

Simon UK Ltd

Report and accounts 1988

Simon House  
Bird Hall Lane  
Cheadle Heath  
Stockport  
Cheshire SK3 0RT

Simon UK LtdReport of the directors

The directors present their report and the accounts of the company for the year ended 31 December 1988.

1. Principal activities

- (i) With effect from 1 January 1987 the company acquired the assets and undertakings of various UK subsidiaries of Simon Engineering plc, each of which was then appointed to carry on its former business as agent for the company as an undisclosed principal. During the year the company expanded its activities by

- (a) acquiring with effect from 1 January 1988 the assets and undertakings of the following UK subsidiaries of Simon Engineering plc, each of which then took on an agency role in the manner described above:

Drake Aviation & Integrated Technology Ltd  
 Drake & Scull Engineering Ltd  
 Drake & Scull International Ltd  
 Drake & Scull (Scotland) Ltd  
 Simon-Drake Automation Ltd  
 Simon Gloster Saro Ltd

- (b) purchasing on 20 July 1988 the assets of Ledsham Corrugated Machinery Ltd and appointing Simon Handling Systems Ltd as agent to carry on the business.

Further expansion took place in 1989 when

- (a) with effect from 1 January 1989 the assets and undertaking of Simon-Gala Ltd were acquired, with that company then becoming an agent for its undisclosed principal, and
- (b) on 23 January 1989 the controls division of Parmeko Plc was acquired, and Simon-Parmeko Ltd was established to operate the business on an agency basis.

- (ii) The principal activities of the company's trading units, each of which bears the name of the corresponding agency company referred to in item (i) above, are as follows:

Manufacturing division

Coplastix	water pollution control equipment
Simon Container Machinery	machinery and complete plants for manufacturing and converting corrugated board
Simon Engineering Dudley	firefighting and rescue appliances
Simon-Gala	self-propelled, truck and trailer-mounted access platforms and scissor lifts
Simon Gloster Saro	specialist airport vehicles and aircraft refuellers

Simon UK LtdReport of the directors (cont.)

## 1. (ii) (cont.)

Simon Handling Systems	conveying and materials handling equipment for paper-based industries
Simon-Hartley	water pollution control equipment
Simon-Macawber	solids handling equipment

Engineering Contracting division

Drake & Scull	building services including heating, ventilation, air conditioning, plumbing, electrical supply and fire protection
Simonacco	coal preparation plant
Simon-Carves	design, engineering, material procurement, erection and commissioning of process, storage, bulk handling and automated plant for the petrochemical, chemical, fertiliser, nuclear and other industries
Simon-Drake Automation	control and automation systems
Simon Food Engineers	construction of a food manufacturing complex at Benue, Nigeria
Simon-Parmeko (incorporating Drake Aviation & Integrated Technology)	airport development and control systems

2. Business review, profits and dividends

- (i) The results of the year's operations are set out in the attached accounts.
- (ii) The profit on ordinary activities before tax for 1988 was £10,358,452 (1987 £4,100,286), and the corresponding profit after tax was £7,441,966 (1987 £2,708,818).
- (iii) The directors do not recommend the payment of a dividend.

3. Research and development

During the year the company's research and development expenditure was concentrated mainly in the areas of access equipment and water treatment systems.

4. Tangible fixed assets

Changes in tangible fixed assets during 1988 are set out in note 7 to the accounts.

Simon UK LtdReport of the directors (cont.)5. Directors

The directors of the company during the year were:

T C Leader  
B R C Kemp  
P C H Cook  
D L Davies  
J J Hartley      resigned 26 September 1988  
G H Richardson  
A Royle                "      31 December 1988

J F Burkitt was appointed a director on 1 January 1989.

The directors had no interest at any time during the year in the shares of the company or in the shares or debentures of any other subsidiary in the Simon Engineering group.

The interests of Messrs T C Leader, B R C Kemp, P C H Cook, D L Davies and G H Richardson in the shares and debentures of Simon Engineering plc are shown in the report of the directors of that company.

6. Employees

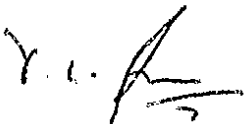
The number of employees and their remuneration are set out in note 3 to the accounts.

The company has continued to adhere to the policy laid down by its parent company, Simon Engineering plc, concerning the employment of disabled persons and the involvement of employees in its affairs.

7. Auditors

At the company's last annual general meeting, Peat Marwick McLintock were reappointed as auditors of the company. A resolution concerning their reappointment as auditors will be proposed at the forthcoming annual general meeting.

By order of the board

  
D I Price  
Company secretary

31 March 1989

Simon UK LtdProfit and loss accountYear ended 31 December 1988

	<u>Notes</u>	<u>1988</u> £	<u>1987</u> £
<u>Turnover</u>	1	278,804,111	82,720,918
Cost of sales		(234,040,158)	(61,891,556)
<u>Gross profit</u>		44,763,953	20,829,362
Administration, selling and technical costs		(34,075,190)	(16,741,942)
<u>Operating profit</u>	2	10,688,763	4,087,420
Interest (payable)/receivable	4	(330,311)	12,866
<u>Profit on ordinary activities before tax</u>	1	10,358,452	4,100,286
Tax on profit on ordinary activities	5	(2,916,486)	(1,391,468)
<u>Profit on ordinary activities after tax</u>		7,441,966	2,708,818
Extraordinary items	6	(125,188)	(987,019)
<u>Profit for the financial year - retained</u>	14	7,316,778	1,721,799

Simon UK LtdBalance sheet31 December 1988

	<u>Notes</u>	<u>1988</u> £	<u>1987</u> £
<u>Fixed assets</u>			
Tangible assets	7	12,513,778	6,217,160
<u>Current assets</u>			
Stocks and work in progress	8	45,504,667	10,025,223
Debtors	9	57,268,049	22,860,689
Cash at bank and in hand		2,783,447	756,949
		105,556,163	33,642,861
Creditors - amounts falling due within one year	10	(104,277,710)	(33,507,909)
<u>Net current assets</u>		<u>1,278,453</u>	<u>134,952</u>
<u>Total assets less current liabilities</u>		<u>13,792,231</u>	<u>6,352,112</u>
Creditors - amounts falling due after more than one year	11	(3,126,458)	(2,454,408)
<u>Provisions for liabilities and charges</u>	12	<u>(1,966,087)</u>	<u>(1,877,409)</u>
<u>Net assets employed</u>		<u>8,699,686</u>	<u>2,020,295</u>
<u>Capital and reserves</u>			
Called up share capital	13	250	250
Profit and loss account	14	8,699,436	2,020,045
		<u>8,699,686</u>	<u>2,020,295</u>

The accounts were approved by the board of directors on 31 March 1989.

  
G H Richardson

  
J F Burkitt

Directors

## Accounting policies

Year ended 31 December 1988

### Accounting convention

The accounts are prepared under the historical cost convention, as modified by the revaluation of certain assets.

### Deferred tax

Provision is made by the liability method for tax deferred in respect of the following items:

income and expenditure which are dealt with for tax purposes in a different period from that in which they are recorded in the accounts;  
the excess of capital allowances given for tax purposes over the depreciation charged in the accounts in the case of plant, vehicles and equipment, except to the extent that it is considered that the tax reduction arising from this source will continue for the foreseeable future.

### Depreciation

No depreciation is provided on freehold land. Depreciation of other fixed assets is calculated on the straight-line basis by reference to original cost (or subsequent revaluation) and the estimated lives of the assets; the principal rates for each major class of depreciable asset are as follows:

#### freehold buildings

- owned by the Simon group at 31 December 1977 - over the balance of an estimated life of 100 years
- acquired on or after 1 January 1978 - 1%

leasehold land and buildings - as for freeholds, or over the unexpired terms of the leases if shorter  
plant, machinery and motor vehicles

- 10% and 25%

office equipment - 10% to 20%

computer equipment - 20% to 25%

In the case of assets qualifying for government grants depreciation is calculated on net cost.

### Extraordinary items

Gains and losses which derive from events or transactions outside the ordinary activities of the company and which are not expected to recur frequently or regularly are treated as extraordinary items in the profit and loss account.

### Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date.

Translation differences are taken to reserve apart from those arising in the normal course of business which are included in trading results.

### Goodwill

Purchased goodwill is written off to reserves in the year of acquisition.

### Leased assets

The capital element of rental obligations in respect of assets acquired under finance leases, which transfer to the lessee substantially all the benefits and risks of ownership, is included in the balance sheet. The interest element of rental obligations is charged against profit in proportion to the reducing capital element outstanding. The equipment is depreciated over its estimated useful life.

Rentals applicable to operating leases, under which substantially all the benefits and risks of ownership remain with the lessor, are charged to the profit and loss account as incurred.

### Research and development

Expenditure on research and development is written off in the year in which incurred. Fixed assets acquired to provide facilities for research and development are capitalised and depreciated over their useful lives.

### Stocks and work in progress

Stocks and factory work in progress are valued at the lower of cost and estimated net realisable value. Cost includes appropriate production overheads.

Long-term contract work in progress is valued at cost, including appropriate overheads, plus a proportion based on progress to date of the estimated net margin which can be reasonably foreseen as arising on completion after providing for contingencies. Where appropriate, provision is made to reduce the valuation to net realisable value, which is defined as contract selling price less estimated further costs to completion.

Accounting policies (cont.)

Turnover

Turnover represents the amount derived from the provision of goods and services and erection work carried out during the year.



Simon UK LtdNotes on the accountsYear ended 31 December 1988

	<u>1988</u> £	<u>1987</u> £
<b>1. <u>Turnover and profit</u></b>		
<b>(i) <u>Turnover</u></b>		
<u>Analysis by operating division</u>		
Manufacturing	68,162,567	43,573,337
Engineering Contracting	210,641,544	39,147,581
	<u>278,804,111</u>	<u>82,720,918</u>
<u>Analysis by geographical area</u>		
North America	2,763,607	851,026
Middle East	10,086,929	7,894,114
Africa	701,131	11,430,431
Far East	8,445,882	8,016,233
EEC	19,743,458	2,480,169
Australia and New Zealand	250,082	1,396,258
Western Europe (other than EEC)	5,271,305	2,708,365
Eastern Europe and USSR	26,330,419	6,431,015
South America	724,430	265,986
	<u>74,317,243</u>	<u>41,473,597</u>
United Kingdom	204,486,868	41,247,321
	<u>278,804,111</u>	<u>82,720,918</u>
<b>(ii) <u>Profit on ordinary activities before tax</u></b>		
<u>Analysis by operating division</u>		
Manufacturing	1,492,946	182,718
Engineering Contracting	8,865,506	3,917,568
	<u>10,358,452</u>	<u>4,100,286</u>

2. Operating profit

	<u>1988</u> £	<u>1987</u> £
The following items have been taken into account in arriving at operating profit:		
Depreciation - freehold buildings	30,498	21,400
- leasehold land and buildings	80,922	29,570
- plant, machinery and motor vehicles	770,932	509,638
- computers and office equipment	1,083,665	368,380
	<u>1,966,017</u>	<u>928,988</u>
Audit fees	174,751	62,950
Hire of plant and machinery	1,285,706	9,110
Operating lease rentals	1,206,867	50,126
	<u>4,633,361</u>	<u>1,051,174</u>

The depreciation charge for 1988 includes £12,803 in respect of assets held under finance leases.

3. Employees

The average weekly numbers of employees during the year were:

	<u>1988</u>	<u>1987</u>
UK	4,864	1,556
Overseas	202	51
	<u>5,066</u>	<u>1,607</u>

The aggregate employment costs for the year were:

	£	£
Gross salaries and wages	58,585,254	18,195,430
Social security contributions	4,807,400	1,202,874
	<u>63,392,654</u>	<u>19,398,304</u>

Number of UK employees whose emoluments exceeded £30,000 in the year

	<u>1988</u>	<u>1987</u>
£30,001 - £35,000	11	-
£35,001 - £40,000	11	1
£40,001 - £45,000	7	-
£55,001 - £60,000	1	-
£60,001 - £65,000	2	-

No emoluments were received by the directors in respect of their services to the company (1987 nil).

4. Interest (payable)/receivable

## Interest payable:

Intra-group  
Bank overdrafts  
Short-term loans  
Finance leases

1988  
£

1987  
£

(354,447)  
(19,805)  
(575)  
(6,409)

-  
(3,271)  
(2,300)  
-

(381,236)

(5,571)

## Interest receivable:

Short-term investments and deposits

50,925

18,437

(330,311)

12,866

5. Tax on profit on ordinary activities

## UK tax

Corporation tax (35%)  
Double tax relief

2,709,776

1,598,260

-

(10,720)

2,709,776

1,587,540

Overseas tax

376,548

31,999

Deferred tax

(15,312)

(248,987)

Prior year adjustment

(154,526)

20,916

2,916,486

1,391,468

6. Extraordinary items

Cessation of activities  
Tax relief

402,597

1,372,407

(277,409)

(385,388)

125,188

987,019

7. Tangible fixed assets

31 December 1988

Cost or  
valuation  
£

Depreciation  
£

Net book  
value  
£

Land and buildings - freehold

4,100,000

-

4,100,000

- long leasehold

1,655,684

62,537

1,593,097

- short leasehold

491,223

482,688

8,535

Plant, machinery and motor vehicles

11,261,732

7,446,133

3,815,599

Computers and office equipment

7,406,452

4,409,905

2,996,547

24,915,091

12,401,313

12,513,778

## 7. (cont.)

<u>Movements during 1988</u>	£	£	£
1 January	12,573,476	6,356,316	6,217,160
Transfers from fellow subsidiaries	7,176,707	5,180,649	1,996,058
Additions	4,242,044	4,734	4,237,310
Disposals	(1,605,690)	(1,191,060)	(414,630)
Revaluation surplus	2,067,355	(376,542)	2,443,897
Depreciation	-	1,966,017	(1,966,017)
31 December	<u>24,453,892</u>	<u>11,940,114</u>	<u>12,513,778</u>

Assets held under finance leases

Included in the net book value at 31 December 1988 are computers and office equipment to the value of £134,472 which are held under finance leases.

Freehold land

Included in the cost or valuation of land and buildings is freehold land to the value of £2,215,000.

Analysis of gross book value

- 31 December 1988

Cost	19,460,091
Valuation - 1988	5,455,000
	<u>24,915,091</u>

A significant proportion of the company's properties was revalued at 31 December 1988 by chartered surveyors on the basis of open market value for existing use.

Cost of assets included at valuation

Cost	2,565,666
Depreciation based on cost	(142,255)
	<u>2,423,411</u>

Future capital expenditure

	<u>1988</u>	<u>1987</u>
	£	£
Contracted for but not provided in the accounts	875,260	15,720
Authorised but not contracted for	<u>976,000</u>	<u>130,354</u>

8. <u>Stocks and work in progress</u>	£	<u>1988</u>	£	£	<u>1987</u>	£
Raw materials and consumables			4,614,905			3,057,920
Finished goods and goods for resale			2,197,233			1,598,379
			<u>6,812,138</u>			<u>4,656,299</u>
Work in progress						
- long term contracts	274,614,431			237,606,360		
- other	19,920,518			11,302,912		
			<u>294,534,949</u>			<u>248,909,272</u>
- progress claims	(255,842,420)			(243,540,348)		
			<u>38,692,529</u>			<u>5,368,924</u>
			<u>45,504,667</u>			<u>10,025,223</u>

The inclusion of an element of net margin in the value of long-term contract work in progress is in accordance with statement of standard accounting practice no.9.

9. <u>Debtors</u>		<u>1988</u>	<u>1987</u>
		£	£
Trade debtors	40,366,178		20,050,369
Amounts owed by group companies	10,948,949		1,075,837
Amounts owed by related companies	85,224		11,236
Value added tax repayable	992,401		466,670
Other debtors	3,011,965		837,107
Prepayments	1,863,332		419,470
	<u>57,268,049</u>		<u>22,860,689</u>

Trade debtors include £908,478 (1987 £26,758) which does not fall due for payment before 1 January 1990.

#### 10. Creditors - amounts falling due within one year

Loan 5% 1988	-	46,000
Bank overdrafts	143,345	-
Finance leases	158,184	-
	<u>301,529</u>	<u>46,000</u>
Payments received on account	24,696,511	15,611,407
Trade creditors	54,298,958	10,916,391
Amounts owed to group companies	7,996,754	1,145,166
Amounts owed to related companies	10,546	5,333
Taxation on profits	2,393,013	1,111,118
Other taxation	1,763,008	396,817
Social security contributions	814,545	249,637
Other creditors	3,588,163	2,416,085
Accruals	8,414,683	1,609,955
	<u>104,277,710</u>	<u>33,507,909</u>

11. Creditors - amounts falling due after more than one year	<u>1988</u> £	<u>1987</u> £
Finance leases	54,398	-
Amounts owed to group companies	2,995,581	2,454,408
Other creditors	33,054	-
Accruals	43,425	-
	<u>3,126,458</u>	<u>2,454,408</u>

12. Provisions for liabilities and charges

	<u>Deferred tax</u> £	<u>Closure costs</u> £	<u>General warranty</u> £	<u>Other</u> £	<u>Total</u> £
1 January 1988	177,232	369,742	716,758	613,677	1,977,409
Transfers from fellow subsidiaries	-	21,077	160,583	169,741	351,401
Profit & loss account	111,788	34,695	1,348,522	78,916	1,573,921
Utilised during the year	-	(325,457)	(1,081,275)	(429,913)	(1,836,644)
31 December 1988	<u>289,020</u>	<u>100,057</u>	<u>1,144,588</u>	<u>432,422</u>	<u>1,966,087</u>

Deferred tax

- The potential amount of deferred tax for all timing differences, together with the amount provided in the accounts, are as follows:

	<u>Potential liability</u>		<u>Provision</u>	
	<u>1988</u> £	<u>1987</u> £	<u>1988</u> £	<u>1987</u> £
Excess of capital allowances on plant etc over related depreciation	675,000	919,000	443,765	696,978
Other timing differences	(155,000)	(520,000)	(154,745)	(519,746)
	<u>520,000</u>	<u>399,000</u>	<u>289,020</u>	<u>177,232</u>

Because of the availability of capital losses within the Simon Engineering group, no tax liability would arise were revalued tangible fixed assets to be sold at their restated values.

13. <u>Share capital</u>	<u>Authorised</u>		<u>Issued</u>	
	<u>1988</u> £	<u>1987</u> £	<u>1988</u> £	<u>1987</u> £
Ordinary shares of £1 each 5p paid	<u>5,000</u>	<u>5,000</u>	<u>250</u>	<u>250</u>

14. Reserves

	<u>Revaluation reserve</u>	<u>Profit &amp; loss account</u>	<u>Total</u>
	£	£	£
1 January 1988	-	2,020,045	2,020,045
Surplus on revaluation of properties	2,443,897	-	2,443,897
Goodwill and intellectual property written off	(2,415,933)	(637,387)	(3,053,320)
Exchange difference	(27,964)	-	(27,964)
Retained profit for the year	-	7,316,778	7,316,778
31 December 1988	-	8,699,436	8,699,436

15. Operating lease commitments

	<u>1988</u>	<u>1987</u>
	£	£
The minimum operating lease payments to be made during the following year are:		
Land and buildings		
- expiring within one year	215,977	-
- " " two to five years	127,840	40,000
- " after five years	1,215,602	-
	<u>1,559,419</u>	<u>40,000</u>
Other operating leases		
- expiring within one year	427,050	-
- " " two to five years	644,209	58,731
- " after five years	45,946	-
	<u>1,117,205</u>	<u>58,731</u>

16. Pensions

The company participates in the Simon Engineering group contributory pension schemes which cover the majority of its permanent employees in the UK. The assets of these schemes are independent of group finances and are administered by trustees drawn from management and employees. Consulting actuaries carry out valuations at least every three years (every two years in larger schemes). The latest valuations show that the accrued benefits of members are fully funded by the assets of the schemes.

17. Contingent liability

At 31 December 1988 there was a contingent liability in respect of a secured guarantee given in favour of The Prudential Assurance Co Ltd in connection with the £4.5 million 9.25 per cent debenture stock 1992/97 issued by Simon Engineering plc, the guarantee being secured by a first floating charge on the assets of the company.

18. Holding company

The ultimate holding company is Simon Engineering plc, a company incorporated in England.

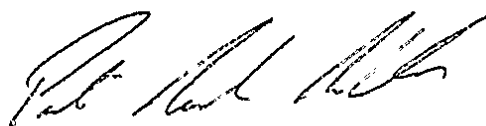
Report of the auditors

to the members of Simon UK Ltd

We have audited the accounts on pages 4 to 14 in accordance with auditing standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 1988 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

The financial statements do not include a source and application of funds statement as required by statement of standard accounting practice no. 10.



Peat Marwick McLintock  
Chartered accountants  
Manchester

31 March 1989