

Simon Engineering Limited (Formerly Simon UK Limited)

Directors' report and financial statements

31 December 1998

Registered number 287790 England

Simon House
2 Eaton Gate
London
SW1W 9BJ



Simon Engineering Limited

Directors' report and financial statements

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Simon Engineering Limited

Directors' report

The directors present their report and the financial statements of the company for the year ended 31 December 1998.

1. Principal activities

The company's only activity involves the owning of the share capital of the holding company that is responsible for the UK engineering operations within the Simon Group plc group of companies ("the Simon group").

2. Business review, operating results and dividends

The results of the year's operations are set out in the attached financial statements. The profit on ordinary activities before tax for 1998 was £NIL (1997 £NIL).

The directors do not recommend the payment of a dividend.

3. Year 2000

The company is operated from the same premises as Simon Group plc and depends on the same systems and suppliers as that company. Critical software and computer equipment have been reviewed and the Group has plans to replace any non-compliant systems by the third quarter of 1999.

Key service suppliers of Simon Group plc are being asked to confirm that such services will not be interrupted at the turn of the millennium and any doubtful replies will be pursued.

Simon Engineering Limited

Directors' report (continued)

4. Directors

The directors of the company during the year are listed below, together with details of their interests in the ordinary shares of Simon Group plc.

	Shares		Options		Long-term incentive Scheme shares*	
	31 Dec 1998	1 Jan 1998	31 Dec 1998	1 Jan 1998	31 Dec 1998	1 Jan 1998
R J Catt **	3,002	3,000	175,000	175,000	264,123	187,111
T J Redburn ***						
M D Williamson			25,000	25,000	79,122	47,790
M C S Dixon ***						

* Contingent awards under the terms of the Simon Group long-term incentive scheme.

** R J Catt also acquired nine 4.2% preference shares in 1998.

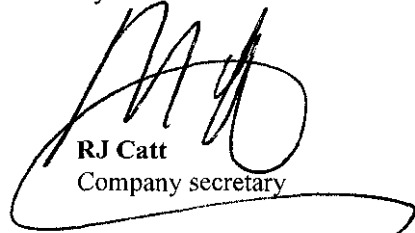
*** The interests of MCS Dixon and TJ Redburn in the shares of Simon Group plc are shown in the report of the directors of that company.

The directors held no interest at any time during the year in the shares of the company, nor in the shares or debentures of any other subsidiary undertaking in the Simon group.

5. Auditors

KPMG Audit Plc have indicated their willingness to continue in office and a resolution proposing their re-appointment will be put to the forthcoming Annual General Meeting.

By order of the board


RJ Catt
Company secretary

05 July 1999

Simon House
2 Eaton Gate
London
SW1W 9BJ

Simon Engineering Limited

Directors' responsibilities in relation to financial statements

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 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 responsible 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 which enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them for safeguarding the assets of the company, and hence for preventing and detecting fraud and other irregularities.

Simon Engineering Limited

Auditors' report to the members of Simon Engineering Limited

We have audited the financial statements on pages 6 to 8.

Respective responsibilities of directors and auditors

As described on page 4, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 judgments 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 1998 and of the result for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered accountants
Registered auditor
London

05 July 1999

Simon Engineering Limited

Profit and loss account

Year ended 31 December 1998

	Note	1998	1997
		£	£
Administrative expenses		-	-
Exceptional item : non-operating		-	-
Profit on ordinary activities before interest		-	-
Interest receivable		-	-
Profit on ordinary activities before tax		-	-
Tax on profit on ordinary activities		-	-
Profit on ordinary activities after tax		-	-
Ordinary dividends		-	-
Retained profit for the year		-	-

Recognised gains and losses

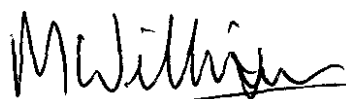
There were no recognised gains and losses other than those shown above.

Simon Engineering Limited

Balance sheet 31 December 1998

	Notes	1998 £000	1997 £000
Fixed assets			
Investments	3	-	-
Sources of finance			
Creditors: due after one year			
Amounts owed to group companies:			
subsidiary company		42,060	42,060
fellow subsidiary company		9,200	9,200
		51,260	51,260
Capital and reserves			
Called up share capital	4	-	-
Profit and loss account		(51,260)	(51,260)
Shareholders' funds - equity		(51,260)	(51,260)
		-	-

The financial statements were approved by the board of directors on 05 July 1999, and were signed on its behalf by:



MD Williamson
Director

Simon Engineering Limited

Notes to the financial statements Year ended 31 December 1998

1. Accounting policies

(i) *Accounting convention*

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

They have also been prepared on a going concern basis, notwithstanding the fact that the company had a deficit on shareholders' funds of £(51,260,000) at 31 December 1998. This treatment is on the strength of Simon Group plc's undertaking to provide continued financial support to the company to enable it to meet its liabilities as they fall due.

(ii) As a wholly-owned subsidiary the company is exempt from the requirements to prepare:

- (a) group accounts, and
- (b) a cash flow statement.

2. Employees

The company had no employees during the year (1997 nil). The directors received no remuneration (1997 nil).

3. Fixed asset investment

The company owns the whole of the issued share capital of the following subsidiary undertaking, which is carried at its cost of £2:

Company	Country of incorporation	Nature of business
Simon UK 1995 Ltd	England	Holding company and process plant engineering

4. Share capital

	Authorised		Issued and partly paid	
	1998	1997	1998	1997
	£	£	£	£
Ordinary shares of £1 each, 5p paid	<u>5,000</u>	<u>5,000</u>	<u>250</u>	<u>250</u>

5. Ultimate parent company

The ultimate parent company is Simon Group plc, a company incorporated in Britain and registered in England and Wales

This company's results are included in the consolidated financial statements of Simon Group plc, which can be obtained from Simon House, 2 Eaton Gate, London SW1W 9BJ.