

Ralph Martindale (England) Limited

FINANCIAL STATEMENTS

for the year ended

31 December 2006

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COMPANIES HOUSE

Company Registration No 3398001

Ralph Martindale (England) Limited

DIRECTORS AND OFFICERS

DIRECTORS

Mr P A Hartley
Mr J Whitehouse
Mr R V Legiewicz
Mr I Marshall
Mr G Owen
Mr N W Ensor
Mr L Askey

SECRETARY

Mr S Fox

COMPANY NUMBER

3398001

REGISTERED OFFICE

Crocodile House
Strawberry Lane
Willenhall
West Midlands
WV13 3RS

AUDITORS

Baker Tilly UK Audit LLP
Chartered Accountants
City Plaza
Temple Row
Birmingham
B2 5AF

Ralph Martindale (England) Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of Ralph Martindale (England) Limited for the year ended 31 December 2006

PRINCIPAL ACTIVITIES

The company's principal activity is the manufacture of hot-rolled steel sections for the production of matchets and edge tools and the company will continue to develop this activity

REVIEW OF THE BUSINESS

During the period under review, the loss of a sizeable customer relocating its business overseas made it necessary to reduce the activity of the rolling mill. At the same time, the company completed the restructuring of another of its core products by relocating that activity within the Group. Turnover and profits during this transition were adversely affected as a result. The rolling mill is now focused on higher margin products that are expected to improve revenue streams in the year ahead.

RESULTS FOR THE YEAR AND DIVIDENDS

The loss for the year after taxation amounted to £66,518 (31 December 2005 £429,285 profit). The directors do not recommend a dividend.

DIRECTORS

The directors who served during the year were as follows

Mr P A Hartley
Mr I Marshall
Mr R V Legiewicz
Mr N W Ensor
Mr G Owen
Mr J Whitehouse
Mr L Askey (appointed 28 July 2006)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

No director had any interest in the shares of the company at any time during the year.

The following directors who are not directors of the parent company held ordinary shares in the parent company at 31 December 2006 as follows

	<i>Number</i>
Mr R V Legiewicz	1,420
Mr G Owen	-
Mr N W Ensor	-
Mr J Whitehouse	-

The interests of Mr P A Hartley and Mr I Marshall in the share capital of the parent company are disclosed in the group accounts.

Ralph Martindale (England) Limited

DIRECTORS' REPORT (continued)

AUDITORS

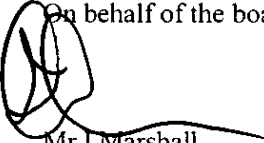
The company has elected to dispense with the annual appointment of auditors

However, the directors having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989, s26(5) Baker Tilly UK Audit LLP has indicated its willingness to continue in office

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

On behalf of the board



Mr I Marshall
Director

10 May 2007

Ralph Martindale (England) Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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 of the profit or loss of the company for that period. In preparing those financial statements, 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 UK 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 requirements of 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RALPH MARTINDALE (ENGLAND) LIMITED

We have audited the financial statements on pages 6 to 15

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 auditor's 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 Annual Report and 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 December 2006 and of its loss for the year then ended and 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.

Baker Tilly UK Audit LLP

Baker Tilly UK Audit LLP

Registered Auditor

Chartered Accountants

City Plaza

Temple Row

Birmingham

B2 5AF

10 May 2007

Ralph Martindale (England) Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2006

	<i>Notes</i>	2006 £	2005 £
TURNOVER	1	6,013,625	9,074,688
Cost of sales		(5,241,567)	(7,404,489)
GROSS PROFIT		772,058	1,670,199
Distribution costs		(341,504)	(448,199)
Administrative expenses		(630,875)	(718,417)
Other operating income	2	146,151	126,747
OPERATING (LOSS)/PROFIT	3	(54,170)	630,330
Reorganisation costs	4	(20,058)	-
Interest payable	6	(19,984)	(28,884)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(94,212)	601,446
Taxation	7	27,694	(172,161)
RETAINED (LOSS)/PROFIT FOR THE YEAR	15	(66,518)	429,285

The operating (loss)/profit for the year arises from the company's continuing operations

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account

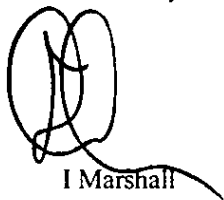
Ralph Martindale (England) Limited

BALANCE SHEET

31 December 2006

	Notes	2006 £	2005 £
FIXED ASSETS			
Tangible assets	8	1,135,103	1,210,802
CURRENT ASSETS			
Stocks	9	2,243,310	2,520,810
Debtors	10	3,538,018	3,490,334
Cash at bank and in hand		335,253	63,743
		6,116,581	6,074,887
CREDITORS Amounts falling due within one year	11	(6,071,044)	(6,006,490)
NET CURRENT ASSETS		45,537	68,397
TOTAL ASSETS LESS CURRENT LIABILITIES		1,180,640	1,279,199
PROVISIONS FOR LIABILITIES AND CHARGES	12	(238,135)	(270,176)
		942,505	1,009,023
CAPITAL AND RESERVES			
Called up share capital	14	250,000	250,000
Profit and loss account	15	692,505	759,023
SHAREHOLDER'S FUNDS	13	942,505	1,009,023

The financial statements on pages 6 to 15 were approved by the board of directors and authorised for issue on 10 May 2007 and signed on its behalf by



I Marshall
Director

Ralph Martindale (England) Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

TANGIBLE FIXED ASSETS

Fixed assets are stated at cost. Depreciation is being charged from the year in which the asset is first available for use so as to reduce each asset's cost or valuation less any residual value over its anticipated useful economic life.

The following rates of depreciation have been used:

Plant and equipment, computer equipment and motor vehicles	25% reducing balance
New mill equipment	3 - 10% straight line

During the year ended 31 December 2006, the Directors have made revisions to the useful economic lives of certain plant and equipment. This has resulted in a depreciation charge for the year £81,062 lower than if the useful economic lives had not been revised.

STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost of finished goods and work in progress includes overheads appropriate to the stage of manufacture. Net realisable value is based upon estimated selling prices less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow moving items.

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. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are recognised to the extent that they are recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rate ruling at the date of transactions. Assets and liabilities denominated in foreign currencies are translated into sterling at the closing rate of exchange. Significant differences arising due to exchange fluctuations have been reflected in the profit and loss account.

PENSIONS CONTRIBUTIONS

The cost of providing retirement pensions is charged to the profit and loss account over the years benefiting from the employees' services.

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

OPERATING LEASES

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Ralph Martindale (England) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2006

1 TURNOVER AND (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and (loss)/profit before taxation were all derived from its principal activity. Sales were made in the following geographical markets

	2006 £	2005 £
United Kingdom	1,360,837	2,238,362
Other European countries	300,703	457,280
Rest of the world	4,352,085	6,379,046
	<u>6,013,625</u>	<u>9,074,688</u>

2 OTHER OPERATING INCOME

Other operating income relates to royalties received from fellow subsidiaries

	2006 £	2005 £
Operating (loss)/profit is stated after charging		
Depreciation and amounts written off tangible fixed assets		
Charge for the year		
owned assets	79,079	187,620
Auditors' remuneration	10,500	8,250
Operating lease rentals	11,364	6,591
	<u></u>	<u></u>

4 REORGANISATION COSTS

Exceptional reorganisation costs incurred during the year relate to redundancy costs of £20,058 (2005: £Nil)

Ralph Martindale (England) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2006

5	EMPLOYEES	2006 No	2005 No
	The average monthly number of persons (including directors) employed by the company during the year was		
	Manufacturing	39	65
	Sales and service	5	5
	Administration	4	6
		<u>48</u>	<u>76</u>
		£	£
	Staff costs for above persons		
	Wages and salaries	945,392	1,446,287
	Social security costs	78,390	127,940
	Other pension costs	47,280	54,777
		<u>1,071,062</u>	<u>1,629,004</u>
	DIRECTORS' REMUNERATION		
	Emoluments	134,566	119,500
	Amounts paid to pension schemes	18,536	16,446
		<u>153,102</u>	<u>135,946</u>
	Total emoluments		
		Number	Number
	The number of directors to whom relevant benefits are accruing under		
	Defined benefit pension schemes was	4	3
		<u>4</u>	<u>3</u>
	Directors' emoluments included above relate to directors involved in the day to day management of the business. The remaining directors' emoluments were paid by the parent company Ralph Martindale and Company Limited		
6	INTEREST PAYABLE	2006 £	2005 £
	Group interest payable	<u>19,984</u>	<u>28,884</u>

Ralph Martindale (England) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2006

7	TAXATION	2006 £	2005 £
	Current tax charges		
	Corporation tax charge	-	5,400
	Adjustments in respect of previous periods	4,347	-
	Group relief received	-	191,495
		<u>4,347</u>	<u>196,895</u>
	Deferred tax		
	Origination and reversal of timing differences	(32,041)	(24,734)
		<u>(32,041)</u>	<u>(24,734)</u>
	Tax on (loss)/profit on ordinary activities	<u>(27,694)</u>	<u>172,161</u>
	Reconciliation of UK corporation tax charge to the tax charge if the standard rate is applied to the (loss)/profit before tax		
	(Loss)/profit before tax at 30%	(28,264)	180,434
	Depreciation in excess of capital allowances	517	24,753
	Expenses not deductible for tax purposes	540	438
	Deductible items	(4,385)	(3,784)
	Adjustment in respect of previous periods	4,347	-
	Tax losses not utilised	31,592	-
	Small companies rate relief	-	(4,946)
		<u>4,347</u>	<u>196,895</u>

The company has tax losses of approximately £105,000 which are being carried forward to offset against future trading profits. A deferred tax asset of £31,600 has been recognised in respect of these losses.

Ralph Martindale (England) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2006

8 TANGIBLE FIXED ASSETS

	<i>Plant and equipment</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
Cost			
1 January 2006	6,434,426	11,574	6,446,000
Additions	9,685	-	9,685
Disposals	(7,178)	-	(7,178)
	<hr/>	<hr/>	<hr/>
31 December 2006	6,436,933	11,574	6,448,507
	<hr/>	<hr/>	<hr/>
Depreciation			
1 January 2006	5,228,303	6,895	5,235,198
Charged in the year	77,909	1,170	79,079
Disposals	(873)	-	(873)
	<hr/>	<hr/>	<hr/>
31 December 2006	5,305,339	8,065	5,313,404
	<hr/>	<hr/>	<hr/>
Net book value			
31 December 2006	1,131,594	3,509	1,135,103
	<hr/>	<hr/>	<hr/>
31 December 2005	1,206,123	4,679	1,210,802
	<hr/>	<hr/>	<hr/>

9 STOCKS

	2006 £	2005 £
Raw materials	391,156	279,526
Work in progress	57,590	198,502
Finished goods	1,119,171	1,458,191
Engineering stocks and consumables	675,393	584,591
	<hr/>	<hr/>
	2,243,310	2,520,810
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Ralph Martindale (England) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2006

10	DEBTORS	2006 £	2005 £
	Trade debtors	690,914	986,888
	Amount owed by fellow subsidiary undertakings	2,812,036	2,434,832
	VAT recoverable	-	26,535
	Prepayments and accrued income	35,068	42,079
		<u>3,538,018</u>	<u>3,490,334</u>
11	CREDITORS Amounts falling due within one year	2006 £	2005 £
	Bank overdraft	-	26,805
	Trade creditors	725,569	1,187,631
	Amount owed to parent undertaking	2,265,904	2,281,742
	Amount owed to fellow subsidiary undertakings	2,996,402	2,412,790
	Corporation tax	-	5,400
	Other taxation and social security	15,504	30,896
	Other creditors and accruals	67,665	61,226
		<u>6,071,044</u>	<u>6,006,490</u>
12	PROVISIONS FOR LIABILITIES AND CHARGES		<i>Deferred tax £</i>
	1 January 2006		270,176
	Profit and loss account		(32,041)
			<u>238,135</u>
	31 December 2006		<u>238,135</u>
	The provision for deferred tax at 30% relates to the following		
			£
	Excess of capital allowances over depreciation		269,735
	Tax losses		(31,600)
			<u>238,135</u>

Ralph Martindale (England) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2006

13	RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS	2006 £	2005 £
	(Loss)/profit for the year	(66,518)	429,285
	Opening shareholder's funds	1,009,023	579,738
		<u>942,505</u>	<u>1,009,023</u>
14	CALLED UP SHARE CAPITAL (2006 AND 2005)	<i>Number of shares</i>	£
	Authorised, issued and fully paid Ordinary shares of £1 each	250,000	250,000
		<u>250,000</u>	<u>250,000</u>
15	PROFIT AND LOSS ACCOUNT	2006 £	2005 £
	1 January 2006	759,023	329,738
	Retained (loss)/profit for the financial year	(66,518)	429,285
		<u>692,505</u>	<u>759,023</u>
16	PENSION COMMITMENTS		
	The company contributes to a group pension scheme of the defined benefit type. The total pension cost for the company was £47,280 (2005: £54,777). The assets of the scheme are held in separate trustee administered funds managed by Legal & General Assurance Society Limited. Details of the scheme can be found in the consolidated financial statements of the parent company.		
17	CASH FLOW STATEMENT		
	Under Financial Reporting Standard No. 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.		
18	PARENT COMPANY		
	The parent company is Ralph Martindale and Company Limited which is incorporated in Great Britain and registered in England and Wales.		

Ralph Martindale (England) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2006

19 CONTINGENT LIABILITIES

There is a composite banking agreement between the company, Ralph Martindale and Company Limited, its U K subsidiaries and Barclays Bank plc

There is a cross guarantee between the bank account of the company and Ralph Martindale and Company Limited and its U K subsidiaries

At 31 December 2006 the group had a liability of £914,059 (2005 £1,047,011) on its UK Sterling bank balances

20 OPERATING LEASE COMMITMENTS

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31 December 2007

	2006 £	2005 £
Expiring		
Within one to five years	14,098	9,821
	<u> </u>	<u> </u>

21 RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of the parent company, the company claims exemption under Financial Reporting Standard No 8 from disclosing related party transactions with other group companies