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COMPANIES HOUSE
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ACCOUNTS — 31 DECEMBER 1988

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

HENRY HARGREAVES & SONS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1988

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 1988.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Company continues to be the manufacture and erection of light fabrications in galvanised mild and stainless steels.

Turnover rose by £2,653,728 during the year. Profit on ordinary activities before taxation reduced by £676,445.

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, dividends and recommended transfers from reserves are as follows -

Retained profit at 31 December 1987	£ -
Profit for the financial year	420,285
Transfer from revaluation reserve	3,416
Dividends - interim proposed of £13.53 per share	(423,701)
Retained profit at 31 December 1988	£ -

The proposed interim dividend is payable to shareholders on the register at 31 December 1988.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year were -

Mr I T Cameron	Chairman - Appointed 17 June 1988
Mr D B Dennison	
Mr K Crane	
Mr K W Bass	
Mr K E Dyer	
Mr B G Ward	

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

<u>Name</u>	<u>31 December 1988</u>		<u>31 December 1987</u>	
	<u>Shares</u>	<u>Options</u>	<u>Shares</u>	<u>Options</u>
Mr K Crane	-	35,000	-	35,000
Mr K W Bass	-	35,000	-	35,000
Mr K E Dyer	-	35,000	-	35,000
Mr B G Ward	-	35,000	-	35,000

These options were granted on 30 September 1987 at 69p per share.

The Directors have no other interests required to be disclosed under Section 235 of the Companies Act 1985.

FIXED ASSETS

Information relating to changes in tangible fixed assets is given in Note 10 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 & Co. as auditors for the ensuing year.

BY ORDER OF THE BOARD

Lord Street
Bury
Lancs
BL9 0RG



K E Dyer
Secretary

15 March 1989

ARTHUR ANDERSEN & CO.

BANK HOUSE
9 CHARLOTTE STREET
MANCHESTER M1 4EU

To the Members of HENRY HARGREAVES & SONS LIMITED

We have audited the accounts, set out on pages 4 to 16, in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared under the historical cost convention as modified by the revaluation of land and buildings, give a true and fair view of the state of affairs of the Company at 31 December 1988 and of the profit for the year then ended, and comply with the Companies Act 1985.

The accounts do not contain a Statement of Source and Application of Funds as required by Statement of Standard Accounting Practice No.10.

Arthur Andersen & Co.

15 March 1989

HENRY HARGREAVES & SONS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1988

	<u>Notes</u>	<u>1988</u>	<u>1987</u> (See Note 2)
TURNOVER	2	£15,700,076	£13,046,348
Cost of sales		(13,682,100)	(10,238,934)
GROSS PROFIT		£ 2,017,976	£ 2,807,414
Other operating expenses	3	(1,363,444)	(1,209,437)
OPERATING PROFIT		£ 654,532	£ 1,597,977
Interest payable	4	-	(267,000)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	£ 654,532	£ 1,330,977
Tax on profit on ordinary activities	7	(234,247)	(467,189)
PROFIT FOR THE FINANCIAL YEAR		£ 420,285	£ 863,788
RETAINED PROFIT, beginning of year		-	-
Transfer from revaluation reserve	17	3,416	3,416
DIVIDENDS	8	(423,701)	(867,204)
RETAINED PROFIT, end of year		£ -	£ -

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

HENRY HARGREAVES & SONS LIMITED

BALANCE SHEET - 31 DECEMBER 1988

	<u>Notes</u>	<u>1988</u>	<u>1987</u> (See Note 9)
FIXED ASSETS			
Tangible assets	10	£ 1,496,446	£ 872,548
CURRENT ASSETS			
Stocks	11	£ 1,206,861	£ 887,393
Debtors	12	7,825,377	5,241,017
Cash		38,871	45,629
		£ 9,071,109	£ 6,174,039
CREDITORS: Amounts falling due within one year	13	(4,404,576)	(4,645,647)
NET CURRENT ASSETS		£ 4,666,533	£ 1,528,392
TOTAL ASSETS LESS CURRENT LIABILITIES		£ 6,162,979	£ 2,400,940
CREDITORS: Amounts falling due after more than one year	14	(5,210,391)	(1,950,000)
PROVISION FOR LIABILITIES AND CHARGES	15	(65,000)	(63,000)
NET ASSETS		£ 887,588	£ 387,940
CAPITAL AND RESERVES			
Called-up share capital	16	£ 31,317	£ 31,317
Share premium account	17	3,159	3,159
Revaluation reserve	17	763,125	263,477
Other reserves	17	89,987	89,987
TOTAL CAPITAL EMPLOYED		£ 887,588	£ 387,940

SIGNED ON BEHALF OF THE BOARD

K. Crane

) Directors

K.E. Dyer

15 March 1989

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

HENRY HARGREAVES & SONS LIMITED

NOTES TO ACCOUNTS -- 31 DECEMBER 1988

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, after restating the comparative information for the change of accounting policy for long term contracts, is set out below -

a) Basis of accounting

The accounts are prepared under the historical cost convention modified to include the revaluation of land and buildings.

b) Tangible fixed assets

Freehold land and buildings are shown at original historical 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 and machinery and motor vehicles	-	10% - 25% per annum

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 transport.
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

It is the general policy of the Company to fund pension liabilities, on the advice of external actuaries, by payments to independent managed funds. Payments made to the funds and charged in the accounts comprise current and past service contributions. Independent actuarial valuations on a going concern basis are carried out every three years and any necessary adjustment is made to funding rates. The pension costs charged represent contributions payable in the year.

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 Statement of Standard Accounting Policy No. 9 (revised) as described below. This represents a change in accounting policy from previous years when turnover on long term contracts represented the external sales value of work invoiced during the year and long term contract balances included attributable profits. The effect of the change in accounting policy is shown in Note 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.

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) Source and Application of Funds

No statement of Source and Application of Funds has been prepared as the Company is part of a group and, in the opinion of the Directors, it would not be meaningful in view of the significant extent to which the movement of funds is determined by the holding company.

i) Leases

The Company enters into operating leases as described in Note 19.

Assets held under operating leases are not reported in the balance sheet.

2. SEGMENT INFORMATION

Contributions to turnover by geographical area were as follows -

	<u>1988</u>	<u>1987</u>
UK	£15,508,366	£13,042,180
Overseas	191,710	4,168
	<u>£15,700,076</u>	<u>£13,046,348</u>
	=====	=====

3. OTHER OPERATING EXPENSES

Other operating expenses comprise -

	<u>1988</u>	<u>1987</u>
Distribution costs	£ 162,513	£ 106,527
Selling and marketing costs	236,989	210,605
Administrative costs	922,659	847,245
Research and development costs	41,283	45,060
	<u>£ 1,363,444</u>	<u>£ 1,209,437</u>
	=====	=====

4. INTEREST PAYABLE

No interest was charged on the loan from the holding company in 1988 (1987 - £267,000).

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging -

	<u>1988</u>	<u>1987</u>
Depreciation of tangible fixed assets	£ 168,517	£ 140,462
Auditors' remuneration	21,950	24,900
Staff costs (see Note 6)	6,260,828	5,291,680
	=====	=====

6. STAFF COSTS

Particulars of employee costs (including executive directors) are as shown below -

	<u>1988</u>	<u>1987</u>
Wages and salaries	£ 5,755,383	£ 4,857,554
Social security costs	443,199	369,071
Other pension costs	62,246	55,055
	=====	=====
	£ 6,260,828	£ 5,291,680
	=====	=====

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

	<u>1988</u> <u>Number</u> <u>employed</u>	<u>1987</u> <u>Number</u> <u>employed</u>
Production	484	450
Distribution	14	12
Selling and marketing	23	20
Administration	16	16
	=====	=====
	537	498
	=====	=====

Directors' remuneration -

The Company paid the following remuneration to Directors -

	<u>1988</u>	<u>1987</u>
Management remuneration including contributions to pension schemes	£ 143,469	£ 154,406
	=====	=====

In addition, the emoluments of a Director who is also a director of other group companies 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>1988</u>	<u>1987</u>
Chairman	£ 5,000 =====	£ Nil =====
Highest-paid Director	£ 32,090 =====	£ 37,887 =====

Other Directors received emoluments (excluding pensions and pension contributions) in the following ranges -

	<u>1988</u> <u>Number</u>	<u>1987</u> <u>Number</u>
£Nil - £ 5,000	1	1
£25,001 - £30,000	3	1
£30,001 - £35,000	-	2
	===	===

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	<u>1988</u>	<u>1987</u>
UK corporation tax at 35%	£ 232,247	£ 457,189
Deferred taxation	2,000	10,000
	=====	=====
	£ 234,247	£ 467,189
	=====	=====

8. DIVIDENDS

	<u>1988</u>	<u>1987</u>
Interim proposed of £13.53 per share (1987 - £27.69)	£ 423,701 =====	£ 867,204 =====

9. PRIOR YEAR ADJUSTMENT

The effect of the adoption of the revised accounting policy for turnover and long term contracts as outlined in Note 1 g) on balances disclosed at 31 December 1987 and for the year then ended, is as follows -

	As previously disclosed	Adjustment	As adjusted
Turnover	£13,038,203	£ 8,145	£13,046,348
Cost of sales	(10,230,789)	(8,145)	(10,238,934)
Gross profit	£ 2,807,414	£ -	£ 2,807,414
Long term contracts :			
Cost plus attributable profit less foreseeable losses	£ 3,305,281	£(3,305,281)	£ -
Less : progress payments received and receivable	(2,178,661)	2,178,661	-
	£ 1,126,620	£(1,126,620)	£ -
Amounts recoverable on contracts	£ -	£ 1,126,620	£ 1,126,620

10. TANGIBLE FIXED ASSETS

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

	<u>Freehold land and buildings</u>	<u>Short leasehold improvements</u>	<u>Plant and machinery and motor vehicles</u>	<u>Total</u>
COST OR VALUATION -				
Beginning of year				
Cost	£ 185,517	£21,024	£1,676,132	£1,882,673
Valuation	435,000	-	-	485,000
Additions	3,489	-	289,146	292,635
Disposals	-	-	(14,798)	(14,798)
Revaluation adjustment	325,994	-	-	325,994
End of year	<u>£1,000,000</u>	<u>£21,024</u>	<u>£1,950,480</u>	<u>£2,971,504</u>
DEPRECIATION -				
Beginning of year	£ 166,156	£21,024	£1,314,209	£1,501,389
Charge	10,914	-	157,603	168,517
Disposals	-	-	(12,351)	(12,351)
Revaluation adjustment	(177,070)	-	-	(177,070)
End of year	<u>£ -</u>	<u>£21,024</u>	<u>£1,459,461</u>	<u>£1,480 85</u>
NET BOOK VALUE -				
End of year	<u>£1,000,000</u>	<u>£ -</u>	<u>£ 491,019</u>	<u>£1,491,019</u>
Loose plant and tools at valuation				<u>5,427</u>
				<u>£1,496,446</u>

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 comprise -

	<u>1988</u>	<u>1987</u>
Original cost	£ 443,274	£ 254,268
Depreciation based on cost	(206,399)	(98,025)
	<u>£ 236,875</u>	<u>£ 156,243</u>

d) The depreciable amount included in freehold land and buildings at 31 December 1988 amounted to £750,000 (1987 - £494,512).

11. STOCKS

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

	<u>1988</u>	<u>1987</u>
Raw materials and consumables	£ 867,515	£ 721,127
Work-in-progress	339,346	166,266
	<u>£ 1,206,861</u>	<u>£ 887,393</u>

12. DEBTORS

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

a) Due within one year:

	<u>1988</u>	<u>1987</u>
Trade debtors	£ 4,461,556	£ 3,647,793
Amounts recoverable on contracts	2,944,654	1,126,620
Amounts owed by fellow-subidiaries	11,251	7,899
Value added tax	£6,570	106,497
Other debtors	78,637	74,201
Prepayments	98,487	106,400
	<u>£ 7,661,185</u>	<u>£ 5,069,410</u>

b) Due after one year:

	<u>1988</u>	<u>1987</u>
Trade debtors	164,192	171,607
	<u>£ 7,825,377</u>	<u>£ 5,241,017</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

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

	<u>1988</u>	<u>1987</u>
Payments received in advance of work-in-progress	£ -	£ 28,512
Trade creditors	2,490,712	1,621,559
Amounts owing to holding company	767,335	268,782
Amounts owing to fellow subsidiaries	96,125	1,351,780
Corporation tax payable	489,680	801,995
Social security and PAYE	331,973	272,544
Other creditors	13,347	8,768
Accruals and provisions	215,404	291,707
	<u>£ 4,404,576</u>	<u>£ 4,645,647</u>

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

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

	<u>1988</u>	<u>1987</u>
Amount owed to holding company, not repayable by instalments	£ 5,210,391 =====	£ 1,950,000 =====

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 holding company has been treated as a non current liability.

Interest of £Nil (1987 - £267,000) has been charged on the loan from the holding company.

15. 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 -

	<u>1988</u>		<u>1987</u>	
	<u>Full potential liability</u>	<u>Provided</u>	<u>Full potential liability</u>	<u>Provided</u>
Accelerated capital allowances	£ 79,000	£ 79,000	£ 85,000	£ 85,000
Short-term timing differences	(14,000)	(14,000)	(22,000)	(22,000)
Potential capital gains on revalued properties	180,000	-	91,000	-
	<u>£ 245,000</u> =====	<u>£ 65,000</u> =====	<u>£ 154,000</u> =====	<u>£ 63,000</u> =====

- b) The movement on deferred taxation comprises -

	<u>1988</u>	<u>1987</u>
Beginning of year	£ 63,000	£ 53,000
Profit and loss account	2,000	10,000
End of year	<u>£ 65,000</u> =====	<u>£ 63,000</u> =====

16. CALLED-UP SHARE CAPITAL

	<u>Authorised</u>		<u>Allotted and fully-paid</u>	
	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
Ordinary shares of £1 each	£ 50,000 =====	£ 50,000 =====	£ 31,317 =====	£ 31,317 =====

17. RESERVES

The movement on reserves during the year was as follows -

	<u>Profit and loss account</u>	<u>Share premium account</u>	<u>Revaluation reserve</u>	<u>Other reserves</u>
Beginning of year	£ -	£3,159	£263,477	£89,987
Profit for the financial year	423,285	-	-	-
Revaluation surplus (see Note 10)	-	-	503,064	-
Transfer to profit and loss account	3,416	-	(3,416)	-
Dividend proposed (see Note 8)	(423,701)	-	-	-
End of year	<u>£ -</u>	<u>£3,159</u>	<u>£763,125</u>	<u>£89,987</u>

18. CAPITAL COMMITMENTS

At the end of the year capital commitments were -

	<u>1988</u>	<u>1987</u>
Contracted for	£ 44,632	£ 205,953
Authorised but not contracted for	423,196	14,542
	<u>£ 467,828</u>	<u>£ 220,495</u>

19. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

- The Company is a guarantor for £1,184,941 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 1983, made between Senior Engineering Group plc and Alliance Assurance Company Limited.
- 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 £58,064 (1987 - £59,150). 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>1988</u>		<u>1987</u>	
	<u>Land and</u>	<u>Plant and</u>	<u>Land and</u>	<u>Plant and</u>
	<u>Buildings</u>	<u>machinery</u>	<u>Buildings</u>	<u>machinery</u>
On operating leases expiring				
- within one year	£ -	£ -	£ -	£ -
- within two to five years	10,250	-	10,250	-
- after five years	45,850	4,565	56,850	4,565
	-----	-----	-----	-----
	£56,100	£4,565	£67,100	£4,565
	=====	=====	=====	=====

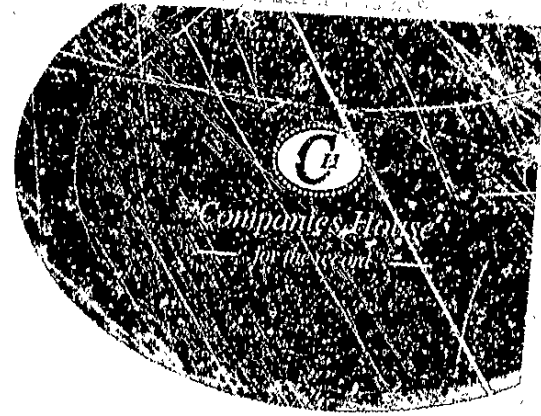
c) Pension arrangements

Substantially all of the Company's employees are members of group pension schemes. Contributions to schemes to provide adequate funding are based upon rates advised by professional actuaries. They undertake regular revaluations and contributions are invested by the trustees in managed funds.

The amount charged in the profit and loss account for the pension costs of the Company was £62,246 (1987 - £55,055). This reflects the benefit of employer contribution holidays.

20. ULTIMATE HOLDING COMPANY

The ultimate holding company is Senior Engineering Group plc, incorporated in Great Britain.



NOTICE OF ILLEGIBLE DOCUMENT ON THE MICROFICHE RECORD

Companies House regrets that the microfiche record for this company contain some documents which are illegible

The poor quality has been noted, but unfortunately steps taken to improve them were unsuccessful.

Companies House would like to apologise for any inconvenience this may cause.

