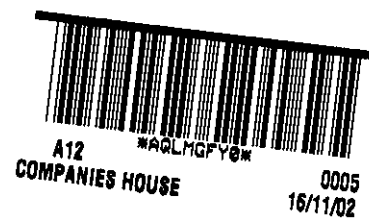


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**ELECTRIC MELTING SERVICES
COMPANY LIMITED**

ANNUAL REPORT

YEAR ENDED 31 MARCH 2002



PKF

ELECTRIC MELTING SERVICES COMPANY LIMITED

COMPANY INFORMATION

Directors	H M Rowan (USA) J H Mortimer (Australia) G E Hawkins S N Hill J F Fletcher J H Green (appointed 1 May 2001)
Secretary	J F Fletcher
Company Number	2765769
Registered Office	Lovell Street Sheffield S4 7UW
Auditors	PKF New Guild House 45 Great Charles Street Queensway Birmingham B3 2LX
Bankers	HSBC Darnall Branch 660 Staniforth Road Darnall Sheffield S9 4LQ

ELECTRIC MELTING SERVICES COMPANY LIMITED

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ELECTRIC MELTING SERVICES COMPANY LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 MARCH 2002

The directors submit their report and the financial statements for the year ended 31 March 2002.

Principal activity

The company's principal activity was the repair of induction furnaces and coils.

Directors

The directors who served during the year were:

H M Rowan (USA)
J H Mortimer (Australia)
G E Hawkins
S N Hill
J F Fletcher
J H Green (appointed 1 May 2001)

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

Auditors

PKF is eligible for re-appointment as auditor to the company and a resolution for its re-appointment will be proposed at the AGM.

Basis of preparation

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board


J F Fletcher
Secretary
30 April 2002

ELECTRIC MELTING SERVICES COMPANY LIMITED

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 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.

The directors are responsible for ensuring that the directors' report and other information in the annual report is prepared in accordance with company law in the United Kingdom.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
ELECTRIC MELTING SERVICES COMPANY LIMITED**

We have audited the financial statements of Electric Melting Services Company Limited for the year ended 31 March 2002 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000) and under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 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 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PKF

Registered Auditors

Birmingham
30 April 2002

ELECTRIC MELTING SERVICES COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2002

	Notes	2002 £	2001 £
TURNOVER	2	1,901,117	1,816,420
Change in stocks of finished goods and work in progress		(41,668)	(46,477)
Raw materials and consumables		(577,073)	(505,997)
Other external charges		(272,750)	(239,891)
Staff costs	3	(748,650)	(720,282)
Depreciation and amortisation		(37,113)	(47,432)
OPERATING PROFIT	4	223,863	256,341
Interest receivable and similar income		2,594	10,587
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		226,457	266,928
TAXATION		(59,487)	(85,582)
PROFIT FOR THE FINANCIAL YEAR		166,970	181,346
DIVIDENDS		-	(200,000)
		<u>166,970</u>	<u>(18,654)</u>

ELECTRIC MELTING SERVICES COMPANY LIMITED

BALANCE SHEET

31 MARCH 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible	6	301,502	336,390
CURRENT ASSETS			
Stocks		237,291	165,259
Debtors	7	570,602	695,762
Cash at bank and in hand		403,387	374,238
		<u>1,211,280</u>	<u>1,235,259</u>
CREDITORS: amounts falling due within one year	8	(292,413)	(521,250)
NET CURRENT ASSETS		<u>918,867</u>	<u>714,009</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,220,369</u>	<u>1,050,399</u>
PROVISIONS FOR LIABILITIES AND CHARGES	9	(35,000)	(32,000)
NET ASSETS		<u><u>1,185,369</u></u>	<u><u>1,018,399</u></u>
CAPITAL AND RESERVES			
Called up share capital	10	360,000	360,000
Profit and loss account	11	825,369	658,399
		<u><u>1,185,369</u></u>	<u><u>1,018,399</u></u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the board on 30 April 2002

Signed on behalf of the board of directors

G Hawkins Director

ELECTRIC MELTING SERVICES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2002

1 ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

(b) Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts.

(c) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, on a straight line basis over their expected useful lives on the following bases:

Leasehold land and buildings	2.5 %
Plant and machinery	20 %
Motor vehicles	33 %
Office equipment	20-33 %

(d) Operating leases

Operating lease rentals are charged in the profit and loss account on a straight line basis over the lease term.

(e) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis, and includes all direct costs incurred and attributable production overheads. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal.

(f) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

(g) Deferred taxation

A full provision is made at current rates for taxation deferred in respect of all timing differences.

Deferred tax assets are only recognised where they arise from timing differences where their recoverability in the short term is regarded as more likely than not.

ELECTRIC MELTING SERVICES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2002

(h) Pensions

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.

Futher 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.

(i) 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 assessmnet of individual contract circumstances.

2 TURNOVER

5% of turnover (2001 - NIL%) is attributable to geographical markets outside the United Kingdom.

3 STAFF COSTS

Staff costs, including directors' emoluments, were as follows:

	2002	2001
	£	£
Wages and salaries	663,732	640,025
Social security costs	60,186	60,418
Other pension costs	24,732	19,839
	<u>748,650</u>	<u>720,282</u>

4 OPERATING PROFIT

The operating profit is stated after charging:

	2002	2001
	£	£
Depreciation of tangible fixed assets:		
- owned by the company	37,113	47,432
Audit fees	3,800	3,650
Operating lease rentals	4,936	5,100
	<u>45,849</u>	<u>56,182</u>

ELECTRIC MELTING SERVICES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2002

5 DIRECTORS' EMOLUMENTS AND BENEFITS

	2002 £	2001 £
Aggregate of directors' emoluments and other benefits as defined in paragraph 1 of Sch 6 to the Companies Act 1985	<u>106,111</u>	<u>62,699</u>
The number of directors accruing benefits under pension schemes were:		
	No	No
Defined benefit schemes	<u>1</u>	<u>1</u>

6 TANGIBLE FIXED ASSETS

	Land & buildings £	Plant & machinery etc. £	Total £
Cost			
At 1 April 2001	327,353	248,466	575,819
Additions	-	2,225	2,225
At 31 March 2002	<u>327,353</u>	<u>250,691</u>	<u>578,044</u>
Depreciation			
At 1 April 2001	46,064	193,365	239,429
Charge for the year	8,075	29,038	37,113
At 31 March 2002	<u>54,139</u>	<u>222,403</u>	<u>276,542</u>
Net book amount			
At 31 March 2002	<u>273,214</u>	<u>28,288</u>	<u>301,502</u>
At 31 March 2001	<u>281,289</u>	<u>55,101</u>	<u>336,390</u>

7 DEBTORS

	2002 £	2001 £
Trade debtors	556,766	661,662
Amounts owed by group undertakings	-	5,100
Other debtors	13,836	29,000
	<u>570,602</u>	<u>695,762</u>

ELECTRIC MELTING SERVICES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2002

8 CREDITORS:

Amounts falling due within one year

	2002	2001
	£	£
Trade creditors	102,542	93,527
Amounts owed to group undertakings	94,999	221,967
Corporation tax	-	86,000
Other taxation and social security	51,043	74,936
Other creditors	43,829	44,820
	<u>292,413</u>	<u>521,250</u>

9 PROVISIONS FOR LIABILITIES AND CHARGES

	Warranty provision £
At 1 April 2001	32,000
Credited to profit and loss	(33,753)
Utilised	36,753
	<u>35,000</u>
At 31 March 2002	<u>35,000</u>

10 SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid No	£
At 1 April 2001 and 31 March 2002			
Ordinary shares of £1 each	500,000	360,000	360,000
	<u>500,000</u>	<u>360,000</u>	<u>360,000</u>

11 RESERVES

	£
Profit and loss account	
At 1 April 2001	658,399
Profit for the year	166,970
	<u>825,369</u>
At 31 March 2002	<u>825,369</u>

ELECTRIC MELTING SERVICES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

12 OTHER COMMITMENTS

At 31 March 2002 the company had annual commitments under operating leases as follows:

	2002	2001
	£	£
Expiry date:		
Within one year	-	2,975
Between two and five years	4,562	-
	<u>4,562</u>	<u>-</u>

13 TRANSACTIONS WITH RELATED PARTIES

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.

Transactions also arose during the year with the following group companies whereby the above FRS8 group exemption cannot be taken:

Consarc Engineering Limited - sales amounting to **£4,547** (2001 - £8,146) were made during the year. The debtor at the balance sheet date was **£nil** (2001 - £1,345). Also at the balance sheet date the company owed Consarc Engineering **£nil** (2001 - £350).

Inductoheat Banyard Limited - total sales in the year amounted to **£4,710** (2001 - £250). At the balance sheet date there was a debtor balance of **£nil** (2001 - £nil).

Electric Melting Services Inc - total purchases in the year amounted to **£6,885** (2001 - £163). At the balance sheet date there was a creditor balance of **£nil** (2001 - £nil).

Delaroyal Corporation - the company paid royalties in the year that amounted to **£55,128** (2001 - £53,489). At the balance sheet date the company owed Delaroyal **£4,831** (2001 - £6,914).

14 PENSION COSTS

Certain employees are members of the Inductotherm Europe Limited Retirement Benefits Plan (1971) and contributions are based on pension costs across the Group as a whole, therefore the company is unable to identify its share of the underlying assets and liabilities. The scheme is a funded defined benefit scheme.

Actuarial valuations are carried out every 3 years by external professional actuaries to determine the financial position of the Scheme and to enable the Group to determine the level of contributions made to the Scheme. The particulars of the most recent valuation are contained in the accounts of the parent company, Inductotherm Industries Europe Limited.

The company also operates a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund.

ELECTRIC MELTING SERVICES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002

15 CONTROLLING PARTIES

The company is a wholly-owned subsidiary of Inductotherm Industries Europe Limited.

The parent undertaking of the largest and smallest groups for which consolidated accounts are prepared is Inductotherm Industries Europe Limited. Copies are available from the Registrar of Companies in Cardiff.

The ultimate parent company is Inductotherm Industries Inc, incorporated in the United States of America.

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