

ELECTRIC MELTING SERVICES COMPANY LIMITED

ANNUAL REPORT

YEAR ENDED 31 MARCH 2000



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DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2000

The directors submit their annual report together with the audited financial statements for the year ended 31 March 2000.

1. RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £159,331. The directors recommend that no dividend be paid for the year, leaving retained profits of £677,053 to be carried forward at the end of the year.

2. REVIEW OF THE BUSINESS

The principal activity of the company continued to be the repair of induction furnaces and coils.

Turnover has continued to improve and the company remained profitable during the year. The directors expect to continue trading profitably.

3. DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office during the year were:

H M Rowan	(USA)	S N Hill
J H Mortimer	(Australia)	J F Fletcher
G E Hawkins		

The directors had no interests required to be disclosed under the Companies Act 1985.

4. FIXED ASSETS

The changes in the tangible fixed assets of the company are set out in note 7 on page 9 of the financial statements.

5. TAX STATUS

The company is a close company under the provisions of the Taxes Act 1988.

DIRECTORS' REPORT**YEAR ENDED 31 MARCH 2000****6. 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 period. In preparing those financial statements, the directors are required to:

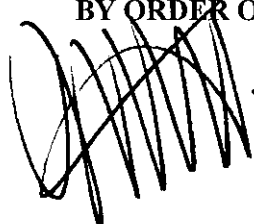
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

7. AUDITORS

A resolution to re-appoint the auditors, Pannell Kerr Forster, will be proposed at the annual general meeting.

Registered office:
LOVELL STREET
SHEFFIELD S4 7UW

26 APRIL 2000**BY ORDER OF THE BOARD****J F FLETCHER****SECRETARY**

AUDITORS' REPORT TO THE SHAREHOLDERS**YEAR ENDED 31 MARCH 2000**

We have audited the financial statements on pages 4 to 12 which have been prepared under the accounting policies set out on pages 6 and 7.

Respective Responsibilities of Directors and Auditors

As described on page 2 the company's 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 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 affairs of the company as at 31 March 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BIRMINGHAM
27 APRIL 2000

PANNELL KERR FORSTER
Registered Auditors

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2000

	<u>Notes</u>	<u>2000</u> £	<u>1999</u> £
TURNOVER		1,722,178	1,470,173
NET OPERATING EXPENSES	2	<u>1,496,721</u>	<u>1,260,789</u>
OPERATING PROFIT		225,457	209,384
INTEREST RECEIVABLE	3	<u>7,874</u>	<u>9,057</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		233,331	218,441
TAX ON PROFIT ON ORDINARY ACTIVITIES	6	<u>74,000</u>	<u>68,666</u>
PROFIT FOR THE FINANCIAL YEAR	14	<u>159,331</u>	<u>149,775</u>

All amounts relate to continuing activities.

There are no recognised gains or losses other than the retained profit for the year.

The movement on reserves is shown in note 14 to the financial statements.

The notes on pages 6 to 12 form part of these financial statements.

BALANCE SHEET

31 MARCH 2000

	<u>Notes</u>	<u>2000</u>		<u>1999</u>	
		£	£	£	£
FIXED ASSETS					
Tangible assets	7		351,010		364,017
CURRENT ASSETS					
Stocks	8	137,999		142,086	
Debtors	9	457,986		511,381	
Cash at bank and in hand		<u>386,435</u>		<u>190,996</u>	
		982,420		844,463	
CREDITORS - amounts falling due within one year	10	<u>266,377</u>		<u>303,758</u>	
NET CURRENT ASSETS			<u>716,043</u>		<u>540,705</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			1,067,053		904,722
PROVISIONS FOR LIABILITIES AND CHARGES	11		<u>30,000</u>		<u>27,000</u>
NET ASSETS			<u>1,037,053</u>		<u>877,722</u>
CAPITAL AND RESERVES					
Called-up share capital	13		360,000		360,000
Profit and loss account	14		<u>677,053</u>		<u>517,722</u>
SHAREHOLDERS' FUNDS	15		<u>1,037,053</u>		<u>877,722</u>

Approved by the board of directors on 26 April 2000

G E HAWKINS DIRECTOR



The notes on pages 6 to 12 form part of these financial statements.

NOTES AND ACCOUNTING POLICIES

YEAR ENDED 31 MARCH 2000

1. ACCOUNTING POLICIES

The principal accounting policies of the company are as follows:

a) **Basis of accounting**

The financial statements have been prepared under the historical cost convention.

b) **Turnover**

The turnover of the company for the year represents invoiced sales, less allowances and value added tax, for goods and services supplied.

c) **Foreign currency**

Foreign currency trading transactions are translated at the rates of exchange prevailing at the date of the transactions.

Assets and liabilities held in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date.

d) **Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided to write off the cost of tangible fixed assets over their estimated useful lives, at the following annual rates, using the straight line method:

Leasehold buildings	- 2.5%
Plant and equipment	- 20%
Motor vehicles	- 33.3%
Office equipment	- 20% - 33.3%

e) **Stocks**

Stocks have been valued at the lower of cost and net realisable value on an item-by-item basis. Cost includes all direct costs incurred in bringing the stocks to their state and location at the year-end, including an appropriate proportion of manufacturing overheads.

f) **Deferred taxation**

Provision is made for deferred taxation, using the liability method, for all timing differences, except where there is reasonable probability that such taxation will not become payable as far as can reasonably be foreseen. Deferred taxation is computed at the rate of corporation tax estimated to be applicable when timing differences reverse.

g) **Warranty provision**

Provision is made for the costs of warranty or rectification work which is expected to arise on contracts completed before the year end based on an assessment of individual contract circumstances.

NOTES AND ACCOUNTING POLICIES

YEAR ENDED 31 MARCH 2000

1. ACCOUNTING POLICIES (CONTINUED)

h) **Operating leases**

Leasing charges in respect of operating leases are recognised in the profit and loss account over the lives of the lease agreement as incurred.

i) **Pension costs**

The company contributes to personal pension plans on behalf of certain employees. In addition certain employees are members of a group scheme providing benefits based on final pensionable pay. This scheme is funded partly from the employees and partly from the company at rates determined by independent actuaries. All contributions are invested separately from the company's assets.

Further details of the group scheme are shown in the accounts of Inductotherm Industries Europe Limited.

The pension cost charge represents contributions paid to all schemes.

2. NET OPERATING EXPENSES

	<u>2000</u>	<u>1999</u>
	£	£
Change in stocks of finished goods and work-in-progress	(32,479)	19,351
Raw materials and consumables	588,232	437,294
Other external charges	229,224	189,042
Staff costs (Note 4)	664,694	572,740
Depreciation of tangible fixed assets	47,050	42,362
	<u>1,496,721</u>	<u>1,260,789</u>

Other external charges are stated after charging:

	<u>2000</u>	<u>1999</u>
	£	£
Auditors' remuneration and expenses	3,500	3,350
Operating lease rentals	<u>4,675</u>	<u>5,424</u>

3. INTEREST RECEIVABLE

Interest receivable comprised deposit account interest.

NOTES AND ACCOUNTING POLICIES

YEAR ENDED 31 MARCH 2000

4. STAFF COSTS

a) Staff costs comprised:

	<u>2000</u>	<u>1999</u>
	£	£
Wages and salaries	591,960	507,529
Social security costs	55,249	46,133
Pension costs	17,485	19,078
	<u>664,694</u>	<u>572,740</u>

b) The average monthly number of persons employed by the company during the year was as follows:

	<u>2000</u>	<u>1999</u>
	Number	Number
Production	20	19
Administration	7	6
	<u>27</u>	<u>25</u>

5. DIRECTORS' EMOLUMENTS

Directors' emoluments were as follows:

	<u>2000</u>	<u>1999</u>
	£	£
Emoluments for qualifying services	<u>63,043</u>	<u>53,729</u>

	<u>2000</u>	<u>1999</u>
	Number	Number
Directors accruing benefits under defined benefit schemes	<u>1</u>	<u>1</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge for the year represents:

	<u>2000</u>	<u>1999</u>
	£	£
Corporation tax charge at 30% (1999 - 31%) based on the profit for the year	76,000	67,166
Deferred taxation	(2,000)	1,500
	<u>74,000</u>	<u>68,666</u>

NOTES AND ACCOUNTING POLICIES

YEAR ENDED 31 MARCH 2000

7. TANGIBLE FIXED ASSETS

a) The movement on these accounts during the year was as follows:

	<u>Long leasehold property</u> £	<u>Plant and equipment</u> £	<u>Motor vehicles</u> £	<u>Office equip- ment</u> £	<u>Total</u> £
COST					
Beginning of year	292,097	164,315	45,195	14,629	516,236
Additions	26,650	650	6,995	2,746	37,041
Disposals	-	-	(6,349)	-	(6,349)
End of year	<u>318,747</u>	<u>164,965</u>	<u>45,841</u>	<u>17,375</u>	<u>546,928</u>
ACCUMULATED DEPRECIATION					
Beginning of year	30,580	97,983	12,572	11,084	152,219
Charge	7,480	22,756	13,741	3,073	47,050
Disposals	-	-	(3,351)	-	(3,351)
End of year	<u>38,060</u>	<u>120,739</u>	<u>22,962</u>	<u>14,157</u>	<u>195,918</u>
NET BOOK AMOUNT					
End of year	<u>280,687</u>	<u>44,226</u>	<u>22,879</u>	<u>3,218</u>	<u>351,010</u>
Beginning of year	<u>261,517</u>	<u>66,332</u>	<u>32,623</u>	<u>3,545</u>	<u>364,017</u>

b) At the end of the year the company had capital commitments contracted for of £2,450 (1999-£8,800).

8. STOCKS

	<u>2000</u> £	<u>1999</u> £
Raw materials and consumables	111,406	83,014
Work-in-progress	26,593	59,072
	<u>137,999</u>	<u>142,086</u>

9. DEBTORS

Debtors comprised amounts falling due within one year as follows:

	<u>2000</u> £	<u>1999</u> £
Trade debtors	452,329	506,052
Amounts due from group undertakings	3,898	3,879
Prepayments	1,759	1,450
	<u>457,986</u>	<u>511,381</u>

NOTES AND ACCOUNTING POLICIES

YEAR ENDED 31 MARCH 2000

10. CREDITORS

	Amounts falling due within one year	
	2000	1999
	£	£
Trade creditors	97,325	80,577
Due to group undertakings	20,501	55,619
Other creditors -		
Corporation tax payable 1 January 2001	53,000	67,166
Other taxation and social security	53,686	53,679
Other creditors	22,561	30,550
Accruals and deferred income	19,304	16,167
	<u>266,377</u>	<u>303,758</u>

11. PROVISIONS FOR LIABILITIES AND CHARGES

a) The movements on the provisions were as follows:

	Deferred tax	Warranty provision	Total
	£	£	£
Beginning of year	2,000	25,000	27,000
Additional provisions	-	33,596	33,596
Provisions released and expenditure incurred	(2,000)	(28,596)	(30,596)
End of year	<u>-</u>	<u>30,000</u>	<u>30,000</u>

b) Deferred taxation comprised the total potential (asset)liability:

	2000		1999	
	Provided in financial statements	Total potential asset	Provided in financial statements	Total potential liability
	£	£	£	£
Tax effect at 30% of -				
Accelerated capital allowances	5,500	5,483	9,500	9,500
Short term timing differences	(5,500)	(9,000)	(7,500)	(7,500)
	<u>-</u>	<u>(3,517)</u>	<u>2,000</u>	<u>2,000</u>

NOTES AND ACCOUNTING POLICIES

YEAR ENDED 31 MARCH 2000

12. OPERATING LEASE COMMITMENTS

The company has annual commitments as follows:

	<u>Others</u>	
	<u>2000</u>	<u>1999</u>
	£	£
Within one year	2,975	-
Between two and five years	-	5,100
	<u>2,975</u>	<u>5,100</u>

13. SHARE CAPITAL

	<u>Ordinary shares of £1 each</u>	
	<u>2000</u>	<u>1999</u>
Authorised	<u>500,000</u>	<u>500,000</u>
Allotted, called-up and fully-paid	<u>360,000</u>	<u>360,000</u>

14. PROFIT AND LOSS ACCOUNT

	£
At beginning of year	517,722
Retained profit for the year	<u>159,331</u>
End of year	<u>677,053</u>

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2000</u>	<u>1999</u>
	£	£
Profit for the financial year after taxation	159,331	149,775
Shareholders' funds at beginning of year	<u>877,722</u>	<u>727,947</u>
Shareholders' funds at end of year	<u>1,037,053</u>	<u>877,722</u>

NOTES AND ACCOUNTING POLICIES

YEAR ENDED 31 MARCH 2000

16. ULTIMATE PARENT COMPANY

The company is a wholly-owned subsidiary of Inductotherm Industries Europe Limited, for which group accounts are prepared, copies being available from the Registrar of Companies in Cardiff. The ultimate parent company is Inductotherm Industries Inc, incorporated in the United States of America.

17. RELATED PARTY TRANSACTIONS

Advantage has been taken of the exemption conferred by paragraph 3(c) of FRS8, whereby transactions with entities that are part of the same group do not require disclosure in the financial statements.

The ultimate controlling party of Inductotherm Industries Inc is Mr H M Rowan.