



ARTHUR ANDERSEN

Senior Construction Services Limited

Accounts 31 December 1999

together with directors' and auditors' reports

Registered number: 288899



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Directors' report

For the year ended 31 December 1999

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 1999.

Principal activity and business review

The principal activity of the company is the manufacture and installation of air conditioning equipment and air handling units.

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. The expenditure in the year is shown in note 3 to the accounts.

Results and dividends

Results and recommended transfers to reserves are as follows:

| | £'000 |
|-------------------------------------|-------------|
| Retained profit at 31 December 1998 | 1,317 |
| Loss for the financial year | (24) |
| Interim dividend paid | (1,317) |
| Retained loss at 31 December 1999 | <u>(24)</u> |

The directors do not propose the payment of a final dividend.

The ordinary interim dividend was paid at a time when the directors believed that the company had sufficient reserves to absorb the dividend.

Directors

The directors who served during the year were as follows:

Mr. C.D. Francis (Chairman)
Mr. D.J. Leighton
Mr. B.G. Ward
Mr. R.B. Wharton
Mr. K. White

Mr. R.B. Wharton resigned on 27 October 1999. Mr. K. White was appointed a director on 27 October 1999.

Directors' report (continued)

Directors' interests

The directors who held office at the year end, other than those who are also directors of the ultimate parent company, and who held beneficial interests in 10p ordinary shares of Senior Engineering Group plc were as follows:

| Name | Shares | | | Options | | |
|-------------------|--------|--------|--------|---------|-----------|--------|
| | 1999 | 1998 | 1998 | Granted | Exercised | 1999 |
| Mr. D.J. Leighton | 17,677 | 29,677 | 45,192 | - | - | 45,192 |
| Mr. B.G. Ward | - | - | 22,596 | - | - | 22,596 |

| | Sharesave Options | |
|---------------|-------------------|--------|
| | 1999 | 1998 |
| Mr. B.G. Ward | 10,156 | 10,156 |
| Mr. K. White | 16,628 | - |

Long term share incentive awards were granted as follows:

| Name | Performance awards | | | Matched investment awards | | |
|------------------|--------------------|---------|--------|---------------------------|---------|-------|
| | 1998 | Granted | 1999 | 1998 | Granted | 1999 |
| Mr. C.D. Francis | 34,250 | 29,108 | 63,358 | - | - | - |
| Mr. B.G. Ward | - | - | - | 7,583 | - | 7,583 |

The long term share incentive awards have the following crystallisation dates:

| | |
|--------------------|--------------|
| Performance awards | January 2001 |
| Investment awards | April 2000 |

Options to subscribe for 10p ordinary shares were granted as follows:

| Date of grant | Subscription price (pence) |
|-------------------|----------------------------|
| 30 September 1987 | 62.05 |
| 7 May 1992 | 78.37 |

The subscription prices and numbers of 10p ordinary shares have been adjusted to reflect the dilution effects of the Rights Issues in 1989, 1992 and 1994.

The directors have no other interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Directors' report (continued)

Supplier payment policy

The company policy is to settle the terms of payments with its suppliers when agreeing the terms of each transaction and to seek to adhere to those terms. There were 89 trade creditor days outstanding at year end (1998 - 117 days).

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 company.

Year 2000

During the year the company has successfully implemented its Year 2000 plan with the associated costs of this work being charged to the profit and loss account as incurred.

No millennium compliance problems have been detected since the balance sheet date or are anticipated going forward.

The euro

The company is able to treat the euro as any other foreign currency. It is considering the impact on the company of the UK's potential entry to the EMU.

Directors' responsibilities

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' report (continued)

Directors' responsibilities (continued)

The directors are responsible for keeping 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 accounts 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.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By order of the Board



D. Taylor
Secretary

Lord Street
Bury
Lancashire
BL9 0RG

24 March 2000

Auditors' report



To the Shareholders of Senior Construction Services Limited:

We have audited the accounts on pages 6 to 20 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 9 to 11.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the company's state of affairs at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink that reads "Arthur Andersen".

Arthur Andersen

Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

24 March 2000

Profit and loss account

For the year ended 31 December 1999

| | Notes | 1999 £'000 | 1998 £'000 |
|--|-------|----------------|---------------|
| Turnover | 2 | 36,455 | 37,608 |
| Cost of sales | | (28,970) | (29,657) |
| Gross profit | | <u>7,485</u> | <u>7,951</u> |
| Operating expenses | | | |
| - other | 3 | (5,971) | (5,443) |
| - exceptional | 4 | (1,243) | - |
| Operating profit | | <u>271</u> | <u>2,508</u> |
| Interest payable and similar charges (net) | 5 | (109) | (496) |
| Profit on ordinary activities before taxation | 6 | <u>162</u> | <u>2,012</u> |
| Tax on profit on ordinary activities | 8 | (186) | (695) |
| (Loss) profit for the financial year | | <u>(24)</u> | <u>1,317</u> |
| Dividends | 9 | (1,317) | (775) |
| (Loss) retained profit for the financial year | | <u>(1,341)</u> | <u>542</u> |
| Retained profit, beginning of year | | 1,317 | 775 |
| (Loss) retained profit, end of year | 20 | <u>(24)</u> | <u>1,317</u> |

All activity has arisen from continuing operations. The company has no recognised gains or losses other than the loss for the financial year.

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

Note of historical cost profits and losses

For the year ended 31 December 1999

| | 1999 £'000 | 1998 £'000 |
|--|----------------|---------------|
| Reported profit on ordinary activities before taxation | 162 | 2,012 |
| Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount | 21 | 5 |
| Historical cost profit on ordinary activities before taxation | <u>183</u> | <u>2,017</u> |
| Historical cost (loss) profit for the year retained after taxation and dividends | <u>(1,320)</u> | <u>547</u> |

Balance sheet

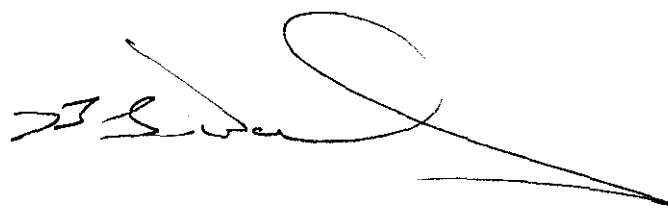
31 December 1999

| | Notes | 1999 £'000 | 1998 £'000 |
|--|-------|---------------|---------------|
| Fixed assets | | | |
| Tangible assets | 10 | 2,640 | 2,733 |
| Current assets | | | |
| Stocks | 11 | 2,147 | 2,835 |
| Debtors | 12 | 10,764 | 12,897 |
| Cash at bank and in hand | | 2,216 | 9 |
| | | 15,127 | 15,741 |
| Creditors: Amounts falling due within one year | 13 | (7,945) | (12,954) |
| Net current assets | | 7,182 | 2,787 |
| Total assets less current liabilities | | 9,822 | 5,520 |
| Creditors: Amounts falling due after more than one year | 14 | (8,964) | (3,313) |
| Provision for liabilities and charges | 15 | (62) | (70) |
| Net assets | | 796 | 2,137 |
| Capital and reserves | | | |
| Called-up share capital | 17 | 31 | 31 |
| Share premium account | 19 | 3 | 3 |
| Revaluation reserve | 19 | 675 | 696 |
| Other reserves | 19 | 90 | 90 |
| Profit and loss account | 19 | (3) | 1,317 |
| Total equity shareholders' funds | 20 | 796 | 2,137 |

Signed on behalf of the Board

B.G. Ward

Director



24 March 2000

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

Notes to accounts

31 December 1999

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 the preceding year, is set out below.

a) Basis of accounting

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

b) Tangible fixed assets

Freehold land and buildings are shown at original historical cost or subsequent valuation, net of depreciation and any provision for impairment. Other tangible fixed assets are shown at cost less depreciation and any provision for impairment.

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% - 33.33% per annum |

Assets in the course of construction are not depreciated.

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 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.

Notes to accounts (continued)

1 Statement of accounting policies (continued)

d) Taxation

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

Provision is made for deferred taxation using the liability method. Deferred tax is provided on timing differences which are probable to 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

For defined benefit pension schemes the company makes contributions at rates set by Senior Engineering Group plc on the advice of actuaries to discharge in full the company's pension obligations arising in the year. It is intended that the rates set reflect regular cost. Accordingly, the amount charged to the profit and loss account is the contribution payable in the year, and any variations from this cost are reflected in the accounts of Senior Engineering Group plc.

For the defined contribution scheme the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year.

Further information on pension costs is provided in note 7e.

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 derived from long term contracts, comprises the external sales value of work invoiced during the year, excluding trade 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.

Notes to accounts (continued)

1 Statement of accounting policies (continued)

g) *Turnover and long term contracts (continued)*

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 trade 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.

j) *Revaluation reserve*

Surpluses arising on the revaluation of individual fixed assets are credited to a non-distributable revaluation reserve. Where depreciation charges are increased following a revaluation, an amount equal to such increase is transferred annually from this reserve to the profit and loss account below the profit for the financial year. On the disposal of a revalued fixed asset, any remaining revaluation surplus corresponding to the item is also transferred to the profit and loss account.

2 Turnover

Contributions to turnover by geographical area are as shown below:

| | 1999 £'000 | 1998 £'000 |
|----------|---------------|---------------|
| UK | 35,901 | 36,759 |
| Overseas | 554 | 849 |
| | <hr/> 36,455 | <hr/> 37,608 |

The directors have taken advantage of provisions in the Companies Act 1985, not to disclose further segmental information, as they consider provision of further information would be prejudicial to the interests of the company.

Notes to accounts (continued)

3 Other operating expenses

Other operating expenses comprise:

| | 1999 £'000 | 1998 £'000 |
|--------------------------------|---------------|---------------|
| Distribution costs | 175 | 168 |
| Selling and marketing costs | 2,343 | 2,351 |
| Administrative expenses | 3,068 | 2,733 |
| Research and development costs | 36 | 191 |
| Other operating expenses | 349 | - |
| | <u>5,971</u> | <u>5,443</u> |

4 Exceptional item

The exceptional item relates to costs incurred in the restructuring of continuing activities. The restructuring resulted in the closure of a depot and included related redundancy costs which together amounted to £898,000. In addition losses on the sale of fixed assets totalled £345,000.

5 Interest payable and similar charges (net)

| | 1999 £'000 | 1998 £'000 |
|----------------|---------------|---------------|
| Bank overdraft | <u>109</u> | <u>496</u> |

6 Profit on ordinary activities before taxation

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

| | 1999 £'000 | 1998 £'000 |
|---------------------------------------|---------------|---------------|
| Depreciation of tangible fixed assets | 394 | 435 |
| Operating lease rentals | | |
| - plant and machinery | 240 | 256 |
| - other | 885 | 799 |
| Auditors' remuneration | | |
| - audit services | 26 | 25 |
| - non audit services | 21 | (3) |
| Research and development costs | <u>36</u> | <u>191</u> |

Notes to accounts (continued)

7 Staff costs

a) Particulars of employee costs, including executive directors, are as shown below:

| | 1999 £'000 | 1998 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 11,494 | 11,208 |
| Social security costs | 924 | 968 |
| Other pension costs | 700 | 663 |
| | <u>13,118</u> | <u>12,839</u> |

b) The average monthly number of persons employed during the year was as follows:

| | 1999 Number | 1998 Number |
|-----------------------|----------------|----------------|
| Production | 547 | 544 |
| Distribution | 12 | 12 |
| Selling and marketing | 77 | 78 |
| Administration | 28 | 30 |
| | <u>664</u> | <u>664</u> |

c) Directors' remuneration:

| | 1999 £'000 | 1998 £'000 |
|------------|---------------|---------------|
| Emoluments | <u>210</u> | <u>192</u> |

The above amounts do not include any gains made on the exercise of share options or the value of any shares or share options received under long term incentive schemes. The amounts receivable under long term incentive schemes are £70,941 (1998 - £41,833). No director exercised share options under long term incentive schemes in the year (1998 - Nil).

The number of directors who were contributing members of pension schemes was as follows:

| | 1999 Number | 1998 Number |
|-------------------------|----------------|----------------|
| Defined benefit schemes | <u>4</u> | <u>3</u> |

Notes to accounts (continued)

7 Staff costs (continued)

d) Highest paid director

The above amounts of remuneration include the following for the highest paid director:

| | 1999 £'000 | 1998 £'000 |
|--|---------------|---------------|
| Emoluments and long-term incentive schemes | <u>94,158</u> | <u>70,033</u> |

The accrued pension entitlement under the company's defined pension scheme of the highest paid director at 31 December 1999 was £47,783 (1998 - £39,881).

e) Pension costs

The company contributes the regular cost of providing pension benefits for its employees to the Group pension schemes. Any variation from this regular contribution is reflected in the accounts of the ultimate parent company, Senior Engineering Group plc.

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.

8 Tax on profit on ordinary activities

The tax charge comprises:

| | 1999 £'000 | 1998 £'000 |
|---|---------------|---------------|
| Corporation tax at 30% (1998 - 31%) | 179 | 566 |
| Deferred taxation | <u>(8)</u> | <u>86</u> |
| | 171 | 652 |
| Adjustment of current taxation in respect of prior years | 15 | 5 |
| Adjustment of deferred taxation in respect of prior years | <u>-</u> | <u>38</u> |
| | <u>186</u> | <u>695</u> |

9 Dividends

| | 1999 £'000 | 1998 £'000 |
|--|---------------|---------------|
| Dividend - interim paid of £42.06per share (1998 - £24.75) | <u>1,317</u> | <u>775</u> |

The ordinary interim dividend was paid at a time when the directors believed that the company had sufficient reserves to absorb the dividend.

Notes to accounts (continued)

10 Tangible fixed assets

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

| | Land and buildings | | Short leasehold improvements | Plant, machinery and motor vehicles | Total |
|--------------------------|--------------------|--------------------|------------------------------------|--|--------------|
| | Freehold £'000 | Leasehold £'000 | £'000 | £'000 | £'000 |
| Cost or valuation | | | | | |
| Beginning of year | 1,478 | 110 | 308 | 6,518 | 8,414 |
| Additions | 313 | - | - | 337 | 650 |
| Disposals | - | - | (287) | (1,434) | (1,721) |
| End of year | <u>1,791</u> | <u>110</u> | <u>21</u> | <u>5,421</u> | <u>7,343</u> |
| Depreciation | | | | | |
| Beginning of year | 208 | 15 | 96 | 5,362 | 5,681 |
| Charge | 25 | 2 | 28 | 339 | 394 |
| Disposals | - | - | (103) | (1,269) | (1,372) |
| End of year | <u>233</u> | <u>17</u> | <u>21</u> | <u>4,432</u> | <u>4,703</u> |
| Net book value | | | | | |
| Beginning of year | <u>1,270</u> | <u>95</u> | <u>212</u> | <u>1,156</u> | <u>2,733</u> |
| End of year | <u>1,558</u> | <u>93</u> | <u>-</u> | <u>989</u> | <u>2,640</u> |

Notes to accounts (continued)

10 Tangible fixed assets (continued)

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 aggregate depreciation based on cost, of land and buildings included at valuation comprises:

| | 1999 £'000 | 1998 £'000 |
|----------------------------|---------------|---------------|
| Original cost | 449 | 449 |
| Depreciation based on cost | (313) | (309) |
| | <u>136</u> | <u>140</u> |

d) The net book value of freehold land which is not depreciated is £250,000 (1998 - £250,000).

11 Stocks

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

| | 1999 £'000 | 1998 £'000 |
|------------------|---------------|---------------|
| Raw materials | 1,516 | 2,255 |
| Work-in-progress | 564 | 496 |
| Finished goods | 67 | 84 |
| | <u>2,147</u> | <u>2,835</u> |

12 Debtors

The following are included in debtors:

| | 1999 £'000 | 1998 £'000 |
|---|---------------|---------------|
| Amounts falling due within one year: | | |
| Trade debtors | 9,138 | 10,045 |
| Amounts recoverable on contracts | 580 | 1,715 |
| Amounts owed by other group undertakings | 40 | 8 |
| Other debtors | 94 | 41 |
| Prepayments and accrued income | 541 | 538 |
| UK corporation tax recoverable | - | 113 |
| | <u>10,393</u> | <u>12,460</u> |
| Amounts falling due after more than one year: | | |
| Trade debtors | 371 | 172 |
| Amount owed by ultimate parent company | - | 265 |
| | <u>10,764</u> | <u>12,897</u> |

Notes to accounts (continued)

13 Creditors: amounts falling due within one year

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

| | 1999 £'000 | 1998 £'000 |
|------------------------------------|---------------|---------------|
| Bank overdrafts | - | 4,585 |
| Trade creditors | 4,892 | 6,234 |
| Amounts owed to group undertakings | 831 | 91 |
| Other creditors | | |
| - UK corporation tax payable | 179 | 571 |
| - VAT | 912 | 550 |
| - Social security and PAYE | 278 | 528 |
| Accruals and deferred income | 853 | 395 |
| | <u>7,945</u> | <u>12,954</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:

| | 1999 £'000 | 1998 £'000 |
|---|---------------|---------------|
| Amounts owed to ultimate parent company, not repayable by instalments | <u>8,964</u> | <u>3,313</u> |

Senior Engineering Group plc does not intend to seek repayment of the interest free loan within the next twelve months and accordingly the balance owed to the ultimate parent company has been treated as a non-current liability.

15 Provisions for liabilities and charges

Provision for liabilities and charges comprise deferred taxation.

| | 1999 £'000 | 1998 £'000 |
|---|---------------|---------------|
| Excess of tax allowances over book depreciation of fixed assets | <u>62</u> | <u>70</u> |

There is no unprovided deferred taxation.

Notes to accounts (continued)

16 Deferred taxation

Deferred taxation provided in the balance sheet, together with the full potential liability, is as follows:

| | 1999 | | 1998 | |
|--|---|-----------------------------------|---|-----------------------------------|
| | Full potential liability £'000 | Provided (recognised) £'000 | Full potential liability £'000 | Provided (recognised) £'000 |
| Accelerated capital allowances | 79 | 79 | 88 | 88 |
| Short term timing differences | (17) | (17) | (18) | (18) |
| Potential capital gains on revalued properties | 169 | - | 169 | - |
| Deferred tax liability | <u>231</u> | <u>62</u> | <u>239</u> | <u>70</u> |

The movement on deferred taxation comprises:

| | 1999 £'000 | 1998 £'000 |
|--|---------------|---------------|
| Beginning of year | 70 | (54) |
| (Credit) charge to the profit and loss account | (8) | 124 |
| End of year | <u>62</u> | <u>70</u> |

17 Called-up share capital

| | Authorised | | Allotted and fully-paid | |
|----------------------------|---------------|---------------|-------------------------|---------------|
| | 1999 £'000 | 1998 £'000 | 1999 £'000 | 1998 £'000 |
| Ordinary shares of £1 each | <u>50</u> | <u>50</u> | <u>31</u> | <u>31</u> |

18 Guarantees and other financial commitments

a) Capital commitments

At the end of the year there were no contracted capital commitments (1998 - £nil).

b) Lease commitments

The company leases certain land and buildings and plant and machinery on short term leases. The annual rental on the land and buildings leases was £885,000 (1998 - £799,000) and on plant and machinery was £240,000 (1998 - £256,000). 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.

Notes to accounts (continued)

18 Guarantees and other financial commitments (continued)

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

| | 1999 | | 1998 | |
|-----------------------------|--------------------------------|---------------------------------|--------------------------------|---------------------------------|
| | Land and buildings £'000 | Plant and machinery £'000 | Land and buildings £'000 | Plant and machinery £'000 |
| Operating leases expiring: | | | | |
| - within one year | - | 44 | 35 | 154 |
| - between two to five years | 106 | 88 | 67 | 116 |
| - after five years | 737 | - | 720 | 18 |
| | <u>843</u> | <u>132</u> | <u>822</u> | <u>288</u> |

c) *Revolving credit facility*

The company is a guarantor, jointly and severally, with certain other group companies of a committed five year £100 million multi currency revolving credit facility for the Group dated 28 June 1999. At 31 December 1999 the total sums borrowed under this facility were £79.7 million (1998 - £34.8 million), comprising £42.0 million, Euro 14 million, Yen 1,200 million and US\$35 million at variable interest rates.

d) *Private placement loans*

- i) The company is a guarantor, jointly and severally, with certain other group companies, of US\$75million (1998 - US\$75 million) unsecured loan notes, issued during 1998 under agreements dated 22 October 1998.
- ii) The company is a guarantor, jointly and severally, with certain other group companies of US\$30 million (1998 - US\$30 million) unsecured loan notes under amended and restated agreements dated 31 October 1995 and 15 January 1999.

e) *Bank guarantees*

The company is a guarantor, jointly and severally, with certain other UK group companies, of all indebtedness of these other group companies to one of the group's UK clearing bankers.

The company is a guarantor, jointly and severally with certain other group companies, of all indebtedness of Senior Engineering Investments Inc (the Group's US holding company) to one of its bankers.

Notes to accounts (continued)

19 Reserves

| | Share premium account £'000 | Revaluation reserve £'000 | Other reserves £'000 | Profit and loss account £'000 | Total £'000 |
|------------------------------|--------------------------------------|---------------------------------|----------------------------|-------------------------------------|----------------|
| At 1 January 1998 | 3 | 696 | 90 | 1,317 | 2,106 |
| Realised revaluation surplus | - | (21) | - | 21 | - |
| Loss for the year | - | - | - | (1,341) | (1,341) |
| At 31 December 1999 | 3 | 675 | 90 | (3) | 765 |

No deferred tax has been provided by the company in respect of the revaluation reserve since the directors consider that no liability to taxation will arise in the foreseeable future.

20 Reconciliation of movements in shareholders' funds

| | 1999 £'000 | 1998 £'000 |
|--|---------------|---------------|
| (Loss) profit for the financial year | (24) | 1,317 |
| Dividends paid | (1,317) | (775) |
| Net (reduction in) addition to shareholders' funds | (1,341) | 542 |
| Opening shareholders' funds | 2,137 | 1,595 |
| Closing shareholders' funds | 796 | 2,137 |

21 Ultimate parent company

The company's immediate parent company is Senior Engineering Investments Limited.

The company's ultimate parent company, which prepares consolidated accounts incorporating the company's results, is Senior Engineering Group plc, 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.

22 Cash flow statement

As permitted by Financial Reporting Standard No. 1 (Revised), the company has not produced a cash flow statement, as it is a wholly owned subsidiary undertaking of Senior Engineering Group plc, which has produced a group cash flow statement in its accounts.

23 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard No. 8 "Related party disclosures" and has not disclosed transactions with group undertakings.