

**SENIOR HARGREAVES LIMITED**

**Report and Financial Statements**

**31 December 2008**



# **SENIOR HARGREAVES LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2008**

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# **SENIOR HARGREAVES LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2008**

### **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  
ECSV 9JA

#### **AUDITORS**

Deloitte 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 2008.

### **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 £18,103,000 to £19,241,000. Operating profit for the period was £894,000 (2007 - £324,000).

The balance sheet on page 9 shows the company's financial position at the year end showing a favourable movement from the previous year with total assets less current liabilities of £621,000 (2007 - £288,000).

There have been no significant events since the balance sheet date.

The company is ultimately owned by Senior plc which manages its operations on a Divisionsal 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**

In 2008 the company completed its first full year operating from a single site and as part of continuing this improvement plan the board implemented 'lean manufacturing techniques' in order to achieve best practice and value for money.

This improvement to the company's operation has allowed it to concentrate more fully on specific contracts in the Nuclear and Pharmaceutical Industries together with Tunnel ventilation where improved quality and procedures are a prerequisite of the contract.

Additionally the company is seeking to continue its development of its distribution network with plans for a further outlet towards the end of 2009.

### **PRINCIPAL RISKS AND UNCERTANTIES**

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.

The Company's financial position and future prospects are described above in the Directors' Report. The Company achieved a good level of profit and increased increased cash flow in 2008, and its future prospects are encouraging. This combined with the support of its ultimate parent company (Senior plc), gives the Directors the expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board has continued to adopt the going concern basis in preparing the Company's Annual Report and Financial Statements.

# **SENIOR HARGREAVES LIMITED**

## **DIRECTORS' REPORT**

### **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.

### **DIVIDENDS AND TRANSFERS TO RESERVES**

No interim dividend was paid in the year (2007 - £nil), and no final dividend is proposed (2007 - £nil). A retained profit of £333,000 (2007 – loss of £80,000) has been transferred to reserves.

### **DIRECTORS**

The directors who served during the year were as follows:-

Mr K White

Mr G Menzies – resigned 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 63 trade creditor days outstanding at the year end (2007 – 74 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**

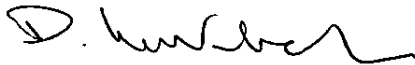
Each of the persons who is a director at the date of approval of this report confirms that:

- (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 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



Mr D Lutkevitch

Secretary

## **SENIOR HARGREAVES LIMITED**

### **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 2008 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**

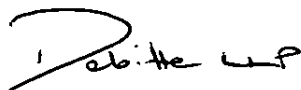
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2008 and of its profit 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 LLP**  
Chartered Accountants and Registered Auditors  
Birmingham  
United Kingdom

27 March 2009.



## SENIOR HARGREAVES LIMITED

### PROFIT AND LOSS ACCOUNT

Year ended 31 December 2008

	Note	2008 £000	2007 £000
<b>TURNOVER</b>	2	19,241	18,103
Cost of sales		<u>(15,045)</u>	<u>(14,834)</u>
Gross profit		4,196	3,269
Other operating expenses	4	<u>(3,302)</u>	<u>(2,945)</u>
<b>OPERATING PROFIT</b>		894	324
Net interest payable	5	<u>(320)</u>	<u>(413)</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	6	574	(89)
Tax on profit/(loss) on ordinary activities	7	<u>(241)</u>	<u>9</u>
<b>RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>	14	<u><u>333</u></u>	<u><u>(80)</u></u>

All activities derive from continuing operations.

There are no recognised gains and losses other than the result 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 2008**

	<b>2008</b> <b>£000</b>	<b>2007</b> <b>£000</b>
Reported profit/(loss) on ordinary activities before taxation	574	(89)
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 profit/(loss) on ordinary activities before taxation	<u>587</u>	<u>(76)</u>
Historical cost profit/(loss) for the year retained after taxation and dividends	<u>346</u>	<u>(67)</u>


# SENIOR HARGREAVES LIMITED

## BALANCE SHEET 31 December 2008

	Note	2008 £000	2007 £000
<b>FIXED ASSETS</b>			
Tangible assets	8	<u>2,363</u>	<u>2,333</u>
<b>CURRENT ASSETS</b>			
Stocks	9	1,044	859
Debtors – due within one year	10	4,891	5,767
Debtors – due after more than one year	10	47	173
Cash at bank and in hand		<u>1,639</u>	<u>20</u>
		7,621	6,819
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(9,363)</u>	<u>(8,864)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(1,742)</u>	<u>(2,045)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES BEING NET ASSETS</b>		<u>621</u>	<u>288</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	4,000	4,000
Share premium account	13	3	3
Revaluation reserve	13	495	508
Other reserves	13	90	90
Profit and loss account	13	<u>(3,967)</u>	<u>(4,313)</u>
<b>SHAREHOLDERS' FUNDS</b>	14	<u>621</u>	<u>288</u>

These financial statements were approved by the Board of Directors and authorised for issue on 27<sup>th</sup> March 2009.

Signed on behalf of the Board of Directors



K White  
Director

# SENIOR HARGREAVES LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2008

### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable UK accounting standards and have been applied consistently in the current and prior year. The particular accounting policies adopted are described below.

#### Accounting convention

The financial statements are prepared on the going concern basis as discussed in the directors' report 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

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid ( or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full at the anticipated tax rates on timing differences arising from the different treatment of items for accounting and taxation purposes. No provision is made for deferred tax on investment revaluations. A deferred tax asset is regarded as recoverable and therefore recognised only when it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. The company has elected not to discount the deferred tax assets and liabilities.

# **SENIOR HARGREAVES LIMITED**

## **NOTES TO THE ACCOUNTS**

**Year ended 31 December 2008**

### **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. This is a multi employer scheme and as such the company is unable to identify its share of the underlying assets and liabilities of the scheme. 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 based 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 2008

### 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:-

	2008 £000	2007 £000
UK	19,156	17,391
Overseas	85	712
	<u>19,241</u>	<u>18,103</u>

### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2008 £000	2007 £000
Directors' emoluments		
Emoluments	151	126
	<u>151</u>	<u>126</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 three directors exercised share options.

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

	2008 No	2007 No
Defined benefit schemes	<u>1</u>	<u>1</u>

# SENIOR HARGREAVES LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2008

### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2008	2007
	No	No
Average monthly number of persons employed		
Production	187	197
Distribution	4	4
Selling and marketing	26	27
Administration	14	14
	<u>231</u>	<u>242</u>
	£000	£000
Staff costs during the year (including directors)		
Wages and salaries	7,182	6,789
Social security costs	230	334
Pensions-Defined Benefit	510	408
Pensions-Defined Contribution	21	14
	<u>7,943</u>	<u>7,545</u>

### 4. OTHER OPERATING EXPENSES

	2008	2007
	£000	£000
Distribution costs	141	142
Administration costs	3,161	2,803
	<u>3,302</u>	<u>2,945</u>

### 5. NET INTEREST PAYABLE

	2008	2007
	£000	£000
Intercompany interest payable	<u>320</u>	<u>413</u>

# SENIOR HARGREAVES LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2008

### 6. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2008 £000	2007 £000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	165	150
Rentals under operating leases		
Hire of plant and machinery	41	34
Other operating leases	715	659
Auditors' remuneration		
Audit services	17	17
	<hr/>	<hr/>

There were no non audit services in either year.

### 7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

#### (i) Analysis of tax (charge)/credit on ordinary activities

	2008 £000	2007 £000
UK corporation tax (charge)/credit at an effective rate of 28.5% (2007-30%) on the profit/(loss) for the year	(241)	9
	<hr/>	<hr/>
	(241)	9
	<hr/>	<hr/>

With effect from the 1 April 2008, the UK corporation tax rate was reduced from 30% to 28%.

#### (ii) Factors affecting tax (charge)/credit for the current period

The tax charge for the current period differs from that resulting from applying the effective rate of corporation tax of 28.5 % (2007 – 30%) to the profit/(loss) before tax.

The differences are explained below:

	2008 £000	2007 £000
Profit/(loss) on ordinary activities before tax	574	(89)
	<hr/>	<hr/>
Tax charge/(credit) at 28.5% (2007-30%) thereon:	164	(27)
Expenses not deductible/(deductible) for tax purposes, net	36	(21)
Depreciation in excess of capital allowances	41	39
	<hr/>	<hr/>
Current tax charge/(credit) for the period	241	(9)
	<hr/>	<hr/>



NOTES TO THE ACCOUNTS

Year ended 31 December 2008

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 £243,000 (2007 - £331,000).

	2008 £'000	2007 £'000
Deferred tax assets not recognised		
Tax effect of timing differences due to:		
Capital allowances in excess of depreciation	229	318
Short term timing differences	14	13
	<u>243</u>	<u>331</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
<b>Cost or valuation</b>					
At 1 January 2008	2,364	110	21	3,715	6,210
Additions	-	-	-	195	195
At 31 December 2008	<u>2,364</u>	<u>110</u>	<u>21</u>	<u>3,910</u>	<u>6,405</u>
<b>Accumulated depreciation</b>					
At 1 January 2008	444	35	21	3,377	3,877
Charge for the year	50	2	-	113	165
At 31 December 2008	<u>494</u>	<u>37</u>	<u>21</u>	<u>3,490</u>	<u>4,042</u>
<b>Net book value</b>					
At 31 December 2008	<u>1,870</u>	<u>73</u>	<u>-</u>	<u>420</u>	<u>2,363</u>
At 31 December 2007	<u>1,920</u>	<u>75</u>	<u>-</u>	<u>338</u>	<u>2,333</u>

## SENIOR HARGREAVES LIMITED

### NOTES TO THE ACCOUNTS

Year ended 31 December 2008

#### 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:

	2008 £000	2007 £000
Original cost	381	381
Depreciation based on cost	(357)	(344)
	<u>24</u>	<u>37</u>

- (e) The net book value of freehold land which is not depreciated is £200,000 (2007 - £200,000).

#### 9. STOCKS

	2008 £000	2007 £000
Raw materials	1,044	857
Work-in-progress	-	2
	<u>1,044</u>	<u>859</u>

# SENIOR HARGREAVES LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2008

### 10. DEBTORS

	2008 £000	2007 £000
<b>Amounts falling due within one year:</b>		
Trade debtors	3,069	2,538
Amounts recoverable on contracts	1,477	2,895
Group tax relief receivable	-	9
Prepayments and accrued income	345	325
	<u>4,891</u>	<u>5,767</u>
<b>Amounts falling due after more than one year</b>		
Trade debtors	47	173
	<u>4,938</u>	<u>5,940</u>

### 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £000	2007 £000
Bank overdraft	-	2,796
Trade creditors	2,885	2,920
Amounts owed to group undertakings	5,036	2,131
Group Tax relief payable	241	-
Other taxation and social security	708	550
Accruals and deferred income	493	467
	<u>9,363</u>	<u>8,864</u>

2007 VAT has been reclassified from accruals to other taxation and social security.

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

### 12. CALLED UP SHARE CAPITAL

	2008 £000	2007 £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 2008

### 13. RESERVES

	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000	Total £000
At 1 January 2008	3	508	90	(4,313)	(3,712)
Profit for the financial year	-	-	-	333	333
Transfer of amount equivalent to additional depreciation on revalued assets	-	(13)	-	13	-
At 31 December 2008	<u>3</u>	<u>495</u>	<u>90</u>	<u>(3,967)</u>	<u>(3,379)</u>

### 14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £000	2007 £000
Profit for the financial year	333	(80)
Share based payments	-	(6)
Net decrease in shareholders' funds	333	(86)
Opening shareholders' funds	288	374
Closing shareholders' funds	<u>621</u>	<u>288</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 £20,000 (2007 - £21,000) 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. The 1999 Plan is closed for new awards.

## SENIOR HARGREAVES LIMITED

### NOTES TO THE ACCOUNTS Year ended 31 December 2008

#### 15. SHARE BASED PAYMENTS (continued)

The following options were outstanding as at 31 December 2008 and 2007:

	Year ended 2008		Year ended 2007	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at 1 January	133,001	21.97p	164,504	27.36p
Exercised	(68,276)	21.97p	-	-
Expired	-	-	(31,503)	50.07p
Outstanding at 31 December	64,725	21.97p	133,001	21.97p
Exercisable at 31 December	64,275	21.97p	133,001	21.97p

The weighted average share price at the date of exercise for share options exercised during the period was 110.75p (2007 - nil).

The options outstanding at 31 December 2008 had an exercise price of 21.97 per share, and a weighted average remaining contractual life of 0.2 years. The options outstanding at 31 December 2007 had an exercise price of 21.97p per share, and a weighted average remaining contractual life of 1.2 years.

#### (ii) 2005 Long Term Incentive Plan

29,915 shares were awarded to the company's employees under the 2005 Long Term Incentive Plan on the 13 March 2008. Awards under this plan have a three year vesting period, subject to earnings per share (EPS) and total shareholder return (TSR) performance conditions being met. Half the awards have an attaching performance target for EPS growth over the three year performance period of at least 5% per annum above the RPI. The other half of the awards begin to vest if the company's TSR falls in the top half of a comparator group at the end of the three year performance period. Vesting levels increase with higher performance. The awards are settled by delivering shares to the participant. The estimated fair value for the awards granted in the year with EPS conditions is 88.10p per share, which is essentially the share price at the date of grant of 95.00p per share less than an allowance for dividends foregone over the three year vesting period. The estimated fair value for the awards granted in the year with TSR conditions is 45.30p per share, reflecting an adjustment of 51% to the fair value of the awards with EPS conditions due to the stringent TSR condition.

These fair values were calculated by applying a binomial option pricing model. This model incorporates a technique called 'bootstrapping', which models the impact of the TSR condition. The model inputs at the date grant were the share price of 95.00p, a risk free interest rate of 3.9% per annum, expected volatility of 35.0% per annum, net dividend yield of 2.5% per annum, and the performance conditions as noted above. Expected volatility was determined by calculating the historical volatility of Senior plc's share price over the previous three years.

# SENIOR HARGREAVES LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2008

### 15. SHARE BASED PAYMENTS (continued)

The following share awards were outstanding as at 31 December 2008 and 2007:

	Year ended 2008	Year ended 2007
Outstanding at 1 January	-	-
Granted	29,915	-
Outstanding 31 December	<u>29,915</u>	<u>-</u>

#### (iii) 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. No such options have been awarded since 2 April 2007.

The following options were outstanding as at 31 December 2008 and 2007:

	Year ended 2008		Year ended 2007	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at 1 January	318,991	73.76p	339,994	26.49p
Granted	-	-	292,134	79.50p
Exercised	(33,037)	24.04p	(301,788)	26.63p
Forfeited	(27,097)	79.50p	(7,974)	67.02p
Expired	-	n/a	(3,375)	39.99p
Outstanding at 31 December	<u>258,857</u>	<u>79.5p</u>	<u>318,991</u>	<u>73.76p</u>
Exercisable at 31 December	<u>-</u>	<u>n/a</u>	<u>33,037</u>	<u>24.04p</u>

The weighted average share price at the date of exercise for share options exercised during the period was 93.50p (2007 – 102.40p). The options outstanding at 31 December 2008 had an exercise price of 79.50p per share, and a weighted average remaining contractual life of 2.0 years. 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.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2008**

**16. FINANCIAL COMMITMENTS**

**Operating lease commitments**

	2008	2008	2007	2007
	Land and	Plant and	Land and	Plant and
	buildings	machinery	buildings	machinery
	£000	£000	£000	£000
Leases which expire:				
Within one year	-	7	-	3
Within 2 to 5 years	177	29	182	38
After 5 years	515	-	515	-
	<u>692</u>	<u>36</u>	<u>697</u>	<u>41</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.

**Guarantees**

**(a) Private placement loans**

The company is a guarantor, jointly and severally, with certain other group companies, of US \$120 million (2007 – nil) unsecured loan notes under an agreement dated 8 October 2008.

The company is a guarantor, jointly and severally, with certain other Group companies, of US \$30 million (2007 – \$30 million) 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 \$35 million (2007 - \$35 million) unsecured loan notes under an agreement dated 22 October 2007.

The company was a guarantor, jointly and severally, with certain other group companies of US \$75 million (2007 – US \$75 million) unsecured loan notes, under amended agreements dated 22 October 1998 and 31 December 2005. These were repaid in October 2008.

**(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 2008 the total amounts borrowed under the facility were £20.2 million comprising £18.6 million and Euro 1.7 million. At 31 December 2007 the total amounts borrowed under this facility were £25.0 million, comprising £21.0 and Euro 5.5 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 facility was cancelled in October 2008 following the raising of the \$120 million loan notes.

# SENIOR HARGREAVES LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2008

### 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 £510,000 (2007 - £408,000) and the agreed contribution rate for the next 12 months is 16.4% (2007 - 16.8%). 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 2008, 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 2008 for the purposes of accounting under IAS 19 and showed that the fair value of the plan's assets was £125.5 million (2007 - £142.3 million) and that the actuarial value of these assets represented 77.1% (2007 - 82.3%) of the benefits that had accrued to members.

The assets and liabilities and the expected rates of return at 31 December 2008, 31 December 2007 and 31 December 2006 were:

	2008	2008	2007	2007	2006	2006
	Fair value	Expected	Fair value	Expected	Fair value	Expected
	£m	rate of	£m	rate of	£m	rate of
		return		return		return
Equities	53.9	6.6%	75.7	7.4%	79.9	7.3%
Bonds	47.3	4.5%	13.7	4.5%	11.2	4.3%
Gilts	24.2	3.1%	52.8	3.9%	49.7	3.8%
Cash and other	0.1	3.1%	0.1	3.9%	0.5	3.8%
Total fair value of assets	125.5	5.1%	142.3	5.8%	141.3	5.8%
Present value of scheme liabilities	(162.8)		(172.8)		(172.1)	
Plan deficit	(37.3)		(30.5)		(30.8)	

	2008	2007	2006	2005	2004
	£m	£m	£m	£m	£m
Experience gain/(loss) on Plan Liabilities	0.1	12.8	(2.2)	0.3	6.1
Percentage of Plan Liabilities	-	7%	(1%)	-	4%
Experience (loss)/gain on Plan Assets	(24.9)	(5.2)	0.7	11.1	1.8
Percentage of Plan Assets	(20%)	(4%)	-	8%	1%



## SENIOR HARGREAVES LIMITED

### NOTES TO THE ACCOUNTS

Year ended 31 December 2008

#### 17. PENSION COSTS (continued)

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

	2008	2007	2006
Inflation	2.8%	3.2%	2.9%
Increase in salaries	3.8%	4.2%	3.9%
Increase in pensions	2.7%	3.1%	2.9%
Increase in deferred pensions	2.8%	3.2%	2.9%
Rate used to discount plan liabilities	6.4%	5.9%	5.3%
Expected return on assets	5.1%	5.8%	5.8%

#### 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.