

EMP Technologies Limited

Report and Financial Statements

Year Ended

30 June 2008



BDO
BDO Stoy Hayward
Chartered Accountants

EMP Technologies Limited

Annual report and financial statements for the year ended 30 June 2008

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Directors

D Z Ting
A G Roy
L Vera

Secretary and registered office

L Vera, Faraday House, Eastern Avenue, Stretton, Burton on Trent, Staffordshire, DE13 0BB

Company number

5302439

Auditors

BDO Stoy Hayward LLP, Prospect Place, 85 Great North Road
Hatfield, Herts, AL9 5BS

Bankers

National Westminster Bank Plc, 159 High Street, Burton on Trent, Staffordshire, DE14 1JG

EMP Technologies Limited

Report of the directors for the year ended 30 June 2008

The directors present their report together with the audited financial statements for the year ended 30 June 2008

Results

The profit and loss account is set out on page 5 and shows the loss for the year

Principal activities

The company's principal activity is the design, selling and installation of innovative and patented metal melting and circulation systems, incorporating electro magnetic pumps. The principal activity is based in the non-ferrous metal market, particularly aluminium. The company's product is marketed globally.

Directors

The directors of the company during the year were

A M Peel	resigned 31 January 2008
D Z Ting	
A G Roy	
R S Chandler	resigned 31 January 2008
L Vera	appointed 31 January 2008

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements 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 year. 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, and
- prepare the financial statements on the going 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 financial statements 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.

EMP Technologies Limited

Report of the directors for the year ended 30 June 2008 (*Continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board

L Vera

Secretary



Date

Sept 3, 2008

To the shareholders of EMP Technologies Limited

We have audited the financial statements of EMP Technologies Limited for the year ended 30 June 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, 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 other transactions 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2008 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



BDO STOY HAYWARD LLP
Chartered Accountants
and Registered Auditors
Hatfield

Date 10 September 2008

EMP Technologies Limited**Profit and loss account for the year ended 30 June 2008**

	Note	2008 £	2007 £
Turnover	2	2,925,576	3,450,528*
Cost of sales		2,470,826	2,801,270
		<u> </u>	<u> </u>
Gross profit		454,750	649,258
Distribution costs		570,776	632,918
Administrative expenses		577,896	594,946
		<u> </u>	<u> </u>
Operating loss	3	(693,922)	(578,606)
Other interest receivable and similar income		46	12
Interest payable and similar charges	5	(95,927)	(81,144)
		<u> </u>	<u> </u>
Loss on ordinary activities before and after taxation for the financial year		(789,803)	(659,738)
Accumulated loss brought forward	14	(1,093,504)	(433,766)
		<u> </u>	<u> </u>
Accumulated loss carried forward	14	(1,883,307)	(1,093,504)
		<u> </u>	<u> </u>

All amounts relate to continuing activities

All recognised gains and losses in the current and prior year are included in the profit and loss account

The notes on pages 7 to 15 form part of these financial statements

EMP Technologies Limited

Balance sheet at 30 June 2008

	Note	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Intangible assets	7		118,071		147,589
Tangible assets	8		116,291		130,793
			<u>234,362</u>		<u>278,382</u>
Current assets					
Stocks	9	340,405		335,051	
Debtors	10	1,054,924		1,357,602	
Cash at bank and in hand		14,854		1,243	
		<u>1,410,183</u>		<u>1,693,896</u>	
Creditors: amounts falling due within one year	11	<u>2,482,194</u>		<u>2,353,870</u>	
Net current liabilities			<u>(1,072,011)</u>		<u>(659,974)</u>
Total assets less current liabilities			<u>(837,649)</u>		<u>(381,592)</u>
Creditors: amounts falling due after more than one year	12		<u>835,102</u>		<u>501,356</u>
			<u>(1,672,751)</u>		<u>(882,948)</u>
Capital and reserves					
Called up share capital	13		2		2
Share premium account	14		210,554		210,554
Profit and loss account	14		(1,883,307)		(1,093,504)
			<u>(1,672,751)</u>		<u>(882,948)</u>
Shareholders' funds	15		<u>(1,672,751)</u>		<u>(882,948)</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

The financial statements were approved by the board of directors and authorised for issue on

3 September 2008



L Vera
Director

The notes on pages 7 to 15 form part of these financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention

The following principal accounting policies have been applied

Going Concern

The financial statements have been prepared on a going concern basis for the reasons stated in note 19

Goodwill

Goodwill arising on an acquisition of a trade or subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life which is 7 years. Impairment tests on the carrying value of goodwill are undertaken

- at the end of the first full financial year following acquisition,
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes. Revenue is recognised when goods are delivered or services provided. For long term contracts, revenue is recognised as work is carried out in accordance with the stock policy below

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for investment properties, freehold land and certain buildings, evenly over their expected useful lives. It is calculated at the following rates

Leasehold property	- 10% straight line
Plant & machinery	- 10% straight line
Motor vehicles	- 25% straight line
Office equipment	- 25% straight line

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts represents the value of work done in the year. Provision for losses is made to the extent of the costs incurred that are irrecoverable.

1 Accounting policies (*continued*)

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Research

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

Development costs are also charged to the profit and loss account in the year of expenditure.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

2 Turnover

The proportion of turnover that is attributable to markets outside the United Kingdom is 88% (2007 - 97).

EMP Technologies Limited**Notes forming part of the financial statements for the year ended 30 June 2008 (Continued)****3 Operating loss**

	2008	2007
	£	£
This is arrived at after charging		
Research and development - current year's expenditure	41,414	122,027
Depreciation of tangible fixed assets	31,239	27,049
Amortisation of positive goodwill	29,518	29,518
Hire of plant and machinery - operating leases	4,140	6,185
Hire of other assets - operating leases	91,000	91,000
Audit services	16,000	13,750
	=====	=====

4 Directors' remuneration

	2008	2007
	£	£
Aggregate emoluments, pension contributions and amounts receivable under long term incentive schemes	104,314	150,841
Company contributions to money purchase pension schemes	6,065	8,697
	=====	=====

There was 1 director in the company's defined contribution pension scheme during the year (2007 - 1)

5 Interest payable and similar charges

	2008	2007
	£	£
Bank loans and overdrafts	46,713	30,310
Loans from group companies	49,214	50,834
	=====	=====
	95,927	81,144
	=====	=====

EMP Technologies Limited

Notes forming part of the financial statements for the year ended 30 June 2008 (*Continued*)

6 Taxation on loss on ordinary activities

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below

	2008 £	2007 £
Loss on ordinary activities before tax	(789,803)	(659,738)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2007 - 30%)	(236,941)	(197,921)
Effect of:		
Expenses not deductible for tax purposes	26,764	2,317
Capital allowances for period in excess of depreciation	(938)	(381)
Losses carried forward	13,715	101,103
Losses surrendered to other group companies	197,400	94,882
Current tax charge for period	-	-

7 Intangible assets

	Purchased goodwill £
<i>Cost or valuation</i>	
At 1 July 2007 and 30 June 2008	206,625
<i>Amortisation</i>	
At 1 July 2007	59,036
Provided for the year	29,518
At 30 June 2008	88,554
<i>Net book value</i>	
At 30 June 2008	118,071
At 30 June 2007	147,589

EMP Technologies Limited

Notes forming part of the financial statements for the year ended 30 June 2008 (*Continued*)

8 Tangible fixed assets

	Land and buildings £	Plant and machinery etc £	Total £
<i>Cost</i>			
At 1 July 2007	65,090	116,435	181,525
Additions	-	17,726	17,726
	<hr/>	<hr/>	<hr/>
At 30 June 2008	65,090	131,968	197,058
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 July 2007	11,766	38,966	50,732
Provided for the year	6,509	24,730	31,239
Disposals	-	(1,204)	(1,204)
	<hr/>	<hr/>	<hr/>
At 30 June 2008	18,275	62,492	80,767
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 30 June 2008	46,815	69,476	116,291
	<hr/>	<hr/>	<hr/>
At 30 June 2007	53,324	77,469	130,793
	<hr/>	<hr/>	<hr/>

9 Stocks

	2008 £	2007 £
Finished goods	340,405	335,051
	<hr/>	<hr/>

EMP Technologies Limited

Notes forming part of the financial statements for the year ended 30 June 2008 (Continued)

10 Debtors

	2008 £	2007 £
Trade debtors	878,688	468,606
Amounts owed by group undertakings	32,283	101,405
Other debtors	143,953	787,591
	<u>1,054,924</u>	<u>1,357,602</u>

All amounts shown under debtors fall due for payment within one year

11 Creditors: amounts falling due within one year

	2008 £	2007 £
Bank loans and overdrafts (secured)	-	474,567
Trade creditors	429,125	554,640
Amounts owed to group undertakings	1,466,470	904,314
Taxation and social security	24,023	29,687
Other creditors	562,576	390,662
	<u>2,482,194</u>	<u>2,353,870</u>

EMP Technologies Limited

Notes forming part of the financial statements for the year ended 30 June 2008 (Continued)

12 Creditors: amounts falling due after more than one year

	2008 £	2007 £
Amounts owed to group undertakings	835,102	501,356

Included in creditors due after more than one year are the following amounts

	2008 £	2007 £
Repayable in more than five years	255,674	-

The loan from Pyrotek Inc is repayable in equal quarterly installments payable from July 2005 till July 2012. Interest is charged on the loan at 2% over LIBOR. However as part of the continued support from Pyrotek Inc they have confirmed that they will not seek repayments if it prejudices the company's ability to continue as a going concern.

13 Share capital

	2008 £	Authorised 2007 £	Allotted, called up and fully paid 2008 £	2007 £
Ordinary shares of £1 each	1,000	1,000	2	2

14 Reserves

	Share premium account £	Profit and loss account £
At 1 July 2007	210,554	(1,093,504)
Loss for the year	-	(789,803)
At 30 June 2008	210,554	(1,883,307)

15 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Loss for the year	(789,803)	(659,738)
Opening shareholders' funds	(882,948)	(223,210)
Closing shareholders' funds	(1,672,751)	(882,948)

16 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £44,305 (2007 - £51,370). Contributions amounting to £6,847 (2007 - £NIL) were payable to the fund and are included in creditors.

17 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below

	2008 Land and buildings £	2008 Other £	2007 Land and buildings £	2007 Other £
Operating leases which expire				
Within one year	-	-	-	8,499
In two to five years	-	3,009	-	3,009
After five years	91,000	-	91,000	-
	91,000	3,009	91,000	11,508

18 Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with members of the group headed by Pyrotek Inc on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

19 Ultimate parent company and parent undertaking of larger group

At 30 June 2008, the ultimate parent company and the ultimate controlling party was Pyrotek Inc, which is incorporated in the state of Washington, United States of America. Pyrotek Inc is the parent undertaking of both the smallest and largest groups for which group accounts are drawn up. The group accounts of Pyrotek Inc are available from 9503 East Montgomery Ave, Spokane, WA99206, USA.

Pyrotek Inc has agreed to provide financial support to the company for at least twelve months from the date of signing these financial statements.