

2047070

REPORT AND ACCOUNTS

ELECTRICAL CARBON LIMITED

4 JANUARY 1997



DIRECTORS

I P Norris

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 directors present their report and accounts for the 52 weeks ended 4 January 1997.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

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

The directors consider that the results of the company are satisfactory.

RESULTS AND DIVIDENDS

	£
The profit for the year available for distribution is	583,115
From this sum, interim dividends have been paid amounting to	331,782
Leaving a balance of	251,333
The directors recommend: Payment to the ordinary shareholders of a final dividend for the period ended 4 January 1997	251,333
Requiring a transfer to reserves of	-

FUTURE DEVELOPMENTS

The company plans to expand its activities in 1997.

RESEARCH AND DEVELOPMENT

The company aims to develop its products to meet the requirements of its customers.

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.

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS

The directors of the Company at the date of this report are listed on page 1 of this report.

None of the directors had any interests in the shares of the Company. Directors' interests in the Company's parent company, The Morgan Crucible Company plc are as follows:

	4 January 1997	4 January 1996
Ordinary shares of 25p each		
J J A Kroef	Nil	Nil
Morgan Share Participation Scheme		
J J A Kroef	Nil	Nil
Ordinary shares held under option		
J J A Kroef	12,015	12,015

The above options are held under The Morgan Overseas Executive Share Option Scheme 1987 and are exercisable between 25 October 1996 and 24 October 2003 at 320.90p.

Mr J J A Kroef holds 10,000 restricted shares under the Long term Incentive Plan.

Mr I P Norris is a director of The Morgan Crucible Company plc and his interests are disclosed in the financial statements of that company.

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

11 August 1997

A STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors 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 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 accounts;
- * prepare the accounts on the ongoing concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS
to the members of Electrical Carbon Limited

We have audited the accounts on pages 6 to 15 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.

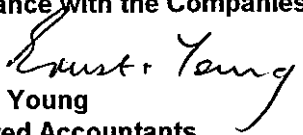
Basis of opinion

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 1997 and its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Chartered Accountants
Registered Auditor
Leeds

11 September 1997

PROFIT AND LOSS ACCOUNT
 for the 52 weeks ended 4 January 1997

	Notes	52 weeks ended 4 January 1997 £	52 weeks ended 4 January 1996 £
TURNOVER	2	2,181,400	2,014,668
Operating Costs	3	1,340,349	1,293,371
OPERATING PROFIT	4	841,051	721,297
Interest Receivable		32,528	31,835
Interest Payable	6		(1,173)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		873,579	751,959
Taxation on profit on ordinary activities	7	290,464	251,309
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		583,115	500,650
Dividends	8	583,115	500,650
PROFIT RETAINED FOR THE FINANCIAL YEAR		-	-

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £582,402 in the year ended 4 January 1997 and of £500,650 in the year ended 4 January 1996.

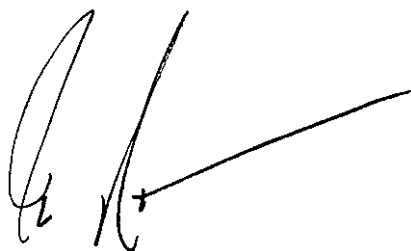
STATEMENT ON MOVEMENT OF RESERVES

	Share Capital £	Revaluation Reserve £	Profit and loss account £	Total Shareholders Funds £
At 4 January 1995	2	174,665	111,683	286,350
Retained profit for the year			-	-
At 4 January 1996	2	174,665	111,683	286,350
Retained profit for the year			-	-
At 4 January 1997	2	174,665	111,683	286,350

BALANCE SHEET
At 4 January 1997

	Notes	4 January 1997 £	4 January 1996 £
FIXED ASSETS			
Tangible assets	9	314,392	321,314
		<u>314,392</u>	<u>321,314</u>
 CURRENT ASSETS			
Stocks	10	285,037	315,774
Debtors	11	606,985	678,947
Cash at bank and in hand		381,634	287,229
		<u>1,273,656</u>	<u>1,281,950</u>
 CREDITORS: amounts falling due within one year	12	(1,209,296)	(1,232,087)
 NET CURRENT ASSETS/(LIABILITIES)		<u>64,360</u>	<u>49,863</u>
 TOTAL ASSETS LESS CURRENT LIABILITIES		<u>378,752</u>	<u>371,177</u>
 PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	13	92,402	84,827
		<u>286,350</u>	<u>286,350</u>
 CAPITAL AND RESERVES			
Called up share capital	14	2	2
Revaluation reserve		174,665	174,665
Profit and loss account		111,683	111,683
		<u>286,350</u>	<u>286,350</u>

I P Norris - Director



11 August 1997

NOTES TO THE ACCOUNTS

At 4 January 1997

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 1997

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 1997 £	52 weeks ended 4 January 1996 £
United Kingdom & Continental Europe	2,036,209	1,912,505
The Far East	133,824	95,416
Africa & The Middle East	11,367	6,747
	<u>2,181,400</u>	<u>2,014,668</u>

3 OPERATING COSTS

Operating costs were:

	52 weeks ended 4 January 1997 £	52 weeks ended 4 January 1996 £
Change in stocks of finished goods and work in progress	32,600	(19,661)
Raw materials and consumables	448,748	442,943
Other external charges	38,707	39,361
Labour costs - wages & salaries	527,196	531,746
- social security costs	40,723	43,824
- pension costs	16,888	26,691
Depreciation	11,874	10,794
Other operating charges	223,613	217,673
	<u>1,340,349</u>	<u>1,293,371</u>

NOTES TO THE ACCOUNTS
At 4 January 1997

4 OPERATING PROFIT

(a) This is stated after charging:

	52 weeks ended 4 January 1997 £	52 weeks ended 4 January 1996 £
Auditors' remuneration	4,900	4,800
Depreciation of owned assets	11,874	10,794
Operating lease rentals	14,928	15,743
	=====	=====

(b) Directors' remuneration:

The directors received no remuneration during the period (1996 - £Nil)

5 STAFF NUMBERS

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

	52 weeks ended 4 January 1997 No.	52 weeks ended 4 January 1996 No.
Management and administration	8	8
Production	17	19
	=====	=====
	25	27
	=====	=====

6 INTEREST PAYABLE

	52 weeks ended 4 January 1997 £	52 weeks ended 4 January 1996 £
On loans wholly repayable within five years	-	1,173
	=====	=====

NOTES TO THE ACCOUNTS

At 4 January 1997

7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

		52 weeks ended 4 January 1997 £	52 weeks ended 4 January 1996 £
Corporation tax	- current year	282,889	239,381
Deferred taxation	- current year	7,575	11,928
		<u>290,464</u>	<u>251,309</u>

8 DIVIDENDS

		52 weeks ended 4 January 1997 £	52 weeks ended 4 January 1996 £
Ordinary - interim paid		331,782	262,432
- final proposed		251,333	238,218
		<u>583,115</u>	<u>500,650</u>

NOTES TO THE ACCOUNTS

At 4 January 1997

9 TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Fixtures & Fittings £	Computer Equipment £	Plant and Machinery £	Total £
Cost or Valuation:					
At 4 January 1996	299,907	42,813	41,947	157,933	542,600
Additions		314	3,819	820	4,953
Sales					
At 4 January 1997	299,907	43,127	45,766	158,753	547,553
Depreciation:					
At 4 January 1996	26,270	16,216	30,821	147,979	221,286
Provided during the year	4,758	2,141	2,918	2,058	11,875
Sales					
At 4 January 1997	31,028	18,357	33,739	150,037	233,161
Net Book Value:					
At 4 January 1997	268,879	24,770	12,027	8,716	314,392
At 4 January 1996	273,637	26,597	11,126	9,954	321,314

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 £109,533.

10 STOCKS

	4 January 1997 £	4 January 1996 £
Raw materials and consumables	200,550	198,687
Finished goods and goods for resale	46,616	73,007
Work in progress	37,871	44,080
	285,037	315,774

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

NOTES TO THE ACCOUNTS

At 4 January 1997

11 DEBTORS

	4 January 1997 £	4 January 1996 £
Trade debtors	301,935	390,682
Amounts owed by parent undertaking		
Amounts owed by fellow subsidiary undertaking	175	3,496
Prepayments and accrued income	22,301	18,102
Loan to Employee	69,705	69,705
Pre-paid pension fund contributions (note 16)	212,869	196,962
	<u>606,985</u>	<u>678,947</u>

12 CREDITORS: amounts falling due with one year:

	4 January 1997 £	4 January 1996 £
Amounts owed to third parties:		
Trade creditors	22,084	25,633
Other creditors and social security	110,447	136,915
Accruals and deferred income	36,033	14,697
Taxation	282,889	239,381
Amounts owed to parent undertaking:		
Trade creditors	10,863	10,229
Accruals and deferred income	9,706	12,394
Proposed dividend	251,333	238,218
Loan	419,000	419,000
Amounts owed to fellow subsidiary undertakings:		
Trade creditors	66,941	135,620
	<u>1,209,296</u>	<u>1,232,087</u>

NOTES TO THE ACCOUNTS

At 4 January 1997

13 DEFERRED TAXATION

	4 January 1997 £	4 January 1996 £
Capital allowances in advance of depreciation	22,156	19,830
Pre-paid pension contributions	70,246	64,997
	<u>92,402</u>	<u>84,827</u>

Provision for deferred taxation is the full potential liability.

14 SHARE CAPITAL

	Authorised 4 January 1997 No.	4 January 1996 No.	Allotted, called up and fully paid 4 January 1997 £	4 January 1996 £
Ordinary shares of £1 each	100	100	2	2

15 LEASING COMMITMENTS

	Other rented assets 4 January 1997 £	4 January 1996 £
Operating leases which expire:		
within one year	15302	10144
within two to five years	10559	393
in over five years	-	-

NOTES TO THE ACCOUNTS

At 4 January 1997

16 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 £16,888 (1995 £26,691) is after credit of £15,907 (1995 £23,589) 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.

17 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.

18 PARENT UNDERTAKING

The directors regard 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.