

1/0

160692 / 140

PRIEST FURNACES LIMITED

STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 1985

BARROWCLIFF HAMER & CO
Chartered Accountants
MIDDLESBROUGH



PRIEST FURNACES LIMITED

<u>CONTENTS</u>	<u>PAGE</u>
Report of the Directors	1 - 3
Report of the Auditors	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Accounts	7 - 12
Statement of Source and Application of Funds	13

PRIEST FURNACES LIMITED

REPORT OF THE DIRECTORS

The directors submit their report together with the financial statements for the year ended 31 December 1985. On this occasion, it has been necessary to delay completion of the latter, for a short time, as compared with previous years, pending the finalisation of various claims, both by and against the company, the effects of which directly affect the results shown in the Profit and Loss Account for the period. These matters are referred to in more detail, later in this Report.

Review of the Business

The company's principal activities continue to be the designing, building, conversion and repair of industrial furnace plant and ancillary equipment, both within the United Kingdom and abroad, together with the supply, under licence, of vertical shaft lime kilns in this country.

During the period, the company's turnover increased from £6.3 million (1984) to £11.8 million, arising from completion of a substantial proportion of the two major contracts awarded to the company in 1984. The first of these was for the supply of a walking beam type slab reheating furnace at the British Steel Corporation, South Teesside Works. This furnace was completed and went into production at the end of 1985. The decision to pursue and accept this particular contract was the culmination of a business strategy conceived and implemented many years earlier, which led, in 1982, to the successful construction of a similar furnace in South Africa. The second was for supply of a vertical furnace and cooling equipment, as part of a new continuous coating line installed at the British Steel Corporation, Shotton Works. This furnace went into production in early 1986.

Notwithstanding the high turnover and corresponding level of activity, the results for the period, as shown by the Profit and Loss Account, are most disappointing. In this respect, both the very large contracts just described failed to achieve the expected returns. Their protracted simultaneous execution caused significant and damaging overloading of the company's managerial and technical resources, and there were also serious problems resulting from changes in the scope and technical content of the work, the economic resolution of which was made more difficult by contractually binding tight completion deadlines. The outcome was particularly unsatisfactory in the case of the Teesside contract, which yielded an overall loss. The Shotton contract yielded a significant gross margin, although less in amount than had been anticipated.

Action has been taken by the directors to rectify the various shortcomings in the Company's organisation and operation revealed by the above happenings.

Infringement of Patent Claim

As stated in the 1984 Accounts, the company was served with a writ, on 18 April 1985, alleging infringement of a Patent in respect of plant and equipment sold in 1975.

After extensive negotiations, agreement has recently been reached between the company, other defendants and the originators of the writ for a settlement to be paid by all defendants, in exchange for termination of the proceedings. A provision has been made in the Profit and Loss Account for the total of the company's proportion of the settlement, and related costs.

Subsidiary Company

Bullock Heat Treatment Limited has continued to return losses on its trading for some years due to depressed markets mainly in the West Midlands. Accordingly, it was decided to terminate this company's trading operations from 14 November 1985.

All plant and equipment was subsequently sold, and efforts are presently being made to find an assignment of the leased premises at Brierley Hill. Again, due to the depressed conditions obtaining, this will not prove easy.

Results

The Loss for the year after Taxation is	626,184
To which is added a provision for the agreed settlement of the Writ of Proceedings for patent infringement	70,403
	<u>696,587</u>
Which is deducted from the balance brought forward from the previous year, of	1,352,526
Giving a balance of	<u>655,939</u>
From which is deducted:-	
Dividends paid and proposed:	
Cumulative Preference Shares 3.5p per Share net	1,988
Leaving a balance of	<u>653,951</u>
Which your Directors recommend be carried forward.	

Fixed Assets

The changes in the fixed assets are disclosed in Note 7 to the accounts.

PRIEST FURNACES LIMITED

REPORT OF THE DIRECTORS

Directors and their Interests

Number of Shares held at the beginning and end of the year

	<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>
A M Priest	7,534	786	7,700	700	7,700
C P Kilby	3,333	-	1,400	700	1,400
F W M Priest	2,223	249	1,050	700	1,050
C R Priest	2,222	248	1,050	700	1,050
C P Brittain	-	-	-	-	-
N A Kilby	3,333	-	1,400	700	1,400
D Hodgson	-	-	-	-	-

The directors of the company during the year were those listed above. Mr A M Priest is the director retiring in accordance with the Articles of Association, and being eligible, offers himself for re-election. Messrs F W M Priest and C R Priest resigned as directors on 27 March, 1986.

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

The Grange
Eston
Middlesbrough
Cleveland

20 November 1986

PRIEST FURNACES LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF PRIEST FURNACES LIMITED

We have audited the financial statements on pages 5 to 13. 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 1985 and of its Loss and Source and Application of Funds for the year then ended and comply with the Companies Act 1985.

BARROWCLIFF HAMER AND CO.,
Chartered Accountants

242 Marton Road
MIDDLESBROUGH

20 November 1986

PRIEST FURNACES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1985

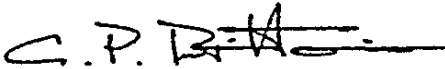
	<u>Notes</u>	<u>1985</u>	<u>1984</u>
		<u>£</u>	<u>£</u>
Turnover	2	11,846,295	6,363,623
Cost of Sales		11,410,335	5,134,977
<u>Gross Profit</u>		435,960	1,228,646
Administrative Expenses		1,315,929	1,149,200
<u>Operating Profit/(Loss)</u>		(879,969)	79,446
Interest receivable and similar income	3	241,357	147,358
Profit/(Loss) on Ordinary Activities before Taxation	4	(638,612)	226,804
Tax (Credit) on Profit on Ordinary Activities	5	(15,908)	39,300
Profit/(Loss) on Ordinary Activities after Taxation		(622,704)	187,504
Extraordinary Profit/(Loss) after Taxation	6	(73,883)	(245,536)
Loss for the Financial Year		(696,587)	(58,032)
Dividends payable		1,988	52,688
Loss for the year		(698,575)	(110,720)
Retained Profit brought forward		1,352,526	1,463,246
<u>Retained Profit carried forward</u>		653,951	1,352,526

The notes on pages 7 to 12 form part of these financial statements.

PRIEST FURNACES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1985

	<u>Notes</u>	<u>1985</u>		<u>1984</u>	
		<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
<u>FIXED ASSETS</u>					
Tangible Assets	7		443,384		417,987
Investments	8		1,609		238,063
			444,993		656,050
<u>CURRENT ASSETS</u>					
Stocks	10	1,315,855		450,299	
Debtors	11	1,730,427		623,014	
Cash at bank and in hand		594,541		2,397,593	
		3,640,823		3,470,906	
<u>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</u>	12	3,270,715		2,521,636	
<u>NET CURRENT ASSETS</u>			440,108		949,270
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>			885,101		1,605,320
<u>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</u>	13		-		21,644
			885,101		1,583,676
<u>CAPITAL AND RESERVES</u>					
Called up Share Capital	14		231,150		231,150
Profit and Loss Account			653,951		1,352,526
			885,101		1,583,676


C P BRITTAIN)
D HODGSON)
20 November 1986
) DIRECTORS

The notes on pages 7 to 12 form part of these financial statements.

PRIEST FURNACES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1985

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) Depreciation

Depreciation has been provided on Freehold Property at 2%. All other assets are written off over their estimated lives on a straight line basis.

(c) Stocks and Work in Progress

Stocks have been valued at the lower of cost or net realisable value. Work in Progress has been valued at cost including overheads plus attributable profit to date less amounts invoiced out at the year end.

(d) 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>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Bank Interest	240,262	140,887
Loan Interest	1,095	1,471
Dividend from subsidiary company	-	5,000
	<u>241,357</u>	<u>147,358</u>

Contd/..

PRIEST FURNACES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1985

/Continued

7. Tangible Fixed Assets

	<u>Land and Buildings Freehold</u>	<u>Plant and Machinery</u>	<u>Fixtures, Fittings & Equipment</u>	<u>Motor Vehicles</u>	<u>Total</u>
<u>Cost or valuation</u>					
At 1 January 1985	308,223	51,431	129,065	147,323	636,042
Additions	-	-	4,538	100,796	105,334
Disposal	-	-	-	(61,036)	(61,036)
	<u>308,223</u>	<u>51,431</u>	<u>133,603</u>	<u>187,083</u>	<u>680,340</u>
<u>Depreciation</u>					
At 1 January 1985	36,861	37,815	91,080	49,596	215,352
Provided during year	6,165	2,188	15,150	27,323	50,824
On Disposals	-	-	-	(31,923)	(31,923)
	<u>43,026</u>	<u>40,001</u>	<u>106,230</u>	<u>44,995</u>	<u>234,253</u>
<u>Grants Received</u>	<u>-</u>	<u>2,703</u>	<u>-</u>	<u>-</u>	<u>2,703</u>
<u>Net Book Value</u>					
At 31 December 1985	<u>265,197</u>	<u>8,727</u>	<u>27,373</u>	<u>142,087</u>	<u>443,384</u>
At 31 December 1984	<u>271,362</u>	<u>10,913</u>	<u>37,935</u>	<u>97,727</u>	<u>417,937</u>

8. Fixed Assets - Investments

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Special Deposits	"	200,000
Loans and Investments with Associated and Subsidiary Companies (Note 9)	<u>1,609</u>	<u>38,063</u>
	<u>1,609</u>	<u>238,063</u>

Continued/

PRIEST FURNACES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1985

/Continued

9. Associated and Subsidiary Companies

<u>Name of Company</u>	<u>No. Shares held</u>	<u>%</u>	<u>Cost less Amounts written off</u>	<u>Loan Account</u>
Lurrah Computor Components Limited	54,600	45.6	-	-
Steals and Refractories Limited	-	-	-	(1,441)
Mantegna Limited	3,000	100	1,607	29,860
Bullock Heat Treatment Limited	75	75	-	(36,100)
Modular Furnaces Limited	2	100	2	(2)
			<u>1,609</u>	<u>(7,693)</u>

The results of Mantegna Limited and Bullock Heat Treatment Limited for the year ended 31 December 1985 have not been consolidated as they are not material.

At 31 December 1985, Priest Furnaces Limited guaranteed the overdraft of Bullock Heat Treatment Limited to the extent of £60,000.

10. STOCKS

	<u>1985</u>	<u>1984</u>
Spares and Materials	55,800	74,324
Work in Progress	1,260,055	375,975
	<u>1,315,855</u>	<u>450,299</u>

11. DEBTORS

	<u>1985</u>	<u>1984</u>
Trade Debtors	1,461,463	423,808
Corporation Tax	47,485	-
Other Debtors	206,927	103,698
Prepayments	14,552	95,508
	<u>1,730,427</u>	<u>623,014</u>

12. Creditors falling due within one Year

Bank Overdraft	210,203	161,009
Trade Creditors	2,861,030	1,317,188
Other taxes and social security costs	39,723	46,352
Corporation Tax	-	11,078
Proposed dividends	1,988	52,688
Accruals	29,514	52,731
Other creditors	27,182	4,390
Advance Corporation Tax	23,392	22,580
Amount received in advance against Work in Progress	-	853,620
Associated and Subsidiary Companies (Note 9)	7,683	-
	<u>3,200,715</u>	<u>2,521,636</u>

The bank overdraft is secured on the freehold property.

PRIEST FURNACES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1985

Continued/

13. Creditors: Amounts falling due after more than one Year

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Corporation Tax	-	44,224
<u>Less: Advance corporation tax recoverable</u>	-	22,580
	<u>-</u>	<u>21,644</u>

14. Share Capital

<u>Authorised</u>	<u>Issued and Fully Paid</u>	
	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
56,800 Cumulative Preference Shares of £1 each	56,800	56,000
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
	<u>231,150</u>	<u>231,150</u>

15. Capital Commitments

The directors have authorised future capital expenditure which amounts to:

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
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>1985</u>	<u>1984</u>
	142	115

The aggregate payroll costs of these persons were as follows:

	<u>£</u>	<u>£</u>
Wages and salaries	1,700,505	1,310,808
Social security costs	133,552	102,095
Other pension costs	109,576	95,218
	<u>1,943,633</u>	<u>1,508,111</u>

PRIEST FURNACES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1985

Continued/

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 FURNACES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31 DECEMBER 1985

	1985		1984	
	£	£	£	£
<u>Source of Funds</u>				
Profit/(Loss) before taxation		(638,612)		226,804
Extraordinary profit (loss) before taxation		(50,533)		34,377
Adjustment for items not involving the movement of funds:				
Depreciation of tangible assets		50,624		44,676
(Profit) Loss on sale of tangible assets		10,476		7,166
Profit on disposal of investments		(19,870)		-
<u>Total generated from operations</u>		(647,715)		313,023
<u>Funds from other Sources</u>				
Proceeds of disposal of investments	219,870		30	
Proceeds of disposal of tangible fixed assets	18,637		27,110	
		239,507		27,140
		(409,208)		340,163
<u>Application of Funds</u>				
Dividends paid	52,688		24,653	
Purchase of tangible assets	105,334		72,856	
Taxation paid	63,487		37,666	
Mortgages granted less repaid	(6,206)		(5,865)	
Purchase of shares in and loans to Associated and Subsidiary Companies	(44,137)		274,590	
		171,166		403,900
<u>Working Capital - Decrease</u>		(580,374)		(63,737)
<u>Components of Decrease/Increase in Working Capital</u>				
Stocks	855,556		277,405	
Debtors	1,056,134		(299,929)	
Creditors falling due within one year	(653,818)		(694,467)	
Movement in net liquid funds:				
Increase/decrease in cash at bank and in hand	(1,803,052)		777,122	
Increase in overdraft	(49,194)		(123,868)	
		(580,374)		(63,737)