

## **Carbolite Furnaces Limited**

### **Directors' report and financial statements**

31 March 1997

Registered number 1371507



## **Directors' report and financial statements**

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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 March 1997.

### **Principal activities**

The principal activities of the company are the manufacture of laboratory and heat treatment furnaces and ovens and the supply of temperature control and recording equipment.

### **Business review**

The profit before tax for the year ended 31 March 1997 was £1,371,230 compared with £1,426,516 in the previous year. After taxation of £521,269 (1996: £456,208), profit attributable to shareholders was £849,961 (1996: £970,208).

Business activity is expected to continue at similar levels to those during the year.

### **Research and development**

The company is committed to the improvement of its existing products and the development of new products.

### **Proposed dividend**

The directors proposed and have paid a dividend of £800,000 (1996:£600,000).

### **Market value of land and buildings**

The land and buildings of the company are being used for the purposes of its trading activities. The directors do not consider that there is any material difference between the market value and the amount at which these assets are stated in the financial statements.

### **Directors and directors' interests**

The directors who held office during the year were as follows:

DJ Partridge	(Chairman)
G Spink	
NJ Short	
I Whitney	(resigned 30 March 1997)
AD Culshaw	
BJ Baxter	
WL Thomson	(appointed 10 June 1996)
C Garbutt	(appointed 20 November 1996)
JE Moore	(resigned 5 July 1996)

G Spink and AD Culshaw are also directors of Protean plc. Their interests in the shares and options of Protean plc are disclosed in the directors' report of that company.

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

At 31 March 1997 NJ Short had options to subscribe for 3,145 shares of Protean plc (1996:3,145) in the Protean plc Executive Share Option Scheme and BJ Baxter had options to subscribe for 6,823 shares of Protean plc (1996:6,823). These options are exercisable at various dates up to 14 July 2005 at prices between £1.23 and £1.92.

## **Directors' report**

### **Directors and directors' interests (continued)**

B Baxter also had options to subscribe for 3,567 shares (1996:3,567) at prices between £0.90 and £1.33 exercisable on 12 August 1997 or 30 July 1998 as part of a Savings Related Share Option Scheme. NJ Short also had options to subscribe for 3,471 shares (1996:3,471) exercisable on 12 August 1997 or 3 August 1999 at prices between £0.96 and £1.58.

On 26 July 1996 BJ Baxter and W Thompson were granted options to subscribe for 1,500 shares of Protean plc, under the Protean plc Group Share Option Plan. On the same date DJ Partridge was granted options to subscribe for 7,500 shares of Protean plc under the Directors Share Option Plan. The options are exercisable between 27 July 1999 and 26 July 2006 at a price of £2.60.

### **Political and charitable contributions**

The company made no political contributions during the year. Donations to UK charities amounted to £364 (1996: £89).

### **Payment policy**

It is the company's policy to settle terms of payment with their suppliers when agreeing the terms of each transaction; to ensure that suppliers are aware of the terms; and abide by the agreed terms of payments.

By order of the board

**BJ Baxter**  
Secretary



Aston Lane  
Hope  
Nr Sheffield  
S30 2RR

12 June 1997

## **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 for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and 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 assume 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## KPMG Audit Plc

The Fountain Precinct  
1 Balm Green  
Sheffield  
S1 3AF

### **Report of the auditor to the members of Carbolite Furnaces Limited**

We have audited the financial statements on pages 5 to 17.

#### **Respective responsibilities of directors and auditors**

As described on page 3, 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 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

12 June 1997

**Profit and loss account**  
*for the year ended 31 March 1997*

	<i>Note</i>	1997 £	1996 £
<b>Turnover</b>	<i>1</i>	<b>7,619,163</b>	7,588,472
Operating costs	<i>2</i>	<b>(6,247,933)</b>	(6,161,669)
		<hr/>	<hr/>
<b>Operating profit</b>		<b>1,371,230</b>	1,426,803
Interest payable	<i>4</i>	-	(287)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>1,371,230</b>	1,426,516
Tax on profit on ordinary activities	<i>5</i>	<b>(521,269)</b>	(456,308)
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>		<b>849,961</b>	970,208
Dividends proposed and paid	<i>6</i>	<b>(800,000)</b>	(600,000)
		<hr/>	<hr/>
<b>Retained profit for the financial year</b>	<i>13</i>	<b>49,961</b>	370,208
		<hr/> <hr/>	<hr/> <hr/>

All of the above turnover and profit on ordinary activities before taxation is derived from continuing operations and there were no acquisitions or discontinued activities during the year.

All of the recognised gains and losses of the company during the year have passed through the profit and loss account.

There is no difference between the result disclosed in the profit and loss account and the result on an historical cost basis.

**Balance sheet**  
**at 31 March 1997**

	<i>Note</i>	1997 £	1996 £
<b>Fixed assets</b>			
Tangible assets	7	1,674,037	1,687,190
<b>Current assets</b>			
Stocks	8	954,020	779,817
Debtors	9	1,737,445	3,506,581
Cash at bank and in hand		419,331	574,583
		<hr/>	<hr/>
<b>Creditors: amounts falling due within one year</b>	10	(2,215,693)	(3,950,920)
		<hr/>	<hr/>
<b>Net current assets</b>		895,103	910,061
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		2,569,140	2,597,251
		<hr/>	<hr/>
<b>Provisions for liabilities and charges</b>	11	(282,351)	(360,423)
		<hr/>	<hr/>
<b>Net assets</b>		2,286,789	2,236,828
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	12	200,000	200,000
Profit and loss account	13	2,086,789	2,036,828
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		2,286,789	2,236,828
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 12 June 1997 and were signed on its behalf by:

**BJ Baxter**  
*Director*



**DJ Partridge**  
*Director*





**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 March 1997*

	1997 £	1996 £
Profit for the financial year	849,961	970,208
Dividends	(800,000)	(600,000)
	<hr/>	<hr/>
Net addition to shareholders' funds	49,961	370,208
Opening shareholders' funds	2,236,828	1,866,620
	<hr/>	<hr/>
Closing shareholders' funds	2,286,789	2,236,828
	<hr/> <hr/>	<hr/> <hr/>

## Accounting policies

The principal accounting policies that have been adopted in the preparation of these financial statements are given below:

### Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards.

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

### Turnover

Turnover comprises amounts charged by the company for goods and services provided to customers and the value of work carried out during the year, excluding sales taxes.

### Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset less estimated residual value over its expected useful life on a straight line basis. Leased assets are depreciated over the shorter of their useful life and the term of the lease. The principal rates used are:

Freehold and long leasehold buildings	-	4%
Fixtures, fittings and equipment	-	10%
Plant and machinery	-	10%
Computer equipment	-	25%
Motor vehicles	-	25%

### Leases

Tangible fixed assets include assets operated by the company under finance leases, where the company has substantially all the risks and rewards of ownership of the asset. Correspondingly, creditors shown in the balance sheet include the commitment for the capital element of future lease payments. The finance element of lease payments is charged to the profit and loss account over the term of the lease.

All other leases are treated as operating leases and payments are charged to the profit and loss account as they are incurred.

### Stocks

Stocks have been valued at the lower of cost and net realisable value. Cost includes the costs of material and labour and an appropriate proportion of production overhead expenses.

### Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Provision is made for deferred taxation only to the extent that the directors consider that a liability will become payable in the foreseeable future.

## **Accounting policies (continued)**

### **Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

### **Pension costs**

The majority of employees are members of the Carbolite Retirement Plan, under which contributions by eligible employees and the employing companies are administered in funds independent from the companies' assets. The regular cost of providing benefits is charged to profit so as to spread the cost over the employees' working lives on a systematic basis. Variations from regular costs are spread over the remaining service lives of the current employees.

## Notes to the financial statements

### 1 Turnover

Turnover and profit before taxation are attributable to one activity, the manufacture of laboratory and heat treatment furnaces and ovens and supply of temperature control and recording equipment.

The geographical analysis of turnover is as follows:

	1997 £	1996 £
<b>By customer location</b>		
United Kingdom	3,129,888	3,566,688
Other Western Europe	1,665,035	1,687,343
Asia and Far East	1,035,444	1,211,164
Others	1,788,796	1,123,277
	<hr/>	<hr/>
	7,619,163	7,588,472
	<hr/> <hr/>	<hr/> <hr/>

### 2 Operating costs

	1997 £	1996 £
Change in stocks of finished goods and work in progress	173,550	181,947
Other operating income	(5,475)	(33,694)
Own work capitalised	-	(6,892)
Raw materials and consumables	2,390,978	2,480,483
Other external charges	400,347	599,683
Staff costs (see note 3)	2,617,752	2,476,575
Depreciation:		
Owned assets	151,553	146,768
Auditors' remuneration:		
Audit	13,800	13,500
Other services	1,500	13,000
Hire of plant and machinery - operating leases	12,975	13,816
Hire of motor vehicles - rentals payable		
under operating leases	37,619	24,183
Management charges	227,300	252,300
Waiver of inter-company loan	226,034	-
	<hr/>	<hr/>
	6,247,933	6,161,669
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the financial statements

### 3 Employees and directors

The average number of persons employed by the company (including directors) during the year was as follows:

	1997	1996
	£	£
Production and service	60	57
Sales and administration	70	68
	<u>130</u>	<u>125</u>

Staff (including directors) costs during the year comprised:

	1997	1996
	£	£
Wages and salaries	2,247,403	2,159,988
Social security costs	186,897	166,317
Other pension costs (see note 17)	183,452	150,270
	<u>2,617,752</u>	<u>2,476,575</u>

	1997	1996
	£	£
Directors' emoluments	252,567	222,203
Amounts receivable under long term incentive schemes	-	-
	<u>252,567</u>	<u>222,203</u>

Included within directors emoluments is £31,257 (1996:£nil) relating to Mr D Partridge which is paid by the holding company, Protean Plc.

The emoluments of the highest paid director was £51,384 (1996: 73,500). He is a member of a defined benefit scheme, under which his accrued pension at the year end was £17,150.

	Number of directors	1996
	1997	£
	£	
The number of directors who accrued retirement benefit, charged to the accounts, under defined benefit schemes was	6	4
	<u>-</u>	<u>1</u>
The number of directors who exercised share options were	-	1

## Notes to the financial statements

<b>4</b>	<b>Interest payable</b>	<b>1997</b>	<b>1996</b>
		<b>£</b>	<b>£</b>
	Interest payable to group undertakings	-	287
		<u>          </u>	<u>          </u>
<b>5</b>	<b>Tax on profit on ordinary activities</b>	<b>1997</b>	<b>1996</b>
		<b>£</b>	<b>£</b>
	UK corporation tax at 33% (1996:33%)	522,952	475,403
	Over provision in prior year charges	(5,565)	(10,568)
	Deferred taxation	3,882	(8,527)
		<u>          </u>	<u>          </u>
		<b>521,269</b>	<b>456,308</b>
		<u>          </u>	<u>          </u>
<b>6</b>	<b>Dividends proposed and paid</b>	<b>1997</b>	<b>1996</b>
		<b>£</b>	<b>£</b>
	Ordinary shares	800,000	600,000
		<u>          </u>	<u>          </u>

## Notes to the financial statements

### 7 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>				
1 April 1996	1,374,200	573,055	302,984	2,250,239
Additions	13,940	143,829	41,580	199,349
Disposals	-	(88,399)	-	(88,399)
	<hr/>	<hr/>	<hr/>	<hr/>
31 March 1997	1,388,140	628,485	344,564	2,361,189
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
1 April 1996	128,133	316,593	118,323	563,049
Charge for year	51,253	59,769	40,531	151,553
On disposals	-	(27,450)	-	(27,450)
	<hr/>	<hr/>	<hr/>	<hr/>
31 March 1997	179,386	348,912	158,854	687,152
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
31 March 1997	1,208,754	279,573	185,710	1,674,037
	<hr/>	<hr/>	<hr/>	<hr/>
31 March 1996	1,246,067	256,462	184,661	1,687,190
	<hr/>	<hr/>	<hr/>	<hr/>

The gross book value of freehold land and buildings includes £1,295,273 (1996:£1,281,333) of depreciable assets.

### 8 Stocks

	1997 £	1996 £
Raw materials and consumables	436,235	435,582
Work in progress	477,905	294,110
Finished goods and goods for resale	39,880	50,125
	<hr/>	<hr/>
	954,020	779,817
	<hr/>	<hr/>

## Notes to the financial statements

### 9 Debtors

	1997 £	1996 £
Trade debtors	1,618,174	1,939,934
Amounts owed by parent and fellow subsidiary undertakings	55,150	1,520,800
Other debtors	1,446	13,026
Prepayments and accrued income	62,675	32,821
	<hr/> 1,737,445 <hr/>	<hr/> 3,506,581 <hr/>

Debtors are all due within one year.

### 10 Creditors: Amounts falling due within one year

	1997 £	1996 £
Trade creditors	767,392	896,951
Payments received on account	402,912	170,631
Amounts owed to parent and fellow subsidiary undertakings	-	1,996,233
UK corporation tax	522,952	475,403
Other taxes and social security taxes	79,414	71,504
Other creditors	139,965	110,132
Accruals and deferred income	103,058	230,066
Dividends payable	200,000	-
	<hr/> 2,215,693 <hr/>	<hr/> 3,950,920 <hr/>



## Notes to the financial statements

### 11 Provisions for liabilities and charges

	Pension provision £	Warranty provision £	Deferred taxation £	Total £
1 April 1996	50,681	150,000	159,742	360,423
Credit for the year in the profit and loss account	(14,546)	(67,408)	3,882	(78,072)
<b>31 March 1997</b>	<b>36,135</b>	<b>82,592</b>	<b>163,624</b>	<b>282,351</b>

Deferred taxation is made up as follows:

	1997 £	Provided 1996 £	Full potential liability 1997 £	1996 £
Accelerated capital allowances	163,624	159,742	163,624	159,742

### 12 Called up share capital

	1997 £	1996 £
<b>Authorised</b>		
Ordinary shares of £1 each	500,000	500,000
<b>Issued and fully paid</b>		
Ordinary shares of £1 each	200,000	200,000

### 13 Reserves

	Profit and loss account £
1 April 1996	2,036,828
Retained profit for the year	49,961
<b>31 March 1997</b>	<b>2,086,789</b>

## Notes to the financial statements

### 14 Contingent liabilities

The company has issued guarantees as follows:

- (i) Cross guarantees which provide security over the bank overdrafts of other companies in the Protean plc group.
- (ii) Bank guarantees and indemnities given in the normal course of business amounting to £432,120 (1996:£71,713).

### 15 Commitments

Capital commitments at the end of the financial year for which no provision has been made.

	1997 £	1996 £
Contracted	-	31,698
	<u>          </u>	<u>          </u>

### 16 Operating leases

Payments under operating leases due to be made in the next year, analysed over the periods when the leases expire, are as follows:

	1997 £	1996 £
Within one year	1,950	2,093
Between two and five years	43,770	35,300
After five years	-	1,960
	<u>          </u>	<u>          </u>
	<u>45,720</u>	<u>39,353</u>

## **Notes to the financial statements**

### **17 Pension commitments**

The majority of employees are members of the Carbolite Retirement Plan which is a funded, defined benefit scheme. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives within all the companies in the former Carbolite plc group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 6 April 1995. The projected unit method of valuation was used and the main assumptions adopted were that long term investment return would be 9.5% per annum, that pensionable salary increases would be 7.5% per annum and equity dividend growth would be 3% per annum.

The pension charge for the year was £183,452 (1996:£150,270).

The most recent actuarial valuation showed that the market value of the scheme's assets was £2,099,500 and that the actuarial value of those assets represented 102% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company and employees are 8.2% and 4% of earnings respectively.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

### **18 Related party transactions**

The company is a wholly owned subsidiary of Protean Plc. In accordance with paragraph 3(c) of Financial Reporting Standard No 8 "Related Party Transactions" the company is exempt from disclosing details of arrangements with other companies in the group. There are no other related party transactions.

### **19 Ultimate parent company and parent undertaking of larger group of which the company is a member**

The company is a subsidiary undertaking of Protean (UK) Holdings Limited registered in England and Wales.

The largest group in which the results of the company are consolidated is that headed by Protean plc, the ultimate holding company, which is incorporated in Great Britain and registered in England and Wales. The consolidated financial statements of this group are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.