

Registered Number 4305426

Brook Crompton UK Limited
Annual report
for the year ended 31 December 2003



Brook Crompton UK Limited

Annual report for the year ended 31 December 2003

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Brook Crompton UK Limited

Directors and advisers

Directors

S H Lim

L K Chan

Secretary

P J Hopley

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Brook Crompton UK Limited

Directors' report for the year ended 31 December 2003

The directors present their report and the audited consolidated financial statements of the group and the company for the year ended 31 December 2003.

Principal activities and review of the business

The company's principal activity is that of an intermediary holding company. The principal activity of the group is the manufacture, distribution and sale of electric motors.

In 2002 the group embarked on a significant and fundamental restructuring and consolidation programme implemented by the then new ultimate parent company, Lindeteves-Jacoberg Limited. This programme continued in 2003, and subsequent to the year end in January 2004, the group announced further restructuring which is expected to complete the overall restructuring of the business by June 2004.

The programme in 2002 and 2003 involved the closure of the Huddersfield manufacturing site and transfer of production to fellow group companies overseas, principally in Poland and China, together with rationalisation of the Guiseley and Blackheath manufacturing operations. The restructuring planned for 2004 involves the closure of the manufacturing facility at Guiseley, a significant reduction in the manufacturing operations at Blackheath, and further redundancies at the Huddersfield site.

As the programme has been initiated by the parent company, the intermediate parent company contributed a total of £27.8 million towards the group's costs and losses throughout the restructuring period to 31 December 2003. The contribution in 2003 was £8.2 million (2002: £19.6 million).

Certain elements of the restructuring costs in 2003 and all of the costs in 2002 met the criteria for disclosure as costs of a fundamental reorganisation in the profit and loss account, and have been treated as such, along with the corresponding element of the contribution from the parent.

Other costs, primarily trading losses relating to sites earmarked for closure or reorganisation, are reflected in operating losses in the profit and loss account. The contribution towards these costs from the parent company of £6.2 million has been treated as an exceptional contribution. Further information in respect of exceptional items in the year is provided in note 6 to the financial statements.

As a result of the contributions during 2002 and 2003 the group is now owed £27.8 million by the intermediate parent company. The directors have been advised by the parent company that it is unlikely that this balance will be settled in the short term, accordingly it has been categorised within debtors falling due after more than one year. A number of options for the settlement of this balance are under consideration including a future capital reconstruction.

The group is dependent on the continued financial support of the ultimate parent company in order to continue in operation as a going concern. Further information in this respect is given under "Accounting policies" on page 9.

Brook Crompton UK Limited

Results and dividends

The results for the year are set out on page 6. No dividends were declared or paid during the year ended 31 December 2003 (2002: £nil).

Post-balance sheet event

As described on page 2, the group's restructuring programme has continued in 2004 and in January 2004 the group announced the closure of the manufacturing facility at Guiseley, a significant reduction in the manufacturing operations at Blackheath, together with further redundancies at the Huddersfield site. The total redundancy cost anticipated as a result of these actions is approximately £4 million. The intermediate parent company has indicated it will once again contribute towards these costs.

Directors and their interests

The directors who held office during the year are given below:

L K Chan

S H Lim

S D Crowther (resigned 9 January 2004)

LK Chan and SH Lim were also directors of parent companies. Their interests in any parent company are disclosed in those parent companies' annual reports. These comprise Brook Crompton International Pte Limited and Lindeteves-Jacoberg Limited.

According to the register of directors' interests kept by the company under Section 325 of the Companies Act 1985 none of the other directors were interested in disclosable shares in, or debentures of, the company or in any of the company's subsidiaries at the end of the financial year. None of the directors were granted or exercised any rights to subscribe for shares in, or debentures of, the company or another company in the same group during the financial year.

Suppliers' payment policy

It is the group's policy in respect of its suppliers to develop long term relationships with them which include making payments consistent with established practices agreed with them, and ensuring that they are aware of the terms of payment, and that such terms are followed. The company has no trade creditors. The average number of days purchases included within group trade creditors at 31 December 2003 was 94 (2002: 82).

Employees

Information concerning employees and their remuneration is given in note 4. Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. It is the group's policy to ensure continued employment, where possible, to employees who become temporarily or permanently disabled. The group has consultative procedures which enable management and other employees to discuss matters of mutual interest, including health and safety. Through these procedures, departmental channels and the publication of financial and economic information, employees are kept informed about the group's affairs.

In order to safeguard its employees, the group pursues a policy designed to provide secure working environments and training standards at all operating locations. The group also recognises the need to provide information on matters of concern to employees.

Brook Crompton UK Limited

Directors' report for the year ended 31 December 2003 (continued)

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 the group and of the profit or loss of the group 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 group will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently throughout the period. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, PricewaterhouseCoopers LLP, have expressed 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



P J Hopley
Secretary
30 April 2004

Brook Crompton UK Limited

Independent auditors' report to the members of Brook Crompton UK Limited

We have audited the financial statements which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, 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.

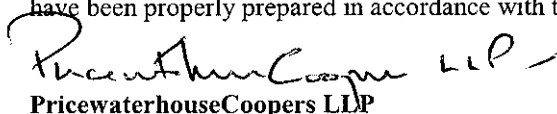
Basis of audit opinion

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 affairs of the company and the group at 31 December 2003 and of the profit and the cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Leeds

30 April 2004

Brook Crompton UK Limited

Consolidated profit and loss account for the year ended 31 December 2003

	Note	Year ended 31 December 2003 £'000	Period ended 31 December 2002 £'000
Turnover	1	39,147	50,738
Cost of sales		(41,131)	(45,024)
Gross (loss)/profit		(1,984)	5,714
Distribution costs		(4,208)	(4,437)
Administrative expenses		(3,597)	(3,650)
Other operating expenses		(3,081)	(2,590)
Operating loss before contribution from intermediate parent company and amortisation of negative goodwill		(12,870)	(4,693)
Other operating income - contribution from intermediate parent	6	6,213	-
Amortisation of negative goodwill		8,598	8,443
Operating profit	2	1,941	3,480
Exceptional costs of fundamental reorganisation		(2,025)	(18,779)
Contribution from intermediate parent company		2,025	19,640
Exceptional item relating to fundamental reorganisation	6	-	861
Share of joint venture losses	12	107	(82)
Profit on sale of fixed assets		-	11
Profit on ordinary activities before interest and taxation		2,048	4,270
Net interest payable and similar charges	7	(856)	(582)
Profit on ordinary activities before taxation		1,192	3,688
Taxation on profit on ordinary activities	8	-	1,349
Profit for the financial year	20	1,192	5,037

All items dealt with in arriving at operating profit above relate to continuing operations. The group commenced trading on 1 February 2002 after the acquisition of Brook Motors Limited.

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

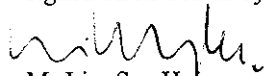
There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

Brook Crompton UK Limited

Balance sheets as at 31 December 2003

	No	Group 2003 £'000	Company 2003 £'000	Group 2002 £'000	Compan 2002 £'000
Fixed assets					
Intangible assets	10	(18,149)	-	(28,398)	-
Tangible assets	11	12,772	-	18,839	-
Investments	12	-	2,354	-	1,528
Interests in joint ventures	12				
Share of gross assets		457		405	
Share of gross liabilities		(807)		(862)	
		(350)		(457)	-
		(5,727)	2,354	(10,016)	1,528
Current assets					
Stocks	13	10,724	-	11,177	-
Debtors: amounts falling due within one year	14	27,556	4,886	24,995	-
Debtors: amounts falling due after more than one year	14	27,878	-	19,640	-
Cash and short-term deposits		9	-	1,214	-
		66,167	4,886	57,026	-
Creditors: amounts falling due within one year	15	(49,147)	(7,240)	(33,527)	(1,528)
Net current assets/(liabilities)		17,020	(2,354)	23,499	(1,528)
Total assets less current liabilities		11,293	-	13,483	-
Creditors: amounts falling due after more than one year	16	(5,000)	-	(5,000)	-
Provisions for liabilities and charges	17	(64)	-	(3,446)	-
Net assets		6,229	-	5,037	-
Capital and reserves					
Called up share capital	19	-	-	-	-
Profit and loss account	20	6,229	-	5,037	-
Equity shareholders' funds	21	6,229	-	5,037	-

The financial statements on pages 6 to 25 were approved by the board of directors on 30 April 2004 and were signed on its behalf by:


Mr Lim Say Hul
Director

Brook Crompton UK Limited

Consolidated cash flow statement for the year ended 31 December 2003

		Year ended 31 December		Period ended 31 December	
	Note	2003	2003	2002	2002
		£'000	£'000	£'000	£'000
Cash flow from operating activities					
Net cash outflow before exceptional item related to fundamental reorganisation	22(a)		(3,975)		(3,316)
Outflow from exceptional item related to fundamental reorganisation	22(b)		(1,865)		(15,313)
Net cash flow from operating activities			(5,840)		(18,629)
Returns on investment and servicing of finance					
Interest received		-		33	
Interest paid		(856)	(856)	(615)	(582)
Taxation			-		-
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(86)		(1,331)	
Sale of tangible fixed assets		3,345	3,259	5,282	3,951
Acquisitions					
Purchase of subsidiary undertaking	23	-		-	
Net cash acquired with subsidiary undertaking	23	-	-	2,199	2,199
Net cash flow before financing			(3,437)		(13,061)
Financing					
Drawdown of bank loan	22(c)		-		5,000
Net cash flow from financing			-		5,000
Decrease in net cash	22(c)		(3,437)		(8,061)

Brook Crompton UK Limited

Accounting policies

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies that the directors have adopted within that convention are set out below.

The financial statements have been prepared on the going concern basis of accounting. The directors of the company consider this to be the appropriate basis of preparation on the grounds that they have received a letter from the directors of Lindeteves-Jacoberg Limited, the ultimate parent company and controlling party, confirming that continuing financial support will be provided to the UK group for the foreseeable future and in any case to a date not earlier than twelve months following the date of approval of these financial statements.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and all its subsidiaries and joint ventures drawn up for the year ended 31 December 2003. The results of the subsidiaries acquired or disposed of are included or excluded from the date of acquisition or disposal respectively. All material intercompany transactions, balances and unrealised profits and losses on transactions between group companies have been eliminated.

Joint ventures are arrangements in which the group has a long-term interest and shares control under a written contractual arrangement. The consolidated financial statements include the group's share of the profits/losses of the joint ventures and the consolidated balance sheet includes the investments in joint ventures at cost, including attributable goodwill, plus the group's share of post acquisition reserves.

Investments in subsidiary undertakings

In the company's balance sheet, investments in subsidiary undertakings are stated at cost less provision for impairment in the financial statements of the company. Provision against the underlying value of the group investments in subsidiaries is made where, in the opinion of the directors, there is impairment to the value of the underlying business.

Goodwill

Goodwill arising on acquisition, being the difference between the fair value of net assets acquired and the consideration paid, is recognised in the balance sheet as an intangible fixed asset. Positive goodwill is amortised through the profit and loss account over the directors' estimate of its useful life while negative goodwill is amortised to the profit and loss account over the period in which the non-monetary assets are recovered. The negative goodwill is amortised on a straight line basis over a period of 4 years.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. They are depreciated to their residual values on a straight-line basis over their estimated useful lives at the following rates applied to original cost:

Plant and machinery	7.5 – 20%
Motor vehicles	20%

Brook Crompton UK Limited

Accounting policies (continued)

Stock

Stocks and work in progress are valued at the lower of cost and estimated net realisable value. Cost comprises the cost of raw materials and an appropriate proportion of direct labour and overheads. Provision is made where necessary for obsolete and slow moving items.

Cash and borrowings

Cash and short-term deposits at the balance sheet date are deducted from bank loans and overdrafts where formal rights of set-off exist.

Warranty provisions

The group recognises the estimated liability on all products still under warranty at the balance sheet date. This provision is calculated based on service history.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

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 substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is measured on a non-discounted basis.

Turnover

Turnover represents the invoiced value of goods and services supplied by the company to customers, excluding value added tax.

Revenue from sale of goods is recognised when goods are delivered and invoiced to customers while revenue from rendering of services is recognised in the period when the service is rendered.

Research and development

Research and development expenditure is expensed as incurred.

Pension costs

Contributions to defined contribution schemes are charged to the profit and loss account as incurred.

Operating leases

Rentals under operating lease are charged to profit and loss account on a straight-line basis over the period of the lease.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the year end. Exchange differences arising from the re-translation of foreign currency denominated assets and liabilities are included in the profit and loss account.

Brook Crompton UK Limited

Notes to the financial statements for the year ended 31 December 2003

1 Turnover

Turnover is all attributable to the same class of business, the manufacture of electric motors.

An analysis of turnover by geographical destination is as follows:

	Year ended 31 December 2003 £'000	Period ended 31 December 2002 £'000
United Kingdom	24,726	28,725
Rest of Europe	8,169	13,819
North America	2,237	3,997
South America	6	2
Asia Pacific	2,743	3,316
Africa and Middle East	1,266	879
	39,147	50,738

2 Operating profit

	Year ended 31 December 2003 £'000	Period ended 31 December 2002 £'000
Operating profit is stated after charging/(crediting):		
Auditors' remuneration - audit services	86	64
- non-audit services	3	8
Depreciation of owned fixed assets	2,655	3,733
Amortisation of goodwill	(8,598)	(8,443)
Operating lease rentals - plant and machinery	183	380
- other	269	252

Brook Crompton UK Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

3 Directors' remuneration

The directors received no emoluments from this company, nor were any part of the emoluments received by them from other companies in the group apportioned to the company.

4 Employees

The monthly average number of employees during the period was as follows:

	Year ended 31 December 2003	Period ended 31 December 2002
	Number	Number
Marketing and distribution	79	157
Production	570	873
Technical	49	71
Finance and administration	42	62
	740	1,163

The aggregate payroll costs of these persons was as follows:

	Year ended 31 December 2003	Period ended 31 December 2002
	£'000	£'000
Wages and salaries	13,966	20,294
Social security costs	1,343	1,546
Pensions and other payroll costs	958	2,135
	16,267	23,975

Brook Crompton UK Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

5 Pensions

Before the acquisition of Brook Motors Limited ('BML') by Lindeteves-Jacoberg Group on 1 February 2002 from Invensys Group, the employees of BML were eligible for membership of the Invensys Pension Scheme which is a funded defined benefit scheme. The Invensys Pension Scheme was valued at 31 March 2002 under the requirements of FRS17. This valuation showed a surplus before deferred tax of £265 million with assets of £3.8 billion and liabilities of £3.5 billion. Invensys Group has undertaken to settle the liabilities, if any, arising in connection with BML's participation in this scheme prior to 31 December 2002. BML contributed £2,695,000 to this scheme for the year ended 31 December 2001 which was the final contribution of BML in respect of its obligations to the Invensys Group scheme.

From 1 January 2003 onwards, the company operated one defined contribution scheme, Brook Crompton UK Group Stakeholder Plan. Company contributions to this scheme in the year amounted to £861,000 (2002: £nil). The Brook Crompton UK Group Stakeholder Plan is managed by Scottish Equitable plc and there were outstanding contributions of £106,000 at 31 December 2003 (2002: £nil).

6 Exceptional items

In 2002 the group embarked on a significant restructuring and consolidation programme implemented by the then new ultimate parent company, Lindeteves-Jacoberg Limited. This programme continued in 2003, and subsequent to the year end in January 2004, the group announced further restructuring which is expected to complete the overall restructuring of the business by June 2004.

The programme in 2002 and 2003 involved the closure of the Huddersfield manufacturing site and transfer of production to fellow group companies overseas, principally in Poland and China, together with rationalisation of the Guiseley and Blackheath manufacturing operations. The restructuring planned for 2004 involves the closure of the manufacturing facility at Guiseley, a significant reduction in the manufacturing operations at Blackheath, and further redundancies at the Huddersfield site.

As the programme has been initiated by the parent company, the intermediate parent company contributed a total of £27.8 million towards the group's costs and losses throughout the restructuring period to 31 December 2003. The contribution in 2003 was £8.2 million (2002: £19.6 million).

Certain elements of the restructuring costs in 2003 (£2.0 million) and all of the costs in 2002 (£19.6 million) met the criteria for disclosure as costs of a fundamental reorganisation in the profit and loss account, and have been treated as such, along with the corresponding element of the contribution from the parent. These costs comprise mainly of redundancy payments and site rationalisation costs in 2003, and in addition fixed asset and stock write-offs in 2002.

Other costs comprise primarily trading losses relating to sites earmarked for closure or reorganisation, together with further stock and debtor provisions in relation to assets at the acquisition date, and are reflected in operating losses in the profit and loss account. The contribution towards these costs from the parent company of £6.2 million has been treated as an exceptional contribution.

As a result of the contributions during 2002 and 2003 the group is now owed £27.8 million by the intermediate parent company.

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Notes to the financial statements for the year ended 31 December 2003 (continued)

7 Net interest payable and similar charges

	Year ended 31 December 2003 £'000	Period ended 31 December 2002 £'000
Interest payable on bank loans, overdrafts and other loans	824	547
Interest payable on advance from ultimate holding company	32	68
Interest receivable on bank balances	-	(33)
Net interest payable	856	582

8 Taxation on profit on ordinary activities

a) Analysis of charge in the year

	Year ended 31 December 2003 £'000	Period ended 31 December 2002 £'000
Deferred tax – origination and reversal of timing differences		
Current year	-	1,091
Prior year	-	258
Total tax credit	-	1,349

There was no charge or credit to current tax in either 2003 or 2002.

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Notes to the financial statements for the year ended 31 December 2003 (continued)

8 Taxation on profit on ordinary activities (continued)

b) Factors affecting tax charge/(credit) for the year

	Year ended 31 December 2003 £'000	Period ended 31 December 2002 £'000
Profit on ordinary activities before taxation	1,192	3,688
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	358	1,106
Effects of:		
Expenses not deductible for tax purposes	6	332
Short term timing differences	-	(64)
Amortisation of negative goodwill	(2,579)	(2,533)
Depreciation in excess of capital allowances	579	593
Current year tax losses carried forward	1,636	566
Current tax credit for the year (note 8a)	-	-

The charge to corporation tax in future years may be reduced by the availability of corporation tax losses, subject to agreement with the Inland Revenue, amounting to approximately £21 million.

9 Holding company profit and loss account

The company has taken advantage of the exemption contained within Section 230 of the Companies Act 1985 and consequently a profit and loss account for Brook Crompton UK Limited is not presented. There is no profit or loss for the company during the period. All the expenses, including auditors' remuneration, were borne by the subsidiary undertaking.

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Notes to the financial statements for the year ended 31 December 2003 (continued)

10 Intangible fixed assets

Group	Negative goodwill £'000
Cost	
At 1 January 2003	36,841
Adjustments (note 23)	(1,651)
At 31 December 2003	35,190
Amortisation	
At 1 January 2003	8,443
Credit for the year	8,598
At 31 December 2003	17,041
Net book value	
At 31 December 2003	18,149
At 31 December 2002	28,398

Brook Crompton UK Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

11 Tangible fixed assets

	Plant and machinery and motor vehicles £'000
Cost	
At 1 January 2003	62,924
Additions	86
Disposals	(1,489)
Transfers to group companies	(8,997)
At 31 December 2003	52,524
Accumulated depreciation	
At 1 January 2003	44,085
Charge for the year	2,655
Disposals	(1,292)
Transfers to group companies	(5,696)
At 31 December 2003	39,752
Net book value	
At 31 December 2003	12,772
At 31 December 2002	18,839

As shown above, assets with a significant net book value have been transferred to fellow subsidiaries overseas during the year for consideration left outstanding on the intercompany account.

Brook Crompton UK Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

12 Investments

	Group	Company
	£'000	£'000
Fixed asset investments		
Shares in group undertakings		
At 1 January 2003	-	1,528
Adjustment to cost of acquisition (note 23)	-	826
At 31 December 2003		2,354
Interests in joint ventures		
At 1 January 2003	(457)	-
Adjustments to share of loss retained	107	-
At 31 December 2003 – net liabilities	(350)	-

Details of the company's subsidiary undertaking and joint venture at 31 December 2003 are as follows:

Name of company	Country of registration, incorporation and operation	Holding	Proportion held	Nature of business
<u>Subsidiary undertakings</u>				
Brook Motors Limited	England and Wales	Ordinary shares	100%	Manufacture of electric motors
<u>Joint venture</u>				
Viking FC Motors Limited	England and Wales	Ordinary shares	50%	Manufacture of inverter motors

Brook Crompton UK Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

13 Stocks

<i>Group</i>	2003	2002
	£'000	£'000
Raw materials and consumables	3,079	3,112
Work in progress	1,701	2,096
Finished goods	5,944	5,969
	10,724	11,177

14 Debtors

	Group	Company	Group	Company
	2003	2003	2002	2002
Amounts falling due within one year	£'000	£'000	£'000	£'000
Trade debtors	6,549	-	10,525	-
Amounts owed by group companies	19,804	4,886	12,713	-
Amount owed by a joint venture	339	-	222	-
Deferred tax asset (note 17)	238	-	-	-
Other debtors and prepayments	626	-	1,535	-
	27,556	4,886	24,995	-

	Group	Company	Group	Company
	2003	2003	2002	2002
Amounts falling due in more than one year	£'000	£'000	£'000	£'000
Amounts owed by group companies	27,878	-	19,640	-

As described in the directors' report, amounts falling due in more than one year relate to contributions from the intermediate parent company in connection with the restructuring and consolidation programme.

The directors have been advised by the parent company that it is unlikely that this balance will be settled in the short term, accordingly it has been categorised within debtors falling due after more than one year. A number of options for the future settlement of this balance are under consideration including a future capital reconstruction.

In 2002 the debtor of £19,640,000 in respect of these contributions was classified as falling due within one year. This amount has been reclassified in the comparative figures.

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Notes to the financial statements for the year ended 31 December 2003 (continued)

15 Creditors: amounts falling due within one year

	Group	Company	Group	Company
	2003	2003	2002	2002
	£'000	£'000	£'000	£'000
Bank overdrafts – secured (note 16)	11,507	-	9,275	-
Trade creditors	5,841	-	8,787	-
Advances from the ultimate holding company	8,036	-	3,725	-
Amounts owed to group undertakings	22,438	7,240	7,412	1,528
Other taxes and social security	797	-	526	-
Accruals and deferred income	528	-	3,802	-
	49,147	7,240	33,527	1,528

Advances from the ultimate holding company are unsecured, payable on demand and bear an interest of 3% per annum. Amounts owed to group companies are unsecured, interest-free and payable on demand.

16 Creditors: amounts falling due more than one year

Group	2003	2002
	£'000	£'000
Secured bank loans due within 2 to 5 years	5,000	5,000

The bank loans and overdrafts are secured by a floating charge over the trade receivables. The bank loans bear interest at a rate linked to LIBOR.

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Notes to the financial statements for the year ended 31 December 2003 (continued)

17 Provisions for liabilities and charges

Group	Warranties	Deferred taxation	Total
	£'000	£'000	£'000
At 1 January 2003	308	3,138	3,446
Profit and loss	(244)	-	(244)
Tax losses retained from settlement with vendor	-	(3,138)	(3,138)
At 31 December 2003	64	-	64

Warranty provisions of £64,000 are provided for in the normal course of business based on an assessment of future claims with reference to past claims. Such costs are generally incurred over the product life cycle.

The total tax losses retained following the settlement with the vendor amounted to £3,376,000. This has resulted in a deferred tax asset at 31 December 2003 which is included in debtors due within one year (see note 14).

18 Deferred taxation

	(Recognised)/provided	
	2003	2002
	£'000	£'000
Accelerated capital allowances	3,125	3,704
Tax losses	(3,363)	(566)
Deferred tax (asset)/liability	(238)	3,138

During 2003 the company's parent company agreed a settlement with the Brook Motors Limited's previous parent company, whereby, inter alia, it retained tax losses amounting to £13 million in respect of the period prior to its acquisition by Lindeteves-Jacoberg Limited. A deferred tax asset has been recognised in respect of prior years' tax losses on the basis that the directors consider that sufficient taxable profits will be generated in the foreseeable future to utilise the losses.

Brook Crompton UK Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

19 Called up share capital

	2003 £'000	2002 £'000
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
1 ordinary share of £1 each	1	1

20 Reserves

	Group Profit and loss account £'000
At 1 January 2003	5,037
Profit for the financial year	1,192
At 31 December 2003	6,229

21 Reconciliation of movements in equity shareholders' funds

	Group Year ended 31 December 2003 £'000	Group Period ended 31 December 2002 £'000
Profit for the financial period	1,192	5,037
Opening shareholders' funds	5,037	-
Closing shareholders' funds	6,229	5,037

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Notes to the financial statements for the year ended 31 December 2003 (continued)

22 Note to the cash flow statement

(a) Reconciliation of operating profit to net cash flow before exceptional items

	Year ended 31 December 2003 £'000	Period ended 31 December 2002 £'000
Operating profit	1,941	3,480
Depreciation of tangible fixed assets	2,655	3,733
Loss on disposal of tangible fixed assets	153	-
Fair value adjustments (note 23)	(825)	-
Adjustment to consideration (note 23)	(826)	-
Amortisation of negative goodwill	(8,598)	(8,443)
Decrease in stocks	453	1,351
Increase in debtors	(2,561)	(3,847)
Increase in debtor relating to contribution from intermediate parent company	(6,373)	-
Increase in creditors	13,388	5,500
Decrease in provisions for liabilities and charges	(3,382)	(5,090)
Net cash outflow before exceptional items	(3,975)	(3,316)

(b) Outflow relating to exceptional items

This includes restructuring costs charged within exceptional items as described in note 6. The group received a contribution from its holding company in respect of these costs which remains outstanding at the year end.

(c) Analysis of net debt

	At 1 January 2003 £'000	Cash flow £'000	At 31 December 2003 £'000
Cash at bank and in hand	1,214	(1,205)	9
Bank overdrafts	(9,275)	(2,232)	(11,507)
Cash and overdrafts	(8,061)	(3,437)	(11,498)
Debt due in more than one year	(5,000)	-	(5,000)
Total net debt	(13,061)	(3,437)	(16,498)

Notes to the financial statements for the year ended 31 December 2003 (continued)

23 Acquisitions

On 1 February 2002, the company acquired the entire issued share capital of Brook Motors Limited from Hawker Siddeley Management Limited. As at 31 December 2002 the company made provisional assessments of the fair values of the assets and liabilities acquired. In addition the reported cost of acquisition in 2002 was reduced by an amount claimed against the vendor. During 2003 adjustments were made to the provisional amounts as follows:

	Net cost of acquisition £'000	Net assets acquired £'000	Negative goodwill £'000
Provisional as reported at 31 December 2002	1,528	38,369	(36,841)
Adjustment to cost of acquisition	826	-	826
Fair value adjustments	-	(825)	825
Final	2,354	37,544	(35,190)

The adjustment to cost of acquisition is due to settlement of the claims receivable from the vendor during the current financial year being agreed as £5,586,000 compared to the initial estimate of £6,412,000. The settlement of the claim comprised of cash, rights to certain tax losses within the acquired entity and waiver of certain liabilities due to the vendor.

The fair value adjustments relate to stock and debtors which have been made on the basis that further information became available to the directors in the current financial year as to the extent of provisions required.

24 Contingent liabilities

The group has given a guarantee to Customs and Excise in respect of Duty Deferment which amounted to £500,000 at 31 December 2003 (2002: £500,000).

25 Financial commitments

At 31 December 2003, the group had annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings		Other	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Within one year	492	-	432	4
Within two to five years	1,027	-	291	890
In over five years	-	-	-	-
	1,519	-	723	894

Brook Crompton UK Limited

Notes to the financial statements for the year ended 31 December 2003 (continued)

26 Related party transactions

The group has the following transactions with related parties during the period:

	Year ended 31 December 2003 £'000	Period ended 31 December 2002 £'000
Management fee to ultimate holding company	-	560
Interest payable to ultimate holding company	42	68
Restructuring costs contributed to by the holding company (note 6)	8,238	19,640
Sales to fellow group companies	7,143	10,075
Sales to a joint venture	553	609
Purchases from fellow group companies	16,457	8,618
Disposal of fixed assets to group companies	2,916	5,395

The management fee to ultimate holding company is for the provision of management services to the group.

Interest payable to ultimate holding company is charged on the outstanding advances from ultimate holding company at 3% per annum.

Sales to and purchases from fellow group companies and a joint venture arise from the normal course of the business and the directors consider these to be arm's length transactions.

Fixed assets were disposed to group companies at their net book values.

27 Ultimate parent undertaking

The ultimate parent undertaking of Brook Crompton UK Limited is Lindeteves-Jacoberg Ltd ("LJ"), a company registered and listed in Singapore. The results of Company were included within the consolidated accounts of LJ.

Copies of the consolidated financial statements can be obtained from:

Company Secretary
Brook Crompton UK Limited
St Thomas Road
Huddersfield
HD1 3LJ