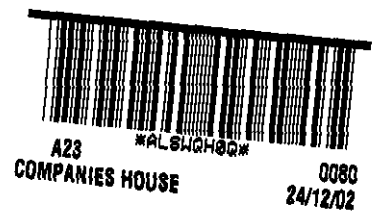


Company Registration No. 2212132 (England and Wales)

**THERMAL ENGINEERING PLC**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 MAY 2002**



# THERMAL ENGINEERING PLC

## DIRECTORS AND ADVISERS

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**Directors**

J.G. Milton  
T.P. Milton  
S. Ireland  
P. Knight  
J.R. Jenkins

(Appointed 1 November 2001)

**Secretary**

A P Wilson

**Company number**

2212132

**Registered office**

10 College Road  
Harrow  
Middlesex  
HA1 1DN

**Registered auditors**

Alliotts  
10 College Road  
Harrow  
Middlesex  
HA1 1DN

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# THERMAL ENGINEERING PLC

## CONTENTS

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	Page
Directors' report	1 - 3
Auditors' report	4
Consolidated profit and loss account	5
Balance sheets	6
Consolidated cash flow statement	7
Notes to the consolidated cash flow statement	8
Notes to the financial statements	9 - 22

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# **THERMAL ENGINEERING PLC**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2002**

---

The directors present their report and financial statements for the year ended 31 May 2002.

### **Directors**

The following directors have held office since 1 June 2001:

J.G. Milton

T.P. Milton

J.R. Rowse

(Resigned 9 August 2002)

S. Ireland

P. Knight

(Appointed 1 November 2001)

J.R. Jenkins

### **Principal activities and review of the business**

The principal activity of the company continued to be that of thermal engineering.

Turnover declined in the year. The directors are satisfied with the group's progress and state of affairs. 2003 is anticipated to be a year of consolidation rather than expansion.

### **Results and dividends**

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

### **Market value of land and buildings**

In the opinion of the directors the market value of land and buildings exceeds the current net book value.

### **Group research and development activities**

The group continues to monitor all pertinent developments within the industry and adds to its own product range whenever possible.

### **The Euro**

The company continues to monitor the effects on its business of the introduction of the Single European Currency, the Euro.

# THERMAL ENGINEERING PLC

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2002

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### Directors' interests

The directors' interests in the shares of the company and other group companies were as stated below:

#### Thermal Engineering Plc

	Ordinary shares of £ 1 each	
	31 May 2002	1 June 2001
J.G. Milton	7,538	7,538
T.P. Milton	475	475
J.R. Rowse	-	-
S. Ireland	-	-
P. Knight	-	-
J.R. Jenkins	903	903

	Non-voting shares of £ 1 each	
	31 May 2002	1 June 2001
J.G. Milton	28,037	28,037
T.P. Milton	2,310	2,310
J.R. Rowse	-	-
S. Ireland	102	102
P. Knight	-	-
J.R. Jenkins	4,346	4,346

#### Raymond Harrison Limited

	Ordinary shares of £ 1 each	
	31 May 2002	1 June 2001
S. Ireland	-	-
J.R. Jenkins	-	-
J.G. Milton	-	-
T.P. Milton	-	-

#### Micro Sheet Metals Limited

	Ordinary shares of £ 1 each	
	31 May 2002	1 June 2001
S. Ireland	-	-
J.R. Jenkins	-	-
J.G. Milton	-	-
T.P. Milton	-	-

### Creditor payment policy

The group does not follow any specified code or standard on payment practice. However in the absence of dispute, amounts due to trade and other suppliers are settled as expeditiously as possible within their terms of payment. Trade creditors have been settled within 89 days (2001 73 days).

### Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Alliotts be reappointed as auditors of the company will be put to the Annual General Meeting.

# THERMAL ENGINEERING PLC

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2002

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### Directors' responsibilities

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 group and of the profit or loss of the group 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



J.G. Milton

Director



# THERMAL ENGINEERING PLC

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THERMAL ENGINEERING PLC

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We have audited the financial statements of Thermal Engineering plc on pages 5 to 22 for the year ended 31 May 2002. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

### Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities on page 3 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of 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 and the group'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 and the group's affairs as at 31 May 2002 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Alliotts

Chartered Accountants  
Registered Auditor

23rd December 2002

10 College Road  
Harrow  
Middlesex  
HA1 1DN

# THERMAL ENGINEERING PLC

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MAY 2002

	Notes	2002 £	2001 £
Turnover	2	8,669,823	10,148,164
Cost of sales		(5,956,432)	(7,141,262)
<b>Gross profit</b>		2,713,391	3,006,902
Distribution costs		(169,521)	(166,199)
Administrative expenses		(1,972,468)	(1,795,462)
<b>Operating profit</b>	3	571,402	1,045,241
Other interest receivable and similar income		10,924	2,572
Interest payable and similar charges	4	(170,384)	(216,785)
<b>Profit on ordinary activities before taxation</b>		411,942	831,028
Tax on profit on ordinary activities	5	(116,901)	(227,545)
<b>Profit on ordinary activities after taxation</b>		295,041	603,483

The profit and loss account has been prepared on the basis that all operations are continuing operations.

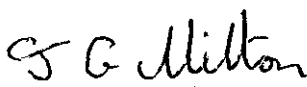
There are no recognised gains and losses other than those passing through the profit and loss account.

# THERMAL ENGINEERING PLC


## BALANCE SHEETS AS AT 31 MAY 2002

		Group		Company	
	Notes	2002	2001	2002	2001
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	8	3,137,336	3,193,783	2,986,713	3,043,962
Investments	9	-	-	238,234	238,234
		<u>3,137,336</u>	<u>3,193,783</u>	<u>3,224,947</u>	<u>3,282,196</u>
<b>Current assets</b>					
Stocks	10	763,917	696,553	723,004	638,246
Debtors	11	2,419,785	2,477,331	2,303,155	2,391,972
Cash at bank and in hand		283	285,070	150	239,419
		<u>3,183,985</u>	<u>3,458,954</u>	<u>3,026,309</u>	<u>3,269,637</u>
<b>Creditors: amounts falling due within one year</b>	12	(2,529,962)	(2,712,643)	(2,442,358)	(2,611,244)
<b>Net current assets</b>		<u>654,023</u>	<u>746,311</u>	<u>583,951</u>	<u>658,393</u>
<b>Total assets less current liabilities</b>		<u>3,791,359</u>	<u>3,940,094</u>	<u>3,808,898</u>	<u>3,940,589</u>
<b>Creditors: amounts falling due after more than one year</b>	13	(682,028)	(1,116,980)	(664,765)	(1,105,666)
<b>Provisions for liabilities and charges</b>	14	(164,032)	(172,856)	(164,032)	(172,856)
		<u>2,945,299</u>	<u>2,650,258</u>	<u>2,980,101</u>	<u>2,662,067</u>
<b>Capital and reserves</b>					
Called up share capital	16	43,711	43,711	43,711	43,711
Other reserves	17	6,289	6,289	6,289	6,289
Profit and loss account	17	2,895,299	2,600,258	2,930,101	2,612,067
<b>Shareholders' funds - equity interests</b>	18	<u>2,945,299</u>	<u>2,650,258</u>	<u>2,980,101</u>	<u>2,662,067</u>

The financial statements were approved by the board on 21 November 2002



J.G. Milton  
Director



S. Ireland  
Director

# THERMAL ENGINEERING PLC

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2002

	2002		2001	
	£	£	£	£
Net cash inflow from operating activities		506,668		2,281,869
Returns on investments and servicing of finance				
Interest received	10,924		2,572	
Interest paid	(170,384)		(216,785)	
Net cash outflow for returns on investments and servicing of finance		(159,460)		(214,213)
Taxation		(162,008)		(52,115)
Capital expenditure				
Payments to acquire tangible assets	(392,317)		(706,012)	
Receipts from sales of tangible assets	10,129		-	
Net cash outflow for capital expenditure		(382,188)		(706,012)
Net cash (outflow)/inflow before management of liquid resources and financing		(196,988)		1,309,529
Financing				
New hire purchase contracts	100,785		383,188	
Other new short term loans	22,857		-	
Repayment of long term bank loan	(172,426)		(138,316)	
Capital element of hire purchase contracts	(387,642)		(381,039)	
Net cash outflow from financing		(436,426)		(136,167)
Decrease in cash in the year		(633,414)		1,173,362

# THERMAL ENGINEERING PLC

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2002

1 Reconciliation of operating profit to net cash inflow from operating activities		2002	2001
		£	£
Operating profit		571,402	1,045,241
Depreciation of tangible assets		437,523	399,290
Loss on disposal of tangible assets		1,112	-
(Increase)/decrease in stocks		(67,364)	121,122
Decrease in debtors		57,546	363,918
(Decrease)/Increase in creditors within one year		(493,551)	352,298
<b>Net cash inflow from operating activities</b>		<b>506,668</b>	<b>2,281,869</b>

2 Analysis of net debt	1 June 2001	Cash flow	Other non-cash changes	31 May 2002
	£	£	£	£
Net cash:				
Cash at bank and in hand	285,070	(284,787)	-	283
Bank overdrafts	-	(348,627)	-	(348,627)
	<u>285,070</u>	<u>(633,414)</u>	<u>-</u>	<u>(348,344)</u>
Finance leases	(1,157,120)	387,642	(100,785)	(870,263)
Debts falling due within one year	(134,529)	-	(22,857)	(157,386)
Debts falling due after one year	(358,484)	149,569	22,857	(186,058)
	<u>(1,650,133)</u>	<u>537,211</u>	<u>(100,785)</u>	<u>(1,213,707)</u>
<b>Net debt</b>	<b>(1,365,063)</b>	<b>(96,203)</b>	<b>(100,785)</b>	<b>(1,562,051)</b>

3 Reconciliation of net cash flow to movement in net debt		2002	2001
		£	£
(Decrease)/increase in cash in the year		(633,414)	1,173,362
Cash outflow from decrease in debt		537,211	519,355
Change in net debt resulting from cash flows		(96,203)	1,692,717
New finance lease		(100,785)	(383,188)
<b>Movement in net debt in the year</b>		<b>(196,988)</b>	<b>1,309,529</b>
Opening net debt		(1,365,063)	(2,674,592)
<b>Closing net debt</b>		<b>(1,562,051)</b>	<b>(1,365,063)</b>

# THERMAL ENGINEERING PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2002

---

### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

#### 1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

#### 1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 May 2002. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

#### 1.4 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

#### 1.5 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life.

#### 1.6 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

#### 1.7 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	2% on cost on freehold buildings
Land and buildings Leasehold	2% on cost and over the lease term
Plant and machinery	20% on net book value
Office equipment	15% on net book value and 25% on cost
Motor vehicles	33% on net book value

No depreciation is provided in respect of freehold land. The estimated residual value of the freehold land is such that any depreciation charge would be immaterial.

#### 1.8 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

# THERMAL ENGINEERING PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2002

### 1 Accounting policies

(continued)

#### 1.9 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

#### 1.10 Stock

Stock and work in progress are valued at the lower of cost and net realisable value.

#### 1.11 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

#### 1.12 Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value as the company does not intend to sell the revalued assets.

The above amounts to a change in accounting policy. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future.

#### 1.13 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

### 2 Turnover

The total turnover of the group for the year has been derived from its principal activity.

#### Segmental analysis by geographical area

The analysis by geographical area of the group's turnover is set out as below:

	2002	2001
	£	£
<b>Geographical segment</b>		
United Kingdom	8,455,285	9,927,695
European Community	199,811	202,542
Rest of World	14,727	17,927
	<u>8,669,823</u>	<u>10,148,164</u>

The information required by Statement of Standard Accounting Practice 25 'Segmental Reporting' has not been disclosed due to the fact that the company does not have more than one significant class of business or geographical market.

# THERMAL ENGINEERING PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2002

<b>3</b>	<b>Operating profit</b>	<b>2002</b>	<b>2001</b>
		<b>£</b>	<b>£</b>
	Operating profit is stated after charging:		
	Depreciation of tangible assets	437,523	399,290
	Research and development	31,776	83,253
	Operating lease rentals		
	- Plant and machinery	130,729	171,186
	- Other assets	94,760	91,191
	Auditors' remuneration (company £12,000; 2001: £12,000)	12,000	12,000
	Remuneration of auditors for non-audit work	21,030	31,500
		<u>          </u>	<u>          </u>
<b>4</b>	<b>Interest payable</b>	<b>2002</b>	<b>2001</b>
		<b>£</b>	<b>£</b>
	On bank loans and overdrafts	230	29,230
	On other loans wholly repayable within 5 years	26,984	48,816
	Hire purchase interest	109,106	92,375
	Other loan interest accrued	34,064	46,364
		<u>          </u>	<u>          </u>
		170,384	216,785
		<u>          </u>	<u>          </u>

# THERMAL ENGINEERING PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2002

### 5 Taxation

	£	£
<b>Domestic current year tax</b>		
U.K. corporation tax	125,725	208,492
<b>Current tax charge</b>	125,725	208,492
<b>Deferred tax</b>		
Deferred tax charge/credit current year	(8,824)	19,053
	116,901	227,545
<b>Factors affecting the tax charge for the year</b>		
Profit on ordinary activities before taxation	411,942	831,028
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.26% (2001 : 29.81%)	116,415	247,729
Effects of:		
Non deductible expenses	1,795	412
Depreciation	124,439	121,429
Capital allowances	(112,420)	(149,048)
Tax losses utilised	7,673	4,223
Other tax adjustments	(12,177)	(16,253)
	9,310	(39,237)
<b>Current tax charge</b>	125,725	208,492

### 6 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows:

	2002 £	2001 £
Holding company's profit for the financial year	318,034	609,521

# THERMAL ENGINEERING PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2002

---

### 7 Intangible fixed assets

#### Group

#### Goodwill

£

#### Cost

At 1 June 2001 & at 31 May 2002

402

#### Amortisation

At 1 June 2001 & at 31 May 2002

402

#### Net book value

At 31 May 2002

-

At 31 May 2001

-

# THERMAL ENGINEERING PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2002

### 8 Tangible fixed assets Group

	Land and buildings Freehold	Land and buildings Leasehold	Plant and machinery	Office equipment	Motor vehicles	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 June 2001	947,000	576,169	2,732,389	105,822	240,883	4,602,263
Additions	80,961	30,655	145,279	48,077	87,345	392,317
Disposals	-	-	-	-	(43,930)	(43,930)
At 31 May 2002	1,027,961	606,824	2,877,668	153,899	284,298	4,950,650
<b>Depreciation</b>						
At 1 June 2001	3,586	100,648	1,115,529	53,311	135,406	1,408,480
On disposals	-	-	-	-	(32,689)	(32,689)
Charge for the year	4,837	12,353	345,151	24,837	50,345	437,523
At 31 May 2002	8,423	113,001	1,460,680	78,148	153,062	1,813,314
<b>Net book value</b>						
At 31 May 2002	1,019,538	493,823	1,416,988	75,751	131,236	3,137,336
At 31 May 2001	943,414	475,521	1,616,860	52,511	105,477	3,193,783

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery	Office equipment	Motor vehicles	Total
	£	£	£	£
<b>Net book values</b>				
At 31 May 2002	891,744	-	109,865	1,001,609
At 31 May 2001	1,011,901	5,421	98,297	1,115,619
<b>Depreciation charge for the year</b>				
31 May 2002	228,727	-	37,080	265,807
31 May 2001	259,705	5,436	42,338	307,479

# THERMAL ENGINEERING PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2002

### 8 Tangible fixed assets (continued)

#### Company

	Land and buildings Freehold £	Land and buildings Leasehold £	Plant and machinery £	Office equipment £	Motor vehicles £	Total £
<b>Cost</b>						
At 1 June 2001	947,000	571,574	2,540,244	105,822	231,744	4,396,384
Additions	80,961	30,655	113,257	48,077	87,345	360,295
Disposals	-	-	-	-	(35,330)	(35,330)
At 31 May 2002	1,027,961	602,229	2,653,501	153,899	283,759	4,721,349
<b>Depreciation</b>						
At 1 June 2001	3,586	96,053	1,073,204	53,311	126,268	1,352,422
On disposals	-	-	-	-	(24,090)	(24,090)
Charge for the year	4,837	12,353	313,932	24,837	50,345	406,304
At 31 May 2002	8,423	108,406	1,387,136	78,148	152,523	1,734,636
<b>Net book value</b>						
At 31 May 2002	1,019,538	493,823	1,266,365	75,751	131,236	2,986,713
At 31 May 2001	943,414	475,521	1,467,040	52,511	105,476	3,043,962

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery £	Office equipment £	Motor vehicles £	Total £
<b>Net book values</b>				
At 31 May 2002	847,833	-	109,865	957,698
At 31 May 2001	987,611	5,421	98,297	1,091,329
<b>Depreciation charge for the year</b>				
31 May 2002	223,348	-	37,080	260,428
31 May 2001	256,495	5,436	42,338	304,269

# THERMAL ENGINEERING PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2002

### 9 Fixed asset investments Company

	Shares in subsidiary undertakings £
<b>Cost</b>	
At 1 June 2001 & at 31 May 2002	238,234
At 31 May 2001	238,234

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

#### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
<b>Subsidiary undertakings</b>			
Raymond Harrison Limited	England	Ordinary	100
Micro Sheet Metals Limited	England	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows:

#### Principal activity

Raymond Harrison Limited	Toolmaking and precision engineering
Micro Sheet Metals Limited	Dormant

The most recent financial period end of the two subsidiaries was 31 May 2002. Raymond Harrison Limited recorded a loss of £22,993 and had retained capital and reserves of £58,903. Micro Sheet Metals Limited had retained capital and reserves of £144,529. Raymond Harrison Limited carries on the trade of toolmakers and precision engineers. Micro Sheet Metals Limited is dormant.

### 10 Stocks and work in progress

	Group 2002 £	2001 £	Company 2002 £	2001 £
Raw materials and consumables	349,117	320,407	349,117	298,681
Work in progress	390,765	376,146	373,887	339,565
Finished goods and goods for resale	24,035	-	-	-
	<u>763,917</u>	<u>696,553</u>	<u>723,004</u>	<u>638,246</u>

# THERMAL ENGINEERING PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2002

### 11 Debtors

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Trade debtors	2,322,042	2,445,880	2,215,107	2,354,217
Amounts owed by group undertakings	-	-	20,000	20,000
Other debtors	20,002	-	20,002	-
Prepayments and accrued income	77,741	31,451	48,046	17,755
	<u>2,419,785</u>	<u>2,477,331</u>	<u>2,303,155</u>	<u>2,391,972</u>

### 12 Creditors : amounts falling due within one year

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Bank loans and overdrafts	506,013	134,529	501,956	134,529
Net obligations under finance lease and hire purchase contracts	374,293	398,624	357,742	389,573
Trade creditors	680,748	739,952	637,744	666,820
Corporation tax	132,316	168,599	132,316	168,599
Taxes and social security costs	117,978	269,393	103,617	256,746
Other creditors	353,531	391,892	352,531	390,892
Accruals and deferred income	365,083	609,654	356,452	604,085
	<u>2,529,962</u>	<u>2,712,643</u>	<u>2,442,358</u>	<u>2,611,244</u>

# THERMAL ENGINEERING PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2002

### 13 Creditors : amounts falling due after more than one year

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Bank loans	186,058	358,484	186,058	358,484
Net obligations under finance leases and hire purchase agreements	495,970	758,496	478,707	747,182
	<u>682,028</u>	<u>1,116,980</u>	<u>664,765</u>	<u>1,105,666</u>
<b>Analysis of loans</b>				
Wholly repayable within five years	343,444	493,013	343,444	493,013
Included in current liabilities	(157,386)	(134,529)	(157,386)	(134,529)
	<u>186,058</u>	<u>358,484</u>	<u>186,058</u>	<u>358,484</u>
<b>Loan maturity analysis</b>				
In more than one year but not more than two years	134,529	134,529	134,529	134,529
In more than two years but not more than five years	51,529	223,955	51,529	223,955
	<u>186,058</u>	<u>358,484</u>	<u>186,058</u>	<u>358,484</u>
<b>Net obligations under finance leases and hire purchase contracts</b>				
Repayable within one year	391,757	443,570	372,874	433,132
Repayable between one and five years	632,410	933,134	612,911	920,087
Repayable after five years	-	9,234	-	9,234
	<u>1,024,167</u>	<u>1,385,938</u>	<u>985,785</u>	<u>1,362,453</u>
Finance charges and interest allocated to future accounting periods	(153,904)	(228,818)	(149,336)	(225,698)
	<u>870,263</u>	<u>1,157,120</u>	<u>836,449</u>	<u>1,136,755</u>
Included in liabilities falling due within one year	(374,293)	(398,624)	(357,742)	(389,573)
	<u>495,970</u>	<u>758,496</u>	<u>478,707</u>	<u>747,182</u>

# THERMAL ENGINEERING PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2002

### 14 Provisions for liabilities and charges Group

	Deferred taxation £
Balance at 1 June 2001	172,856
Profit and loss account	(8,824)
	<u>164,032</u>
Balance at 31 May 2002	<u>164,032</u>

### Company

Balance at 1 June 2001	172,856
Profit and loss account	(8,824)
	<u>164,032</u>
Balance at 31 May 2002	<u>164,032</u>

Deferred taxation provided in the financial statements is as follows:

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Accelerated capital allowances	<u>164,032</u>	<u>172,856</u>	<u>164,032</u>	<u>172,856</u>

### 15 Pension costs

#### Defined contribution

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.

	2002 £	2001 £
Contributions payable by the company for the year	<u>36,043</u>	<u>31,012</u>

# THERMAL ENGINEERING PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2002

16 Share capital	2002 £	2001 £
<b>Authorised</b>		
460,000 Ordinary shares of £ 1 each	460,000	460,000
40,000 Non-voting shares of £ 1 each	40,000	40,000
	<u>500,000</u>	<u>500,000</u>
<b>Allotted, called up and fully paid</b>		
8,916 Ordinary shares of £ 1 each	8,916	8,916
34,795 Non-voting shares of £ 1 each	34,795	34,795
	<u>43,711</u>	<u>43,711</u>

The Ordinary non-voting £1 shares rank pari passu with the Ordinary £1 shares except for voting rights.

### 17 Statement of movements on reserves Group

	Other reserves £	Profit and loss account £
Balance at 1 June 2001	6,289	2,600,258
Retained profit for the year	-	295,041
	<u>6,289</u>	<u>2,895,299</u>
Balance at 31 May 2002	<u>6,289</u>	<u>2,895,299</u>

#### Other reserves

##### Capital redemption reserve

Balance at 1 June 2001 & at 31 May 2002

6,289

#### Company

	Other reserves (see below) £	Profit and loss account £
Balance at 1 June 2001	6,289	2,612,067
Retained profit for the year	-	318,034
	<u>6,289</u>	<u>2,930,101</u>
Balance at 31 May 2002	<u>6,289</u>	<u>2,930,101</u>

#### Other reserves

##### Capital redemption reserve

Balance at 1 June 2001 & at 31 May 2002

6,289

# THERMAL ENGINEERING PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2002

18 Reconciliation of movements in shareholders' funds	2002		2001	
	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Profit for the financial year	295,041	603,483	318,034	609,521
Opening shareholders' funds	2,650,258	2,046,775	2,662,067	2,052,546
Closing shareholders' funds	2,945,299	2,650,258	2,980,101	2,662,067

### 19 Financial commitments

At 31 May 2002 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2002	2001	2002	2001
	£	£	£	£
Expiry date:				
Within one year	-	-	920	-
Between two and five years	90,000	60,300	63,454	63,454
	90,000	60,300	64,374	63,454

At 31 May 2002 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2002	2001	2002	2001
	£	£	£	£
Expiry date:				
Between two and five years	90,000	60,300	63,454	63,454

# THERMAL ENGINEERING PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2002

20 Directors' emoluments	2002 £	2001 £
Emoluments for qualifying services	439,104	445,989
Company pension contributions to money purchase schemes	16,998	8,614
	<u>456,102</u>	<u>454,603</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 5 (2001- 4).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	176,879	203,964
Company pension contributions to money purchase schemes	3,606	2,123
	<u>180,485</u>	<u>206,087</u>

### 21 Transactions with directors

The sum of £34,064 (2001 £46,364) has been accrued at the balance sheet date in respect of interest payable on directors' loans. This interest charge is included in Interest Payable and Similar Charges.

### 22 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was:

	2002 Number	2001 Number
Production	147	164
Administration	38	29
	<u>185</u>	<u>193</u>

#### Employment costs

	£	£
Wages and salaries	3,742,998	3,874,538
Social security costs	342,828	389,679
Other pension costs	36,043	31,012
	<u>4,121,869</u>	<u>4,295,229</u>

### 23 Control

The ultimate controlling party is J.G. Milton.