Reporting Standard ('FRS') 18 'Accounting policies' the directors have formally reviewed the accounting policies and consider them to be the most appropriate for the company. The introduction of this Standard has had no impact on the results for the year.

Cashflow statement
Under FRS 1 (revised 1996) 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 the 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 21.

Financial instruments
The company's financial instruments comprise cash, trade debtors and creditors that arise directly from operations and finance leases. All financial instruments are carried at cost.

Going concern
The parent undertaking has indicated that it will provide financial support to the company to enable it to meet all financial liabilities as and when they fall due. The financial statements have therefore been prepared on a going concern basis.

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 and trademarks purchased by the company are amortised to nil over their useful economic lives, generally their respective unexpired periods, of two years.

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 five years from the date that commercial production begins.

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

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 and work in progress
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. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

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 taxation only to the extent that an actual liability will crystallise.

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

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:

	2001	2000
	£'000	£'000
Destination:		
United Kingdom	1,209	1,711
The Americas	3,584	7,660
Far East and Australia	4,774	5,271
Europe	623	1,185
Other export markets	299	1,257
Group undertakings	2,808	577
	13,297	17,661

3 Profit on ordinary activities before taxation

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

	2001	2000
	£'000	£'000
Depreciation charge for the year:		
Tangible owned fixed assets	300	334
Tangible fixed assets held under finance leases	9	25
Profit on disposal of fixed assets	(286)	-
Auditors' remuneration:		
Audit	12	9
Non-audit services	-	-

4 Directors' emoluments

	2001 £'000	2000 £'000
Aggregate emoluments	64	33
Company pension contributions to a defined contribution pension scheme	3	1

Retirement benefits are accruing to one director (2000: nil) 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:

	2001 Number	2000 Number
Production	73	71
Selling and distribution	3	3
Administration	8	8
	84	82

Staff costs during the year were as follows:

	2001 £'000	2000 £'000
Wages and salaries	2,101	2,795
Social security costs	207	240
Other pension costs (see note 20)	79	94
	2,387	3,129

6 Profit on disposal of fixed asset

	2001 £'000	2000 £'000
	286	-

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

7 Tax on profit on ordinary activities

	2001 £'000	2000 £'000
United Kingdom corporation tax at 30% (2000: 30%)		
Current	112	123
Deferred	12	(40)
Under / (over) provision in respect of prior years		
Current	(110)	-
Deferred	60	-
	74	83

8 Intangible fixed assets

	Intellectual property rights £'000	Deferred development expenditure £'000	Total £'000
Cost			
At 1 January 2001	512	-	512
Additions	-	490	490
At 31 December 2001	**512**	**490**	**1,002**
Amortisation			
At 1 January 2001	313	-	313
Charge for the year	-	-	-
At 31 December 2001	**313**	**-**	**313**
Net book value			
At 31 December 2001	**199**	**490**	**689**
At 31 December 2000	199	-	199

The amortisation of the intellectual property rights included above will commence when the first machines related to this intellectual property are sold.

The amortisation of deferred development expenditure will commence on the commercial production of the related machines. This is expected to occur during 2002.

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 2001	4,116	433	761	169	554	6,033
Additions	33	18	252	-	24	327
Disposals	(992)	-	-	-	(10)	(1,002)
At 31 December 2001	**3,157**	**451**	**1,013**	**169**	**568**	**5,358**
Depreciation						
At January 2001	430	424	576	105	470	2,005
Charge for the year	85	7	148	26	43	309
Disposals	(142)	-	-	-	-	(142)
At 31 December 2001	**373**	**431**	**724**	**131**	**513**	**2,172**
Net book value						
At 31 December 2001	**2,784**	**20**	**289**	**38**	**55**	**3,186**
At 31 December 2000	3,686	9	185	64	84	4,028

The net book value of motor vehicles held under hire purchase contracts is £34,000 (2000: £43,000).

10 Stocks

	2001	2000
	£'000	£'000
Raw materials and consumables	**128**	365
Work in progress	**1,062**	2,808
	1,190	3,173

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

	2001	2000
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	**2,444**	4,380
Amounts owed by group undertakings	**799**	1,358
Amounts recoverable on contracts	**956**	3,202
Other debtors	**237**	152
	4,436	9,092

12 Creditors: amounts falling due within one year

	2001	2000
	£'000	£'000
Trade creditors	**1,042**	1,584
Amounts due to group undertakings	**5,022**	13,132
Corporation tax payable	**112**	-
Other taxation and social security	**59**	64
Other creditors	**145**	659
Payments received on account	**588**	1,409
Obligations under finance leases	**8**	15
	6,976	16,863

13 Creditors: amounts falling due after more than one year

	2001 £'000	2000 £'000
Obligations under finance leases	-	12

Future minimum payments under finance leases are as follows:

	2001 £'000	2000 £'000
Within one year	8	15
Between one and five years	-	12
	8	27

14 Provisions for liabilities and charges

	Deferred taxation £'000	Warranty provision £'000	Total £'000
At 1 January 2001	83	770	853
Provided during the year	72	(347)	(275)
At 31 December 2001	**155**	**423**	**578**

Deferred taxation

	Amount provided		Amount unprovided	
	2001 £'000	2000 £'000	**2001 £'000**	2000 £'000
Tax effect of timing differences:				
Excess of tax allowances over depreciation	**158**	230	-	-
Other timing differences	**(3)**	(147)	-	-
	155	83	-	-

15 Share capital

	2001 £'000	2000 £'000
Authorised		
4,000,100 ordinary shares of £1 each (2000: 100)	**4,000**	-
Allotted, called up and fully paid		
At 1 January - 100	-	-
Issued during the year	**4,000**	-
At 31 December - 4,000,100	**4,000**	-

During the year the company issued 4,000,000 ordinary shares of £1 each, at par, to part settle an inter-company debt with its parent undertaking.

16 Profit and loss account

	£'000
At 1 January 2001	(678)
Profit for the financial year	496
At 31 December 2001	**(182)**

17 Reconciliation of movements in shareholders' funds/(deficit)

	2001	2000
	£'000	£'000
Profit for the financial year	**496**	713
Issued share capital in the year (note 15)	**4,000**	-
Shareholders' (deficit) at 1 January	**(678)**	(1,391)
Shareholders' funds/(deficit) at 31 December	**3,818**	(678)

18 Capital and financial commitments

The company had no capital or financial commitments at 31 December 2001 (2000: £nil).

19 Contingent liabilities

There were no contingent liabilities as at 31 December 2001 (2000: £nil).

20 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 £79,000 (2000: £94,000). An amount of £7,000 (2000: £7,000) is included in creditors at the year end.

21 Ultimate parent undertaking

The directors consider that the ultimate parent undertaking of this company is the Valmet Corporation, incorporated in Finland.

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.