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ARTHUR  
ANDERSEN  
& CO

T.H.K. INSULATION LIMITED

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(formerly Industrial and Contracting Equipment Limited)

ACCOUNTS -- 31 DECEMBER 1984

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

T.H.K. INSULATION LIMITED  
(formerly Industrial and Contracting Equipment Limited)

DIRECTORS' REPORT

FOR THE PERIOD FROM INCORPORATION (2 AUGUST 1983) TO 31 DECEMBER 1984

The directors present their annual report on the affairs of the Company, together with the accounts and auditors' report for the period from incorporation (2 August 1983) to 31 December 1984.

**PRINCIPAL ACTIVITY AND BUSINESS REVIEW:**

From the date of its incorporation on 2 August 1983, when it was known as Industrial and Contracting Equipment Limited, to 3 January 1984 the Company did not trade. On 3 January 1984 the Company purchased the trade and assets of the T.H.K. Insulations division of International Paint P.L.C. for a cash consideration of £87,251 and commenced to trade.

The principal activity of the Company following this purchase was the stripping or application of insulation.

On 12 January 1984 the Company changed its name to T.H.K. Insulation Limited.

From the commencement of trading to 31 December 1984 the Company's turnover and profit was £1,161,388 and £18,482 respectively. No dividends are recommended.

The directors feel that they are well placed to take advantage of market conditions.

**DIRECTORS AND THEIR INTERESTS:**

The directors of the Company during the period, and their interests at the period end, were -

	<u>Number of</u> <u>£1 Ordinary Shares</u>
H. Gillan (appointed 29 December 1983)	15,000
M. Merrey (appointed 29 December 1983)	5,000
E.D. McGhee (appointed 2 August 1983)	-
J. Hughes (appointed 2 August 1983, resigned 27 December 1983)	-

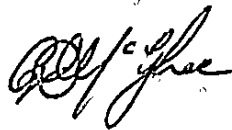
**TANGIBLE FIXED ASSETS:**

Information relating to changes in tangible fixed assets is given in Note 7 to the accounts.

**AUDITORS:**

The directors will place a resolution before the Annual General Meeting to re-appoint Arthur Andersen & Co. as auditors for the ensuing year.

BY ORDER OF THE BOARD,

A handwritten signature in dark ink, appearing to read 'E.D. McGhee', is written over the printed name.

**E.D. McGhee**  
Secretary

12 August 1985

ARTHUR ANDERSEN & Co.

EXPRESS BUILDINGS  
17 UPPER PARLIAMENT STREET  
NOTTINGHAM NG1 2AP

To the Members of T.H.K. INSULATION LIMITED:

We have audited the accompanying accounts in accordance with approved Auditing Standards.

In our opinion, the accounts, which have been prepared under the historical cost convention, give a true and fair view of the state of affairs of the Company at 31 December 1984 and of the profit and source and application of funds for the period then ended, and comply with the Companies Act 1985.

*Arthur Andersen & Co*

12 August 1985

T.H.K INSULATION LIMITED  
(formerly Industrial and Contracting Equipment Limited)

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM INCORPORATION (2 AUGUST 1983) TO 31 DECEMBER 1984

	<u>Notes</u>	
TURNOVER		£ 1,161,388
Cost of Sales		(866,577)
		<hr/>
GROSS PROFIT		294,811
Other operating expenses (net)	2	(255,261)
		<hr/>
OPERATING PROFIT		39,550
Interest payable and similar charges	3	(1,421)
		<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	38,129
Tax on profit on ordinary activities	6	(19,647)
		<hr/>
PROFIT AFTER TAXATION FOR THE PERIOD RETAINED		£ 18,482
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The accompanying notes are an integral part of this profit and loss account.

There are no comparative amounts since the Company commenced trading on 3 January 1984.

T.H.K. INSULATION LIMITED  
(formerly Industrial and Contracting Equipment Limited)

BALANCE SHEET — 31 DECEMBER 1984

	<u>Notes</u>	
TANGIBLE FIXED ASSETS	7	£ 58,673
CURRENT ASSETS		
Stocks	8	30,326
Debtors	9	246,054
Cash		750
		<u>277,130</u>
CREDITORS: amounts falling due within one year	10	(277,674)
NET CURRENT LIABILITIES		<u>(544)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		58,129
PROVISION FOR LIABILITIES AND CHARGES	11	(19,647)
NET ASSETS		<u>£ 38,482</u>
CAPITAL AND RESERVES		
Called-up share capital	12	£ 20,000
Profit and loss account		18,482
TOTAL CAPITAL EMPLOYED		<u>£ 38,482</u>

SIGNED ON BEHALF OF THE BOARD

..... *A. E. Olan* ..... )  
 ..... *M. McCreary* ..... ) Directors

12 August 1985

The accompanying notes are an integral part of this balance sheet.

There are no comparative amounts since the Company was incorporated on 2 August 1983.

T.H.K. INSULATION LIMITED  
(formerly Industrial and Contracting Equipment Limited)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE PERIOD FROM INCORPORATION (2 AUGUST 1983) TO 31 DECEMBER 1984

**SOURCE OF FUNDS**

Profit after taxation	£ 18,482
Adjustment for items not involving the movement of funds -	
Depreciation	7,239
Deferred taxation	19,647
	<hr/>
Total funds from operations	45,368
Net book value of tangible fixed assets retired	1,461
Proceeds from issue of ordinary shares	20,000
Increase in net current liabilities, as shown below	64,795
	<hr/>
	£ 131,624
	<hr/>

**APPLICATION OF FUNDS**

Assets purchased at commencement of trade, as shown below	£ 87,251
Purchase of tangible fixed assets	44,373
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	£ 131,624
	<hr/>

**INCREASE (DECREASE) IN NET CURRENT LIABILITIES**

Stocks	£ (8,667)
Debtors	(89,731)
Creditors: amounts falling due within one year	145,849
	<hr/>
	47,451

Movement in net liquid funds -	(750)
Cash at bank and in hand	18,094
Bank overdraft	
	<hr/>
	£ 64,795
	<hr/>

**ASSETS PURCHASED AT COMMENCEMENT OF TRADE**

Tangible fixed assets	£ 23,000
Stocks	21,659
Debtors	156,323
Creditors: amounts falling due within one year	(113,731)
	<hr/>
	£ 87,251
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Discharged by:	£ 87,251
Cash	<hr/>

The accompanying notes are an integral part of this statement.

There are no comparative amounts since the Company commenced trading on 3 January 1984.

T.H.K. INSULATION LIMITED  
(formerly Industrial and Contracting Equipment Limited)

NOTES TO ACCOUNTS — 31 DECEMBER 1984

1 ACCOUNTING POLICIES:

The principal accounting policies are as follows -

a) Basis of accounting

The accounts have been prepared under the historical cost convention.

b) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost (less estimated residual value) of each asset on a straight-line basis over its estimated useful life as follows -

Plant and equipment	-	15% per annum
Motor vehicles	-	25% per annum

c) Stocks

Stocks are stated at the lower of cost and net realisable value.

Cost incurred in bringing stocks to their present location and condition is based on:

Raw materials	-	purchase cost on a first-in, first-out basis, including transport
Work-in-progress and finished goods	-	cost of direct materials and labour plus an appropriate proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

d) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation represents the amount required to allow for the effect of certain items of income and expense, primarily depreciation, being attributable for tax purposes to periods different from those in which credits or charges are recorded in the accounts, and is computed using the liability method, whereby such taxation is determined by applying the rate of tax applicable at the time the liability is expected to crystallise.

e) Turnover

Turnover comprises the value of sales of goods and services in the normal course of business.



2 OTHER OPERATING EXPENSES (NET):

Selling and marketing costs	£ 65,544
Administrative expenses	190,784
	<u>256,328</u>
Other operating income	(1,067)
	<u>£ 255,261</u>

3 INTEREST PAYABLE AND SIMILAR CHARGES:

On overdrafts and other loans	£ 1,421
	<u>-----</u>

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

Profit on ordinary activities before taxation is stated after charging -

Depreciation	£ 7,239
Hire of plant and equipment	35,015
Auditors' remuneration	3,500
Staff costs (Note 5)	694,132
	<u>-----</u>

5 STAFF COSTS:

Employee costs during the period were -

Wages and salaries	£ 619,245
Social security costs	56,058
Other pension costs	18,829
	<u>£ 694,132</u>

The average weekly number of persons employed by the Company during the period since commencement of trading was as follows -

Production	54
Sales and administration	11
	<u>-----</u>

The employee costs shown above include the following remuneration in respect of directors of the Company -

Remuneration for management services	£ 61,281
	<u>-----</u>

The directors' remuneration shown above, excluding pension contributions, included -

Chairman and highest-paid director	£ 35,000
	<u>-----</u>

Other directors received emoluments, excluding pension contributions, in the range-

£ 0 - £ 5,000	2
£20,001 - £25,000	1
	<u>---</u>

A fee of £11,053 was paid for the services of E.D. McGhee to J.F. Miller and Co., a company in which E.D. McGhee is a partner.

6 TAX ON PROFIT ON ORDINARY ACTIVITIES:

The tax charge is based on profits for the period and represents deferred taxation arising from capital allowances.

7 TANGIBLE FIXED ASSETS:

a) The movement in the period was as follows -

	<u>Motor vehicles</u>	<u>Plant and equipment</u>	<u>Total</u>
<b>COST</b>			
Beginning of period	£ -	£ -	£ -
Additions	30,808	36,565	67,373
Disposals	(500)	(1,075)	(1,575)
	<hr/>	<hr/>	<hr/>
End of period	£ 30,308	£ 35,490	£ 65,798
	<hr/>	<hr/>	<hr/>
<b>DEPRECIATION</b>			
Beginning of period	£ -	£ -	£ -
Charge	2,676	4,563	7,239
Disposals	-	(114)	(114)
	<hr/>	<hr/>	<hr/>
End of period	£ 2,676	£ 4,449	£ 7,125
	<hr/>	<hr/>	<hr/>
<b>NET BOOK VALUE</b>			
end of period	£ 27,632	£ 31,041	£ 58,673
	<hr/>	<hr/>	<hr/>

b) There were no capital commitments at 31 December 1984.

c) Certain motor vehicles are being acquired under hire purchase transactions.

8 STOCKS:

Raw materials	£ 8,426
Work-in-progress	28,684
Progress payments received	(6,784)
	<hr/>
	£ 30,326
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In the opinion of the directors, the replacement cost of stocks at 31 December 1984 was substantially the same as the balance sheet values.

9 DEBTORS:

The following are included in the net book value of debtors, all amounts falling due within one year -

Trade debtors	£ 240,875
Prepayments and accrued income	5,179
	<hr/>
	£ 246,054
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10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR:

The following amounts are included in creditors falling due within one year -

Bank overdraft	£ 18,094
Trade creditors	50,955
Payments received on account	20,835
VAT	17,964
Social security and PAYE	31,469
Other creditors	23,107
Accruals and deferred income	115,250
	<hr/>
	£ 277,674
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The Company has a bank overdraft facility of £100,000 secured by a fixed and floating charge over all the Company's assets.

11 PROVISION FOR LIABILITIES AND CHARGES:

Provision for liabilities and charges represents full provision for deferred taxation in accordance with the accounting policy in Note 1d), and is attributable in the main to the excess of tax allowances over book depreciation of fixed assets.

12 CALLED-UP SHARE CAPITAL:

The Company has authorised, allotted, called-up and fully paid share capital of 20,000 ordinary shares of £1 each.