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REPORT AND ACCOUNTS

ELECTRICAL CARBON LIMITED

4 JANUARY 2000



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COMPANIES HOUSE 05/10/00

DIRECTOR

J J A Kroef

SECRETARY

A Madigan

AUDITORS

**Ernst & Young
Cloth Hall Court
14 King Street
Leeds
LS1 2JN**

BANKERS

**Barclays Bank plc
Fitzalan Square
Sheffield**

REGISTERED OFFICE

**Claywheels Lane
Wadsley Bridge
Sheffield
S6 1LZ**

DIRECTOR'S REPORT

The director presents the report and accounts for the 52 weeks ended 4 January 2000.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is the manufacture of carbon brushes.

The director considers that the results of the company are satisfactory.

RESULTS AND DIVIDENDS

	£
The profit for the year available for distribution is	1,064,523
From this sum, interim dividends have been paid amounting to	216,000
Leaving a balance of	848,523
The director recommends: Payment to the ordinary shareholders of a final dividend for the period ended 4 January 2000	848,523
Requiring a transfer to reserves of	-
	=====

FUTURE DEVELOPMENTS

Since the year end the company's business has been transferred to other group companies and the company has ceased to trade.

STATEMENT OF CASH FLOWS

No cashflow statement is given as the company is a wholly owned subsidiary of The Morgan Crucible Company plc who have provided a consolidated statement of cashflows under FRS1.

DIRECTOR'S REPORT

DIRECTOR AND HIS INTERESTS

The director of the Company at the date of this report is listed on page 1 of this report.

The director had no interest in the shares of the Company. The director's interests in the Company's parent company, The Morgan Crucible Company plc are as follows:

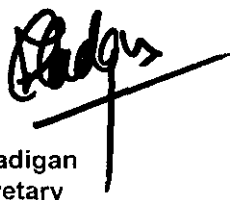
	4 January 2000	4 January 1999
Ordinary shares of 25p each		
J J A Kroef	4	Nil
Morgan Share Participation Scheme		
J J A Kroef	75	75
Ordinary shares held under option		
J J A Kroef	12,015	12,015
Long Term Incentive Plan		
J J A Kroef	25,300	25,300

The above options were held under The Morgan Overseas Executive Share Option Scheme 1987 and may be exercised between 25 October 1996 and 24 October 2003 at 320.90p.

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board



A Madigan
Secretary

27 September 2000

A STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Director to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

In preparing those accounts, the Director is required to:

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

The Director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable him to ensure that the accounts comply with the Companies Act 1985. He is 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.

REPORT OF THE AUDITORS

to the members of Electrical Carbon Limited

We have audited the accounts on pages 6 to 14 in accordance with Auditing Standards

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the affairs of the company at 4 January 2000 and its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young 
Registered Auditor
Leeds

27 September 2000

PROFIT AND LOSS ACCOUNT
for the 52 weeks ended 4 January 2000

	Notes	52 weeks ended 4 January 2000 £	52 weeks ended 4 January 1999 £
TURNOVER	2	2,656,889	2,244,880
Operating Costs	3	1,152,835	1,183,906
OPERATING PROFIT	4	1,504,054	1,060,974
Interest Receivable		39,922	57,103
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,543,976	1,118,077
Taxation on profit on ordinary activities	6	479,453	347,417
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,064,523	770,660
Dividends	7	1,064,523	770,660
PROFIT RETAINED FOR THE FINANCIAL YEAR		-	-

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £1,060,919 in the year ended 4 January 2000 and of £770,660 in the year ended 4 January 1999.

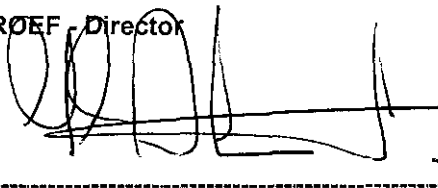
STATEMENT ON MOVEMENT OF RESERVES

	Share Capital £	Revaluation Reserve £	Profit and loss account £	Total Shareholders Funds £
At 4 January 1998	2	174,665	111,683	286,350
Retained profit for the year			-	-
At 4 January 1999	2	174,665	111,683	286,350
Retained profit for the year			-	-
At 4 January 2000	2	174,665	111,683	286,350

BALANCE SHEET
At 4 January 2000

	Notes	4 January 2000 £	4 January 1999 £
FIXED ASSETS			
Tangible assets	8	282,337	295,871
		<u>282,337</u>	<u>295,871</u>
CURRENT ASSETS			
Stocks	9	337,181	280,224
Debtors	10	591,952	789,625
Cash at bank and in hand		912,559	190,104
		<u>1,841,692</u>	<u>1,259,953</u>
CREDITORS: amounts falling due within one year	11	(1,742,267)	(1,171,946)
NET CURRENT ASSETS/(LIABILITIES)		<u>99,425</u>	<u>88,007</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>381,762</u>	<u>383,878</u>
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	12	95,412	97,528
		<u>286,350</u>	<u>286,350</u>
CAPITAL AND RESERVES			
Called up share capital	13	2	2
Revaluation reserve		174,665	174,665
Profit and loss account		111,683	111,683
		<u>286,350</u>	<u>286,350</u>

J J A KROEF - Director



 27 September 2000

NOTES TO THE ACCOUNTS

At 4 January 2000

1 ACCOUNTING POLICIES

Accounting Convention

The accounts are prepared under the historical cost convention, modified to include the revaluation of freehold land and buildings.

The accounts are prepared in accordance with applicable accounting standards.

Depreciation

Depreciation is provided on all tangible fixed assets, excluding freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset in use at the beginning of the period evenly over its expected useful life, as follows:

Buildings	2%
Plant and machinery	10%
Fixtures and fittings	5%
Computer hardware	20%
Computer software	33 1/3%

Stocks

Stocks are stated at the lower of cost and net realisable value. For this purpose "cost" means direct cost and direct expenses including applicable overheads less provision for obsolescence.

Research and development

Research and development expenditure is written off as incurred.

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that taxation will be payable.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Assets and liabilities expressed in foreign currencies are converted to sterling at the market rates prevailing at the end of the period.

All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pensions

Contributions are made to the pension schemes in accordance with actuarial advice and are charged to the profit and loss account so as to spread the pension cost over the anticipated period of service of the pension scheme employees.

Cashflow statement

A consolidated cashflow statement appears in the accounts of the ultimate parent undertaking.

NOTES TO THE ACCOUNTS
At 4 January 2000

2 TURNOVER

Turnover, which is stated net of value added tax, represents the invoiced value of sales to third parties and fellow subsidiaries, less returns and allowances given in the normal course of trade.

Turnover is attributable to one activity, the manufacture of carbon brushes.

An analysis of turnover by geographical market is given below:

	52 weeks ended 4 January 2000 £	52 weeks ended 4 January 1999 £
United Kingdom & Continental Europe	2,446,546	2,057,316
The Far East	204,204	184,770
Africa & The Middle East	6,139	2,794
	<u>2,656,889</u>	<u>2,244,880</u>

3 OPERATING COSTS

	52 weeks ended 4 January 2000 £	52 weeks ended 4 January 1999 £
Operating costs were:		
Change in stocks of finished goods and work in progress	(25,768)	(17,510)
Raw materials and consumables	503,316	422,828
Other external charges	30,530	28,550
Labour costs - wages & salaries	459,065	484,780
- social security costs	34,224	35,383
- pension costs	33,340	12,982
Depreciation	13,534	13,517
Other operating charges	104,594	203,376
	<u>1,152,835</u>	<u>1,183,906</u>

NOTES TO THE ACCOUNTS
At 4 January 2000

4 OPERATING PROFIT

(a) This is stated after charging:

	52 weeks ended 4 January 2000 £	52 weeks ended 4 January 1999 £
Auditors' remuneration	5,650	5,500
Depreciation of owned assets	13,534	13,517
Operating lease rentals	4,554	8,779
	=====	=====

(b) Director's remuneration:

The director received no remuneration during the period (1999 - £Nil)

5 STAFF NUMBERS

The average weekly number of employees during the period was as follows:

	52 weeks ended 4 January 2000 No.	52 weeks ended 4 January 1999 No.
Management and administration	7	7
Production	16	16
	-----	-----
	23	23
	=====	=====

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	52 weeks ended 4 January 2000 £	52 weeks ended 4 January 1999 £
Corporation tax - current year	479,100	344,354
- under provision for previous year	2,469	(70)
Deferred taxation - current year	(2,116)	3,133
	-----	-----
	479,453	347,417
	=====	=====

NOTES TO THE ACCOUNTS

At 4 January 2000

7 DIVIDENDS

	52 weeks ended 4 January 2000 £	52 weeks ended 4 January 1999 £
Ordinary - interim paid	216,000	654,000
- final proposed	848,523	116,660
	<u>1,064,523</u>	<u>770,660</u>

8 TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Fixtures & Fittings £	Computer Equipment £	Plant and Machinery £	Total £
Cost or Valuation:					
At 4 January 1999	299,907	44,435	52,136	158,753	555,231
Additions					
At 4 January 2000	<u>299,907</u>	<u>44,435</u>	<u>52,136</u>	<u>158,753</u>	<u>555,231</u>
Depreciation:					
At 4 January 1999	40,544	22,735	41,764	154,317	259,360
Provided during the year	5,154	2,222	4,051	2,107	13,534
At 4 January 2000	<u>45,698</u>	<u>24,957</u>	<u>45,815</u>	<u>156,424</u>	<u>272,894</u>
Net Book Value:					
At 4 January 2000	<u>254,209</u>	<u>19,478</u>	<u>6,321</u>	<u>2,329</u>	<u>282,337</u>
At 4 January 1999	<u>259,363</u>	<u>21,700</u>	<u>10,372</u>	<u>4,436</u>	<u>295,871</u>

The land and buildings were revalued for existing use by the directors as at the end of 1989, based on professional valuations by independent experts.

Land and buildings included at a valuation of £299,907 would have been stated under historical cost rules at a cost of £125,242 and at a net book value of £100,997.

NOTES TO THE ACCOUNTS

At 4 January 2000

9 STOCKS

	4 January 2000 £	4 January 1999 £
Raw materials and consumables	207,075	175,886
Finished goods and goods for resale	50,746	56,286
Work in progress	79,360	48,052
	<u>337,181</u>	<u>280,224</u>

The difference between the purchase price or production cost of stocks and their replacement cost is not material.

10 DEBTORS

	4 January 2000 £	4 January 1999 £
Trade debtors	142,137	180,216
Amounts owed by parent undertaking	418	2,049
Amounts owed by fellow subsidiary undertaking	196,022	328,218
Prepayments and accrued income	15,123	40,189
Pre-paid pension fund contributions (note 15)	238,252	238,953
	<u>591,952</u>	<u>789,625</u>

11 CREDITORS: amounts falling due with one year:

	4 January 2000 £	4 January 1999 £
Amounts owed to third parties:		
Trade creditors	30,982	13,408
Other creditors and social security	135,887	81,257
Accruals and deferred income	19,601	72,190
Taxation	479,100	344,354
Amounts owed to parent undertaking:		
Trade creditors	15,073	-
Accruals and deferred income	-	-
Proposed dividend	848,523	116,660
Loan	-	419,000
Amounts owed to fellow subsidiary undertakings:		
Trade creditors	213,101	125,077
	<u>1,742,267</u>	<u>1,171,946</u>

NOTES TO THE ACCOUNTS
At 4 January 2000

12 DEFERRED TAXATION

	4 January 2000 £	4 January 1999 £
Capital allowances in advance of depreciation	21,554	23,453
Pre-paid pension contributions	73,858	74,075
	<u>95,412</u>	<u>97,528</u>

Provision for deferred taxation is the full potential liability.

13 SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	4 January 2000 No.	4 January 1999 No.	4 January 2000 £	4 January 1999 £
Ordinary shares of £1 each	100	100	2	2

14 LEASING COMMITMENTS

	Other rented assets	
	4 January 2000 £	4 January 1999 £
Operating leases which expire:		
within one year	-	-
within two to five years	1834	6237
in over five years	-	-

NOTES TO THE ACCOUNTS

At 4 January 2000

15 PENSION COSTS

The company is a member of The Morgan Pension Scheme and The Morgan Group Senior Staff Pension and Life Assurance Scheme. The contributions paid are based on pension costs across the member companies.

Both schemes are of the defined benefit type. The latest actuarial valuation of the Morgan Pension scheme and The Morgan Senior Staff Pension and Life Assurance Scheme were made by an independent actuary on 6 April 1994 and 1 April 1995 respectively.

The total pension cost for the company of £21,209 (1999 £12,981) is after debit of £701 (1999 credit £6,983) attributable to amortisation of the pension fund surpluses which are being spread over the average remaining service lives of current employees.

Details of the actuarial valuations are included in the accounts of The Morgan Crucible Company plc, the ultimate parent undertaking.

16 RELATED PARTY TRANSACTIONS

The company is taking advantage of the exemption from disclosure of related party transactions available to subsidiary undertakings, 90% or more of whose voting rights are controlled within the group. Group accounts in which the subsidiary is included are publicly available.

17 PARENT UNDERTAKING

The director regards the Morgan Crucible Company plc, incorporated in the United Kingdom as being the company's ultimate parent undertaking.

Group accounts can be obtained from their Registered Office at Morgan House, Madiera Walk, Windsor, Berkshire SL4 1EP.