

Company Registration No. 1920664

VACUUM FURNACE ENGINEERING LIMITED

Report and Financial Statements

31 August 2003



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COMPANIES HOUSE 16/06/04

Deloitte & Touche LLP
Birmingham

VACUUM FURNACE ENGINEERING LIMITED**REPORT AND FINANCIAL STATEMENTS 2003****CONTENTS****Page**

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VACUUM FURNACE ENGINEERING LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 August 2003.

ACTIVITIES

The company's principal activity is the manufacture and servicing of vacuum furnace equipment.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The directors are satisfied with the results for the year given the difficult trading conditions at home and abroad. There are clear signs of improvement in the current year.

DIVIDENDS

The results for the year are set out in detail on page 4. The directors do not recommend the payment of a dividend. Retained profits of £1,131 (2002 - £21,170) have been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the year, together with their interests in the share capital of the company, are as follows:

	Ordinary shares	
	As at 31 August 2003 No.	As at 1 September 2002 No.
J Nicholson	135	135
K Potter	135	135
R Oakley	135	135
K Masters	45	45

K Masters also holds an option over a further 90 shares which may be exercised at par any time until 2009.

AUDITORS

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

3. N. 662

VACUUM FURNACE ENGINEERING LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company for that period. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VACUUM FURNACE ENGINEERING LIMITED

We have audited the financial statements of Vacuum Furnace Engineering Limited for the year ended 31 August 2003, which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

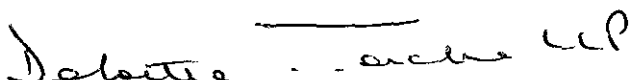
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 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 of the state of the company's affairs as at 31 August 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Birmingham

5 November 2003.

VACUUM FURNACE ENGINEERING LIMITED
PROFIT AND LOSS ACCOUNT
Year ended 31 August 2003

	Note	2003 £	2002 £
TURNOVER: continuing operations	2	3,263,477	4,179,132
Cost of sales		(1,876,092)	(2,749,824)
Gross profit		<u>1,387,385</u>	<u>1,429,308</u>
Administrative expenses		(1,391,110)	(1,414,329)
OPERATING (LOSS)/PROFIT: continuing operations	4	(3,725)	14,979
Interest receivable and similar income		7,851	13,180
Interest payable and similar charges	5	(2,810)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,316</u>	<u>28,159</u>
Tax on profit on ordinary activities	6	(185)	(6,468)
RETAINED PROFIT FOR THE FINANCIAL YEAR			
TRANSFERRED TO RESERVES	13	<u>1,131</u>	<u>21,691</u>

The statement of movements on reserves is shown in note 13 to the accounts.

There are no recognised gains and losses for the current financial year and the preceding financial year other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses has been prepared.

VACUUM FURNACE ENGINEERING LIMITED
**BALANCE SHEET
31 August 2003**

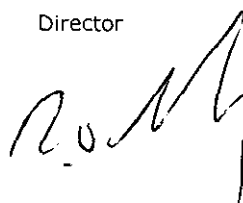
	Note	2003 £	2002 £
FIXED ASSETS			
Tangible assets	7	71,834	86,577
CURRENT ASSETS			
Stocks	8	148,325	106,589
Debtors	9	977,724	935,625
Cash at bank and in hand		213,865	447,571
		1,339,914	1,489,785
CREDITORS: amounts falling due within one year	10	(524,341)	(703,536)
NET CURRENT ASSETS		815,573	786,249
TOTAL ASSETS LESS CURRENT LIABILITIES		887,407	872,826
CREDITORS: amounts falling due after more than one year	11	(13,450)	-
NET ASSETS		873,957	872,826
CAPITAL AND RESERVES			
Called up share capital	12	450	450
Capital redemption reserve	13	150	150
Profit and loss account	13	873,357	872,226
TOTAL EQUITY SHAREHOLDERS' FUNDS	14	873,957	872,826

These financial statements were approved by the Board of Directors on 31 October 2003.

Signed on behalf of the Board of Directors

K Potter
Director

R Oakley
Director

VACUUM FURNACE ENGINEERING LIMITED
CASH FLOW STATEMENT
Year ended 31 August 2003

	Note	2003 £	2002 £
Net cash outflow from operating activities	16	(229,354)	(356,234)
Returns on investments and servicing of finance	17	5,041	13,180
Taxation	17	(7,135)	(36,568)
Capital expenditure	17	(22,331)	(45,489)
Net cash outflow before financing		(253,779)	(425,111)
Financing	17	17,646	-
Decrease in cash in the year		(236,133)	(425,111)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS (note 18)

	2003 £	2002 £
Decrease in cash in the year	(236,133)	(425,111)
Cash (inflow) / outflow from (increase) / decrease in debt and lease financing	(17,646)	-
Movement in net funds in the year	(253,779)	(425,111)
Net funds brought forward	375,273	800,384
Net funds carried forward	121,494	375,273

VACUUM FURNACE ENGINEERING LIMITED**NOTES TO THE ACCOUNTS**
Year ended 31 August 2003**1 ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Motor vehicles	25% per annum
Plant and machinery	20% per annum
Fixtures and fittings	20% per annum
Office refurbishment	20% per annum

Stocks

Stock is valued at the lower of cost and net realisable value.

Progress payments received and receivable have been deducted from the gross value of stock and work in progress. Where such progress payments are in excess of the gross value of the contract, this excess is transferred to payments on account in creditors.

Deferred taxation

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date, to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases

Assets obtained under hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Pension costs

The company operates a defined contribution pension scheme for certain directors. Contributions are charged to the profit and loss account as they are incurred.

Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary assets and liabilities are translated at the date when the transaction was settled.

All exchange differences are taken to the profit and loss account.

VACUUM FURNACE ENGINEERING LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 August 2003
2 TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax.

3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2003	2002
	£	£
Directors' remuneration		
Emoluments (excluding pension contributions)	<u>263,548</u>	<u>303,403</u>
Company contributions to money purchase and similar pension schemes in respect of directors' services	<u>9,566</u>	<u>15,000</u>
	2003	2002
	No.	No.
The number of directors who:		
• are members of a money purchase pension scheme	<u>4</u>	<u>4</u>
	2003	2002
	£	£
Remuneration of the highest paid director:		
Aggregate of emoluments (excluding pension contributions)	<u>70,739</u>	<u>77,920</u>
Company contributions to money purchase and similar pension schemes in respect of director's services	<u>1,650</u>	<u>4,800</u>
	2003	2002
	£	£
Staff costs during the year (including directors)		
Wages and salaries	831,936	841,384
Social security costs	96,200	91,891
Pension costs	33,994	36,796
	<u>962,130</u>	<u>970,071</u>

The average number employed by the company during the year was 26 (2002 - 26). The directors are unable to categorise employees in view of the small number employed and the manner in which the company is organised.

VACUUM FURNACE ENGINEERING LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 August 2003
4 OPERATING (LOSS)/PROFIT

	2003 £	2002 £
Operating (loss)/profit is after charging:		
Depreciation		
Owned assets	34,636	38,576
Leased assets	1,555	-
Loss on disposal of fixed assets	883	107
Rentals under operating leases		
Other operating leases	68,043	64,960
Auditors' remuneration	2,750	2,750
	<u>2,750</u>	<u>2,750</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £	2002 £
Other loan interest	2,344	-
Finance leases and hire purchase contracts	466	-
	<u>2,810</u>	<u>-</u>

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

Tax charge for the year	2003 £	2002 £
<i>Current taxation</i>		
United Kingdom corporation tax	1,050	8,000
Adjustments in respect of prior years	(109)	(11)
Total current tax charge	<u>941</u>	<u>7,989</u>
<i>Deferred taxation</i>		
Timing differences, origination and reversal	(756)	(1,521)
Tax on profit on ordinary activities	<u>185</u>	<u>6,468</u>

VACUUM FURNACE ENGINEERING LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 August 2003

6 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The standard rate of corporation tax for the year, based on the UK standard rate of corporation tax is 19% (2002 - 20%). The actual tax charge for the current and the previous year differs from the standard rate for the reasons set out in the following tax reconciliation:

Reconciliation of current tax

	2003	2002
	£	£
Profit on ordinary activities before taxation	1,316	28,159
Tax on profit on ordinary activities at standard rate	250	5,632
<i>Factors affecting charge for the year:</i>		
Expenses not allowable for tax purposes	1,898	1,839
Differences between depreciation and capital allowances	589	878
Changes in corporation tax rates	-	(174)
Starting rate marginal relief	(1,691)	(284)
Rounding of provision	4	109
Adjustment in respect of prior year's provision	(109)	(11)
Total actual amount of current tax	941	7,989

VACUUM FURNACE ENGINEERING LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 August 2003
7 TANGIBLE FIXED ASSETS

	Motor vehicles	Plant and machinery	Fixtures and fittings	Total
	£	£	£	£
Cost				
At 1 September 2002	117,025	51,105	98,349	266,479
Additions in year	35,466	-	1,915	37,381
Disposals in year	(45,478)	-	-	(45,478)
At 31 August 2003	107,013	51,105	100,264	258,382
Accumulated depreciation				
At 1 September 2002	62,823	43,901	73,178	179,902
Charge in year	25,081	1,800	9,310	36,191
Disposals in year	(29,545)	-	-	(29,545)
At 31 August 2003	58,359	45,701	82,488	186,548
Net book value				
At 31 August 2003	48,654	5,404	17,776	71,834
At 31 August 2002	54,202	7,204	25,171	86,577

Tangible fixed assets include assets with a net book value of £17,111 (2002: £Nil) purchased under hire purchase or leasing contracts.

8 STOCKS

	2003	2002
	£	£
Raw Materials	87,132	83,371
Work in progress	61,193	23,218
	148,325	106,589

VACUUM FURNACE ENGINEERING LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 August 2003
9 DEBTORS

	2003	2002
	£	£
Trade debtors	958,712	914,182
Other debtors	2,277	6,436
Prepayments and accrued income	16,735	15,007
	<u>977,724</u>	<u>935,625</u>

All amounts are due within one year, except for the deferred tax asset, which will crystallise in future accounting periods.

A deferred tax asset of £2,277 has been recognised at 31 August 2003 (2002: £1,521). This asset relates to accelerated capital allowances. The directors have recognised this asset on the basis of recent and forecast trading accounts.

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£	£
Bank overdraft	74,725	72,298
Obligations under finance leases and hire purchase contracts	4,196	-
Trade creditors	265,336	360,822
Payments received on account	62,500	152,980
Corporation tax	1,050	8,000
Other taxes and social security	108,891	100,302
Accruals and deferred income	7,643	9,134
	<u>524,341</u>	<u>703,536</u>

The bank overdraft at 31 August 2003 is secured by a fixed and floating charge over the company's assets.

11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003	2002
	£	£
Obligations under finance leases and hire purchase contracts	<u>13,450</u>	<u>-</u>

VACUUM FURNACE ENGINEERING LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 August 2003
12 CALLED UP SHARE CAPITAL

	2003 £	2002 £
Authorised		
1,000 Ordinary shares of £1.00 each	1,000	1,000
Called up, allotted and fully paid		
450 Ordinary shares of £1.00 each	450	450

Options over a further 90 shares have been issued, giving the holder the option to purchase these shares at par at any time until 2009.

13 STATEMENT OF MOVEMENTS ON RESERVES

	Capital redemption reserve £	Profit and loss account £	Total £
At 1 September 2002	150	872,226	872,376
Retained profit for the year	-	1,131	1,131
At 31 August 2003	150	873,357	873,507

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit attributable to members of the company	1,131	21,691
Opening shareholders' funds	872,826	851,135
Closing shareholders' funds	873,957	872,826

VACUUM FURNACE ENGINEERING LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 August 2003
15 OPERATING LEASE COMMITMENTS

At 31 August 2003 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 2003 £	Other 2003 £	Land and buildings 2002 £	Other 2002 £
Leases which expire:				
Within one year	4,200	296	7,500	941
Within two to five years	30,000	33,639	34,000	23,301
	<u>34,200</u>	<u>33,935</u>	<u>41,500</u>	<u>24,242</u>

**16 RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH OUTFLOW FROM
OPERATING ACTIVITIES**

	2003 £	2002 £
Operating (loss) / profit	(3,725)	14,979
Depreciation charge	36,191	38,576
Net loss on sale of tangible fixed assets	883	107
(Increase) / decrease in stocks	(41,736)	28,784
(Increase) / decrease in debtors	(42,099)	292,996
Decrease in creditors	(178,868)	(731,676)
Net cash outflow from operating activities	<u>(229,354)</u>	<u>(356,234)</u>

17 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2003 £	2002 £
Returns on investments and servicing of finance		
Interest received	7,851	13,180
Interest paid	(2,344)	-
Interest element of finance lease rental payments	(466)	-
	<u>5,041</u>	<u>13,180</u>
Taxation		
Corporation tax paid	(7,135)	(36,568)

VACUUM FURNACE ENGINEERING LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 August 2003
17 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT (continued)

	2003 £	2002 £
Capital expenditure		
Payments to acquire tangible fixed assets	(37,381)	(51,089)
Receipts from sales of tangible fixed assets	15,050	5,600
	<u>(22,331)</u>	<u>(45,489)</u>
 Financing		
Capital element of finance lease rentals	<u>17,646</u>	<u>-</u>

18 ANALYSIS OF NET FUNDS

	At 1 September 2002 £	Cash flow £	At 31 August 2003 £
Cash at bank and in hand	447,571	(233,706)	213,865
Overdrafts	(72,298)	(2,427)	(74,725)
		<u>(236,133)</u>	
Finance leases	-	(17,646)	(17,646)
Total	<u>375,273</u>	<u>(253,779)</u>	<u>121,494</u>