

REPORT OF THE DIRECTORS

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The directors have pleasure in presenting their report and accounts for the year ended 31 December 1982. The notes to the accounts should be read in conjunction with this report.

1. BUSINESS ACTIVITIES

The Company manufactures and erects light fabrications in aluminium, galvanised, mild and stainless steels and plastics.

The products are required for air-conditioning, dust collection, fume removal, ventilation and insulation cladding. The main fields of activity are found in the building, paper making, catering, chemical industries and nuclear power undertakings.

2. TRADING

The Company experienced a satisfactory level of trading during 1982 and the directors also consider that the state of the Company's affairs is satisfactory.

3. PROFIT AND DIVIDEND

The profit of the Company for the year, after taxation, is £591,557 which has been dealt with as shown in the Profit and Loss Account. An interim dividend of £591,557 has been declared.

4. DIRECTORS

The following directors have held office for the whole of the year.

J. Bleakley (Chairman)
E. Smallwood (Managing Director)
G.A. Higginbotham
K. Crane
K.W. Bass
B.G. Ward
M.W. Westcott

The directors had no beneficial interests in the share capital of the Company during the year.

The directors, other than those who are also directors of the ultimate holding company, held the following number of 10p shares in the capital of Senior Engineering Group plc.

<u>Name</u>	<u>1982</u>	<u>1981</u>
J. Bleakley	9,500	39,500

5. FIXED ASSETS

Information relating to changes in fixed assets is given in note 4 to the accounts.



HENRY HARGREAVES AND SONS LIMITED

REPORT OF THE DIRECTORS

(CONTINUED)

6. EMPLOYMENT OF DISABLED PERSONS

Applications for employment by disabled persons are always fully considered and it is the policy of the Company that their training, career development and promotion is identical to that of any other employee.

7. AUDITORS

The auditors, Arthur Andersen & Co., are willing to be re-appointed in accordance with Section 14 of the Companies Act 1976.

Registered Office:
Lord Street,
Bury
Lancs.

BY ORDER OF THE BOARD

M.W. WESTCOTT

Secretary

24 March 1983

ARTHUR ANDERSEN & CO.
BANK HOUSE
9 CHARLOTTE STREET
MANCHESTER M1 4EU

To the Members of Henry Hargreaves and Sons Limited:

We have audited the accounts of HENRY HARGREAVES AND SONS LIMITED (a subsidiary company) set out on pages 4 to 11 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared on the historical cost basis as modified by the revaluation of land and buildings, give a true and fair view of the state of the Company's affairs at 31 December 1982 and of its profit and source and application of funds for the year then ended and comply with the Companies Acts 1948 to 1981.

24 March 1983

Arthur Andersen & Co.
ARTHUR ANDERSEN & CO.
CHARTERED ACCOUNTANTS
MANCHESTER

HENRY HARGREAVES AND SONS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1982

	<u>NOTES</u>	<u>1982</u>	<u>1981</u>
TURNOVER	1	£8,907,617 =====	£9,221,099 =====
PROFIT BEFORE TAXATION	2	£1,191,499	£1,027,571
TAXATION	3	599,942	462,440
PROFIT AFTER TAXATION		£ 591,557	£ 565,131
DIVIDEND		591,557	565,131
RETAINED FOR THE YEAR		£ - =====	£ - =====

STATEMENT OF RESERVES

AT BEGINNING AND END OF YEAR	£ 392,428 =====	£ 392,428 =====
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Of the total reserves at 31 December 1982, the directors consider that £392,428 (1981 £392,428) is not available for distribution by way of dividend to shareholders.

The notes on pages 7 to 11 form part of these accounts.

HENRY HARGREAVES AND SONS LIMITED

BALANCE SHEET AT 31 DECEMBER 1982

	NOTES	1982	1981
	1 & 4	£ 902,286	£ 918,215
FIXED ASSETS			
CURRENT ASSETS			
Stock and work-in-progress	1 & 7	£ 954,802	£1,566,065
Debtors and prepayments	5	2,010,640	1,882,242
Amounts due from group companies		345	22,090
Bank balances and cash		23,373	19,823
		<u>£2,989,160</u>	<u>£3,490,220</u>
LESS: CURRENT LIABILITIES			
Creditors and accruals		£1,026,887	£1,133,876
Amounts received in advance of work-in-progress on contracts		292,822	154,894
Amounts owing to group companies		235,507	485,203
Taxation	3	941,558	602,074
		<u>£2,496,774</u>	<u>£2,376,047</u>
NET CURRENT ASSETS		£ 492,386	1,114,173
		<u>£1,394,672</u>	<u>£2,032,388</u>
FINANCED AS FOLLOWS:			
SHARE CAPITAL	6	£ 31,317	£ 31,317
SHARE PREMIUM ACCOUNT		3,159	3,159
RESERVES		392,428	392,428
		<u>£ 426,904</u>	<u>£ 426,904</u>
SHAREHOLDERS' FUNDS			
AMOUNTS DUE TO DIVISIONAL HOLDING COMPANY			
On current and loan accounts		£ 313,211	£1,000,353
Interim dividend (since paid)		591,557	565,131
		<u>904,768</u>	<u>1,565,484</u>
DEFERRED TAXATION	1 & 3	63,000	40,000
		<u>£1,394,672</u>	<u>£2,032,388</u>

SIGNED ON BEHALF OF THE BOARD

J. BLEAKLEY)

) DIRECTORS

M.W. WESTCOTT)

24 March 1983

The notes on pages 7 to 11 form part of these accounts.

HENRY HARGREAVES AND SONS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 DECEMBER 1982

	<u>1982</u>	<u>1981</u>
SOURCE OF FUNDS:		
Profit before taxation	£1,191,499	£1,027,571
Adjustments for items not involving the movement of funds --		
Depreciation	£ 140,449	£ 130,657
Profit on sale of fixed assets	(2,051)	(6,067)
	<hr/>	<hr/>
Funds generated from operations	£1,329,897	£1,152,161
Sale proceeds of fixed assets	3,454	7,300
	<hr/>	<hr/>
	£1,333,351	£1,159,461
	<hr/>	<hr/>
APPLICATION OF FUNDS:		
Dividends paid	£ 565,131	£ 528,394
Amount paid to Divisional Holding Company	687,142	499,598
Taxation relieved through group companies	23,239	50,000
ACT purchased from holding company	66,495	50,000
Taxation paid	147,724	71,856
Capital expenditure	125,923	69,233
Decrease in working capital as shown below	(282,303)	(109,620)
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	£1,333,351	£1,159,461
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(DECREASE) INCREASE IN WORKING CAPITAL		
Stock and work-in-progress	£(611,263)	£ 884,062
Debtors and prepayments	128,398	(445,398)
Net amounts owing to group companies	227,951	(276,050)
Creditors and accruals	(30,939)	(267,988)
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Movement in net liquid funds:		
Bank balances and cash	3,550	(4,246)
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	£(282,303)	£(109,620)
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The notes on pages 7 to 11 form part of these accounts.

HENRY HARGREAVES AND SONS LIMITED

NOTES ON ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES:

1.1 Accounting basis

The accounts have been prepared on the historical cost basis with the exception of certain land and buildings which are stated at their revalued amounts.

1.2 Turnover

Turnover comprises the sales value of work carried out during the year, including end of contract adjustments and inter-group sales at arm's length, but exclusive of Value Added Tax.

1.3 Depreciation

Land and buildings are stated at cost, or valuation. Property additions since the last revaluation, and plant and equipment are stated at cost.

Depreciation is provided to write off the cost of fixed assets using the straight-line method over the following estimated useful lives:

Freehold buildings	2%
Long and short leasehold buildings	Over period of lease
Plant and equipment	Over 3 to 10 years
Computer hardware and software	Over 7 years

Loose tools have been valued by the directors by reference to their anticipated lives.

1.4 Stock and work-in-progress

Raw materials and stores have been valued at the lower of cost and net realisable value on bases and methods consistently applied. Work-in-progress has been valued on the basis of total cost including overheads and an element of profit where appropriate, less progress payments received and receivable.

1.5 Deferred taxation

Deferred taxation is not provided where, in the opinion of the directors, there is reasonable evidence that such taxation will not become payable in the foreseeable future (at least three years) and there is no indication that the situation will change thereafter.

The directors have concluded that, based upon present evidence, there will be no net reversal of timing differences in excess of the partial provision with respect to capital allowances in the foreseeable future and there is no indication that the situation is likely to change thereafter.

HENRY HARGREAVES AND SONS LIMITED

NOTES ON ACCOUNTS

(CONTINUED)

1.6 Accounting Disclosure

The Company is not yet required to comply with the accounting disclosure requirements of the Companies Act 1981, and have continued to present accounts as in the past. Accordingly they comply with Section 149 of and Schedule 8A to the Companies Act 1948.

2. PROFIT BEFORE TAXATION

	<u>1982</u>	<u>1981</u>
The profit for the year before taxation is stated after charging:		
Directors' management remuneration and pension contributions	£ 137,900	£ 121,391
Auditors' remuneration	11,000	11,550
Depreciation	9,125	9,010
Freehold buildings	455	455
Long leasehold buildings	966	966
Short leasehold buildings	129,903	120,226
Plant and equipment	13,276	12,375
Hire of plant and equipment		
and after crediting:		
Net profit on sale of fixed assets	£ 2,051	£ 6,067
Division of directors' management remuneration:		
Chairman	£ NIL	£ NIL
Highest paid director	£ 18,455	£ 17,285
Other directors	Number	Number
£ 5,001 - £10,000	-	4
£10,001 - £15,000	5	1
£15,001 - £20,000		

3. TAXATION:

The taxation charge is based on the profit for the year and comprises:

	<u>1982</u>	<u>1981</u>
Corporation tax at 52% after stock relief benefit of £66,493 (1981 - £66,420)	£ 572,252	£ 504,170
Transfer to (from) deferred taxation	23,000	(37,000)
	£ 595,252	£ 467,170
Adjustments relating to prior years	4,690	(4,730)
	£ 599,942	£ 462,440

HENRY HARGREAVES AND SONS LIMITED

NOTES ON ACCOUNTS

(CONTINUED)

	<u>1982</u>	<u>1981</u>
Taxation liabilities are payable as follows:		
Corporation tax payable 1 January 1983	£ 501,240	£ 159,904
Corporation tax payable 1 January 1984	572,252	504,170
	<u>£1,073,492</u>	<u>£ 664,074</u>
Less: taxation relieved through group companies	(55,095)	(50,000)
taxation recoverable	(76,839)	(12,000)
	<u>£ 941,558</u>	<u>£ 602,074</u>

Deferred taxation in the balance sheet comprises:

	<u>1982</u>	<u>1981</u>
Arising by reason of accelerated capital allowances	£ 63,000	£ 40,000

Partial provision for deferred taxation has been made in the accounts (see Note 1). Had full provision been made, the total potential liability for deferred taxation including the amounts provided above would have been:

	<u>1982</u>	<u>1981</u>
Arising by reason of accelerated capital allowances	£ 232,000	£ 234,000
Property revaluations	96,000	96,000
Other timing differences	(77,000)	(59,000)
	<u>£ 251,000</u>	<u>£ 271,000</u>

HENRY HARGREAVES AND SONS LIMITED

NOTES ON ACCOUNTS

(CONTINUED)

4. FIXED ASSETS:

COST OR VALUATION	Freehold land and buildings	Long leasehold buildings	Short leasehold buildings	Plant and equipment	Total
At 1 January 1982					
Cost	£134,006	£ 11,363	£ 9,664	£1,021,121	£1,176,154
Valuation 1979	485,000	-	-	-	485,000
Additions	5,785	-	-	115,987	121,772
Disposals	-	-	-	(23,632)	(23,632)
At 31 December 1982:					
Cost	£139,791	£ 11,363	£ 9,664	£1,113,476	£1,274,294
Valuation 1979	485,000	-	-	-	485,000
LESS: ACCUMULATED DEPRECIATION	114,151	9,457	8,704	732,690	865,002
NET BOOK VALUE					
31 December 1982	£510,640	£ 1,906	£ 960	£ 380,786	£ 894,292
Loose plant and tools at valuation					7,994
					£ 902,286
NET BOOK VALUE					
31 December 1981	£513,979	£ 2,362	£ 1,926	£ 389,172	£ 907,439
Loose plant and tools at valuation					£ 10,776
					£ 918,215

The freehold and long leasehold properties owned by the Company were revalued by Edwards Bigwood & Bewlay at 31 December 1982 on the depreciated replacement cost basis. The directors have considered the valuations and have decided, with the agreement of Edwards Bigwood & Bewlay, to retain the previous 1979 valuations (less depreciation) and written down costs which are lower than the current depreciation replacement costs.

The depreciable amount included in freehold land and buildings at 31 December 1982 amounted to £453,989 (1981 - £448,204).

5. DEBTORS AND PREPAYMENTS:

Debtors and prepayments include retentions on long term contracts of £802,827 (1981 - £648,306), a material proportion of which will not be received within one year.

HENRY HARGREAVES AND SONS LIMITED

NOTES ON ACCOUNTS

(CONTINUED)

6. SHARE CAPITAL:

	<u>Authorised</u>		<u>Issued and Fully paid</u>	
	<u>1982</u>	<u>1981</u>	<u>1982</u>	<u>1981</u>
Ordinary shares of £1 each	£ 50,000	£ 50,000	£ 31,317	£ 31,317

7. STOCK AND WORK-IN-PROGRESS:

	<u>1982</u>	<u>1981</u>
Raw materials and stores	£ 343,909	£454,137
Long term work-in-progress	£5,472,385	£8,092,000
Less cash received and receivable	4,861,492	6,980,072
	<u>610,893</u>	<u>1,111,928</u>
	<u>£ 954,802</u>	<u>£1,566,065</u>

The above amounts are stated on bases set out in Note 1.4.

8. COMMITMENTS AND CONTINGENT LIABILITIES:

	<u>1982</u>	<u>1981</u>
Future capital expenditure:		
Contracted for but not provided for in the accounts	£ 8,560	£ 26,368
Authorised by the directors but not contracted for	28,653	29,596
	<u>£ 37,213</u>	<u>£ 55,964</u>

In addition to the contingent liabilities for taxation specified in note 3, the Company is a guarantor for £1,197,638 of 9.6 per cent Unsecured Loan Stock 1991/96 created under a Trust Deed dated 21 April 1972, a First Supplemental Trust Deed dated 16 October 1972 and a Second Supplemental Trust Deed dated, 8 October 1973, made between Senior Engineering Group plc and Alliance Assurance Company Limited.

9. HOLDING COMPANY:

The Company is a wholly owned subsidiary of Senior Engineering (Air-O-Plas) Limited whose ultimate holding company is Senior Engineering Group plc, incorporated in Great Britain.