

EDDYCURRENT MACHINERY AGENTS LIMITEDFINANCIAL STATEMENTSFOR THE YEAR ENDED31ST OCTOBER 1994

Haines Watts
Registered Auditor
and Chartered Accountants

6, Tettenhall Road,
Wolverhampton.
WV1 4SA

Tele: (01902) 771125



EDDYCURRENT MACHINERY AGENTS LIMITED

OFFICERS AND ADVISERS

DIRECTORS:	W. L. F. FROST MRS. W. P. M. FROST
SECRETARY:	MRS. W. P. M. FROST
REGISTERED OFFICE:	6, TETTENHALL ROAD, WOLVERHAMPTON. WV1 4SA
BUSINESS ADDRESS:	20, FORTNUM CLOSE, BIRMINGHAM. B33 OLG
BANKERS:	MIDLAND BANK PLC., 931, WALSALL ROAD, GREAT BARR, BIRMINGHAM. B42 1TN
AUDITOR:	HAINES WATTS, REGISTERED AUDITOR AND CHARTERED ACCOUNTANTS, 6, TETTENHALL ROAD, WOLVERHAMPTON. WV1 4SA
COMPANY NO:	857948

EDDYCURRENT MACHINERY AGENTS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST OCTOBER 1994

CONTENTS

- 1 - 2. Directors' report
- 3. Auditor's report
- 4. Profit and loss account
- 5. Note of historical cost profits and losses
- 6. Balance sheet
- 7 - 12. Notes to the financial statements

DIRECTORS' REPORTTO THE MEMBERS OF EDDYCURRENT MACHINERY AGENTS LIMITED

The directors submit their report, together with the audited financial statements of the company for the year ended 31st October 1994.

Principal activities

The company's principal activities are that of manufacturers and suppliers of induction heating equipment.

Review of the financial position

A considerable increase in turnover at an acceptable gross margin produced pre tax results even better than those of the prior year. These, in their turn resulted in an even stronger Balance Sheet.

Results and appropriations

The profit after tax for the year was £30,412, (1993 - profit £32,811).

No payment of any dividend is recommended by the board.

The profit will be carried to reserves.

Directors

The directors of the company during the year and their beneficial interests in shares of the company at the end of the year were as follows:-

	<u>Ordinary shares of £1 each</u>	
	<u>1994</u>	<u>1993</u>
W. L. F. Frost	-	-
Mrs. W. P. M. Frost	-	-

The above directors have interests in shares in the holding company, E. M. A. Heat Treatment Ltd., these interests are shown in the accounts of that company.

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;
- 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 which 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' REPORTTO THE MEMBERS OF EDDYCURRENT MACHINERY AGENTS LIMITED (CONTINUED)Fixed assets

Movements in fixed assets are shown in note 8 to the financial statements.

Auditor

Haines Watts have expressed their willingness to stand for re-election and a resolution proposing their re-appointment will be put to the members at the annual general meeting.

On behalf of the board,

.......... Secretary Date 4.4.95.....

AUDITOR'S REPORTTO THE MEMBERS OF EDDYCURRENT MACHINERY AGENTS LIMITED

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention as modified by the revaluation of freehold property and the accounting policies set out on pages 7 and 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As described on page 1 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 the company's affairs as at 31st October 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Haines Watts
HAINES WATTS

DATE: 4th April 1995

REGISTERED AUDITOR
AND CHARTERED ACCOUNTANTS

WOLVERHAMPTON

EDDYCURRENT MACHINERY AGENTS LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31ST OCTOBER 1994

	<u>Notes</u>	<u>1994</u> <u>£</u>	<u>1993</u> <u>£</u>
<u>TURNOVER</u>	1	697,880	478,768
Cost of sales		(515,778)	(348,958)
<u>GROSS PROFIT</u>		182,102	129,810
Net operating expenses	2	(142,183)	(101,101)
<u>OPERATING PROFIT</u>	3	39,919	28,709
Profit/(loss) on sale of fixed assets		2,023	(29)
<u>PROFIT ON ORDINARY ACTIVITIES</u> <u>BEFORE INTEREST AND TAXATION</u>		41,942	28,680
Interest payable	5	(2,277)	(438)
Interest receivable	6	996	3,141
<u>PROFIT ON ORDINARY ACTIVITIES</u> <u>BEFORE TAXATION</u>		40,661	31,383
Tax on ordinary activities	7	(10,249)	1,428
<u>PROFIT ON ORDINARY ACTIVITIES</u> <u>AFTER TAXATION</u>		30,412	32,811
Revaluation reserve transfer		2,253	2,253
Retained profit for the year		32,665	35,064
Profit and loss account brought forward		389,194	354,130
Retained profit carried forward		<u>£ 421,859</u>	<u>£ 389,194</u>

There were no recognised gains or losses other than those included in the profit and loss account.

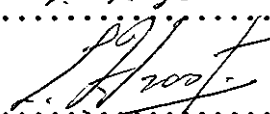
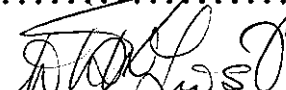
EDDYCURRENT MACHINERY AGENTS LIMITEDNOTE OF HISTORICAL COST PROFITS AND LOSSESFOR THE YEAR ENDED 31ST OCTOBER 1994

	<u>1994</u> <u>£</u>	<u>1993</u> <u>£</u>
Reported profit on ordinary activities before taxation	40,661	31,383
Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<u>2,253</u>	<u>2,253</u>
Historical cost profit on ordinary activities before taxation	<u>£ 42,914</u>	<u>£ 33,636</u>
Historical cost profit for the year retained after taxation	<u>£ 36,002</u>	<u>£ 35,064</u>

EDDYCURRENT MACHINERY AGENTS LIMITEDBALANCE SHEETAS AT 31ST OCTOBER 1994

	<u>Notes</u>	<u>1994</u>	<u>1993</u>
		£	£
<u>FIXED ASSETS</u>			
Tangible assets	8	363,800	373,366
<u>CURRENT ASSETS</u>			
Stocks	9	206,650	188,801
Debtors	10	220,245	137,627
Cash at bank and in hand		39,889	119,679
		<u>466,784</u>	<u>446,107</u>
<u>CREDITORS</u> , amounts falling due within one year	11	<u>(291,985)</u>	<u>(310,689)</u>
<u>NET CURRENT ASSETS</u>		<u>174,799</u>	<u>135,418</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		<u>538,599</u>	<u>508,784</u>
<u>PROVISIONS FOR LIABILITIES & CHARGES</u>	12	<u>(2,239)</u>	<u>(2,836)</u>
		<u>£ 536,360</u>	<u>£ 505,948</u>
<u>CAPITAL AND RESERVES</u>			
Share capital	13	1,000	1,000
Revaluation reserve	14	113,501	115,754
Profit & loss account	14	421,859	389,194
Shareholders' funds		<u>£ 536,360</u>	<u>£ 505,948</u>

The board of directors approved these financial statements on:-

..... 4. 4. 95 Date
  Director
  Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST OCTOBER 1994

1. ACCOUNTING POLICIES

Basis of preparation of accounts

The financial statements have been prepared under the historical cost convention and incorporate the results of the principal activities which are described in the directors' report and which are continuing.

The financial statements have been prepared in accordance with applicable accounting standards.

The company has taken advantage of the exemption in Financial Reporting Standard No. 1 from producing a cash flow statement on the grounds that it is a small company.

Turnover

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

Fixed assets

The cost/valuation of fixed assets is written off over their expected useful lives at the following rates:-

On written down values

Motor vehicles	25% per annum
Plant & equipment	15% per annum
Fixtures & fittings	15% per annum
Office equipment	15% per annum
Loose tools	33% per annum
Electrical installations	15% per annum

On straight line basis

Freehold property over 50 years

Stocks

Stocks of raw materials are valued by the directors at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving stocks. Cost includes direct materials, labour and manufacturing overheads incurred in bringing each product to its present location and condition.

Deferred taxation

Deferred tax is provided at the current rate of corporation tax on differences arising from the inclusion of certain items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Hire purchase and lease agreements

Fixed assets held under hire purchase agreements are capitalised and depreciated over their expected useful lives. The finance charges are allocated over the primary period of agreements in proportion to the capital element outstanding.

EDDYCURRENT MACHINERY AGENTS LIMITEDNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 31ST OCTOBER 19941. ACCOUNTING POLICIES (CONTINUED)Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Any profits or losses arising from the settlement of these transactions are absorbed within the profit and loss account. Monetary assets and liabilities denominated in a foreign currency at the balance sheet date are translated into sterling at the exchange rates ruling at the close of business on the balance sheet date.

2. NET OPERATING EXPENSES

	<u>1994</u> £	<u>1993</u> £
Administrative expenses	150,308	109,226
Rents received	(8,125)	(8,125)
	<u>£ 142,183</u>	<u>£ 101,101</u>

3. OPERATING PROFIT

	<u>1994</u> £	<u>1993</u> £
The operating profit is stated after charging:-		
Depreciation	13,758	14,804
Auditor's remuneration	6,500	6,000
	<u>£ 19,258</u>	<u>£ 20,804</u>

4. STAFF COSTS

	<u>1994</u> £	<u>1993</u> £
Salaries and wages	113,196	108,883
National insurance costs	13,168	12,947
	<u>£ 126,364</u>	<u>£ 121,830</u>

The average weekly number of employees during the year was 8 (1993 - 8). Due to the limited number of employees the directors do not consider categorisation to be appropriate.

<u>Directors' emoluments</u>	<u>1994</u> £	<u>1993</u> £
Director's remuneration	12,000	-
Estimated benefits in kind	12,500	12,000
	<u>£ 24,500</u>	<u>£ 12,000</u>
Highest paid director	<u>£ 24,500</u>	<u>£ 12,000</u>

The other director received no emoluments during the year (1993 - nil).

EDDYCURRENT MACHINERY AGENTS LIMITEDNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 31ST OCTOBER 1994**5. INTEREST PAYABLE**

	<u>1994</u> <u>£</u>	<u>1993</u> <u>£</u>
Hire purchase interest	182	438
Other interest payable	2,095	-
	<u>£ 2,277</u>	<u>£ 438</u>

6. INTEREST RECEIVABLE

	<u>1994</u> <u>£</u>	<u>1993</u> <u>£</u>
Bank interest received	967	3,116
Building society interest received	29	25
	<u>£ 996</u>	<u>£ 3,141</u>

7. TAXATION

	<u>1994</u> <u>£</u>	<u>1993</u> <u>£</u>
The tax charge/(credit) on the profit on ordinary activities was as follows:-		
Corporation tax at 25% (1993 - 25%) based on the adjusted results for the year	10,889	6,441
Deferred taxation at 25% (1993 - 25%)	(597)	2,836
Over provision in prior years	(43)	(10,705)
	<u>£ 10,249</u>	<u>£ (1,428)</u>

EDDYCURRENT MACHINERY AGENTS LIMITEDNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 31ST OCTOBER 1994**8. FIXED ASSETS : TANGIBLE ASSETS**

<u>COST OR</u> <u>VALUATION</u>	<u>As at</u> <u>1st November 1993</u> <u>£</u>	<u>Additions</u> <u>£</u>	<u>Disposals</u> <u>£</u>	<u>As at</u> <u>31st October 1994</u> <u>£</u>
Freehold property	350,022	-	-	350,022
Loose tools	892	-	-	892
Office equipment	4,377	355	-	4,732
Electrical installations	750	-	-	750
Motor vehicles	61,835	-	(14,966)	46,869
Plant & equipment	36,988	4,914	-	41,902
Fixtures & fittings	12,826	-	-	12,826
	<u>£ 467,690</u>	<u>£ 5,269</u>	<u>£ (14,966)</u>	<u>£ 457,993</u>

<u>DEPRECIATION</u>	<u>As at</u> <u>1st November 1993</u> <u>£</u>	<u>Charge</u> <u>£</u>	<u>Disposals</u> <u>£</u>	<u>As at</u> <u>31st October 1994</u> <u>£</u>
Freehold property	12,883	5,946	-	18,829
Loose tools	892	-	-	892
Office equipment	3,103	244	-	3,347
Electrical installations	750	-	-	750
Motor vehicles	45,977	3,966	(13,889)	36,054
Plant & equipment	22,025	2,982	-	25,007
Fixtures & fittings	8,694	620	-	9,314
	<u>£ 94,324</u>	<u>£ 13,758</u>	<u>£ (13,889)</u>	<u>£ 94,193</u>

<u>NET BOOK VALUE</u>	<u>As at</u> <u>31st October 1993</u> <u>£</u>	<u>As at</u> <u>31st October 1994</u> <u>£</u>
Freehold property	337,139	331,193
Office equipment	1,274	1,385
Motor vehicles	15,858	10,815
Plant & equipment	14,963	16,895
Fixtures & fittings	4,132	3,512
	<u>£ 373,366</u>	<u>£ 363,800</u>

Freehold land amounting to £52,723 (1993 - £52,723) has not been depreciated. One of the freehold properties was revalued in the year to 31st August 1991 by Bigwood, Chartered Surveyors. The valuation was based on an open market value. If the revalued property was included at historical cost, the relevant amounts would be:-

	<u>1994</u> <u>£</u>	<u>1993</u> <u>£</u>
Cost	20,970	20,970
Depreciation	(8,096)	(7,740)
	<u>£ 12,874</u>	<u>£ 13,230</u>

EDDYCURRENT MACHINERY AGENTS LIMITEDNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 31ST OCTOBER 1994**8. FIXED ASSETS : TANGIBLE ASSETS (CONTINUED)**

A first legal mortgage was granted over one of the company's freehold properties on behalf of E.M.A. Heat Treatment Limited, in respect of a loan owing to Mrs. A.S.M. Squire-Johnson.

9. STOCKS

	<u>1994</u> <u>£</u>	<u>1993</u> <u>£</u>
Work in progress	142,427	145,758
Finished goods and goods for resale	64,223	43,043
	<u>£ 206,650</u>	<u>£ 188,801</u>

10. DEBTORS

	<u>1994</u> <u>£</u>	<u>1993</u> <u>£</u>
Trade debtors	209,667	123,986
VAT recoverable	-	4,134
Prepayments	10,578	9,507
	<u>£ 220,245</u>	<u>£ 137,627</u>

11. CREDITORS, amounts falling due within one year:-

	<u>1994</u> <u>£</u>	<u>1993</u> <u>£</u>
Bank overdrafts	21,399	50,952
Trade creditors	84,822	88,392
Amounts owed to group undertaking	134,431	123,566
Corporation tax	10,889	6,483
Other taxation & social security	19,653	8,505
Other creditors	450	12,057
Hire purchase	-	873
Directors' current accounts	6,799	6,799
Accruals	13,542	13,062
	<u>£ 291,985</u>	<u>£ 310,689</u>

Midland Bank plc. holds a fixed and floating charge over the company's assets. Also, an advance payment guarantee, number 189/5839, from Deutsche Bank Heidelberg, dated 12th July 1984 for DM160,844.56.

EDDYCURRENT MACHINERY AGENTS LIMITEDNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 31ST OCTOBER 199412. PROVISIONS FOR LIABILITIES AND CHARGESDeferred
Taxation
£

As at 1st November 1993	2,836
Profit and loss account	(597)
As at 31st October 1994	<u>£ 2,239</u>

The provision for deferred taxation relates solely to capital allowances in excess of depreciation.

Tax of approximately £31,000 which would arise if the land and buildings were to be disposed of at their revalued amounts has not been provided for as the company has no intention to dispose of the relevant interest in the property.

13. SHARE CAPITALOrdinary shares of £1 each

	<u>1994</u>	<u>1993</u>
	<u>£</u>	<u>£</u>
Authorised	<u>£ 1,000</u>	<u>£ 1,000</u>
Allotted, issued and fully paid	<u>£ 1,000</u>	<u>£ 1,000</u>

14. RESERVES

	<u>Revaluation Reserve</u>	<u>Profit & Loss Account</u>
	<u>£</u>	<u>£</u>
As at 1st November 1993	115,754	389,194
Transfer	(2,253)	2,253
Profit after taxation for the year	-	30,412
As at 31st October 1994	<u>£ 113,501</u>	<u>£ 421,859</u>

15. CONTINGENT LIABILITIES

There were no contingent liabilities at 31st October 1994 (1993 - nil).

16. CAPITAL COMMITMENTS

There were no capital commitments at 31st October 1994 (1993 - nil).

17. HOLDING COMPANY

The company is a wholly - owned subsidiary of E. M. A. Heat Treatment Limited, a company registered in England.

The only transaction between the companies related to the recharge of mutual services together with management charges of £1,200 (1993 - £1,200) and property rental of £8,125 (1993 - £8,125) on an arm's length basis.

The company has granted a first legal mortgage over one of its freehold properties in favour of a former shareholder in E. M. A. Heat Treatment Ltd. in order to provide security for a loan made to that company.