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WARMFLOW ENGINEERING COMPANY LIMITED

ABBREVIATED FINANCIAL STATEMENTS

31 JULY 1999

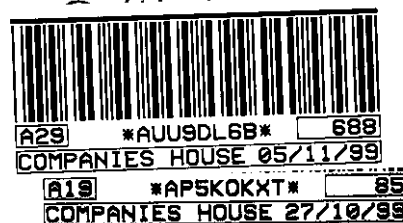
Registered number: FC 18248

McILVEEN HOWARD & CO

CHARTERED ACCOUNTANTS

BELFAST

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WARMFLOW ENGINEERING COMPANY LIMITED

ABBREVIATED FINANCIAL STATEMENTS

for the year ended 31 July 1999

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WARMFLOW ENGINEERING COMPANY LIMITED

COMPANY INFORMATION

31 July 1999

INCORPORATED	in N Ireland on 1 December 1982
NUMBER	NI 16292
DIRECTORS	J K Cousins J R Cairns (resigned 24.9.99) Mrs E Cousins P J Kennedy Mrs H Morrow (resigned 24.9.99)
SECRETARY	Mrs E Cousins
REGISTERED OFFICE	Lissue Industrial Estate Moirra Road Lisburn BT28 2RF
BANKERS	Northern Bank Ltd Bow Street Lisburn
SOLICITORS	Holmes & Moffitt 218 Knock Road Belfast BT5 6QD
AUDITORS	McIlveen Howard & Co. Chartered Accountants 169A Upper Newtownards Road Ballyhackamore BELFAST BT4 3HZ

WARMFLOW ENGINEERING COMPANY LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT

for the year ended 31 July 1999

	Note	1999 £	1998 £
Gross profit		2,369,136	2,090,743
Net operating expenses			
Administrative expenses		(1,325,526)	(1,153,167)
Other operating charges		(150,000)	(124,000)
Other operating income		367,092	321,718
		-----	-----
Operating profit	3	1,260,702	1,135,294
Interest payable	5	(73,394)	(83,796)
		-----	-----
Profit on ordinary activities before taxation		1,187,308	1,051,498
Taxation	6	(691,760)	(304,144)
		-----	-----
Profit on ordinary activities after taxation		495,548	747,354
retained for the year	19	=====	=====

Movements in reserves are shown in the notes to the financial statements.

None of the company's activities were acquired or discontinued during the above two financial years.

There are no recognised gains and losses in 1999 or 1998 other than the profit for the year.

There is no material difference between the historical cost profit on ordinary activities before taxation and the reported profit on ordinary activities before taxation in either year.

WARMFLOW ENGINEERING COMPANY LIMITED

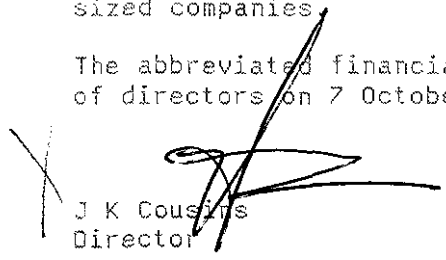
ABBREVIATED BALANCE SHEET

at 31 July 1999

	Note	1999		1998	
		£	£	£	£
Fixed assets					
Tangible assets	7	4,643,158		3,514,184	
Investments	9	107,212		107,172	
		-----		-----	
		4,750,370		3,621,356	
Current assets					
Stocks	10	1,270,903		839,504	
Debtors	11	2,676,107		2,520,326	
Cash at bank and in hand		1,334,540		785,221	
		-----		-----	
		5,281,550		4,145,051	
Creditors: amounts falling due within one year	12	(2,661,942)		(1,722,970)	
		-----		-----	
Net current assets		2,619,608		2,422,081	
		-----		-----	
Total assets less current liabilities		7,369,978		6,043,437	
Creditors: amounts falling due after more than one year	13a	(1,375,048)		(986,540)	
Accruals and deferred income	13b	(273,225)		(284,090)	
Provision for liabilities and charges	14	(505,042)		(51,691)	
		-----		-----	
		5,216,663		4,721,116	
		=====		=====	
Capital and reserves					
Called up share capital	17	11,220		11,220	
Other reserves	18	9,680		9,680	
Profit and loss account	19	5,195,763		4,700,216	
		-----		-----	
Total shareholders' funds	16	5,216,663		4,721,116	
		=====		=====	

The financial statements are prepared in accordance with the special provisions of Part VIII of the Companies (Northern Ireland) Order 1986 relating to medium-sized companies.

The abbreviated financial statements on pages 5 to 21 were approved by the board of directors on 7 October 1999 and signed on its behalf by:


J K Cousins
Director

WARMFLOW ENGINEERING COMPANY LIMITED

CASH FLOW STATEMENT

for the year ended 31 July 1999

	Note	1999 £	1998 £
Net cash inflow from operating activities	20	1,524,738	1,447,371
Returns on investments and servicing of finance			
Interest paid		(68,797)	(75,000)
Interest element of finance lease rental payments		(4,597)	(8,796)
		(73,394)	(83,796)
Taxation			
Corporation tax paid		(221,177)	(488,623)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,340,428)	(464,090)
Purchase of fixed asset investments		(40)	(60)
Sale of tangible fixed assets		19,650	29,599
		(1,320,818)	(434,551)
		(90,651)	440,401
Financing			
Redemption of share capital		-	(500,000)
Debt due beyond a year:			
Other loan (repayments)/advances		(137,551)	613,854
Bank loan advances		671,572	-
Capital element of finance lease rentals		(113,212)	(107,379)
		420,809	6,475
Rounding		(3)	1
Increase in cash		330,155	446,877

WARMFLOW ENGINEERING COMPANY LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31 July 1999

1 Accounting policies**Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

Tangible fixed assets

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Freehold land	Nil
Freehold buildings	2% straight line
Leased assets	over the period of the lease
Plant and machinery	25% straight line
Motor vehicles	25% straight line
Fixtures and fittings	25% straight line

Government grants

Government grants on capital expenditure are credited to a deferral account and are released to revenue over the expected useful life of the relevant asset by equal annual instalments. Grants of a revenue nature are credited to income in the period to which they relate.

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis.

Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Foreign currencies

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date.

All differences are taken to the profit and loss account.

WARMFLOW ENGINEERING COMPANY LIMITED
NOTES ON ABBREVIATED FINANCIAL STATEMENTS

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31 July 1999

1 Accounting policies continued

Pensions

Defined contribution scheme

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2 Turnover

The turnover for the year was derived from the company's principal activity.

3 Operating profit

	1999 £	1998 £
Operating profit is stated after crediting:		
Net rental income	241,445	212,842
Interest receivable	94,086	82,489
Profit on sale of assets	16,662	2,777
	=====	=====
and after charging:		
Staff costs (note 4)	1,569,394	1,241,010
Auditors' remuneration	5,600	5,600
Loss on foreign exchange	25,291	-
	=====	=====
Depreciation of tangible fixed assets (note 7):		
Owned assets	363,923	273,228
Leased assets	107,266	107,266
	-----	-----
	471,189	380,494
	=====	=====

WARMFLOW ENGINEERING COMPANY LIMITED
 NOTES ON ABBREVIATED FINANCIAL STATEMENTS
 31 July 1999

4 Directors and employees

	1999 £	1998 £
Staff costs including directors' emoluments		
Wages and salaries	1,416,483	1,117,374
Social security costs	137,389	106,791
Pension costs	15,522	16,845
	-----	-----
	1,569,394	1,241,010
	=====	=====
Average monthly number employed including executive directors:	Number	Number
Production staff	75	76
	=====	=====
Directors	£	£
Emoluments	189,396	147,304
Company contributions to money purchase pension schemes	7,140	7,080
	-----	-----
	196,536	154,384
	=====	=====

Defined contribution pension scheme

The company operates a defined contribution 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 and amounted to £15,522 (1998 £15,391) including contributions in respect of employees.

5 Interest payable

	1999 £	1998 £
Loan interest	68,797	75,000
Leasing interest	4,597	8,796
	-----	-----
	73,394	83,796
	=====	=====

WARMFLOW ENGINEERING COMPANY LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31 July 1999

6 Taxation

	1999 £	1998 £
Corporation tax on profit on ordinary activities at 30.76% (1998 31%)	244,619	347,892
Deferred taxation	453,351	(27,092)
Consortium relief	(6,210)	(7,385)
	-----	-----
	691,760	313,415
Over provision in earlier years	-	(9,271)
	-----	-----
	691,760	304,144
	=====	=====

7 Tangible fixed assets

Cost	Motor Vehicles £	Plant and Machinery £	Fixtures and Fittings £	Land and Buildings £	Leased Assets £	Total £
1 August 1998	394,061	645,573	167,001	3,247,217	536,329	4,990,181
Additions	100,246	467,100	56,803	979,001	-	1,603,150
Disposals	(60,328)	(188,830)	-	-	-	(249,158)
	-----	-----	-----	-----	-----	-----
31 July 1999	433,979	923,843	223,804	4,226,218	536,329	6,344,173
	-----	-----	-----	-----	-----	-----
Depreciation						
1 August 1998	232,109	537,729	145,749	229,329	331,082	1,475,998
Charge for the year	92,650	171,984	23,723	75,566	107,266	471,189
Disposals	(57,340)	(188,830)	-	-	-	(246,170)
	-----	-----	-----	-----	-----	-----
31 July 1999	267,419	520,883	169,472	304,895	438,348	1,701,017
	-----	-----	-----	-----	-----	-----
Net book amount						
31 July 1999	166,560	402,960	54,332	3,921,324	97,982	4,643,158
	=====	=====	=====	=====	=====	=====
1 August 1998	161,953	107,844	21,252	3,017,888	205,247	3,514,184
	=====	=====	=====	=====	=====	=====

Contrary to SSAP12 motor vehicles, plant and machinery and fixtures and fittings are depreciated at 25% straight line.

WARMFLOW ENGINEERING COMPANY LIMITED
 NOTES ON ABBREVIATED FINANCIAL STATEMENTS
 31 July 1999

8 Land and buildings

	1999 £	1998 £
Freehold	3,479,619	2,636,183
Long leasehold	441,705	381,705
	-----	-----
	3,921,324	3,017,888
	=====	=====

Long leaseholds are those leaseholds with more than 50 years unexpired.

Contrary to SSAP19, the investment properties, costing £1,946,837 have been depreciated at 2% straight line.

WARMFLOW ENGINEERING COMPANY LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31 July 1999

9 Fixed asset investments

	Investments other than loans £
Cost	
1 August 1998	120,172
Additions	40

31 July 1999	120,212

Amounts written off	
1 August 1998	13,000
and at	
31 July 1999	
31 July 1999	13,000

Net book amount	
31 July 1999	107,212
	=====
1 August 1998	107,172
	=====

The company owns 48.9% of the issued share capital in Modern Machinery Supplies Ltd, being 24,038 ordinary shares stated at cost of £87,112. The last audited accounts of this company to 31 December 1998 show a net profit of £19,169; its aggregate capital and reserves at that date were £490,076.

The company also owns 26% of the issued share capital in WUW Co Ltd, being 13,000 ordinary £1 shares at par; unaudited accounts to 5 March 1998 show a net loss of £62,401 and aggregate deficit of capital and reserves of £138,106. WUW Co Ltd applied to be struck off on 5 March 1998 and the value of the holding has been written down to Nil.

The company also owns 40% of the issued share capital in Moira Reproduction Furniture Co Ltd, a holding of 20,000 ordinary £1 shares at par; audited accounts of this company to 31 March 1999 show a net profit of £2,590 and aggregate capital and reserves of £29,593.

In August 1997, the company purchased 60% of the issued share capital in Warmflow Ltd, a holding of 60 ordinary £1 shares at par. On 29 April 1999, the company purchased the remaining 40 ordinary £1 shares at par, giving a 100% shareholding. Audited accounts of this company to 31 July 1998 show a net loss of £10,221 and aggregate capital and reserves of £(10,111).

WARMFLOW ENGINEERING COMPANY LIMITED
NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31 July 1999

10 Stocks

	1999 £	1998 £
Raw materials	898,011	575,535
WIP	12,738	13,198
Finished goods	360,154	250,771
	-----	-----
	1,270,903	839,504
	=====	=====

11 Debtors

	1999 £	1998 £
Amounts falling due within one year		
Trade debtors	1,555,115	1,546,842
Amounts owed by group undertakings	846,990	684,706
Amounts owed by participating interests	1,283	13,914
Other debtors	160,937	40,237
Prepayments and accrued income	16,082	18,627
Staff loan	700	1,000
Uni-Trunk Ltd	-	120,000
	-----	-----
	2,581,107	2,425,326
Amounts falling due after more than one year		
Amounts owed by participating interests	95,000	95,000
	-----	-----
	2,676,107	2,520,326
	=====	=====

WARMFLOW ENGINEERING COMPANY LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31 July 1999

12 Creditors: amounts falling due
within one year

	1999 £	1998 £
Bank loans and overdrafts	820,427	524,162
Trade creditors	1,253,576	631,362
Amounts owed to participating interests	7,026	-
Corporation tax	244,619	223,387
Other taxation and social security	-	146,286
Accruals and deferred income	268,322	85,000
Obligations under finance leases and hire purchase contracts - note 13	67,972	112,773
	-----	-----
	2,661,942	1,722,970
	=====	=====

The bank overdraft is secured by a legal mortgage over land and buildings at Lissue Industrial Estate, Lisburn dated 17 August 1999 and by a floating charge over the assets and undertakings of the company dated 7 July 1983.

Corporation tax in 1998 is net of advance corporation tax of £124,505 (1999 Nil).

WARMFLOW ENGINEERING COMPANY LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31 July 1999

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

	1999 £	1998 £
Other liabilities		
Bank loans	594,470	-
Other loans	726,303	863,854
Obligations under finance leases and hire purchase contracts	54,275	122,686
	-----	-----
	1,375,045	986,540
	=====	=====
Maturity of debt		
In one year or less, or on demand - see note 12	77,101	-
In more than one year but not more than two years	77,101	-
In more than two years but not more than five years	265,735	-
In more than five years	251,634	863,854
	-----	-----
	671,571	863,854
	=====	=====
Amounts falling due after more than five years:		
Bank loans	251,634	-
Other loans	-	863,854
	-----	-----
	251,634	863,854
	=====	=====

**Obligations under finance leases
and hire purchase contracts**These are repayable over varying periods
by monthly instalments as follows:

In the next year - see note 12	67,972	112,773
In the second to fifth years	54,275	122,686
	-----	-----
	122,247	235,459
	=====	=====

Other loans of £726,303 relate to loans from the shareholder and his family. No repayment schedule has yet been agreed but they will not be recalled within the next twelve months.

13b Accruals and deferred income

	1999 £	1998 £
Government grants		
Balance at beginning of year	284,090	259,903
Received during year	20,696	50,574
	-----	-----
	304,786	310,477
Profit and loss release	(31,561)	(26,387)
	-----	-----
	273,225	284,090
	=====	=====

WARMFLOW ENGINEERING COMPANY LIMITED
NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31 July 1999

14 Provision for liabilities and charges

Deferred

tax
£

1 August 1998	51,691
Profit and loss account	453,351

31 July 1999	505,042
	=====

15 Deferred taxation

	1999		1998	
	Amount unprovided £	Amount provided £	Amount unprovided £	Amount provided £
Corporation tax deferred by				
Capital allowances in excess of depreciation	-	505,042	-	51,691
	=====	=====	=====	=====

Deferred taxation is based on a corporation tax rate of 30.76% (1998 31%).

WARMFLOW ENGINEERING COMPANY LIMITED
NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31 July 1999

16 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Profit for the financial year	495,548	747,354
Own shares purchased	----- -	(500,000) -----
Net addition to shareholders' funds	495,548	247,354
Rounding	(1)	1
Opening shareholders' funds	4,721,116	4,473,761 -----
Closing shareholders' funds	5,216,663 =====	4,721,116 =====

17 Called up share capital

	1999		1998	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary shares of £1 each	50,000 =====	50,000 =====	50,000 =====	50,000 =====
Allotted, called up and fully paid				
Ordinary shares of £1 each	11,220 =====	11,220 =====	11,220 =====	11,220 =====

18 Other reserves

	1999 £
Capital redemption reserve	9,680 =====

WARMFLOW ENGINEERING COMPANY LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31 July 1999

19 Profit and loss account

1999

£

1 August 1998	4,700,216
Rounding	(1)
Retained profit for the year	495,548

31 July 1999	5,195,763
	=====

20 Notes to the cash flow statement

Reconciliation of operating profit
to operating cash flows

1999

£

1998

£

Operating profit	1,260,702	1,135,294
Depreciation charges	471,189	380,494
Profit on sale of fixed assets	(16,662)	(2,777)
(Increase)/decrease in stocks	(431,399)	274,380
Increase in debtors	(155,781)	(406,105)
Increase in creditors	396,689	66,085
	-----	-----
Net cash inflow		
from operating activities	1,524,738	1,447,371
	=====	=====

WARMFLOW ENGINEERING COMPANY LIMITED
NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31 July 1999

21 Notes to the cash flow statement (continued)

Analysis of changes in net debt

	At start of year £	Cash flows £	Other changes £	At end of year £
Cash at bank and in hand	785,221	549,319	-	1,334,540
Bank overdrafts	(524,162)	(219,164)	-	(743,326)
		<u>330,155</u>		
Debt due within 1 year	-	-	(77,101)	(77,101)
Debt due after 1 year	(863,854)	(534,021)	77,101	(1,320,774)
Finance leases	(235,459)	113,212	-	(122,247)
		<u>(420,809)</u>		
Total	<u>(838,254)</u>	<u>(90,654)</u>	<u>-</u>	<u>(928,908)</u>

Reconciliation of net cash flow to movement in net debt

	1999 £	1998 £
Increase in cash in the year	330,155	446,877
Cash inflow from increase in debt and lease financing	(420,809)	(506,475)
Change in net debt resulting from cash flows	<u>(90,654)</u>	<u>(59,598)</u>
Net debt at 1 August 1998	(838,254)	(778,656)
Net debt at 31 July 1999	<u>(928,908)</u>	<u>(838,254)</u>

WARMFLOW ENGINEERING COMPANY LIMITED
NOTES ON ABBREVIATED FINANCIAL STATEMENTS

31 July 1999

22 Related parties

- (a) Throughout the year, the issued share capital of the company was wholly owned by J K Cousins.
- (b) The company's investments in the year are stated in note 9 to the financial statements.
- (c) Material related party transactions were as follows:-
- (i) occurred during the year

	Modern Machinery Supplies Ltd £	Moir Reproduction Furniture Co Ltd £	Warmflow Ltd £	Riteweld (Ireland) Ltd £	JK Cousins £	Shareholders Children £
Sales	50	-	1,225,289	-	-	-
	=====	=====	=====	=====	=====	=====
Purchases	56,368	-	-	-	-	-
	=====	=====	=====	=====	=====	=====
Rental Income	33,390	38,356	13,100	13,420	-	-
	=====	=====	=====	=====	=====	=====
Management Charges/ Income	(1,659)	(3,899)	(2,122)	-	-	-
	=====	=====	=====	=====	=====	=====
Interest Paid	-	-	-	-	55,000	-
	=====	=====	=====	=====	=====	=====
Bad Debt	-	-	-	13,420	-	-
	=====	=====	=====	=====	=====	=====

- (ii) stated at the year end

Trade Debtor	1,187	1,283	844,590	-	-	-
	=====	=====	=====	=====	=====	=====
Trade Creditor	8,213	-	-	-	-	-
	=====	=====	=====	=====	=====	=====
Loan Debtor	-	95,000	-	-	-	-
	=====	=====	=====	=====	=====	=====
Loan Creditor	-	-	-	-	674,800	51,503
	=====	=====	=====	=====	=====	=====
Accrual	-	-	2,500	-	-	-
	=====	=====	=====	=====	=====	=====