SGS Inspection Services Limited

Annual report

for the year ended 31 December 1990

Registered no: 1193985

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Coopers
& Lybrand
Deloitte

SGS Inspection Services Limited

Annual report
for the year ended 31 December 1990

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Directors' report for the year ended 31 December 1990

The directors present their report and the audited financial statements for the year ended 31 December 1990.

Principal activities

The company's principal activities comprise independent testing, inspection quality assurance and superintendence services.

Review of business

On 2 November 1990, the company acquired the whole of the issued share capitals of Fulmer Yarsley Limited, whose business is the provision of testing and consultancy services, and Yarsley Quality Assured Firms Limited, whose business is the audit and certification of companies under the Department of Trade and Industry national quality campaign.

During the year the company also acquired the trading operations and net assets of two businesses providing testing services.

Both the level of business and the year end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

Dividends and transfers to reserves

The directors have declared an interim dividend in respect of the year ended 31 December 1990 of £384,000. The directors do not recommend that a final dividend be paid.

Changes in fixed assets

The movements in fixed assets during the year are set out in note 11 to the accounts.

Directors

The directors of the company during the year ended 31 December 1990 were:

H B Newman	(chairman from 30 March to 1 July 1990)
P Schaad	(resigned as director and chairman 30 March 1990)
I Williams	(appointed director and chairman 1 July 1990)

Directors' interests in shares of the company

According to the register required to be kept by section 325 of the Companies Act 1985, no director had any interest in the share capital of the company or any other group undertaking at any time during the year.

Charitable contributions

The contributions made by the company during the year for charitable purposes were £2,000.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand Deloitte, will be proposed at the annual general meeting.

By order of the board

R. B. Franklin

R B Franklin
Secretary
31st July 1991

Report of the auditors to the members of SGS Inspection Services Limited

We have audited the financial statements on pages 4 to 21 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1990 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.

Coopers & Lybrand Deloitte

Coopers & Lybrand Deloitte
Chartered Accountants
Reading
31 July 1991

Profit and loss account for the year ended 31 December 1990

	Notes	1990 £	1989 £
Turnover	2	20,984,273	8,692,474
Cost of sales		14,364,177	5,525,323
Gross profit		6,620,096	3,167,151
Administrative expenses		6,220,883	3,257,881
Operating profit/(loss)		399,213	(90,730)
Interest receivable and similar income		176,314	150,365
Interest payable and similar charges	5	157,943	127,729
Profit/(loss) on ordinary activities before taxation	6	417,584	(68,094)
Taxation	7	(20,389)	51,153
Profit/(loss) on ordinary activities after taxation		437,973	(16,941)
Extraordinary items	8	-	3,111,764
Profit for the financial year		437,973	3,094,823
Dividends	9	384,000	200,000
Retained profit for the year		£53,973	£2,894,823

Statement of retained profits

Retained profits/(losses) at 1 January 1990	2,862,848	(31,975)
Retained profit for the year	53,973	2,894,823
Retained profits at 31 December 1990	£2,916,821	£2,862,848

Balance sheet at 31 December 1990

	Notes	1990 £	1989 £
Fixed assets			
Intangible assets	10	152,951	-
Tangible assets	11	4,488,279	3,136,937
Investments	12	1,045,007	455,991
		5,686,237	3,592,928
Current assets			
Stocks	13	1,115,054	929,118
Debtors	14	5,469,562	4,901,249
Cash at bank and in hand		956,285	1,209,754
		7,540,901	7,040,121
Creditors: amounts falling due within one year	15	8,829,011	6,621,418
Net current (liabilities)/assets		(1,288,110)	418,703
Total assets less current liabilities		4,398,127	4,011,631
Creditors: amounts falling due after more than one year	16	-	15,679
Provisions for liabilities and charges	17	131,306	133,104
Net assets		£4,266,821	£3,862,848
Capital and reserves			
Called-up share capital	19	1,350,000	1,000,000
Profit and loss account		2,916,821	2,862,848
		£4,266,821	£3,862,848

The financial statements on pages 4 to 21 were approved by the board of directors on 31st July 1991 and were signed on its behalf by:

Director

Statement of source and application of funds for the year ended 31 December 1990

	1990 £	1989 £
Source of funds		
Profit/(loss) on ordinary activities before taxation	417,584	(68,094)
Extraordinary items before taxation	-	3,271,748
Adjustment for items not involving the movement of funds:		
Amortisation of goodwill	3,161	-
Depreciation	1,030,215	401,696
Profit on disposal of fixed assets	(195,650)	(51,021)
Total funds generated from operations	1,255,310	3,554,059
Funds from other sources		
Group relief receivable	-	228,948
Tax liability in businesses acquired	-	119,114
Proceeds of disposal of tangible fixed assets	315,438	310,342
Proceeds of disposal of fixed asset investments	15,000	478,476
Hire purchase finance	-	15,679
Shares issued	350,000	999,998
Taxation recovered	147,850	-
Total source of funds	2,083,598	2,152,557
Application of funds		
Purchase of intangible fixed assets	156,112	-
Purchase of tangible fixed assets	2,501,345	875,038
Purchase of subsidiary	604,016	2,973,937
Purchase of fixed asset investments	-	883,446
Taxation paid	228,236	-
Dividends paid	384,000	200,000
Hire purchase finance	15,679	-
Total application of funds	3,889,388	4,932,421
Net (application)/source of funds	£(1,805,790)	£774,195
The net source of funds is represented by the following increase in working capital:		
Stocks	185,936	929,118
Debtors	580,839	4,888,723
Creditors	251,925	(6,253,400)
	1,018,700	(435,559)
Movements in net liquid funds:		
Cash at bank and in hand	(253,469)	1,209,754
Bank overdraft	(2,571,021)	-
(Decrease)/increase in working capital	£(1,805,790)	£774,195

Statement of source and application of funds

The figures in the statement of source and applications of funds include the follwing amounts that relate to the effect of the acquisitions of businesses.

	£
Net assets acquired	
Tangible fixed assets	250,892
Stocks	27,527
Debtors	215,340
Cash	355
Creditors	(88,276)
	405,838
Goodwill	156,112
	£561,950
Discharged by	
Cash paid	£561,950

Notes to the financial statements for the year ended 31 December 1990

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below.

Basis of accounting

The accounts have been prepared under the historical cost convention.

Goodwill

Goodwill represents the excess of cost or valuation attributed to investments in businesses over the fair value of the underlying net assets at the date of their acquisition.

Goodwill is amortised on a straight line basis over the expected useful lives of the businesses acquired. The annual rate used is 2½% per annum.

Tangible fixed assets

Tangible fixed assets are stated at their purchase price, together with any incidental costs of acquisition.

Provision for depreciation is made so as to write off the costs of tangible fixed assets on a straight line basis, over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:-

	%
Freehold buildings	4
Plant and machinery	10 to 30
Motor vehicles	25
Fixtures and fittings	10 to 33 1/3

Leasehold land and buildings are amortised over 50 years or the period of the lease, whichever is the less. Freehold land is not depreciated.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Where fixed assets are financed by leasing agreements, which transfer to the group substantially all the benefits and risks of ownership, the assets are treated as if they had been purchased outright and are included in tangible fixed assets. The capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. The cost of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Provision is made where necessary for obsolete, slow moving and defective stocks.

Foreign currencies

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Exchange gains or losses are included in profit on ordinary activities.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied.

Deferred taxation

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or assets will crystallise.

Pension costs

The SGS group operates a number of defined benefit pension schemes throughout its subsidiaries in the United Kingdom. These schemes are funded by contributions from both the employer and the employees. The cost of providing future benefits is estimated by independent qualified actuaries using the projected unit method. Variations in pension costs are spread over the expected service lives of current employees.

The funding policy is also based on the projected unit valuation method, however any surplus or deficit arising from experience or benefit changes may be recognised at a different rate than under the accounting policy.

SGS Inspection Services Limited

2 Turnover

The geographical analysis of turnover is as follows:

	1990 £	1989 £
United Kingdom	17,728,508	5,271,111
South East Asia	1,102,115	949,550
Other Countries	2,153,650	2,471,813
	£20,984,273	£8,692,474

3 Directors' emoluments

The remuneration paid to the directors of SGS Inspection Services Limited was:

	1990 £	1989 £
Other emoluments (including pension contributions and benefits in kind)	46,833	142,577
Pension paid to former directors	8,727	7,306
Compensation paid for loss of office	30,000	27,051
	£85,560	£176,934

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1990	1989
The chairman	£43,176	£ -
1990: 1 January - 31 March	£ -	£ -
1 April - 30 June	£33,657	£ -
1 July - 31 December	£ -	£ -
1989: 1 January - 30 November	£ -	£4,026
1 December - 31 December		
The highest-paid director, including compensation for loss of office	£43,176	£70,356

The number of directors (including the chairman and the highest-paid director) who received fees and other emoluments (excluding pension contributions and compensation for loss of office) in the following ranges was:

	1990 Number	1989 Number
£0 to £5,000	1	
£10,001 - £15,000	1	
£15,001 to £20,000		1
£20,001 to £25,000		1
£30,001 to £35,000	1	

4 Employee information

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

	1990 Number	1989 Number
Production and inspection	497	149
Administration	228	151
	725	300

	1990 £	1989 £
Staff costs (for the above persons):		
Wages and salaries	9,809,169	3,715,809
Social security costs	797,870	297,000
Other pension costs (see note 18)	287,250	139,675
	£10,894,289	£4,152,484

5 Interest payable and similar charges

	1990 £	1989 £
On bank loans, overdrafts and other loans repayable within 5 years, not by instalments	19,073	127,729
On finance leases and hire purchase contracts		-
On loans from ultimate holding company	138,870	-
	£157,943	£127,729

6 Profit on ordinary activities before taxation

	1990 £	1989 £
Profit on ordinary activities before taxation is stated after charging:		
Goodwill amortisation	3,161	-
Depreciation	1,030,215	401,676
Auditors' remuneration	28,400	20,400
Hire of plant and machinery - operating leases	738,327	174,333
Profit on disposal of fixed assets	195,650	-

7 Taxation

	1990 £	1989 £
United Kingdom corporation tax at 34.25% (1989:35%)		
Current	(151,912)	(47,151)
Deferred	(16,908)	13,990
Over-provision in respect of prior years:		
Current	170,503	(17,992)
Deferred	18,706	-
	£20,389	£(51,153)

8 Extraordinary items

	1990 £	1989 £
Extraordinary income:		
Net profit on sale of freehold premises	-	3,271,478
Taxation on the above	-	(159,714)
	-	£3,111,764

9 Dividends

	1990 £	1989 £
Ordinary:		
Interim paid of 28.4p per share (1989: 20p per share)	384,000	200,000

10 Intangible fixed assets

	Goodwill £
Cost	
Additions	156,112
At 31 December 1990	156,112
Amortisation	
Charge for year	3,161
At 31 December 1990	3,161
Net book value	
At 31 December 1990	£152,951
Net book value	
At 1 January 1990	-

The additions during the year arose on the following acquisitions of businesses;

	£
Bradford Conditioning House	34,007
Testing Services	122,105
	£156,112

11 Tangible fixed assets

	Freehold land and buildings £	Leasehold properties £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation						
At 1 January 1990	453,471	716,138	3,275,105	173,959	2,476,876	7,095,549
Additions	150,442	444,862	908,247	279,261	718,533	2,501,345
Disposals	(21,000)	-	(69,528)	(66,106)	(231,136)	(387,770)
Transfers to group undertakings	-	-	-	(88,707)	(11,855)	(100,562)
At 31 December 1990	**582,913**	**1,161,000**	**4,113,824**	**298,407**	**2,952,418**	**9,108,562**
Depreciation						
At 1 January 1990	40,625	260,003	1,944,175	114,466	1,599,343	3,958,612
Charge for year	14,854	115,939	481,184	61,845	356,393	1,030,215
Eliminated in respect of disposals	(11,830)	-	(69,528)	(36,512)	(219,033)	(336,903)
Eliminated in respect of transfers to group undertakings	-	-	-	(31,641)	-	(31,641)
At 31 December 1990	**43,649**	**375,942**	**2,355,831**	**108,518**	**1,736,703**	**4,620,283**
Net book value						
At 31 December 1990	**£539,264**	**£785,058**	**£1,757,993**	**£190,249**	**£1,215,715**	**£4,488,279**
Net book value						
At 31 December 1989	£412,846	£456,135	£1,330,930	£59,493	£877,533	£3,136,937

12 Fixed asset investments

	Interests in group undertakings £	Other investments £	Total £
Cost and net book value			
At 1 January 1990	440,991	15,000	455,991
Additions	604,016	-	604,016
Disposals	-	(15,000)	(15,000)
At 31 December 1990	**£1,045,007**	**£ -**	**£1,045,007**

Interests in group undertakings

Name of undertaking	Description of shares held	Proportion of nominal value of issued shares held
Cargo Superintendents (London) Limited	Ordinary	100%
SGS Redwood Limited	Ordinary	100%
International Marine Survey Bureau Limited	Ordinary	100%
Carlcrest Limited	Ordinary	100%
Wool Testing Services International Limited	Ordinary	100%
Micran Limited	Ordinary	100%
SGS Yarsley Limited	Ordinary	100%
Yarsley Quality Assured Firms Limited	Ordinary	100%
Testguard Limited	Ordinary	100%
Yarsley Quality Management Services Limited	Ordinary	100%
SGS Ecocare Limited	Ordinary	100%

All the above subsidiaries are registered in England and Wales.

The principal activities of these subsidiaries are:

Carlcrest Limited	Recruitment agents
SGS Yarsley Limited	Inspection services
Yarlsey Quality Assured Firms Limited	Quality assurance consultancy

The other subsidiaries are dormant.

13 Stocks

	1990 £	1989 £
Raw materials and consumables	914,646	740,006
Work in progress and accrued income	200,408	189,112
	£1,115,054	£929,118

14 Debtors

	1990 £	1989 £
Amounts falling due within one year		
Trade debtors	3,285,120	3,051,878
Amounts owed by group undertakings	1,368,754	882,976
Other debtors	815,688	953,869
Corporation tax recoverable	-	12,526
	£5,469,562	£4,901,249

15 Creditors: amounts falling due within one year

	1990 £	1989 £
Bank loans and overdrafts	2,571,021	-
Obligations under hire purchase agreements		9,027
Trade creditors	802,897	489,785
Amounts owed to group undertakings		
Amounts owed to associated undertakings	3,605,230	4,326,392
Amounts owed to undertakings in which the company has a participating interest		
Corporation tax	205,060	316,563
Other taxation and social security payable	538,787	355,552
Accruals and deferred income	1,106,016	1,124,099
	£8,829,011	£6,621,418

16 Creditors: amounts falling due after one year

	1990 £	1989 £
Obligations under hire purchase agreements	Nil	£15,679

17 Provisions for liabilities and charges

	Deferred taxation (see below) £	Total £
At 1 January 1990	133,104	-
Transferred from profit and loss account	(1,798)	13,990
Transferred from group undertakings	-	119,114
At 31 December 1990	**£131,306**	**£133,104**

Deferred taxation

Deferred taxation provided in the financial statements, which is the total potential liability, is as follows:

	1990 £	1989 £
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	131,306	133,104

18 Pension and similar obligations

The company participates in a group defined benefit pension scheme. Full details of the group pension schemes are given in the accounts of the parent company, SGS (United Kingdom) Limited.

19 Called-up share capital

	1990 £	1989 £
Authorised, allotted and fully paid		
1,500,000 ordinary shares of £1 each	1,500,000	1,000,000
Allotted and fully paid		
1,350,000 ordinary shares of £1 each	1,350,000	1,000,000

During the year 350,000 ordinary £1 shares were allotted at par to provide funds for the acquisition of fixed asset investments.

20 Capital commitments

The company had no capital commitments in respect of either expenditure that has been contracted for or expenditure that has been authorised by the directors but has not yet been contracted for either at 31 December 1990 or 1989.

21 Contingent liabilities

	1990 £	1989 £
VAT arising in group undertakings under group registration	£284,027	£265,144

22 Financial commitments

At 31 December 1990 the company had annual commitments under non-cancellable operating leases as follows:

	1990		1989	
	Land and Buildings	Other	Land and Buildings	Other
	£	£	£	£
Expiring within one year	51,832	122,973	-	40,401
Expiring between two and five years inclusive	96,655	618,339	-	2180,180
Expiring in over five years	703,967	-	619,497	-
	£852,454	£741,312	£619,497	£220,581

23 Parent companies

The directors regard SGS (United Kingdom) Limited, a company registered in England and Wales, as the immediate parent company and regard Societe Generale de Surveillance Holding SA, a company incorporated in Switzerland, as the ultimate parent company.