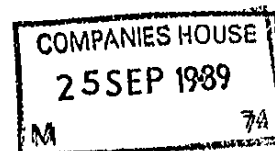


160692

PRIEST HOLDINGS LIMITED
(formerly PRIEST FURNACES LIMITED)

STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 1988



BARROWCLIFF HAMER & CO.
Chartered Accountants
MIDDLESBROUGH

PRIEST HOLDINGS LIMITED

(formerly PRIEST FURNACES LIMITED)

<u>CONTENTS</u>	<u>PAGE</u>
Report of the Directors	1 - 2
Report of the Auditors	3
Profit and Loss Account	4
Balance Sheet	5
Notes to the Accounts	6 - 11
Statement of Source and Application of Funds	12

REPORT OF THE DIRECTORS

The directors submit their report together with the financial statements for the year ended 31 December 1988.

Review of the Business

During the first quarter, the principal activities of the company continued to be the designing, building, conversion and repair of industrial furnaces, both within the United Kingdom and abroad.

However, the directors have been concerned for some time about erosion of the companies financial Reserves, and the need to extend its range of products. Accordingly, the company concluded an "Asset Sale/Purchase Agreement" on 17 March, 1988 with Broomco (221) Limited (a subsidiary of Vaba Industries Limited) of 39 Scotland Street, Sheffield, ("the purchaser") whereby the company agreed to transfer to the purchaser, the business of design, construction and maintenance of thermal processing plant, previously carried on by the company.

Under the terms of this Agreement, the company sold to the purchaser certain fixed assets, motor vehicles, stocks, goodwill, industrial property rights, trade mark and benefit of sales contracts. The company has also agreed not to engage in any business, trade or activity which is substantially the same as that transferred, for a period of three years.

The company further agreed to change its name from Priest Furnaces Limited and to permit the purchaser to assume that name. Accordingly, by Special Resolution of an Extraordinary General Meeting of the company, held on 15 March, 1988 the name was changed to Priest Holdings Limited.

Completion of the above Agreement took place on 21 March, 1988.

Results

The Loss for the year after Taxation is		34,325
Which is deducted from the balance brought forward from the previous year, of		<u>460,128</u>
Giving a balance of		425,803
From which is deducted:		
Dividends paid (net);		
Cumulative Preference Shares 3.5p per Share	1,988	
1st. Participating Preference Shares 10.0p per Share	<u>8,400</u>	
		<u>10,388</u>
Leaving a Balance of	£	<u>415,415</u>
Which your Directors recommend be carried forward		

PRIEST HOLDINGS LIMITED

REPORT OF THE DIRECTORS

Fixed Assets

The changes in fixed assets are disclosed in Note 8 to the accounts.

Directors and their Interests

		<u>Number of shares held</u>				
		<u>Preference Shares</u>	<u>Preferred Ordinary Shares</u>	<u>Ordinary Shares</u>	<u>Deferred Ordinary Shares</u>	<u>1st Participating 10% Preference Shares</u>
<u>At the beginning of the year</u>						
A.M.	Priest	7,534	786	7,700	700	7,700
C.P.	Kilby	3,333	-	1,400	700	1,400
E.M.P.	Denny	-	-	-	-	-
<u>At the end of the year</u>						
A.M.	Priest	7,534	786	7,700	700	7,700
C.P.	Kilby	18,399	1,073	29,400	2,100	29,400
E.M.P.	Denny	-	-	-	-	-

The directors of the company during the year were those listed above.

Dr. C.P. Brittain and Mr. D. Hodgson resigned as directors on 31 January, 1988.

Mr. A.M. Priest is the director retiring in accordance with the Articles of Association and, being eligible, offers himself for re-election.

Auditors

The directors will place a resolution before the annual general meeting to re-appoint Messrs Barrowcliff Hamer and Co., as auditors for the ensuing year.

BY ORDER OF THE BOARD

D. HODGSON
SECRETARY

High Force Road
Riverside Park
MIDDLESBROUGH

28 July, 1989

REPORT OF THE AUDITORS TO THE MEMBERS OF PRIEST HOLDINGS LIMITED

We have audited the financial statements on pages 4 to 12. Our audit was conducted in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at 31 December 1988 and of its Loss and Source and Application of Funds for the year then ended and comply with the Companies Act 1985.

242 Marton Road
M. DDLESBROUGH

BARROWCLIFF HAMER AND CO.
Chartered Accountants

28 July, 1989

PRIEST HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1988


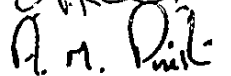
	<u>Notes</u>	<u>1988</u> £	<u>1987</u> £
Turnover	2	611,799	2,885,044
Cost of Sales		446,585	2,354,672
<u>Gross Profit</u>		<u>165,214</u>	<u>530,372</u>
Administrative Expenses		343,841	942,381
<u>Operating Loss</u>		<u>(178,627)</u>	<u>(412,009)</u>
Interest Receivable and similar income	3	41,913	17,268
		<u>(136,714)</u>	<u>(394,741)</u>
Interest Payable	4	109	3,999
Loss on Ordinary Activities before Taxation	5	(136,823)	(398,740)
Tax (Credit) on Profit on Ordinary Activities	6	3,391	(1,355)
Loss on Ordinary Activities after Taxation		<u>(140,214)</u>	<u>(397,385)</u>
Extraordinary Profit after Taxation	7	105,889	181,590
Loss for the Financial Year		<u>(34,325)</u>	<u>(215,795)</u>
Dividends Paid		10,388	1,988
Loss for the year		<u>(44,713)</u>	<u>(217,783)</u>
Retained Profit brought forward		460,128	677,911
<u>Retained Profit carried forward</u>		<u><u>415,415</u></u>	<u><u>460,128</u></u>

The notes on pages 6 to 11 form part of these financial statements.

PRIEST HOLDINGS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1988

	<u>Notes</u>	1988		1987	
		£	£	£	£
FIXED ASSETS					
Tangible Assets	8		-		94,794
Investments	9		1,607		1,607
			<u>1,607</u>		<u>96,401</u>
CURRENT ASSETS					
Stocks and W.I.P.	11		-	238,717	
Debtors	12	182,141		338,005	
Cash at bank and in hand		520,000		563,718	
		<u>702,141</u>		<u>1,140,440</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13		<u>57,183</u>		<u>545,563</u>
NET CURRENT ASSETS			644,958		594,877
			<u>646,565</u>		<u>691,278</u>
CAPITAL AND RESERVES					
Called up Share Capital	14		231,150		231,150
Profit and Loss Account			415,415		460,128
			<u>646,565</u>		<u>691,278</u>

C.P. KILBY)
)
 A.M. PRIEST) DIRECTORS

28 July 1989

The notes on pages 6 to 11 form part of these financial statements.

PRIEST HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1988

1. Accounting Policies

The following accounting policies have been used consistently from year to year in dealing with items which are considered material in relation to the company's financial statements.

(a) Accounting Convention

The accounts are prepared under the historical cost convention.

(b) Consolidated Accounts

Consolidated Accounts have not been prepared as the results of the Subsidiary Companies are not material.

2. Turnover

Turnover represents the amount invoiced by the company during the year for goods and services supplied after deducting value added tax.

The company does not provide an analysis of turnover as there is only one activity.

3. Interest Receivable and Similar Income

	<u>1988</u>	<u>1987</u>
	£	£
Bank Interest	40,219	16,521
Loan Interest	1,694	747
	<u>41,913</u>	<u>17,268</u>

4. Interest Payable

Bank Overdraft	<u>109</u>	<u>3,999</u>
----------------	------------	--------------

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1988

5. Loss on Ordinary Activities before Taxation

This is stated after charging the following:

	<u>1988</u>	<u>1987</u>
	£	£
Directors' remuneration (see below)	105,699	157,468
Auditors' remuneration	2,450	4,525
Depreciation	-	31,679
Directors' remuneration is made up as follows:		
Management remuneration	16,274	98,568
Pension contributions	4,425	28,900
Compensation for loss of office	25,000	30,000
Compensation for termination of Service Contracts	60,000	-
	<u>105,699</u>	<u>157,468</u>
	<u>105,699</u>	<u>157,468</u>

Excluding pension contributions, the emoluments of the highest paid director were £4,322 (1987 £27,055). The emoluments of the other directors were within the following ranges:

	<u>1988</u>	<u>1987</u>
Up to £5,000	4	-
£10,001 - £15,000	-	1
£20,001 - £25,000	-	3

6. Tax on Profit on Ordinary Activities

	<u>£</u>	<u>£</u>
Advance Corporation Tax written off	3,391	735
Taxation overprovided in previous years	-	(2,090)
	<u>3,391</u>	<u>(1,355)</u>
	<u>3,391</u>	<u>(1,355)</u>

7. Extraordinary Profit

	<u>£</u>	<u>£</u>
Profit on sale of Freehold Property	54,036	245,846
Profit on sale of Goodwill	40,225	-
Write back/(Write down) of Investments in and Loans to Subsidiary Companies	11,628	(64,256)
	<u>105,889</u>	<u>181,590</u>
	<u>105,889</u>	<u>181,590</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1988

8. Tangible Fixed Assets

	Land & Buildings Freehold £	Plant & Machinery £	Fixtures & Motor Fittings £	Vehicles £	Total £
Cost:					
As at 1 JANUARY 1988	16,881	32,017	125,178	128,678	302,754
Additions	-	-	1,450	-	1,450
Disposals	(16,881)	(32,017)	(126,628)	(128,678)	(304,204)
As at 31 DECEMBER 1988	-	-	-	-	-
Depreciation:					
As at 1 JANUARY 1988	2,914	29,313	102,739	70,291	205,257
Provision for year	-	-	-	-	-
Applicable to disposals	(2,914)	(29,313)	(102,739)	(70,291)	(205,257)
As at 31 DECEMBER 1988	-	-	-	-	-
Grants Received:					
Applicable to disposals	-	2,703 (2,703)	-	-	2,703 (2,703)
As at 31 DECEMBER 1988	-	-	-	-	-
Net Book Values:					
As at 31 DECEMBER 1988	-	-	-	-	-
As at 31 DECEMBER 1987	13,967	1	22,439	58,387	94,794

9. Fixed Assets - Investments

	<u>1988</u> £	<u>1987</u> £
Loans and Investments with Associated and Subs'diary Companies (Note 10)	<u>1,607</u>	<u>1,607</u>

PRIEST HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1988

10. Associated and Subsidiary Companies

	<u>No. of Shares held</u>	<u>%</u>	<u>Cost less Amounts written off</u>	<u>Loan Account</u>
Currah Computer Components Limited (in liquidation)	54,600	45.6	-	-
Steels and Refractories Limited	-	-	-	(1,381)
Mantegna Limited	3,000	100.0	1,607	(16,162)
Bullock Heat Treatment Limited	90	90.0	-	-
			<u>1,607</u>	<u>(17,543)</u>

None of the subsidiary companies traded during the year.

	<u>1988 £</u>	<u>1987 £</u>
11. <u>Stocks</u>		
Spares and Materials	-	17,500
Work in Progress	-	221,217
	<u>-</u>	<u>238,717</u>

12. Debtors

Trade Debtors	157,437	274,591
Corporation Tax	2,004	-
Other Debtors (includes £7,500 (1987-£28,750), receivable after more than one year)	22,700	60,741
Prepayments	-	2,673
	<u>182,141</u>	<u>338,005</u>

13. Creditors falling due within one year

Bank Overdraft	10,755	-
Trade Creditors	25,422	344,947
PAYE and Social Security costs	-	28,206
Proposed Dividends	-	3,976
Accruals	-	148,202
Other Creditors	-	478
Advance Corporation Tax	3,463	1,471
Associated and Subsidiary Companies (Note 10)	17,543	18,283
	<u>57,183</u>	<u>545,563</u>

PRIEST HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1988

	<u>1988</u> £	<u>1987</u> £
14. <u>Share Capital</u>		
<u>Authorised</u>		<u>Issued and Fully Paid</u>
56,800 Cumulative Preference Shares of £1 each	56,800	56,800
84,000 1st. Participating Preference Shares of £1 each	84,000	84,000
352,850 Ordinary Shares of £1 each	84,000	84,000
2,150 Preferred Ordinary Shares of £1 each	2,150	2,150
4,200 Deferred Ordinary Shares of £1 each	4,200	4,200
	231,150	231,150

15. Capital Commitments

The directors have authorised future capital expenditure which amounts to:

Contracted	Nil	Nil
Authorised but not contracted	Nil	Nil

16. Staff Costs

The average number of persons employed by the company including directors during the year was as follows:

	<u>1988</u>	<u>1987</u>
	7	72
	=	=

The aggregate payroll costs of those persons were as follows:

Wages and salaries	142,876	897,835
Social security costs	9,655	84,007
Other pension costs	15,011	99,592
	167,542	1,081,434

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1988

17. Close Company

The directors are of the opinion that the company is a 'close' company within the provisions of the Income and Corporation Taxes Act 1970.

PRIEST HOLDINGS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31 DECEMBER 1988

	<u>1988</u>		<u>1987</u>	
	£	£	£	£
<u>SOURCE OF FUNDS</u>				
Loss before taxation		(136,823)		(398,740)
Extraordinary profit before taxation		105,889		245,846
Items not involving movement of funds: Depreciation	-		31,679	
Less Profit on disposal of tangible assets	42,274		237,586	
		<u>(42,274)</u>		<u>(205,907)</u>
		(73,208)		(358,801)
<u>TOTAL ABSORBED BY OPERATIONS</u>				
<u>FUNDS FROM OTHER SOURCES</u>				
Proceeds from disposal of tangible fixed assets		138,518		526,842
		<u>65,310</u>		<u>168,041</u>
<u>APPLICATION OF FUNDS</u>				
Dividends paid	14,364		1,988	
Purchase of tangible fixed assets	1,450		18,070	
Taxation paid	3,403		(52,163)	
Mortgages granted less repaid	(40,253)		3,635	
Loans to Associated and Subsidiary Companies	740		64,458	
		<u>(20,296)</u>		<u>35,988</u>
		85,606		132,053
<u>Working Capital Increase</u>				
<u>INCREASE/(DECREASE) IN WORKING CAPITAL</u>				
Stock and Work in Progress		(238,717)		(590,022)
Debtors		(117,615)		(515,831)
Creditors		496,411		804,207
Movement in net liquid funds:				
Cash at Bank and in Hand	(43,718)		374,578	
Bank Loans and Overdrafts	(10,755)		59,121	
		<u>(54,473)</u>		<u>433,699</u>
		<u>85,606</u>		<u>132,053</u>