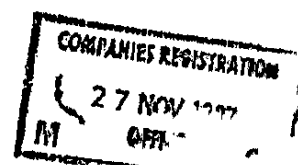


MYSON COMBUSTION PRODUCTS LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1986



Myson Combustion Products Limited

DIRECTORS' REPORT

The Directors submit their report and accounts for the year ended 31st December 1986.

RESULTS AND DIVIDENDS

The results of the Company are set out in detail in the attached accounts.

The Directors do not recommend the payment of a dividend for the year ended 31st December 1986.

ACTIVITIES

The Company's principal activity during the year was the manufacture of domestic oil and gas fired boilers, together with fire protection equipment.

POST BALANCE SHEET EVENT

With effect from 1st January 1987 the undertaking, assets and liabilities of the ongoing business of the Company were absorbed by Myson Limited, a fellow subsidiary of Myson Group plc.

FIXED ASSETS

The changes in fixed assets during the year are summarised in note 7 to the accounts.

DIRECTORS AND THEIR INTERESTS

The Directors of the Company, who served throughout the year, and their interests in the share capital of the ultimate holding company, Myson Group plc, all beneficially held, were as follows:

	At 31st December 1986		At 1st January 1986 or subsequent date of appointment	
	Ordinary shares		Ordinary shares	
	Held	Options	Held	Options
C. Woods	20,746	60,607	7,600	53,607
L. Wilson	-	-	-	-
J. Rigby	-	78,624	-	70,624
T. Simpson	-	-	-	-
D. Hall	-	-	-	-

The above options were granted under the Myson Executive Share Option Schemes 1982 and 1985.

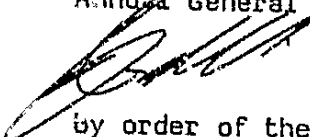
No Director was interested in the preference shares at either date.

With the exception of the above, no Director had any material interest in any contract or arrangement with the Company or with the ultimate holding company or had any beneficial interests in the shares of the Company during the year.

Myson Combustion Products Limited

AUDITORS

A resolution to reappoint Binder Hamlyn as auditors will be submitted to the Annual General Meeting.



by order of the Board

Secretary
21st April 1987

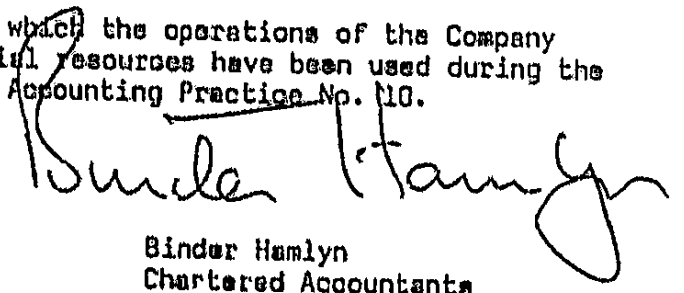
Report of the Auditors
to the members of Myson Combustion Products Limited

We have audited the accounts on pages 3 to 11 in accordance with approved auditing standards.

In our opinion the accounts, which have been prepared on the basis of accounting policies set out on pages 5 and 6, give a true and fair view of the state of affairs of the Company at 31st December 1986 and of the profit for the year then ended and comply with the Companies Act 1985.

The accounts do not specify the manner in which the operations of the Company have been financed or in which its financial resources have been used during the year as required by Statement of Standard Accounting Practice No. 10.

London
21st April 1987



Binder Hamlyn
Chartered Accountants

Myson Combustion Products Limited

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1986

	Notes	1986 £	1985 £
Turnover	2	6,946,795	5,273,367
Cost of Sales		(4,742,841)	(3,718,111)
Gross Profit		<u>2,203,954</u>	<u>1,555,256</u>
Distribution Costs		(1,021,020)	(881,782)
Administrative Expenses		(266,080)	(300,678)
Operating Profit	3	<u>916,854</u>	<u>372,796</u>
Interest Payable	5	(200,000)	(100,000)
Profit on Ordinary Activities before Taxation	2	<u>716,854</u>	<u>272,796</u>
Taxation	6	-	-
Profit for the Financial Year		<u>716,854</u>	<u>272,796</u>
Deficit brought forward		(7,131,654)	(7,404,450)
Deficit carried forward		<u>(6,414,800)</u> =====	<u>(7,131,654)</u> =====

The notes on pages 5 to 11 form part of these accounts.

Myson Combustion Products Limited

BALANCE SHEET
AT 31ST DECEMBER 1986

	Notes	1986 £	1985 £
Fixed Assets:			
Tangible Assets	7	443,042	268,580
Current Assets:			
Stocks	8	991,865	693,083
Debtors:	9	3,966,705	3,105,668
Cash at Bank and in Hand		9,680	3,226
		<u>4,968,250</u>	<u>3,801,977</u>
Creditors: amounts falling due within one year	10	11,291,375	10,622,494
Net Current Liabilities		<u>(6,323,125)</u>	<u>(6,820,517)</u>
Total Assets less Current Liabilities		<u>(5,880,083)</u>	<u>(6,551,937)</u>
Creditors: amounts falling due after more than one year	11	-	45,000
		<u>(5,880,083)</u> =====	<u>(6,596,937)</u> =====
Capital and Reserves:			
Called up Share Capital	13	484,000	484,000
Revaluation Reserve		50,717	50,717
Profit and Loss Account		(6,414,800)	(7,131,654)
		<u>(5,880,083)</u> =====	<u>(6,596,937)</u> =====

Approved by the Board on 21st April 1987




} Directors

The notes on pages 5 to 11 form part of these accounts

Notes to the accounts
for the year ended 31st December 1986

1. ACCOUNTING POLICIES

Going Concern Basis:

The parent Company, Myson Group plc, has confirmed that it will continue to provide adequate working capital for the foreseeable future and these accounts have accordingly been drawn up on a going concern basis.

Accounting convention:

The accounts have been prepared under the historical cost convention.

Tangible Fixed Assets:

Depreciation is calculated to write off the cost or valuation of all fixed assets, less estimated residual value, over their expected useful lives, principally on a straight line basis, as follows:

Plant and machinery	- 3 to 10 years
Fixtures and fittings	- 10 years
Tooling	- 3 years

Stocks:

Stocks are stated at the lower of cost and net realisable value. In the cases of finished goods and work in progress, cost includes an appropriate proportion of production overheads.

Net realisable value comprises the estimated selling price less further costs to completion and distribution. Provision is made for obsolescent, slow moving and defective stocks.

Research and development:

Research and development expenditure is written off as incurred.

Taxation:

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences.

Provision is made for deferred taxation using the liability method only to the extent that there is reasonable probability that it will become payable in the foreseeable future.

Turnover:

Turnover represents the invoiced amount of goods sold during the year, stated net of value added tax.

Foreign currencies:

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate of exchange ruling at that date.

Exchange differences arising on translation are taken to the profit and loss account.

Notes to the accounts

For the year ended 31st December 1986 (Continued).

Pensions:

The Company's pension obligations are either insured or financed by annual payments to funds separate from the Company's finances and are valued triennially by independent actuaries. Contributions, the Company's share of which is charged against profits for the year, are intended to provide sufficient funds to meet future benefits and to avoid the creation of deficits relating to past service.

2. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit on ordinary activities before taxation is all attributable to the manufacture of domestic boilers, and fire protection equipment.

The geographical analysis of turnover is:

	1986 £	1985 £
United Kingdom	6,678,384	5,109,322
Eire	208,537	61,693
Rest of Europe	19,614	43,577
Asia	40,260	38,775
	<u>6,946,795</u>	<u>5,273,367</u>
	*****	*****

Myson Combustion Products Limited

Notes to the accounts
for the year ended 31st December 1986 (Continued).

8. STOCKS

	1986 £	1985 £
Raw materials and consumables	474,937	397,330
Work in progress	192,879	151,186
Finished goods and goods for resale	324,049	144,567
	<u>991,865</u>	<u>693,083</u>
	=====	=====

9. DEBTORS

	1986 £	1985 £
Amount owed by fellow subsidiary companies	3,830,692	3,038,056
Other debtors	136,013	67,612
	<u>3,966,705</u>	<u>3,105,668</u>
	=====	=====

No amounts fall due after more than one year (1985:£Nil)

10. CREDITORS: amounts falling due within one year

	1986 £	1985 £
Bank overdraft (see below)	45,000	6,642,879
Trade creditors	927,970	703,611
Amount owed to ultimate holding company	9,277,600	2,122,723
Amount owed to fellow subsidiary companies	399,240	610,963
Other taxes and social security costs	18,238	168,673
Other creditors	835	9,808
Accruals	622,402	363,837
	<u>11,291,375</u>	<u>10,622,494</u>
	=====	=====

Included in bank overdraft is £45,000 (1985:£Nil) relating to a loan repayable during 1987 to Knowsley Local Authority (see note 11).

11. CREDITORS: amounts falling due after more than one year

	1986 £	1985 £
Loan	45,000	45,000
Less: Amount included in bank overdraft (see note 10)	<u>45,000</u>	<u>-</u>
	-	45,000
	=====	=====

The above loan is unsecured and bears no interest, and is repayable in full on 29th January 1987.

Notes to the accounts
for the year ended 31st December 1986 (Continued).

12. DEFERRED TAXATION

The potential liability for which provision has not been included in these accounts is as follows:-

	1986 £	1985 £
Accelerated Capital Allowances	Nil	6,740
Less: Available losses	Nil	(6,740)
	<u> </u>	<u> </u>
	=====	=====

13. SHARE CAPITAL

	1986 £	Authorised, allotted, called up and fully paid 1985 £
Ordinary shares of £1 each	484,000	484,000
	=====	=====

14. CONTINGENT LIABILITIES

The Company has, with certain fellow subsidiaries, entered into a joint and several guarantee and given a charge on its assets in respect of the bank overdraft in the name of 'The Mysore Group' which at 31st December 1986 amounted to £2,679,043 (1985:£2,319,777).

15. CAPITAL COMMITMENTS

	1986 £	1985 £
Contracted	3,300	-
Authorised by the Directors but not contracted	-	-
	<u> </u>	<u> </u>
	3,300	-
	=====	=====

Myson Combustion Products Limited

Notes to the accounts
for the year ended 31st December 1986 (Continued).

16. PENSION COMMITMENTS

The Company operates a pension scheme for its salaried employees. The triennial valuation by the Myson Group's actuaries at 31st March 1984 indicated that there were sufficient assets in the fund to secure the benefits of existing pensioners and to provide paid-up pensions to present employees on the basis of present salaries and credited periods of service.

17. POST BALANCE SHEET EVENT

With effect from 1st January 1987 the undertaking, assets and liabilities of the ongoing business of the Company were absorbed by Myson Limited, a fellow subsidiary of Myson Group plc.

18. ULTIMATE HOLDING COMPANY

The Directors regard Myson Group plc, a company incorporated in Great Britain, as the ultimate holding company.