

**THE DAVY ROLL COMPANY  
LIMITED**

**Report and Financial Statements**

**31 December 2007**

MONDAY



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COMPANIES HOUSE

**REPORT AND FINANCIAL STATEMENTS 2007**

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**REPORT AND FINANCIAL STATEMENTS 2007**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

S A Bell  
R G Carothers  
C Hersey  
R A Paul  
E G Siddons

**SECRETARIES**

P Gardner  
R Hoover

**REGISTERED OFFICE**

PO Box 21  
Close Works  
Gateshead  
Tyne and Wear  
NE8 3DX

**BANKERS**

Barclays Bank plc  
1 Churchill Place  
London  
E14 5HP

**AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Newcastle upon Tyne

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

### **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The Company's principal activities are the manufacture and sale of rolling mill rolls. There have not been any significant changes in the Company's principal activities during the year under review. The directors are not aware, as of the date of this report, of any significant changes in the Company's principal activities during the coming year.

As set out in the profit and loss account on page 6, the Company's sales have increased by 13.3% over the prior year and profit before tax has improved by 43.8%. The improvement is attributable to increased level of steel production, particularly in China, and higher demand for the Company's product due to the worldwide shortage of roll capacity. Backlog (unfilled orders on hand) approximated £87 million at 31 December 2007, the highest in the history of the Company, in comparison to £64 million at 31 December 2006. Approximately 45% of the 31 December 2007 amount is scheduled for shipment beyond 2008. Backlog, coupled with current demand, provide confidence that this operation will operate at full capacity in 2008.

Additionally, cash flows from operating activities has enhanced the Company's financial position, as shown in the Company's balance sheet on page 8. Details relating to amounts owed to the parent company are shown in note 12 on page 16.

Although the Company operates in a mature industry it invests in research and development activities. Expenditures relating to the development of new products, identification of products or process alternatives, and modifications and improvements to existing products and processes approximated £54,000 for the year ended 31 December 2007 (2006: £190,000).

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Company views its primary market risk exposures to relate to changes in foreign currency exchange rates (between the British pound and the U.S. dollar or the Euro) and commodity prices. To manage foreign currency exposures, the Company's policy is to hedge its foreign currency denominated sales and receivables. A surcharge system, based on commodity costs, has been incorporated into pricing to offset the volatility of price changes of raw material and energy. The Company has no variable-interest debt and therefore has no interest rate exposure.

### **RESULTS**

The results for the year are set out in the profit and loss account on page 6. The retained profit of £5,267,000 (2006: £3,239,000) has been transferred to reserves.

### **DIVIDENDS**

The directors do not recommend the payment of any dividend on the issued ordinary share capital of the Company in respect of the year ended 31 December 2007 (2006: £nil).

### **DIRECTORS AND THEIR INTERESTS**

The present membership of the board is set out on page 1. Mr E. J. Ross was appointed on 28.02.07 and resigned on 13.11.07. All other directors served throughout the year.

None of the directors held any interest in the share capital of the Company. The directors' interests in the share capital of the parent company are shown in that company's accounts.

No directors during the year had a material interest in any contract significant to the Company's business.

### **THE ENVIRONMENT**

The Company is committed to pursue policies that comply with the relevant legislation and standards applicable to its particular industry.

## DIRECTORS' REPORT (continued)

### EMPLOYMENT POLICIES

The Company is committed to a policy of providing equal opportunities for all regardless of race, religion, sex or disability

The Company is committed to training and management development so as to ensure a supply of trained and skilled employees

The Company keeps employees informed about its current activities and progress by various methods including meetings and written communication

### DONATIONS

During the year the Company made donations to various charitable organisations amounting to £1,640 (2006 £488)

No political donations were made (2006 £nil)

### SUPPLIER PAYMENT POLICY

The Company is responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is the Company's policy that payments to suppliers are made in accordance with these terms provided that the supplier is also complying with all relevant terms and conditions

The number of days billing from trade suppliers outstanding at 31 December 2007 was 61 (2006 56)

### FINANCIAL INSTRUMENTS

The Company's policies regarding financial instruments are set out below and in note 12 to the accounts. Management periodically undertakes a review of the treasury risks facing the Company and ensures the appropriate treasury management strategies are in place to address those risks

The Company finances its operations via retained profits, and borrowings as set out in note 12 to the accounts. The Company's financial instruments are deemed not material to the understanding of the assets, liabilities, financial position and profit of the Company

### AUDITORS

In the case of each of the persons who are directors of the Company at the date when this report is approved

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information


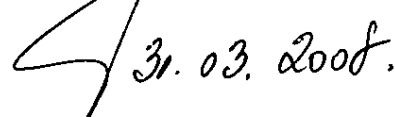
This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting

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

Director

Date

## THE DAVY ROLL COMPANY LIMITED

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

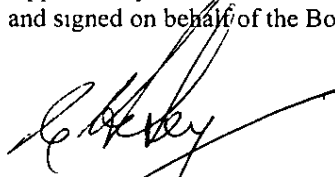
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and its profit or loss for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records 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.

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



Director

Date

31.03.2008.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE DAVY ROLL COMPANY LIMITED**

We have audited the financial statements of The Davy Roll Company Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

  
**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
Newcastle Upon Tyne, United Kingdom

Date

31 March 2008

# THE DAVY ROLL COMPANY LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 December 2007

	Note	2007 £'000	2006 £'000
<b>TURNOVER</b>	1, 2	42,033	37,092
Cost of sales		(33,527)	(30,838)
<b>GROSS PROFIT</b>		8,506	6,254
Administrative expenses		(2,383)	(2,168)
<b>OPERATING PROFIT</b>	3	6,123	4,086
Interest receivable and similar income	4	477	558
Interest payable and similar charges	5	(140)	(120)
Other finance costs	20	(3)	(35)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		6,457	4,489
Tax on profit on ordinary activities	7	(1,190)	(1,250)
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES</b>	16	5,267	3,239
All results derive from continuing activities			



**STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES**  
**Year ended 31 December 2007**

	<b>Note</b>	<b>2007 £'000</b>	<b>2006 £'000</b>
Profit for the financial year		5,267	3,239
Actuarial gains / (losses) on FRS 17 pension liability	20	2,720	(1,327)
Deferred tax credit on actuarial losses	20	(816)	398
Rate differences on pension deferred tax	20	(90)	-
Acquisition of investments	9	-	511
<b>Total recognised gains in the year</b>		<b>7,081</b>	<b>2,821</b>

# THE DAVY ROLL COMPANY LIMITED

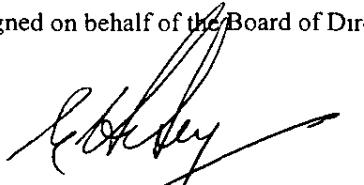
## BALANCE SHEET 31 December 2007

	Note	2007 £'000	2006 £'000
<b>FIXED ASSETS</b>			
Tangible assets	8	9,350	8,550
Investment	9	673	511
		<u>10,023</u>	<u>9,061</u>
<b>CURRENT ASSETS</b>			
Stocks and work in progress	10	11,555	10,106
Debtors	11	11,188	9,191
Cash		1,939	493
		<u>24,682</u>	<u>19,790</u>
<b>CREDITORS, amounts falling due within one year</b>	12	<u>(21,473)</u>	<u>(20,768)</u>
<b>NET CURRENT ASSETS / (LIABILITIES)</b>		<u>3,209</u>	<u>(978)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		13,232	8,083
<b>CREDITORS, amounts falling due after more than one year</b>			
Deferred income	13	(837)	(1,022)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	14	<u>(3,007)</u>	<u>(2,350)</u>
<b>NET ASSETS (excluding pension liability)</b>		9,388	4,711
<b>NET PENSION LIABILITY</b>	20	<u>(4,317)</u>	<u>(6,721)</u>
<b>NET ASSETS / (LIABILITIES)</b>		<u>5,071</u>	<u>(2,010)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	60	60
Share premium account	16	3,205	3,205
Revaluation reserve	16	103	103
Profit and loss account	16	1,192	(5,889)
Other reserves	16	511	511
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS / (DEFICIT)</b>	16	<u>5,071</u>	<u>(2,010)</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

Director



31/03/08.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2007**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with United Kingdom applicable accounting standards, which have been applied consistently in both the current and prior year. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain assets.

**Cash flow statement**

The Company has taken advantage of the exemption under the rules of FRS 1 (revised) not to produce a cash flow statement as the accounts of the parent company, Ampco-Pittsburgh Corporation of which it is a wholly owned subsidiary, are publicly available (note 21).

**Foreign currencies**

Assets and liabilities are translated into sterling at the rates ruling at the year end except where rates of exchange are fixed under contractual arrangements, with differences taken to the profit and loss account. Transactions undertaken in foreign currencies are translated at the rate of exchange prevailing at the date of the transaction.

**Research and development**

Expenditure is charged to the profit and loss account in the year in which it is incurred.

**Taxation**

Current tax comprising UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

**Tangible Fixed Assets**

Tangible fixed assets, other than certain land and buildings, are stated at cost. The Company's land and buildings were revalued in 1995 at open market existing use value. Following the publication of FRS 15, *Tangible fixed assets*, the Company has decided in future to record all tangible fixed assets at cost. In accordance with the transitional provisions set out in FRS 15, the group has decided to retain the book amounts of the revalued assets as though they were the historical cost amounts.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life as follows:

Freehold and leasehold buildings	50 years
Plant and equipment	4 – 25 years
<i>within which</i>	
Plant and machinery	5 – 25 years
Motor vehicles	4 years
Computers	5 – 7 years
Office furniture, fixtures and fittings	10 years

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2007**

**1. ACCOUNTING POLICIES (continued)**

**Leases**

Assets acquired under finance leases that give rights approximating to ownership are treated as if they have been purchased, and the fair value of the leased asset at the inception of the lease is included under tangible fixed assets. Depreciation is provided over the shorter of the period of the lease or useful economic life. Leasing payments are treated as consisting of capital and finance charge elements and the finance charge is charged to the profit and loss account. All other leases are operating leases and the annual rentals are charged wholly to the profit and loss account.

**Investments**

Fixed asset investments are shown at cost less provision for impairment.

**Stocks and work in progress**

Stocks have been valued at the lower of cost and net realisable value. Work in progress is stated at direct costs of materials and labour with the addition of all manufacturing overheads or at net realisable value if lower. Provision is made for obsolete, slow-moving or defective items where appropriate.

**Government grants**

Government grants are generally comprised of regional development grants received which are released by equal instalments in line with the expected life of the assets to which they apply, and deducted from the depreciation charge in the profit and loss account.

Deferred credits in respect of grants are included in accruals and deferred income in the balance sheet.

**Revaluation reserve**

Surpluses and deficits arising on the revaluation of tangible fixed assets are credited or debited to a non-distributable reserve known as the revaluation reserve. In accordance with FRS3, the profit or loss on sale of tangible fixed assets is the difference between the disposal proceeds and the carrying value of the assets, including any revaluation. Any amount in the revaluation reserve relating to such an asset is transferred directly to the profit and loss reserve and is not included in the profit or loss for the financial year.

**Turnover**

Turnover represents amounts invoiced (excluding VAT) to external customers. Turnover is recognised on transfer of the risks and rewards of ownership to the customer (upon transfer of title).

**Pensions**

Under FRS 17, pension scheme assets are measured using fair values. Pension scheme liabilities are valued using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the liability.

Any pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full, net of deferred tax, and presented on the face of the balance sheet. The movement in the scheme surplus / deficit is split between operating and financial items in the profit and loss account and the statement of total recognised gains and losses.

The full service cost of the pension provision is charged to operating profit. The net impact of the unwinding of the discount rate on scheme liabilities and the expected return on the scheme assets is charged / credited to other finance costs.

Any difference between the expected return on assets and that actually achieved is charged through the statement of total recognised gains and losses (STRGL). Similarly, any differences that arise from experience or assumption changes are charged through the STRGL.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2007**

**2 TURNOVER**

All turnover arose from the Company's principal activity, and is continuing. In the opinion of the directors there is only one business segment being the manufacture and sale of rolling mill rolls.

An analysis of turnover by geographical segment has not been given. The Company has taken advantage of the exemption under S55(5) Schedule 4 Companies Act 1985, as, in the opinion of the directors, this information could be seriously prejudicial to the interests of the Company.

**3. OPERATING PROFIT**

	2007 £'000	2006 £'000
<b>Operating profit is stated after charging/(crediting):</b>		
Auditors' remuneration		
- fees payable to the Company's auditors for the audit of the Company's annual accounts	33	32
- the auditing of accounts of associates of the Company pursuant to legislation	8	8
- other services supplied pursuant to such legislation,	15	15
Depreciation owned assets	870	901
Government grant released	(90)	(89)
Research and development	54	190
Operating lease payments		
Motor vehicles	38	35
Office equipment	15	15
	<u>477</u>	<u>558</u>

**4. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2007 £'000	2006 £'000
Bank interest receivable	184	52
Investment income	274	97
Exchange gains on foreign currency borrowings	19	409
	<u>477</u>	<u>558</u>

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	2007 £'000	2006 £'000
Interest on loans from ultimate parent	140	120

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2007**

**6 INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
<b>Directors' remuneration</b>		
Emoluments	283	182
	<u>No.</u>	<u>No.</u>
Number of directors who are members of the defined benefit pension scheme	2	2
<b>Highest paid Director</b>		
Emoluments of the highest paid Director were	115	108
	<u>Number</u>	<u>Number</u>
<b>Average number of persons employed</b>		
Management and administration	11	11
Technical	18	18
Manufacturing	257	246
	286	275
	<u>2007</u>	<u>2006</u>
	<u>£'000</u>	<u>£'000</u>
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	10,076	9 484
Social security costs	1,089	1,007
Pension costs		
Defined contribution current service cost	240	224
	11,405	10,715

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2007**

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES**

(i) Analysis of tax charge on ordinary activities

	2007 £'000	2006 £'000
<b>Current tax</b>		
United Kingdom corporation tax at 30% based on the profit for the year	461	16
Adjustment in respect of prior years	(1)	-
Total current tax charge	460	16
<b>Deferred tax</b>		
Current year deferred tax related to pension scheme	265	83
Timing differences, origination and reversal	436	1,151
Rate differences on pension balance	29	-
Total deferred tax charge	730	1,234
<b>Total tax charge</b>	1,190	1,250

(ii) Factors affecting tax charge for the current period

The tax assessed for the period is lower than (2006 lower than) that resulting from applying the standard rate of corporation tax in the UK 30% (2006 30%) The differences are explained below

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	6,457	4,489
Tax charge at 30% thereon	1,937	1,347
Expenses not deductible for tax purposes	4	(4)
Pension cost relief in excess of net pension cost charge	(265)	(83)
Capital allowances in excess of depreciation	123	1
Utilisation of ACT	(560)	-
Utilisation of tax losses	(568)	(1,245)
Effect of abolition of balancing adjustments	(131)	-
Adjustments in respect of prior years	(1)	-
Rate differences on deferred tax	(79)	-
	460	16

At 31 December, the Company had fully utilised all brought forward trading losses (2006 losses of £1,815,000 carried forward) The deferred tax asset arising on these losses in 2006 of £545,000 was recognised against the deferred tax liability on accelerated capital allowances

The remaining deferred tax asset of £42,000 (2006 £135,000) arising on non trading loan relationships has not been recognised as there is uncertainty over its future deductibility

There is a write back in this period of the deferred tax liability previously provided on Industrial Buildings This is due to the change in legislation introduced by Finance Act 2007 This reversal has resulted in a current year deferred tax credit of £131,807 There is also a decrease in the closing deferred tax liability due to the change in the rate of corporation tax applied to the company, effective from 1 April 2008 This has resulted in a reduction in the current year deferred tax charge of £78,828

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2007**

**8 TANGIBLE FIXED ASSETS**

	<b>Land and buildings £'000</b>	<b>Plant and equipment £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>			
At 1 January 2007	1,895	21,072	22,967
Additions	19	1,680	1,699
Disposals	-	(38)	(38)
	<hr/>	<hr/>	<hr/>
At 31 December 2007	1,914	22,714	24,628
	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>			
At 1 January 2007	217	14,200	14,417
Charge for the year	38	832	870
Disposals	-	(9)	(9)
	<hr/>	<hr/>	<hr/>
At 31 December 2007	255	15,023	15,278
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2007	1,659	7,691	9,350
	<hr/>	<hr/>	<hr/>
At 31 December 2006	1,678	6,872	8,550
	<hr/>	<hr/>	<hr/>

There are no leased assets within tangible fixed assets

**Cost or valuation**

Land and buildings, which are all freehold, were valued on 30 September 1995 at an open market existing use value by Messrs Herring Son and Daw, Chartered Surveyors as follows

	<b>£'000</b>
Buildings	775
Land	325
	<hr/>
	1,100
	<hr/>
 The comparable amounts on a historic basis are as follows	 997
	<hr/>



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2007**

**9. INVESTMENTS**

	2007 £'000
<b>Cost and net book value</b>	
At 1 January 2007	511
Additions	162
	<hr/>
At 31 December 2007	673
	<hr/>

The above represents the Company's investment in Jiangsu Gong-Chang Roll Company Limited. This Company is incorporated, registered and operates in China. The investment represents a 25% holding of the ordinary share capital of the Company and the principal activity of the Company is the manufacture and sale of rolling mill rolls for the Chinese and Asian steel industries.

The initial \$1,000,000 (£511,000) investment in the prior year was received as consideration for the provision of technological know how which is not recorded in the books of The Davy Roll Company as it is an internally generated intangible asset. This consideration was included within the STRGL in the prior year as an unrecognised gain. The increase investment in the current year was in the form of dividends from Jiangsu Gong-Chang Roll Company Limited to ensure the Company's investment is maintained at 25% following the introduction of a new shareholder in the investment.

**10. STOCKS AND WORK IN PROGRESS**

	2007 £'000	2006 £'000
Raw materials and consumables	4,257	4,166
Work in progress	7,298	5,940
	<hr/>	<hr/>
	11,555	10,106
	<hr/>	<hr/>

**11. DEBTORS**

	2007 £'000	2006 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	9,513	8,506
Prepayments and accrued income	1,487	611
Amounts owed by other group companies	72	74
	<hr/>	<hr/>
	11,072	9,191
	<hr/>	<hr/>
<b>Amounts falling due in more than one year:</b>		
Prepayments and accrued income	116	-
	<hr/>	<hr/>
	11,188	9,191
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

12 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £'000	2006 £'000
Amounts owed to ultimate parent company	3,488	3,399
Amounts owed to immediate parent company	7,940	7,915
Amounts owed to other group companies	3,850	3,850
Trade creditors	3,734	3,279
Other creditors including taxes	333	310
Pension creditor	25	49
Corporation tax creditor	320	16
Accruals and deferred income	1,783	1,950
	<u>21,473</u>	<u>20,768</u>

The Company is party to a banking facility, which covers companies controlled by the shareholders of the immediate parent company (note 21)

Included within amounts owed to ultimate parent company is a USD denominated loan of \$5,772,910 (2006 \$5,772,910) The sterling equivalent at 31 December 2007 is £3,488,494 (2006 £3,398,776) This loan bears interest at 4% per annum, and is repayable on demand

13. CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007 £'000	2006 £'000
Deferred income	<u>837</u>	<u>1,022</u>

14 PROVISIONS FOR LIABILITIES AND CHARGES

	Warranty Claims £'000	Deferred Taxation £'000	Total £'000
Balance at 1 January 2007	1,681	669	2,350
Profit and loss account charges	677	435	1,407
Applied	(457)	2	(750)
Balance at 31 December 2007	<u>1,901</u>	<u>1,106</u>	<u>3,007</u>

The provision for product warranties is expected to be utilised over the next 2-3 years

An analysis of the deferred taxation balance is as follows

	2007 £'000	2006 £'000
Tax effect of timing differences because of		
Excess of tax allowances over depreciation	1,106	1,214
Losses carried forward	-	(545)
Deferred tax liability	<u>1,106</u>	<u>669</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2007**

**15. CALLED UP SHARE CAPITAL**

	2007 £'000	2006 £'000
<b>Authorised</b>		
60,000 ordinary shares of £1 each	60	60
<b>Called up, allotted and fully paid</b>		
60,000 ordinary shares of £1 each	60	60

**16 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' DEFICIT**

	Share Capital £'000	Share Premium £'000	Revaluation Reserve £'000	Profit and Loss Account £'000	Other Reserves £'000	Total £'000
1 January 2007	60	3,205	103	(5,889)	511	(2,010)
Profit for the financial year	-	-	-	5,267	-	5,267
Net recognised gains in STRGL (FRS 17)	-	-	-	1,814	-	1,814
31 December 2007	60	3,205	103	1,192	511	5,071

**17 RECONCILIATION OF MOVEMENT EQUITY SHAREHOLDERS' FUNDS**

	2007 £'000	2006 £'000
Profit for the financial year	5,267	3,239
Net recognised gains / ( losses) in respect of FRS 17	1,814	(929)
Acquisition of investments (note 9)	-	511
Net increase in equity shareholders' funds	7,081	2,821
Opening equity shareholders' deficit	(2,010)	(4,831)
Closing equity shareholders' funds/(deficit)	5,071	(2,010)

**18. OPERATING LEASES**

	2007 £'000	2006 £'000
In respect of leases expiring		
Within one year	3	19
Between two and five years	50	31
	53	50

None of the operating leases are in respect of land and buildings

# NOTES TO THE ACCOUNTS

Year ended 31 December 2007

## 19. CAPITAL COMMITMENTS

There were capital commitments at 31 December 2007 of £197,400 in relation to new plant and machinery (2006 £1,272,000)

## 20. PENSIONS

The Company operates a pension scheme with both defined benefit and defined contribution sections. From 1 January 2005, the future accrual of defined benefit ceased at which time employees who had been members of this section were invited to join the defined contribution section of the scheme for their future service. The assets of both sections of the scheme are held in separate trustee administered funds, and are invested by professional investment managers.

### Defined Benefit section

Valuations are carried out every three years using appropriate valuation methods and an independent actuary determines the rate of contributions required. The most recent actuarial valuation of the defined benefit section of the scheme was as at 6 April 2007.

The Company's pension cost for the year comprises a charge to the profit and loss account of £3,000 (2006 £35,000), and an actuarial gain, net of tax, recognised within the STRGL of £1,814,000 (2006 £929,000 loss).

A qualified independent actuary updated the results of the most recent actuarial valuation to 31 December 2007 in accordance with FRS 17. Liabilities have been calculated using a consistent projected unit valuation method and compared to the plan assets at the 31 December 2007 market value.

Based on actuarial advice, the financial assumptions used to calculate the plan liabilities under FRS 17 were:

	2007	2006	2005
Discount rate	5.65%	4.81%	4.75%
Rate of increase in salaries	N/A	N/A	N/A
Rate of increase of pensions in payment	3.05%	3.00%	2.50%
Inflation assumption	3.20%	3.00%	2.75%

The assets in the scheme and the expected long term rates of return at 31 December were:

	2007 Long term rate of return expected	2007 Value £'000	2006 Long term rate of return expected	2006 Value £'000	2005 Long term rate of return expected	2005 Value £'000
Equities	8.05%	13,657	7.85%	14,480	7.70%	13,236
Bonds	4.55%	6,552	4.60%	4,157	4.13%	4,060
Other	5.50%	33	5.25%	73	4.75%	8
Total market value of assets		20,242		18,710		17,304
Present value of scheme liabilities		(26,238)		(28,311)		(25,854)
Deficit in scheme		(5,996)		(9,601)		(8,550)
Related deferred tax asset		1,679		2,880		2,565
Net pension deficit		(4,317)		(6,721)		(5,985)

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2007**

**20. PENSIONS (continued)**

An analysis of movements in the deficit during the financial year is

	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£'000</b>
Opening deficit in the scheme	(9,601)	(8,550)
Contributions	888	311
Other finance expense	(3)	(35)
Actuarial gains / (losses)	2,720	(1,327)
	<hr/>	<hr/>
Closing deficit in the scheme	(5,996)	(9,601)
	<hr/>	<hr/>

An analysis of the movements in the deferred tax asset during the financial year is

	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£'000</b>
Opening deferred tax asset	2,880	2,565
Tax charge included in the profit and loss account	(266)	(83)
Tax (charge) / credit on actuarial gains / losses included in the STRGL	(816)	398
Rate differences	(119)	-
	<hr/>	<hr/>
Closing deferred tax asset	1,679	2,880
	<hr/>	<hr/>

An analysis of the amount charged within other finance costs is

	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£'000</b>
Expected return on scheme assets	(1,349)	(1,183)
Interest on scheme liabilities	1,352	1,218
	<hr/>	<hr/>
Total included within other finance costs	3	35
	<hr/>	<hr/>

# NOTES TO THE ACCOUNTS

Year ended 31 December 2007

## 20 PENSIONS (continued)

Amounts included with the STRGL in the year to 31 December are shown below, expressed in monetary amounts and as a percentage of

(i) scheme assets at the balance sheet date,					
(ii) present value of the scheme liabilities at the balance sheet date					
	2007	2006	2005	2004	2003
Difference between actual and expected return on scheme assets (£000)	(290)	354	1,675	392	1,039
As % of scheme assets at the balance sheet date	(1.4%)	1.9%	9.7%	2.7%	8.0%
Experience gains and losses on scheme liabilities (£000)	594	(103)	147	(1,309)	(1,056)
As % of present value of scheme liabilities at the balance sheet date	2.3%	(0.4%)	0.6%	(5.8%)	(5.7%)
Effects of changes in assumptions underlying the present value of plan liabilities (£000)	2,416	(1,578)	(2,666)	(2,775)	(2,061)
As % of present value of scheme liabilities at the balance sheet date	9.2%	(5.6%)	(10.3%)	(12.3%)	(11.1%)
Total amount recognised in STRGL (£000)	2,720	(1,327)	(844)	(3,692)	(2,078)
As % of present value of scheme liabilities at the balance sheet date	10.4%	(4.7%)	(3.3%)	(16.4%)	(11.2%)

The profit and loss reserve is analysed below

	2007 £'000	2006 £'000
Profit and loss reserve excluding FRS 17 pension liability	5,592	832
FRS 17 pension liability	(4,317)	(6,721)
Profit and loss reserve	1,275	(5,889)

## Defined Contribution section

The pension cost charged in respect of the defined contribution section of the pension scheme represents contributions payable by the Company to the fund and amounted to £240,000 (2006 £224,000)

## 21 ULTIMATE PARENT UNDERTAKING

The ultimate parent company and controlling party is Ampco-Pittsburgh Corporation, which is incorporated in USA and heads the smallest and the largest group in which the results of the Company are consolidated. Copies of the ultimate parent company financial statements can be obtained from Ampco-Pittsburgh Corporation, 600 Grant Street, Pittsburgh, PA 15219, USA.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2007**

**22. RELATED PARTY TRANSACTIONS**

Under FRS 8, "Related party disclosures", the Company is exempt from the requirements to provide details of transactions with other members of the group headed by Ampco-Pittsburgh Corporation

During the period the Company purchased goods in the ordinary course of business with a value of £155,000 (2006 - £nil) from Jiangsu Gong-Chang Roll Company Limited, who the Company has an investment in. These amounts remain outstanding at the year end so are included within accruals and deferred income in note 12