

ARTHUR  
ANDERSEN  
& CO

T.H.K. INSULATION LIMITED  
=====

ACCOUNTS -- 31 DECEMBER 1985

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

ARTHUR  
ANDERSEN  
& CO

T.H.K. INSULATION LIMITED

ACCOUNTS --- 31 DECEMBER 1985

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

T.H.K. INSULATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1985

The directors present their annual report on the affairs of the Company, together with the accounts and auditors' report for the year ended 31 December 1985.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW:

The principal activity of the Company continues to be the stripping or application of insulation.

Turnover for the year was £1,060,971 (prior period - £1,161,388) and profit before tax was £64,869 (prior period - £38,129).

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

As explained more fully in Note 9, the Company invested in a subsidiary, Gilmer International Limited, during the year. However, as losses have been incurred since incorporation the investment has been written down to a nominal value at the year end.

RESULTS AND DIVIDENDS:

The Company's results and dividends are as follows -

Retained profit at beginning of year	£18,482
Profit for the year after tax	27,416
Ordinary dividend proposed of 106.5 p per share	(21,300)
	-----
Retained profit at end of year	£24,598
	=====

DIRECTORS AND THEIR INTERESTS:

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

	<u>Number of £1 Ordinary Shares</u>
H. Gillan	15,000
M. Merrey	5,000
E.D. McGhee	-

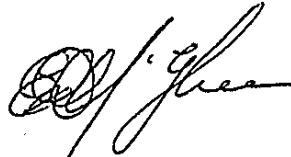
TANGIBLE FIXED ASSETS:

Information relating to changes in tangible fixed assets is given in Note 8 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', written in a cursive style.

E.D. McGhee  
Secretary

5 September 1986

# 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, set out on pages 4 to 11, 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 1985 and of the profit and source and application of funds for the year then ended, and comply with the Companies Act 1985.

*Arthur Andersen & Co.*

5 September 1986

T.H.K. INSULATION LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1985

	<u>Notes</u>	<u>Year ended</u> <u>31 December</u> <u>1985</u>	<u>From incorporation</u> <u>(2 August 1983)</u> <u>to 31 December</u> <u>1984</u>
TURNOVER		£1,060,971	£1,161,388
Cost of sales		(681,515)	(866,577)
GROSS PROFIT		379,456	294,811
Other operating expenses (net)	2	(314,587)	(255,261)
OPERATING PROFIT		64,869	39,550
Interest payable and similar charges	3	-	(1,421)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	64,869	38,129
Tax on profit on ordinary activities	6	(37,453)	(19,647)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR		27,416	18,482
DIVIDEND PROPOSED	7	(21,300)	-
RETAINED PROFIT FOR THE YEAR		6,116	18,482
RETAINED PROFIT BEGINNING OF YEAR		18,482	-
RETAINED PROFIT END OF YEAR		£ 24,598	£ 18,482

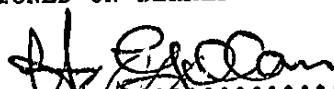

The accompanying notes are an integral part of this profit and loss account.

T.H.K. INSULATION LIMITED

BALANCE SHEET -- 31 DECEMBER 1985

	<u>Notes</u>	<u>1985</u>	<u>1984</u>
<b>FIXED ASSETS</b>			
Tangible assets	8	£ 82,779	£ 58,673
Investments	9	1	-
		<u>82,780</u>	<u>58,673</u>
<b>CURRENT ASSETS</b>			
Stocks	10	29,324	30,326
Debtors	11	201,329	246,054
Cash at bank and in hand		31,712	750
		<u>262,365</u>	<u>277,130</u>
CREDITORS: amounts falling due within one year	12	(286,547)	(277,674)
NET CURRENT LIABILITIES		<u>(24,182)</u>	<u>(544)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		58,598	58,129
PROVISION FOR LIABILITIES AND CHARGES	13	(14,000)	(19,647)
NET ASSETS		<u>£ 44,598</u>	<u>£ 38,482</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	14	£ 20,000	£ 20,000
Profit and loss account		24,598	18,482
TOTAL CAPITAL EMPLOYED		<u>£ 44,598</u>	<u>£ 38,482</u>

SIGNED ON BEHALF OF THE BOARD

 ..... )  
 ..... ) Directors

5 September 1986

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

T.H.K. INSULATION LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 DECEMBER 1985

SOURCE OF FUNDS	Year ended 31 December 1985	From incorporation (2 August 1983) to 31 December 1984
Profit after taxation	£ 27,416	£ 18,482
Adjustment for items not involving the movement of funds -		
Depreciation	16,874	7,239
Deferred taxation	( 5,647)	19,647
Write-off of investments	43,731	
	-----	-----
Total funds from operations	82,374	45,368
Net book value of tangible fixed assets retired	17	1,461
Proceeds from issue of ordinary shares	-	20,000
Increase in net current liabilities, as shown below	23,638	64,795
	-----	-----
	£ 106,029	£ 131,624
	=====	=====
APPLICATION OF FUNDS		
Assets purchased at commencement of trade, as shown below	£ -	£ 87,251
Purchase of tangible fixed assets	40,997	44,373
Investment in subsidiary	43,732	-
Dividend proposed	21,300	-
	-----	-----
	£ 106,029	£ 131,624
	=====	=====
INCREASE (DECREASE) IN NET CURRENT LIABILITIES		
Stocks	£ 1,002	£ (8,667)
Debtors	44,725	(89,731)
Creditors: amounts falling due within one year	26,967	145,849
	-----	-----
	72,694	47,451
Movement in net liquid funds -		
Cash at bank and in hand	(30,962)	(750)
Bank overdraft	(18,094)	18,094
	-----	-----
	£ 23,638	£ 64,795
	=====	=====
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)
	-----	-----
	£ -	87,251
	=====	=====
Discharged by:		
Cash	£ -	£ 87,251
	=====	=====

The accompanying notes are an integral part of this statement.



T.H.K. INSULATION LIMITED

NOTES TO ACCOUNTS -- 31 DECEMBER 1985

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 -

Office equipment	-	15% per annum
Motor vehicles	-	25% per annum
Plant and equipment	-	15% 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 (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated on the liability method. Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse. The amount of all deferred tax is shown in Note 13.

e) Turnover

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

2 OTHER OPERATING EXPENSES (NET)

	Year ended 31 December 1985	From incorporation (2 August 1983) to 31 December 1984
Selling and marketing costs	£ 71,989	£ 65,544
Administrative expenses	200,847	190,784
Write-off of investment in subsidiary (Note 9)	43,731	-
	-----	-----
	316,567	256,328
Other operating income	(1,980)	(1,067)
	-----	-----
	£ 314,587	£ 255,261
	=====	=====

3 INTEREST PAYABLE AND SIMILAR CHARGES:

On overdrafts and other loans	£ -	£ 1,421
	=====	=====

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

Profit on ordinary activities before taxation is stated after charging -

Depreciation	£ 16,874	£ 7,239
Hire of plant and equipment	24,602	35,015
Auditors' remuneration	4,000	3,500
Staff costs (Note 5)	628,091	694,132
	=====	=====

5 STAFF COSTS:

Employee costs during the period were -

Wages and salaries	£ 519,961	£ 619,245
Social security costs	46,989	56,058
Other pension costs	61,141	18,829
	-----	-----
	£ 628,091	£ 694,132
	=====	=====

The average weekly number of persons employed by the Company during the year was as follows -

Production	44	54
Sales and administration	11	11
	=====	=====

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

Remuneration for management services	£ 102,112	£ 61,281
	=====	=====

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

Chairman and highest-paid director	£ 31,623	£ 35,000
	=====	=====

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

£ 0 - £ 5,000	1	2
£15,001 - £20,000	1	-
£20,001 - £25,000	-	1
	=====	=====

Fees of £11,008 (prior period - £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 profit for the year and comprises -

	31 December 1985	From incorporation (2 August 1983) to 31 December 1984
Corporation tax at small companies rate	£ 43,100	£ -
Deferred tax arising (reversing) in relation to capital allowances	(5,647)	19,647
	<u>£ 37,453</u>	<u>£ 19,647</u>
	=====	=====

7 DIVIDENDS PAID AND PROPOSED:

First and final dividend proposed of 106.5p (prior period - nil) per share	£ 21,300	£ -
	=====	=====

8 TANGIBLE FIXED ASSETS:

a) The movement in the year was as follows -

	<u>Office equipment</u>	<u>Motor vehicles</u>	<u>Plant and equipment</u>	<u>Total</u>
<b>COST</b>				
Beginning of year	£ -	£ 30,308	£ 35,490	£ 65,798
Additions	237	36,853	3,907	40,997
Disposals	-	(300)	-	(300)
Transfer	11,771		(11,771)	-
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
End of year	£ 12,008	£ 66,861	£ 27,626	£ 106,495
	=====	=====	=====	=====
<b>DEPRECIATION</b>				
Beginning of year	£ -	£ 2,676	£ 4,449	£ 7,125
Charge	1,640	11,934	3,300	16,874
Disposals	-	(283)	-	(283)
Transfer	850	-	(850)	-
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
End of year	£ 2,490	£ 14,327	£ 6,899	£ 23,716
	=====	=====	=====	=====
<b>NET BOOK VALUE</b>				
Beginning of year	£ -	£ 27,632	£ 31,041	£ 58,673
	=====	=====	=====	=====
End of year	£ 9,518	£ 52,534	£ 20,727	£ 82,779
	=====	=====	=====	=====

b) There were no capital commitments at 31 December 1985.

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

9 INVESTMENTS:

During the year the Company subscribed for the whole of the share capital of Gilmer International Limited, a company registered in England and engaged in the manufacture of intermediate bulk containers. However, as losses have been recorded since incorporation, the directors are of the opinion that the investment is of minimal value. Accordingly it has been written down to a nominal value.

Investment in subsidiary comprises -

	<u>1985</u>	<u>1984</u>
Shares at cost	£ 5,000	£ -
Loan to subsidiary	20,000	-
Trading account with subsidiary	18,732	-
	<u>43,732</u>	<u>-</u>
Amounts written-off		
- shares	(5,000)	-
- loan and trading account	(38,731)	-
	<u>£ 1</u>	<u>£ -</u>
	<u>=====</u>	<u>=====</u>

Consolidated accounts have not been prepared as, in the opinion of the directors, they would be of no benefit to the shareholders of T.H.K. Insulation Limited.

10 STOCKS:

	<u>1985</u>	<u>1984</u>
Raw materials	£ 10,641	£ 8,426
Work-in-progress	29,683	28,684
Progress payments received	(11,000)	(6,784)
	<u>£ 29,324</u>	<u>£ 30,326</u>
	<u>=====</u>	<u>=====</u>

In the opinion of the directors, the replacement cost of stocks at 31 December 1985 and 1984 was substantially the same as the balance sheet values.

11 DEBTORS:

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

	<u>1985</u>	<u>1984</u>
Trade debtors	£198,502	£240,875
Prepayments and accrued income	2,827	5,179
	<u>£201,329</u>	<u>£246,054</u>
	<u>=====</u>	<u>=====</u>

12 ( EDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR:

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

	<u>1985</u>	<u>1984</u>
Bank overdraft (secured)	£ -	£ 18,094
Trade creditors	51,349	50,955
Corporation tax	43,100	-
Payments received on account	8,165	20,835
VAT	19,668	17,964
Social security and PAYE	15,844	31,469
Other creditors	34,490	23,107
Accruals and deferred income	92,631	115,250
Proposed dividend	21,300	-
	<u>£ 286,547</u>	<u>£ 277,674</u>

The Company has a bank overdraft facility of £100,000 secured by a fixed and floating charge over all the Company's assets.

13 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 to the excess of tax allowances over book depreciation of fixed assets.

14 CALLED-UP SHARE CAPITAL:

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