

SENIOR HARGREAVES LIMITED

Report and Financial Statements

31 December 2007

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SENIOR HARGREAVES LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	5
Independent auditors' report	6
Profit and loss account	7
Note of historical cost profits and losses	8
Balance sheet	9
Notes to the accounts	10

SENIOR HARGREAVES LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr K White
Mr M Rollins
Mr S Nicholls

SECRETARY

Mr D Lutkevitch

REGISTERED OFFICE

Lord Street
Bury
Lancashire
BL9 0RG

BANKERS

Lloyds TSB
City Office
Trade Finance
PO Box 17328
11-15 Monument Street
London
EC3V 9JA

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Birmingham

SENIOR HARGREAVES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the company is the manufacture and installation of air ventilation ducting, the distribution of Heating and Ventilating products and the manufacture and installation of fire resistant duct systems

Turnover from continuing activities increased from £15,153,000 to £18,103,000 Operating profit for the period was £324,000 (2006 - loss of £616,000)

The balance sheet on page 9 shows the company's financial position at the year end showing an adverse movement from the previous year with total assets less current liabilities of £288,000 (2006 - £374,000)

In 2007 the company incurred £nil (2006 – £4,000) on research and development costs

There were no significant events since the balance sheet date

The company is ultimately owned by Senior plc which manages its operations on a Divisional basis and sets appropriate key performance indicators for each Division For this reason, the Directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business

FUTURE PROSPECTS

Building work for the new factory continued throughout 2007 with final completion being achieved just prior to the year end Factory employees were relocated during the early part of 2008 and the company now operates from a single site, which is the foundation to its future strategy The company continues to focus on added value projects in the Nuclear, Pharmaceutical and Specialised Industries and at the same time maintain its presence in the more standard commercial projects Following the successful launch of the East London ductshop in 2006 the company, as planned, opened a further operation at Eastleigh reinforcing its position as a countrywide distributor of Heating and Ventilating products

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the company's future performance and cause actual results to differ materially from expected or historical results

The company operates in competitive market sectors and competitive pressure is therefore a continuing risk for the business In addition, the construction industry in which the company operates could fluctuate subject to the business to market risks The company also faces manufacturing, environmental and defined benefit pension plan funding risks

The above risks, which are the same, or similar, to those faced by Senior plc as a whole are discussed in detail within the annual report for Senior plc

FINANCIAL RISK MANAGEMENT

The company has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers The directors consider that the carrying value of trade receivables represents their recoverable amount

The financial risk management objectives and policies of Senior plc are outlined in its annual report

SENIOR HARGREAVES LIMITED

DIRECTORS' REPORT

DIVIDENDS AND TRANSFERS TO RESERVES

No interim dividend was paid in the year (2006 - £nil), and no final dividend is proposed (2006 - £nil) A retained loss of £80,000 (2006 - £678,000) has been transferred to reserves

DIRECTORS

The directors who served during the year were as follows -

Mr K White

Mr G Menzies – resigned on 25 April 2008

Mr M Rollins

Mr S Nicholls – appointed on 25 April 2008

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 74 trade creditor days outstanding at the year end (2006 – 75 days)

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

DISABLED EMPLOYEES

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

SENIOR HARGREAVES LIMITED

DIRECTORS' REPORT

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (2) the director has taken all steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board



K White

Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial instruments for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practices (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for 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 financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SENIOR HARGREAVES LIMITED

We have audited the financial statements of Senior Hargreaves Limited for the year ended 31 December 2007 which comprise the profit and loss account, the note of historical cost profits and losses, the balance sheet and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Birmingham

United Kingdom

27 May 2008

SENIOR HARGREAVES LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2007

	Note	2007 £000	2006 £000
TURNOVER	2	18,103	15,153
Cost of sales		(14,834)	(13,386)
Gross profit		3,269	1,767
Other operating expenses	4	(2,945)	(2,383)
OPERATING PROFIT / (LOSS)		324	(616)
Net interest payable	5	(413)	(306)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(89)	(922)
Tax on loss on ordinary activities	7	9	244
RETAINED LOSS FOR THE FINANCIAL YEAR	14	(80)	(678)

All activities derive from continuing operations

There are no recognised gains and losses other than the loss for the current and preceding financial year
Accordingly, no statement of total recognised gains and losses is given

SENIOR HARGREAVES LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES Year ended 31 December 2007

	2007 £000	2006 £000
Reported loss on ordinary activities before taxation	(89)	(922)
Difference between historical cost depreciation and actual depreciation charge for the year calculated on the revalued amount	<u>13</u>	<u>13</u>
Historical cost loss on ordinary activities before taxation	<u>(76)</u>	<u>(909)</u>
Historical cost loss for the year retained after taxation and dividends	<u>(67)</u>	<u>(665)</u>

SENIOR HARGREAVES LIMITED

BALANCE SHEET 31 December 2007

	Note	2007 £000	2006 £000
FIXED ASSETS			
Tangible assets	8	<u>2,333</u>	<u>1,976</u>
CURRENT ASSETS			
Stocks	9	859	926
Debtors – due within one year	10	5,767	5,622
Debtors – due after more than one year	10	173	396
Cash at bank and in hand		<u>20</u>	<u>3</u>
		6,819	6,947
CREDITORS: amounts falling due within one year	11	<u>(8,864)</u>	<u>(8,549)</u>
NET CURRENT LIABILITIES		<u>(2,045)</u>	<u>(1,602)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>288</u>	<u>374</u>
CAPITAL AND RESERVES			
Called up share capital	12	4,000	4,000
Share premium account	13	3	3
Revaluation reserve	13	508	521
Other reserves	13	90	90
Profit and loss account	13	<u>(4,313)</u>	<u>(4,240)</u>
SHAREHOLDERS' FUNDS	14	<u>288</u>	<u>374</u>

These financial statements were approved by the Board of Directors and authorised for issue on 23 May 2008
Signed on behalf of the Board of Directors



K White
Director

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable UK accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of land and buildings.

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.

The transitional arrangements of FRS 15 are being adopted in the case of the freehold land and buildings. The company is not continuing the revaluation policy relating to these assets. Further details are given in note 8.

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

Stocks, other than long term contracts

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

Costs incurred in bringing each product to its present location and condition are 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.

Taxation

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

Provision is made for deferred tax in accordance with Financial Reporting Standard No 19 "Deferred Tax" in respect of timing differences on a non-discounted basis.

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

1. ACCOUNTING POLICIES (continued)

Pension costs

For defined benefit pension schemes the company makes contributions at rates set by Senior 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 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.

Share base payments

The company has applied the requirements of FRS 20 Share based payment. In accordance with the transitional provision, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

Senior plc issues equity settled and cash settled share based payments to certain employees of the group companies. Equity settled share based payments are measured at fair value (excluding the effect of non market based vesting conditions) at the date of the grant. The fair value determined at the grant date of the equity settled share based payment is expensed on a straight line basis over the vesting period, based on the group's estimate of share that will eventually vest and adjusted for the effect of non market based vesting conditions.

Fair value is measured by use of the Black Scholes options pricing model for the share option plans, and a binomial model for share awards under the 2005 Long Term Incentive Plan.

The liability in respect of equity settled amounts and the liability in respect of cash settled amounts are included in current and non-current liabilities as appropriate.

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 VAT.

Turnover on long term contracts and related long term contract balances are accounted for in compliance with FRS5 and SSAP9.

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 on 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 payment on account.

Leases

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

SENIOR HARGREAVES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

1. ACCOUNTING POLICIES (continued)

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 issued by Senior Plc.

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

The turnover and pre-tax profit is attributable to the company's principal activity which all arises in the United Kingdom. Contributions to turnover by geographical destination are as shown below -

	2007 £000	2006 £000
UK	17,391	14,827
Overseas	712	326
	<u>18,103</u>	<u>15,153</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2007 £000	2006 £000
Directors' emoluments		
Emoluments	126	101
	<u>126</u>	<u>101</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. During the year three directors were granted share options and no directors exercised share options.

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

	2007 No	2006 No
Defined benefit schemes	<u>1</u>	<u>1</u>

SENIOR HARGREAVES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2007 No	2006 No
Average monthly number of persons employed		
Production	197	224
Distribution	4	5
Selling and marketing	27	31
Administration	14	13
	<u>242</u>	<u>273</u>
 Staff costs during the year (including directors)		
Wages and salaries	6,789	7,507
Social security costs	334	435
Pensions-Defined Benefit	408	422
Pensions-Defined Contribution	14	14
	<u>7,545</u>	<u>8,378</u>

4. OTHER OPERATING EXPENSES

	2007 £000	2006 £000
Distribution costs	142	110
Administration costs	2,803	2,273
	<u>2,945</u>	<u>2,383</u>

5. NET INTEREST PAYABLE

	2007 £000	2006 £000
Bank interest receivable	-	(11)
Intercompany interest payable	413	317
	<u>413</u>	<u>306</u>

SENIOR HARGREAVES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2007 £000	2006 £000
Loss on ordinary activities before taxation is stated after charging		
Depreciation of tangible fixed assets	150	178
Rentals under operating leases		
Hire of plant and machinery	34	31
Other operating leases	659	636
Auditors' remuneration		
Audit services	17	17
Research and development costs	-	4
	<u> </u>	<u> </u>

7. TAX ON LOSS ON ORDINARY ACTIVITIES

(i) Analysis of tax credit on ordinary activities

	2007 £000	2006 £000
UK corporation tax credit at 30% on the loss for the year	9	244
	<u> </u>	<u> </u>
	9	244
	<u> </u>	<u> </u>

(ii) Factors affecting tax credit for the current period

The tax credit for the current period differs from that resulting from applying the standard rate of corporation tax of 30 % (2006 – 30%) to the loss before tax

The differences are explained below

	2007 £000	2006 £000
Loss on ordinary activities before tax	(89)	(922)
Tax (credit) at 30% thereon	(27)	(277)
Disposal of fixed assets	-	(5)
Expenses (deductible) not deductible for tax purposes, net	(21)	(4)
Depreciation in excess of capital allowances	39	42
	<u> </u>	<u> </u>
Current tax credit for the period	(9)	(244)
	<u> </u>	<u> </u>

In March 2007, the UK government announced that they would introduce legislation that would reduce the corporation tax rate to 28% with effect from 1 April 2008. This legislation was substantively enacted on 26 June 2007. The effective tax rate for the period to 31 December 2008 will reduce accordingly.

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

7. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

(iii) Factors that may affect the future tax charge

A deferred tax asset has not been recognised in respect of timing differences relating to capital allowances, losses and other short term timing differences as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £331,000 (2006 - £374,000). The asset would be recovered if the company makes sufficient profits from its trading activities in the future.

	2007 £'000	2006 £'000
Deferred tax assets not recognised		
Tax effect of timing differences due to		
Capital allowances in excess of depreciation	318	360
Short term timing differences	13	14
	<u>331</u>	<u>374</u>

8. TANGIBLE FIXED ASSETS

(a)

	Freehold land and buildings £000	Leasehold land and buildings £000	Short leasehold improve- ments £000	Plant, machinery and motor vehicles £000	Total £000
Cost or valuation					
At 1 January 2007	1,976	110	21	3,596	5,703
Additions	388	-	-	119	507
At 31 December 2007	<u>2,364</u>	<u>110</u>	<u>21</u>	<u>3,715</u>	<u>6,210</u>
Accumulated depreciation					
At 1 January 2007	408	33	21	3,265	3,727
Charge for the year	36	2	-	112	150
At 31 December 2007	<u>444</u>	<u>35</u>	<u>21</u>	<u>3,377</u>	<u>3,877</u>
Net book value					
At 31 December 2007	<u>1,920</u>	<u>75</u>	<u>-</u>	<u>338</u>	<u>2,333</u>
At 31 December 2006	<u>1,568</u>	<u>77</u>	<u>-</u>	<u>331</u>	<u>1,976</u>

SENIOR HARGREAVES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

8. TANGIBLE FIXED ASSETS (continued)

- (b) The transitional arrangements of FRS 15 were adopted in the case of freehold land and buildings. The company are not continuing the revaluation policy relating to these assets.
- (c) The freehold land and buildings were last revalued on 31 December 1988 on an existing use, open market basis by Chesterton, Chartered Surveyors and Property Consultants at £843,000 (including £200,000 relating to land).
- (d) Original cost, and aggregate depreciation based on cost, of land and buildings included at valuation comprises

	2007 £000	2006 £000
Original cost	381	381
Depreciation based on cost	(344)	(331)
	<u>37</u>	<u>50</u>

- (e) The net book value of freehold land which is not depreciated is £200,000 (2006 - £200,000)

9. STOCKS

	2007 £000	2006 £000
Raw materials	857	924
Work-in-progress	2	2
	<u>859</u>	<u>926</u>

SENIOR HARGREAVES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

10. DEBTORS

	2007 £000	2006 £000
Amounts falling due within one year:		
Trade debtors	2,538	1,622
Amounts recoverable on contracts	2,895	3,552
Group tax relief receivable	9	244
Prepayments and accrued income	325	204
	<u>5,767</u>	<u>5,622</u>
Amounts falling due after more than one year		
Trade debtors	173	396
	<u>5,940</u>	<u>6,018</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £000	2006 £000
Bank overdraft	2,796	5,134
Trade creditors	2,920	2,657
Amounts owed to group undertakings	2,131	-
Other taxation and social security	116	148
Accruals and deferred income	901	610
	<u>8,864</u>	<u>8,549</u>

The bank overdraft is secured by an omnibus guarantee and set off agreement among the Bank and certain group companies

12. CALLED UP SHARE CAPITAL

	2007 £000	2006 £000
Authorised 5,000,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
Called up, allotted and fully paid 4,000,000 ordinary shares of £1 each	<u>4,000</u>	<u>4,000</u>

SENIOR HARGREAVES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

13. RESERVES

	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000	Total £000
At 1 January 2007	3	521	90	(4,240)	(3,626)
Loss for the financial year	-	-	-	(80)	(80)
Share based payments	-	-	-	(6)	(6)
Transfer of amount equivalent to additional depreciation on revalued assets	-	(13)	-	13	-
At 31 December 2007	<u>3</u>	<u>508</u>	<u>90</u>	<u>(4,313)</u>	<u>(3,712)</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £000	2006 £000
Loss for the financial year	(80)	(678)
Share based payments	(6)	-
Net decrease in shareholders' funds	<u>(86)</u>	<u>(678)</u>
Opening shareholders' funds	<u>374</u>	<u>1,052</u>
Closing shareholders' funds	<u>288</u>	<u>374</u>

15. SHARE BASED PAYMENTS

The company's directors and senior managers, when deemed appropriate, are issued share options from the Senior plc share based payment plans. The company recognised total expenses of £21,000 (2006 - £6,000) related to equity settled share based payments.

Details of the plans relating to the Company's directors and employees are shown below.

(i) 1999 Executive Share Option Plan

Equity – settled share option plans

Under the 1999 Executive Share Option Plan, options will normally only become exercisable if the Group's Adjusted Earnings per Share grows by not less than 4% per annum compound above the growth in the UK Retail Price Index (RPI) over a period of three or more financial years commencing in January of the year of grant. They will lapse if not exercised within six years of the date of grant. Options are exercisable at a price equal to the average of the closing mid – market price of Senior plc's shares in the three days prior to the date of the grant. No options were granted or exercised under the 1999 Executive Share Option Plan during the year.

SENIOR HARGREAVES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

15. SHARE BASED PAYMENTS (continued)

The following options were outstanding as at 31 December 2007 and 2006

	Year ended 2007		Year ended 2006	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at 1 January	164,504	27 36p	164,504	27 36p
Expired	(31,503)	50 07p	-	-
Outstanding at 31 December	133,001	21 97p	164,504	27 36p
Exercisable at 31 December	133,001	21 97p	-	n/a

The options outstanding at 31 December 2007 had an exercise price of 21 97 per share, and a weighted average remaining contractual life of 1 2 years. The option outstanding at 31 December 2006 had exercise prices ranging from 21 97p to 50 07p per share, and a weighted average remaining contractual life of 1 8 years.

(ii) Savings Related Share Option Plan

The company operates a Savings Related Share Option Plan for eligible employees across the Group. There are no performance criteria for this arrangement and options are issued to all participants in accordance with the HM Revenue & Customs rules for such savings plans. Savings –Related Share Options were last awarded on 2 April 2007.

The estimated fair value for the award granted during the year was 18 06p per share. This fair value was calculated by applying a Black-Scholes option pricing model. The model inputs at the date of the grant were the share price of 79 5p, a risk free interest rate of 5 25% per annum, expected volatility of 31 0% per annum and a net dividend yield of 2 52%. Expected volatility was determined by calculating the historical volatility of Senior plc's share price over the previous three years.

The following options were outstanding as at 31 December 2007 and 2006

	Year ended 2007		Year ended 2006	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at 1 January	339,994	26 49p	575,409	28 37p
Granted	292,134	79 50p	-	-
Exercised	(301,788)	26 63p	(196,779)	32 11p
Forfeited	(7,974)	67 02p	(4,225)	39 99p
Expired	(3,375)	39 99p	(34,411)	24 04p
Outstanding at 31 December	318,991	73 76p	339,994	26 49p
Exercisable at 31 December	33,037	24 04p	52,314	39 99p

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

15. SHARE BASED PAYMENTS (continued)

The weighted average share price at the date of exercise for share options exercised during the period was 102.40p (2006 - 61.24p). The options outstanding at 31 December 2007 had exercise prices ranging from 24.04p to 79.50p per share, and a weighted average remaining contractual life of 2.2 years. The options outstanding at 31 December 2006 had exercise prices ranging from 24.04p to 39.99p per share, and a weighted average remaining contractual life of 1.2 years.

16. FINANCIAL COMMITMENTS

Operating lease commitments

	2007		2006	
Leases which expire	Land and buildings £000	Plant and machinery £000	Land and buildings £000	Plant and machinery £000
Within one year	-	3	-	2
Within 2 to 5 years	182	38	145	38
After 5 years	515	-	515	-
	<u>697</u>	<u>41</u>	<u>660</u>	<u>40</u>

The company leases certain land and buildings under operating leases. 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 of these properties.

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

16. FINANCIAL COMMITMENTS (continued)

Guarantees

(a) Private replacement loans

The company is a guarantor, jointly and severally, with certain other group companies of US \$75 million (2006 – US \$75 million) unsecured loan notes, under amended agreements dated 22 October 1998 and 31 December 2005

The company is a guarantor, jointly and severally, with certain other Group companies, of US \$30 million (2006 – nil) unsecured loan notes under an agreement dated 31 January 2007

The company is a guarantor, jointly and severally, with certain other group companies of US \$35million (2006 - nil) unsecured loan notes under an agreement dated 22 October 2007

(b) Bank guarantees

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

(c) Revolving credit facility

The company is a guarantor, jointly and severally, with certain other group companies of a committed £80 million syndicated multi-currency revolving credit facility maturing in July 2012. At 31 December 2007 the total amounts borrowed under the facility were £25.0 million comprising £21.0 million and Euro 5.5 million. At 31 December 2006 the total amounts borrowed under this facility were £51.3 million, comprising Euro 2 million and US\$ 98 million

(d) Bilateral facility

In January 2008, a new £20m bilateral 364 day facility, with an option to extend by one year, was established with the Group's principal UK clearing bankers. The company is a guarantor, jointly and severally with certain other group companies, of this facility

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

17. PENSION COSTS

Pension Arrangements

The company participates in the Senior plc Group Retirement Benefit Plan. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the group. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

Contributions to the plan for the period were £408,000 (2006 - £422,000) and the agreed contribution rate for the next 12 months is 12.8% (2006 - 12.8%). Further details of the group plans and the actuarial valuations are given in the accounts of the ultimate parent company, Senior plc.

The disclosure below is taken from the accounts of Senior plc, calculated under IAS 19 *Employee Benefits*, and represents the best information available to the Directors.

As stated in the Senior plc Group financial statements for the year ending 31 December 2007, the most recent full actuarial valuation, carried out as at 6 April 2007, was updated in order to assess the position of the plan at 31 December 2007 for the purposes of accounting under IAS 19 and showed that the fair value of the plan's assets was £142.3 million (2006 - £141.3 million) and that the actuarial value of these assets represented 82.3% (2006 - 82.1%) of the benefits that had accrued to members.

The assets and liabilities and the expected rates of return at 31 December 2007, 31 December 2006 and 31 December 2005 were:

	2007 Fair value £m	2007 Expected rate of return	2006 Fair value £m	2006 Expected rate of return	2005 Fair value £m	2005 Expected rate of return
Equities	75.7	7.4%	79.9	7.3%	78.0	7.0%
Bonds	13.7	4.5%	11.2	4.3%	11.3	4.0%
Gilts	52.8	3.9%	49.7	3.8%	44.8	3.5%
Cash and other	0.1	3.9%	0.5	3.8%	0.3	3.5%
Total fair value of assets	142.3	5.8%	141.3	5.8%	134.4	5.6%
Present value of scheme liabilities	(172.8)		(172.1)		(165.7)	
Plan deficit	(30.5)		(30.8)		(31.3)	
	2007 £m		2006 £m		2005 £m	
Experience gain/(loss) on Plan Liabilities	12.8		(2.2)		0.3	
Experience (loss)/gain on Plan Assets	(5.2)		0.7		11.1	

NOTES TO THE ACCOUNTS
Year ended 31 December 2007

17. PENSION COSTS (continued)

The figures shown above were calculated on the basis of the following assumptions (per annum %)

	2007	2006	2005
Inflation	3.2%	2.9%	2.6%
Increase in salaries	4.2%	3.9%	3.6%
Increase in pensions	3.1%	2.9%	2.6%
Increase in deferred pensions	3.2%	2.9%	2.6%
Rate used to discount plan liabilities	5.9%	5.3%	5.0%
Expected return on assets	5.8%	5.8%	5.6%

18. ULTIMATE PARENT COMPANY

The company's immediate parent is Senior Engineering Investments Limited

The company's ultimate parent and controlling company, which prepares consolidated accounts incorporating the company's results, is Senior plc, whose registered office is at 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.

19. CASHFLOW STATEMENT

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

20. RELATED PARTY TRANSACTIONS

Transactions with group entities are not disclosed as the company is a wholly owned subsidiary of a company which produces consolidated accounts that are publicly available.