

Registered No: 481659

JOHN FOLKES (LYE FORGE) LIMITED

REPORT AND ACCOUNTS

31 DECEMBER 1996



CLEMENT KEYS

Releasing business potential



JOHN FOLKES (LYE FORGE) LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 1996

The directors present their report together with the audited accounts of John Folkes (Lye Forge) Limited for the year ended 31 December 1996.

Activities

The principal activities of the Company are the heat treatment of metals and the manufacture and marketing of materials handling equipment primarily for use in road vehicles, factories and warehouses.

Business review

With effect from 10 September 1996 the assets and liabilities of Hydraroll Limited, a Folkes Group PLC group company were transferred to this company which continues to carry on the trade using Hydraroll Limited as its agent.

The company had another excellent year with the heat treatment service exceeding the previous year in both sales and margins. Due to running at near-full capacity an additional £250,000 heat treatment line will be installed which should benefit both sales and improve service levels in the second half of 1997.

Sales of cargo handling equipment were dominated by the US market but there was also growth in the European market which bodes well for the future.

Results and dividends

The results for the year are set out on page 2. The directors propose a dividend of £2323144 (1995 £224440).

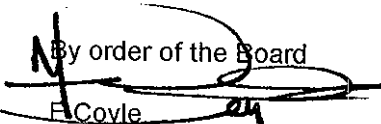
Directors

The directors who have served during the year are as follows:

C J Folkes
H J Folkes
F Coyle

The directors at 31 December 1996 are all directors of Folkes Group PLC and their interests are shown in the Directors' Report of that Company.

24 April 1997

By order of the Board

F Coyle
Secretary

JOHN FOLKES (LYE FORGE) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which 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 year. In preparing those accounts, the directors are required to:

- a) select suitable accounting policies and then apply them consistently.
- b) make judgements and estimates that are reasonable and prudent.
- c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- d) 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 which disclose with reasonable accuracy at any time the financial position of the Company and to 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' REPORT TO THE SHAREHOLDERS OF JOHN FOLKES (LYE FORGE) LIMITED

We have audited the financial statements on pages 1 to 10 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 3 and 4.

Respective responsibilities of directors and auditors

As described above the directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, 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 as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Birmingham
24 April 1997


CLEMENT KEYS
Chartered Accountants
Registered Auditor

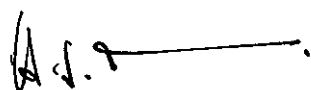
JOHN FOLKES (LYE FORGE) LIMITED

BALANCE SHEET

31 DECEMBER 1996

	Notes	1996	1995
		£	£
Fixed assets			
Tangible assets	2	273637	90479
Investments	3	<u>1253327</u>	<u>28118</u>
		1526964	118597
Current assets			
Stock	4	280424	12285
Debtors	5	2906112	755717
Cash at bank and in hand		<u>2470</u>	<u>989</u>
		3189006	768991
Creditors (amounts falling due within one year)	6	<u>4572445</u>	<u>744063</u>
Net current (liabilities)/assets		<u>(1383439)</u>	<u>24928</u>
Total assets less current liabilities		<u>143525</u>	<u>143525</u>
Capital and reserves			
Called up share capital	8	124000	124000
Share premium account	9	48000	48000
Profit and loss account	9	<u>(28475)</u>	<u>(28475)</u>
		<u>143525</u>	<u>143525</u>

H J Folkes
Director



JOHN FOLKES (LYE FORGE) LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 1996

	Notes	1996		1995	
		£	£	£	£
Turnover	10				
- continuing operations		2396431		2382391	
- acquisitions		<u>1058139</u>		<u>-</u>	
			3454570		2382391
Cost of sales					
- continuing operations		1444612		1494375	
- acquisitions		<u>580412</u>		<u>-</u>	
			<u>2025024</u>		<u>1494375</u>
Gross profit			1429546		888016
Net operating expenses	11		<u>752966</u>		<u>541751</u>
Operating profit	12				
- continuing operations		456894		346265	
- acquisitions		<u>219686</u>		<u>-</u>	
			676580		346265
Dividend receivable			1885441		-
Interest payable	14		(26162)		(23189)
Interest receivable			<u>9</u>		<u>-</u>
Profit from ordinary activities before taxation			2535868		323076
Taxation	15		<u>(212724)</u>		<u>(98636)</u>
Profit from ordinary activities after taxation			2323144		224440
Dividends			<u>(2323144)</u>		<u>(224440)</u>
Profit retained			<u>-</u>		<u>-</u>

The profit and loss account contains all the recognised gains and losses of the year. The trade of Hydraroll Limited was acquired with effect from 10 September 1996.

Reconciliation of Movements in Shareholders' Funds for the year ended 31 December 1996

	1996	1995
	£	£
Profit from ordinary activities after taxation	2323144	224440
Dividends	(2323144)	(224440)
Shareholders' funds at 1 January	<u>143525</u>	<u>143525</u>
Shareholders' funds at 31 December	<u>143525</u>	<u>143525</u>

JOHN FOLKES (LYE FORGE) LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 1996

1 Accounting policies

The following accounting policies have been adopted by the Company in the preparation of accounts.

Accounting convention

The accounts are prepared under the historical cost convention and are in accordance with applicable Accounting Standards.

Deferred taxation

Deferred taxation is provided at the current rate of corporation tax on any significant timing differences except where it can be demonstrated with reasonable probability that a tax liability is unlikely to arise in the foreseeable future.

Depreciation of tangible fixed assets

Depreciation is calculated on a straight line basis at annual rates estimated to write off the cost of each fixed asset over its estimated life and is generally charged as follows:

Plant and machinery, fixtures and fittings
and motor vehicles: 15% - 25%

Government grants

Government grants in respect of capital expenditure are treated as deferred income and taken to the profit and loss account over the estimated useful lives of the relevant fixed assets.

Operating leases

The costs of operating leases are written off to profit and loss account as and when incurred.

Stocks

Stocks are valued at the lower of cost and net realisable value. The first in first out method of valuation is used and cost includes an appropriate proportion of overheads.

JOHN FOLKES (LYE FORGE) LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 1996

Pensions

The Company participates in defined benefit pension schemes the assets of which are held separately from those of the Company in independently administered funds. The cost of providing pensions is spread over the employees' working lives with the company.

Group accounts

The Company has not prepared consolidated accounts as it is the wholly owned subsidiary of another company registered in England and Wales and has taken advantage of the exemption conferred by Section 228 of the Companies Act 1985.

2 Tangible fixed assets

	Plant and machinery, fixtures and fittings and motor vehicles £
Cost	
At 1 January 1996	1289136
Additions	
- intra group	1079286
- external	16913
Disposals	<u>(18454)</u>
At 31 December 1996	<u>2366881</u>
Depreciation	
At 1 January 1996	1198657
Charge for year	38479
Additions - intra group	871969
On disposals	<u>(15861)</u>
At 31 December 1996	<u>2093244</u>
Net book value	
At 31 December 1996	<u>273637</u>
At 31 December 1995	<u>90479</u>

JOHN FOLKES (LYE FORGE) LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 1996

3 Fixed asset investments

Subsidiary
undertakings
£

Cost

At 1 January 1996

63000

Additions

1225209

At 31 December 1996

1288209

Amounts written off

At 1 January 1996 and
31 December 1996

34882

Net book value

At 31 December 1996

1253327

At 31 December 1995

28118

The company holds 100% of the ordinary share capital in the following subsidiary undertakings all of which are registered in England and Wales:

Controlled Heat Treatments Limited (Dormant)
Folkes Properties Limited
Hydraroll Limited (Dormant)

During the year the company acquired the shares in Folkes Properties Limited and Hydraroll Limited from other group companies.

In the opinion of the directors the aggregate value of the company's investment in its subsidiary undertakings is not less than the aggregate of the relevant amounts included in its balance sheet.

4 Stock

1996
£

1995
£

Raw materials

212607

12285

Work in progress

67817

-

280424

12285

5 Debtors

1996
£

1995
£

Due within one year

Trade debtors

924944

433939

Amounts owed by fellow subsidiary undertakings

1918441

20700

Amounts owed by Parent undertaking

-

263002

Other debtors

34891

2255

Prepayments

20307

35789

Taxation recoverable

7529

32

2906112

755717

JOHN FOLKES (LYE FORGE) LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 1996

6	Creditors (amounts falling due within one year)	1996 £	1995 £
	Bank overdraft	382534	61753
	Trade creditors	520638	241158
	Amounts owed to parent undertaking	931219	-
	Other creditors	85382	4563
	Corporation tax	70247	42589
	Other taxation and social security costs	127694	113084
	Accruals	131587	56476
	Dividends proposed	<u>2323144</u>	<u>224440</u>
		<u>4572445</u>	<u>744063</u>

7 Deferred taxation

The directors do not consider that a provision for deferred taxation is required.

A summary of the full potential liability comprises:

	1996 £	1995 £
Timing differences between depreciation and capital allowances	<u>Nil</u>	<u>Nil</u>

8 Share capital

	1996 £	1995 £
Authorised		
1500000 ordinary shares of 10p each	<u>150000</u>	<u>150000</u>
Allotted, issued and fully paid		
1240000 ordinary shares of 10p each	<u>124000</u>	<u>124000</u>

9 Reserves

Share premium account

Balance as at 1 January 1996 and 31 December 1996	<u>48000</u>
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Profit and loss account

Balance as at 1 January 1996 and 31 December 1996	<u>(28475)</u>
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JOHN FOLKES (LYE FORGE) LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 1996

10 Turnover

Turnover represents goods supplied and services provided, exclusive of valued added tax.

Analysis of turnover by market is given below:

	1996 £	1995 £
United Kingdom	2791467	2382391
Europe	227088	-
North America	389100	-
Middle East	1687	-
Asia	26953	-
Africa	1360	-
Oceania	16915	-
	<u>3454570</u>	<u>2382391</u>

11 Net operating expenses

	Contin- uing £	Acquis- itions £	Total £	Contin- uing £	Acquis- itions £	Total £
Distribution costs	116082	69973	186055	107429	-	107429
Administrative expenses	<u>378843</u>	<u>188068</u>	<u>566911</u>	<u>434322</u>	<u>-</u>	<u>434322</u>
	<u>494925</u>	<u>258041</u>	<u>752966</u>	<u>541751</u>	<u>-</u>	<u>541751</u>

12 Operating profit

	1996 £	1995 £
Operating profit is stated after charging/(crediting):		
Profit on disposal of fixed assets	(874)	(499)
Depreciation	38479	37482
Auditors' remuneration - audit fees	3701	3000
Staff costs (note 13)	1146667	861762
Operating lease rentals		
Plant and machinery	17071	16391
Other	<u>633</u>	<u>633</u>

JOHN FOLKES (LYE FORGE) LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 1996

13	Directors and employees	1996 £	1995 £
(a)	Staff costs		
	Wages and salaries	1038547	774280
	Social Security costs	96300	72652
	Pension costs	<u>11820</u>	<u>14830</u>
		<u>1146667</u>	<u>861762</u>
(b)	Average number of employees by category	No	No
	Sales and distribution	2	-
	Administration	9	4
	Works	<u>53</u>	<u>45</u>
		<u>64</u>	<u>49</u>
	No remuneration was paid to the directors (1995 £Nil).		
14	Interest payable	1996 £	1995 £
	On bank loans and overdrafts repayable within 5 years	26162	23084
	On other short term loans	<u>-</u>	<u>105</u>
		<u>26162</u>	<u>23189</u>
15	Taxation	1996 £	1995 £
	Corporation tax at 33% (1995 33%)	212724	107687
	Prior year adjustment	<u>-</u>	<u>(9051)</u>
		<u>212724</u>	<u>98636</u>

JOHN FOLKES (LYE FORGE) LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 1996

16 Pension commitments

The Company along with other group undertakings participates in defined benefit pension schemes for certain employees. These schemes are administered by trustees and are independent of the Company's finances and on the advice of external actuaries are funded by contributions from the Company and employees.

Actuarial valuations and reports are carried out at intervals not exceeding three years on varying dates. The latest valuations were carried out in 1995 and 1996 and showed no deficiencies on a current funding level basis.

Details of the last actuarial valuation may be found in the accounts of the ultimate parent undertaking, Folkes Group PLC.

17 Capital commitments

Amounts contracted for but not provided in the accounts are £200000 (1995 £Nil). Amounts authorised by the directors but not contracted for are £35000 (1995 £Nil).

18 Operating lease commitments

Payments under operating leases relate to leases expiring as follows:

	Plant and machinery	
	1996	1995
	£	£
Within one year	-	-
In two to five years	<u>19063</u>	<u>17024</u>
	<u>19063</u>	<u>17024</u>

19 Contingent liabilities

The Company is party to an unlimited interlocking guarantee to secure balances due to bankers by certain members of Folkes Group PLC. At 31 December 1996 the contingent liability was £2886231 (1995 £3722514).

As a result of group registration arrangements for value added tax the Company is jointly and severally liable together with certain members of the group for any value added tax due by the representative members of the group.

JOHN FOLKES (LYE FORGE) LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 1996

20 Ultimate parent undertaking

The Company's ultimate parent undertaking is Folkes Group PLC, a company registered in England and Wales. Group consolidated accounts are available to the public at Forge House, Dudley Road, Lye, West Midlands.

21 Cash flow statement

The Company has taken advantage of exemptions provided by Financial Reporting Standard 1 and not prepared a cash flow statement for the year.

22 Transfer of trade

On 10 September 1996 the trade and assets of Hydraroll Limited were transferred to this company at net book value. A summary of the net assets transferred is as follows:

	£
Fixed assets	199577
Stock	288549
Debtors	528424
Creditors	<u>(1419313)</u>
	<u>(402763)</u>

23 Board approval

The accounts for the year were formally approved by the directors on 24 April 1997.