

F G SKERRITT LIMITED
ANNUAL REPORT
YEAR ENDED 31 DECEMBER 1994
Registered number: 720250



F G SKERRITT LIMITED

ANNUAL REPORT - YEAR ENDED 31 DECEMBER 1994

CONTENTS	PAGES
DIRECTORS' REPORT	1 - 2
STATEMENT OF DIRECTORS' RESPONSIBILITIES	3
AUDITORS' REPORT	4
PROFIT AND LOSS ACCOUNT	5
BALANCE SHEET	6
NOTES TO THE FINANCIAL STATEMENTS	7 - 15

DIRECTORS' REPORT

The directors present their annual report and audited financial statements of the company for the year ended 31st December 1994.

PRINCIPAL ACTIVITIES

The principal activities of the company continue to be those of service engineers and contractors.

PROFITS AND DIVIDENDS

The profit for the year after tax amounted to £28,162 (1993: loss £152,413). The directors do not recommend the payment of a final dividend and consequently £28,162 is transferred to reserves.

REVIEW OF THE YEAR

The company has experienced a satisfactory year of trading in view of the conditions prevailing in the market place. Turnover has risen by almost 20% and a return to profitability has been achieved. The difficult trading conditions are expected to continue in the foreseeable future and a return to substantial profitability is not envisaged within this period. However, the directors are continuing in their search for new profitable contracts and in their control of overhead costs.

DIRECTORS AND DIRECTORS' SHAREHOLDINGS

The following were directors of the company at 31st December 1994 and served throughout the year:-

B Gregg
J Beckwith

The director retiring at the Annual General Meeting is Mr J Beckwith who, being eligible, offers himself for re-election.

Neither of the directors have any interest in the share capital of the company or the parent company.

FIXED ASSETS

The movements in tangible fixed assets during the year are set out in note 6 to the financial statements.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The company maintains liability insurance for its directors and officers, as permitted by section 310(3) of the Companies Act 1985.

DIRECTORS' REPORT (CONTINUED)

ELECTIVE RESOLUTIONS


Elective resolutions were passed by the members on 19 December 1994 whereby the company has dispensed with the laying of accounts and reports before the company in general meeting; has dispensed with the holding of annual general meetings; and has dispensed with the obligation to appoint auditors annually.

AUDITORS

At an EGM held on 4 March 1996, Kidsons Impey were removed as auditors and Pannell Kerr Forster were appointed as auditors of the company.

As a consequence of the above elective resolution, the duly appointed auditors, Pannell Kerr Forster, will continue in office until further notice.

By order of the Board


B. Gregg
Director

Registered Office:

Environment House
6 Union Road
Nottingham

14 March 1996

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the company and of the profit or loss of the company for that period. In preparing those 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;
- prepare the financial statements on a 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.

REPORT OF THE AUDITORS TO THE MEMBERS

**PANNELL
KERR
FORSTER**
CHARTERED ACCOUNTANTS

Auditors' report to the shareholders of F G Skerritt Limited

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

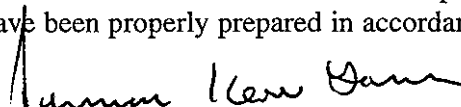
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of 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 of the state of affairs of the company as at 31 December 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PANNELL KERR FORSTER
Registered Auditors
Chartered Accountants

Nottingham
14 March 1996

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1994

	Note	1994 £	1993 £
TURNOVER	2	7,394,468	6,080,043
Cost of sales	1(b)	7,038,731	5,961,299
GROSS PROFIT		355,737	118,744
Administrative expenses		322,062	409,125
OPERATING PROFIT/(LOSS)	3	33,675	(290,381)
Interest receivable	3	50,774	72,523
Interest payable	3	19,476	12,623
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		64,973	(230,481)
Tax on profit on ordinary activities	5	36,811	78,068
PROFIT/(LOSS) FOR THE YEAR AFTER TAXATION TRANSFERRED TO/(FROM) RESERVES	13	28,162	(152,413)

A separate statement of total recognised gains and losses has not been prepared, as the company has no recognised gains and losses other than the profit for the year.

The notes on pages 7 to 15 form part of these financial statements.

BALANCE SHEET - 31ST DECEMBER 1994

	Note	1994		1993	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		86,301		100,605
CURRENT ASSETS					
Stock and work in progress	7	26,680		28,142	
Debtors	8	2,835,415		2,350,410	
Cash in hand		198		706	
		2,862,293		2,379,258	
CREDITORS					
Amounts falling due within one year	9	2,548,929		2,064,713	
NET CURRENT ASSETS					
			313,364		314,545
TOTAL ASSETS LESS CURRENT LIABILITIES					
			399,665		415,150
CREDITORS					
Amounts falling due after more than one year	10	9,353		-	
PROVISIONS FOR LIABILITIES AND CHARGES					
	11	-		53,000	
			9,353		53,000
NET ASSETS					
			390,312		362,150
CAPITAL AND RESERVES					
Called up share capital	12	50,000		50,000	
Profit and loss account	13	340,312		312,150	
SHAREHOLDERS' FUNDS					
			390,312		362,150

The financial statements were approved by the Board of Directors on 30th January 1996.

B GREGG

The notes on pages 7 to 15 form part of these financial statements

NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1994

1. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards.

(b) Cost of sales

Cost of sales is stated as all those costs directly incurred by the company, including an appropriate proportion of production overheads.

(c) Depreciation

Depreciation is calculated to write off the cost of all tangible fixed assets in equal annual instalments over their estimated useful lives at the following rates:-

	%
Plant and equipment	15
Computer equipment	33½
Motor vehicles	20

(d) Stock and work in progress

(i) Stock and short-term work in progress is valued at the lower of cost and net realisable value.

(ii) Long term contracts - amounts recoverable on contracts are valued at anticipated net sales value after provision for contingencies and anticipated future losses on contracts.

Cash received on account of contracts is deducted from amounts recoverable on contracts. Such amounts which have been received and exceed amounts recoverable are included in creditors. Contract provisions in excess of amounts recoverable are included in trade creditors.

(e) Profit recognition on contracts

Profit on contracting activities is taken as work progresses. Attributable profit is taken on each contract where the profitable outcome of the contract can be assessed with reasonable certainty. Attributable profit is defined as that part of the total profit currently estimated to arise over the duration of the contract, after allowing for estimated remedial and maintenance costs, and increases in costs, so far as not recoverable under the terms of the contract, that fairly reflects the profit attributable to that part of the work performed at the accounting date. If it is anticipated that there will be a loss on a contract as a whole all of the loss is recognised as soon as it is foreseen.

NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1994 (CONTINUED)

(f) Leasing and hire purchase agreements

Fixed assets subject to hire purchase agreements are depreciated in accordance with the accounting policy set out in note 1(c) above. The accounting liability for the capital element is included in creditors and the interest element is charged against profits over the period of the agreement.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis.

(g) Deferred taxation

Deferred taxation is provided at current taxation rates under the liability method to take account of all timing differences between profits as stated in the financial statements and as computed for tax purposes. Where it is considered with reasonable probability that no such liability will become payable in the foreseeable future, no provision is made.

(h) Pensions

The company operates a contributory defined benefit pension scheme which is externally funded and covers all eligible employees. The scheme funds are administered by Trustees and are independent of the company's finances. The scheme is fully funded and contributions are paid to the scheme in accordance with the recommendations of independent actuaries. The company's contributions are charged against profits in the year in which contributions are made.

(i) Capital instruments

FRS4, Capital Instruments, has been adopted in the preparation of these accounts. Capital instruments are accounted for and classified as equity or non-equity share or debt according to their form.

2. TURNOVER

- | | |
|--------------------------|---|
| (i) Long-term contracts: | Gross value of contracts completed during the year, adjusted for the movement in work in progress for the year. |
| (ii) Other: | Value of invoiced sales, excluding value added tax, during the year. |

All the company's activities during the year are classed as continuing. There were no acquisitions during the year.

NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1994 (CONTINUED)

3. PROFIT/(LOSS) FOR THE YEAR ON ORDINARY ACTIVITIES BEFORE TAXATION

	1994 £	1993 £
Profit/(loss) for the year on ordinary activities before taxation is stated after charging:-		
Interest on loans repayable within five years:-		
Bank overdraft	16,964	10,005
Hire purchase agreements	186	-
Other interest	2,326	2,618
	<hr/> 19,476	<hr/> 12,623
Depreciation - Owned assets	53,552	67,187
- Assets held under hire purchase agreements	1,325	-
Auditors' remuneration	7,500	7,500
Hire of equipment	64,240	63,654
Directors' emoluments, including pension contributions, for management	81,933	82,014
Bad debts provided against or written off during the year	29,093	141,835
Operating lease rentals - office equipment	3,955	-
	<hr/>	<hr/>
and after crediting:		
Profit on disposal of tangible fixed assets	1,450	2,955
	<hr/>	<hr/>
Interest receivable - bank interest	-	3,592
- group interest	42,553	59,443
- other interest	8,221	9,488
	<hr/> 50,774	<hr/> 72,523

NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1994 (CONTINUED)

4. STAFF COSTS

- (a) The average number of persons including directors employed by the company during the year was:

	1994	1993
Operational	39	37
Management selling and administration	34	33
	<hr/>	<hr/>
	73	70
	<hr/>	<hr/>

- (b) The aggregate costs of employment were as follows:

	1994 £	1993 £
Wages and salaries	1,111,264	993,259
Social Security costs	88,381	81,082
Other pension costs	35,921	34,012
	<hr/>	<hr/>
	1,235,566	1,108,353
	<hr/>	<hr/>

- (c) Directors' remuneration, excluding pension contributions:

	1994 £	1993 £
For management	75,845	75,701
	<hr/>	<hr/>
Chairman and highest paid director	40,599	40,403
	<hr/>	<hr/>
Other directors £35,001 - £40,000	1	1
	<hr/>	<hr/>

NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1994 (CONTINUED)

5. TAXATION

	1994 £	1993 £
UK Corporation Tax @ 33%	50,500	(76,000)
Adjustment re prior years	6,761	(5,368)
Transfer (from)/to deferred taxation	(20,450)	3,300
	<u>36,811</u>	<u>(78,068)</u>

6. TANGIBLE FIXED ASSETS

	Improvements to leasehold property £	Plant, equipment & motor vehicles £	Total £
COST			
At 31st December 1993	52,053	382,910	434,963
Additions	-	42,800	42,800
Disposals	-	(13,487)	(13,487)
	<u>52,053</u>	<u>412,223</u>	<u>464,276</u>
At 31st December 1994	52,053	412,223	464,276
DEPRECIATION			
At 31st December 1993	52,053	282,305	334,358
Charge for year	-	54,877	54,877
Disposals	-	(11,260)	(11,260)
	<u>52,053</u>	<u>325,922</u>	<u>377,975</u>
At 31st December 1994	52,053	325,922	377,975
NET BOOK AMOUNT			
At 31st December 1994	-	86,301	86,301
At 31st December 1993	-	100,605	100,605

Net book value includes £26,414 (1993: £Nil) in respect of assets held under hire purchase agreements. The depreciation charge for the period is set out in note 3.

NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1994 (CONTINUED)

7. STOCK AND WORK IN PROGRESS

	1994 £	1993 £
Raw materials	26,680	28,142

8. DEBTORS

	1994 £	1993 £
Due within one year:		
Trade debtors	1,600,639	1,262,024
Amounts recoverable on contracts	564,757	508,745
Amounts owed by parent company	610,350	417,797
Taxation recoverable	37,950	99,194
Prepayments	21,719	53,320
Other debtors	-	9,330
	2,835,415	2,350,410

9. CREDITORS

Due within one year:

	1994 £	1993 £
Bank overdraft	208,691	74,529
Trade creditors	2,029,069	1,873,875
Corporation tax	50,500	7,117
Social security and other taxes	204,904	64,978
Accruals	44,661	44,214
Hire purchase agreements	11,104	-
	2,548,929	2,064,713

- (a) The company's bank borrowing facility is secured by a debenture over the company's assets consisting of a specific equitable charge over the company's leasehold property and a fixed and floating charge over all other assets.
- (b) The company is party to an unlimited guarantee with Melham Holdings Limited given in favour of National Westminster Bank Plc. The maximum potential liability under the terms of the guarantee at 31st December 1994 was £1,691,056.

NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1994 (CONTINUED)

10. CREDITORS

Due after more than one year

	1994 £	1993 £
Hire purchase agreements (due within five years)	9,353	-

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Provisions for reorganisation costs £
At 31st December 1993	53,000
Movement in year	(53,000)
At 31st December 1994	-

12. SHARE CAPITAL

	Number	1994 and 1993 Authorised, issued and fully paid £
Ordinary shares of £1 each	27,906	27,906
Ordinary shares of 1p each	21,900	219
Deferred shares of £1 each	21,875	21,875
	71,681	50,000

The company has two classes of shares, ordinary shares and non-cumulative, non participating deferred shares (the "deferred shares").

NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1994 (CONTINUED)

The rights of the shareholders are set out in a Special Resolution held in 1983. Applying the criteria of FRS4, the ordinary shares are "equity" and the deferred shares are "non-equity". Neither class of share is redeemable.

The rights of the ordinary and deferred shareholders are set out below:-

- (a) In respect of a distribution by way of a dividend the amount determined is firstly applied in paying towards the holders of the ordinary shares a cumulative preference dividend at the rate of 25% per annum on the paid up capital. Any residue is secondly applied to paying to the holders of the deferred shares a non-cumulative preferential dividend at the rate of 1% per annum on the paid up capital. The balance, if any, of the said dividends are distributed exclusively to the holders of the ordinary shares.
- (b) In the event of a winding up, the holders of the ordinary shares are entitled to an initial sum of £250,000 and any balance remaining, once the deferred shareholders have received the amount paid up on their shares.
- (c) Whilst the ordinary shareholders each have the right to one vote in General Meeting, the deferred shares do not confer any right to receive notice to attend or vote at any General Meeting of the company.

Shareholders' funds

	1994 £	1993 £
Attributable to equity shareholders	368,437	340,275
Attributable to non-equity shareholders	21,875	21,875

13. RESERVES

	Profit and loss account £
Balance at 31st December 1993	312,150
Profit for the year	28,162
	<hr/>
Balance at 31st December 1994	340,312
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NOTES ON FINANCIAL STATEMENTS - 31ST DECEMBER 1994 (CONTINUED)

14. CONTINGENT LIABILITIES

	1994 £	1993 £
(a) Performance bonds given in favour of customers	127,600	-
(b) During the financial year under review, the company carried out work on a major contract under its normal terms of business. As a result of various problems, the work was completed after the due date laid down in the contract. The directors are of the view that the main contractor was responsible for these delays and in June 1995 the company issued a claim for prolongation and loss and expenses due to disruption. The main contractor has since filed a defence and counterclaim. The case is unlikely to be settled for some time. Having taken legal advice, the directors believe that the contractor's allegations are without substance and that judgement will be given in the company's favour. The directors are of the opinion that these matters will have no material adverse effect on the financial position of the company. Consequently, no credit has been taken, nor has any provision been made, in the financial statements in relation to this claim and counterclaim.		

15. GROUP STRUCTURE

The company is a wholly owned subsidiary undertaking of Melham Holdings Limited, a company registered in England.