

3473/21

Ralph Coidan Limited

Report and Financial Statements

31 December 2002

ERNST & YOUNG



Ralph Coidan Limited

Registered No. 3473721

Directors

G C Galopin (Chairman)
J D Coidan
S D A Price
Lord Parkinson

Secretary

S D A Price

Auditors

Ernst & Young LLP
Becket House
1 Lambeth Palace Road
London SE1 7EU

Bankers

NatWest Bank PLC
PO Box No. 549
1-2 Finsbury Square
London EC2A 1JH

Lloyds TSB Bank PLC
27 High Street
Stockton on Tees
Cleveland TS18 1SG

HSBC Bank PLC
13 High Street
Stockton on Tees
Cleveland TS18 1SG

Solicitors

Trowers & Hamlins
Sceptre Court
40 Tower Hill
London EC3N 4DX

Registered Office

South Street
Portslade
Sussex BN41 2LX

Directors' report

The directors present their report and audited financial statements of the company for the year ended 31 December 2002.

Results and dividends

The profit for the year, after taxation, amounted to £609,962 (2001 – £657,934).

The directors do not recommend the payment of a dividend.

Principal activities and review of the business

The principal activities of the company are those of carbon and graphite engineers, processors, dealers and manufacturers.

Turnover decreased to £5,153,592 from £5,426,629 in 2001 and profit before tax decreased to £858,327 from £960,897 in 2001. The directors consider the company's overall state of affairs to be satisfactory.

Future developments

The directors continue to increase and develop the company's range of products and to develop market opportunities where they exist. The directors also place great emphasis on the efficiency of the company at all levels of its operation.

Political and charitable contributions

During the year the company made charitable donations of £685 (2001 – £395).

Directors and their interests

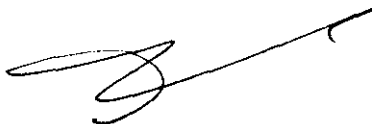
The directors who served during the year ended 31 December 2002 were as listed on page 1.

None of the directors has a beneficial interest in the shares of the company in the group of which they are directors.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



Director

Statement of directors' responsibilities in respect of the financial statements

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 period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 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.

Independent auditors' report

to the members of Ralph Coidan Limited

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 17. These financial statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Independent auditors' report

to the members of Ralph Coidan Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

25 April 2003

Profit and loss account

for the year ended 31 December 2002

	Notes	2002 £	2001 £
Turnover	2	5,153,592	5,426,629
Cost of sales		(3,728,068)	(3,851,982)
Gross profit		1,425,524	1,574,647
Selling costs		(424,525)	(439,184)
Administrative expenses		(419,153)	(424,800)
		(843,678)	(863,984)
Other operating income		-	4,494
		(843,678)	(859,490)
Operating profit	3	581,846	715,157
Interest payable	6	(21,281)	(21,890)
Interest receivable		297,762	267,630
		276,481	245,740
Profit on ordinary activities before taxation		858,327	960,897
Tax on profit on ordinary activities	7	(248,365)	(302,963)
Profit on ordinary activities after taxation		609,962	657,934
Profit retained at 1 January		6,116,646	5,458,712
Profit retained at 31 December		6,726,608	6,116,646

The profit for the year has been calculated on the historical cost basis.

Statement of total recognised gains and losses

for the year ended 31 December 2002

There are no recognised gains or losses for the year other than those recognised in the profit and loss account. The profit for the year is wholly attributable to the continuing operations of the company.

Balance sheet

at 31 December 2002

	Notes	2002 £	2001 £
Fixed assets			
Tangible assets	8	1,134,715	1,258,382
Current assets			
Stocks	9	1,500,532	1,867,416
Debtors	10	7,652,223	6,618,030
Cash at bank		23,218	63,223
		9,175,973	8,548,669
Creditors: amounts falling due within one year	11	(3,535,080)	(3,621,405)
Net current assets		5,640,893	4,927,264
Total assets less current liabilities		6,775,608	6,185,646
Provision for liabilities and charges	12	(48,000)	(68,000)
		6,727,608	6,117,646
Capital and reserves			
Called up share capital	13	1,000	1,000
Profit and loss account		6,726,608	6,116,646
Shareholders' funds	14	6,727,608	6,117,646

Approved by the Board on
and signed on its behalf by:

25th April 2003



Director

Notes to the financial statements

at 31 December 2002

1. Accounting policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

UK financial reporting developments

In December 2001, the Accounting Standards Board issued Financial Reporting Standard 18 (FRS 18) 'Accounting Policies'. FRS 18 has been adopted for the year ended 31 December 2002 and does not have a material impact on the company.

Future UK financial reporting developments

In November 2001, the Accounting Standards Board issued Financial Reporting Standard 17 (FRS 17) 'Retirement Benefits'. FRS 17 will not be mandatory for the company until the year ended 31 December 2004. The FRS has an extended transitional period during which certain disclosures will be required in the notes to the financial statements. The standard does not have a material impact on the company.

Statement of cash flows

The financial statements do not include a statement of cash flows because the company, as a wholly owned subsidiary, is exempt from the requirement to prepare such a statement under Financial Reporting Standard 1 'Cash Flow Statements'.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets (excluding freehold land) over their estimated useful lives. The rates used are as follows:

Freehold buildings	—	2 ½% on cost
Plant and machinery	—	10% on cost
Office equipment	—	10% on cost
Computer equipment	—	33% on cost
Motor vehicles	—	25% on cost

Stocks and work in progress

These are valued at the lower of cost and estimated net realisable value including, in the case of work in progress and finished goods, an appropriate proportion of overhead expenditure.

The cost is computed using the average unit cost method.

Foreign currency

Transactions in foreign currencies are translated into sterling at the rates of exchange current at the dates of the transactions. Foreign currency monetary assets and liabilities in the balance sheet are translated to sterling at the rates of exchange ruling at the end of the year. Resulting exchange gains and losses are taken to the profit and loss account.

Notes to the financial statements

at 31 December 2002

1. Accounting policies (continued)

Deferred taxation

In December 2000, the Accounting Standards Board issued Financial Reporting Standard 19 'Deferred Tax'. Under FRS 19 the company is required to recognise deferred tax as a liability or asset if transactions or events giving rise to an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date.

Previously the company provided for deferred tax using the liability method to an extent that it was probable that liabilities would crystallise in the foreseeable future at the rates of tax expected to apply when the timing differences reverse. Under FRS 19 full provision is required, whether or not an actual liability will crystallise subject to certain exemptions.

Pension costs

The company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. Contributions payable to the schemes are charged to the profit and loss account in the year to which they relate.

2. Turnover

Turnover and the results before taxation arise solely from the company's principal activities. Turnover analysis by geographical area, was as follows:

	2002 £	2001 £
United Kingdom	3,615,694	3,900,004
Other members of the EU	1,278,212	1,345,011
The rest of the World	259,686	181,614
	<u>5,153,592</u>	<u>5,426,629</u>

3. Operating profit

This is stated after charging/(crediting):

	2002 £	2001 £
Exchange gains	(8,656)	(22,519)
Staff costs (note 4)	1,554,139	1,726,282
Depreciation on tangible fixed assets	135,747	131,125
Loss on disposal of fixed assets	–	4,188
Auditors' remuneration – audit services	12,650	11,300
	<u>1,693,880</u>	<u>1,849,376</u>

Notes to the financial statements

at 31 December 2002

4. Staff costs

	2002 £	2001 £
Wages and salaries	1,380,562	1,536,530
Social security costs	127,517	149,273
Other pension costs	46,060	40,479
	<u>1,554,139</u>	<u>1,726,282</u>

The average number of persons employed by the company (including directors) during the year was as follows:

	2002 No.	2001 No.
Production	45	49
Other	31	33
	<u>76</u>	<u>82</u>

5. Directors' emoluments

	2002 £	2001 £
Emoluments	106,215	105,665
Contributions to money purchase pension scheme	15,932	15,850
	<u>122,147</u>	<u>121,515</u>

During the year one (2001 – one) director accrued benefits under the money purchase pension scheme.

6. Interest payable

	2002 £	2001 £
Loans from group undertakings	20,317	20,368
Bank overdrafts	964	1,522
	<u>21,281</u>	<u>21,890</u>

Notes to the financial statements

at 31 December 2002

7. Tax

Tax on profit on ordinary activities:

	2002 £	2001 £
Corporation tax at 30% (2001 – 30%)		
– current year	280,000	310,000
– previous year	(11,635)	–
Deferred taxation	(20,000)	(7,037)
	<u>248,365</u>	<u>302,963</u>

Factors affecting the tax charge for the year:

	2002 £	2001 £
Profit on ordinary activities before tax	<u>858,327</u>	<u>960,897</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001 – 30%)	257,498	288,269
Effect of:		
disallowed expenses and non taxable income	2,502	11,694
other timing differences	20,000	10,037
adjustments to tax charge in respect of previous years	(11,635)	–
Current tax charge	<u>268,365</u>	<u>310,000</u>

Notes to the financial statements

at 31 December 2002

8. Tangible fixed assets

	<i>Freehold property</i>	<i>Plant and machinery</i>	<i>Office equipment</i>	<i>Computer equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£	£	£
Cost:						
At 1 January 2002	893,452	1,680,023	97,656	9,257	31,078	2,711,466
Additions	–	–	–	12,080	–	12,080
At 31 December 2002	893,452	1,680,023	97,656	21,337	31,078	2,723,546
Depreciation:						
At 1 January 2002	88,039	1,261,268	65,362	7,337	31,078	1,453,084
Charge for the year	18,140	103,360	9,042	5,205	–	135,747
At 31 December 2002	106,179	1,364,626	74,404	12,542	31,078	1,588,829
Net book value:						
At 31 December 2002	787,273	315,395	23,252	8,795	–	1,134,715
Net book value:						
At 31 December 2001	805,413	418,755	32,294	1,920	–	1,258,382

The value of freehold land included in freehold property amounted to £167,850 at cost (2001 – £167,850).

9. Stocks

	2002	2001
	£	£
Raw materials	932,838	1,124,309
Finished goods	96,745	607,465
Work in progress	470,949	135,642
	<u>1,500,532</u>	<u>1,867,416</u>

Notes to the financial statements

at 31 December 2002

10. Debtors

	2002 £	2001 £
Trade debtors	732,767	724,441
Amounts due from group undertakings	6,902,382	5,868,261
Other debtors	7,609	11,946
Prepayments	9,465	13,382
	<u>7,652,223</u>	<u>6,618,030</u>

Other debtors includes outstanding interest free loans of £1,814 (2001 – £5,884) made to employees during the year to acquire shares in the company's ultimate parent undertaking, Le Carbone Lorraine SA.

This includes loans made to directors as follows:

	<i>At 1 January 2002</i> £	<i>Maximum amount outstanding during the year</i> £	<i>At 31 December 2002</i> £
J D Coidan	2,559	2,559	1,814

11. Creditors: amounts falling due within one year

	2002 £	2001 £
Trade creditors	175,045	194,205
Amount due to group undertakings	2,884,524	2,960,343
Other taxation and social security	178,109	142,235
Accruals	86,802	73,387
Corporation tax	210,600	251,235
	<u>3,535,080</u>	<u>3,621,405</u>

12. Provisions for liabilities and charges

	2002 £	2001 £
Deferred taxation:		
At 1 January	68,000	75,037
Profit and loss account	(20,000)	(7,037)
At 31 December	<u>48,000</u>	<u>68,000</u>

Notes to the financial statements

at 31 December 2002

12. Provisions for liabilities and charges (continued)

Details of the potential deferred taxation liability and full provision, which has been made in these financial statements, are:

	2002 £	2001 £
Taxation deferred by accelerated capital allowances	52,566	73,280
Other timing differences	(4,566)	(5,280)
At 31 December	<u>48,000</u>	<u>68,000</u>

13. Share capital

	2002 £	2001 £
<i>Authorised, allotted, issued, called up and fully paid</i>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

14. Reconciliation of movements in shareholders' funds

	2002 £	2001 £
At 1 January	6,117,646	5,459,712
Profit for the year	609,962	657,934
At 31 December	<u>6,727,608</u>	<u>6,117,646</u>

15. Pension commitments

The company operates defined contribution schemes. The assets of the schemes are held separately from those of the company in independently administered funds held by trustees. The pension cost charged represents contributions payable by the company to the fund and amounted to £41,070 (2001 – £40,479). At 31 December 2002 contributions amounting to £nil (2001 – £nil) were payable to the fund.

16. Related party transactions

The financial statements do not include disclosure of transactions between the company and entities that are part of Le Carbone Lorraine SA group. This is because as a subsidiary whose shares are more than 90% controlled within the group, it is exempt from the requirement to disclose such transactions under Financial Reporting Standard 8 'Related Party Disclosures'.

Notes to the financial statements

at 31 December 2002

17. Ultimate parent undertaking

The immediate parent undertaking is Le Carbone (Holdings) Limited. The smallest group of which the company is a member and for which consolidated financial statements are prepared is Le Carbone (UK) Holdings Limited, copies of which are available from South Street, Portslade, Sussex BN41 2LX.

The ultimate parent undertaking is Le Carbone Lorraine SA incorporated in France for which consolidated financial statements are prepared. Copies of Le Carbone Lorraine group's financial statements may be obtained from Immeuble La Fayette, 2-3 place des Vosges, La Defense 5, 92400 Courbevoie, France.

Detailed profit and loss account

for the year ended 31 December 2002

	2002 £	2001 £
Sales	5,153,592	5,426,629
Cost of sales		
Stocks – 1 January	1,867,416	1,806,613
Purchases, duty and carriage inwards	1,672,763	2,039,776
Works' wages and pensions	774,119	888,939
Works' charges	830,709	895,794
Carriage outwards	83,593	88,276
	<u>5,228,600</u>	<u>5,719,398</u>
Stocks – 31 December	(1,500,532)	(1,867,416)
	<u>3,728,068</u>	<u>3,851,982</u>
Gross profit	<u>1,425,524</u>	<u>1,574,647</u>
Selling costs	424,525	439,184
Administrative expenses	419,153	424,800
Interest payable	21,281	21,890
Other operating income	–	(4,494)
Interest receivable	(297,762)	(267,630)
	<u>567,197</u>	<u>613,750</u>
Net profit before taxation	<u>858,327</u>	<u>960,897</u>
Works charges		
Salaries	363,316	420,415
Pension fund	18,962	13,973
Computer expenses	2,861	2,779
Rent and rates	36,415	47,170
Heat, light, power and water	73,815	64,873
Telephone, stationery and postage	22,130	21,378
General works' expenses	69,353	73,952
Travel and subsistence	11,320	5,590
Canteen and welfare services	3,839	328
Depreciation of plant and equipment	103,710	102,847
Depreciation of buildings	18,140	18,140
Repairs and maintenance	93,419	104,721
Repairs – buildings	6,199	13,487
Commission payable	7,230	6,141
	<u>830,709</u>	<u>895,794</u>

Detailed profit and loss account

for the year ended 31 December 2002

	2002 £	2001 £
Selling costs		
Salaries	305,022	335,973
Pension fund	9,689	10,210
Travelling and car expenses	31,927	35,350
Training	-	61
Telephone, stationery and computer	8,272	11,836
General trade expenses	16,179	15,831
Depreciation	5,206	1,048
Advertising	21,190	26,747
Bad debts	25,002	434
Repairs and maintenance	2,038	1,694
	<u>424,525</u>	<u>439,184</u>
Administrative expenses		
Salaries	77,034	50,792
Pension fund	5,995	5,980
Travelling and car expenses	6,617	20,299
Printing and stationery	7,854	13,760
Postage and telephone	5,399	3,006
Depreciation	9,043	9,090
Repairs and maintenance	-	777
General trade expenses	1,510	4,762
Audit and accountancy	12,623	11,300
Training	118	1,139
Computer expenses	1,056	3,524
Bank charges	14,126	13,921
Legal and professional	1,560	1,039
Discounts (net)	-	846
Difference on exchange	8,656	22,519
Management charges – Le Carbone (Great Britain) Limited	222,562	236,284
Insurance	45,000	25,762
	<u>419,153</u>	<u>424,800</u>