

AJAX MAGNETHERMIC EUROPE LIMITED

ANNUAL ACCOUNTS 31 DECEMBER 1996

TOGETHER WITH DIRECTORS' AND
AUDITORS' REPORTS

COMPANY REGISTERED NO: 280453



AJAX MAGNETHERMIC EUROPE LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 1996.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The activities of the company during the year were the manufacture and marketing of induction melting and heating equipment.

The company experienced a satisfactory trading year and the directors expect the general level of activity to continue.

RESULTS AND DIVIDENDS

The profit for the year before taxation amounted to £783,998 (1995:£735,695). An interim dividend of £1,235,000 (1995:£173,000) has been paid during the year and the directors do not propose to pay a final dividend (1995:£735,000) to the ultimate parent company.

TANGIBLE FIXED ASSETS

The movement in tangible fixed assets during the year is set out in Note 10.

DIRECTORS

The directors who served the company during the year were:

F L Spalla (Chairman)
C G Claisse
D N Henderson
T J Logan (Resigned 9 September 1996)

M A Wright was appointed 25 January 1996 and deceased 18 February 1996.

DIRECTORS' INTERESTS

The directors who held office at the end of the year had no beneficial interests in the ordinary shares of the company or any group company except the ultimate parent company, BBA Group plc, as follows:-

	Beneficial Interest	Executive Option Scheme	Employee Option Scheme
F L Spalla	-	94,900	-
C G Claisse	50,070	11,423	7,565
D N Henderson	-	-	-

AJAX MAGNETHERMIC EUROPE LIMITED

REPORT OF THE DIRECTORS - continued

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

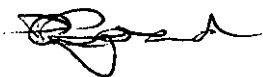
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts 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.

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of Arthur Andersen is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board



P A GOAD
Company Secretary

14 April 1997

Registered office - Holland Road
Hurst Green
Oxted
Surrey RH8 9BA

Auditors' report

London

To the Shareholders of Ajax Magnethermic Europe Limited:

We have audited the accounts on pages 5 to 17 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 7 to 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

1 Surrey Street

London

WC2R 2PS

14 April 1997

AJAX MAGNETHERMIC EUROPE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1996

NOTE	1996 £	1995 £
2. Turnover	5,128,343	4,525,727
Cost of sales	(3,655,152)	(3,344,810)
	<hr/>	<hr/>
Gross profit	1,473,191	1,180,917
3. Other operating expenses	(955,686)	(758,375)
	<hr/>	<hr/>
Operating profit	517,505	422,542
4. Interest receivable and similar income	266,493	314,298
	<hr/>	<hr/>
	783,998	736,840
5. Interest payable and similar charges	-	(1,145)
	<hr/>	<hr/>
6. Profit on ordinary activities before taxation	783,998	735,695
8. Taxation on profit on ordinary activities	-	-
	<hr/>	<hr/>
Profit for the financial year	783,998	735,695
9. Dividends paid and proposed	(1,235,000)	(908,000)
18. Accumulated loss for the financial year	(451,002)	(172,305)
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	=====	=====

The company had no recognised gains or losses in either year other than the profit for each year.

The turnover and operating profit for both years arise from continuing activities.

A statement of movement on reserves is given in note 18.

There is no material difference between the profit on ordinary activities before taxation and the accumulated loss for either year and their respective historical cost equivalents.

The accompanying notes are an integral part of this profit and loss account.

AJAX MAGNETHERMIC EUROPE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1996

NOTE

	1996 £	1995 £
FIXED ASSETS		
10. Tangible assets	1,874,284	1,842,686
CURRENT ASSETS		
11. Stocks	297,458	345,463
12. Debtors	1,167,330	2,475,944
Cash at bank and in hand	4,844,312	3,882,764
13. Creditors: amounts falling due within one year	(1,763,736)	(2,985,690)
NET CURRENT ASSETS	4,545,364	3,718,481
TOTAL ASSETS LESS CURRENT LIABILITIES	6,419,648	5,561,167
14. Creditors: amounts falling due after more than one year	(2,309,756)	(707,256)
15. Provisions for liabilities and charges	(204,169)	(497,186)
NET ASSETS	3,905,723 =====	4,356,725 =====
CAPITAL AND RESERVES		
16. Called-up share capital	51,000	51,000
18. Share premium account	207,000	207,000
18. Revaluation reserve	1,354,283	1,361,193
18. Profit and loss account	2,293,440	2,737,532
17. EQUITY SHAREHOLDERS' FUNDS	3,905,723 =====	4,356,725 =====

The accounts were approved by the Board of Directors on 14 April 1997 and signed on its behalf by:



(C G CLAISSE) Director

The accompanying notes are an integral part of this balance sheet.

AJAX MAGNETHERMIC EUROPE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1996

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) ACCOUNTING CONVENTION

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention, as modified for the revaluation of tangible fixed assets.

b) CASH FLOW STATEMENTS

Under Financial Reporting Standard No 1 the company is exempt from the preparation of a cash flow statement as its ultimate parent company prepares full consolidated accounts.

c) DEPRECIATION

Freehold land and buildings are not depreciated. Following the revaluation of tangible fixed assets on 1 January 1989 all revalued assets are depreciated at rates calculated to write off the cost or revalued amount of each asset evenly over its expected useful life as indicated by the revaluation.

These useful lives are:

Plant and equipment between 1 and 23 years

Assets acquired since the revaluation are depreciated at the following rates on a straight line basis:

Plant and equipment	10%, 12% or 15%	per annum
Office machinery	20%	per annum
Office furniture	10%	per annum

AJAX MAGNETHERMIC EUROPE LIMITED

NOTES TO THE ACCOUNTS - continued FOR THE YEAR ENDED 31 DECEMBER 1996

d) STOCKS

Stocks are valued at the lower of cost and net realisable value. The cost of raw materials and stores is calculated at average cost. Work in progress includes workshop and engineering labour overheads.

e) LONG-TERM CONTRACTS

Revenue is recognised under a long-term contract when the job is completed, unless specified thresholds for sales value and stage of completion are met. If these thresholds are met, the accumulated costs under the contract and a rateable portion of its sales value are included in the profit and loss account.

Work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

f) TAXATION

Provision for UK corporation tax on the profits of the company is made in the accounts of the ultimate parent company.

The ultimate parent company also makes provision for the company under the liability method for deferred taxation arising from accelerated capital allowances on capital expenditure and other timing differences to the extent that it is probable that a liability will crystallise in the foreseeable future.

g) RESEARCH AND DEVELOPMENT

Research and development expenditure is written off in the year in which it is incurred.

AJAX MAGNETHERMIC EUROPE LIMITED

NOTES TO THE ACCOUNTS - continued FOR THE YEAR ENDED 31 DECEMBER 1996

h) FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into Sterling at the year end rates of exchange, except where currency positions are covered by forward contracts when the forward rates are used.

All exchange differences are included in the profit and loss account.

i) GUARANTEED MAINTENANCE

Provision is made for the estimated cost of future guaranteed maintenance in respect of contracts completed during the year. See note 15.

j) LEASING

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

k) PENSION COSTS

Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives within the company. The contribution levels are determined by valuations undertaken by independent qualified actuaries.

l) REVALUATION RESERVE

Surpluses/deficits arising on the revaluation of individual fixed assets are credited/debited to a non-distributable reserve known as the revaluation reserve. Revaluation deficits in excess of the amount of prior revaluation surpluses on the same asset are charged to the profit and loss account. Where depreciation charges are increased following a revaluation, an amount equal to such increase is transferred annually from this reserve to the profit and loss account below the profit for the financial year. On the disposal of a revalued fixed asset any remaining revaluation surplus corresponding to that item is also transferred to the profit and loss account as a movement on reserves.

m) TURNOVER

Turnover comprises the invoiced value of goods and services net of excise taxes and amounts recoverable on long-term contracts.

AJAX MAGNETHERMIC EUROPE LIMITED

NOTES TO THE ACCOUNTS - continued FOR THE YEAR ENDED 31 DECEMBER 1996

2. TURNOVER

It is the opinion of the directors that disclosure of the geographical analysis of turnover would be seriously prejudicial to the interests of the company. This information has not therefore been disclosed in accordance with the provisions of the Companies Act 1985 Sch 4 Part III 55.5

3. OTHER OPERATING EXPENSES

	1996 £	1995 £
Distribution costs	440,015	373,434
Administration costs	515,671	384,941
	<hr/>	<hr/>
	955,686	758,375
	=====	=====

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	1996 £	1995 £
Interest receivable	266,493	314,298
	=====	=====

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1996 £	1995 £
Bank loans and overdrafts repayable within 5 years, not by instalments	-	1,145
	=====	=====

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1996 £	1995 £
Profit before taxation is stated after charging(crediting):		
	£	£
Depreciation	45,804	47,765
Auditors' remuneration		
- audit fees	20,000	18,900
Exchange losses/(gains)	23,959	(42,857)
Staff costs(see note 7)	1,183,290	1,075,829
Other operating lease rentals	74,795	62,383
	=====	=====

AJAX MAGNETHERMIC EUROPE LIMITED

NOTES TO THE ACCOUNTS - continued FOR THE YEAR ENDED 31 DECEMBER 1996

7. DIRECTORS AND EMPLOYEES

The average number of persons, including directors, employed by the company during the year was:

	1996 Number	1995 Number
Management	5	5
Production	30	28
Other	14	12
	—	—
	49	45
	==	==

Staff costs for the above persons:

	1996 £	1995 £
Wages and salaries	1,002,696	911,242
Social security costs	92,304	90,915
Other pension costs	88,290	73,672
	-----	-----
	1,183,290	1,075,829
	=====	=====

Directors' remuneration in respect of directors of the company was as follows:

	1996 £	1995 £
Other emoluments (including pension contributions)	117,930	113,963

The directors' aggregate emoluments shown above (excluding pensions and pension contributions) included:

Highest paid director	73,366	69,936
Chairman	-	-

The emoluments of the directors were within the following ranges (excluding pension and pension contributions):

	Number of directors 1996	Number of directors 1995
£Nil - £5,000	2	2
£35,001 - £40,000	1	1
£65,001 - £70,000	-	1
£70,001 - £75,000	1	-

AJAX MAGNETHERMIC EUROPE LIMITED

NOTES TO THE ACCOUNTS - continued **FOR THE YEAR ENDED 31 DECEMBER 1996**

8. TAXATION

Subsequent to the adoption of an agreement between the company and the ultimate parent company, the latter will meet all corporation tax liabilities relating to the profits of the company, so long as the company remains a subsidiary undertaking of the BBA Group plc. The tax charge is calculated at 33% less any appropriate ACT, arising on the profit for the year:

	1996	1995
	£	£
Gross corporation tax at 33% (1995 33%)	223,000	210,000
ACT surrendered by ultimate parent company	(135,000)	(127,000)
	-----	-----
	88,000	83,000
	=====	=====

This net charge is reflected in the accounts of the ultimate parent company.

There is a contingent liability to deferred taxation of £143,000 (1995:£133,000) representing the excess of capital allowances over depreciation. This has not been provided in the company's or ultimate parent company's accounts as in the opinion of the directors the liability is not likely to crystallise in the foreseeable future.

No provision has been made in the accounts for the full potential deferred tax liability that would arise of £221,000 (1995:£416,366) in the event of disposal of acquired land and buildings at their carrying value as the directors have no current intentions to dispose of the assets.

9. DIVIDENDS PAID AND PROPOSED

	1996	1995
	£	£
Ordinary		
- interim paid of £24.22 (1995:£3.39) per share	1,235,000	173,000
- final proposed of £nil (1995:£14.41) per share	-	735,000
	-----	-----
	1,235,000	908,000
	=====	=====

AJAX MAGNETHERMIC EUROPE LIMITED

NOTES TO THE ACCOUNTS - continued FOR THE YEAR ENDED 31 DECEMBER 1996

10. TANGIBLE FIXED ASSETS	Freehold Land & Buildings £	Plant & Equipment £	Total £
Cost or valuation			
At 1.1.1996	1,761,016	381,808	2,142,824
Additions	53,904	23,498	77,402
Disposals	-	(34,162)	(34,162)
	-----	-----	-----
At 31.12.1996	1,814,920	371,144	2,186,064
	-----	-----	-----
Depreciation			
At 1.1.1996	59,718	240,420	300,138
Charge for year	-	45,804	45,804
Disposals	-	(34,162)	(34,162)
	-----	-----	-----
At 31.12.1996	59,718	252,062	311,780
	-----	-----	-----
Net book value			
At 31.12.1996	1,755,202	119,082	1,874,284
	=====	=====	=====
At 31.12.1995	1,701,298	141,388	1,842,686
	=====	=====	=====

No depreciation has been charged on freehold land and buildings this year (1995:Nil). Although not in accordance with Accounting Standards the directors believe the effect of not providing depreciation is not material to the financial position of the company and that the carrying value of buildings is reasonably stated.

On 1 January 1989 the tangible fixed assets of the company were revalued by Fuller Peiser, Chartered Surveyors, at the open market value for those assets, on the basis of current use.

The value under the historic cost convention of tangible fixed assets at 31 December 1996 included at revalued amounts is as follows:

	Freehold Land & Buildings £	Plant & Equipment £	Total £
Historic cost	604,502	564,440	1,168,942
Accumulated depreciation	176,965	461,978	638,943
	-----	-----	-----
Net book value	427,537	102,462	529,999
	=====	=====	=====

AJAX MAGNETHERMIC EUROPE LIMITED

NOTES TO THE ACCOUNTS - continued FOR THE YEAR ENDED 31 DECEMBER 1996

11. STOCKS	1996 £	1995 £
Raw materials and consumables	220,817	171,757
Work in progress	76,641	173,706
	<hr/>	<hr/>
	297,458	345,463
	=====	=====

Progress billings in excess of the value of the work done on the related contracts are included under creditors.

12. DEBTORS	1996 £	1995 £
Trade debtors	629,876	1,308,317
Amounts recoverable on contracts	455,579	900,433
Amounts owed by group undertakings	-	890
Other debtors	57,381	247,285
Prepayments and accrued income	24,494	19,019
	<hr/>	<hr/>
	1,167,330	2,475,944
	=====	=====

13. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	1996 £	1995 £
Payments received on account	323,857	328,798
Trade creditors	932,148	1,188,721
Amounts due to group undertakings	363,946	464,758
Taxation and social security	27,019	25,268
Accruals and deferred income	116,766	243,145
Proposed dividends	-	735,000
	<hr/>	<hr/>
	1,763,736	2,985,690
	=====	=====

AJAX MAGNETHERMIC EUROPE LIMITED

NOTES TO THE ACCOUNTS - continued FOR THE YEAR ENDED 31 DECEMBER 1996

14.	CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	1996 £	1995 £
	Group loans - interest free	2,309,756 =====	707,256 =====

The interest free loan is unsecured and has no fixed repayment date.

15. PROVISIONS FOR LIABILITIES AND CHARGES

The movements on the provisions are as follows:	Contract Contingency Provisions	Guaranteed Maintenance Provisions	Total
	£	£	£
At 1 January 1996	164,000	333,186	497,186
Utilised in year	(58,577)	(197,254)	(255,831)
Net transfer to profit & loss account	(19,000)	(18,186)	(37,186)
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At 31 December 1996	86,423 =====	117,746 =====	204,169 =====

16. CALLED-UP SHARE CAPITAL

Authorised, allotted, called up and fully paid

	1996 £	1995 £
51,000 ordinary shares of £1 each	51,000 =====	51,000 =====

AJAX MAGNETHERMIC EUROPE LIMITED

NOTES TO THE ACCOUNTS - continued FOR THE YEAR ENDED 31 DECEMBER 1996

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1996 £	1995 £
Profit for the financial year	783,998	735,695
Dividends paid and proposed	(1,235,000)	(908,000)
	-----	-----
Net decrease in shareholders' funds	(451,002)	(172,305)
Opening shareholders' funds	4,356,725	4,529,030
	-----	-----
Closing shareholders' funds	3,905,723	4,356,725
	=====	=====

18. RESERVES

	Share Premium Account £	Revaluation Reserve £	Profit & Loss Account £	Total £
At 1.1.1996	207,000	1,361,193	2,737,532	4,305,725
Accumulated loss	-	-	(451,002)	(451,002)
Transfer of additional depreciation accruing from the revaluation of tangible fixed assets	-	(6,910)	6,910	-
	-----	-----	-----	-----
At 31.12.1996	207,000	1,354,283	2,293,440	3,854,723
	=====	=====	=====	=====

19. PENSIONS

BBA Group pension schemes cover the majority of employees and are of the funded defined benefits type. The total pension cost for the company is shown in note 7. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The group's main UK pension commitments are contained within a defined benefits scheme with assets held in a separate trustee administered fund. The latest actuarial valuation of the scheme was as at 30 September 1996. Particulars of the actuarial valuation of the group's pension schemes are included in the accounts of BBA Group plc.

AJAX MAGNETHERMIC EUROPE LIMITED

NOTES TO THE ACCOUNTS - continued FOR THE YEAR ENDED 31 DECEMBER 1996

20. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) At 31 December 1996 the company had annual commitments under non-cancellable operating leases in respect of plant and equipment as follows:

Rentals falling due within one year on leases expiring:

	1996 £	1995 £
Within one year	2,250	6,431
Between 2 - 5 years	57,256	39,599
Over 5 years	-	7,665
	-----	-----
	59,506	53,695
	=====	=====

b) The company had no capital commitments either authorised but not contracted, or contracted but not provided for, as at 31 December 1996 (1995:Nil).

c) The company had outstanding bank guarantees with Midland Bank and Barclays Bank at 31 December 1996 of £1,258,182 (1995:£911,585). The guarantees were in respect of certain debtors and creditors.

d) The company's bank balances are subject to an unlimited cross guarantee issued by BBA Group plc. The company participates in a number of banking facilities available to BBA Group plc and subsidiaries.

21. ULTIMATE PARENT COMPANY

The company is a subsidiary undertaking of BBA Group plc, a company registered in England and Wales. The largest and smallest group in which the results of the company are consolidated is that headed by BBA Group plc. The accounts of the parent company are available from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF4 3UZ.