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SPECIAL ACOUSTIC SERVICES GROUP HOLDINGS LIMITED

ACCOUNTS  
for the year ended  
31 August 1985

Coopers  
& Lybrand

SPECIAL ACOUSTIC SERVICES GROUP HOLDINGS LIMITED

REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 AUGUST 1985

1. The directors present herewith the audited accounts for the year ended 31 August 1985.

Review of activities

2 The group has enjoyed another very satisfactory year with both profit and turnover at record levels. The year end financial position was satisfactory. The directors expect that the present level of activity will, at the least, be sustained in the foreseeable future.

A summary of the year's trading is given on page 4 of the accounts.

During the year the company acquired a 50% holding in Gema AG, a manufacturing company based in Switzerland, details of which are shown in note 11 in the accounts.

During 1986 the group plans to set up a manufacturing facility in Wales and subsequent to the year end the group has entered into a commitment of approximately £100,000 in respect of this operation.

Dividend

3. The directors do not recommend the payment of a dividend for the year.

Fixed Assets

4. Movements of fixed assets are shown in note 10 to the accounts.

Directors

5. The directors of the company at 31 August 1985 all of whom served throughout the year except as indicated, were as follows:-

E A McElhinney	(Chairman and Managing Director)
Mrs B S Matthews	
A K Adams	(Appointed 1 February 1985)
M P Adams	(Appointed 1 February 1985)

Directors interest in the shares of the company

6. The interests of the directors of the company at 31 August 1985 in the shares of the company according to the register required to be kept by section 325 of the Companies Act 1985 were as follows:-

<u>Ordinary shares of £1 each</u>
<u>At 1 September 1984 and</u>
<u>31 August 1985</u>

E A McElhinney

300,000

**SPECIAL ACOUSTIC SERVICES GROUP HOLDINGS LIMITED**

REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 AUGUST 1985 - continued

Close company provisions

7. The company is a close company within the meaning of section 282 of the Income & Corporation Taxes Act 1970. In the opinion of the directors no liability will accrue to the company under schedule 16 of the Finance Act 1982.

## Auditors

8. In accordance with section 384 of the Companies Act 1985 a resolution to re-appoint Coopers & Lybrand as auditors, will be proposed at the annual general meeting.

By order of the Board

Secretary

2.8th January.....1986

REPORT OF THE AUDITORS TO THE MEMBERS OF  
SPECIAL ACOUSTIC SERVICES GROUP HOLDINGS LIMITED

We have audited the accounts on pages 4 to 15 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group at 31 August 1985 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

*Cooper & Lybman*

Chartered Accountants.

Reading *28<sup>th</sup> January*..... 1986

SPECIAL ACOUSTIC SERVICES GROUP HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 AUGUST 1985

	<u>Notes</u>	<u>1985</u> £	<u>1984</u> £
TURNOVER	2	21,532,412	17,589,466
Cost of sales		<u>17,033,670</u>	<u>14,137,276</u>
GROSS PROFIT		4,498,742	3,452,190
Net operating expenses	3	<u>3,438,851</u>	<u>2,675,921</u>
Operating profit	4	1,059,891	776,269
Interest payable and similar charges		<u>82,638</u>	<u>46,565</u>
PROFIT BEFORE TAXATION		977,253	729,704
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	8	<u>407,887</u>	<u>272,840</u>
PROFIT FOR THE YEAR		<u>£569,366</u>	<u>£456,864</u>

STATEMENT OF CONSOLIDATED RETAINED PROFIT

	<u>1985</u> £	<u>1984</u> £
Retained profit at 1 September 1984	578,328	800,464
Retained profit capitalised for the issue of 279,000 shares	<u>-</u>	<u>279,000</u>
	978,328	521,464
Retained profit for the year	<u>569,366</u>	<u>456,864</u>
Retained profit at 31 August 1985	<u>£1,547,694</u>	<u>£978,328</u>

The notes on pages 8 to 15 form part of these accounts.

Auditors' report page 3.

SPECIAL ACOUSTIC SERVICES GROUP HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET - 31 AUGUST 1985

	Notes	1985		1984	
		£	£	£	£
FIXED ASSETS					
Intangible assets	9		-		19,054
Tangible assets	10		875,085		728,966
Investment:					
Share in associated company	11		499,833		-
			1,374,918		748,020
CURRENT ASSETS					
Stocks	12	1,564,959		1,058,317	
Debtors	13	5,365,756		4,588,204	
		6,930,715		5,646,521	
CREDITORS: Amounts falling due within one year	14	6,242,279		4,886,686	
NET CURRENT ASSETS			688,436		759,835
TOTAL ASSETS LESS CURRENT LIABILITIES			2,063,354		1,507,855
CREDITORS: amounts falling due after more than one year	15	105,829		109,449	
PROVISION FOR LIABILITIES AND CHARGES					
Deferred taxation	16	109,831		120,078	
			215,660		229,527
			£1,847,694		£1,278,328
CAPITAL AND RESERVES					
Called up share capital	17		300,000		300,000
Profit and loss account			1,547,694		978,328
			£1,847,694		£1,278,328

.....)  
*M.P. Adams* ..... ) Directors

The accounts were approved by the board on 28th January 1986....

The notes on pages 8 to 15 form part of these accounts.

Auditors' report page 3.

SPECIAL ACOUSTIC SERVICES GROUP HOLDINGS LIMITED

BALANCE SHEET - 31 AUGUST 1985

	<u>Notes</u>	<u>1985</u>		<u>1984</u>
		£	£	£
<b>FIXED ASSETS</b>				
Investment in subsidiaries	18		300,000	300,000
Investment in associated company	11		499,833	"
<b>CURRENT ASSETS</b>				
Cash at bank		15,479		"
CREDITORS - Amounts falling due within one year	14	<u>500,395</u>		"
Net current liabilities			(484,916)	"
			<u>£314,917</u>	<u>£300,000</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	17		300,000	300,000
Reserves			<u>14,917</u>	"
			<u>£314,917</u>	<u>£300,000</u>

The accounts were approved by the board on 28th January 1986.....

.....  
 .. M. P. Adams ..... ) Directors

The notes on pages 8 to 15 form part of these accounts.

Auditors' report page 3.

SPECIAL ACOUSTIC SERVICES GROUP HOLDINGS LIMITED

CONSOLIDATED SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 31 AUGUST 1985

	<u>1985</u>	<u>1984</u>
	£	£
<b>SOURCE OF FUNDS</b>		
Profit on ordinary activities before taxation	977,253	729,704
Adjustment for items not involving the movement of funds:		
Depreciation	286,996	234,457
(Profit) on disposal of fixed assets	<u>(8,586)</u>	<u>(7,821)</u>
	<u>810,410</u>	<u>226,636</u>
Total from operations	1,255,663	956,340
<b>FUNDS FROM OTHER SOURCES:</b>		
Disposal of tangible fixed assets	<u>91,355</u>	<u>28,790</u>
<b>TOTAL FUNDS GENERATED</b>	1,347,018	985,130
<b>APPLICATION OF FUNDS</b>		
Investment in associate company	(499,833)	—
Purchase of tangible fixed assets	(496,830)	437,619
Taxation	<u>(135,169)</u>	<u>282,881</u>
	<u>(1,131,832)</u>	<u>720,500</u>
	<u>£ 215,186</u>	<u>£264,630</u>
<b>INCREASE/(DECREASE) IN WORKING CAPITAL</b>		
Increase in stock	506,642	192,355
Increase in debtors	777,552	1,622,779
(Increase) in creditors	<u>(512,807)</u>	<u>(1,947,210)</u>
	771,387	(132,076)
<b>Movement in net liquid funds:-</b>		
Bank and cash balances	<u>(556,201)</u>	<u>396,706</u>
	<u>£ 215,186</u>	<u>£264,630</u>



SPECIAL ACOUSTIC SERVICES GROUP HOLDINGS LIMITED  
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED ACCOUNTS - 31 AUGUST 1985

Principal accounting policies

1. The group's accounts are prepared in accordance with the historical cost convention. A summary of the more important accounting policies of the group, which have been applied consistently, are set out below.

(a) Basis of consolidation

The combination of the businesses in the group is accounted for on a merger basis. The consolidated balance sheet includes the accounts of the holding company and its subsidiaries made up to the end of the financial year. The profit and loss account reflects the results of the subsidiaries for the year ended 31 August 1985. Intra group sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only.

(b) Fixed assets

Land and buildings are stated at cost. Other tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition.

Provision for depreciation is made so as to write off the cost or valuation of tangible fixed assets over the expected useful economic life of the assets concerned. The principal annual rates used for this purpose are:-

	<u>On Cost</u>	<u>On reducing balance</u>
Leasehold property	4.75%	-
Plant and machinery	-	25%
Motor vehicles	33.33%	-
Fixtures, fittings and equipment	-	25%
Goodwill	50%	-

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

NOTES TO THE CONSOLIDATED ACCOUNTS - 31 AUGUST 1985 - continued

Principal accounting policies - continued

(c) 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; in the case of manufactured products cost includes all direct expenditure. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made where necessary for obsolete, slow moving and defective stock.

Work carried out on contracts in progress is invoiced monthly. Profits are taken only when the outcome of the contract can reasonably be foreseen. Profits are not taken on materials not installed and work in progress at the year end comprises labour and materials only. Provision is made for any expected losses.

(d) Deferred tax

Provision is made for deferred tax at the rate of corporation tax ruling for the year in which the timing differences are expected to reverse (the liability method) except in respect of any timing differences which are unlikely to result in a tax liability in the foreseeable future.

(e) 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 operating profit.

(f) Pension arrangements

The company funds pension liabilities, upon the advice of external actuaries, by payments to the company pension fund. Payments made to the fund and charged in the accounts comprise current and past service liabilities.

Turnover

2. The turnover, which excludes value added tax and sales between group companies, represents the invoiced value of goods and services supplied, and contract work carried out. All turnover is within the UK and may be analysed as follows:-

	1985		1984	
	Turnover	Profit before tax	Turnover	Profit before tax
	£	£	£	£
Roofing, ceiling and acoustic engineers	12,041,657	353,847	10,806,299	214,962
Wholesale lighting distributors	891,593	75,260	561,639	71,072
Ceiling tile manufacturers	463,762	(26,344)	559,712	38,443
Ceiling materials distribution	8,135,400	574,490	5,661,316	405,227
	<u>£21,532,412</u>	<u>£977,253</u>	<u>£17,589,466</u>	<u>£729,704</u>

SPECIAL ACOUSTIC SERVICES GROUP HOLDINGS LIMITED  
AND ITS SUBSIDIARY COMPANIES

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NOTES TO THE CONSOLIDATED ACCOUNTS - 31 AUGUST 1985 - continued

Net operating expenses

3. Net operating expenses are made up as follows:-

	<u>1985</u> £	<u>1984</u> £
Distribution costs	480,405	308,192
Administrative expenses	<u>3,098,759</u>	<u>2,452,290</u>
	3,579,164	2,760,482
Less:		
Other operating income	<u>140,313</u>	<u>84,561</u>
	<u>£3,438,851</u>	<u>£2,675,921</u>

Profit on ordinary activities before taxation

4. Profit on ordinary activities before taxation is stated after charging:-

	<u>1985</u> £	<u>1984</u> £
Auditor's remuneration (holding company - £1,250)	23,000	15,500
Depreciation of tangible assets	267,942	215,402
Hire of plant and machinery	98,850	52,117
Amortisation of intangible assets	19,054	19,055

Directors' emoluments

5. Emoluments of directors of Special Acoustic Services Group Holdings Limited (including pension contributions) are as follows:-

	<u>1985</u>	<u>1984</u>
For management services	<u>£62,040</u>	<u>£100,000</u>

Directors' emoluments disclosed in accordance with schedule 5 of the Companies Act 1985, and excluding pension contributions, are as follows:-

Emoluments of the chairman who is also the highest paid director	<u>£42,040</u>	<u>£40,000</u>
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Number of other directors whose emoluments were within the ranges:-

	Number	Number
£ 0 - £ 5,000	3	2
£15,001 - £20,000	-	1

Mrs B S Matthews, Mr A K Adams and Mr M P Adams are remunerated as directors of Special Acoustic Services (Group Services) Limited, Special Acoustic Services Limited and Commercial Ceiling Factors Limited respectively and their remuneration is disclosed in the accounts of those companies.

SPECIAL ACOUSTIC SERVICES GROUP HOLDINGS LIMITED  
AND ITS SUBSIDIARY COMPANIES

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NOTES TO THE CONSOLIDATED ACCOUNTS - 31 AUGUST 1985 - continued

Employee information

- 6.(a) The average number of persons employed by the group including executive directors during the year is analysed below:-

	<u>1985</u> Number	<u>1984</u> Number
Sales and production	68	88
Administration and management	<u>107</u>	<u>71</u>
	<u>175</u>	<u>159</u>

- (b) Group employment costs - all employees including executive directors:-

	£	£
Aggregate gross wages and salaries paid	1,770,845	1,481,897
Employers' national insurance contributions	176,254	165,740
Employers' pension contributions	<u>70,349</u>	<u>132,496</u>
	<u>£2,017,448</u>	<u>£1,780,133</u>

Profit of Special Acoustic Services Group Holdings Limited

7. The company has not traded during the year. It made a capital purchase during the year on which an exchange gain of £14,917 was made.

Tax on ordinary activities

8.	<u>1985</u> £	<u>1984</u> £
United Kingdom corporation tax at 42.92% (1984 - 47.5%) based on the profits for the year	430,532	308,060
Deferred taxation	<u>(6,845)</u>	<u>(33,476)</u>
	423,687	274,584
Over provision in previous year	<u>(15,800)</u>	<u>(1,744)</u>
	<u>£407,887</u>	<u>£272,840</u>

NOTES TO THE CONSOLIDATED ACCOUNTS - 31 AUGUST 1985 - continued

Intangible asset

9. The intangible asset represents purchased goodwill in a subsidiary company as follows:-

	<u>1985</u>	<u>1984</u>
	£	£
Net book value at 1 September 1984	19,054	38,109
Charge for year	<u>19,054</u>	<u>19,055</u>
Net book value at 31 August 1985	<u>£ -</u>	<u>£19,054</u>

Tangible assets

10. The group

	<u>Freehold land &amp; buildings</u>	<u>Leasehold land &amp; buildings</u>	<u>Plant &amp; machinery</u>	<u>Fixtures &amp; fittings</u>	<u>Motor vehicles</u>	<u>Total</u>
	£	£	£	£	£	£
<b>COST</b>						
At 1 September 1984	38,000	147,267	397,877	204,237	416,676	1,204,058
Additions	88,405	45,673	62,727	39,327	260,699	496,830
Disposals	<u>(38,000)</u>	<u>(13,158)</u>	<u>-</u>	<u>-</u>	<u>(91,782)</u>	<u>(142,940)</u>
At 31 August 1985	<u>88,405</u>	<u>179,782</u>	<u>460,604</u>	<u>243,564</u>	<u>585,592</u>	<u>1,557,948</u>
<b>DEPRECIATION</b>						
At 1 September 1984	-	15,256	181,718	98,903	179,215	475,092
Charge for year	-	8,758	60,610	34,468	164,106	267,942
Disposals	<u>-</u>	<u>(1,252)</u>	<u>-</u>	<u>-</u>	<u>(58,905)</u>	<u>(60,171)</u>
At 31 August 1985	<u>-</u>	<u>22,762</u>	<u>242,328</u>	<u>133,371</u>	<u>284,416</u>	<u>682,863</u>
<b>NET BOOK VALUE</b>						
31 AUGUST 1985	<u>£88,405</u>	<u>£157,020</u>	<u>£218,276</u>	<u>£110,193</u>	<u>£301,176</u>	<u>£875,085</u>
<b>NET BOOK VALUE</b>						
31 AUGUST 1984	<u>£38,000</u>	<u>£132,011</u>	<u>£216,159</u>	<u>£105,334</u>	<u>£237,461</u>	<u>£728,966</u>

Investment in associate

11. On the 1 February 1985 Special Acoustic Services Group Holdings Limited purchased 50% of the assets of Gema AG, a Swiss company incorporated in Switzerland for £499,833. These assets included the name of Gema AG and a new company, Gema AG was set up. The company retained a 50% equity interest. The company manufactures and distributes ceiling tiles.

In connection with this purchase the company has given a bank guarantee of SFr 1,500,000 to the Cantonal Bank of Switzerland. It is anticipated that this will be released in the next 12 months.

In the opinion of the directors the investment is worth at least the amount shown.

The management accounts of Gema AG for the period to 31 August 1985 show a break even position and accordingly no profits or losses have been brought into these accounts.

SPECIAL ACOUSTIC SERVICES GROUP HOLDINGS LIMITED  
AND ITS SUBSIDIARY COMPANIES

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NOTES TO THE CONSOLIDATED ACCOUNTS - 31 AUGUST 1985 - continued

Stocks and work in progress

12. The amounts attributable to the different categories are as follows:-

	<u>1985</u>	<u>1984</u>
	£	£
Raw materials and consumables	169,468	39,028
Work in progress	91,235	110,063
Finished goods	1,304,256	910,226
	<u>£1,564,959</u>	<u>£1,059,317</u>

In the opinion of the directors there is no material difference between the historical cost of stock as stated above and its current replacement cost.

Debtors - Amounts falling due within one year

	<u>1985</u>	<u>1984</u>
	£	£
Trade debtors	5,152,222	4,114,717
Other debtors	156,199	429,055
Prepayments and accruals	57,335	44,432
	<u>£5,365,756</u>	<u>£4,588,204</u>

Creditors - Amounts falling due within one year

	1985		1984	
	The Company £	The Group £	The company £	The Group £
Bank loans and overdraft (see (a) below)	-	744,566	-	188,365
Amounts owed to subsidiary companies	500,395	-	-	-
Trade creditors	-	4,067,938	-	3,270,677
Other creditors including taxation and social security (see (b) below)	-	1,162,701	-	1,183,242
Hire purchase principal outstanding	-	120,334	-	95,986
- one year	-	146,740	-	148,416
Accruals and deferred income				
	<u>£500,395</u>	<u>£6,242,279</u>	<u>£ -</u>	<u>£4,886,686</u>

(a) The bank loans and overdrafts are secured by floating charges over the assets of the companies concerned.

(b) Other creditors is made up as follows:-

	1985	1984
	£	£
United Kingdom corporation tax	608,060	325,095
Social security	101,622	62,426
Other creditors	453,019	795,721
	<u>£1,162,701</u>	<u>£1,183,242</u>

SPECIAL ACOUSTIC SERVICES GROUP HOLDINGS LIMITED  
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED ACCOUNTS - 31 AUGUST 1985 - continued

Creditors - Amounts falling due after more than one year

15. The creditors falling due after more than one year are as follows:-

	<u>1985</u>	<u>1984</u>
Group - hire purchase principal	<u>£105,829</u>	<u>£109,449</u>

Deferred taxation

16. Deferred taxation is in respect of accelerated capital allowances and is fully provided, as follows:-

	<u>1985</u> £	<u>1984</u> £
Accelerated capital allowances	<u>£109,831</u>	<u>£120,278</u>

Called up share capital

	<u>1985</u> £	<u>1984</u> £
17. Authorised 100,000,000 ordinary shares of £1 each	<u>100,000,000</u>	<u>100,000,000</u>
Allotted, called up and fully paid 300,000 ordinary shares of £1 each	<u>300,000</u>	<u>300,000</u>

Investment in subsidiaries

18. On 31 August 1984 Special Acoustic Services Group Holdings Limited purchased the entire share capital of Special Acoustic Services Limited and Commercial Ceiling Factors Limited in return for the issue of 300,000 ordinary shares of £1 each. In the opinion of the directors the subsidiaries are worth at least the amount shown. As stated in note 1(a) the purchase of these companies has been accounted for on the merger basis and the comparative figures shown in the consolidated profit and loss account balance sheet and statement of source and application of funds relates to the combined results of the companies and their subsidiaries for the year 31 August 1984.

Shares in group companies	<u>£300,000</u>
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SPECIAL ACOUSTIC SERVICES GROUP HOLDINGS LIMITED  
AND ITS SUBSIDIARY COMPANIES

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NOTES TO THE CONSOLIDATED ACCOUNTS - 31 AUGUST 1985 - continued

Investment in subsidiaries - continued

18. Shares in group companies comprise the cost of investments in subsidiary companies details of which are as below. All shares held are ordinary shares and the investment represents 100% of the issued share capital. The country of incorporation in all cases is the United Kingdom.

<u>Name of subsidiary</u>	<u>Principal activities</u>
Special Acoustic Services Limited	Ceiling and acoustic engineers
Truline Ceiling Products Limited	Manufacturer of ceiling materials
Special Acoustic Services (Midlands) Limited	Ceiling and acoustic engineers
Special Acoustic Services (Group Services) Limited	Management company
Manchester Slate Company (Contracts) Limited	Roofing, ceiling and acoustic engineers
Cullum Ceilings Limited	Ceiling and acoustic engineers
Program Lighting Limited	Lighting distributors
Commercial Ceiling Factors Limited	Distributors of ceiling materials
Commercial Ceiling Factors (Midlands) Limited	Distributors of ceiling materials
Commercial Acoustic Products Limited	Distributor of metal ceiling material

Contingent liabilities and financial commitments

19. As at 31 August 1985, apart from those mentioned in note 10, neither the company nor the group has any material contingent liabilities or capital commitments outside the normal course of business.