

**H.I. QUALITY STEEL CASTINGS LIMITED**

**REPORT AND ACCOUNTS**

**31ST AUGUST 2000**

**COMPANY NO. 1420683**



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# **H.I. QUALITY STEEL CASTINGS LIMITED**

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## **H.I. QUALITY STEEL CASTINGS LIMITED**

### **COMPANY INFORMATION**

Company Registration Number	1420683
Directors	J. A. Redwood S. Dilks I. Edwards B. E. Kerrison J. B. S. Swallow
Secretary	P. H. Brindley
Registered Office	Trinity Works, Foundry Street, Whittington Moor, Chesterfield, Derbyshire, S41 9AX
Auditors	Grant Thornton 30 Hounds Gate, Nottingham NG1 7DH
Bankers	Bank of Scotland 110 St. Vincent Street, Glasgow, G2 5EJ

## **H.I. QUALITY STEEL CASTINGS LIMITED**

### **REPORT OF THE DIRECTORS**

The directors present their report and the audited accounts of the company for the 12 months ended 31st August 2000.

#### **ACTIVITIES**

The principal activity of the company is the manufacture of industrial steel castings.

#### **REVIEW OF THE BUSINESS**

The directors were disappointed with the results for the year but remain cautiously optimistic regarding ongoing trading despite difficult market conditions.

#### **CREDITOR PAYMENT POLICY**

The company's current policy concerning payment of trade creditors is to endeavour to:

- a) settle the terms of payment with each supplier when agreeing the terms of trade with that supplier,
- b) ensure that suppliers are aware, as appropriate, of the company's standard terms of payment or any individual terms as agreed above and,
- c) pay in accordance with its contractual and other legal obligations.

#### **DIVIDENDS**

An interim dividend of £250,000 was paid on 28th February 2000 and no final dividend is recommended.

#### **AUDITORS**

Grant Thornton were appointed auditors on 23 April 2000 to fill a casual vacancy in accordance with section 338(1) of the Companies Act 1985. Grant Thornton having offered themselves for reappointment as auditors shall be deemed to be reappointed for the next financial year in accordance with section 386 of the Companies Act 1985.

#### **DIRECTORS AND THEIR INTERESTS**

The directors of the company during the year were:

J. A. Redwood  
S. Dilks  
I. Edwards  
B. E. Kerrison  
J. B. S. Swallow

The directors in office at 31st August 2000 had no interest in the shares of the company at any time.

# H.L. QUALITY STEEL CASTINGS LIMITED

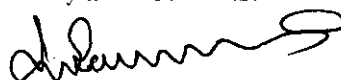
## REPORT OF THE DIRECTORS (Continued)

The interests of B E Kerrison and J B S Swallow in shares of group undertakings are disclosed in the accounts of the ultimate parent undertaking, Stratagem Group PLC.

The interests of other directors in the shares of Stratagem Group PLC were:

Ordinary shares of 20p:	At 31.8.00	At 31.8.99
S. Dilks	360	360
J. A. Redwood	NIL	NIL
I. Edwards	NIL	NIL

By order of the Board



I EDWARDS  
Director

Trinity Works,  
Foundry Street,  
Chesterfield,  
Derbyshire,  
S41 9AX

30th October 2000

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss for the period to that date. In preparing the financial statements, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made where necessary. The financial statements have been prepared in accordance with applicable accounting standards and have been prepared on the going concern basis.

The directors are responsible for maintaining adequate accounting records, for safeguarding the assets of the company and for preventing and detecting irregularities including fraud.

By order of the Board



I EDWARDS  
Director

Trinity Works,  
Foundry Street,  
Chesterfield,  
Derbyshire,  
S41 9AX

30th October 2000

**H.I. QUALITY STEEL CASTINGS LIMITED**

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
HI QUALITY STEEL CASTINGS LIMITED**

We have audited the financial statements on pages 5 to 11, which have been prepared under the accounting policies set out on pages 7 and 8.

**Respective responsibilities of directors and auditors**

As described on page 3, the directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to 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 circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 August 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON  
Registered Auditors  
Chartered Accountants  
Nottingham

31st October 2000

# H.I. QUALITY STEEL CASTINGS LIMITED

## PROFIT AND LOSS ACCOUNT YEAR ENDED 31st AUGUST 2000

	Note	Year ended 31.8.00 £	Year ended 31.8.99 £
<b>TURNOVER - continuing operations</b>	1	4,086,591	5,346,325
Cost of sales - continuing operations		<u>(2,925,765)</u>	<u>(3,509,187)</u>
<b>GROSS PROFIT</b>		1,160,826	1,837,138
Administrative expenses - continuing operations		<u>(1,122,620)</u>	<u>(1,193,111)</u>
<b>OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION- continuing operations</b>	2	38,206	644,027
Taxation	5	<u>13,000</u>	<u>(57,000)</u>
<b>PROFIT FOR THE YEAR AFTER TAXATION</b>		51,206	587,027
Dividend	12	(250,000)	(500,000)
<b>RETAINED PROFIT FOR THE YEAR</b>	13	<u>(198,794)</u>	<u>87,027</u>
Retained profit brought forward		<u>1,577,150</u>	<u>1,490,123</u>
<b>RETAINED PROFIT CARRIED FORWARD</b>		<u>1,378,356</u>	<u>1,577,150</u>

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

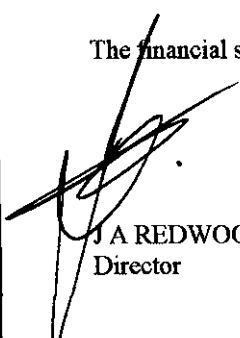
There is no difference between profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalents.

# H.I. QUALITY STEEL CASTINGS LIMITED

## BALANCE SHEET - 31st AUGUST 2000

	Note	31.8.00 £	31.8.99 £
<b>FIXED ASSETS</b>			
Tangible assets	6	<u>528,783</u>	<u>703,844</u>
<b>CURRENT ASSETS</b>			
Stocks	7	377,117	346,078
Debtors	8	1,095,466	805,478
Cash at bank and in hand		<u>288,229</u>	<u>787,757</u>
		<u>1,760,812</u>	<u>1,939,313</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Trade creditors		(721,343)	(649,651)
Other creditors	9	<u>(172,796)</u>	<u>(386,256)</u>
		<u>(894,139)</u>	<u>(1,035,907)</u>
<b>NET CURRENT ASSETS</b>		<u>866,673</u>	<u>903,406</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,395,456	1,607,250
<b>PROVISION FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	10	(17,000)	(30,000)
<b>NET ASSETS</b>		<u>1,378,456</u>	<u>1,577,250</u>
<b>CAPITAL &amp; RESERVES</b>			
<b>CALLED UP EQUITY SHARE CAPITAL</b>	11	100	100
<b>RESERVES</b>			
Profit & loss account		1,378,356	1,577,150
Equity shareholder's funds	13	<u>1,378,456</u>	<u>1,577,250</u>

The financial statements were approved by the Board on 30th October 2000 and signed on its behalf by:

  
J A REDWOOD  
Director



## H.I. QUALITY STEEL CASTINGS LIMITED

### NOTES TO THE ACCOUNTS 31st AUGUST 2000

#### 1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

**a) Accounting convention**

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

**b) Turnover**

Turnover represents the invoiced value of goods and services sold to third parties excluding value added tax. A geographical analysis of turnover is omitted for reasons allowed under Schedule 4 (55)(5) of the Companies Act 1985.

**c) Depreciation**

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, over the expected useful economic lives of the assets concerned.

Depreciation is provided at the following rates per annum:

Plant and machinery	15% straight line
Office equipment	20% straight line
Computer equipment	25% straight line
Patterns	not less than 33.3% straight line

**d) Stocks and work in progress**

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis. The cost of work in progress comprises materials, direct labour and attributable production overheads. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

**e) Deferred taxation**

Deferred taxation is calculated using the liability method and provision is made for all material timing differences which are not expected to continue in the foreseeable future.

**f) Foreign currencies**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

**g) Pensions**

The company provides two contributory pension schemes to provide retirement benefits to employees.

One is a contributory scheme to provide retirement benefits based upon final salaries for members, called the Concord PLC Retirement Benefits Scheme.

The assets of the scheme are held in a trustee administered fund. Pension costs are charged to the profit and loss account so as to spread the cost of providing pensions over the service lives of employees in accordance with the recommendation of an independent actuary. Effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme. Particulars of the most recent actuarial valuation of the Group's scheme as at 6 April 1997 are contained in the accounts of Concord PLC the company's parent undertaking and the principal employer under the scheme..

The trustees have been advised by the scheme's actuaries that the next review, expected to be completed by the end of November 2000, is likely to show a shortfall on the Minimum Funding Requirement (MFR). Further details of the factors leading to the anticipated shortfall and proposed actions by Concord PLC to restore the MFR have been included in the financial statements of Concord PLC.

The second is a defined contribution scheme where the pension costs charged against profits represent the amount of contributions payable to the group personal pension scheme in respect of the accounting period.

# H.I. QUALITY STEEL CASTINGS LIMITED

## NOTES TO THE ACCOUNTS

31st AUGUST 2000

(Continued)

### 1. ACCOUNTING POLICIES (continued)

#### h) Leases

Rentals applicable to operating leases under which substantially all the benefits and risks of ownership remain with the lessor are charged to the profit and loss account as incurred.

#### i) Cash flow statement

The company is a wholly owned subsidiary of Stratagem Group PLC and the cash flows of the company are included in the consolidated group cash flow of Stratagem Group PLC. Consequently the company is exempt under the terms of Financial Reporting Standard no. 1(Revised) from publishing a cash flow statement.

### 2. OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	31.8.00	31.8.99
Operating profit on ordinary activities before taxation is stated after charging the following:	£	£
Directors' emoluments (note 3)	182,136	161,959
Depreciation	219,339	238,612
Auditors' remuneration	6,269	7,398
Loss on disposal of assets	-	1,382
Rental costs relating to operating leases for hire of plant and equipment	17,742	39,459
Group management charge	<u>64,707</u>	<u>57,607</u>

### 3. DIRECTORS EMOLUMENTS

	31.8.00	31.8.99
	£	£
Aggregate emoluments	<u>194,106</u>	<u>142,085</u>

Retirement benefits are accruing to three directors under a defined benefit scheme.

No emoluments are receivable by B E Kerrison or J B S Swallow in their capacity as directors of the company.

### 4. EMPLOYEES

	31.8.00	31.8.99
Total payroll costs including executive directors were:	£	£
Wages and salaries	1,246,278	1,259,172
Social security costs	94,926	114,515
Pension costs	<u>89,856</u>	<u>108,967</u>
	<u>1,431,060</u>	<u>1,482,654</u>
Average number of employees was:	No.	No.
Works	55	65
Sales and administration	<u>13</u>	<u>15</u>
	<u>68</u>	<u>80</u>

# H.I. QUALITY STEEL CASTINGS LIMITED

## NOTES TO THE ACCOUNTS 31st AUGUST 2000 (Continued)

5. TAXATION

31.8.00

31.8.99

£

£

The tax charge/(credit) comprises:

Corporation tax at 30%

-

77,000

Deferred taxation - current year

(13,000)

(15,000)

Deferred taxation - prior year

-

(5,000)

(13,000)

57,000

6. TANGIBLE ASSETS

Plant,  
machinery,  
and,  
equipment

Patterns

Office and  
computer  
equipment

Total

Cost

£

£

£

£

1st Sept 1999

1,842,107

24,316

196,733

2,063,156

Additions

33,675

5,606

6,493

45,774

Disposals

(6,300)

-

-

(6,300)

31st August 2000

1,869,482

29,922

203,226

2,102,630

Depreciation

1st Sept 1999

1,182,973

16,965

159,374

1,359,312

Charge for the period

190,013

6,876

22,450

219,339

Disposals

(4,804)

-

-

(4,804)

31st August 2000

1,368,182

23,841

181,824

1,573,847

Net book value

1st Sept 1999

659,134

7,351

37,359

703,844

31st August 2000

501,300

6,081

21,402

528,783

7. STOCKS

31.8.00

31.8.99

£

£

Raw materials

100,686

95,874

Work in progress

276,431

250,204

377,117

346,078

The current replacement cost of stocks does not materially exceed its historical cost.

# H.I. QUALITY STEEL CASTINGS LIMITED

## NOTES TO THE ACCOUNTS 31st AUGUST 2000 (Continued)

<b>8. DEBTORS</b>	31.8.00	31.8.99
	£	£
Trade debtors	1,051,944	761,230
Prepayments	35,260	42,578
Other debtors	8,262	1,277
Amounts due from fellow subsidiaries	-	393
	<u>1,095,466</u>	<u>805,478</u>
<b>9. OTHER CREDITORS</b>	31.8.00	31.8.99
	£	£
Other taxes and social security	52,482	44,849
Other creditors	67,743	46,694
Amounts due to fellow subsidiaries	561	240,000
Amount due to parent company	52,010	54,713
	<u>172,796</u>	<u>386,256</u>
<b>10 DEFERRED TAXATION</b>		
The provision made in the accounts, together with the potential liability, at a rate of 30% , is set out below and is based on the accounting policy in note 1.		
	Provided	Not provided
	31.8.00	31.8.99
	£	£
Accelerated capital allowances	28,000	41,000
Other timing differences	(11,000)	-
	<u>17,000</u>	<u>30,000</u>
	£	£
Balance as at 1st September 1999	30,000	
Credited to profit and loss account	(13,000)	
Balance as at 31st August 2000	<u>17,000</u>	
<b>11. CALLED UP SHARE CAPITAL</b>	31.8.00	31.8.99
	£	£
Authorised, issued and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>12. DIVIDENDS</b>	31.8.00	31.8.99
	£	£
Interim dividend of £2,500 per share (1999: £2,500)	250,000	250,000
Final dividend of £NIL per share (1999:£2,500)	-	250,000
	<u>250,000</u>	<u>500,000</u>

# H.I. QUALITY STEEL CASTINGS LTD

## NOTES TO THE ACCOUNTS

31st AUGUST 2000

(Continued)

### 13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	31.8.00	31.8.99
	£	£
Opening shareholder's funds	1,577,250	1,490,223
Profit for the financial period	(198,794)	87,027
Closing shareholder's funds	<u>1,378,456</u>	<u>1,577,250</u>

### 14. FINANCIAL COMMITMENTS

Future minimum annual operating lease payments in respect of non-cancellable leases for plant, equipment and motor vehicles were as follows:

	31.8.00	31.8.99
	£	£
On leases expiring :		
Within one year	3,979	3,373
Between two and five years	<u>31,521</u>	<u>25,162</u>
	<u>35,500</u>	<u>28,535</u>

### 15. CONTINGENT LIABILITIES

a) The company is included in a Value Added Tax group election under s.29 of the Value Added Tax Act 1983. It has therefore guaranteed to pay any tax due by other members of the Group. At 31 August 2000 tax owing by the Group was £ 67,788 (31.8.99: £230,042)

b) The company together with other Group undertakings is part of an agreement with Bank of Scotland, whereby balances with the bank are subject to joint & several guarantees. The net Group borrowings at 31 August 2000 subject to this agreement amounted to £5,847,873 (31.8.99: £4,624,560). The bank has a floating charge over all the company's assets.

### 16. ULTIMATE PARENT COMPANY

The ultimate parent undertaking is Stratagem Group PLC, a company registered in England. Copies of the group accounts of Stratagem Group PLC can be obtained from the Secretary, Stratagem Group PLC, 6 Broad Street Place, London EC2M 7JH.

### 17. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption not to disclose transactions with other entities that fall within the group of companies owned 90% by the ultimate parent company.