

Company Registration No. 2212132 (England and Wales)

**THERMAL ENGINEERING PLC**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MAY 2005**



# THERMAL ENGINEERING PLC

## COMPANY INFORMATION

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### Directors

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

### Secretary

A.P. Wilson

### Company number

2212132

### Registered office

10 College Road  
Harrow  
Middlesex  
HA1 1DN

### Auditors

Alliotts  
10 College Road  
Harrow  
Middlesex  
HA1 1DN

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# THERMAL ENGINEERING PLC

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# THERMAL ENGINEERING PLC

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2005

The directors present their report and financial statements for the year ended 31 May 2005.

### Principal activities and review of the business

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

Turnover grew in the year. The company commenced the building of its new purpose built factory in September 2004. Costs associated with this new factory build caused a reduction in profits in the year. The directors expect significantly improved production efficiencies once the new facility is brought into use in the coming year. Overall the directors are satisfied with the company's progress and state of affairs.

### Results and dividends

The results for the year are 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.

### Research and development

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

### Directors

The following directors have held office since 1 June 2004:

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

### Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 May 2005	1 June 2004
J.G. Milton	2,600	2,600
T.P. Milton	1,000	1,000
S. Ireland	300	300
J.R. Jenkins	1,000	1,000
P. Knight	-	-

	Non-voting shares of £ 1 each	
	31 May 2005	1 June 2004
J.G. Milton	8,000	8,000
T.P. Milton	4,400	4,400
S. Ireland	2,800	2,800
J.R. Jenkins	4,400	4,400
P. Knight	-	-

# THERMAL ENGINEERING PLC

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2005

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### Creditor payment policy

The company 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. On average, trade creditors at the year end represented 87 days purchases (2004 97 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.

### 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 profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



.....  
J.G. Milton

Director

21 December 2005

# **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 20 for the year ended 31 May 2005. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

### **Respective responsibilities of the directors and auditors**

As described in the statement of directors' responsibilities on page 2 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 or 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 audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

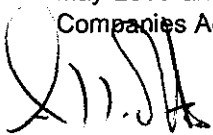
# THERMAL ENGINEERING PLC

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

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### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 May 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Alliotts

22 DECEMBER 2005

Chartered Accountants  
Registered Auditor

10 College Road  
Harrow  
Middlesex  
HA1 1DN

# THERMAL ENGINEERING PLC

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MAY 2005

	Notes	2005 £	2004 £
Turnover	2	8,564,502	8,509,438
Cost of sales		(6,409,254)	(5,858,470)
<b>Gross profit</b>		2,155,248	2,650,968
Distribution costs		(125,763)	(138,320)
Administrative expenses		(1,789,343)	(1,983,490)
<b>Operating profit</b>	3	240,142	529,158
Other interest receivable and similar income	4	22	1,560
Amounts written off investments	5	-	(96,536)
Interest payable and similar charges	6	(162,284)	(157,003)
<b>Profit on ordinary activities before taxation</b>		77,880	277,179
Tax on profit on ordinary activities	7	34,748	(30,737)
<b>Profit on ordinary activities after taxation</b>	17	112,628	246,442

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 SHEET AS AT 31 MAY 2005

	Notes	2005 £	£	2004 £	£
<b>Fixed assets</b>					
Tangible assets	8		5,194,429		2,795,943
<b>Current assets</b>					
Stocks	10	1,469,055		908,382	
Debtors	11	2,612,067		2,269,557	
Cash at bank and in hand		-		191,006	
			4,081,122		3,368,945
<b>Creditors: amounts falling due within one year</b>	12	(3,946,376)		(2,305,408)	
<b>Net current assets</b>			134,746		1,063,537
<b>Total assets less current liabilities</b>			5,329,175		3,859,480
<b>Creditors: amounts falling due after more than one year</b>	13		(2,353,419)		(961,367)
<b>Provisions for liabilities and charges</b>	14		(78,410)		(113,395)
			2,897,346		2,784,718
<b>Capital and reserves</b>					
Called up share capital	16		50,000		50,000
Share premium account	17		50,312		50,312
Other reserves	17		6,289		6,289
Profit and loss account	17		2,790,745		2,678,117
<b>Shareholders' funds - equity interests</b>	18		2,897,346		2,784,718

The financial statements were approved by the Board on 21-12-05



J.G. Milton  
Director



S. Ireland  
Director

# THERMAL ENGINEERING PLC

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2005

	£	2005 £	£	2004 £
<b>Net cash inflow from operating activities</b>		628,496		756,940
<b>Returns on investments and servicing of finance</b>				
Interest received	18		1,560	
Interest paid	(155,810)		(157,003)	
<b>Net cash outflow for returns on investments and servicing of finance</b>		(155,792)		(155,443)
<b>Taxation</b>		(11,403)		12
<b>Capital expenditure</b>				
Payments to acquire tangible assets	(2,724,973)		(234,213)	
Receipts from sales of tangible assets	2,500		2,853	
<b>Net cash outflow for capital expenditure</b>		(2,722,473)		(231,360)
<b>Net cash (outflow)/inflow before management of liquid resources and financing</b>		(2,261,172)		370,149
<b>Financing</b>				
New long term bank loan	1,569,481		880,000	
New hire purchase contracts	229,047		106,904	
Other new short term loans	445,000		120,000	
Repayment of long term bank loan	(53,563)		(102,574)	
Repayment of other short term loans			(146,928)	
Capital element of hire purchase contracts	(293,254)		(270,829)	
<b>Net cash inflow from financing</b>		1,896,711		586,573
<b>(Decrease)/increase in cash in the year</b>		(364,461)		956,722

# THERMAL ENGINEERING PLC

## NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2005

1	Reconciliation of operating profit to net cash inflow from operating activities	2005	2004
		£	£
	Operating profit	240,142	529,158
	Depreciation of tangible assets	320,560	333,418
	Loss on disposal of tangible assets	3,431	6,812
	Increase in stocks	(560,673)	(16,084)
	Increase in debtors	(342,510)	(27,203)
	Increase/(decrease) in creditors within one year	967,546	(69,161)
	<b>Net cash inflow from operating activities</b>	<b>628,496</b>	<b>756,940</b>

2	Analysis of net debt	1 June 2004	Cash flow	Other non-cash changes	31 May 2005
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	191,006	(191,006)	-	-
	Bank overdrafts	-	(173,455)	-	(173,455)
		<u>191,006</u>	<u>(364,461)</u>	<u>-</u>	<u>(173,455)</u>
	Bank deposits	-	-	-	-
	Debt:				
	Finance leases	(454,984)	293,254	(229,047)	(390,777)
	Debts falling due within one year	(120,000)	(445,000)	(167,766)	(732,766)
	Debts falling due after one year	(816,593)	(1,515,918)	167,766	(2,164,745)
		<u>(1,391,577)</u>	<u>(1,667,664)</u>	<u>(229,047)</u>	<u>(3,288,288)</u>
	<b>Net debt</b>	<b><u>(1,200,571)</u></b>	<b><u>(2,032,125)</u></b>	<b><u>(229,047)</u></b>	<b><u>(3,461,743)</u></b>

3	Reconciliation of net cash flow to movement in net debt	2005	2004
		£	£
	(Decrease)/increase in cash in the year	(364,461)	956,722
	Cash inflow from increase in debt and lease financing	(1,667,664)	(479,669)
	Change in net debt resulting from cash flows	(2,032,125)	477,053
	New finance lease	(229,047)	(106,904)
	<b>Movement in net debt in the year</b>	<b>(2,261,172)</b>	<b>370,149</b>
	Opening net debt	(1,200,571)	(1,570,720)
	<b>Closing net debt</b>	<b><u>(3,461,743)</u></b>	<b><u>(1,200,571)</u></b>

# **THERMAL ENGINEERING PLC**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2005**

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### **1 Accounting policies**

#### **1.1 Accounting convention**

The financial statements are prepared under the historical cost convention. These accounts are the individual company accounts. The group's subsidiary company Raymond Harrison Limited was non-trading when it went into creditors voluntary liquidation on 13 July 2004. The other subsidiary company Micro Sheet Metals Limited was dormant when it was struck from the companies register on 6 July 2004. Group accounts have not been prepared for the year ended 31 May 2005 on the grounds that the results and balance sheet carrying values of the subsidiary companies were immaterial at the point at which they were effectively disposed.

#### **1.2 Compliance with accounting standards**

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

#### **1.3 Turnover**

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

#### **1.4 Tangible fixed assets and depreciation**

Tangible fixed assets other than freehold land are stated at cost less depreciation. Finance costs are capitalised into the cost of new freehold buildings in so far as they relate specifically to the costs of a bank loan facility used to finance the construction. 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% or 33% 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.

#### **1.5 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.

#### **1.6 Stock and work in progress**

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

#### **1.7 Pensions**

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

# THERMAL ENGINEERING PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2005

### 1 Accounting policies

#### 1.8 Deferred taxation

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 intends to roll over the gains into the cost of the new factory that is under construction.

### 2 Turnover

#### Geographical market

	Turnover	
	2005	2004
	£	£
United Kingdom	7,401,064	7,269,556
European Community	1,091,314	1,223,636
Rest of the World	72,124	16,246
	<u>8,564,502</u>	<u>8,509,438</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.

### 3 Operating profit

	2005	2004
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	320,560	333,418
Loss on disposal of tangible assets	3,431	6,812
Operating lease rentals		
- Plant and machinery	74,397	78,979
- Other assets	93,032	86,546
Auditors' remuneration	12,600	12,000
Remuneration of auditors for non-audit work	32,092	33,338
	<u></u>	<u></u>

### 4 Investment income

	2005	2004
	£	£
Bank interest	18	1,560
	<u></u>	<u></u>

# THERMAL ENGINEERING PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2005

5	Amounts written off investments	2005 £	2004 £
	Amounts written off fixed asset investments:		
	- permanent diminution in value	-	96,536
6	Interest payable	2005 £	2004 £
	On bank loans and overdrafts	10,866	15,665
	On other loans wholly repayable within 5 years	-	2,884
	On loans repayable after 5 years	66,651	30,114
	Hire purchase interest	34,885	61,752
	On overdue tax	-	2,496
	On other loans	47,455	42,687
	Other interest	2,427	1,405
		162,284	157,003

# THERMAL ENGINEERING PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2005

7	Taxation	2005 £	2004 £
	<b>Domestic current year tax</b>		
	U.K. corporation tax	-	11,154
	Adjustment for prior years	237	-
		<hr/>	<hr/>
	<b>Current tax charge</b>	237	11,154
	<b>Deferred tax</b>		
	Deferred tax charge/credit current year	(34,985)	19,583
		<hr/>	<hr/>
		(34,748)	30,737
		<hr/>	<hr/>
	<b>Factors affecting the tax charge for the year</b>		
	Profit on ordinary activities before taxation	77,880	277,179
		<hr/>	<hr/>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2004: 19.00%)	14,797	52,664
		<hr/>	<hr/>
	Effects of:		
	Non deductible expenses	(9,520)	(30,676)
	Depreciation add back	61,559	64,644
	Capital allowances	(65,886)	(70,503)
	Adjustments to previous periods	237	-
	Other tax adjustments	(950)	(4,975)
		<hr/>	<hr/>
		(14,560)	(41,510)
		<hr/>	<hr/>
	<b>Current tax charge</b>	237	11,154
		<hr/>	<hr/>

# THERMAL ENGINEERING PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2005

### 8 Tangible fixed assets

	Land and buildings Freehold £	Land and buildings Leasehold £	Plant and machinery £	Office Equipment £	Motor vehicles £	Total £
<b>Cost</b>						
At 1 June 2004	1,701,832	45,525	2,965,847	184,157	195,964	5,093,325
Additions	2,474,205	-	208,041	6,469	36,262	2,724,977
Disposals	-	-	-	(4,500)	(37,830)	(42,330)
At 31 May 2005	4,176,037	45,525	3,173,888	186,126	194,396	7,775,972
<b>Depreciation</b>						
At 1 June 2004	145,161	16,120	1,896,477	140,190	99,434	2,297,382
On disposals	-	-	-	(4,125)	(32,274)	(36,399)
Charge for the year	18,931	3,855	245,893	18,531	33,350	320,560
At 31 May 2005	164,092	19,975	2,142,370	154,596	100,510	2,581,543
<b>Net book value</b>						
At 31 May 2005	4,011,945	25,550	1,031,518	31,530	93,886	5,194,429
At 31 May 2004	1,556,671	29,405	1,069,370	43,967	96,530	2,795,943

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 2005	505,455	5,597	83,293	594,345
At 31 May 2004	580,719	8,956	82,977	672,652
<b>Depreciation charge for the year</b>				
At 31 May 2005	116,630	3,358	25,711	145,699
At 31 May 2004	128,019	1,119	30,751	159,889

Freehold building additions of £2,474,205 includes capitalised finance costs of £59,541.



# THERMAL ENGINEERING PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2005

### 9 Fixed asset investments

	Shares in subsidiary undertakings £
<b>Cost</b>	
At 1 June 2004	238,234
Disposals	(238,234)
	<hr/>
At 31 May 2005	-
	<hr/>
<b>Provisions for diminution in value</b>	
At 1 June 2004	238,234
On disposals	(238,234)
	<hr/>
At 31 May 2005	-
	<hr/>
<b>Net book value</b>	
At 31 May 2005	-
	<hr/> <hr/>

Raymond Harrison Limited ceased trading in September 2003 and went into creditors voluntary liquidation on 13 July 2004. Micro Sheet Metals Limited had been dormant since the year 2000 and was struck from the companies' register on 6 July 2004. The company now has no subsidiary companies.

10 Stocks and work in progress	2005 £	2004 £
Raw materials and consumables	634,788	360,833
Work in progress	834,267	547,549
	<hr/>	<hr/>
	1,469,055	908,382
	<hr/> <hr/>	<hr/> <hr/>

11 Debtors	2005 £	2004 £
Trade debtors	2,423,496	2,178,207
Other debtors	58,852	43,920
Prepayments and accrued income	129,719	47,430
	<hr/>	<hr/>
	2,612,067	2,269,557
	<hr/> <hr/>	<hr/> <hr/>

# THERMAL ENGINEERING PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2005

12 Creditors: amounts falling due within one year	2005 £	2004 £
Bank loans and overdrafts	906,221	120,000
Net obligations under hire purchase contracts	202,103	310,210
Trade creditors	1,078,860	946,646
Amounts owed to subsidiary undertakings	-	5,673
Corporation tax	-	11,166
Other taxes and social security costs	101,094	224,491
Directors' current accounts	112,764	120,982
Other creditors	1,241,325	319,255
Accruals and deferred income	304,009	246,985
	<u>3,946,376</u>	<u>2,305,408</u>

Other creditors includes advances under Invoice Discounting of £899,467 secured upon the trade debtors to which they relate.

Other creditors includes Shareholders loans of £304,904 (2004 £287,917).

# THERMAL ENGINEERING PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2005

13 Creditors: amounts falling due after more than one year	2005 £	2004 £
Bank loans	2,164,745	816,593
Net obligations under hire purchase contracts	188,674	144,774
	<u>2,353,419</u>	<u>961,367</u>
<b>Analysis of loans</b>		
Not wholly repayable within five years by instalments:		
National Westminster Bank loan at 1.875% over base with monthly repayments over 8 years	883,030	936,593
National Westminster Bank loan at 1.6% over base with monthly repayments over 10 years	1,569,481	-
Wholly repayable within five years	445,000	-
	<u>2,897,511</u>	<u>936,593</u>
Included in current liabilities	(732,766)	(120,000)
	<u>2,164,745</u>	<u>816,593</u>
Instalments not due within five years	<u>1,013,680</u>	<u>216,593</u>
<b>Loan maturity analysis</b>		
In more than one year but not more than two years	287,766	120,000
In more than two years but not more than five years	863,299	480,000
In more than five years	<u>1,013,680</u>	<u>216,593</u>
The bank loans are secured by fixed and floating charges over all the assets of the company.		
<b>Net obligations under hire purchase contracts</b>		
Repayable within one year	219,836	345,771
Repayable between one and five years	264,100	197,474
	<u>483,936</u>	<u>543,245</u>
Finance charges and interest allocated to future accounting periods	(93,159)	(88,261)
	<u>390,777</u>	<u>454,984</u>
Included in liabilities falling due within one year	(202,103)	(310,210)
	<u>188,674</u>	<u>144,774</u>

# THERMAL ENGINEERING PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2005

### 14 Provisions for liabilities and charges

	Deferred tax liability £
Balance at 1 June 2004	113,395
Profit and loss account	(34,985)
Balance at 31 May 2005	<u>78,410</u>

The deferred tax liability is made up as follows:

	2005 £	2004 £
Accelerated capital allowances	<u>78,410</u>	<u>113,395</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. The pension cost charge represents contributions payable by the company to the fund. Contributions totalling £10,018 (2004- £nil) were payable to the fund at the year end and are included in creditors.

	2005 £	2004 £
Contributions payable by the company for the year	<u>30,709</u>	<u>38,535</u>

# THERMAL ENGINEERING PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2005

16 Share capital	2005 £	2004 £
<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>		
10,000 Ordinary shares of £1 each	10,000	10,000
40,000 Non-voting shares of £1 each	40,000	40,000
	<u>50,000</u>	<u>50,000</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

	Share premium account £	Other reserves (see below) £	Profit and loss account £
Balance at 1 June 2004	50,312	6,289	2,678,117
Retained profit for the year	-	-	112,628
	<u>50,312</u>	<u>6,289</u>	<u>2,790,745</u>
Balance at 31 May 2005			
<b>Other reserves</b>			
<b>Capital redemption reserve</b>			
Balance at 1 June 2004 & at 31 May 2005		6,289	

### 18 Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Profit for the financial year	112,628	246,442
Opening shareholders' funds	2,784,718	2,538,276
	<u>2,897,346</u>	<u>2,784,718</u>
Closing shareholders' funds		

# THERMAL ENGINEERING PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2005

### 19 Financial commitments

At 31 May 2005 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 May 2006:

	Land and buildings			Other
	2005	2004	2005	2004
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	25,924	-
Between two and five years	80,628	80,628	-	47,544
	<u>80,628</u>	<u>80,628</u>	<u>25,924</u>	<u>47,544</u>

### 20 Capital commitments

At 31 May 2005 the company had capital commitments as follows:

	2005	2004
	£	£
Contracted for but not provided in the financial statements	<u>342,782</u>	<u>-</u>

The capital commitment relates to the final stage payments for the continuing construction of the company's new freehold factory building.

### 21 Directors' emoluments

	2005	2004
	£	£
Emoluments for qualifying services	241,835	249,549
Company pension contributions to money purchase schemes	11,770	15,731
	<u>253,605</u>	<u>265,280</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 5 (2004 - 5).

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

Emoluments for qualifying services	64,520	61,565
Company pension contributions to money purchase schemes	<u>3,606</u>	<u>3,606</u>

### 22 Transactions with directors

The sum of 2005 £40,981 (2004 £42,687) has been accrued at the balance sheet date in respect of interest due on loans from the directors and shareholders to the company. This interest charge is included in Interest Payable and Similar Charges.

# THERMAL ENGINEERING PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2005

### 23 Employees

#### Number of employees

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

	2005 Number	2004 Number
Production	131	114
Administration	41	43
	<u>172</u>	<u>157</u>

#### Employment costs

	£	£
Wages and salaries	3,462,299	3,055,367
Social security costs	345,897	321,618
Other pension costs	30,709	38,535
	<u>3,838,905</u>	<u>3,415,520</u>

### 24 Control

The ultimate controlling party is A Green.