

INDUCTOHEAT EUROPE LIMITED
(Registered Number 1666802)

REPORT AND ACCOUNTS

NINE MONTHS ENDED 31 DECEMBER 2002



INDUCTOHEAT EUROPE LIMITED
ANNUAL REPORT
NINE MONTHS ENDED 31 DECEMBER 2002

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INDUCTOHEAT EUROPE LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for the nine months ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activities of the group consisted of the design, manufacture, and servicing of medium and high frequency induction and dielectric heating and drying equipment and electrodes.

BUSINESS REVIEW

On 2 April 2002 the company acquired the whole of the issued share capital of Inductoheat Banyard Limited from a fellow subsidiary undertaking and the trade and net assets of that company were transferred into the company.

On 31 December 2002 the company transferred its subsidiaries Radyne Corporation Inc. and Alpha 1 Induction Service Center Inc. to Inductotherm Industries Inc, the company's parent undertaking, by means of a dividend in specie.

The group has suffered from difficult trading conditions world-wide resulting in a loss in the group for the period. The directors are confident that the benefits of scale to be realised from the expanded UK operations will return the UK group to profitability in the future. The directors will, however, continue to investigate possibilities for the application of the company's technology in associated areas.

	Nine months ended 31 December <u>2002</u> £'000	Year ended 31 March <u>2002</u> £'000 As restated
Turnover	17,413	25,002
Loss on ordinary activities before taxation	(466)	(316)
Taxation	102	(159)
Minority interest	(23)	76
Dividends	(5,020)	-
Loss for the financial period after taxation transferred to reserves	(5,407)	(399)

DIVIDENDS

The directors have paid an interim dividend of £5,020,000 (year ended 31 March 2002: £Nil) in respect of the period ended 31 December 2002. The directors do not recommend the payment of a final dividend (year ended 31 March 2002: £Nil).

RESEARCH AND DEVELOPMENT

Expenditure on research and development is charged to the profit and loss account in the period in which it is incurred.

INDUCTOHEAT EUROPE LIMITED
DIRECTORS' REPORT (continued)

DIRECTORS

The directors, who served throughout the period unless otherwise shown, were:

H M Rowan
B L Taylor (resigned 16 December 2002)
P E Robinson (resigned 16 December 2002)
M J Smith III (resigned 16 December 2002)
M Garaway (resigned 14 June 2002)
J H Mortimer
J H Hooper
G A Doyon (appointed 16 December 2002)

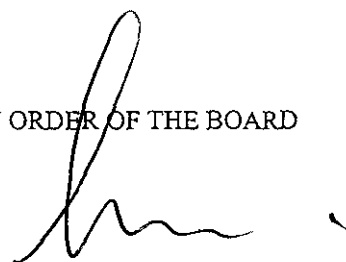
DIRECTORS' INTERESTS

Mr H M Rowan, who owns the ultimate parent undertaking, has by virtue of that ownership, an interest in the share capital of the company. None of the other directors had an interest in the share capital of the company.

AUDITORS

In accordance with Section 386 of the Companies Act 1985, by an elective resolution of the company, PKF are deemed reappointed as auditors for the succeeding year.

BY ORDER OF THE BOARD



C Briggs
Secretary

12th August 2003

INDUCTOHEAT EUROPE LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group 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 group 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 the group 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 group 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 is prepared in accordance with company law in the United Kingdom.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INDUCTOHEAT EUROPE LIMITED

We have audited the financial statements of Inductoheat Europe Limited for the nine months ended 31 December 2002 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits and Losses, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 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

The directors' responsibilities for preparing the Annual Report and the 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. However, the evidence available to us was limited because the financial statements of two of the company's subsidiaries, Radyne Corporation Inc and Alpha 1 Induction Service Center Inc, which have been consolidated in the group's financial statements, have not been audited and therefore we have not been able to form an opinion on them. Details of the consolidated financial statements of these two subsidiaries are shown in note 30 to the financial statements. As further explained in note 26 the net assets of the two subsidiaries were distributed as a dividend in specie and are therefore not included in the Consolidated Balance Sheet at 31 December 2002.

Opinion: disclaimer on view given by the financial statements

Because of the significance of the unaudited financial statements of Radyne Corporation Inc and Alpha 1 Induction Service Center Inc in the consolidated financial statements of Inductoheat Europe Limited and the possible effect of the limitation of evidence available to us, we are unable to form an opinion as to whether the financial statements give a true and fair view of the group's loss for the nine months ended 31 December 2002. In all other respects, the financial statements have been properly prepared in accordance with the Companies Act 1985, and in our opinion the balance sheets of the group and the company give a true and fair view of their state of affairs at 31 December 2002.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
INDUCTOHEAT EUROPE LIMITED (continued)

In respect alone of the limitation of our work relating to Radyne Corporation Inc and Alpha 1 Induction Service Center Inc

- 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.

Guildford, UK

PKF
PKF
Registered Auditors

1 September 2003

INDUCTOHEAT EUROPE LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
NINE MONTHS ENDED 31 DECEMBER 2002

		Nine months ended 31 December 2002		Year ended 31 March 2002 As restated	
	<u>Notes</u>	£'000	£'000	£'000	£'000
Turnover:	2				
Continuing operations			13,611		17,854
Discontinued operations			3,802		7,148
			<hr/>		<hr/>
			17,413		25,002
 Cost of sales	3		(12,655)		(17,841)
			<hr/>		<hr/>
Gross profit	3		4,758		7,161
 Administrative expenses	3		(5,213)		(7,248)
			<hr/>		<hr/>
Operating (loss)/profit:					
Continuing operations		(663)		(133)	
Discontinued operations		208		46	
		<hr/>		<hr/>	
			(455)		(87)
 Interest receivable	5		24		91
Interest payable and similar charges	6		(35)		(320)
			<hr/>		<hr/>
Loss on ordinary activities before taxation	8		(466)		(316)
 Tax on loss on ordinary activities	10		102		(159)
			<hr/>		<hr/>
Loss on ordinary activities after taxation			(364)		(475)
 Minority interest			(23)		76
			<hr/>		<hr/>
Loss for the period			(387)		(399)
 Dividend	11		(5,020)		-
			<hr/>		<hr/>
Loss for the financial period transferred to reserves	21		(5,407)		(399)
			<hr/>		<hr/>

INDUCTOHEAT EUROPE LIMITED
CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
NINE MONTHS ENDED 31 DECEMBER 2002

	Nine months ended 31 December <u>2002</u> £'000	Year ended 31 March <u>2002</u> £'000 As restated
Loss for the financial period	(5,407)	(399)
Currency translation differences	(559)	31
	<hr/>	<hr/>
Total recognised gains and losses relating to the period	<u>(5,966)</u>	<u>(368)</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES
NINE MONTHS ENDED 31 DECEMBER 2002

	Nine months ended 31 December <u>2002</u> £'000	Year ended 31 March <u>2002</u> £'000 As restated
Reported loss on ordinary activities before taxation	(466)	(316)
Difference between historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	139	217
	<hr/>	<hr/>
Historical cost loss on ordinary activities before taxation	<u>(327)</u>	<u>(99)</u>
	<hr/>	<hr/>
Historical cost loss for the period retained after taxation and minority interests	<u>(248)</u>	<u>(182)</u>

INDUCTOHEAT EUROPE LIMITED
CONSOLIDATED BALANCE SHEET
31 DECEMBER 2002

		31 December 2002		31 March 2002	
	Notes	£'000	£'000	£'000	£'000
				As restated	
FIXED ASSETS					
Tangible assets	13		8,690		11,012
Investments	14		50		-
CURRENT ASSETS					
Stocks	15	4,315		7,807	
Debtors	16	4,750		6,075	
Cash at bank and in hand		377		5,684	
		9,442		19,566	
CREDITORS					
Amounts falling due within one year	17	(2,877)		(8,667)	
NET CURRENT ASSETS			6,565		10,899
TOTAL ASSETS LESS CURRENT LIABILITIES			15,305		21,911
CREDITORS					
Amounts falling due after more than one year	18		-		(229)
PROVISION FOR LIABILITIES AND CHARGES	19		(536)		(494)
NET ASSETS			14,769		21,188
CAPITAL AND RESERVES					
Called up share capital	20		1,722		1,722
Share premium account	21		370		370
Capital redemption reserve	21		305		305
Revaluation reserve	21		3,299		3,438
Profit and loss account	21		9,073		14,900
EQUITY SHAREHOLDERS' FUNDS	22		14,769		20,735
Minority interest - equity			-		453
			14,769		21,188

These financial statements were approved by the board on 12th August 2003.

J H Hooper - Director

John H Hooper
John H Hooper

INDUCTOHEAT EUROPE LIMITED
COMPANY BALANCE SHEET
31 DECEMBER 2002

		31 December 2002		31 March 2002	
	<u>Notes</u>	£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	13		7,938		7,058
Shares in group undertakings	14		1,681		5,120
			<hr/>		<hr/>
			9,619		12,178
CURRENT ASSETS					
Stock	15	4,117		4,652	
Debtors	16	5,543		7,369	
Cash at bank and in hand		262		226	
		<hr/>		<hr/>	
		9,922		12,247	
CREDITORS					
Amounts falling due within one year	17	(3,338)		(20,488)	
		<hr/>		<hr/>	
NET CURRENT ASSETS/ (LIABILITIES)					
			6,584		(8,241)
			<hr/>		<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES					
			16,203		3,937
CREDITORS					
Amounts falling due after more than one year	18		(971)		(1,326)
PROVISIONS FOR LIABILITIES AND CHARGES					
	19		(536)		(396)
			<hr/>		<hr/>
NET ASSETS					
			14,696		2,215
			<hr/>		<hr/>
CAPITAL AND RESERVES					
Called up share capital	20		1,722		1,480
Share premium account	21		4,850		2,266
Profit and loss account	21		8,124		(1,531)
			<hr/>		<hr/>
EQUITY SHAREHOLDERS' FUNDS					
			14,696		2,215
			<hr/>		<hr/>

These financial statements were approved by the board on 12th August 2003.

J H Hooper - Director

John H Hooper
John H Hooper

INDUCTOHEAT EUROPE LIMITED
CONSOLIDATED CASHFLOW STATEMENT
NINE MONTHS ENDED 31 DECEMBER 2002

		31 December 2002		31 March 2002	
	<u>Notes</u>	£'000	£'000	£'000	£'000
				As restated	
Cashflow from operating activities	23		161		2,384
Returns from investments and servicing of finance					
Interest received		24		92	
Interest paid		(35)		(320)	
Dividend paid to minority shareholder in subsidiary undertaking		(63)		(89)	
Net cash outflow for returns on investments and servicing of finance			(74)		(317)
Taxation					
Corporation tax paid		(130)		(428)	
Group relief received		-		98	
Net cash outflow for taxation			(130)		(330)
Capital expenditure					
Purchase of tangible fixed assets		(168)		(590)	
Proceeds of disposal of tangible fixed assets		1		58	
Net cash outflow for capital expenditure			(167)		(532)
Acquisitions and disposals					
Purchase of subsidiary undertaking		(50)		-	
Cash disposed of with subsidiary undertaking		(1,421)		-	
Net cash outflow for acquisitions and disposals			(1,471)		-
Net cash (outflow)/inflow before financing			(1,681)		1,205
Financing					
New short term loans		-		145	
Repayment of short term loan		(2,622)		-	
Net cash (outflow)/inflow from financing			(2,622)		145
(Decrease)/increase in cash	24		(4,303)		1,350

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

1 ACCOUNTING POLICIES

(a) Basis of accounting

These financial statement have been prepared under the historical cost convention, as modified by the revaluation of freehold land and buildings, drawings and coil formers and in accordance with applicable accounting standards.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiaries on either an acquisition or merger accounting basis depending on the circumstances. The results of subsidiaries acquired by the group, with the exception of Newelco (Uskside) Limited and Inductoheat Banyard Limited, have been consolidated on an acquisition accounting basis and their results are included in the consolidated profit and loss account from the date of their acquisition. The financial statements of Newelco (Uskside) Limited and Inductoheat Banyard Limited have been consolidated into the financial statements on a merger accounting basis.

As a result of the merger of Inductoheat Banyard Limited into the group at the beginning of the period, the results, consolidated balance sheet and consolidated cashflows in the financial statements for the year ended 31 March 2002 are presented as if Inductoheat Banyard Limited had been combined with the group throughout that year and also at the balance sheet date in accordance with merger accounting principles. As a result, the comparative figures in the financial statements have been restated to reflect this.

Goodwill arising on consolidation under the acquisition method of accounting in years after 31 March 1998 is capitalised as an intangible asset and amortised over its estimated useful life. In years prior to 31 March 1998 goodwill was written off directly to reserves in the period of acquisition. The goodwill eliminated directly against reserves will be charged to the profit and loss account on the subsequent disposal of the subsidiary concerned.

(c) Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value. The cost of products manufactured by the group consists of direct materials and labour costs together with an appropriate element of overheads.

(d) Amortisation and depreciation

Leasehold property is written off over the period of 14 years.

All other fixed assets are depreciated over their estimated useful lives on a straight line basis. The following annual rates of depreciation have been used:

Freehold buildings	-	2.5% per annum
Plant and machinery	-	10% - 25% per annum
Fixtures, fittings, tools and equipment	-	10% per annum
Computer equipment	-	20% per annum
Drawings	-	20% per annum

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

1 ACCOUNTING POLICIES (continued)

(e) Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the utilisation of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the assets, or on the unremitted earnings of subsidiaries where there is no commitment to remit those earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

(f) Research and development

Expenditure on research and development is charged to the profit and loss account in the period in which it is incurred.

(g) Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at an average rate ruling in the month of the transaction; assets and liabilities are translated at the rates ruling at the end of the period or, if appropriate, at the forward contract rate applicable. These translation differences are dealt with in the profit and loss account.

The results of the overseas companies denominated in foreign currencies are translated into sterling at the average rate of the period; assets and liabilities are translated at the rates ruling at the end of the period. These translation differences are dealt with as an adjustment to reserves.

(h) Operating leases

Expenditure on operating leases is charged to the profit and loss account on a straight line basis over the lease term.

(i) Pension contributions

Contributions to the group's defined benefit pension schemes are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives. Contributions to defined contribution schemes are charged to the profit and loss account as incurred.

(j) Turnover

Turnover represents sales by the group to customers in respect of goods and services supplied during the year, excluding value added tax and trade discounts.

(k) Investments

Investments are stated at cost less provisions for impairment.

2 TURNOVER

No analysis of turnover or profit before tax by geographical area is provided as the directors believe that the disclosure of this information would be seriously prejudicial to the interests of the group.

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

3 ANALYSIS OF CONTINUING AND DISCONTINUING OPERATIONS

	Nine months ended 31 December 2002			Year ended 31 March 2002		
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
Turnover	13,611	3,802	17,413	17,854	7,148	25,002
Cost of sales	(10,151)	(2,504)	(12,655)	(12,583)	(5,258)	(17,841)
Gross profit	3,460	1,298	4,758	5,271	1,890	7,161
Administrative expenses	(4,123)	(1,090)	(5,213)	(5,404)	(1,844)	(7,248)
Group operating (loss)/profit	(663)	208	(455)	(133)	46	(87)

The amounts reported above for discontinued activities relate to the group's subsidiary undertakings, Radyne Corporation Inc. and Alpha 1 Induction Service Center Inc., which were transferred to the parent undertaking at the end of the period.

4 STAFF NUMBERS AND COSTS

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

	Nine months ended 31 December <u>2002</u> Number	Year ended 31 March <u>2002</u> Number As restated
Contract management, sales and service	60	45
Research and engineering	16	13
Production	108	129
Management and administration	27	37
	<u>211</u>	<u>224</u>

The aggregate payroll costs of these persons were as follows:

	£'000	£'000 As restated
Wages and salaries	4,021	6,534
Social security costs	372	876
Other pension costs	608	841
	<u>5,001</u>	<u>8,251</u>

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

5 INTEREST RECEIVABLE

	Nine months ended 31 December <u>2002</u> £'000	Year ended 31 March <u>2002</u> £'000
Bank interest	19	87
Other interest	5	4
	<hr/>	<hr/>
	24	91
	<hr/>	<hr/>

6 INTEREST PAYABLE

On bank loans and overdrafts	35	320
	<hr/>	<hr/>

7 PENSIONS

The group operates seven pension schemes, three defined benefit schemes and four defined contribution schemes. The company operates six (31 March 2002: four), three (31 March 2002: two) defined benefit schemes and three (31 March 2002: two) defined contribution schemes.

(a) Defined benefit schemes - SSAP 24 'Accounting for Pension Costs'

Inductoheat Europe Scheme

This scheme was closed to new entrants from 6 April 1999. After this date new employees joined a separate defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company.

Contributions are determined by an independent qualified actuary on the basis of triennial valuations using the Attained Age method. The date of the most recent valuation was at 6 April 2001. This showed that the market value of the scheme's assets was £9,489,000 and the actuarial value of those assets represented 76% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The main actuarial assumptions used in the valuation were those stated in (b) below.

As a result of the valuation contribution rates have been increased and additional payments to the scheme are being made over five years. In accordance with the company's accounting policy the increased payments and contributions have resulted in a pension charge for the period of £383,000 (year to 31 March 2002: £509,000). Debtors includes a prepayment of £601,000 (year to 31 March 2002: £123,000), representing the excess of contributions paid over the profit and loss charge.

Newelco (Uskside) Scheme

This scheme is closed to new entrants and new employees join a separate defined contribution scheme. The assets of this scheme are held separately from the assets of the company in an independently administered fund. Contributions to the scheme are charged to the profit and loss account as to spread the cost of pensions over the employee's working lives with the company.

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

7 PENSIONS (continued)

(a) SSAP 24 'Accounting for Pension Costs' (continued)

Newelco (Uskside) Scheme (continued)

Contributions to this scheme are determined by an independent qualified actuary on the basis of triennial valuations using the Projected Unit method. The date of the most recent valuation was 5 April 2000. The main actuarial assumption used were that the yield obtained on investments would be 7.5% per annum compound and that members' salaries would increase at a rate of 5% per annum compound, the rate of interest available at retirement for the purchase of annuities would be 7.5% per annum compound and that annual dividend growth would be 4.75%. The valuation showed that the market value of the scheme's assets was £3,178,826 and that the actuarial value of those assets represented 106% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The charge for the period was £52,000 (year to 31 March 2002: £70,000). Creditors includes an accrual of £Nil (31 March 2002: £21,000) representing the excess of the profit and loss charge over the contributions made.

Inductoheat Banyard Scheme

The scheme is closed to new entrants and new employees join a separate defined contribution scheme. The assets of the scheme are held separately from those of the company, being invested with insurance companies.

Contributions to the scheme are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 June 1999. This showed that the market value of the scheme's assets was £1,470,000 and the actuarial value of those assets was sufficient to cover 97% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The main assumptions used in the valuation were that the rate of return of investments would be 7.5% per annum and that salary increases would average 5.25% per annum. As a result of the valuation the deficiency is being eliminated by increased contributions. The charge for the period was £89,000 (31 March 2002: £80,000).

(b) FRS 17 'Retirement benefits' transitional pension disclosures

The valuations of the Inductoheat Europe, the Newelco (Uskside) and Inductoheat Banyard pension schemes were updated by the actuaries to 31 December 2002. The principal actuarial assumptions used are as shown below:

	<u>31 December 2002</u>	<u>31 March 2002</u>
Rate of increase in salaries	3.00-3.75%	4.00-4.25% per annum
Rate of increase of pensions in payment and deferment	2.25-2.50%	2.50-2.75% per annum
Discount rate	5.40-5.50%	5.96-6.00% per annum
Inflation assumption	2.25-2.50%	2.50-2.75% per annum

The employer contributions made during the period to the above schemes amounted to £1,020,000 (year to 31 March 2002: £771,000).

The contribution rate for future years to the Inductoheat Europe scheme is 40.5% of pensionable earnings, including members' contributions of 8%. The rate of contributions to the Newelco (Uskside) scheme is 17%, including 6% for members. The rate of contribution to the Inductoheat Banyard pension scheme is 18.9% of pensionable salaries including members contributions of 6.75%. As the schemes are closed to new entrants, under the projected unit method the current service cost will increase as the members of the scheme approach retirement. On 5 April 2003 the company announced that it would no longer be making contributions to the defined contribution schemes other than the contributions that the company is committed to make to the Inductoheat Europe scheme, of £410,000 in the next year, to reduce its deficit.

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

7 PENSIONS (continued)

(b) FRS 17 'Retirement benefits' transitional pension disclosures (continued)

The assets and liabilities of the schemes and the expected rates of return were:

Company

	31 December 2002		31 March 2002	
	Expected rate of return per annum %	£'000	Expected rate of return per annum %	£'000
Equities	7.75	5,020	7.25	9,466
Bonds	4.75	5,371	5.25	2,175
Managed funds	5.00	1,747	-	-
Property	7.50	91	7.00	111
Cash	4.00	131	4.00	372
Other	4.00	29	-	-
		<hr/>		<hr/>
Total market value of assets		12,389		12,124
Present value of scheme liabilities		(19,391)		(16,080)
		<hr/>		<hr/>
Deficit in the scheme		(7,002)		(3,956)
Related deferred tax asset		2,101		1,187
		<hr/>		<hr/>
Net pension liability		(4,901)		(2,769)
		<hr/>		<hr/>

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

7 PENSIONS (continued)

(b) FRS 17 'Retirement benefits' transitional pension disclosures (continued)

Group	31 December 2002		31 March 2002	
	Expected rate of return per annum %	£'000	Expected rate of return per annum %	£'000
Equities	7.75	5,020	7.25	9,466
Bonds	4.75	5,371	5.25	2,175
Managed funds	5.00	1,747	4.90	1,724
Property	7.50	91	7.00	111
Cash	4.00	131	4.00	372
Other	4.00	29	-	-
Total market value of assets		12,389		13,848
Present value of scheme liabilities		(19,391)		(17,796)
Deficit in the scheme		(7,002)		(3,948)
Related deferred tax asset		2,101		1,184
Net pension liability		(4,901)		(2,764)

Had the company adopted FRS 17 early, the following amounts would have been included within the financial statements under the headings shown:

	31 December 2002		31 March 2002	
	<u>Group</u> £'000	<u>Company</u> £'000	<u>Group</u> £'000	<u>Company</u> £'000
			As restated	
Net assets:				
Net assets per balance sheet	14,769	14,696	20,735	2,215
Reversal of pension prepayment under SSAP 24	(601)	(601)	(123)	(123)
Reversal of pension accrual under SSAP 24	-	-	21	21
Deferred tax	20	20	37	37
Net assets excluding pension liability under FRS 17	14,188	14,115	20,670	2,150
Net pension liability	(4,901)	(4,901)	(2,764)	(2,769)
Net assets including pension liability	9,287	9,214	17,906	(619)

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

7 PENSIONS (continued)

(b) FRS 17 'Retirement benefits' transitional pension disclosures (continued)

	31 December 2002		31 March 2002	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
			As restated	
Reserves:				
Profit and loss reserve as stated	9,073	8,124	14,900	(1,531)
Reversal of pension prepayment under SSAP 24	(601)	(601)	(123)	(123)
Reversal of pension accrual under SSAP 24	-	-	21	21
Deferred tax	20	20	37	37
Profit and loss reserve excluding pension liability under FRS 17	8,492	7,543	14,835	(1,596)
Net pension liability	(4,901)	(4,901)	(2,764)	(2,769)
Profit and loss reserve including pension liability	3,591	2,642	12,071	(4,365)
				Nine months ended 31 December 2002
Operating loss				£'000
Current service cost				373
Past service cost				-
Charge to operating loss				373
Other financial income				
Expected return on pension scheme assets				868
Interest on pension scheme liabilities				(791)
Credit to other financial income				77
Statement of total recognised gains and losses				
Actual return less expected return on pension scheme assets				(2,866)
Experience gains and losses arising on the scheme liabilities				(35)
Changes in assumptions underlying the present value of the scheme liabilities				(931)
Amount which would be included in statement of total recognised gains and losses				(3,832)

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

7 PENSIONS (continued)

(b) FRS 17 'Retirement benefits' transitional pension disclosures (continued)

Movement in deficit during the period		31 December 2002	
		Company £'000	Group £'000
Deficit in scheme at beginning of the period		(3,956)	(3,948)
Transfer in of surplus in the Inductoheat Banyard scheme		8	-
Movement in period:			
	Current service cost	(373)	(373)
	Contributions	1,074	1,074
	Other finance income	77	77
	Actuarial loss	(3,832)	(3,832)
Deficit in scheme at end of period		(7,002)	(7,002)
History of experience gains and losses			
		£'000	% of scheme assets
Difference between the expected and actual return on scheme assets		(2,866)	(23.13)
			% of scheme liabilities
Experience gains and losses arising on the scheme liabilities		(35)	(0.02)
Changes in assumptions underlying the present value of the scheme liabilities		(931)	(4.80)
Total amount recognised in statement of total recognised gains and losses		(3,832)	

- (c)** Inductoheat Europe Limited also operates three money purchase schemes. The cost is charged to the profit and loss account as incurred. The total amounts charged in the period amounted to £35,000 (year to 31 March 2002: £149,000).

The company's subsidiaries, Radyne Corporation Inc. and Alpha 1 Induction Service Center Inc. operate a defined contribution scheme. The cost is charged to the profit and loss account as incurred. The total amounts charged in the period amounted to £49,000 (year to 31 March 2002: £100,000).

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

8 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	Nine months ended 31 December <u>2002</u> £'000	Year ended 31 March <u>2002</u> £'000 As restated
This is stated after charging/(crediting) the following:		
Amortisation of intangible assets	-	1
Depreciation of tangible fixed assets	1,037	1,492
Auditors' remuneration		
- audit fee	51	45
- other services	59	30
Rents receivable	(6)	(40)
Research and development	49	125
	<hr/>	<hr/>

9 DIRECTORS' REMUNERATION

Directors' remuneration comprised:

Emoluments	161	236
Contributions to a money purchase scheme	11	28
	<hr/>	<hr/>
	172	264
	<hr/>	<hr/>

Included in the above amount is a termination payment to a director amounting to £72,000.

Retirement benefits accrued to one director under the Company's defined benefit scheme and to one director under a money purchase scheme during the period.

	Nine months ended 31 December <u>2002</u> £'000	Year ended 31 March <u>2002</u> £'000
Payments to third parties for the services of a director	133	-
	<hr/>	<hr/>

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

10 TAX ON PROFIT ON ORDINARY ACTIVITIES

	Nine months ended 31 December <u>2002</u> £'000	Year ended 31 March <u>2002</u> £'000 As restated
(a) Analysis of charge in the period:		
UK corporation tax		
Current tax on profit for the period	-	91
Adjustment in respect of prior periods	(8)	(65)
	<hr/>	<hr/>
	(8)	26
Foreign tax		
Current tax on profit for the period	2	93
Adjustment in respect of prior periods	(103)	-
	<hr/>	<hr/>
Total current tax	(109)	119
Deferred taxation:		
Origination and reversal of timing differences	7	40
	<hr/>	<hr/>
Tax on loss on ordinary activities	(102)	159
	<hr/>	<hr/>

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

10 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(b) Factors affecting tax charge for period:

The tax assessed for the period is greater than the standard rate of corporation tax. The differences are explained below:

	Nine months ended 31 December <u>2002</u> £'000	Year ended 31 March <u>2002</u> £'000 As restated
Loss on ordinary activities before tax	(466)	(316)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (31 March 2002: 30%)	(140)	(95)
Effects of:		
Expenses not deductible for tax purposes	1	183
Payment of pension contributions deductible for tax purposes	(5)	(37)
Depreciation in excess of capital allowances for period	154	187
Release of general provisions not subject to tax	-	(77)
Foreign income taxed at higher rate	-	4
Foreign income not subject to taxation	(62)	-
Adjustments to tax charge in respect of previous years	(111)	(65)
Losses carried forward to future periods	54	45
Group relief received by subsidiary undertaking	-	(26)
Current tax (credit)/charge for period	(109)	119

(c) Factors that may affect future tax charges:

The group has UK losses amounting to £1,607,000 (31 March 2002: £1,427,000) available for offset against future taxable profits of certain divisions. As a result, future tax payments may be reduced until these losses have been utilised. The deferred tax asset in respect of these losses of £482,000 (31 March 2002: £428,000) has not been recognised in these financial statements as the asset will only be recovered in the future once the divisions in the company achieve taxable profits.

If the drawings and coil formers, which are included in fixed assets, were sold at their revalued amount, tax of approximately £318,000 (31 March 2002: £318,000) would be payable.

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

11 DIVIDEND

	Nine months ended 31 December <u>2002</u> £'000	Year ended 31 March <u>2002</u> £'000
Dividend in specie	5,020	-

The dividend in specie represents the transfer of the subsidiaries, Radyne Corporation Inc. and Alpha 1 Induction Service Center Inc., to the company's parent undertaking at net asset value.

12 INTANGIBLE ASSETS

	Learflux Technology £'000	Radyne Poland £'000	Total £'000
Cost			
At 1 April 2002	100	1	101
Disposals	(100)	-	(100)
	<hr/>	<hr/>	<hr/>
At 31 December 2002	-	1	1
	<hr/>	<hr/>	<hr/>
Amortisation			
At 1 April 2002	100	1	101
Disposals	(100)	-	(100)
	<hr/>	<hr/>	<hr/>
At 31 December 2002	-	1	1
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2002 and 31 December 2002	-	-	-
	<hr/>	<hr/>	<hr/>

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

13 TANGIBLE FIXED ASSETS

Company	Freehold land and buildings £'000	Plant and machinery, office equipment & motor vehicles £'000	Drawings £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 1 April 2002	6,139	4,225	824	925	12,113
Additions	1	118	-	4	123
Intra-group transfer	1,264	813	-	-	2,077
Disposals	-	(74)	-	-	(74)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	7,404	5,082	824	929	14,239
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 April 2002	446	3,395	593	621	5,055
Charge for the year	58	230	123	41	452
Intra-group transfer	194	672	-	-	866
Disposals	-	(72)	-	-	(72)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	698	4,225	716	662	6,301
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 2002	6,706	857	108	267	7,938
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2002	5,693	830	231	304	7,058
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

13 TANGIBLE FIXED ASSETS (continued)

Group	<u>Land & Buildings</u>				Fixtures, fittings, tools & equipment £'000	<u>Total</u> £'000
	<u>Freehold & improvements</u> £'000	<u>Short leasehold</u> £'000	<u>Plant & machinery</u> £'000	<u>Drawings</u> £'000		
Cost/valuation						
Restated at 1 April 2002	8,465	281	6,743	3,318	2,200	21,007
Additions	1	-	163	-	4	168
Disposals	(946)	(251)	(1,730)	-	(855)	(3,782)
Exchange adjustment	(116)	(30)	(189)	-	(101)	(436)
At 31 December 2002	7,404	-	4,987	3,318	1,248	16,957
Cost	2,392	-	4,987	2,493	1,013	10,885
Valuation	5,012	-	-	825	235	6,072
	7,404	-	4,987	3,318	1,248	16,957
Depreciation						
Restated at 1 April 2002	887	79	5,298	2,047	1,684	9,995
Charge for the year	58	41	396	498	44	1,037
Disposals	(221)	(111)	(1,490)	-	(677)	(2,499)
Exchange adjustment	(27)	(9)	(154)	-	(76)	(266)
At 31 December 2002	697	-	4,050	2,545	975	8,267
Net book value						
At 31 December 2002	6,707	-	937	773	273	8,690
At 31 March 2002	7,578	202	1,445	1,271	516	11,012

Freehold land and buildings includes two revalued properties. One was valued in 1987 by the directors on an open market basis for existing use at £4,312,000. The other was valued in June 1991 by Cooke & Artwright, Consultant Surveyors, on an existing use basis at £700,000.

Freehold land and buildings include freehold land of £4,308,000 (31 March 2002: £4,308,000), which is not subject to depreciation.

£825,000 of drawings and £235,000 of coil formers (included in fixtures and fittings) were valued by the directors at their fair value when they were originally acquired by the Inductotherm group. The cost had previously been written off as incurred. Future expenditure on drawings and coil formers will be written off as incurred. The accumulated depreciation of these revalued assets are £717,000 and £235,000 respectively.

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

13 TANGIBLE FIXED ASSETS (continued)

The directors are following the transitional provisions of FRS 15 'Tangible Fixed Assets' and have not updated the valuation of the freehold land and buildings, drawings and coil formers.

On a historical cost basis, fixed assets which include items at a valuation would have been stated as follows:-

	31 December 2002			31 March 2002		
	Freehold land	Drawings	Fixtures & fittings	Freehold land	Drawings	Fixtures & fittings
Cost	3,896	2,493	1,013	4,956	2,493	1,965
Depreciation	(546)	(1,828)	(740)	(749)	(1,454)	(1,449)
	<u>3,350</u>	<u>665</u>	<u>273</u>	<u>4,207</u>	<u>1,039</u>	<u>516</u>

14 INVESTMENTS

Company	£'000
Shares in group undertakings at cost	
At 1 April 2002	7,011
Additions	2,876
Disposals	(858)
	<u>9,029</u>
At 31 December 2002	
Impairment provision	
At 1 April 2002	1,891
Charge in the period	5,457
	<u>7,348</u>
At 31 December 2002	
Net book value	
At 31 December 2002	<u>1,681</u>
At 31 March 2002	<u>5,120</u>

The additions in the period represent the acquisition, on 2 April 2002, of the whole of the issued share capital of Inductoheat Banyard Limited from a fellow subsidiary undertaking, and the acquisition of the remaining 50% of the issued share capital of Newelco India Pvt not owned by the group.

The disposal in the year represents the transfer of the whole of the issued share capital of Radyne Corporation Inc. to Inductotherm Industries Inc. at net asset value.

An impairment provision has been made in the period to reduce the carrying value of certain of the company's subsidiaries to their net asset value which is regarded by the directors as their recoverable amount.

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

14 INVESTMENTS (continued)

Group	£'000
Shares in group undertakings at cost:	
At 1 April 2002	-
Addition	50
	<hr/>
At 31 December 2002	50
	<hr/>

The addition in the period represent the acquisition of the whole of the issued share capital of Newelco India Pvt. Newelco India Pvt is not included in the consolidation as, in the opinion of the directors, the amounts involved are not material.

In addition to the above, the Group has a 50% interest in the ordinary share capital of a joint venture, Monga Strayfield Pvt Limited. The joint venture is incorporated in India and carries on the business of selling and servicing induction heating equipment. The results and net assets of this joint venture have not been included in the consolidated financial statements of the Group as, in the opinion of the directors, the amounts involved are not material.

15 STOCKS

	31 December 2002 £'000	31 March 2002 £'000 As restated
Company		
Raw materials and consumables	2,463	2,253
Work in progress	1,166	1,929
Finished goods and goods for resale	488	470
	<hr/>	<hr/>
	4,117	4,652
	<hr/>	<hr/>
Group		
Raw materials and consumables	2,536	3,582
Work in progress	1,264	2,654
Finished goods and goods for resale	515	1,571
	<hr/>	<hr/>
	4,315	7,807
	<hr/>	<hr/>

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

16 DEBTORS

	31 December <u>2002</u> £'000	31 March <u>2002</u> £'000 As restated
Company		
Trade debtors	2,788	2,629
Amounts due from group undertakings	2,083	4,356
Other debtors	31	109
Prepayments	641	275
	<hr/> 5,543 <hr/>	<hr/> 7,369 <hr/>
Group		
Trade debtors	3,648	4,996
Amounts due from group undertakings	408	424
Other debtors	31	126
Prepayments and accrued income	663	381
	<hr/> 4,750 <hr/>	<hr/> 5,927 <hr/>
Due after one year:		
Deferred taxation	-	148
	<hr/> 4,750 <hr/>	<hr/> 6,075 <hr/>

The deferred tax asset at 31 March 2002, which comprised other short term timing differences, arose in the USA, whereas the deferred tax liabilities disclosed in note 19 have arisen in the UK. The movements on this asset during the period was as follows:

	£'000
At 1 April 2002	148
Charged to profit and loss account	(43)
Exchange difference	(16)
Disposals	(89)
	<hr/>
At 31 December 2002	-
	<hr/>

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

17 CREDITORS

	31 December <u>2002</u> £'000	31 March <u>2002</u> £'000 As restated
Company		
Amounts falling due within one year:		
Bank loans and overdrafts	655	3,981
Payments received on account	425	946
Trade creditors	675	1,028
Amounts owed to group undertakings	563	13,778
Other creditors including taxation and social security	407	352
Accruals and deferred income	613	403
	<hr/> 3,338 <hr/>	<hr/> 20,488 <hr/>
 Other creditors including taxation and social security comprise:		
Corporation tax	-	2
Other taxes and social security	110	80
	<hr/>	<hr/>
Taxation and social security	110	82
Other creditors	297	270
	<hr/> 407 <hr/>	<hr/> 352 <hr/>
 Group		
Amounts falling due within one year:		
Bank loans and overdrafts	355	3,981
Payments received on account	565	1,166
Trade creditors	823	1,450
Amounts owed to group undertakings	-	52
Other creditors including taxation and social security	457	1,113
Accruals and deferred income	677	905
	<hr/> 2,877 <hr/>	<hr/> 8,667 <hr/>

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

17 CREDITORS (continued)

	31 December	31 March
	<u>2002</u>	<u>2002</u>
	£'000	£'000
		As restated
Group		
Other creditors including taxation and social security comprise:		
Corporation tax	-	61
Other taxes and social security	160	123
	<hr/>	<hr/>
Taxation and social security	160	184
Other creditors	297	929
	<hr/>	<hr/>
	457	1,113
	<hr/>	<hr/>

Bank loans and overdrafts of £355,000 (31 March 2002: £1,359,000) for the group and £655,000 (31 March 2002: £1,359,000) for the company are secured by a fixed and floating charge over the assets of the company and a legal charge over the land and buildings.

18 CREDITORS

	31 December	31 March
	<u>2002</u>	<u>2002</u>
	£'000	£'000
		As restated
Company		
Amounts falling due after more than one year:		
Amounts due to group undertakings	971	1,097
Other creditors	-	229
	<hr/>	<hr/>
	971	1,326
	<hr/>	<hr/>
Group		
Amounts falling due after more than one year:		
Other creditors	-	229
	<hr/>	<hr/>

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

19 PROVISION FOR LIABILITIES AND CHARGES

Company	Deferred taxation £'000	Warranty provision £'000	Installation provision £'000	Total £'000
At 1 April 2002	148	202	46	396
Utilised in period (Credited)/charged to profit and loss account	- (36)	(52) 42	(129) 217	(181) 223
Intra-group transfer	22	76	-	98
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	134	268	134	536
	<hr/>	<hr/>	<hr/>	<hr/>

The warranty and installation provisions represent rectification and installation costs expected to be incurred in the next year on sales during the current period.

Deferred tax comprises:

	31 December 2002 £'000	31 March 2002 £'000
Accelerated capital allowances	103	122
Short term timing differences	31	26
	<hr/>	<hr/>
	134	148
	<hr/>	<hr/>

Group	Deferred taxation £'000	Warranty provision £'000	Installation provision £'000	Total £'000
As restated:				
Restated at 1 April 2002	170	278	46	494
Utilised in the year (Credit)/charge to the profit and loss account	- (36)	(52) 42	(129) 217	(181) 223
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	134	268	134	536
	<hr/>	<hr/>	<hr/>	<hr/>

	31 December 2002 £'000	31 March 2002 £'000 As restated
Accelerated capital allowances	103	150
Short term timing differences	31	20
	<hr/>	<hr/>
	134	170
	<hr/>	<hr/>

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

19 PROVISION FOR LIABILITIES AND CHARGES (continued)

Freehold properties of the group include a property acquired from a subsidiary at its book value which was based on a directors' valuation in 1987 and a property which was professionally valued in 1991. No provision has been made for any taxation that may arise should these properties be sold at their carrying value as the company has not entered into a binding agreement to sell the revalued assets and so has not recognised the gains and losses expected to arise on the sale.

20 SHARE CAPITAL

	31 December 2002 £'000	31 March 2002 £'000
Authorised		
2,000,000 ordinary shares of £1 each	2,000	2,000
Company		
Issued and fully paid:		
At 1 April 2002 1,479,454 ordinary shares of £1 each	1,480	
242,377 ordinary shares of £1 each issued in period	242	
	<hr/>	
At 31 December 2002		
1,721,831 ordinary shares of £1 each	1,722	
	<hr/>	
Group		As restated
Allotted, called up and fully paid		
1,721,831 ordinary shares of £1 each	1,722	1,722
	<hr/>	<hr/>

On 2 April 2002 the company issued 242,377 £1 ordinary shares at £11.66 each, as consideration for the acquisition of the share capital of Inductoheat Banyard Limited. This acquisition has been accounted for on a merger accounting basis in the group accounts and the increase in group share capital is therefore reflected in the previous year.

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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21 RESERVES

	<u>Share premium account</u> £'000	<u>Profit and loss account</u> £'000
Company		
At 1 April 2002	2,266	(1,531)
Profit for the financial period	-	9,655
Premium on shares issued	2,584	-
	<hr/>	<hr/>
At 31 December 2002	4,850	8,124
	<hr/>	<hr/>

As permitted by Section 230 of the Companies Act 1985, a separate profit and loss account for Inductoheat Europe Limited is not presented. The company's profit for the period before dividends amounted to £14,675,000 (31 March 2002: (£1,893,000)).

Group	<u>Share premium account</u> £'000	<u>Capital redemption reserve</u> £'000	<u>Other reserves</u> £'000	<u>Revaluation reserve</u> £'000	<u>Profit and loss account</u> £'000
Group reserves					
At 1 April 2002 as previously reported	370	305	48	3,438	12,268
Reserves of merged company	-	-	-	-	2,826
Excess of nominal value of shares issued over the nominal value of shares in merged company	-	-	(242)	-	-
Transfer to profit and loss account	-	-	194	-	(194)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As restated	370	305	-	3,438	14,900
Loss for the financial period	-	-	-	-	(5,407)
Transfer to profit and loss account	-	-	-	(139)	139
Translation adjustments	-	-	-	-	(559)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	370	305	-	3,299	9,073
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Cumulative goodwill of £321,000 has been written off against the consolidated profit and loss account.

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December <u>2002</u> £'000	31 March <u>2002</u> £'000 As restated
Loss for the financial period	(387)	(399)
Dividends	(5,020)	-
	<hr/>	<hr/>
	(5,407)	(399)
Other recognised gains and losses relating to the period	(559)	31
	<hr/>	<hr/>
Net deduction from shareholders' funds	(5,966)	(368)
Opening shareholders' funds	20,735	21,103
	<hr/>	<hr/>
Closing shareholders' funds	14,769	20,735
	<hr/>	<hr/>

23 NET CASHFLOW FROM OPERATING ACTIVITIES

Operating loss	(455)	(87)
Depreciation on tangible fixed assets	1,037	1,476
Loss on disposal of fixed assets	67	-
Amortisation of intangible assets	-	1
Decrease in stocks	1,780	823
Decrease in debtors	348	2,151
Decrease in creditors and provisions	(2,216)	(2,073)
Translation adjustment	(400)	93
	<hr/>	<hr/>
	161	2,384
	<hr/>	<hr/>

24 RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS

	<u>2002</u> £'000
Decrease in cash in the period	(4,303)
Cash outflow from decrease in debt	2,622
	<hr/>
Movement in net funds resulting from cashflows	(1,681)
Net funds at 1 April 2001 as restated	1,703
	<hr/>
Net funds at 31 December 2002	22
	<hr/>

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

25 ANALYSIS OF NET FUNDS

	1 April 2002 £'000 As restated	Cashflow £'000	At 31 Dec 2002 £'000
Cash at bank and in hand	5,684	(5,307)	377
Overdrafts	(1,359)	1,004	(355)
	<hr/> 4,325	<hr/> (4,303)	<hr/> 22
Debt due within one year	(2,622)	2,622	-
	<hr/> 1,703	<hr/> (1,681)	<hr/> 22
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

26 MAJOR NON CASH TRANSACTIONS

The disposal of the subsidiary undertakings, Radyne Corporation Inc. and Alpha 1 Induction Service Center Inc., at the end of the period was made at net asset value by way of a dividend in specie of £5,020,000. The net assets disposed of comprised:

	£'000
Fixed assets	1,215
Stock	1,712
Debtors	1,436
Cash	1,421
Creditors	(764)
	<hr/> 5,020
	<hr/> <hr/>

The undertakings disposed of during the period contributed an outflow of £1,826,000 to the group's net operating cash flows, paid £63,000 in respect of net returns on investments and servicing of finance, paid £77,000 in respect of taxation and utilised £41,000 for capital expenditure.

27 PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The company's immediate and ultimate parent undertaking and the parent of the largest and smallest group for which group accounts incorporating the company are prepared, is Inductotherm Industries Inc, incorporated in the United States of America. Financial statements are not available for inspection by the public. The ultimate controlling party of Inductotherm Industries Inc is Mr H M Rowan.

As permitted by FRS 8 'Related Party Disclosures' the financial statements do not disclose transactions with other group entities where more than 90% of the voting rights are controlled by the group and consolidated accounts are publicly available.

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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27 PARENT UNDERTAKINGS AND CONTROLLING PARTIES (continued)

The group had the following transactions with companies within the Inductotherm Industries Inc. group which are included in consolidated accounts not available to the public:

Name	31 December	31 March
	2002	2002
	Amount	Amount
	£'000	£'000
Commission to fellow subsidiary undertakings	94	18
Purchases from fellow subsidiary undertakings	870	129
Sales to fellow subsidiary undertakings	851	447
Royalties to fellow subsidiary undertakings	397	224

The amounts owed by these companies at the period end amounted to £408,000 (31 March 2002: £372,000).

The group also made purchases of £421,000 (year to 31 March 2002: £393,000) during the year from a joint venture, Monga Strayfield Pvt Limited, of a subsidiary. The amount owed to Monga Strayfield Pvt Limited at the end of the year was £28,000 (31 March 2002: £42,000).

28 SUBSIDIARIES

During the period the company owned directly, unless otherwise shown, the whole of the issued share capital of the following subsidiaries:

Registered in England

Name Activities during the period

Strayfield Limited	-	manufacture, selling and servicing of electronic heating equipment
Radyne Limited	-	non trading
Radyne (Overseas) Limited	-	non trading
Fastran Engineering Limited	-	non trading
ADM Electrodes Limited	-	non trading
Newelco (Uskside) Limited	-	non trading
Inductoheat Banyard Limited	-	non trading

Registered in the Federal Republic of Germany

Radyne Schwalbach GmbH	-	selling and servicing of high frequency welding equipment.
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Registered in Poland

Radyne Poland sp. z o. o.	-	selling and servicing of induction heating equipment.
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Registered in India

Newelco India Pvt	-	selling and servicing of induction heating equipment.
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INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

28 SUBSIDIARIES (continued)

Incorporated in the United States of America

Radyne Corporation Inc.	-	manufacture, sales and servicing of electronic heating equipment in the United States of America.
Alpha 1 Induction Service Center Inc.*	-	which is 80% owned - manufacture, sales and servicing of electronic heating equipment in the United States of America.

* indicates not directly held by the Group.

Radyne Corporation Inc. and Alpha 1 Induction Service Center Inc. were transferred to the parent undertaking on 31 December 2002 at net asset value.

29 CONTINGENT LIABILITIES

The group has contingent liabilities at 31 December 2002 of £870,000 (31 March 2002: £223,000) in the form of bank guarantees for advance payments and satisfactory performance of equipment. The company has contingent liabilities of £845,000 (31 March 2002: £212,000) of this amount.

The company is party to a group arrangement with its bankers whereby it has guaranteed the overdrafts of other group undertakings. The net amount due under this guarantee at the period end was £355,000 (31 March 2002: £1,359,000).

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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30 FINANCIAL STATEMENTS OF RADYNE CORPORATION INC. AND ALPHA 1 INDUCTION SERVICE CENTER INC.

The financial statements of Radyne Corporation Inc and Alpha 1 Induction Service Center Inc, both of which are incorporated in the United States, are not required to be audited in that country and the directors are of the opinion that it would be of no benefit to the group to incur the expense associated with an audit. The following is an extract of the unaudited consolidated financial statements of Radyne Corporation Inc and Alpha 1 Induction Service Center Inc for the period ended 31 December:

	Nine months ended 31 December <u>2002</u> £'000	Year ended 31 March <u>2002</u> £'000
Turnover	3,802	7,148
Gross profit	1,298	1,948
Operating profit	208	105
Profit on ordinary activities before tax	208	105
Taxation	58	(93)
	<hr/>	<hr/>
Profit after tax	266	12
Minority interest	(23)	76
	<hr/>	<hr/>
Profit for the financial period	243	88
Dividend paid	-	(2,456)
	<hr/>	<hr/>
Profit/(loss) for the financial period transferred to reserves	<u>243</u>	<u>(2,368)</u>

INDUCTOHEAT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
NINE MONTHS ENDED 31 DECEMBER 2002

30 FINANCIAL STATEMENTS OF RADYNE CORPORATION INC AND ALPHA 1 INDUCTION SERVICE CENTER INC (continued)

Consolidated balance sheet at 31 March 2002

	31 March 2002	
	£'000	£'000
<i>Fixed assets:</i>		
Tangible assets		1,615
<i>Current assets:</i>		
Stocks	2,151	
Debtors	1,335	
Cash at bank and in hand	3,428	
	6,914	
<i>Creditors:</i>		
Amounts falling due within one year	(2,899)	
Net current assets		4,015
Net assets		5,630
Share capital		15
Profit and loss account		5,162
Shareholders funds		5,177
Minority interest		453
		5,630

As Radyne Corporation Inc. and Alpha 1 Induction Service Center Inc. were sold on 31 December 2002, a balance sheet as at that date has not been presented.