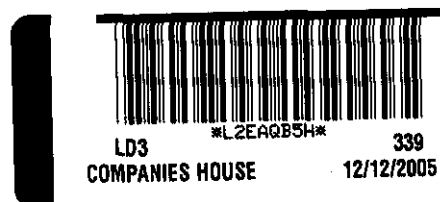


Ajax Magnethermic Europe Limited

Report and Financial Statements

31 December 2004



Ajax Magnethermic Europe Limited

Registered No: 280453

Directors

C G Claisse

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Registered office

Holland Road
Oxted
Surrey
RH8 9BA

Directors' report

The directors present their report and financial statements for the year ended 31 December 2004.

Results and dividends

The profit for the year after taxation was £56,582 (2003 - £57,111). No dividend is payable.

Principal activities and review of the business

The company did not trade throughout the year. Freehold land and buildings were disposed of at net book value during the year.

Directors and their interests

The directors who served the company during the year were as follows. They had no beneficial interests in the ordinary shares of the company.

C G Claisse

D N Henderson (resigned 15 June 2005)

Auditors

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

By order of the board



Director

12 NOV 2005

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; 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 Ajax Magnethermic Europe Limited

We have audited the company's financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and the related notes 1 to 15. These financial statements have been prepared on the basis of the accounting policies set out therein. The financial statements have been prepared on the break-up basis.

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, except that the scope of our work was limited as described below. 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 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. However, the evidence available to us was limited in relation to the minimum legal obligation of the company to fund the pension fund deficit. The company operated a defined benefit pension scheme which, as set out in note 13, was terminated on 3 December 2002. In our opinion provision should be made in the financial statements for the company's obligations in respect of the pension fund deficit. The directors have not taken professional advice as to the minimum legal obligation of the company to fund the deficit. There were no satisfactory audit procedures we could adopt to confirm the level of provision required.

Independent auditors' report

to the members of Ajax Magnethermic Europe Limited (continued)

Qualified opinion arising from limitation of audit scope

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the level of provision required in respect of the deficit of the pension scheme, in our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2004 and of its profit for the year ended and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to the provision required in respect of the pension fund deficit:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper accounting records had been maintained.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

12 NOV 2005

Profit and loss account

for the year ended 31 December 2004

	Notes	2004 £	2003 £
Turnover	2	—	1,213,893
Cost of sales		—	(723,063)
Gross profit		—	490,830
Administrative expenses		—	(344,649)
Operating profit	3	—	146,181
Bank interest payable		—	(2,895)
Profit on ordinary activities before taxation		—	143,286
Tax on profit on ordinary activities	5	56,582	(86,175)
Profit for the financial year	11	56,582	57,111

All of the operating result above relates to discontinued activities.

Statement of total recognised gains and losses

for the year ended 31 December 2004

	2004 £	2003 £
Profit for the financial year	56,582	57,111
Revaluation of properties	—	260,500
Total recognised gains relating to the year	56,582	317,611

Balance sheet

at 31 December 2004

	Notes	2004 £	2003 £
Current assets			
Tangible assets	6	–	1,500,000
Debtors	7	–	305,874
		–	1,805,874
Creditors: amounts falling due within one year	8	(2,512,371)	(4,288,652)
Net current liabilities		(2,512,371)	(2,482,778)
Provisions for liabilities and charges	9	–	(86,175)
		(2,512,371)	(2,568,953)
Capital and reserves			
Called up share capital	10	51,000	51,000
Share premium account	11	207,000	207,000
Revaluation reserve	11	–	1,195,953
Profit and loss account	11	(2,770,371)	(4,022,906)
Equity shareholders' funds	11	(2,512,371)	(2,568,953)



Director

12 NOV 2005

Notes to the financial statements

at 31 December 2004

1. Accounting policies

Basis of preparation

The financial statements have been prepared on a break-up basis reflecting the disposal of the business of the company on 1 April 2004. Accordingly, adjustments have been to adjust the carrying value of assets to their estimated realisable amount, to provide for any further liabilities which will arise, and to reclassify fixed assets and long-term liabilities as current assets and liabilities.

Cash flow statement

The company is exempt under FRS1 (revised) from preparing a cash flow statement as it is a subsidiary of a company which holds at least 90% of the voting rights and whose consolidated financial statements are publicly available.

Turnover

Turnover comprises the invoiced value of goods and services provided net of value added tax and amounts recoverable on long-term contracts.

Depreciation

Freehold land is not depreciated.

Other assets are depreciated at the following rates on a straight line basis:

Freehold buildings - 8% per annum

The carrying values of tangible fixed assets are reviewed for impairment in years if events or changes in circumstances indicate the carrying value may not be recoverable.

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.

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

The balance of payments on account not matched with turnover or offset against amounts recoverable on contracts is included in creditors.

The amounts by which the foreseeable losses exceed costs incurred in work in progress are included in provisions.

Notes to the financial statements

at 31 December 2004

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the forward contract rate, if applicable.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Leasing commitments

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions

The company operated a defined benefit pension scheme. Contributions were 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 were determined by valuations undertaken by independent qualified actuaries.

Guaranteed maintenance

Provision is made for the estimated cost of future guaranteed maintenance in respect of completed contracts.

Contract contingency provision

Provision is made, on a contract by contract basis, for estimated rectification costs resulting from unforeseen events during the course of completion of contracts.

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 increases 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.

Notes to the financial statements

at 31 December 2004

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. All the turnover is in respect of discontinued activities.

3. Operating profit

This is stated after charging/(crediting):

	2004 £	2003 £
Auditors' remuneration - audit services	—	10,000
The audit fee will be borne by another group undertaking.		
Operating lease rentals - plant and machinery	—	33,702
Net profit on foreign currency translation	—	(32,156)

The expense for audit services will be borne by the group company.

Freehold land and buildings were disposed of at net book value during the year. Accordingly no profit or loss arose.

4. Directors and employees

	2004 £	2003 £
Wages and salaries	—	361,615
Social security costs	—	50,845
Other pension costs	—	(48,882)
	—	363,578

The monthly average number of employees during the year was as follows:

	2004 No.	2003 No.
Management	—	3
Production	—	8
Other	—	5
	—	16

Notes to the financial statements

at 31 December 2004

4. Directors and employees (continued)

Directors' remuneration:

	2004 £	2003 £
Emoluments	–	29,015

	2004 No.	2003 No.
Members of defined benefit pension schemes	–	2

5. Taxation

(a) Tax on profit on ordinary activities

The tax (credit)/charge is made up as follows:

	2004 £	2003 £
<i>Current tax:</i>		
UK corporation tax	29,593	–
Total current tax (note 5(b))	29,593	–
<i>Deferred tax:</i>		
Origination and reversal of timing differences (note 9)	(86,175)	86,175
Tax on profit on ordinary activities	(56,582)	86,175

(b) Factors affecting current tax

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 30% (2003 - 30%). The differences are reconciled below:

	2004 £	2003 £
Profit on ordinary activities before taxation	–	143,286
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30 % (2003 - 30%)	–	42,986
<i>Effects of:</i>		
Expenses not deductible for tax purposes	–	759
Capital allowances in excess of depreciation	–	(2,636)
Tax losses utilised	–	(43,745)
Other	5,490	2,636
Capital allowances on disposal of building	24,103	–
Total current tax (note 5(a))	29,593	–

Notes to the financial statements

at 31 December 2004

5. Taxation (continued)

(c) Deferred tax

Deferred tax is provided at 30% (2003 - 30%) in the financial statements as follows:

	2004	2003
	£	£
Others (note 9)	–	86,175

The deferred tax liability in respect of the potential gain on disposal was reversed as the freehold land and buildings was sold during the year

6. Tangible fixed assets

	<i>Freehold land and buildings</i>
	£
Cost or valuation:	
At 31 December 2003	1,510,500
Disposal	(1,510,500)
At 31 December 2004	–
Depreciation:	
At 31 December 2003	10,500
Disposals	(10,500)
At 31 December 2004	–
Net book value:	
At 31 December 2004	–
At 31 December 2003	1,500,000

7. Debtors

	2004	2003
	£	£
Corporation tax recoverable	–	305,874

8. Creditors: amounts falling due within one year

	2004	2003
	£	£
Amounts owed to group undertakings	2,482,777	4,288,652
Corporation tax	29,594	–
	2,512,371	4,288,652

The amounts due to group undertakings are secured by a debenture over the assets of the company dated 2 April 2004.

Notes to the financial statements

at 31 December 2004

9. Provisions for liabilities and charges

The movements in provisions are as follows:

	<i>Deferred tax</i>
	£
At 1 January 2004	86,175
Profit and loss movement for year	(86,175)
At 31 December 2004	—

10. Share capital

		<i>Authorised</i>
		2004
		2003
		£
		£
Ordinary shares of £1 each	51,000	51,000

	<i>Allotted, called up and fully paid</i>
	2004
	2003
	No.
	£
	No.
	£
Ordinary shares of £1 each	51,000
	51,000
	51,000
	51,000

11. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Share premium account</i>	<i>Revaluation reserve</i>	<i>Profit and loss account</i>	<i>Total</i>
	£	£	£	£	£
At 31 December 2002	51,000	207,000	935,453	(4,080,017)	(2,886,564)
Profit for the year	—	—	—	57,111	57,111
Revaluation of properties	—	—	260,500	—	260,500
At 31 December 2003	51,000	207,000	1,195,953	(4,022,906)	(2,568,953)
Profit for the year	—	—	—	56,582	56,582
Transfer	—	—	(1,195,953)	1,195,953	—
At 31 December 2004	51,000	207,000	—	(2,770,371)	(2,512,371)

12. Other financial commitments

At 31 December 2004, the company had annual commitments under non-cancellable operating leases in respect of plant and equipment as follows:

	2004	2003
	£	£
Within one year	3,924	3,924
More than one year but less than five years	58,732	58,732
	62,656	62,656

Notes to the financial statements

at 31 December 2004

The company had outstanding bank guarantees and standby letters of credit with its various bankers at 31 December 2004 of £nil (2003 - £nil).

13. Pensions

Under the break-up basis of preparation of the financial statements the company is required to provide at the balance sheet date for future obligations to fund its pension scheme. Pension liabilities have been calculated in accordance with Financial Reporting Standard no. 17 (FRS 17) at 31 December 2004 as set out below.

These bases of calculation give a deficit of the scheme's assets to liabilities at 31 December 2004 of £479,000 (2003 - £535,000).

The directors have decided that no provision should be made in these financial statements for the company to contribute to the scheme's funding deficit, because in their opinion the company is not liable to make any future contributions following the termination of the pension scheme on 3 December 2002.

The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit method. The results of the most recent valuations, which were conducted as at 31 December 2004, were as follows:

FRS 17 disclosures

The group operates a funded defined benefit pension scheme, the Ajax Magnethermic Europe 1998 Pension Plan. The last full funding valuation was carried out as at 31 March 2001. These FRS17 liabilities have been rolled forward from this date after making allowance for membership movements, salary increases and the fact that the plan terminated on 3 December 2002.

The major assumptions used were:

	2004	2003	2002
	%	%	%
Rate of increase in salaries	N/A	4.75	4.50
Rate of increase to non-GMP pensions in payment	2.75	2.50	2.50
Rate of increase to non-GMP pensions in deferment	2.75	2.75	2.50
Discount rate	5.30	5.50	5.50
Inflation assumption	2.75	2.75	2.50

Notes to the financial statements

at 31 December 2004

13. Pensions (continued)

The assets and liabilities in the scheme and the expected rate of return were:

	2004		2003		2002	
	<i>Long-term rate of return expected at 31 December</i>	<i>Value at 31 December</i>	<i>Long-term rate of return expected at 31 December</i>	<i>Value at 31 December</i>	<i>Long-term rate of return expected at 31 December</i>	<i>Value at 31 December</i>
	%	£000	%	£000	%	£000
Equities	8.00	589	8.00	956	8.00	1,172
Bonds	4.30	443	4.75	407	4.50	133
Other	4.00	280	4.00	—	4.00	—
Total market value of invested assets		1,312		1,363		1,305
Actuarial value of insured pensions	5.30	31	5.50	29	5.50	28
Total value of assets		1,343		1,392		
Present value of plan liabilities		(1,822)		(1,927)		
Deficit in the plan		(479)		(535)		
Net pension liability		(479)		(535)		

Analysis of amount credited to profit and loss account

	2004 £000	2003 £000
Current service cost	—	—
Gains and losses on any settlements and curtailments	—	—
Total operating credit	—	—

Analysis of amount credited to other finance income

	2004 £000	2003 £000
Expected return on plan assets	92	71
Interest on plan liabilities	(102)	(77)
Net return	(10)	(6)

Notes to the financial statements

at 31 December 2004

13. Pensions (continued)

Analysis of amount notionally recognised in Statement of Total Recognised Gains and Losses (STRGL)

	2004 £000	2003 £000
Actual return less expected return on plan assets	14	148
Experience gains and losses arising on the plan liabilities	125	20
Changes in financial assumptions underlying the plan liabilities	(73)	(87)
Actuarial gain recognised in STRGL	66	81

Movements in deficit during the year

	2004 £000	2003 £000
Deficit in scheme at beginning of the year	(535)	(610)
Movement in year:		
Current service cost	—	—
Contributions	—	—
Gain from curtailment	—	—
Other finance income	(10)	(6)
Actuarial gain	66	81
Deficit in scheme at the end of the year	(479)	(535)

The company contributed to the plan at the rate of 12.7% of salaries up to 3 December 2002. Depending on their age, active members of the plan contributed at 3%, 4% or 5% of salaries.

History of experience gains and losses

	2004	2003	2002
Difference between the expected and actual return on plan assets:			
Amount (£000)	14	148	(453)
Percentage of plan assets	1%	11%	(34%)
Experience gains and losses on plan liabilities:			
Amount (£000)	125	20	19
Percentage of the present value of the plan liabilities	7%	1%	1%
Total amount notionally recognised in Statement of Total Recognised Gains and Losses:			
Amount (£000)	66	81	(657)
Percentage of the present value of the plan liabilities	4%	4%	(34%)

Effect on company net (liabilities)/assets

	2004 £000	2003 £000
Net liabilities excluding pension liability	(2,512)	(2,568)
Net pension liability	(479)	(535)
Net liabilities including pension liability	(2,991)	(3,103)

Notes to the financial statements

at 31 December 2004

13. Pensions (continued)

Reserves

	2004	2003
	£000	£000
Profit and loss reserve excluding pension liability	(2,770)	(4,022)
Net pension liability	(479)	(535)
Profit and loss reserve including pension liability	(3,249)	(4,557)

14. Related party disclosures

The company has taken advantage of the exemption available under FRS 8 not to disclose transactions with other members of the Ajax Tocco Magnethermic Corporation group on the grounds that at least 90% of the voting rights of the company are controlled by the group.

15. Parent undertaking and controlling party

The company is a subsidiary undertaking of Ajax Tocco Magnethermic Corporation, a company registered in the USA. Copies of its group financial statements, which include the company, are available from 1506 Industrial Boulevard, Boaz, Alabama, USA. In the directors' opinion, the company's ultimate parent undertaking and controlling party is Park-Ohio Inc., a company registered in the USA.