Dayco Europe Limited

Annual report
for the year ended 28 February 2001

Registered no: 2406066

Dayco Europe Limited

Annual report
for the year ended 28 February 2001

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Directors' report for the year ended 28 February 2001

The directors present their report and the audited financial statements for the year ended 28 February 2001.

Principal activity

The company manufactures, merchants and distributes rubber based belting and hose, along with associated pulleys and fittings, for industrial, petroleum and automotive applications.

Review of business and future developments

The results for the year are set out on page 5.

During the year the company had sales of £10,332,754 (2000: £18,394,624) and a profit transferred to reserves of £203,071 (2000: loss of £177,048).

In March 2000 the company sold its dormant subsidiary Dayco PTI Limited to another company within the Group.

In April 2000 the company acquired the Industrial Hose Assembly Division of Man-flex Limited to strengthen its existing industrial business.

Research and development

Research and development on new products is primarily carried on at Dayco's technical centres worldwide, but locally some product development for the European market is undertaken on industrial hose products and metal fittings sold through the company.

Dividends and Transfers to Reserves

The directors do not recommend the payment of a dividend and the financial profit for the year of £203,071 (2000: loss of £177,048) has been transferred to reserves.

Directors' report
for the year ended 28 February 2001 (continued)

Creditor payment policy

The group agrees the terms and conditions under which business transactions with its suppliers are conducted when it enters into binding purchase contracts. It is group policy to abide by the payment terms agreed with suppliers, provided that the supplier has performed its obligations under the contract. The company does not have a standard code which deals specifically with the payment of suppliers. Trade creditor days of the company for the year ended 28 February 2001 were 21 days (2000: 19 days), based on the ratio of company trade creditors at the end of the year to the amounts invoiced during the year by trade creditors.

Directors and directors' interests

The directors of the company, all of whom served during the year, were as follows:

G R Long - Chairman
S Billington
P Mutton (resigned: 31 October 2000)
F Vitali

None of the directors have held any interests in the shares of the company or in the shares of its immediate parent companies during the year ended 28 February 2001.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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;
- 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.

Directors' report
for the year ended 28 February 2001 (continued)

Auditors

A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting.

By order of the board

G R Long
Director
19 March 2002

Auditors Report to the members of Dayco Europe Limited

We have audited the financial statements on pages 5 to 17.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report, including as described on page 2, for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 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 28 February 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Birmingham
19 March 2002

Profit and loss account for the year ended 28 February 2001

		2001					2000
		Continuing Activities	Acquisitions	Total Continuing	Discontinued Activities	Continuing Activities	Total
	Notes	£	£	£	£	£	£
Turnover	2	9,212,715	1,120,039	10,332,754	9,952,276	8,442,348	18,394,624
Cost of sales		(7,361,279)	(857,208)	(8,218,487)	(9,239,529)	(6,562,537)	(15,802,066)
Gross profit		1,851,436	262,831	2,114,267	712,747	1,879,811	2,592,558
Net operating expenses	3	(1,549,612)	(136,074)	(1,685,686)	(769,354)	(2,017,812)	(2,787,166)
Operating profit/(loss)		301,824	126,757	428,581	(56,607)	(138,001)	(194,608)
Interest receivable and similar income				18,321			84,164
Interest payable and similar charges	6			-			(109,464)
Profit/(loss) on ordinary activities before taxation	7			446,902			(219,908)
Tax on profit/(loss) on ordinary activities	8			(243,831)			42,860
Retained profit/(loss) for the financial year	19			203,071			(177,048)

The company has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

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

Dayco Europe Limited

Balance sheet
at 28 February 2001

	Notes	2001 £	2000 £
Fixed assets			
Investments	10	**1**	3,090
Intangible assets	11	**237,395**	-
Tangible assets	12	**1,331,026**	1,411,692
		1,568,422	1,414,782
Current assets			
Stocks	13	**2,291,430**	1,942,670
Debtors	14	**8,631,021**	4,118,316
Cash at bank and in hand		**1,374,546**	5,406,950
		12,296,997	11,467,936
Creditors: amounts falling due within one year	15	**(2,052,996)**	(1,391,671)
Net current assets		**10,244,001**	10,076,265
Total assets less current liabilities		**11,812,423**	11,491,047
Creditors: amounts falling due after more than one year	16	**(4,730,609)**	(4,612,304)
Net assets		**7,081,814**	6,878,743
Capital and reserves			
Called-up share capital	18	**7,950,000**	7,950,000
Profit and loss account	19	**(868,186)**	(1,071,257)
Equity shareholders' funds	20	**7,081,814**	6,878,743

The financial statements on pages 5 to 17 were approved by the board of directors on 19 March 2002 and were signed on its behalf by:

G R Long
Director

Notes to the financial statements for the year ended 28 February 2001

1 Principal 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.

Basis of accounting

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

Discontinued operations

During the course of the previous financial year two major automotive customers, to whom the company distributed product, renegotiated their requirements directly with the manufacturer from whom they now source product. As a result the trading activity associated with the supply of these customers has been disclosed as discontinued activities and the profit and loss account.

Consolidated financial statements

The company is a wholly owned subsidiary of Mantronics Limited, a company incorporated in England and Wales and has taken advantage of the exemption from preparing consolidated financial statements.

Cash flow statement

The company is a 90% or more subsidiary undertaking of a company whose consolidated financial statements are publicly available and is therefore exempt under the terms of Financial Reporting Standard No 1 (Revised) from publishing a cash flow statement.

Turnover

Turnover represents the invoiced value of goods and services sold less value added tax.

Goodwill

Goodwill represents the cost of purchased goodwill, which is capitalised and amortised over the useful economic life of the underlying assets. Where appropriate, provision for any impairment is made in the year in which the impairment occurs.

The useful economic life is estimated to be a maximum of 20 years for the Man-flex acquisition.

Notes to the financial statements for the year ended 28 February 2001 (continued)

1 Principal accounting policies (continued)

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated to write off the cost of tangible fixed assets (excluding freehold land) less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Freehold land	nil
Freehold buildings	$2^1/_2$
Plant and machinery and fixtures and fittings	$10 - 33^1/_3$
Motor vehicles	20

Fixed asset investments

Fixed asset investments are stated at cost less any provision considered necessary for impairment.

Stock

Stock is valued at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis. In the case of manufactured products, costs comprise direct expenses and production overheads based on the normal level of activity.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Foreign currency

Foreign currency transactions are translated at the rates ruling when they occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

Notes to the financial statements for the year ended 28 February 2001 (continued)

1 Principal accounting policies (continued)

Finance and operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Where assets are financed by purchase and leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised in respect of hire purchase and leasing contracts is the cost of the asset before finance charges or the present value of minimum lease payments payable over the term of the lease respectively. The corresponding leasing commitments are shown as amounts payable to the contractor or lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Hire purchase and finance lease payments are split between capital and finance charges. The finance charges are charged to the profit and loss account and the capital element reduces the amounts payable to the contractor or lessor.

Research and development expenditure

Research and development expenditure incurred by the company is written off in the period in which the expenditure is incurred.

Pension scheme arrangements

The company operates a defined benefit pension scheme for certain employees. The fund is valued every three years by a professionally qualified independent actuary, the rate of contribution payable being determined by the actuary. In the intervening years, the actuary reviews the continuing appropriateness of the rate. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme. Further information is given in note 5.

The company also operates a money purchase pension scheme for certain employees. The cost charged in the profit and loss account for the money purchase scheme represents contributions payable by the company to this fund in respect of the financial year.

The assets of the schemes are held separately from those of the company in independently administered funds.

Notes to the financial statements for the year ended 28 February 2001 (continued)

2 Turnover

The analysis by geographical area of the company's turnover is set out below:

	2001	2000
	£	£
Geographical segment:		
United Kingdom	**6,998,609**	11,423,488
Europe	**928,937**	3,177,444
USA	**60,485**	2,180,660
Africa	**302,009**	635,459
Other	**2,042,714**	977,573
	10,332,754	18,394,624

3 Net operating expenses

			2001			2000
	Continuing		Total	Discontinued	Continuing	
	Activities	Acquisitions	Continuing	Activities	Activities	Total
Net operating expenses	£	£	£	£	£	£
Distribution costs	**219,284**	-	**219,284**	19,755	156,146	175,901
Administrative expenses	**1,330,328**	**136,074**	**1,466,402**	749,599	1,861,666	2,611,265
	1,549,612	**136,074**	**1,685,686**	769,354	2,017,812	2,787,166

4 Directors' emoluments

	2001	2000
	£	£
Aggregate emoluments	**140,701**	129,415

Retirement benefits are accruing to two directors (2000: two) under the company's defined benefit scheme. No retirement benefits are accruing to any director under a money purchase scheme.

Notes to the financial statements for the year ended 28 February 2001 (continued)

5 Employee information

The average number of persons (including executive directors) employed during the year was:

	2001 Number	2000 Number
By activity:		
Office management	**11**	13
Selling and distribution	**14**	22
Production and technical	**42**	33
	67	68
	£	£
Staff costs (for the above persons):		
Wages and salaries	**1,165,901**	1,389,708
Social security costs	**103,081**	128,440
Pension costs:		
Money purchase scheme	**18,786**	26,696
Defined benefit scheme	**7,620**	7,427
	1,295,388	1,552,271

The company pays pension contributions for certain employees to a funded defined benefit scheme which is managed by trustees. The pension cost relating to the scheme is assessed in accordance with the advice of an independent qualified actuary. The most recent actuarial valuation was carried out at 1 May 1996 and showed that, at that date, the scheme had a surplus of £29,300. It was assumed that the investment return would be 8% per annum and that pensionable earnings of members would increase by 6.25% per annum. The scheme has been valued using the Attained Age method. The market value of the scheme assets at 1 May 1996 was £330,800. The results of the actuarial valuation at 1 May 1999 are outstanding.

The scheme has a current funding level of 110%. The recommended contribution rate for the period to the next review is 17% of pensionable payroll and allows for the amortisation of the surplus, effectively over the average service life of the employees.

The company also contributes, for certain employees, to the Mark IV Group UK Money Purchase Pension Plan. Funds are held separate from the company and are managed by trustees.

The outstanding pension contributions at the year end amounted to nil (2000: £2,850).

Notes to the financial statements for the year ended 28 February 2001 (continued)

6 Interest payable and similar charges

	2001 £	2000 £
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	-	109,464

7 Profit/(loss) on ordinary activities before taxation

	2001 £	2000 £
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Depreciation:		
Owned tangible fixed assets	**149,352**	189,469
Amortisation of goodwill	**11,403**	
Auditors' remuneration		
- Audit	**25,000**	25,000
- Other services	**10,492**	6,353
Operating lease rentals		
- Land and buildings	**159,500**	147,826
- Plant and machinery	**55,636**	99,936

8 Tax on profit/(loss) on ordinary activities

	2001 £	2000 £
United Kingdom corporation tax at (charge)/credit30% (2000: 30%)	**(200,971)**	20,457
(Under)/over provided in prior years	**(42,860)**	22,403
Tax (charge)/credit	**(243,831)**	42,860

9 Acquisitions during the period

On 13 April 2000 the group acquired the trade and net assets of Man-flex Limited for an initial consideration of £363,000 which was satisfied by cash. Additional consideration may be payable if the performance of the acquired division exceeds specified targets. Incidental costs of the acquisition amounted to £28,000.

For the period since acquisition, sales of £1,120,000 and operating profit of £126,000 are included within the profit and loss account as continuing operations–acquisitions.

Notes to the financial statements for the year ended 28 February 2001 (continued)

9 Acquisitions during the period (continued)

The balance sheet of the Man-flex division on acquisition was as follows:

	Book and Fair value at Acquisition £000
Tangible fixed assets	16
Stock	127
Net assets acquired	**143**
Consideration	363
Costs of acquisition	28
Goodwill on acquisition	(248)
	143
Consideration satisfied by :	
Cash	**363**

10 Fixed asset investments

	Subsidiary Undertakings £	Other Investments £	Total £
Cost at 1 March 2000	3,089	1	3,090
Disposals	(3,089)	-	(3,089)
Cost at 28 February 2001	-	1	1

Fixed asset investments represent the following interest in a company which is incorporated in England and Wales:

Company	Principal activity	Description of Holding	Proportion Held
Caplugs Limited	Distribution of protective caps and plugs for industrial use	10,000 ordinary shares of £1 each	50%

Notes to the financial statements for the year ended 28 February 2001 (continued)

11 Intangible fixed assets

	"System Stecko" Trade name £	Manflex Acquisition £	Total Goodwill £
Cost			
At 1 March 2000	208,920	-	208,920
Additions	-	248,798	248,798
At 28 February 2001	**208,920**	**248,798**	**457,718**
Amortisation			
At 1 March 2000	208,920	-	208,920
Charge for year	-	11,403	11,403
At 28 February 2001	**208,920**	**11,403**	**220,323**
Net book value at 28 February 2001	**-**	**237,395**	**237,395**

12 Tangible fixed assets

	Freehold land & buildings £	Other Fixed assets £	Total £
Cost			
At 1 March 2000	1,100,000	1,667,203	2,767,203
Additions	-	122,254	122,254
Transfer to group undertaking	-	(113,102)	(113,102)
Disposals	-	(211,253)	(211,253)
At 28 February 2001	**1,100,000**	**1,465,102**	**2,565,102**
Depreciation			
At 1 March 2000	176,000	1,179,511	1,355,511
Charge for year	21,000	128,352	149,352
Transfer to group undertaking	-	(59,534)	(59,534)
Disposals	-	(211,253)	(211,253)
At 28 February 2001	**197,000**	**1,037,076**	**1,234,076**
Net book value			
At 28 February 2001	**903,000**	**428,026**	**1,331,026**
Net book value			
At 28 February 2000	924,000	487,692	1,411,692

Other fixed assets include fixtures, fittings, office equipment, motor vehicles and plant and machinery.

The directors have estimated the allocation of cost of the freehold land included above to be £300,000 and the cost of the buildings to be £800,000.

Notes to the financial statements for the year ended 28 February 2001 (continued)

13 Stocks

	2001	2000
	£	£
Work in progress	**61,115**	34,117
Finished goods and goods for resale	**2,125,955**	1,727,723
Stock in transit	**104,360**	180,830
	2,291,430	1,942,670

14 Debtors

	2001	2000
	£	£
Amounts falling due within one year:		
Trade debtors	**3,149,014**	3,093,059
Amounts owed by parent undertaking and fellow subsidiary undertakings	**5,314,149**	722,133
Corporation tax recoverable	**-**	42,053
VAT recoverable	**99,503**	173,993
Prepayments and accrued income	**68,355**	87,078
	8,631,021	4,118,316

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

15 Creditors: amounts falling due within one year

	2001	2000
	£	£
Bank overdraft	**-**	112,983
Trade creditors	**1,049,698**	509,973
Amounts owed to parent undertaking and fellow subsidiary undertakings	**369,356**	460,528
Corporation tax	**205,566**	-
Other taxation and social security payable	**34,673**	33,511
Accruals and deferred income	**393,703**	274,676
	2,052,996	1,391,671

The bank overdraft is guaranteed by the ultimate parent company. Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

16 Creditors: amounts falling due after more than one year

	2001	2000
	£	£
Amounts owed to parent undertaking and subsidiary undertakings	**4,730,609**	4,612,304

Notes to the financial statements for the year ended 28 February 2001 (continued)

17 Deferred taxation

There is no actual or potential liability to deferred taxation. There was an unrecognised deferred tax asset at 28 February 2001 of £16,482 (2000: £49,834).

18 Called-up share capital

	Ordinary Shares of £1 each	
	Authorised	Allotted, Called up and fully paid
	£	£
At 1 March 2000 and at 28 February 2001	**8,000,000**	**7,950,000**

19 Profit and loss account

	£
At 28 February 2000	(1,071,257)
Retained profit for the financial year	203,071
At 28 February 2001	**(868,186)**

20 Reconciliation of movements in equity shareholders' funds

	2001	2000
	£	£
Opening equity shareholders' funds	**6,878,743**	7,055,791
Profit/(loss) for the financial year	**203,071**	(177,048)
Closing equity shareholders' funds	**7,081,814**	6,878,743

21 Capital commitments

There was no capital expenditure contracted for but not provided for in the financial statements at 28 February 2001 (2000: £nil).

Notes to the financial statements for the year ended 28 February 2001 (continued)

22 Financial commitments

At 28 February 2001 the company had annual commitments under non-cancellable operating leases as follows:

	2001		2000	
	Land and buildings	**Other**	Land and Buildings	Other
	£	**£**	£	£
Expiring within one year	-	-	-	11,440
Expiring between two and five years inclusive	**159,500**	**4,680**	-	27,151
Expiring in over five years	-	-	140,400	-
	159,500	**4,680**	140,400	38,591

23 Contingent liabilities and guarantees

The company and certain other group companies are jointly and severally liable for any debts incurred under a group pooling agreement which is administered by Bank Mendes Gans BV. At 28 February 2001, there was a contingent liability in respect of this pooling arrangement of £3,882,437 (2000: £12,515,000).

24 Ultimate parent company and controlling party

Mark IV Industries Inc, the ultimate parent company, is incorporated and registered in the United States of America. There is no ultimate controlling party within the meaning of Financial Reporting Standard Number 8 by virtue of the fact that no single majority shareholder has controlling interest in Mark IV Industries Inc. Copies of the consolidated financial statements of the ultimate parent may be obtained from The Secretary, One Town Centre, 501 John James Audubon Parkway, PO Box 810, Amherst, New York 14226-0810, USA.

25 Immediate parent company

The entire share capital of Dayco Europe Limited is owned by Mantronics Limited, another Mark 1V group company. Mantronics Limited is incorporated and registered in England and Wales. Copies of the consolidated financial statements of Mantronics Limited may be obtained from Mantronics Limited, Belfont Industrial Estate, Mucklow Hill, Halesowen, West Midlands B62 8DR.

26 Related Party Transactions

The company has taken advantage of the exemption allowed by Financial Reporting Standard Number 8 not to disclose transactions with related company undertakings, 90% or more of whose voting rights are controlled within the group.

27 Post balance sheet events

Subsequent to the year end the company disposed of its net assets and its business undertaking which consists of both its mining and industrial business to a third party. Following this the company ceased trading.