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COYRAP-INTL. TRANSEER LIMITED  
AND SUBSIDIARY COMPANIES

COMPANIES HOUSE  
DIRECTORS' REPORT AND ACCOUNTS  
- 1 MAY 1990

.. FOR THE YEAR ENDED 2nd JULY 1989

COVRAD HEAT TRANSFER LIMITEDCHAIRMAN'S STATEMENT

I am pleased to report further progress in the development of Covrad Heat Transfer Limited during the financial year ended 2nd July 1989.

All sectors of the company performed satisfactorily and enjoyed increased turnover from a buoyant market place. During the year we made our first acquisition by purchasing the share capital of M.R.F. Radiator Services Limited, a factor and sub-contract assembler of radiators and vehicle registration plates.

A significant investment has been made in improved technology during the past 12 months, in line with the directors declared policy of strengthening the company in preparation for the single European Market in 1992.

Again, I would like to express the Board's thanks to all of our employees whose support and commitment have underwritten the new initiatives in our progress towards a total quality concept for the company.

  
Chairman

GOVRAD HEAT TRANSFER LIMITEDDIRECTORS' REPORT

The directors present their annual report and the audited accounts for the year ended 2nd July 1980.

Principal activities

The principal activity of the group is the design and manufacture of cooling equipment for the vehicle, marine, rail, tractor, diesel and agricultural industries and of heating equipment for factories and commercial premises.

Review of the business

Sales volume showed significant improvement over the previous year in all sectors of the company.

The total number of employees increased by 42 mainly to support the additional manufacturing activity.

Results for the year and dividends

The consolidated profit and loss account is shown on page 5.

A summary of the results for the year is shown below:

|  | <u>1989</u><br><u>£'000</u> | <u>1988</u><br><u>£'000</u> |
|--|-----------------------------|-----------------------------|
| Turnover                               | 12,213                      | 9,527                       |
| Profit before taxation                 | 1,014                       | 704                         |
| Taxation                               | (358)                       | (184)                       |
| Dividends                              | (50)                        | (43)                        |
| Retained profit for the financial year | 606                         | 477                         |

Research and development

The group has concentrated its research and development expenditure on evaluating and improving its current products.

Capital expenditure and changes in fixed assets

Details of changes in fixed assets are shown in note 10.

Employment of disabled persons

The group makes every effort to ensure that disabled people receive equal opportunities and are not discriminated against on the grounds of their disability.

GOVRAD HEAT TRANSFER LIMITEDDIRECTORS' REPORT  
(continued)Employee involvement

Employees are kept informed regarding the group's affairs and are consulted on a regular basis whenever feasible and appropriate.

Directors and directors' interests

The directors who served during the year and their interests in the share capital of the company were as follows:

|                 | <u>Ordinary shares of £1 each</u> |                      |
|-----------------|-----------------------------------|----------------------|
|                 | <u>2nd July 1989</u>              | <u>3rd July 1988</u> |
| J. Collins      | 22,500                            | 22,500               |
| S.W. Berrisford | 22,500                            | 22,500               |
| D.R. Lindsey    | 22,500                            | 22,500               |
| B.G. Bishop     | 22,500                            | 22,500               |
| A.R. Diment     | -                                 | -                    |

In accordance with the Articles of Association, no directors are required to retire by rotation.

Dividends

Dividends paid and proposed during the year are detailed in note 9 to the accounts.

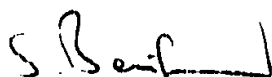
Acquisitions

On 27th January 1989 the company acquired the entire share capital of M.R.F. Radiator Services Limited. The consideration of £45,000 was satisfied by a cash payment. M.R.F. Radiator Services Limited is engaged in the factor, subcontract assembly and repair of radiators and the manufacture of vehicle registration plates.

Auditors

In accordance with Section 384(1) of the Companies Act 1985, a resolution for the re-appointment of Peat Marwick McLintock as auditors of the company will be proposed at the forthcoming annual general meeting.

By Order of the Board



Secretary

AUDITORS' REPORT TO THE MEMBERS OF  
GOVRAD HEAT TRANSFER LIMITED

We have audited the accounts on pages 5 to 20 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 2nd July 1989 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Peter Maurice McIntosh*

Birmingham

Chartered Accountants

9th October 1989

COVR/2 HEAT TRANSFER LIMITED  
AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 2nd JULY 1989

|   | Note | <u>1989</u><br><u>£'000</u> | <u>1988</u><br><u>£'000</u> |
|---|------|-----------------------------|-----------------------------|
| TURNOVER                                      |      |                             |                             |
| Cost of sales                                 | 2    | 12,213<br>(9,897)           | 9,527<br>(7,751)            |
| GROSS PROFIT                                  |      | <u>2,316</u>                | <u>1,776</u>                |
| Distribution costs                            |      | (478)                       | (385)                       |
| Administrative expenses                       |      | (852)                       | (683)                       |
| Interest receivable and similar income        |      | 37                          | 12                          |
| Interest payable and similar charges          | 3    | (9)                         | (16)                        |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 4    | <u>1,014</u>                | <u>704</u>                  |
| Tax on profit on ordinary activities          | 7    | (358)                       | (184)                       |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION  | 8    | <u>656</u>                  | <u>520</u>                  |
| Dividends                                     | 9    | (50)                        | (43)                        |
| RETAINED PROFIT FOR THE FINANCIAL YEAR        | 18   | <u>606</u>                  | <u>477</u>                  |

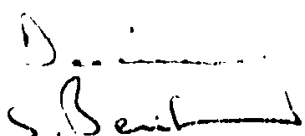
COVRAD HEAT TRANSFER LIMITED  
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

AT 2nd JULY 1989

|  | Note | 1989           |              | 1988           |              |
|--|------|----------------|--------------|----------------|--------------|
|  |      | £'000          | £'000        | £'000          | £'000        |
| <b>FIXED ASSETS</b>  |      |                |              |                |              |
| Tangible assets  | 10   |                | 787          |                | 404          |
| <b>CURRENT ASSETS</b>  |      |                |              |                |              |
| Stocks   | 12   | 1,697          |              | 1,360          |              |
| Debtors  | 13   | 2,904          |              | 1,935          |              |
| Cash at bank and in hand                                       |      | 192            |              | 666            |              |
|  |      | <u>4,793</u>   |              | <u>3,961</u>   |              |
| <b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>          | 14   | <u>(2,168)</u> |              | <u>(1,887)</u> |              |
| <b>NET CURRENT ASSETS</b>                                      |      |                | <u>2,625</u> |                | <u>2,074</u> |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |      |                | 3,412        |                | 2,478        |
| <b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b> | 15   |                | (40)         |                | (48)         |
| <b>PROVISIONS FOR LIABILITIES AND CHARGES</b>                  | 16   |                | <u>(507)</u> |                | <u>(170)</u> |
| <b>NET ASSETS</b>  |      |                | <u>2,865</u> |                | <u>2,260</u> |
| <b>CAPITAL AND RESERVES</b>                                    |      |                |              |                |              |
| Called up share capital  | 17   |                | 268          |                | 268          |
| Share premium account  |      |                | 362          |                | 362          |
| Capital reserve  |      |                | 1,392        |                | 1,392        |
| Profit and loss account  | 18   |                | <u>843</u>   |                | <u>238</u>   |
|  |      |                | <u>2,865</u> |                | <u>2,260</u> |

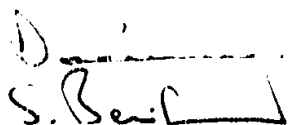
These accounts were approved by the board of directors on 9th October 1989.


 )  
 ) DIRECTORS  
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COVPAK HEAT TRANSFER LIMITEDBALANCE SHEETAT 2nd JULY 1989

|  | Note | <u>1989</u>    |              | <u>1988</u>    |              |
|--|------|----------------|--------------|----------------|--------------|
|  |      | <u>£'000</u>   | <u>£'000</u> | <u>£'000</u>   | <u>£'000</u> |
| <b>FIXED ASSETS</b>  |      |                |              |                |              |
| Tangible assets  | 10   |                | 781          |                | 404          |
| Investments  | 11   |                | 45           |                | -            |
|  |      |                | <u>826</u>   |                | <u>404</u>   |
| <b>CURRENT ASSETS</b>  |      |                |              |                |              |
| Stocks   | 12   | 1,687          |              | 1,360          |              |
| Debtors  | 13   | 2,901          |              | 1,935          |              |
| Cash at bank and in hand                                       |      | <u>182</u>     |              | <u>666</u>     |              |
|  |      | 4,770          |              | 3,961          |              |
| <b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>          | 14   | <u>(2,184)</u> |              | <u>(1,887)</u> |              |
| <b>NET CURRENT ASSETS</b>                                      |      |                | <u>2,586</u> |                | <u>2,074</u> |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |      |                | <u>3,412</u> |                | <u>2,478</u> |
| <b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b> | 15   |                | (40)         |                | (48)         |
| <b>PROVISIONS FOR LIABILITIES AND CHARGES</b>                  | 16   |                | (507)        |                | (170)        |
|  |      |                | <u>2,865</u> |                | <u>2,260</u> |
| <b>CAPITAL AND RESERVES</b>                                    |      |                |              |                |              |
| Called up share capital  | 17   |                | 268          |                | 268          |
| Share premium account  |      |                | 362          |                | 362          |
| Profit and loss account  | 18   |                | <u>843</u>   |                | <u>238</u>   |
|  |      |                | 1,473        |                | 868          |
| <b>Loan from subsidiary company</b>                            | 19   |                | <u>1,392</u> |                | <u>1,392</u> |
|  |      |                | <u>2,865</u> |                | <u>2,260</u> |

These accounts were approved by the board of directors on 9th October 1989.


 ) DIRECTORS



GOVRAD HEAT TRANSFER LIMITED  
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 2nd JULY 1989

|   | <u>1989</u>  | <u>1988</u>  |
|---|--------------|--------------|
|   | <u>£'000</u> | <u>£'000</u> |
| <b>SOURCE OF FUNDS</b>  |              |              |
| Profit on ordinary activities before taxation                     | 1,014        | 704          |
| Adjustment for items not involving the movement of funds:         |              |              |
| Depreciation  | 172          | 148          |
| Profit on sale of tangible fixed assets                           | (2)          | (8)          |
|   | <u>170</u>   | <u>140</u>   |
| <b>FUNDS GENERATED FROM OPERATIONS</b>                            | <u>1,184</u> | <u>844</u>   |
| <b>FUNDS FROM OTHER SOURCES</b>                                   |              |              |
| Proceeds of sale of tangible fixed assets                         | 7            | 28           |
|   | <u>1,191</u> | <u>872</u>   |
| <b>APPLICATION OF FUNDS</b>                                       |              |              |
| Purchase of tangible fixed assets                                 | 554          | 145          |
| Dividends paid  | 57           | -            |
| Tax paid  | 21           | -            |
| Purchase of subsidiary MRF Radiator Services Limited (see page 9) | 45           | -            |
| Decrease in creditors falling due after more than one year        | 8            | 98           |
|   | <u>(685)</u> | <u>(243)</u> |
| <b>INCREASE IN WORKING CAPITAL</b>                                | <u>506</u>   | <u>629</u>   |
| <b>COMPONENTS OF INCREASE IN WORKING CAPITAL</b>                  |              |              |
| Increase in stocks  | 324          | 175          |
| Increase/(decrease) in debtors                                    | 937          | (124)        |
| Increase in creditors   | (264)        | (528)        |
|   | <u>997</u>   | <u>(477)</u> |
| <b>Movement in net liquid funds:</b>                              |              |              |
| (Decrease)/increase in bank balance                               | (491)        | 1,107        |
| Decrease in cash in hand  | -            | (1)          |
|   | <u>506</u>   | <u>629</u>   |

COVRAD HEAT TRANSFER LIMITED  
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 2nd JULY 1989  
 (continued)

Analysis of acquisition of M.R.F. Radiator Services Limited

|                     | <u>£'000</u> |               | <u>£'000</u> |
|---------------------|--------------|---------------|--------------|
| Net assets acquired |              | Discharged by |              |
| Fixed assets        | 6            | Cash paid     | 45           |
| Goodwill            | 1            |               |              |
| Stocks              | 13           |               |              |
| Debtors             | 32           |               |              |
| Cash                | 17           |               |              |
| Creditors           | (23)         |               |              |
| Taxation            | (1)          |               |              |
|                     | <u>45</u>    |               | <u>45</u>    |

COVRAD HEAT TRANSFER LIMITED  
AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 2nd JULY 1989

1. Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's accounts:

(a) Accounting convention

The accounts are prepared under the historical cost convention.

(b) Basis of consolidation

The group accounts incorporate the accounts of Covrad Heat Transfer Limited and its subsidiary companies drawn up to 2nd July 1989.

No profit and loss account is presented for the parent company as permitted by Section 228(7) of the Companies Act 1985. Goodwill arising on acquisition of subsidiaries is written off against reserves in the year of acquisition.

(c) Depreciation

Depreciation is provided to write off the cost of tangible fixed assets over their anticipated useful lives as follows:

|                       |  |
|-----------------------|--|
| Plant and machinery   | 10% of cost per annum                          |
| Jigs and patterns     | 33 $\frac{1}{3}$ % of cost per annum           |
| Fixtures and fittings | 10% of cost per annum                          |
| Office equipment      | 20% of cost per annum                          |
| Motor vehicles        | 33 $\frac{1}{3}$ % of net book value per annum |

(d) Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. In respect of work in progress and finished goods cost includes all direct costs of production and the appropriate proportion of production overheads.

(e) Pensions

The group operates a contributory pension scheme, the funds of which are administered by trustees and are independent of the group's assets. The scheme is fully funded with contributions paid in accordance with the recommendations of independent actuaries and are charged against profits in the year in which they are made.

(f) Research and development

Research and development expenditure is charged against profits in the year in which it is incurred.

GOVRAD HEAT TRANSFER LIMITED  
AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 2nd JULY 1989  
(continued)

1. Principal accounting policies (continued)

(g) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences, to the extent that it is probable that liabilities will crystallise in the foreseeable future. The provision is calculated at the rates of taxation at which such liabilities are expected to crystallise.

(h) Leasing

Where plant and machinery or office equipment items are acquired under leasing arrangements which give rights approximating to ownership i.e. finance leases, the fair value of such assets is included in tangible assets. Depreciation is provided at the rates set out in note 1(c). The capital element of the future obligation to the leasing companies is treated as a liability and the interest element is charged to the profit and loss account over the period of the lease.

Operating lease rental costs are charged to the profit and loss account as incurred.

2. Turnover

Turnover represents amounts invoiced by the group in respect of goods and services provided during the year, excluding value added tax. The analysis of turnover by geographical area is as follows:

|                | <u>1989</u><br><u>£'000</u> | <u>1988</u><br><u>£'000</u> |
|----------------|-----------------------------|-----------------------------|
| U.K.           | 11,208                      | 8,913                       |
| EEC            | 180                         | 229                         |
| Rest of Europe | 89                          | 47                          |
| Africa         | 12                          | 34                          |
| American       | 25                          | 24                          |
| Rest of World  | 699                         | 280                         |
|                | <u>12,213</u>               | <u>9,527</u>                |

In the opinion of the directors only one class of business exists.

GOVRAD HEAT TRANSFER LIMITED  
AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 2nd JULY 1989  
(continued)

3. Interest payable and similar charges

|                     | <u>1989</u>  | <u>1988</u>  |
|---------------------|--------------|--------------|
|                     | <u>£'000</u> | <u>£'000</u> |
| On bank overdraft   | 1            | 10           |
| On directors' loans | 8            | 6            |
|                     | <u>9</u>     | <u>16</u>    |

4. Profit on ordinary activities before taxation

The following have been charged/(credited) in arriving at the profit on ordinary activities before taxation:

|   | <u>1989</u>  | <u>1988</u>  |
|---|--------------|--------------|
|   | <u>£'000</u> | <u>£'000</u> |
| Depreciation of tangible fixed assets:      |              |              |
| Owned                                       | 149          | 138          |
| Held under finance leases                   | 23           | 10           |
| Directors' emoluments (see note 6)          | 204          | 139          |
| Auditors' remuneration and expenses         | 16           | 13           |
| Profit on disposal of tangible fixed assets | (2)          | (8)          |
| Interest on finance leases                  | 9            | 6            |
| Operating lease rentals:                    |              |              |
| Hire of plant and equipment                 | 17           | 15           |
| Land and buildings                          | 51           | 51           |

5. Employee costs

The average number of persons employed by the group (including directors) during the year was as follows:

|                                       | <u>1989</u>   | <u>1988</u>   |
|---------------------------------------|---------------|---------------|
|                                       | <u>Number</u> | <u>Number</u> |
| Administration (including management) | 31            | 30            |
| Production and sales staff            | 270           | 229           |
|                                       | <u>301</u>    | <u>259</u>    |

COVRAD HEAT TRANSFER LIMITED  
AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 2nd JULY 1989  
(continued)

5. Employee costs (continued)

The aggregate payroll costs of these persons were as follows:

|                       | <u>1989</u><br><u>£'000</u> | <u>1988</u><br><u>£'000</u> |
|-----------------------|-----------------------------|-----------------------------|
| Wages and salaries    | 3,401                       | 2,437                       |
| Social security costs | 261                         | 177                         |
| Other pension costs   | 282                         | 153                         |
|                       | <u>3,944</u>                | <u>2,767</u>                |

6. Directors' emoluments

|                                     | <u>1989</u><br><u>£'000</u> | <u>1988</u><br><u>£'000</u> |
|-------------------------------------|-----------------------------|-----------------------------|
| Remuneration for executive services | 171                         | 120                         |
| Fees                                | 6                           | 6                           |
| Pension contributions               | 27                          | 13                          |
|                                     | <u>204</u>                  | <u>139</u>                  |

The directors' remuneration shown above  
(excluding pension contributions) included:

|                                    | <u>£'000</u> | <u>£'000</u> |
|------------------------------------|--------------|--------------|
| Chairman and highest paid director | 50           | 37           |

Range of emoluments of other directors:

|                   | <u>Number</u> | <u>Number</u> |
|-------------------|---------------|---------------|
| £0 - £5,000       | 1             | 2             |
| £25,001 - £30,000 | -             | 3             |
| £35,001 - £40,000 | 2             | -             |
| £40,001 - £45,000 | 1             | -             |

7. Taxation on profit on ordinary activities

|  | <u>1989</u><br><u>£'000</u> | <u>1988</u><br><u>£'000</u> |
|--|-----------------------------|-----------------------------|
| Corporation tax at 35% based on the<br>profit for the year | 2                           | -                           |
| Deferred taxation (note 16)                                | 356                         | 184                         |
|  | <u>358</u>                  | <u>184</u>                  |

COVRAD HEAT TRANSFER LIMITED  
AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 2nd JULY 1989  
(continued)

8. Profit for the financial year

Profit for the financial year includes £654,234 relating to the parent company.

9. Dividends

|   | <u>1989</u><br><u>£'000</u> | <u>1988</u><br><u>£'000</u> |
|---|-----------------------------|-----------------------------|
| Fixed dividend paid and proposed on convertible redeemable preference shares  | 28                          | 28                          |
| Participating dividend proposed on convertible redeemable preference shares at 8.52p per share (1988: 5.7p per share) | 22                          | 15                          |
|   | <u>50</u>                   | <u>43</u>                   |

10. Tangible fixed assets

|                       | <u>Plant and<br/>machinery</u><br><u>£'000</u> | <u>Fixtures,<br/>fittings,<br/>tools and<br/>equipment</u><br><u>£'000</u> | <u>Motor<br/>vehicles</u><br><u>£'000</u> | <u>Total</u><br><u>£'000</u> |
|-----------------------|--|--|---|------------------------------|
| (a) <u>Group</u>      |  |  |   |                              |
| <u>Cost</u>           |  |  |   |                              |
| At 3rd July 1988      | 2,384  | 341  | 15  | 2,740                        |
| Additions             | 548  | 6  | -   | 554                          |
| On acquisition        | 15   | -  | 9   | 24                           |
| Disposals             | -  | -  | (24)                                      | (24)                         |
| At 2nd July 1989      | <u>2,947</u>                                   | <u>347</u>   | <u>-</u>                                  | <u>3,294</u>                 |
| <u>Depreciation</u>   |  |  |   |                              |
| At 3rd July 1988      | 2,048  | 277  | 11  | 2,336                        |
| Charge for the year   | 150  | 21   | 1   | 172                          |
| On acquisition        | 11   | -  | 7   | 18                           |
| Disposals             | -  | -  | (19)                                      | (19)                         |
| At 2nd July 1989      | <u>2,209</u>                                   | <u>298</u>   | <u>-</u>                                  | <u>2,507</u>                 |
| <u>Net book value</u> |  |  |   |                              |
| At 2nd July 1989      | <u>738</u>                                     | <u>49</u>  | <u>-</u>                                  | <u>787</u>                   |
| At 3rd July 1988      | <u>336</u>                                     | <u>64</u>  | <u>4</u>                                  | <u>404</u>                   |

COVRAD HEAT TRANSFER LIMITED  
AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 2nd JULY 1989  
(continued)

10. Tangible fixed assets (continued)

|                       | Plant and<br>machinery<br>£'000 | Fixtures,<br>fittings,<br>tools and<br>equipment<br>£'000 | Motor<br>vehicles<br>£'000 | Total<br>£'000 |
|-----------------------|---------------------------------|---|----------------------------|----------------|
| (b) <u>Company</u>    |                                 |   |                            |                |
| <u>Cost</u>           |                                 |   |                            |                |
| At 3rd July 1988      | 2,384                           | 341   | 15                         | 2,740          |
| Additions             | 545                             | 6   | -                          | 551            |
| Disposals             | -                               | -   | (15)                       | (15)           |
|                       | <hr/>                           | <hr/>   | <hr/>                      | <hr/>          |
| At 2nd July 1989      | 2,929                           | 347   | -                          | 3,276          |
|                       | <hr/>                           | <hr/>   | <hr/>                      | <hr/>          |
| <u>Depreciation</u>   |                                 |   |                            |                |
| At 3rd July 1988      | 2,048                           | 277   | 11                         | 2,336          |
| Charge for the year   | 149                             | 21  | -                          | 170            |
| Disposals             | -                               | -   | (11)                       | (11)           |
|                       | <hr/>                           | <hr/>   | <hr/>                      | <hr/>          |
| At 2nd July 1989      | 2,197                           | 298   | -                          | 2,495          |
|                       | <hr/>                           | <hr/>   | <hr/>                      | <hr/>          |
| <u>Net book value</u> |                                 |   |                            |                |
| At 2nd July 1989      | 732                             | 49  | -                          | 781            |
|                       | <hr/>                           | <hr/>   | <hr/>                      | <hr/>          |
| At 3rd July 1988      | 336                             | 64  | 4                          | 404            |
|                       | <hr/>                           | <hr/>   | <hr/>                      | <hr/>          |

Land and buildings are currently leased from Armstrong Equipment PLC. Under the terms of the management buyout agreement, the company has an option to purchase at market value the freehold site in Sir Henry Parkes Road, Coventry, at any time before 19th March 1992, upon giving six months notice.

The net book value of fixed assets of £781,301 includes an amount of £71,195 in respect of assets held under finance leases.

11. Investments (held as fixed assets)

|                       | Shares<br>in group<br>companies<br>£ |
|-----------------------|--------------------------------------|
| Cost at 3rd July 1988 | 2                                    |
| Additions             | 45,000                               |
|                       | <hr/>                                |
| At 2nd July 1989      | 45,002                               |
|                       | <hr/>                                |



COVRAD HEAT TRANSFER LIMITED  
AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 2nd JULY 1989  
(continued)

11. Investments (held as fixed assets) (continued)

On 27th January 1989 the company acquired the entire issued share capital consisting of 100 £1 ordinary shares of MRF Radiator Services Limited. The company is incorporated in England and its principal activities during the year have been as factors, sub-contract assemblers, and repairers of radiators and the manufacturers of vehicle registration plates.

12. Stocks

|                                     | <u>1989</u>  |                | <u>1988</u>              |
|-------------------------------------|--------------|----------------|--------------------------|
|                                     | <u>Group</u> | <u>Company</u> | <u>Group and company</u> |
|                                     | <u>£'000</u> | <u>£'000</u>   | <u>£'000</u>             |
| Raw materials and consumables       | 781          | 781            | 689                      |
| Work in progress                    | 733          | 733            | 460                      |
| Finished goods and goods for resale | 183          | 173            | 211                      |
|                                     | <u>1,697</u> | <u>1,687</u>   | <u>1,360</u>             |

13. Debtors

|                                | <u>1989</u>  |                | <u>1988</u>              |
|--------------------------------|--------------|----------------|--------------------------|
|                                | <u>Group</u> | <u>Company</u> | <u>Group and company</u> |
|                                | <u>£'000</u> | <u>£'000</u>   | <u>£'000</u>             |
| Trade debtors                  | 2,762        | 2,753          | 1,872                    |
| Amount owed by group companies | -            | 8              | -                        |
| Prepayments and accrued income | 142          | 140            | 63                       |
|                                | <u>2,904</u> | <u>2,901</u>   | <u>1,935</u>             |

COVRAD HEAT TRANSFER LIMITED  
AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 2nd JULY 1989  
 (continued)

14. Creditors' Amounts falling due within one year

|  | <u>1989</u>  |                | <u>1988</u>              |
|--|--------------|----------------|--------------------------|
|  | <u>Group</u> | <u>Company</u> | <u>Group and company</u> |
|  | <u>£'000</u> | <u>£'000</u>   | <u>£'000</u>             |
| Trade creditors  | 1,261        | 1,256          | 989                      |
| Amount owed to directors                               | 53           | 53             | 81                       |
| Other creditors including taxation and social security | 470          | 465            | 447                      |
| Accruals and deferred income                           | 348          | 346            | 327                      |
| Proposed dividends                                     | 36           | 36             | 43                       |
| Amounts owed to group companies                        | -            | 28             | -                        |
|  | <u>2,168</u> | <u>2,184</u>   | <u>1,887</u>             |

The amount owed to directors comprise unsecured loans.

Other creditors including taxation and social security comprises:

|                                  | <u>1989</u>  |                | <u>1988</u>              |
|----------------------------------|--------------|----------------|--------------------------|
|                                  | <u>Group</u> | <u>Company</u> | <u>Group and company</u> |
|                                  | <u>£'000</u> | <u>£'000</u>   | <u>£'000</u>             |
| Corporation tax                  | 15           | 12             | 14                       |
| Other taxes                      | 222          | 230            | 218                      |
| Social security                  | 43           | 43             | 39                       |
| Other creditors                  | 170          | 170            | 158                      |
| Obligations under finance leases | 20           | 20             | 18                       |
|                                  | <u>470</u>   | <u>465</u>     | <u>447</u>               |

COVRAD HEAT TRANSFER LIMITED  
AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 2nd JULY 1989  
(continued)

15. Creditors: Amounts falling due after more than one year

|   | <u>1989</u>  |                | <u>1988</u>              |
|---|--------------|----------------|--------------------------|
|   | <u>Group</u> | <u>Company</u> | <u>Group and company</u> |
|   | <u>£'000</u> | <u>£'000</u>   | <u>£'000</u>             |
| Obligations under finance leases  | 40           | 40             | 48                       |
| The obligations under finance leases falling due after more than one year are as follows: |              |                |                          |
| Between one and five years  | 40           | 40             | 48                       |

16. Provisions for liabilities and charges

Deferred taxation

|                          | <u>Group and company</u> |
|--------------------------|--------------------------|
|                          | <u>£'000</u>             |
| Balance at 3rd July 1988 | 170                      |
| Charge for the year      | 356                      |
| Recoverable ACT          | (17)                     |
| Income tax suffered      | (2)                      |
| Balance at 2nd July 1989 | 507                      |

The group and the company may have unrelieved trading losses available to offset against future trading profits subject to agreement with the Inland Revenue.

The amounts provided and the full potential liability for deferred taxation at 35% are as follows:

|   | <u>1989</u>            |                                 | <u>1988</u>            |                                 |
|---|------------------------|---------------------------------|------------------------|---------------------------------|
|   | <u>Amount provided</u> | <u>Full potential liability</u> | <u>Amount provided</u> | <u>Full potential liability</u> |
|   | <u>£'000</u>           | <u>£'000</u>                    | <u>£'000</u>           | <u>£'000</u>                    |
| Accelerated capital allowances and other timing differences | 526                    | 526                             | 170                    | 170                             |
| Recoverable ACT   | (19)                   | (19)                            | -                      | -                               |
|   | <u>507</u>             | <u>507</u>                      | <u>170</u>             | <u>170</u>                      |

COVRAD HEAT TRANSFER LIMITED  
AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 2nd JULY 1989  
(continued)

17. Called up share capital

|  | <u>1989</u>    |                | <u>1988</u>              |
|--|----------------|----------------|--------------------------|
|  | <u>Group</u>   | <u>Company</u> | <u>Group and company</u> |
|  | <u>£</u>       | <u>£</u>       | <u>£</u>                 |
| Authorized:  |                |                |                          |
| 100,000 ordinary shares of £1 each                           | 100,000        | 100,000        | 100,000                  |
| 48,360 'A' ordinary shares of £1 each                        | 48,360         | 48,360         | 48,360                   |
| 255,000 Convertible redeemable preference shares of 50p each | 127,500        | 127,500        | 127,500                  |
| 1 'Gresham' ordinary share of £1                             | 1              | 1              | 1                        |
|  | <u>275,861</u> | <u>275,861</u> | <u>275,861</u>           |
| Allotted, called up and fully paid:                          |                |                |                          |
| Ordinary shares of £1 each                                   | 100,000        | 100,000        | 100,000                  |
| 'A' ordinary shares of £1 each                               | 40,300         | 40,300         | 40,300                   |
| Convertible redeemable preference shares of 50p each         | 127,500        | 127,500        | 127,500                  |
| 'Gresham' ordinary share of £1                               | 1              | 1              | 1                        |
|  | <u>267,801</u> | <u>267,801</u> | <u>267,801</u>           |

The convertible redeemable preference shares are entitled to a fixed and participating dividend and can be converted into 'B' ordinary shares of 50p each by giving written notice to the company accompanied by the share certificate relating to them.

As stated in the Articles of Association 3(f), should Wren Investments Limited cease to have any beneficial interest in the preference share capital and the 'B' ordinary share capital of the company, 'Gresham' ordinary share shall be converted into an ordinary share and be offered at par to the chairman for the time being of the directors of the company.

The company has granted Gresham an option to subscribe for and be issued 8,060 'A' ordinary shares at a price of £8.56 per share. The option may be exercised in whole or part and from time to time by notice in writing to the company before 19th March 1992.

COVRAD HEAT TRANSFER LIMITED  
AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 2nd JULY 1989  
(continued)

18. Profit and loss account

|   | <u>Group</u><br><u>£'000</u> | <u>Company</u><br><u>£'000</u> |
|---|------------------------------|--------------------------------|
| As at 3rd July 1988   | 238                          | 238                            |
| Retained profit for the financial year                        | 606                          | 605                            |
| Write off of goodwill arising on acquisition<br>of subsidiary | (1)                          | -                              |
| As at 2nd July 1989   | <u>843</u>                   | <u>843</u>                     |

19. Loan from subsidiary company

The loan from the company's subsidiary represents an unsecured loan note created when the business was acquired by the management. The loan note bears no interest and the directors do not envisage repayment of the loan in the foreseeable future.

20. Commitments

- (a) Capital commitments at 3rd July 1989, for which no provision has been made in these accounts, were as follows:

|                               | <u>1989</u>                  | <u>1988</u>                    |
|-------------------------------|------------------------------|--------------------------------|
|                               | <u>Group</u><br><u>£'000</u> | <u>Company</u><br><u>£'000</u> |
| Authorised and contracted for | -                            | 154                            |

- (b) At 3rd July 1989 the group and company had annual commitments under non-cancellable operating leases as follows:

|                            | <u>Land and<br/>buildings</u><br><u>£'000</u> | <u>Other<br/>operating<br/>leases</u><br><u>£'000</u> |
|----------------------------|---|---|
| Lease expires:             |   |   |
| Within one year            | -   | 2   |
| Between one and five years | 54  | -   |
|                            | <u>54</u>                                     | <u>2</u>  |

21. Guarantees

The company has guaranteed the bank overdraft of its wholly owned subsidiary, Covrad Dravo Limited. The bank overdraft at 2nd July 1989 was £Nil (1988: £Nil).