

SENIOR HARGREAVES LIMITED

Report and Financial Statements

31 December 2011



SENIOR HARGREAVES LIMITED

REPORT AND FINANCIAL STATEMENTS 2011

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SENIOR HARGREAVES LIMITED

REPORT AND FINANCIAL STATEMENTS 2011

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T Hopkinson
M Rollins
S J Nicholls

SECRETARY

D Lutkevitch

REGISTERED OFFICE

Lord Street
Bury
Lancashire
BL9 0RG

BANKERS

Lloyds Banking Group plc
25 Gresham Street
London
EC2V 7HN

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom

SENIOR HARGREAVES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

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 £14,692,000 to £18,361,000 Operating profit for the period was £746,000 (2010 - £570,000)

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 £2,908,000 (2010 - £2,144,000)

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

Demands during the latter part of 2011 on several contracts have sustained activity and assisted in delivering expectations for the year However, client delays have also seen the development of further work associated with certain projects and the balance of this activity will migrate in to 2012

In addition, the company is in a strong position to secure other specialist contracts that will further support activity throughout the business during the year ahead

Despite a difficult trading climate within the building related sectors, the distribution business has achieved anticipated results for the year but within a depressed market, performance for 2012 is likely to show little improvement

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 Senior plc Annual Report and Accounts 2011

The company's financial position and future prospects are described above The company achieved a good level of profit and positive cash flow in 2011, and its future prospects are encouraging This 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 Financial Statements

SENIOR HARGREAVES LIMITED

DIRECTORS' REPORT (Continued)

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 and Accounts 2011.

DIVIDENDS AND TRANSFERS TO RESERVES

No interim dividend was paid in the year (2010 - £nil), and no final dividend is proposed (2010 - £nil). A retained profit of £764,000 (2010 - £1,244,000) has been transferred to reserves.

DIRECTORS

The directors who served during the year were as follows -

T Hopkinson (appointed 31 August 2011)

M Rollins

S J Nicholls

K White (retired 31 August 2011)

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 78 trade creditor days outstanding at the year end (2010 - 97 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 (Continued)

AUDITOR

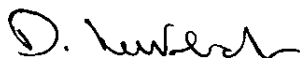
Each of the persons who is a director at the date of approval of this report confirms that

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP has expressed their willingness to continue in office as auditor 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



D Lutkevitch

Secretary

21 March 2012

Registered Office

Lord Street
Bury
Lancashire
BL9 0RG

SENIOR HARGREAVES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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, and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 AUDITOR'S REPORT TO THE MEMBERS OF SENIOR HARGREAVES LIMITED

We have audited the financial statements of Senior Hargreaves Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Note of Historical Cost Profits and Losses, the Balance Sheet, and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Peter Gallimore FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom

22 March 2012

SENIOR HARGREAVES LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2011

	Note	2011 £000	2010 £000
TURNOVER	2	18,361	14,692
Cost of sales		(14,319)	(10,942)
Gross profit		4,042	3,750
Other operating expenses (net)	4	(3,296)	(3,180)
OPERATING PROFIT		746	570
Profit on sale of tangible fixed assets of continuing operations	5	-	715
Net interest payable	6	(15)	(41)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	731	1,244
Tax on profit on ordinary activities	8	33	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION BEING THE RETAINED PROFIT FOR THE YEAR	14, 15	764	1,244

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 2011

	2011 £000	2010 £000
Reported profit on ordinary activities before taxation	731	1,244
Realisation of property revaluation gains of previous years	-	350
Difference between historical cost depreciation and actual depreciation charge for the year calculated on the revalued amount	3	6
Historical cost profit on ordinary activities before taxation	<u>734</u>	<u>1,600</u>
Historical cost profit for the year retained after taxation and dividends	<u>767</u>	<u>1,600</u>

SENIOR HARGREAVES LIMITED

BALANCE SHEET 31 December 2011

	Note	2011 £000	2010 £000
FIXED ASSETS			
Tangible assets	9	<u>1,541</u>	<u>1,597</u>
CURRENT ASSETS			
Stocks	10	907	938
Debtors – due within one year	11	3,110	3,758
Debtors – due after more than one year	11	226	52
Cash at bank and in hand		<u>1,379</u>	<u>767</u>
		5,622	5,515
CREDITORS – amounts falling due within one year	12	<u>(4,255)</u>	<u>(4,968)</u>
NET CURRENT ASSETS		<u>1,367</u>	<u>547</u>
TOTAL ASSETS LESS CURRENT LIABILITIES BEING NET ASSETS		<u>2,908</u>	<u>2,144</u>
CAPITAL AND RESERVES			
Called up share capital	13	4,000	4,000
Share premium account	14	3	3
Revaluation reserve	14	123	126
Other reserves	14	90	90
Profit and loss account	14	<u>(1,308)</u>	<u>(2,075)</u>
SHAREHOLDER'S FUNDS	15	<u>2,908</u>	<u>2,144</u>

These financial statements were approved by the Board of Directors and authorised for issue on 21 March 2012

Signed on behalf of the Board of Directors



T Hopkinson

Director

Company Registration No 00288899

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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 under the historical cost convention as modified by the revaluation of land and buildings.

Going concern

The company's financial position and future prospects are described in the Directors' Report. The company achieved a good level of profit and positive cash flow in 2011, and its future prospects are encouraging. This 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 Financial Statements.

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 9.

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 sale.

Provision is made for obsolete, slow moving or defective items where appropriate.

SENIOR HARGREAVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS **31 December 2011**

1. ACCOUNTING POLICIES (continued)

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 substantially 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.

Pension costs

Defined Benefit and Defined Contribution pension benefits are available to employees through the Senior plc Pension Plan and Senior plc Group Flexible Retirement Plan respectively. For the defined benefit pension scheme, 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. As the company is unable to identify its share of the underlying assets and liabilities of the scheme it has been accounted for as though it was a defined contribution 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, which do not form part of this report.

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 payments.

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.

SENIOR HARGREAVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

1 ACCOUNTING POLICIES (continued)

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

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 -

	2011 £000	2010 £000
UK	18,338	14,690
Overseas	23	2
	<u>18,361</u>	<u>14,692</u>

SENIOR HARGREAVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2011

3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2011 £000	2010 £000
Directors' emoluments		
Emoluments	133	129

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 two directors were granted share options and three directors exercised share options. M Rollins and S Nicholls did not receive any emoluments from Senior Hargreaves Limited during either 2011 or 2010 and their emoluments are reported in the accounts of Senior plc.

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

	2011 No	2010 No
Defined benefit scheme	-	1
Defined contribution scheme	1	-

	2011 No	2010 No
Average monthly number of persons employed		
Production	151	132
Distribution	1	3
Selling and marketing	25	23
Administration	13	14
	190	172
	£000	£000
Staff costs during the year (including directors)		
Wages and salaries	6,565	5,175
Social security costs	432	376
Pensions-Defined Benefit	458	487
Pensions-Defined Contribution	36	22
	7,491	6,060

4 OTHER OPERATING EXPENSES (NET)

	2011 £000	2010 £000
Distribution costs	118	50
Administration costs	3,683	3,635
Other operating income	(505)	(505)
	3,296	3,180

Rental income of £505,000 was received under an operating sub lease.

SENIOR HARGREAVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

5. EXCEPTIONAL ITEMS REPORTED AFTER OPERATING PROFIT

	2011 £000	2010 £000
Profit on sale of tangible fixed assets of continuing operations	-	715

The effects of the exceptional items reported after operating profit on the amounts charged to the profit and loss account for taxation were

	Tax on profit on ordinary activities	
	2011 £000	2010 £000
Profit on sale of tangible fixed assets of continuing operations	-	200
Increase in charge to profit and loss account	-	200

Due to the utilisation of group tax relief there is no current tax charged to profit and loss account for 2010 (see note 8)

6 NET INTEREST PAYABLE

	2011 £000	2010 £000
Intercompany interest payable	15	41

SENIOR HARGREAVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2011

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2011 £000	2010 £000
Profit on ordinary activities before taxation is stated after (crediting)/ charging		
Profit on disposal of fixed assets	-	(715)
Depreciation of tangible fixed assets	182	174
Rentals under operating leases		
Hire of plant and machinery	46	42
Other operating leases	709	711
The analysis of the auditor's remuneration is as follows		
Fees payable to the company's auditor for the audit of the company's annual financial statements	17	16
Fees payable to the company's auditor and their associates for other services to the group		
- Tax services	5	5

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	2011 £000	2010 £000
Current tax		
UK corporation tax charge at 26.5% (2010 - 28%) on the profit for the year	-	-
Deferred tax		
Origination and reversal of timing differences	(33)	-
Tax on profit on ordinary activities	(33)	-

SENIOR HARGREAVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2011

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

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

The tax charge for the current period differs from that resulting from applying the standard rate of corporation tax of 26.5% (2010 - 28%) to the profit before tax

The differences are explained below

	2011 £000	2010 £000
Profit on ordinary activities before tax	731	1,244
Tax charge at 26.5% (2010 - 28%) thereon	194	348
Expenses not deductible for tax purposes, net	9	18
Capital allowances for the period in excess of depreciation	(114)	(182)
Utilisation of group tax relief	(89)	(184)
Current tax (credit) / charge for the period	-	-

Under the group's current policy on group relief, no payments are required for losses surrendered by group undertakings

The Finance Act 2011, which provides for a reduction in the main rate of corporation tax from 26% to 25%, effective from 1 April 2012, was substantively enacted on 5 July 2011. The impact of the rate reduction has been reflected in the calculation of the deferred tax asset recognised at 31 December 2011.

Further reductions are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014 but are not yet substantively enacted.

(iii) Factors that may affect the future tax charge

	2011 £000	2010 £000
Deferred tax assets recognised		
Tax effect of timing differences due to		
Short term timing differences	33	-

At the balance sheet date, the company has deductible temporary differences, for which no deferred tax asset has been recognised. The potential deferred tax asset not recognised in respect of depreciation excess over capital allowances claimed is £434,000 (2010 - £591,000) and short term timing differences of £nil (2010 - £22,000). Deferred tax assets have not been recognised in respect of decelerated capital allowances due to the unpredictability of both the timing of the reversal of these temporary differences and the profit streams of group undertakings.

SENIOR HARGREAVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2011

9. TANGIBLE FIXED ASSETS

(a)	Freehold land and buildings £000	Leasehold land and buildings £000	Plant, machinery and motor vehicles £000	Total £000
Cost or valuation				
At 1 January 2011	1,244	110	3,962	5,316
Additions	-	-	126	126
Disposals	-	-	(42)	(42)
At 31 December 2011	1,244	110	4,046	5,400
Accumulated depreciation				
At 1 January 2011	248	42	3,429	3,719
Charge for the year	24	2	156	182
Disposals	-	-	(42)	(42)
At 31 December 2011	272	44	3,543	3,859
Net book value				
At 31 December 2011	972	66	503	1,541
At 31 December 2010	996	68	533	1,597

(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 £353,853 (including £87,340 relating to land).

(d) Original cost, and aggregate depreciation based on cost, of land and buildings included at valuation comprises

	2011 £000	2010 £000
Original cost	160	160
Depreciation based on cost	(54)	(52)
	106	108

(e) The net book value of freehold land which is not depreciated is £87,340 (2010 - £87,340)

SENIOR HARGREAVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2011

10. STOCKS

	2011 £000	2010 £000
Raw materials	907	938

11. DEBTORS

	2011 £000	2010 £000
Amounts falling due within one year:		
Trade debtors	1,925	2,095
Amounts recoverable on contracts	952	1,380
Prepayments and accrued income	200	283
Deferred tax assets	33	-
	3,110	3,758
Amounts falling due after more than one year		
Trade debtors	226	52
	3,336	3,810

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £000	2010 £000
Trade creditors	1,920	2,432
Amounts owed to group undertakings	618	1,594
Other taxation and social security	890	401
Accruals and deferred income	827	541
	4,255	4,968

Of the total amounts due to group undertakings, £500,000 relates to an unsecured loan with interest charged at a fixed rate of 2.1% and a maturity date of 20 June 2012

13. CALLED UP SHARE CAPITAL

	2011 £000	2010 £000
Allotted, called up and fully paid 4,000,000 ordinary shares of £1 each	4,000	4,000

SENIOR HARGREAVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2011

14. RESERVES

	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000	Total £000
At 1 January 2011	3	126	90	(2,075)	(1,856)
Profit for the financial year	-	-	-	764	764
Transfer of amount equivalent to additional depreciation on revalued assets	-	(3)	-	3	-
At 31 December 2011	<u>3</u>	<u>123</u>	<u>90</u>	<u>(1,308)</u>	<u>(1,092)</u>

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2011 £000	2010 £000
Profit for the financial year	<u>764</u>	<u>1,244</u>
Net increase in shareholder's funds	764	1,244
Opening shareholder's funds	<u>2,144</u>	<u>900</u>
Closing shareholder's funds	<u>2,908</u>	<u>2,144</u>

16 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 £46,000 (2010 - £37,000) related to equity settled share based payments.

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

(i) 2005 Long Term Incentive Plan

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 of at least 3% over the three year performance period. 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. No such awards have been granted since 15 March 2010.

SENIOR HARGREAVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2011

16 SHARE BASED PAYMENTS (continued)

(i) 2005 Long Term Incentive Plan

The following share awards were outstanding as at 31 December 2011 and 2010

	Year ended 2011	Year ended 2010
Outstanding at 1 January	60,873	29,915
Granted	-	30,958
Exercised	(24,410)	-
Forfeited	(19,264)	-
Outstanding 31 December	<u>17,199</u>	<u>60,873</u>

(ii) Savings Related Share Option Plan

Senior Plc 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 options were last awarded on 29 March 2011.

The estimated fair value for the award granted during the year was 51.72p. 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 144.40p, a risk-free interest rate of 1.78% per annum, expected volatility of 58.42% per annum and a net dividend yield of 2.23%. Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous three years.

The following options were outstanding as at 31 December 2011 and 2010

	Year ended 2011		Year ended 2010	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at 1 January	1,256,083	25.00p	1,362,458	27.59p
Granted	122,800	144.40p	-	-
Exercised	(30,793)	25.00p	(59,765)	73.12p
Forfeited	(24,709)	28.62p	(46,610)	38.90p
Outstanding at 31 December	<u>1,323,381</u>	<u>36.01p</u>	<u>1,256,083</u>	<u>25.00p</u>
Exercisable at 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The weighted average share price at the date of exercise for share options exercised during the period was 151.66p (2010 – 118.61p).

The options outstanding at 31 December 2011 had exercise prices of 25.00p and 144.40p per share, and a weighted average remaining contractual life of 1.2 years. The options outstanding at 31 December 2010 had an exercise price of 25.00p per share, and a weighted average remaining contractual life of 2.0 years.

SENIOR HARGREAVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2011

17. FINANCIAL COMMITMENTS

Operating lease commitments

	2011 Land and buildings £000	2011 Plant and machinery £000	2010 Land and buildings £000	2010 Plant and machinery £000
Leases which expire				
Within one year	-	-	-	7
Within 2 to 5 years	158	45	74	31
After 5 years	538	-	572	-
	<u>696</u>	<u>45</u>	<u>646</u>	<u>38</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.

The company receives rental income of £505,000 per annum under a sub lease relating to the lease commitment shown above in leases expiring after 5 years.

Guarantees

(a) Private placement loans

The company is a guarantor, jointly and severally, with certain other group companies, of US \$120 million (2010 – \$120 million) unsecured loan notes under an agreement dated 8 October 2008. Loan notes of US \$25 million, \$75 million and \$20 million are due for repayment in October 2015, October 2018 and October 2020 respectively.

The company is a guarantor, jointly and severally, with certain other Group companies, of US \$30 million (2010 – \$30 million) unsecured loan notes under an agreement dated 31 January 2007 and are due for repayment in January 2017.

The company is a guarantor, jointly and severally, with certain other group companies of US \$35 million (2010 – \$35 million) unsecured loan notes under an agreement dated 22 October 2007 and are due for repayment in October 2014.

(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 the group's UK clearing bank.

(c) Revolving credit facility

The company is a guarantor, jointly and severally, with certain other group companies of a committed £60 million syndicated multi-currency revolving credit facility maturing in October 2016. This facility replaced a £80 million facility which was due to mature in July 2012. There were no amounts drawn under either of these facilities as at 31 December 2011 and 31 December 2010.

SENIOR HARGREAVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

18 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 £458,000 (2010 - £487,000) and the agreed contribution rate for the next 12 months is 16.6% (2010 - 16.6%). Further details of the group plans and the actuarial valuations are given in the accounts of the ultimate parent company, Senior plc.

As stated in the Senior plc Group financial statements for the year ending 31 December 2011, the most recent full actuarial valuation, carried out as at 6 April 2010, was updated in order to assess the position of the plan at 31 December 2011 for the purposes of accounting under IAS 19 and showed that the fair value of the plan's assets was £186.3 million (2010 - £166.6 million) and that the actuarial value of these assets represented 88.0% (2009 - 84.8%) of the benefits that had accrued to members.

The assets and liabilities and the expected rates of return at 31 December 2011 and 31 December 2010 were

	2011 Fair value £m	2011 Expected rate of return	2010 Fair value £m	2010 Expected rate of return
Equities	52.4	6.2%	55.3	6.9%
Bonds	67.1	4.1%	57.1	4.7%
Gilts	67.9	2.2%	54.6	3.4%
Cash and net current (liabilities) / assets	(1.1)	2.5%	(1.0)	3.7%
Total fair value of assets	186.3	4.0%	166.0	5.0%
Present value of scheme liabilities	(211.6)		(195.8)	
Plan deficit	(25.3)		(29.8)	

The history of experience gains and losses is as follows

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Present value of defined benefit obligations	(211.6)	(195.8)	(188.8)	(162.8)	(172.8)
Fair value of plan assets	186.3	166.0	149.2	125.5	142.3
Plan deficit	(25.3)	(29.8)	(39.6)	(37.3)	(30.5)
Experience (loss)/gain on plan liabilities	(1.5)	3.8	0.6	0.1	12.8
Experience gain/(loss) on plan Assets	11.4	5.0	8.6	(24.9)	(5.2)

SENIOR HARGREAVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2011

18. PENSION COSTS (continued)

The figures shown above were calculated on the basis of the following assumptions

	2011	2010
Major assumptions (per annum %)		
Inflation	3.0%	3.4%
Increase in salaries	2.0%	2.0%
Increase in pensions	2.9%	3.3%
Increase in deferred pensions	3.0%	3.4%
Rate used to discount plan liabilities	4.8%	5.4%
Expected return on assets	4.0%	5.0%
Life expectancy of a male aged 65 at the year end	20.7	20.6
Life expectancy of a male aged 65, 20 years after the year end	22.6	22.5

The estimated impact on the plan deficit at 31 December 2011 for changes in assumptions is as follows

	Increase in plan deficit £m
0.5% decrease in the discount rate	17.0
One year increase in life expectancy	6.0
0.5% increase in inflation	10.0

This disclosure is taken from consolidated accounts of Senior plc, calculated under IAS19 *Employee Benefits*, and represents the best information available to the Directors

The company also operates a defined contribution pension scheme whose assets are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company and amounted to £36,000 (2010 - £22,000). Contributions totalling £3,994 (2010 - £1,872) were payable to the scheme at the year end and are included in creditors.

19. ULTIMATE PARENT COMPANY

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

The company's ultimate parent company and controlling party, 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.

20. 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.

21. 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.