

REPORT AND ACCOUNTS

ELECTRICAL CARBON LIMITED

4 JANUARY 1998

2047070



Electrical Carbon Limited

Registered No. 2047070

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 1998.

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	732,506
From this sum, interim dividends have been paid amounting to	429,000
Leaving a balance of	303,506
The directors recommend: Payment to the ordinary shareholders of a final dividend for the period ended 4 January 1998	303,506
Requiring a transfer to reserves of	-
	=====

FUTURE DEVELOPMENTS

The company plans to expand its activities in 1998.

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 1998	4 January 1997
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.

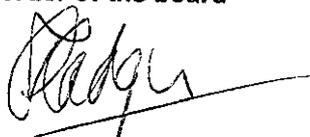
Mr J J A Kroef holds 10,000 restricted shares under the Long term Incentive Plan.

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

16 September 1998

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.

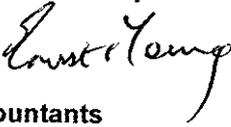
Basis of opinion

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 1998 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

16 September 1997

PROFIT AND LOSS ACCOUNT
for the 52 weeks ended 4 January 1998

	Notes	52 weeks ended 4 January 1998 £	52 weeks ended 4 January 1997 £
TURNOVER	2	2,429,712	2,181,400
Operating Costs	3	1,405,404	1,340,349
OPERATING PROFIT			
Interest Receivable	4	1,024,308 37,990	841,051 32,528
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,062,298	873,579
Taxation on profit on ordinary activities	6	329,792	290,464
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		732,506	583,115
Dividends	7	732,506	583,115
PROFIT RETAINED FOR THE FINANCIAL YEAR		-	-

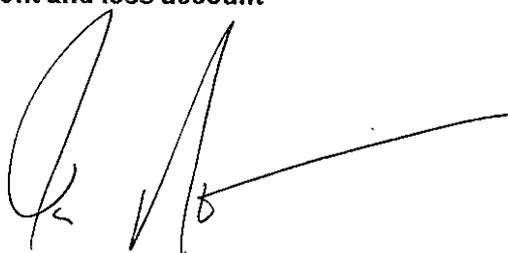
There are no recognised gains or losses other than the profit attributable to shareholders of the company of £732,506 in the year ended 5 January 1998 and of £583,115 in the year ended 4 January 1997.

STATEMENT ON MOVEMENT OF RESERVES

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

BALANCE SHEET
At 4 January 1998

	Notes	4 January 1998 £	4 January 1997 £
FIXED ASSETS			
Tangible assets	8	307,136	314,392
		<u>307,136</u>	<u>314,392</u>
CURRENT ASSETS			
Stocks	9	243,834	285,037
Debtors	10	822,844	606,985
Cash at bank and in hand		409,556	381,634
		<u>1,476,234</u>	<u>1,273,656</u>
CREDITORS: amounts falling due within one year	11	(1,402,625)	(1,209,296)
NET CURRENT ASSETS/(LIABILITIES)		<u>73,609</u>	<u>64,360</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>380,745</u>	<u>378,752</u>
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	12	94,395	92,402
		<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>



I P Norris - Director

16 September 1998

NOTES TO THE ACCOUNTS

At 4 January 1998

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 1998

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 1998 £	52 weeks ended 4 January 1997 £
United Kingdom & Continental Europe	2,283,784	2,036,209
The Far East	142,405	133,824
Africa & The Middle East	3,523	11,367
	<u>2,429,712</u>	<u>2,181,400</u>

3 OPERATING COSTS

	52 weeks ended 4 January 1998 £	52 weeks ended 4 January 1997 £
Operating costs were:		
Change in stocks of finished goods and work in progress	(2,341)	32,600
Raw materials and consumables	467,880	448,748
Other external charges	46,380	38,707
Labour costs - wages & salaries	540,455	527,196
- social security costs	43,377	40,723
- pension costs	9,544	16,888
Depreciation	12,682	11,874
Other operating charges	287,427	223,613
	<u>1,405,404</u>	<u>1,340,349</u>

NOTES TO THE ACCOUNTS
At 4 January 1998

4 OPERATING PROFIT

(a) This is stated after charging:

	52 weeks ended 4 January 1998 £	52 weeks ended 4 January 1997 £
Auditors' remuneration	5,200	4,900
Depreciation of owned assets	12,682	11,874
Operating lease rentals	15,303	14,928
	=====	=====

(b) Directors' remuneration:

The directors received no remuneration during the period (1997 - £Nil)

5 STAFF NUMBERS

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

	52 weeks ended 4 January 1998 No.	52 weeks ended 4 January 1997 No.
Management and administration	7	8
Production	16	17
	-----	-----
	23	25
	=====	=====

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	52 weeks ended 4 January 1998 £	52 weeks ended 4 January 1997 £
Corporation tax - current year	327,799	282,889
Deferred taxation - current year	1,993	7,575
	-----	-----
	329,792	290,464
	=====	=====

NOTES TO THE ACCOUNTS
At 4 January 1998

7 DIVIDENDS

	52 weeks ended 4 January 1998 £	52 weeks ended 4 January 1997 £
Ordinary - interim paid	429,000	331,782
- final proposed	303,506	251,333
	<u>732,506</u>	<u>583,115</u>

8 TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Fixtures & Fittings £	Computer Equipment £	Plant and Machinery £	Total £
Cost or Valuation:					
At 4 January 1997	299,907	43,127	45,766	158,753	547,553
Additions		1,308	4,118		5,426
Sales					
At 4 January 1998	<u>299,907</u>	<u>44,435</u>	<u>49,884</u>	<u>158,753</u>	<u>552,979</u>
Depreciation:					
At 4 January 1997	31,028	18,357	33,739	150,037	233,161
Provided during the year	4,758	2,156	3,628	2,140	12,682
Sales					
At 4 January 1998	<u>35,786</u>	<u>20,513</u>	<u>37,367</u>	<u>152,177</u>	<u>245,843</u>
Net Book Value:					
At 4 January 1998	<u>264,121</u>	<u>23,922</u>	<u>12,517</u>	<u>6,576</u>	<u>307,136</u>
At 4 January 1997	<u>268,879</u>	<u>24,770</u>	<u>12,027</u>	<u>8,716</u>	<u>314,392</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 £103,842.

NOTES TO THE ACCOUNTS

At 4 January 1998

9 STOCKS

	4 January 1998 £	4 January 1997 £
Raw materials and consumables	156,376	200,550
Finished goods and goods for resale	30,877	46,616
Work in progress	56,581	37,871
	<u>243,834</u>	<u>285,037</u>

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

10 DEBTORS

	4 January 1998 £	4 January 1997 £
Trade debtors	553,553	301,935
Amounts owed by fellow subsidiary undertaking	6,502	175
Prepayments and accrued income	30,819	22,301
Loan to Employee	-	69,705
Pre-paid pension fund contributions (note 16)	231,970	212,869
	<u>822,844</u>	<u>606,985</u>

11 CREDITORS: amounts falling due with one year:

	4 January 1998 £	4 January 1997 £
Amounts owed to third parties:		
Trade creditors	34,209	22,084
Other creditors and social security	142,300	110,447
Accruals and deferred income	36,548	36,033
Taxation	328,219	282,889
Amounts owed to parent undertaking:		
Trade creditors	78,194	10,863
Accruals and deferred income	3,225	9,706
Proposed dividend	303,506	251,333
Loan	419,000	419,000
Amounts owed to fellow subsidiary undertakings:		
Trade creditors	57,424	66,941
	<u>1,402,625</u>	<u>1,209,296</u>

NOTES TO THE ACCOUNTS
At 4 January 1998

12 DEFERRED TAXATION

	4 January 1998 £	4 January 1997 £
Capital allowances in advance of depreciation	22,484	22,156
Pre-paid pension contributions	71,911	70,246
	<u>94,395</u>	<u>92,402</u>

Provision for deferred taxation is the full potential liability.

13 SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	4 January 1998 No.	4 January 1997 No.	4 January 1998 £	4 January 1997 £
Ordinary shares of £1 each	100	100	2	2

14 LEASING COMMITMENTS

	Other rented assets	
	4 January 1998 £	4 January 1997 £
Operating leases which expire:		
within one year	10559	15302
within two to five years	-	10559
in over five years	-	-

NOTES TO THE ACCOUNTS

At 4 January 1998

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 £9,544 (1997 £16,888) is after credit of £19,101 (1997 £15,907) 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 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.