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HENRY HARGREAVES AND SONS LIMITED

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report and accounts for the year ended 31 December 1980. The notes to the accounts should be read in conjunction with this report.

1. BUSINESS ACTIVITIES

The company manufactures and erects light fabrications in aluminium, galvanised, mild and stainless steels and plastics.

The products are required for air-conditioning, dust collection, fume removal, ventilation and insulation cladding. The main fields of activity are found in the buildings, paper making, catering, chemical industries and nuclear power undertakings.

2. TRADING

The company experienced a satisfactory level of trading during 1980 and the directors also consider that the state of the company's affairs is satisfactory.

3. PROFIT AND DIVIDEND

The profit of the company for the year, after taxation, is £528,394 which has been dealt with as shown in the Profit and Loss Account. An interim dividend of £528,394 has been declared.

4. DIRECTORS

The following directors have held office for the whole of the year, except where indicated -

H.G. Hargreaves (Resigned as Chairman 24 April 1980; Retired 22 June 1980)
J. Bleakley (Managing Director; Appointed Chairman 24 April 1980)
E. Smallwood
G.A. Higginbotham
K. Crane
K.W. Bass
B.G. Ward
M.W. Westcott

The directors, other than those who are also directors of the ultimate holding company, held the following number of 10p shares in the capital of Senior Engineering Group Limited at 31 December 1980.

<u>Name</u>	<u>Shares of 10p</u>	
	<u>1980</u>	<u>1979</u>
J. Bleakley	79,500	79,500

5. FIXED ASSETS

Information relating to changes in fixed assets is given in Note 3 to the accounts.

HENRY HARGREAVES AND SONS LIMITED

REPORT OF THE DIRECTORS

(CONTINUED)

6. EXPORTS

The value of goods exported by the company from the United Kingdom during the year amounted to £41,106 (1979 £537,155).

7. AUDITORS

The directors will place a resolution before the Annual General Meeting to re-appoint Arthur Andersen & Co. as auditors.

Registered Office:
Lord Street,
Bury
Lancs.

BY ORDER OF THE BOARD

M.W. WESTCOTT

Secretary

26 March 1981

ARTHUR ANDERSEN & Co.

BANK HOUSE
6 CHARLOTTE STREET
MANCHESTER M1 4EU

To the Members of Henry Hargreaves and Sons Limited:

We have audited the financial statements of HENRY HARGREAVES AND SONS LIMITED (a subsidiary company) set out on pages 4 to 11 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared on the historical cost basis as modified by the revaluation of land and buildings, give a true and fair view of the state of the Company's affairs at 31 December 1980, and of its profit and source and application of funds for the year then ended and comply with the Companies Acts 1948 to 1980.


ARTHUR ANDERSEN & CO.

CHARTERED ACCOUNTANTS

MANCHESTER

26 March 1981

HENRY HARGREAVES AND SONS LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1980

	<u>NOTES</u>	<u>1980</u>	<u>1979</u>
TURNOVER	1	£9,091,710 =====	£7,297,157 =====
PROFIT BEFORE TAXATION	2	£ 615,090	£ 772,974
TAXATION	3	86,696	74,274
PROFIT AFTER TAXATION		£ 528,394	£ 698,700
DIVIDEND		528,394	1,285,700
RESULT FOR THE YEAR		£ - =====	£(587,000) =====

STATEMENT OF RETAINED PROFITS
AND RESERVES

AT 1 JANUARY 1980	£ 392,428	£ 252,273
DEFERRED TAXATION WRITTEN BACK	-	587,000
SURPLUS ON REVALUATION OF PROPERTY	-	140,155
RESULT FOR THE YEAR	-	(587,000)
AT 31 DECEMBER 1980	£ 392,428 =====	£ 392,428 =====

Of the total reserves at 31 December 1980, the directors consider that £392,428 (1979 £392,428) is not available for distribution by way of dividend to shareholders.

The notes on pages 7 to 11 form part of these accounts.

HENRY MARGREAVES AND SONS LIMITED

BALANCE SHEET AT 31 DECEMBER 1980

	NOTES	1980	1979
NET ASSETS EMPLOYED:			
FIXED ASSETS	4	£ 980,872	£ 977,168
CURRENT ASSETS			
Stock and work-in-progress	8	£ 682,003	£1,281,477
Debtors and prepayments	5	2,327,640	1,971,917
Amounts due from group companies		10,640	221
Bank balances and cash		24,069	37,001
		<u>£3,044,352</u>	<u>£3,290,616</u>
LESS: CURRENT LIABILITIES			
Creditors and accruals		£ 976,339	£1,173,708
Payments in advance of work-in-progress		44,443	-
Amounts owing to group companies		197,703	85,482
Taxation	3	274,490	363,146
		<u>£1,492,975</u>	<u>£1,622,336</u>
NET CURRENT ASSETS		1,551,377	1,668,280
		<u>£2,532,249</u>	<u>£2,645,448</u>
FINANCED AS FOLLOWS:			
SHARE CAPITAL	6	£ 31,317	£ 31,317
SHARE PREMIUM ACCOUNT		3,159	3,159
RESERVES		392,428	392,428
SHAREHOLDERS' FUNDS		<u>£ 426,904</u>	<u>£ 426,904</u>
AMOUNT DUE TO DIVISIONAL HOLDING COMPANY			
On current and loan account		£1,499,951	£ 735,844
Interim dividend (since paid)		<u>528,394</u>	<u>1,285,700</u>
		2,028,345	2,021,544
DEFERRED TAXATION	3	77,000	197,000
		<u>£2,532,249</u>	<u>£2,645,448</u>
SIGNED ON BEHALF OF THE BOARD			
J. BLEAKLEY)		
M.W. WESTCOTT) DIRECTORS		

Michael Westcott

The notes on pages 7 to 11 form part of these accounts.

HENRY HARGREAVES AND SONS LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1980

SOURCES:	<u>1980</u>	<u>1979</u>
Profit before taxation	£ 615,090	£772,974
Depreciation	130,231	95,655
Profit on sale of fixed assets	(5,194)	(114)
Total funds generated from operations	£ 740,127	£868,515
Sale proceeds of fixed assets	15,955	7,431
	£ 756,082	£875,946
Increase in amount owing to divisional holding company	764,107	122,745
	£1,520,189	£998,691
	=====	=====
APPLICATIONS:		
Dividends paid	£1,285,700	£258,546
Capital expenditure	144,696	362,477
Taxation paid	295,352	-
Taxation relieved through group companies	-	105,059
Working capital (decrease)/increase:		
Stock and work-in-progress (decrease)/increase	£(599,474)	£219,842
Debtors and prepayments increase	355,723	430,756
(Increase) in net amounts owing to group companies	(101,802)	(13,089)
Decrease/(increase) in other current liabilities	152,926	(368,172)
	(192,627)	269,337
	£1,533,121	£995,419
	=====	=====
(DECREASE)/INCREASE IN NET LIQUID FUNDS	£(12,932)	£ 3,272
	=====	=====
Reflected in:-		
Bank balances and cash - (decrease)/increase	£(12,932)	£ 3,272
	=====	=====

The notes on pages 7 to 11 form part of these accounts.

HENRY HARGREAVES AND SONS LIMITED

NOTES ON ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES:

1.1 Accounting basis

The accounts have been prepared on the historical cost basis with the exception of certain land and buildings which are stated at their revalued amounts at 31 December 1979.

1.2 Turnover

Turnover comprises the total value of sales invoices rendered during the year inclusive of inter-group sales at arms length, but exclusive of Value Added Tax.

1.3 Depreciation

Depreciation of fixed assets is provided on cost at rates calculated to reduce their book value to estimated realisable value at the end of their anticipated useful lives. The principal rates used, applied to original cost or valuation where appropriate are as follows:-

Freehold buildings	2%
Long and short leasehold properties	Over period of lease
Plant and equipment	10-25%
Computer hardware and software	14 2/7%

Loose tools have been valued by the directors by reference to their anticipated lives.

1.4 Stock and work-in-progress

Raw materials and stores have been valued at the lower of cost and net realisable value on bases and methods consistently applied. Work-in-progress has been valued on the basis of total cost including overheads and an element of profit where appropriate, less progress payments received and receivable.

1.5 Deferred taxation

Deferred taxation has been calculated, on the liability method, in accordance with the principles of SSAP 15. Provision has been made for all short term timing differences and for other timing differences except where the directors expect with reasonable probability, that these will continue to be deferred into the foreseeable future. In reaching this judgement, the directors have taken into account the proposals published on 14 November 1980 in the Inland Revenue's Consultative Document concerning the intended reform of stock relief.

HENRY HARGREAVES AND SONS LIMITED

NOTES ON ACCOUNTS

(CONTINUED)

2. PROFIT BEFORE TAXATION

	<u>1980</u>	<u>1979</u>
The profit for the year before taxation is stated after charging:		
Directors' emoluments		
Management remuneration and pension contributions	£115,514	£104,711
Auditors' fees and expenses	11,652	9,723
Depreciation		
Freehold buildings	£ 9,010	£13,051
Long leasehold buildings	455	455
Short leasehold buildings	966	966
Plant and equipment	<u>119,800</u>	<u>81,183</u>
	130,231	95,655
and after crediting:		
Profit on sale of fixed assets	5,194	114
Division of directors' fees and management remuneration:		
Chairman	Nil	Nil
Highest paid director	15,370	15,184
Other directors	Number	Number
£ 5,001 - £10,000	1	1
£10,001 - £15,000	5	5

3. TAXATION:

	<u>1980</u>	<u>1979</u>
The taxation charge based on the profit before taxation comprises:		
Corporation tax at 52%	£206,696	£ 75,000
Transfer to deferred taxation	50,000	-
	£256,696	£ 75,000
Stock relief released	(170,000)	-
Adjustments relating to prior years	-	(726)
	<u>£ 86,696</u>	<u>£ 74,274</u>
	=====	=====

Taxation liabilities are payable as follows:

Corporation tax payable 1 January 1981	£ 67,794	£288,146
Corporation tax payable 1 January 1982	206,696	75,000
	<u>£274,490</u>	<u>£363,146</u>
	=====	=====

HENRY HARGREAVES AND SONS LIMITED

NOTES ON ACCOUNTS

(CONTINUED)

Deferred taxation comprises:

	<u>1980</u>	<u>1979</u>
Arising by reason of accelerated capital allowances	£ 77,000	£ 27,000
Relief attributable to increase in stock and work-in-progress	-	170,000
	-----	-----
	£ 77,000	£197,000
	=====	=====

Partial provision for deferred taxation has been made in the accounts (see Note 1). Had full provision been made, the total would have been:

	<u>1980</u>	<u>1979</u>
Arising by reason of accelerated capital allowances	£259,000	£245,000
Relief attributable to increase in stock and work in progress	-	645,000
Property revaluations	96,000	96,000
	-----	-----
	£355,000	£986,000
	=====	=====

As indicated in Note 1, the company has taken account of the proposals published on 14 November 1980 by the Inland Revenue dealing with the proposed reform of stock relief. Accordingly no deferred taxation has been provided in respect of stock relief for the year to 31 December 1980 and all deferred tax in respect of stock relief previously provided has been written back during the year.

Had stock relief been provided and calculated on the basis of the current legislation, the deferred tax credit for the year would have been reduced by £170,000, the current tax charge for the year would have remained unchanged (under the provisions of schedule 40 section 7 of the Finance Act 1980) and the deferred tax balance at 31 December 1980 would have been increased by £170,000. The contingent liability for unprovided deferred tax in respect of stock relief recalculated on this basis at 31 December 1980 would amount to £645,000.

HENRY HARGREAVES AND SONS LIMITED

NOTES ON ACCOUNTS

(CONTINUED)

4. FIXED ASSETS

	<u>Freehold land and buildings</u>	<u>Long leasehold buildings</u>	<u>Short leasehold buildings</u>	<u>Plant and equipment</u>	<u>Total</u>
At 1 January 1980:					
Cost	£131,904	£11,363	£9,664	£882,993	£1,035,924
Valuation	485,000	-	-	-	485,000
Additions	2,102	-	-	133,987	136,089
Disposals	-	-	-	(31,984)	(31,984)
	-----	-----	-----	-----	-----
At 31 December 1980:					
Cost	£134,006	£11,363	£9,664	£984,996	£1,140,029
Valuation	485,000	-	-	-	485,000
Less aggregate depreciation	96,017	8,547	6,772	542,870	654,206
	-----	-----	-----	-----	-----
	£522,989	£ 2,816	£2,892	£442,126	£ 970,823
	-----	-----	-----	-----	-----
Loose plant and tools at valuation					10,049

NET BOOK VALUE 31 December 1980					£ 980,872
	£529,897	£ 3,271	£3,861	£432,004	£ 969,033
	-----	-----	-----	-----	-----
Loose plant and tools at valuation					8,135

NET BOOK VALUE 31 December 1979					£ 977,168
					=====

Freehold and long leasehold properties owned by the Company were valued by Edwards, Bigwood & Bewlay at 31 December 1979, on the basis of a sale in the open market, with the benefit of vacant possession and for the purpose of their existing use.

The depreciable amount included in freehold land and buildings at 31 December 1980 amounted to £437,910 (1979 £476,588).

5. DEBTORS AND PREPAYMENTS-RETENTIONS:

Debtors and prepayments includes retentions on long term contracts of £540,241 (1979 £464,561), a material proportion of which will not be received within one year.

6. SHARE CAPITAL

	<u>Authorised</u>		<u>Issued and Fully Paid</u>	
	<u>1980</u>	<u>1979</u>	<u>1980</u>	<u>1979</u>
Ordinary shares of £1 each	£50,000	£50,000	£31,317	£31,317
	=====	=====	=====	=====

HENRY HARGREAVES AND SONS LIMITED

NOTES ON ACCOUNTS

(CONTINUED)

7. COMMITMENTS AND CONTINGENT LIABILITIES

	<u>1980</u>	<u>1979</u>
Future capital expenditure		
Contracted for but not provided for in the accounts	£25,179	£126,496
Authorised by the directors but not contracted for	4,236	13,229
	<u>£29,415</u>	<u>£139,725</u>
	=====	=====

The company is a guarantor for £1,245,877 of 9.6 per cent Unsecured Loan Stock 1991/96 created under a Trust Deed dated 21 April 1972, a First Supplemental Trust Deed dated, 16 October 1972 and a Second Supplemental Trust Deed dated, 8 October 1973 and made between Senior Engineering Group Limited and Alliance Assurance Company Limited.

8. STOCK AND WORK-IN-PROGRESS

	<u>1980</u>	<u>1979</u>
Raw materials and stores	£269,765	£ 432,199
Long term work-in-progress £9,280,805		£8,360,183
Less cash received and receivable	<u>8,868,567</u>	<u>7,510,905</u>
	412,238	849,278
	<u>£682,003</u>	<u>£1,281,477</u>
	=====	=====

The above amounts are stated on bases set out in Note 1.4.

9. HOLDING COMPANY

The company is a wholly owned subsidiary of Senior Engineering (Air-O-Plas) Limited whose ultimate holding company is Senior Engineering Group Limited, incorporated in Great Britain.