2047070

REPORT AND ACCOUNTS

ELECTRICAL CARBON LIMITED

4 JANUARY 1996

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 1996.

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	500,650
From this sum, interim dividends have been paid amounting to	262,432
Leaving a balance of	238,218
The directors recommend: Payment to the ordinary shareholders of a final dividend for the period ended 4 January 1996	238,218
Requiring a transfer to reserves of	==========

FUTURE DEVELOPMENTS

The company plans to expand its activities in 1996.

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 1996	4 January 1995
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.

On the 9 June 1995, Mr J J A Kroef was allocated 10,000 restricted sahares 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

2/8/96

A Madigan
Secretary

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.

A Madigan
Secretary

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 1996 and its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Chartered Accountants
Registered Auditor
Leeds

2 August 1996

PROFIT AND LOSS ACCOUNT
for the 52 weeks ended 4 January 1996

	Notes	52 weeks ended 4 January 1996 £	52 weeks ended 4 January 1995 £
TURNOVER	2	2,014,668	1,994,102
Operating Costs	3	1,293,371	1,284,309
OPERATING PROFIT	4	721,297	709,793
Interest Receivable		31,835	21,778
Interest Payable	6	(1,173)	(611)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		751,959	730,960
Taxation on profit on ordinary activities	7	251,309	243,421
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		500,650	487,539
Dividends	8	500,650	487,539
PROFIT RETAINED FOR THE FINANCIAL YEAR			

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £500,650 in the year ended 4 January 1996 and of £487,539 in the year ended 4 January 1995.

STATEMENT ON MOVEMENT OF RESERVES

	Share Capital £	Revaluation Reserve £	Profit and loss account £	Total Shareholders Funds £
At 4 January 1994	2	174,665	111,683	286,350
Retained profit for the year				
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

BALANCE SHEET
At 4 January 1996

	Notes	4 January 1996 £	4 January 1995 £
FIXED ASSETS			
Tangible assets	9	321,314	326,344
		321,314	326,344
CURRENT ASSETS			
Stocks	10	315,774	261,108
Debtors	11	678,947	578,922
Cash at bank and in hand		287,229	316,577
		1,281,950	1,156,607
CREDITORS:amounts falling due within one year	12	(1,232,087)	(1,123,702)
NET CURRENT ASSETS/(LIABILITIES)		49,863	32,905
TOTAL ASSETS LESS CURRENT LIABILITIES		371,177	359,249
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	13	84,827	72,899
		286,350	286,350
CAPITAL AND RESERVES			
Called up share capital	14	2	2
Revaluation reserve		174,665	174,665
Profit and loss account		111,683	111,683
		286,350	286,350

IPN 2/8/96

I.P. Norris - Director

NOTES TO THE ACCOUNTS
At 4 January 1996

1 ACCOUNTING POLICIES

Accounting Convention
The accounts are prepared under the historical cost convention.
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 begining 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 acturial 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 1996

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 1996 £	52 weeks ended 4 January 1995 £
United Kingdom & Continental Europe	1,912,505	1,901,727
The Far East	95,416	102,351
Africa & The Middle East	6,747	(9,976)
	2,014,668	1,994,102

3 OPERATING COSTS

	52 weeks ended 4 January 1996 £	52 weeks ended 4 January 1995 £
Operating costs were:		
Change in stocks of finished goods and work in progress	(19,661)	17,203
Raw materials and consumables	442,943	396,219
Other external charges	39,361	57,661
Labour costs - wages & salaries	531,746	558,469
- social security costs	43,824	44,454
- pension costs	26,691	14,949
Depreciation	10,794	10,469
Other operating charges	217,673	184,885
	1,293,371	1,284,309

NOTES TO THE ACCOUNTS
At 4 January 1996

4 OPERATING PROFIT

(a) This is stated after charging:

	52 weeks ended 4 January 1996 £	52 weeks ended 4 January 1995 £
Auditors' remuneration	4,800	4,650
Depreciation of owned assets	10,794	10,469
Operating lease rentals	15,743	12,877

(b) Directors' remuneration:
The directors received no remuneration during the period (1995 - £Nil)

5 STAFF NUMBERS

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

	52 weeks ended 4 January 1996 No.	52 weeks ended 4 January 1995 No.
Management and administration	9	9
Production	19	19
	28	28

6 INTEREST PAYABLE

	52 weeks ended 4 January 1996 £	52 weeks ended 4 January 1995 £
On loans wholly repayable within five years	1,173	611

NOTES TO THE ACCOUNTS
At 4 January 1996

7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

		52 weeks ended 4 January 1996 £	52 weeks ended 4 January 1995 £
Corporation tax	- current year	239,381	230,775
	- previous year		142
Deferred taxation	- current year	11,928	12,504
	- previous year		
		251,309	243,421

8 DIVIDENDS

	52 weeks ended 4 January 1996 £	52 weeks ended 4 January 1995 £
Ordinary - interim paid	262,432	249,970
- final proposed	238,218	237,569
	500,650	487,539

NOTES TO THE ACCOUNTS
At 4 January 1996

9 TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Fixtures & Fittings £	Computer Equipment £	Plant and Machinery £	Total £
Cost or Valuation:					
At 4 January 1995	299,907	42,599	36,863	157,467	536,836
Additions		214	5,084	466	5,764
Sales					
At 4 January 1996	299,907	42,813	41,947	157,933	542,600
Depreciation:					
At 4 January 1995	21,512	14,086	28,926	145,968	210,492
Provided during the year	4,758	2,130	1,895	2,011	10,794
Sales					
At 4 January 1996	26,270	16,216	30,821	147,979	221,286
Net Book Value:					
At 4 January 1996	273,637	26,597	11,126	9,954	321,314
At 4 January 1995	278,395	28,513	7,937	11,499	326,344

The land and buildings were revalued for exsisting 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 1996 £	4 January 1995 £
Raw materials and consumables	198,687	163,682
Finished goods and goods for resale	73,007	50,702
Work in progress	44,080	46,724
	315,774	261,108

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 1996

11 DEBTORS

	4 January 1996 £	4 January 1995 £
Trade debtors	390,682	309,651
Amounts owed by parent undertaking		
Amounts owed by fellow subsidiary undertaking	3,496	3,516
Prepayments and accrued income	18,102	16,677
Loan to Employee	69,705	75,705
Pre-paid pension fund contributions (note 17)	196,962	173,373
	678,947	578,922

12 CREDITORS: amounts falling due with one year:

	4 January 1996 £	4 January 1995 £
Amounts owed to third parties:		
Trade creditors	25,633	51,798
Other creditors and social security	136,915	75,651
Accruals and deferred income	14,697	53,078
Taxation	239,381	230,775
Amounts owed to parent undertaking:		
Trade creditors	10,229	4,779
Accruals and deferred income	12,394	2,723
Proposed dividend	238,218	237,569
Loan	419,000	419,000
Amounts owed to fellow subsidiary undertakings:		
Trade creditors	135,620	48,329
	1,232,087	1,123,702

NOTES TO THE ACCOUNTS
At 4 January 1996

13 DEFERRED TAXATION

	4 January 1996 £	4 January 1995 £
Capital allowances in advance of depreciation	19,830	15,687
Pre-paid pension contributions	64,997	57,212
	84,827	72,899

Provision for deferred taxation is the full potential liability.

14 SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	4 January 1996 No.	4 January 1995 No.	4 January 1996 £	4 January 1995 £
Ordinary shares of £1 each	100	100	2	2

15 CAPITAL COMMITMENTS

	4 January 1996 £	4 January 1995 £
Contracted	Nil	Nil
Authorised by the directors but not contracted	Nil	Nil

16 LEASING COMMITMENTS

	Other rented assets	
	4 January 1996 £	4 January 1995 £
Operating leases which expire:		
within one year	10114	11017
within two to five years	393	3723
in over five years	-	-

NOTES TO THE ACCOUNTS
At 4 January 1996

17 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 lastest 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 £26,691 (1994 £14,949) is after credit of £23,589 (1994 £23,541) attributable to amortisation of the pension fund surpluses which are being spread over the average remaining service lifes of current employees.

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

18 PARENT UNDERTAKING

The directors regard the Morgan Crucible Company plc, incorpoorated 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.

NOTES TO THE ACCOUNTS
At 4 January 1996

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