

Simon UK Limited

Directors' report and financial statements

31 December 1995

Registered no. 287790



Simon UK Limited

Directors' report and financial statements

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Simon UK Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1995.

Principal activities

On 24 April 1995 the company entered into the two following business disposal agreements under which its entire trading activities were disposed of as going concerns:

- (i) with Precis (1321) Limited (subsequently renamed Robertson Research International Limited) under which the net liabilities and undertaking of the company's Simon-Horizon division were sold for a negative consideration of £9.2m which remains outstanding as a loan from the buyer;
- (ii) with Precis (1322) Limited (subsequently renamed Simon UK 1995 Limited), a newly established subsidiary, under which
 - (a) the net assets and undertakings of the undermentioned divisions were sold:

Simon Access (UK)
Colin Booth
Simon-Carves
Simon-Holder

- (b) the shares in the subsidiaries listed below were transferred:

Agency companies

Simon Access (UK) Limited
Colin Booth Limited
Simon-Carves Limited
Simon-Carves International Limited
Simon-Holder Limited

Dormant companies

DAIT Limited
Simon-Horizon Limited
Simon Access Limited
Simon Gloster Saro Limited
Simon Aerials Limited
Simon Automation Limited
Simon-Dudley Limited
Simon-Parmeko Limited

Simon UK Limited

Directors' report *(contd.)*

- (c) The property Milan Court, Stockport was assigned, and
- (d) certain residual assets and liabilities were transferred.

In consideration of Simon UK 1995 Limited taking on the liabilities and obligations of the businesses, the sum of £42,060,000 was payable by the company to the purchaser, and this amount has been left outstanding as an interest-free debt.

Business review, results and dividends

The attached financial statements record the results for the period 1 January - 24 April 1995.

The loss on ordinary activities before tax for the period was £9,329,000 (1994: loss £25,742,000) and the corresponding loss after tax was £9,403,000 (1994: loss £27,971,000).

The results for the current period include an exceptional non-operating loss of £8,907,000 arising principally from the disposals of the Simon-Horizon division.

The company cannot pay a dividend.

Research and development

During the period the company's research and development expenditure was concentrated mainly in the areas of access equipment and airport crash vehicles.

Fixed assets

Changes in tangible fixed assets during the period are set out in note 5 on the financial statements.

Details of investments in subsidiary companies are given in note 6.

Directors and directors' interests

The directors of the company during the year were:

RJ Catt
MCS Dixon
SN Poulton
TJ Redburn

Simon UK Limited

Directors' report (*contd.*)

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 MCS Dixon and TJ Redburn in the shares of Simon Engineering plc are shown in the report of the directors of that company; the other directors had the following interests in such shares:

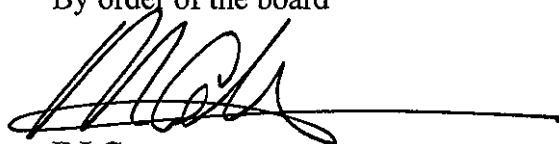
	Shares	Options	Long-term incentive scheme*
	<hr/> 1.1.95 31.12.95 <hr/>	<hr/> 1.1.95 31.12.95 <hr/>	<hr/> 13.6.95 31.12.95 <hr/>
RJ Catt	3,000	175,000	54,140
SN Poulton	2,000	100,000	47,770

* Contingent awards under the terms of the Simon Engineering long-term incentive scheme made on 13 June 1995.

Employees

The number of employees and their remuneration are set out in note 2 on the financial statements.

By order of the board



RJ Catt
Company secretary

6 December 1996

Simon House
6 Eaton Gate
London
SW1W 9BJ

Simon UK Limited

Statement of 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 of the company 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 reasonable 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Simon UK Limited

Auditors' report to the members of Simon UK Limited

We have audited the financial statements on pages 6 to 20.

Respective responsibilities of directors and auditors

As described on page 4, the company's directors are responsible for the preparation of 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 judgements 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 the company's affairs as at 31 December 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered accountants
Registered auditors
London

6 December 1996

Simon UK Limited

Profit and loss account

for the year ended 31 December 1995

	<i>Notes</i>	1995	1994
		£000	£000
Turnover		13,419	63,866
Cost of sales		<u>(10,580)</u>	<u>(62,481)</u>
Gross (loss)/profit		2,839	1,385
Net operating expenses	1	<u>(4,798)</u>	<u>(19,769)</u>
Operating loss		(1,959)	(18,384)
Exceptional items: non-operating			
- business disposals		<u>(8,907)</u>	<u>(3,828)</u>
Loss on ordinary activities before interest		(10,866)	(22,212)
Interest receivable less payable	3	<u>1,537</u>	<u>(3,530)</u>
Loss on ordinary activities before tax		(9,329)	(25,742)
Tax on profit on ordinary activities	4	<u>(74)</u>	<u>(2,229)</u>
Loss on ordinary activities after tax		(9,403)	(27,971)

The results shown above relate entirely to operations which were discontinued on 24 April 1995.

Recognised gains and losses

There are no recognised gains and losses other than those included in the profit and loss account.

Simon UK Limited

Balance sheet at 31 December 1995

	Notes	1995		1994	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	5	-	-	11,582	
Investments		-	-	6,109	
			-	17,691	
Current assets					
Stocks	7	-	-	9,400	
Debtors		-	-	21,460	
Cash at bank and in hand		-	-	3,213	
		-	-	34,073	
Creditors: amounts falling due within one year	9	(51,260)	(51,260)	(33,089)	
Net current (liabilities)/assets			(51,260)	984	
Total assets less current liabilities			(51,260)	18,675	
Creditors: amounts falling due after more than one year	10	-	-	(58,266)	
Provisions for liabilities and charges	11	-	-	(2,266)	
Net liabilities			(51,260)	(41,857)	
Capital and reserves					
Called up share capital	12	-	-	-	
Profit and loss account	13	(51,260)	(51,260)	(41,857)	
Shareholders' funds - equity			(51,260)	(41,857)	

These financial statements were approved by the board of directors on 6 December 1996 and were signed on its behalf by:

TJ Redburn
Director



Simon UK Limited

Accounting policies

Accounting convention and basis of preparation

The financial statements are prepared under the historical cost convention, as modified by the inclusion of certain tangible fixed assets at valuation, and in accordance with applicable UK accounting standards.

They have also been prepared on a going concern basis, notwithstanding the fact that the company has a deficit on shareholders' funds of £51,260,000 on the strength of Simon Engineering plc's undertaking to provide continued financial support to the company to enable it to meet its liabilities as they fall due.

As a wholly-owned subsidiary, the company is exempt from the requirements to prepare:

- (i) group accounts, and
- (ii) a cashflow statement.

Deferred tax

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Depreciation

Depreciation of tangible fixed assets is calculated on the straight-line basis by reference to original cost or subsequent revaluation and the estimated lives and residual values of the assets; the principal annual rates for each major class of asset are as follows:

Freehold land	-	nil
Freehold buildings	-	1% or over the balance of an estimated life of 100 years
Leasehold land and buildings	-	term of lease
Plant and equipment		
Plant, machinery and motor vehicles	-	10% and 25%
Computer equipment	-	20% and 25%
Office equipment	-	10% to 20%

Simon UK Limited

Accounting policies (*contd.*)

Exceptional items

Material gains and losses which derive from events or transactions that fall within the ordinary activities of the company, but which need to be disclosed separately by reason of their size or incidence if the financial statements are to give a true and fair view, are treated as exceptional items in the profit and loss account.

Foreign currencies

Foreign currency transactions are recorded at either the exchange rate ruling on the date of the transaction, or, if covered by a forward exchange contract, at the contract rate.

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the year end, and the resulting exchange differences are included in trading profit.

Goodwill

Purchased goodwill is written off to reserves in the year of acquisition. On disposal of a previously acquired business the related goodwill is written back to reserves, and charged in arriving at the profit or loss on the divestment.

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 it is incurred. The direct costs associated with bringing products into full production are capitalised and amortised over a prudent estimate of the production life of the product. Fixed assets acquired to provide facilities for research and development are capitalised and depreciated over their useful lives.

Simon UK Limited

Accounting policies (*contd.*)

Stocks and long-term contracts

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), net of amounts transferred to cost of sales, less any provision for foreseeable losses.

In the case of those long-term contracts where a proportion of the estimated net margin can reasonably be foreseen as arising on completion, margin is taken into account based on progress to date. Such contracts are reflected in the profit and loss account by recording turnover and related cost of sales as contract activity progresses. The amount by which turnover exceeds payments on account is shown as amounts recoverable on contracts within debtors. Payments on account in excess of amounts matched with turnover are separately disclosed within creditors.

Turnover

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

Simon UK Limited

Notes

(forming part of the financial statements)

1 Net operating expenses

	1995		1994	
	£000	£000	£000	£000
Selling and distribution	1,795		6,070	
- exceptional items	-		574	
		1,795		6,644
Administrative	2,700		10,353	
- exceptional items	-		1,388	
		2,700		11,741
Research and development		303		1,384
		4,798		19,769

	1995	1994
	£000	£000
Operating expenses include		
Audit fees	13	61
Depreciation		
- land and buildings	23	106
- plant and equipment	389	1,824
Operating lease rentals		
- land and buildings	161	417
- plant and equipment	622	3,911

Simon UK Limited

Notes (contd.)

2 Employees

The average number of employees during the period (year 1994) was:

	Number of employees	
	Period to 24 April 1995	1994
UK	707	1,143
Overseas	15	8
	<u>722</u>	<u>1,151</u>

The aggregate employment costs were:

	1995	1994
	£000	£000
Wages and salaries	5,631	20,394
Social security costs	468	1,721
Pension costs	385	1,170
	<u>6,484</u>	<u>23,285</u>

No emoluments were received by the directors in respect of their services to the company (1994: £nil).

Simon UK Limited

Notes (contd.)

3 Interest receivable less payable

	1995		1994	
	£000	£000	£000	£000
Receivable:				
Parent company loan	392		-	
Short-term investments	<u>3</u>		<u>107</u>	
		395		107
Payable:				
Bank overdrafts	(251)		(158)	
Loans - wholly repayable within five years:				
parent company (1995 refund)	1,393		(3,453)	
third-party	-		(20)	
Finance leases	<u>-</u>		<u>(6)</u>	
		1,142		(3,637)
		<u>1,537</u>		<u>(3,530)</u>

4 Taxation

	1995	1994
	£000	£000
Deferred taxation	-	1,089
Overseas taxation	43	262
Adjustment in respect of prior year	<u>31</u>	<u>878</u>
	<u>74</u>	<u>2,229</u>

Simon UK Limited

Notes (contd.)

5 Tangible fixed assets

	Land and buildings	Plant and equipment	Total
	£000	£000	£000
<i>Cost or valuation</i>			
1 January 1995	8,833	17,848	26,681
Additions	-	627	627
Disposals	(8,833)	(18,475)	(27,308)
31 December 1995	-	-	-
<i>Depreciation</i>			
1 January 1995	(371)	(14,728)	(15,099)
Charge for the period	(23)	(389)	(412)
Disposals	394	15,117	15,511
31 December 1995	-	-	-
<i>Net book value</i>			
31 December 1995	-	-	-
31 December 1994	8,462	3,120	11,582

Net book value of land and buildings at
31 December 1994 comprised:

	£000
Freehold	6,629
Long leasehold	1,786
Short leasehold	47
	8,462

Simon UK Limited

Notes (contd.)

5 Tangible fixed assets (contd.)

	£000
Analysis of gross book value - 31 December 1994:	
Cost	24,881
Valuation 1989	1,800
Net book value	<u>26,681</u>

Certain of the company's properties were revalued at 31 December 1989 by chartered surveyors on the basis of open market value for existing use.

Tangible assets included at valuation

	1994 £000
Historical cost of revalued assets	1,460
Aggregate depreciation based on historical cost	(102)
Historical cost net book value	<u>1,358</u>

6 Fixed asset investments

	Shares in subsidiary undertakings £000
Cost	
1 January 1995	6,109
Group transfer	(6,109)
31 December 1995	<u>-</u>

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

Simon UK Limited

Notes (contd.)

Company	Country of incorporation	Nature of business
Simon UK 1995 Limited	England	Access equipment manufacture Process plant engineering Storage and transportation

7 Stocks and work in progress

	1995	1994
	£000	£000
Raw materials and consumables	-	3,974
Work in progress	-	37,998
Finished goods and goods for resale	-	1,380
Payments on account	-	(33,952)
	<u>-</u>	<u>9,400</u>

At 31 December 1994 work in progress included £34,221,000 in respect of long-term contracts.

8 Debtors

	1995	1994
	£000	£000
Trade debtors	-	9,803
Amounts owed by parent and fellow subsidiary undertakings	-	6,186
Deferred taxation	-	545
Value added tax repayable	-	149
Other debtors	-	3,812
Prepayments and accrued income	-	965
	<u>-</u>	<u>21,460</u>

Simon UK Limited

Notes (contd.)

The amount provided for deferred taxation at 31 December 1994 was made up as follows:

	1994
	£000
Difference between accumulated depreciation and capital allowances	545

9 Creditors: amounts falling due within one year

	1995	1994
	£000	£000
Bank overdrafts	-	8,011
Payments received on account	-	1,788
Trade creditors	-	6,079
Amounts owed to parent and fellow subsidiary undertakings	51,260	6,961
Amounts owed to associated undertakings	-	612
Corporate taxation	-	156
Other taxation and social security costs	-	301
Other creditors	-	2,908
Accruals and deferred income	-	6,273
	<u>51,260</u>	<u>33,089</u>

10 Creditors: amounts falling due after one year

	1995	1994
	£000	£000
Amounts owed to group undertakings:		
Parent and fellow subsidiary undertakings	-	49,055
Subsidiary undertakings	-	9,211
	<u>-</u>	<u>58,266</u>

Simon UK Limited

Notes (contd.)

The amounts owed to group undertakings at 31 December 1994 had no fixed repayment date and carried interest at the following rates:

	1994
	£000
Nil	9,211
10%	49,055
	<u>58,266</u>

11 Provisions for liabilities and charges

	Rationalisation	General warranty	Other provisions	Total
	£000	£000	£000	£000
1 Jan 1995	1,457	714	95	2,266
Utilised	<u>(320)</u>	<u>-</u>	<u>-</u>	<u>(320)</u>
Transferred during the year	<u>(1,137)</u>	<u>(714)</u>	<u>(95)</u>	<u>(1,946)</u>
31 Dec 1995	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

12 Called up share capital

	1995	1994
	£	£
<i>Authorised</i>		
5,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
<i>Allotted, called up and partly paid 5,000 ordinary shares of £1 each, 5p paid</i>	<u>250</u>	<u>250</u>

Simon UK Limited

Notes (contd.)

13 Reserves

	£000
Profit and loss account	
1 January 1995	(41,857)
Loss for the year	(9,403)
31 December 1995	<u>(51,260)</u>

14 Reconciliation of movements in shareholders' funds

	1995	1994
	£000	£000
Loss for the financial year	(9,403)	(27,971)
Shareholders' funds - 1 January	<u>(41,857)</u>	<u>(13,886)</u>
Shareholders' funds - 31 December	<u>(51,260)</u>	<u>(41,857)</u>

15 Contingent liability

At 31 December 1995 there was a contingent liability in respect of a guarantee given in favour of The Prudential Assurance Co Limited in connection with £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.

16 Commitments

- (i) Capital commitments at the end of the financial year for which no provision has been made.

	1995	1994
	£000	£000
Contracted	-	384
Authorised but not contracted for	<u>-</u>	<u>25</u>

Simon UK Limited

Notes (contd.)

16 Commitments (contd.)

(ii) The minimum operating lease payments to be made during the following year are:

	1995		1994	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Leases expiring:				
within one year	-	-	2	267
within two to five years	-	-	-	1,722
after five years	-	-	319	-
	<u>-</u>	<u>-</u>	<u>321</u>	<u>1,989</u>

17 Ultimate parent company

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

The company's results are included in the consolidated accounts of the Simon Engineering group, which are available to the public and may be obtained from Simon House, 6 Eaton Gate, London SW1W 9BJ.