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ROWECORD ENGINEERING LIMITED

GROUP

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 1989

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ROWECORD ENGINEERING LIMITED

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REPORT AND FINANCIAL STATEMENTS
For the year ended 30th June, 1989

CONTENTS	Page
Report of the Directors	1 - 2
Report of the Auditors	3
Group Profit and Loss Account	4
Group Balance Sheet	5
Statement of Group Source and Application of Funds	6
Notes to the Group Financial Statements	7 - 12

ROWECORD ENGINEERING LIMITED

GROUP

DIRECTORS' REPORT

For the Year Ended 30th June, 1989

The Directors present their report and the audited financial statements for the year ended 30th June, 1989.

PRINCIPAL ACTIVITY

The principal activity of Rowecord Engineering Limited is structural steel fabrication and erection.

The principal activity of Unifloc Limited is the design, manufacture and servicing of mechanical handling, material handling and water treatment plants.

The principal activity of Braithwaite Engineers Limited is the supply of fluid storage systems.

REVIEW OF THE BUSINESS

The increased turnover in the Group accounts has been influenced in general by the buoyant state of the Construction Industry.

All trading companies have turned in acceptable profit margins with a 50% increase in turnover for Rowecord and Braithwaite and a 25% increase for Unifloc.

Rowecord continued to consolidate its position with the large fabrication workshop at Newport being further updated.

Work load for the oncoming year is high with signs of another increase in turnover.

Braithwaite now into their second year in the group are once again providing excellent results.

The Braithwaite/Bridgestone GRP tank is now firmly established and our market share in this sector has been very encouraging.

Unifloc has had a successful year in spite of the continuing diminishing coal industry.

We intend to pursue the material handling, quarrying and water treatment fields to enable the company to maximise its potential.

RESULTS AND DIVIDENDS

The results for the year are set out in detail in the accounts. Group turnover amounted to £16,883,188 (1988 £11,694,628). Profit on ordinary activities before taxation was £1,272,592 (1988 £924,430). Profit after taxation and minority interest was £980,523 (1988 £529,400).

It is proposed to pay a dividend for the year of £20,000 (1988 £20,000).

Additions to reserves are set out in note 18.

FIXED ASSETS

Movements in Fixed Assets are set out in Note 8.

Long leasehold properties included in the group financial statements at a valuation of £1,775,000 were independently valued by chartered surveyors on 13th September 1989. In the opinion of the Directors, the market value of the remaining leasehold properties is not significantly different from the net book value.

DIRECTORS

The Directors who served during the year and their interests in the shares of the company at the end of the year were as follows:-

	At 30.6.89	At 30.6.88
Ordinary Shares		
B.F. Hoppe	132,500	132,500
J.C. Blackwell	37,500	37,500
A.F. Hoppe	10,000	10,000
A.D. Rowe	-	-

Under the provisions of the Articles of Association, the Directors continue in office for the ensuing year.

AUDITORS

Mullens and Robinson, Chartered Accountants, have expressed their willingness to continue as auditors and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

On Behalf of the Board


A.J. Bigley

Secretary

REGISTERED OFFICE


Neptune Works,
Mill Parade,
Newport,
Gwent. NP9 2SS

REPORT OF THE AUDITORS TO THE MEMBERS OF
ROWECORD ENGINEERING LIMITED
GROUP

We have audited the financial statements on pages 4 to 12 in accordance with Auditing Standards.

In our opinion, the financial statements give a true and fair view of the state of affairs of the group at 30th June, 1989 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PORT TALBOT
8th January 1990


MULLENS AND ROBINSON
CHARTERED ACCOUNTANTS

ROWECORD ENGINEERING LIMITED

GROUP PROFIT AND LOSS ACCOUNT
For the year ended 30th June, 1989

	Notes	1989 £	1988 £
TURNOVER		16,883,188	11,694,628
COST OF SALES		<u>13,542,665</u>	<u>9,203,911</u>
GROSS PROFIT		<u>3,340,523</u>	<u>2,490,717</u>
Distribution Costs		141,267	105,915
Administrative Expenses		2,208,950	1,638,514
Other Operating Income		(220,291)	(172,632)
		<u>2,129,926</u>	<u>1,571,797</u>
Trading Profits		1,210,597	918,920
Sundry Income		41,701	-
Interest Receivable	5	40,643	15,162
Interest Payable	6	(20,349)	(9,652)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	1,272,592	924,430
Taxation	7	<u>177,814</u>	<u>330,581</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,094,778	593,849
Profit attributable to Minority Shareholders		<u>114,255</u>	<u>64,449</u>
PROFIT AFTER TAXATION ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY		980,523	529,400
Dividends Proposed		<u>20,000</u>	<u>20,000</u>
RETAINED PROFIT FOR THE YEAR		<u>960,523</u>	<u>509,400</u>

ROWECORD ENGINEERING LIMITED

GROUP BALANCE SHEET
At 30th June, 1989

	Notes	1989 £	1988 £
FIXED ASSETS			
Tangible Assets	8	2,741,587	1,194,642
Investments	10	2,000	2,000
Intangibles	11	8,815	15,038
		<u>2,752,402</u>	<u>1,211,680</u>
CURRENT ASSETS			
Stocks and Work in Progress	12	4,448,932	1,666,669
Debtors	13	2,490,641	1,874,567
Cash in Bank and in Hand	14	2,085,239	3,393
		<u>9,024,812</u>	<u>3,544,629</u>
CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR	15	<u>7,778,503</u>	<u>3,135,630</u>
NET CURRENT ASSETS		<u>1,246,309</u>	<u>408,999</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,998,711	1,620,679
CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	15,540	7,248
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>—</u>	<u>67,058</u>
NET ASSETS		<u>3,983,171</u>	<u>1,546,373</u>
SHARE CAPITAL AND RESERVES			
Called Up Share Capital	17	200,000	200,000
Reserves	18	<u>3,529,832</u>	<u>1,207,289</u>
SHAREHOLDERS FUNDS		3,729,832	1,407,289
MINORITY INTEREST		<u>253,339</u>	<u>139,084</u>
		<u>3,983,171</u>	<u>1,546,373</u>

The financial statements on pages 4 to 12 were approved by the Board of Directors on 24th November 1989 and were signed on its behalf by

B.F. Hoppe : Director

A.F. Hoppe : Director

[Signature]
A.F. Hoppe

ROWECORD ENGINEERING LIMITED

GROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDS
For the year ended 30th June, 1989

	1989 £	1988 £
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	1,272,592	924,430
Items not involving the movement of funds		
Depreciation and amounts written off fixed assets	178,786	128,223
(Profit)/Loss on disposal of fixed assets	(11,011)	9,677
Grants released to Profit and Loss Account	(7,852)	(101,372)
Profit on Sale of Lease	(31,883)	-
TOTAL GENERATED FROM OPERATIONS	<u>1,400,632</u>	<u>960,958</u>
FUNDS FROM OTHER SOURCES		
Proceeds on Sale of Land	37,000	-
Proceeds of disposals of tangible fixed assets	66,794	17,196
Proceeds on Disposal of Leased Vehicle	10,400	-
Shares issued by subsidiary	-	24,000
Selective Financial Assistance: grant aid	-	100,000
	<u>1,514,826</u>	<u>1,102,154</u>
APPLICATION OF FUNDS		
Purchase of tangible assets	431,940	823,442
Purchase of intangible assets	-	18,668
Dividends paid	20,000	5,334
Corporation Tax paid	95,042	51,326
	<u>546,982</u>	<u>898,770</u>
NET SOURCE OF FUNDS	<u>967,844</u>	<u>203,384</u>
THE NET SOURCE OF FUNDS IS REPRESENTED BY THE FOLLOWING CHANGES IN WORKING CAPITAL		
Stocks and Work in Progress	2,782,263	97,962
Debtors	616,074	1,129,879
Creditors	(4,107,278)	(359,724)
	<u>(708,941)</u>	<u>868,117</u>
Movements in net liquid funds:		
Cash at bank and in hand	1,676,785	(664,733)
INCREASE IN WORKING CAPITAL	<u>967,844</u>	<u>203,384</u>

ROWECORD ENGINEERING LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS
For the year ended 30th June, 1989

1. ACCOUNTING POLICIES

- (a) The accounts have been prepared under the Historical Cost Convention as modified by the revaluation of leasehold land and buildings.
- (b) The group financial statements are the result of the consolidation of the accounts of the company and its subsidiary companies, Unifloc Limited, Braithwaite Engineers Limited and Rowecord Engineering Services Limited. The accounts of all companies are made up to 30th June, 1989
- (c) Turnover is the amount invoiced during the year adjusted for work in progress. Turnover is stated net of V.A.T.
- (d) From 1989 leasehold properties with more than 50 years to run at the balance sheet date are revalued at regular intervals and the resultant valuation is included in the balance sheet. Other tangible fixed assets are stated at cost less depreciation. Depreciation is provided in equal annual instalments at the following rates.

Plant and Machinery	10%
Vehicles	20%
Office Furniture and Fittings	15%

Depreciation is provided on leasehold land and buildings over the unexpired term of the lease or 50 years, whichever is the shorter.

- (e) Intangible Assets are stated at cost less depreciation. Depreciation is provided in equal annual instalments at the following rates.

Know-How	33 1/3%
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- (f) Regional Development Grants relate to certain of the Group's plant and buildings. They are not deducted from the cost of the asset but are credited to revenue in equal annual instalments over 10 years in the case of plant and over the unexpired term of the lease in the case of the buildings.

Selective Financial Assistance grant aid is credited to the profit and loss account in the year of receipt.

- (g) Stocks are valued at the lower of cost and net realisable value. Work in Progress is included at the lower of cost, including overheads, and net realisable value.
- (h) The amount charged to the profit and loss account in respect of pension funds is the amount paid during the year.
- (i) Deferred Taxation is provided only where it is probable that Corporation Tax will become payable as a result of the reversal of timing differences arising from accelerated capital allowances. The liability method is used where appropriate.

ROWECORD ENGINEERING LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)

2. PROFIT ON ORDINARY ACTIVITIES

This is stated after charging:-

	1989	1988
	£	£
Amortisation of Know-How	6,223	3,630
Depreciation of Tangible Fixed Assets	172,563	124,593
(Profit)/Loss on Disposal of Tangible Fixed Assets	(11,011)	9,677
Hire of Plant and Machinery	974,455	537,579
Leasing Charges	3,364	9,508
Auditors Remuneration	21,500	14,000
Hire Purchase Interest	348	953

3. STAFF COSTS (INCLUDING DIRECTORS)

Wages, Salaries and Fees	3,963,500	2,646,549
Social Security Costs	418,397	214,144
Other Pension Costs	64,069	31,433
	<u>4,445,966</u>	<u>2,892,126</u>

4. DIRECTORS AND EMPLOYEES

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

Number	Number
<u>346</u>	<u>255</u>

The remuneration paid to the directors was:

	£	£
Fees	16,000	15,000
Other Emoluments (including pension contributions)	<u>241,742</u>	<u>159,577</u>
	<u>257,742</u>	<u>174,577</u>

Emoluments excluding pension contributions:

Chairman, who is highest paid director	102,500	56,000
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The number of other directors whose emoluments fall within the bands stated
was:-

	Number	Number
£ 5,001 - £10,000	-	1
£25,001 - £30,000	-	1
£30,001 - £35,000	-	1
£40,001 - £45,000	2	1
£55,001 - £60,000	1	-

5. INTEREST RECEIVABLE

	£	£
Bank Interest	<u>40,643</u>	<u>15,162</u>

ROWDCORD ENGINEERING LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)

	1989 £	1988 £			
6. INTEREST PAYABLE					
On Bank Overdrafts	20,349	9,652			
7. TAXATION					
U.K. Corporation Tax for Current Year at 35%	337,124	312,016			
Deferred Taxation Write Back	(56,053)	20,286			
Adjustment in respect of Old Unifloc Limited Losses	(103,257)	-			
Adjustment in respect of Previous Year	-	(1,721)			
	<u>177,814</u>	<u>330,581</u>			
8. TANGIBLE FIXED ASSETS					
	Plant	Vehicles	Office Furniture and Fittings	Leasehold Land and Buildings	Total
	£	£	£	£	£
Cost or Valuation					
At 1st July, 1988	645,195	281,859	106,980	508,062	1,542,096
Additions	167,217	232,778	12,903	19,042	431,940
Disposals	(2,000)	(109,290)	-	(30,569)	(141,859)
Revaluation	-	-	-	1,362,020	1,362,020
At 30th June, 1989	<u>810,412</u>	<u>405,347</u>	<u>119,883</u>	<u>1,858,555</u>	<u>3,194,197</u>
Depreciation					
At 1st July, 1988	171,244	99,846	30,939	45,425	347,454
Provided	57,379	55,429	19,089	40,666	172,563
Disposals	(381)	(44,727)	-	(22,299)	(67,407)
At 30th June, 1989	<u>228,242</u>	<u>110,548</u>	<u>50,028</u>	<u>63,792</u>	<u>452,610</u>
Net book value					
At 30th June, 1989	<u>582,170</u>	<u>294,799</u>	<u>69,855</u>	<u>1,794,763</u>	<u>2,741,587</u>
At 30th June, 1988	<u>473,951</u>	<u>182,013</u>	<u>76,041</u>	<u>462,637</u>	<u>1,194,642</u>

The leasehold land and buildings were valued on 13th September 1989 by Chesterton, Chartered Surveyors, on the basis of existing use in the open market.

The cost or valuation figures for leasehold land and buildings include:-

	1989 £	1988 £
Valuation made in 1989	1,775,000	-
Stated at Historical Cost	<u>83,555</u>	<u>508,062</u>
	<u>1,858,555</u>	<u>508,062</u>

ROWECORD ENGINEERING LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)

The amount of revalued leasehold land and buildings as determined according to the historical cost rules is:-

	1989 £	1988 £
Cost	412,980	508,062
Depreciation	18,690	45,425
Net Book Value	<u>394,290</u>	<u>462,367</u>

The net book value of leasehold land and buildings comprise:-

	£	£
Leaseholds over 50 years	1,728,285	398,705
Other Leaseholds	66,478	63,932
	<u>1,794,763</u>	<u>462,637</u>

9. CAPITAL COMMITMENTS

Capital expenditure that has been contracted for but has not been provided for in the accounts	Nil	Nil
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Capital Expenditure that has been authorised by the directors but has not yet been contracted for	Nil	Nil
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10. INVESTMENTS

Loans	<u>2,000</u>	<u>2,000</u>
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11. INTANGIBLE FIXED ASSETS

Know-HowCost

At 30th June 1989 and 1988	<u>18,668</u>
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Amortisation

At 30th June 1988	3,630
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Charge for Year	<u>6,223</u>
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At 30th June 1989	<u>9,853</u>
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Net Book Value

At 30th June 1989	<u>8,815</u>
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At 30th June 1988	<u>15,038</u>
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ROWECORD ENGINEERING LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)

	1989 £	1988 £
12. STOCKS AND WORK IN PROGRESS		
Stocks of Materials and Consumables	437,366	274,699
Other Stocks	4,715	6,960
Work in Progress	<u>4,006,851</u>	<u>1,385,010</u>
	<u>4,448,932</u>	<u>1,666,669</u>
13. DEBTORS		
Amounts falling due within one year:		
Trade debtors	2,372,982	1,815,373
Other debtors	70,240	23,840
Prepayments	<u>47,419</u>	<u>35,354</u>
	<u>2,490,641</u>	<u>1,874,567</u>
14. CASH AT BANK AND IN HAND		
Cash at Bank	2,084,112	1,135
Cash in Hand	<u>1,127</u>	<u>2,258</u>
	<u>2,085,239</u>	<u>3,393</u>
15. CREDITORS		
Amounts falling due within one year:		
Bank Overdraft	712,431	307,370
Amounts billed in advance	1,364,376	-
Trade Creditors and Accruals	4,860,846	2,243,331
Corporation Tax	519,939	381,114
Hire Purchase Creditors	14,460	20,583
Other Taxation and Social Security Contributions	286,451	163,232
Proposed Dividend	<u>20,000</u>	<u>20,000</u>
	<u>7,778,503</u>	<u>3,135,630</u>
Amounts falling due after more than one year:		
Hire Purchase Creditors	<u>15,540</u>	<u>7,248</u>
The bank overdraft is secured by a fixed and floating charge.		
16. PROVISIONS FOR LIABILITIES AND CHARGES		
Deferred Grants	-	11,005
Deferred Taxation	<u>-</u>	<u>56,053</u>
	<u>-</u>	<u>67,058</u>

The directors are of the opinion that the deferred tax liability is unlikely to crystallise in the foreseeable future because of planned capital expenditure levels. Accordingly the balance on the deferred taxation account has been written back to the profit and loss account.

The potential amount of deferred tax on revalued leasehold land and buildings of £476,707 has not been provided for because in the opinion of the directors it is not a timing difference.

ROWECORD ENGINEERING LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)

	1989 £	1988 £		
17. CALLED-UP SHARE CAPITAL				
Authorised Ordinary Shares of £1 each	200,000	200,000		
Alotted, Called Up and Fully Paid Ordinary Shares of £1 each	200,000	200,000		
18. RESERVES				
	Revalu- ation Reserve £	Capital Redemp- tion Reserve £	Profit and Loss Account £	Total Reserves £
At 30th June 1988	-	8,666	1,198,623	1,207,289
Profit for the Year	-	-	960,523	960,523
Surplus on Revaluation	1,362,020	-	-	1,362,020
At 30th June 1989	1,362,020	8,666	2,159,146	3,529,832

19. PENSION COMMITMENTS

The company has pension schemes for certain of its employees and directors. These are funded by premiums paid to an insurance company which considers that the payments made and to be made are adequate to fulfil the obligations under the schemes.