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Registered number - 288899

ACCOUNTS -- 31 DECEMBER 1991

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS



28-07-92

SENIOR CONSTRUCTION SERVICES LIMITED
(FORMERLY HENRY HARGREAVES & SONS LIMITED)

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1991

The Directors present their annual report on the affairs of the Company, together with the accounts and auditors' report, for the year ended 31 December 1991.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Company is the manufacture and installation of air conditioning and air handling units, and the manufacture of ceiling products.

On 1 January 1991 the trade, assets and liabilities of Senior Colman Limited, Modulac Limited and Phoenix Rollformed Sections Limited were transferred to the Company.

The Directors expect the general level of activity to continue at recent levels.

The Board considers that research and development continues to play a vital role in the Company's operations, and expenditure is shown in Note 3 to the accounts.

RESULTS AND DIVIDENDS

Results and movement on reserves are as follows -

	£'000
Retained profit at 31 December 1990	£ 354
Profit for the financial year	3,927
Transfer from revaluation reserve	7
Dividends - first interim paid of £11.30 per share	(354)
- second interim paid of £114.95 per share	(3,600)
- goodwill written off	(40)
Retained profit at 31 December 1991	£ 294

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year were -

Mr I T Cameron - Chairman
 Mr D Cotterill (resigned 31 March 1992)
 Mr K Crane
 Mr K W Bass (deceased 9 June 1991)
 Mr K E Dyer
 Mr B G Ward (resigned 28 October 1991)
 Mr D W Lowe (appointed 1 January 1991, resigned 28 October 1991)
 Mr K White (appointed 1 January 1991, resigned 28 October 1991)
 Mr T Bell (appointed 28 October 1991)
 Mr D J Leighton (appointed 28 October 1991)
 Mr R E Wilkes (appointed 28 October 1991)

The Directors, other than those who are also directors of the ultimate parent company, held the following beneficial interests in 10p ordinary shares of Senior Engineering Group plc.

Name	Shares		1990	Granted	Options		1991
	1991	1990			Granted	Exercised	
Mr I T Cameron	-	-	60,000	-	-	-	60,000
Mr K Crane	-	-	66,435	-	-	-	66,435
Mr K W Bass	-	-	66,435	-	-	-	-
Mr K E Dyer	-	-	66,435	-	-	-	66,435
Mr B G Ward	-	-	66,435	-	-	-	-
Mr T Bell	-	-	66,435	-	-	-	66,435
Mr D J Leighton	59,335	59,335	30,000	-	-	-	30,000
Mr R E Wilkes	-	-	66,435	-	-	-	66,435

Options to subscribe for shares were granted on 30 September 1987 at 66.24p (after adjustment in number and value to reflect the dilution effects of the Rights Issue in 1989) and on 17 October 1989 at 54p.

The Directors have no other interests required to be disclosed under Section 234 of the Companies Act 1985.

FIXED ASSETS

Information relating to changes in tangible fixed assets is given in Note 8 to the accounts.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

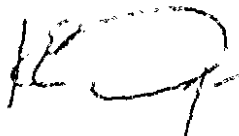
EMPLOYEE CONSULTATION

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees, and on the various factors affecting the performance of the group.

AUDITORS

The Directors will place a resolution before the Annual General Meeting to re-appoint Arthur Andersen (formerly Arthur Andersen & Co.) as auditors for the ensuing year.

BY ORDER OF THE BOARD



K. E. Dyer
Secretary

Lord Street
Bury
Lancs
BL9 9RG

31 March 1992

28-0792

ARTHUR
ANDERSEN

AUDITORS' REPORT TO THE MEMBERS OF SENIOR CONSTRUCTION SERVICES LIMITED

We have audited the financial statements on pages 5 to 18 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 1991 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

CHARTERED ACCOUNTANTS AND REGISTERED AUDITOR

31 March 1992

SENIOR CONSTRUCTION SERVICES LIMITED
(FORMERLY HENRY HARGREAVES & SONS LIMITED)

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1991

	<u>Notes</u>	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
TURNOVER	2	£ 48,025	£ 21,586
Cost of sales		(34,601)	(18,064)
GROSS PROFIT		£ 13,424	£ 3,522
Other operating expenses (net)	3	(7,298)	(1,656)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	£ 6,126	£ 1,866
Tax on profit on ordinary activities	6	(2,199)	(668)
PROFIT FOR THE FINANCIAL YEAR		£ 3,927	£ 1,198
RETAINED PROFIT, beginning of year		354	237
DIVIDENDS	7	(3,954)	(1,087)
Transfer from revaluation reserve	15	7	6
Goodwill written off		(40)	
RETAINED PROFIT, end of year		£ 294	£ 354

The accompanying notes are an integral part of this profit and loss account.

SENIOR CONSTRUCTION SERVICES LIMITED
(FORMERLY HENRY HARGREAVES & SONS LIMITED)

BALANCE SHEET - 31 DECEMBER 1991

	<u>Notes</u>	<u>1991</u> £'000	<u>1990</u> £'000
FIXED ASSETS			
Tangible assets	8	£ 5,064	£ 1,729
CURRENT ASSETS			
Stocks	9	£ 4,079	£ 1,743
Debtors	10	9,480	6,123
Cash at bank and in hand		6,732	4,693
		£ 20,291	£ 12,559
CREDITORS: amounts falling due within one year	11	(12,058)	(7,235)
NET CURRENT ASSETS		£ 8,233	£ 5,324
TOTAL ASSETS LESS CURRENT LIABILITIES		£ 13,297	£ 7,053
CREDITORS: amounts falling due after more than one year	12	(12,062)	(5,825)
PROVISION FOR LIABILITIES AND CHARGES	13	(74)	-
NET ASSETS		£ 1,161	£ 1,228
CAPITAL AND RESERVES			
Called-up share capital	14	£ 31	£ 31
Share premium account	15	3	3
Revaluation reserve	15	743	750
Other reserves	15	90	90
Profit and loss account	15	294	354
TOTAL CAPITAL EMPLOYED		£ 1,161	£ 1,228

SIGNED ON BEHALF OF THE BOARD

I. Cameron)

)

Directors

K.E. Dyer)

)

31 March 1992

The accompanying notes are an integral part of this balance sheet.

28-07-92

SENIOR CONSTRUCTION SERVICES LIMITED
(FORMERLY HENRY HARGREAVES & SONS LIMITED)

NOTES TO THE ACCOUNTS -- 31 DECEMBER 1991

1. STATEMENT OF ACCOUNTING POLICIES

A summary of the Company's principal accounting policies all of which have been applied consistently throughout the year and with the preceding year, is set out below -

a) Basis of accounting

The accounts are prepared under the historic cost convention modified to include the revaluation of land and buildings, and in accordance with applicable accounting standards.

No cash flow statement has been prepared as the ultimate holding company (Note 18) prepares a consolidated cash flow statement in accordance with Financial Reporting Standard No. 1.

b) Tangible fixed assets

Freehold land and buildings are shown at original historic cost or valuation, less accumulated depreciation. Other tangible fixed assets are shown at cost less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows-

Freehold buildings	-	2% per annum
Leasehold buildings	-	Over the period of the lease
Plant, machinery and motor vehicles	-	10% - 33 1/3% per annum

Assets in the course of construction are not depreciated.

Profits or losses on the disposal of tangible fixed assets are included in the calculation of operating profit.

c) Stocks, other than long term contracts

Stocks, other than long term contracts, are stated at the lower of cost and net realisable value.

Cost incurred in bringing each product to its present location and condition is based on -

Raw materials	-	Purchase cost on a weighted average basis, including carriage.
Work-in-progress and finished goods	-	Cost of direct materials and labour plus an appropriate proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal.

Provision is made for obsolete, slow-moving or defective items where appropriate.

d) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Provision is made for deferred taxation using the liability method. Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the Directors, will probably not reverse. No provision is made for the potential tax on capital gains on revalued properties due to anticipated roll-over relief.

e) Pension costs

In accordance with the provisions of SSAP 24 "Accounting for Pension Costs", pension costs are charged against profits in a systematic manner over the service lives of the employees in each scheme. Total pension costs comprise -

- a) The regular pension cost, that is the consistent ongoing cost, calculated as a level percentage of the current and expected future pensionable payroll.
- b) Variations from the regular cost, arising from pension scheme surpluses or deficiencies, allocated over the expected remaining service lives of employees in each scheme.

Any difference between the amounts charged in the profit and loss account and the amounts payable to the fund for the year are recorded as creditors or prepayments as appropriate.

f) Research and development

Costs are charged against revenue in the year in which they are incurred.

g) Turnover and long term contracts

Turnover, except that for long term contracts, comprises the external sales value of work invoiced during the year, excluding discounts and sales taxes.

Turnover on long term contracts and related long term contract balances are accounted for in compliance with SSAP 9.

Turnover on long term contracts represents the sales value of work completed during the year. The related costs are matched with this turnover resulting in the reporting of attributable profit proportionate to the contract activity. All known or anticipated losses are provided for in full as soon as they are foreseen.

28-07-92

Net costs incurred in excess of amounts transferred to cost of sales are classified as long term contract balances. Revenues recognised in excess of amounts billed are classified as amounts recoverable on contracts and included in debtors. Amounts billed in excess of revenues recognised to date are deducted from related long term contract balances with any residual balance being classified as payments on account and included in creditors. Long term contract balances are stated at contract cost incurred less amounts transferred to cost of sales, foreseeable losses, and payments on account.

h) Foreign currency

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

i) Leases

Rentals under operating leases are charged on a straight-line basis over the lease term. Assets held under operating leases are not reported in the balance sheet.

2. TURNOVER

Contributions to turnover by geographical area were as follows -

	<u>1991</u> £'000	<u>1990</u> £'000
UK	£ 45,274	£ 21,559
Overseas	2,751	27
	<u>£ 48,025</u>	<u>£ 21,586</u>
	=====	=====

3. OTHER OPERATING EXPENSES (NET)

Other operating expenses (net) comprise -

	<u>1991</u> £'000	<u>1990</u> £'000
Distribution costs	£ 605	£ 127
Selling and marketing costs	2,459	299
Administrative expenses	4,005	1,161
Research and development costs	229	69
	<u>£ 7,298</u>	<u>£ 1,656</u>
	=====	=====

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging (crediting) -

	<u>1991</u> £'000	<u>1990</u> £'000
Depreciation of tangible fixed assets	£ 824	£ 206
Profit on disposal of tangible fixed assets	(41)	(1)
Auditors' remuneration	61	18
Divisional relocation costs	500	-
Staff costs (see Note 5)	14,562	8,056
	=====	=====

5. STAFF COSTS

a) Particulars of employee costs, including executive Directors, are as shown below -

	<u>1991</u> £'000	<u>1990</u> £'000
Wages and salaries	£ 13,260	£ 7,269
Social security costs	1,083	566
Other pension costs	219	221
	-----	-----
	£ 14,562	£ 8,056
	=====	=====

b) The average weekly number of persons employed during the year was as follows -

	<u>1991</u> <u>Number</u>	<u>1990</u> <u>Number</u>
Production	811	533
Distribution	19	12
Selling and marketing	88	24
Administration	77	16
	-----	-----
	995	585
	=====	=====

c) Directors' remuneration

The costs shown above include the following in respect of Directors of the Company (including pension costs) -

	<u>1991</u> £'000	<u>1990</u> £'000
Remuneration for management services	£ 376	£ 252
Compensation for loss of office	-	19
	<u>£ 376</u>	<u>£ 271</u>

In addition, the emoluments of one Director who was also a director of other group undertakings were paid wholly by Senior Engineering Group plc. It is not practicable in this case to determine the proportions of such emoluments which are attributable to services to the Company. However, the total emoluments for this Director are disclosed in the accounts of Senior Engineering Group plc

The Directors' remuneration paid by the Company, excluding pension contributions, included -

	<u>1991</u> £'000	<u>1990</u> £'000
Chairman (and highest paid director in 1991)	£ 57	£ 14
Highest paid Director	£ -	£ 50

Directors received emoluments, excluding pensions and pension contributions, in the following ranges -

	<u>1991</u> Number	<u>1990</u> Number
£Nil - £5,000	1	-
£ 5,001 - £10,000	2	-
£10,001 - £15,000	1	1
£20,001 - £25,000	1	1
£30,001 - £35,000	2	-
£35,001 - £40,000	1	-
£40,001 - £45,000	-	2
£45,001 - £50,000	1	2
£55,001 - £60,000	2	-

d) Pension costs

The Company participates in Group pension scheme arrangements which provide defined benefits. The assets of these funded schemes are held in separate trustee administered funds. The contributions are assessed in accordance with the advice of a qualified actuary. The most recent valuations were as of 1 January 1991 or subsequently.

The pension charge for the year was £219,000 (1990 - £221,000). This charge is stated net of £543,000 (1990 - £289,000) in respect of the amortisation of experience surpluses allocated to the Company which are being recognised over ten years, the average remaining service lives of employees. This ten year period ends in 2000.

The excess of the accumulated pension cost over the amount funded of £359,000 (1990 - £239,000) is included in creditors falling due after more than one year.

Further details of the Group schemes and the actuarial valuations are given in the accounts of the Company's ultimate parent company, Senior Engineering Group plc.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the profit for the year and comprises -

	<u>1991</u> £'000	<u>1990</u> £'000
UK Corporation tax at 33.25% (1990 - 34.25%)	£ 2,182	£ 710
Deferred taxation	17	(42)
	<u>£ 2,199</u>	<u>£ 668</u>
	=====	=====

7. DIVIDENDS

	<u>1991</u> £'000	<u>1990</u> £'000
First interim paid of £11.30 per share (1990 - £7.57)	£ 354	£ 237
Second interim paid of £114.95 per share (1990 - £27.14)	3,600	850
	<u>£ 3,954</u>	<u>£ 1,087</u>
	=====	=====

8. TANGIBLE FIXED ASSETS

a) The movement of tangible fixed assets during the year was as follows

	<u>Land and Buildings</u>		<u>Short</u>	<u>Plant,</u>	
	<u>Freehold</u>	<u>Leasehold</u>	<u>leasehold</u>	<u>machinery,</u>	
			<u>improvements</u>	<u>and motor</u>	<u>Total</u>
	£'000	£'000	£'000	£'000	£'000
COST OR VALUATION					
Beginning of year	£ 1,162	£ -	£ 21	£ 2,359	£ 3,542
Additions	33	110	-	1,208	1,351
Group transfers	747	-	-	4,288	5,035
Disposals	-	-	-	(264)	(264)
	£ 1,942	£ 110	£ 21	£ 7,591	£ 9,664
DEPRECIATION					
Beginning of year	£ 32	£ -	£ 21	£ 1,760	£ 1,813
Charge	31	-	-	793	824
Disposals	-	-	-	(229)	(229)
Group transfers	49	-	-	2,287	2,336
End of year	£ 112	£ -	£ 21	£ 4,611	£ 4,744
NET BOOK VALUE					
End of year	£ 1,830	£ 110	£ -	£ 2,980	£ 4,920
Assets in course of construction					144
					£ 5,064

- b) The freehold land and buildings were revalued on 31 December 1988 on an existing use, open market basis by Chesterton, chartered surveyors and property consultants.
- c) Original cost, and depreciation based on cost, of land and buildings included at valuation comprises -

	<u>1991</u>	<u>1990</u>
	£'000	£'000
Original cost	£ 443	£ 443
Depreciation based on cost	(231)	(223)
	£ 212	£ 220

- d) The depreciable amount included in freehold land and buildings at 31 December 1991 amounted to £1,682,000 (1990 - £912,000).

9. STOCKS

The following amounts are included in the net book value of stocks -

	<u>1991</u> £'000	<u>1990</u> £'000
Raw materials	£ 2,060	£ 1,103
Work-in-progress	1,105	640
Finished goods	914	-
	<u>£ 4,079</u>	<u>£ 1,743</u>
	*****	*****

10. DEBTORS

The following are included in the net book value of debtors -

Amounts falling due within one year

	<u>1991</u> £'000	<u>1990</u> £'000
Trade debtors	£ 6,064	£ 4,265
Amounts recoverable on contracts	1,653	1,358
Amounts owed by group undertakings	24	18
Other debtors	73	49
Prepayments	237	62
Current tax recoverable	753	-
VAT	22	-
	<u>£ 8,826</u>	<u>£ 5,752</u>

Amounts falling due after more than one year

Trade debtors	654	336
Deferred taxation (see Note 13)	-	35
	<u>£ 9,480</u>	<u>£ 6,123</u>
	*****	*****

28-07-92

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

The following amounts are included in creditors falling due within one year -

	<u>1991</u> £'000	<u>1990</u> £'000
Payments received in advance of work-in-progress	£ 584	£ 1,056
Trade creditors	4,939	2,611
Amounts owed to ultimate parent company	1,348	850
Amounts owed to other group undertakings	5	50
Other creditors:		
UK Corporation tax payable	1,059	425
ACT on dividends	1,200	283
VAT	700	678
Social security and PAYE	577	450
Other creditors		4
Accruals and deferred income	1,646	828
	<u>£ 12,058</u>	<u>£ 7,235</u>
	=====	=====

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

The following amounts are included in creditors falling due after more than one year -

	<u>1991</u> £'000	<u>1990</u> £'000
Amount owed to ultimate parent company, not repayable by instalments	£ 11,703	£ 5,586
Accruals and deferred income	359	239
	<u>£ 12,062</u>	<u>£ 5,825</u>
	=====	=====

Senior Engineering Group plc has no intention of seeking repayment of the loan within the next twelve months and accordingly the balance owed to the parent company has been treated as a non-current liability.

13. PROVISION FOR LIABILITIES AND CHARGES

- a) The provision for liabilities and charges comprises deferred taxation. Deferred taxation provided in the balance sheet, together with the full potential liability, is as follows -

	1991		1990	
	<u>Full potential liability</u>	<u>Provided</u>	<u>Full potential liability</u>	<u>Provided</u>
	£'000	£'000	£'000	£'000
Accelerated capital allowances	£ 220	£ 220	£ 75	£ 75
Short term timing differences	(146)	(146)	(110)	(110)
Potential capital gains on revalued properties	180	-	180	-
	<u>£ 254</u>	<u>£ 74</u>	<u>£ 145</u>	<u>£ (35)</u>
	=====	=====	=====	=====

- b) The movement on deferred taxation comprises -

	<u>1991</u>	<u>1990</u>
	£'000	£'000
Beginning of year	£ (35)	£ 7
Credited to the profit and loss account	17	(42)
Group transfers	92	-
End of year	<u>£ 74</u>	<u>£ (35)</u>
	=====	=====

14. CALLED-UP SHARE CAPITAL

	Authorised		Allotted and fully-paid	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
	£'000	£'000	£'000	£'000
Ordinary shares of £1 each	£ 50	£ 50	£ 31	£ 31
	=====	=====	=====	=====

15. RESERVES

The movement on reserves during the year was as follows -

	<u>Profit and loss account</u> £'000	<u>Share premium account</u> £'000	<u>Revaluation reserve</u> £'000	<u>Other reserves</u> £'000
Beginning of year	£ 354	£ 3	£ 750	£ 90
Profit for the financial year	3,927	-	-	-
Transfer to profit and loss account	7	-	(7)	-
Dividends	(3,954)	-	-	-
Goodwill written off	(40)	-	-	-
End of year	£ 294	£ 3	£ 743	£ 90

16. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) Capital commitments

	<u>1991</u> £'000	<u>1990</u> £'000
Authorised and contracted for	£ 99	£ 38
Authorised but not contracted for	582	72
	£ 681	£ 110

- b) The Company leases certain land and buildings and plant and machinery on short term leases. The net annual rental on the land and buildings leases was £335,000 (1990 - £74,000). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Company pays all insurance, maintenance and repairs on these properties.

The minimum annual rentals under the foregoing leases are as follows -

	<u>1991</u>		<u>1990</u>	
	<u>Land and buildings</u> £'000	<u>Plant and machinery</u> £'000	<u>Land and buildings</u> £'000	<u>Plant and machinery</u> £'000
Operating leases expiring:				
within one year	£ -	£ -	£ 7	£ -
within two to five years	-	53	-	5
after five years	366	-	56	-
	£ 366	£ 53	£ 63	£ 5

- 28-07-92
- c) Together with certain other group undertakings, the Company is a guarantor, jointly and severally, of a committed five year £50 million multi currency multiple option facility for Senior Engineering Group plc dated 4 December 1989. At 31 December 1991 the total sum borrowed under this facility was US\$30 million (1990 - US\$25 million).
 - d) Together with certain other group undertakings, the Company is a guarantor, jointly and severally, of all indebtedness of these other group undertakings with one of the group's bankers, under an agreement with the bankers dated 12 April 1989.
 - e) Together with certain other group undertakings, the Company is a guarantor, jointly and severally, of all indebtedness of one of these other group undertakings with its bankers, under an agreement with the bankers dated 21 October 1991.

17 TRANSFER OF TRADE, ASSETS AND LIABILITIES

On 1 January 1991 the trade, assets and liabilities of Senior Colman Limited, Moducel Limited and Phoenix Rollformed Sections Limited were transferred to the Company.

18 ULTIMATE PARENT COMPANY

The Company's immediate holding company is Senior Engineering Investments Limited, a company registered in England.

The Company's ultimate holding company, which prepares consolidated accounts incorporating the Company's results, is Senior Engineering Group plc, a company registered in England, whose registered office is at Senior House, 59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH. The consolidated accounts of the group are available to the public and may be obtained from the aforementioned address.