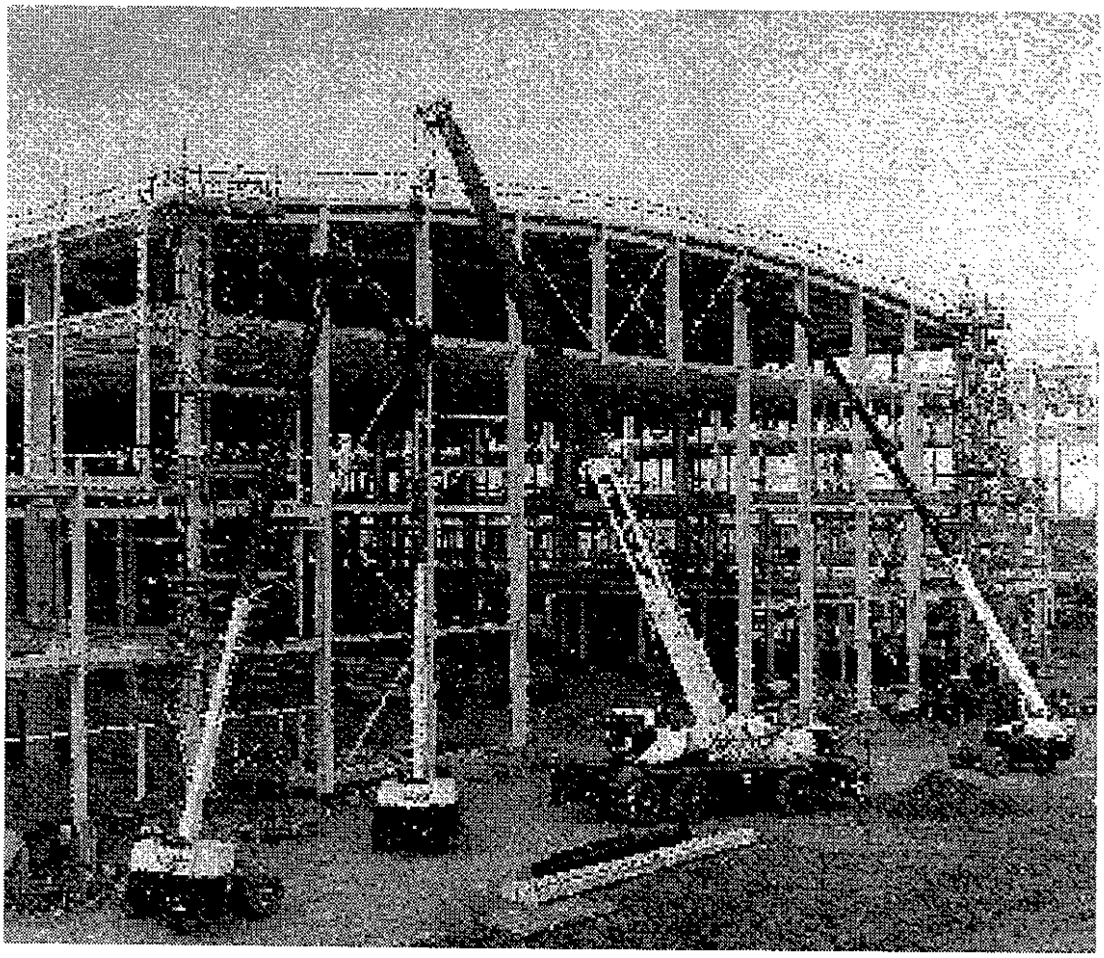
ANNUAL REPORT 1995



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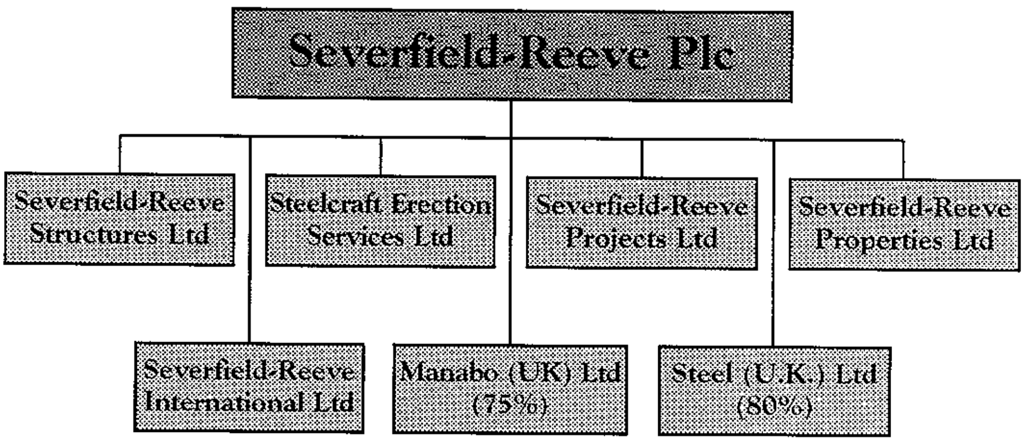
COMPANIES HOUSE 09/07/96

SEVERFIELD—REEVE Plc

Contents

Group Structure



Front cover: The new semi-conductor plant and offices for Siemens on Tyneside where Severfield-Reeve Structures Ltd is the specialist sub-contractor for the structural steelwork.

Officers and Advisers

Directors

Malcolm John Reeve	Chairman
Peter Michael Levine, MA (Oxon)	Non-Executive Deputy Chairman
John Leslie Severs	Managing Director
Peter Jeffrey Davison, BA FCA	Financial Director
John Robson Featherstone, FCA	Non-Executive Director

Secretary and Registered Office

Peter Jeffrey Davison, BA FCA
Dalton Airfield Industrial Estate
Dalton
Thirsk
North Yorkshire YO7 3JN

Registered Number
1721262

Auditors

Deloitte & Touche
Chartered Accountants
10–12 East Parade
Leeds LS1 2AJ

Bankers

Yorkshire Bank PLC
2 Infirmary Street
Leeds LS1 2UL

Solicitors

Irwin Mitchell incorporating Teeman Levine
Aire House
Swinegate
Leeds LS1 4AG

Registrars and Transfer Office

The Royal Bank of Scotland plc
Registrar's Department
PO Box 435
Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR

Stockbrokers

Hoare Govett Corporate Finance Limited
4 Broadgate
London EC2M 7LE

Public Relations

Binns & Co. Public Relations Ltd.
99 Gresham Street
London EC2V 7NA

Five Year Summary of Results

Years ended 31 December	**1995 £000**	1994 £000	1993 £000	1992 £000	1991 £000
Turnover	**39,214**	26,645	21,688	15,581	16,889
Profit/(loss) before tax	**2,219**	722	407	(987)	530
Taxation charge/(credit)	**706**	241	100	(352)	81
Profit/(loss) after tax and minority interest	**1,513**	481	307	(635)	437
Dividends	**470**	156	78	—	104
Retained profit/(loss)	**1,043**	325	229	(635)	333
Earnings/(loss) per share	**9.7p**	3.1p	2.2p	(5.5p)	3.8p
Dividends per share	**3.0p**	1.0p	0.5p	—	1.0p

The earnings/(loss) per share comparative figures have been restated to reflect the bonus element of the Rights Issue in 1993.

Financial Calendar

Preliminary announcement of full year results	8 March 1996
Publication of annual report	29 April 1996
Annual General Meeting	24 May 1996
Payment of final dividend	31 May 1996
Announcement of interim results	September 1996
Payment of interim dividend	October 1996

Chairman's Statement

1995 was a good year for Severfield-Reeve with turnover, margins, profit before tax and earnings per share showing substantial increases. More importantly, we laid the foundations for future growth with the completion of the extension to the No. 1 Production Line, the construction of the No. 3 Production Line and the formation of Manabo (UK) Ltd, which has been established to manufacture and market an advanced range of equipment primarily for use in the meat and poultry processing industry.

The shake out in our sector which took place during the recession has undoubtedly benefited Severfield-Reeve. Our continuing investment in plant and machinery has ensured that we have remained at the forefront of the companies producing structural steelwork in the United Kingdom.

The early indications from our investment in Manabo, which we announced in January this year, show that it is well positioned to make a positive contribution to the group profits. We believe that by combining our engineering skills with the marketing abilities of the Manabo management team we will rapidly build a position for its products.

Finance

Turnover increased by 47 per cent to £39.21 million (1994: £26.65 million), while operating profit rose by 135 per cent to £2.54 million (1994: £1.08 million) which after an interest charge of £323,000 (1994: £360,000), resulted in profit before tax of £2.22 million (1994: £722,000), an increase of 207 per cent. After a tax charge of 31.8 per cent (1994: 33.4 per cent), earnings per share increased by 215 per cent to 9.66p (1994: 3.07p).

Margins at the operating level were up by 58 percent to 6.5 per cent compared to 4.1 per cent last year. This continuing improvement in margins reflects the fact that supply and demand in the United Kingdom market is more evenly matched, our low cost base, our emphasis on improving operating efficiencies, rising productivity levels with sales per employee rising to £197,000 compared with £164,000 in 1994, increased buying power and a period of static material costs.

Gearing at the year end was 26 per cent (1994: 17 per cent), despite capital expenditure of approximately £2.6 million in 1995. The major items of investment were £1.3 million on the No. 3 Production Line, £400,000 on the extension to the No. 1 Production Line and £600,000 on plant and equipment.

Strong cash management remains a key part of the board's policy and tight control of overheads and other operating costs is maintained at all levels.

Dividends

As a result of the substantial increase in profits achieved and the good start to the current year, the board has decided to recommend a final dividend of 2.0p net per share (1994: 0.5p), making a total dividend of 3.0p net per share (1994: 1.0p). The dividend is covered 3.22 times by earnings. The board expects to pursue a progressive dividend policy with the objective of maintaining dividend cover in excess of 3 times. The final dividend is payable on 31 May 1996 to shareholders on the register at the close of business on 26 March 1996.

Contracts

During the year, the volume of fabricated structural steelwork that we supplied and erected rose by 43 per cent to 35,000 tonnes.

The past year has been marked by our success in winning contracts from large overseas corporations investing in the United Kingdom and the number of repeat contracts we have successfully tendered for with the construction groups with whom we have worked for many years.

The benefits which we have derived from inward investment into the United Kingdom can be seen by the major contracts we have carried out for NEC Semiconductors, Motorola, Fujitsu, Matsushita (Panasonic Group), Sony, Shin-Etsu and Samsung. The key to our success has been our ability to meet the demands of these clients and the main contractors in terms of high volume production, quality and performance on site. Our success in completing the erection of 5,000 tonnes of steel for the new production facilities for NEC Semiconductors within an eight week period emphasised our ability to carry out these large projects on time and showed the benefits that we derive from having our own dedicated design and erection teams.

The relationships which we enjoy with the major construction groups have been

Chairman's Statement

further strengthened in the past year. The list includes: Amec, Amey, Balfour Beatty, Bovis, Bowey, Clugston, GA Construction, Haremead-Kier, Higgs & Hill, Kyle Stewart, John Laing, Sir Robert McAlpine, Miller, Morrison, Pearce, Simons, Tarmac, Tilbury Douglas, Trafalgar House, P S Turner, Takenaka and Wimpey.

Outlook

We have had a good start to the current year.

With the completion of the extension to the No. 1 Production Line in the second half of last year and the addition of the No. 3 Production Line in January this year, we have the ability to maintain our unit prices at competitive levels which should enable us to win a much broader range of contracts in the future.

Our order book at 29 February 1996 stood at £14.9 million compared to £8.9 million at the same time last year. The orders below indicate the range of contracts we are currently undertaking and underline our ability to take on a wide range of new contracts in the current year:

- a new semi-conductor plant and offices for Siemens on Tyneside with a McAlpine-Hochtief joint venture;
- a new semi-conductor plant for Fujitsu near Darlington with Sir Robert McAlpine;
- a training centre for Samsung in Billingham with Trafalgar House;
- an office block for use by the Inland Revenue in Bradford with Bovis;
- a food processing facility for Lucas Ingredients in Bristol with Tilbury Douglas;
- an out-of-town retail development near Sunderland with Bowey;
- a factory for the Welsh Development Agency in Troed-Y-Rhiw.

We have recently been informed that the Fujitsu project has been delayed for a period of at least six months. The delay has occurred because Fujitsu wishes to amend and upgrade its engineering design to enable the production plant to produce a more advanced range of computer memory chips. We now expect production to commence later this year.

The future for our core business in the design, fabrication and erection of structural steelwork looks very exciting. Our plant is amongst the most efficient in Europe and, with the flexibility provided by the additional capacity, we believe that we have the ability and the financial strength to take a significantly increased share of the United Kingdom market, whilst at the same time looking for opportunities overseas.

Our new subsidiary company Manabo (UK) Limited has acquired rights to manufacture and market the whole range of its products worldwide, excluding certain countries in mainland Europe and Scandinavia. In addition the distributor in the excluded countries referred to above currently intends to purchase the full product range from Manabo.

The Manabo products are designed to achieve very high standards of hygiene and to reduce the risks of cross contamination during the preparation and processing of meat and poultry.

In recent years there has been widespread concern about the problems of bacterial contamination in the food processing chain. An illustration of this is the Government's recent introduction of stricter regulations aimed at improving standards in all United Kingdom establishments involved in the preparation of food and food products.

It is against this background that we believe that Manabo is well positioned to make a positive contribution to the group's future profits.

We start the year with a much more broadly based group with the management in place to achieve our objectives.

We believe that our business will continue to show substantial progress in the current year and justify the confidence of our shareholders.

We are also pleased to announce the proposed acquisition of the structural steelwork and metal decking businesses of J N Rowen Limited and Structural Metal Decks Limited for £800,000 payable in cash and a placing and open offer to raise approximately £6.6 million (net of expenses) for the group.

M J Reeve
Chairman
7 March 1996

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 1995.

Principal Activity and Business Review

The principal activity of the group continues to be the design, fabrication and erection of structural steelwork, specialist claddings and ancillary products. A review of the group's progress during the year and of its future prospects, is contained in the Chairman's Statement on pages 4 and 5.

Results and Dividends

The profit for the year, after taxation and minority interests, amounted to £1,513,000 (1994: £481,000), details of which are set out in the financial statements on page 14.

An interim dividend of 1.0p net per share (1994: 0.5p) was paid on 25 October 1995. The directors recommend a final dividend for the year of 2.0p net per share (1994: 0.5p), payable on 31 May 1996 to shareholders on the register on 26 March 1996. If the final dividend is approved, retained profits of £1,043,000 (1994: £325,000) will be transferred to reserves.

Post Balance Sheet Events

On 7 March 1996 the company entered into a conditional agreement to acquire the structural steelwork business of J N Rowen Limited and the business of Structural Metal Decks Limited for a cash consideration of £800,000.

On the same date the company entered into an agreement to raise approximately £6.6 million, after expenses, by way of a placing and open offer of 3,916,213 new ordinary shares at a price of 180p per share on the basis of one new ordinary share for every four ordinary shares held at the close of business on 1 March 1996.

Fixed Assets

Details of changes in fixed assets are given in Notes 9, 10, 11 and 12 to the financial statements.

Directors

The present membership of the board is stated on page 2. All directors served throughout the year. The directors' interests in the share capital of the company, all of which are beneficial, at 31 December 1995 and at 1 January 1995 were:

	31 December 1995		1 January 1995	
	10p Ordinary Shares	Options	10p Ordinary Shares	Options
M.J. Reeve	1,676,167	—	1,997,125	—
P.M. Levine	18,500	—	12,500	—
J.L. Severs	1,734,000	—	1,909,000	—
P.J. Davison	18,625	145,000	18,625	75,000
J.R. Featherstone	51,000	—	51,000	—

There have been no changes in the above directors' interests between the year end and 7 March 1996.

None of the directors had a material interest in any contract of significance to the business of the group at any time during the year.

Non-Executive Directors

J.R. Featherstone has been a non-executive director of the company since 1988. He is also a non-executive director of Abbeycrest plc as well as a director of several private companies,

Directors' Report

including Sunderland Association Football Club Limited, where he holds the office of chairman.

P.M. Levine was appointed a non-executive director and deputy chairman of the company in January 1993. He is a consultant with the company's corporate solicitors Irwin Mitchell incorporating Teeman Levine. He is also a non-executive director of Honeysuckle Group plc, as well as a director of several private companies.

Directors' and Officers' Liability

Directors' and Officers' liability insurance has been purchased during the year.

Significant Shareholdings

In addition to the directors' shareholdings on page 6, the company is aware of the following interest in excess of 3% of the issued share capital.

	10p Ordinary shares	%
Clients of NatWest Investment Management Ltd	2,135,050	13.6
NatWest Nominees Ltd	1,950,000	12.4
Citifriends Nominees Limited	875,000	5.6
TSB Group Pension Trust Limited	650,000	4.1
Chase Nominees Limited	500,000	3.2
Provident Mutual Life Assurance Limited	500,000	3.2

Articles of Association

A special resolution is proposed to adopt new Articles of Association. The new Articles of Association are in the same format as the current Articles of Association of the company save for the following changes:

(a) The definition of "in writing" and "written" in Article 2 has been amended to include reference to photocopy and facsimile;

(b) Article 13 which relates to renewal or replacement of worn out, destroyed or lost share certificates has been amended so as to deal with defaced certificates and to make clear that the board shall replace such share certificates and the only charges to be made by the board for replacement are "out-of-pocket" exceptional expenses incurred in connection with the matter;

(c) Article 27 which relates to forfeited or cancelled shares has been amended to require a member whose shares have been forfeited or cancelled to surrender to the company the relevant share certificate;

(d) In Article 29 which relates to notice of forfeiture of shares to be given to the holder or person entitled to the shares by transmission, a typographical error has been amended and the word "directory" has been replaced with the word "discretionary";

(e) a new Article 30A has been inserted which enables the company to impose sanctions on a member who is in default in complying with a notice served under Section 212 of the Companies Act 1985. This section enables notices to be served on registered holders of shares and other persons requiring them to give details of their interests in shares. The new Articles now provide that the sanctions cannot take effect earlier than 14 days after service of the notice. For a shareholding of less than 0.25 per cent of the relevant class the only permitted sanction is a prohibition against attending meetings and voting but for a shareholding of 0.25 per cent or more of the relevant class the permitted sanctions are (in addition to the prohibition against attending meetings and voting) the withholding of the payment of dividends (including shares issued in lieu of dividend) in respect of the shares concerned and the imposition of restrictions on

Directors' Report continued

transfer of the shares concerned, other than sales to bona fide unconnected third parties (such as sales through a recognised investment exchange (as defined in the Financial Services Act 1986) or by the acceptance of a take-over offer (as defined in the Company Securities (Insider Dealing) Act 1985)). Any sanctions imposed upon a shareholding in these circumstances cease to apply 7 days after either receipt by the company of a notice that the shareholding concerned has been sold to a bona fide unconnected third party (in the manner described above) or due compliance, to the satisfaction of the company, with the notice (whichever occurs first);

(f) Article 35 which gives the board a discretion to refuse to register a transfer of a partly paid share has been amended to state that the board shall only do so to the extent that it is satisfied that to do so would not prevent dealings in the shares from taking place on an open and proper basis;

(g) In Article 52(a) which relates to consolidation and division of shares a typographical error has been amended in that the word "rateable" has been replaced by the word "rateably";

(h) In Article 52(e) which relates to the purchase by the company of its own shares, subarticle (i) has been amended to require an extraordinary general resolution to be passed at a separate meeting of the holders of any class of "convertible securities" rather than "convertible shares"; and in subarticle (ii) and indeed throughout the new Articles references in the current Articles to "The Stock Exchange in London" or "The Stock Exchange" have been amended to read "London Stock Exchange Limited";

(i) In Article 64(a) which states the quorum at general meetings the word "by" has been inserted so that except as otherwise provided 2 members present in person or by proxy (and in the case of a member which is a corporation by its duly authorised representative) and entitled to vote shall be the quorum;

(j) In Article 79 which relates to voting by a member who has a mental disorder, the words "by his receiver, or other" have been deleted in the first sentence and replaced with "by a";

(k) The part of Article 80 which referred to and permitted the board to impose sanctions in circumstances similar to those outlined in (e) above has been deleted;

(l) Article 83 has been amended so that members who are individuals must sign proxies themselves or have an attorney sign them;

(m) Article 89 entitles the company to sell shares or stock of a member or to which a person is entitled by transmission after certain steps have been taken to trace that member or person. Reference in subarticle (ii) of this Article to advertisement in "a leading London daily newspaper" has been amended to reference to advertisement in a "national daily newspaper";

(n) Article 98(b) restricts directors from voting and counting in the quorum at meetings in respect of matters in which they have an interest. The wording of this Article has been altered so as to comply with the requirements of the Listing Rules of London Stock Exchange Limited;

(o) Article 98(e) has been deleted to comply with the requirements of the listing Rules of London Stock Exchange Limited and the remaining Articles have been renumbered 98(e), (f) and (g) accordingly;

(p) Article 106 requiring the directors to retire by rotation has been amended so that it now refers to Article 115(b) which excludes executive directors from this requirement;

(q) Article 109 requires "not less than 7 nor more than 48 days" notice to be given to the company of an intention to propose the appointment of certain directors. This reference has been amended to "not less than 7 days nor more than 42 days";

(r) References in Article 124 which deals with defects in appointment of directors to persons "dealing in good faith" or "acting in good faith" have been deleted;

(s) In Article 131 which relates to the seal a typographical error has been amended and the word "respect" now reads "regards";

(t) The words "at which they are to be laid" have been added to Article 148 after the words "A copy of the Directors' and Auditors' reports accompanied by copies of the balance sheet, profit and loss account and other documents required by law to be annexed to the balance sheet shall not less than twenty-one clear days before the Annual General Meeting";

(u) In Article 153 which allows notices not expressly provided for by the current Articles to be given to members by advertisement the words "and not expressly provided for by these Articles" have been deleted;

(v) Article 154 requires notices given by advertisement to be advertised at least once in one "leading London daily newspaper" this has been amended to a "national daily newspaper"; and

(w) Article 156 currently provides that notices served at the registered address of a deceased member are deemed duly served on his legal personal representatives. This has been extended to apply to bankrupt members and their trustees.

The full terms of the new Articles of Association will be available for inspection at the offices of Hoare Govett, 4 Broadgate, London, EC2M 7LE from today's date until close of the Annual General Meeting and at the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.

Auditors

On 1 February 1996 our auditors changed the name under which they practise to Deloitte & Touche and, accordingly, have signed their report in their new name. A resolution for the reappointment of Deloitte & Touche as auditors to the group will be proposed at the forthcoming Annual General Meeting.

Approved by the board of directors and signed on behalf of the board.

P J Davison

P.J. Davison
Secretary
7 March 1996

Dalton Airfield Industrial Estate
Dalton, Thirsk
North Yorkshire
YO7 3JN

Corporate Governance

During the year the company has continued to review its compliance with the Code of Best Practice of the Committee on the Financial Aspects of Corporate Governance ("the Code"). The board has also considered the recommendations of the City Group for Smaller Companies (CISCO) in its bulletin 'The Financial Aspects of Corporate Governance: Guidance for Smaller Companies'. This bulletin identified areas of the Code which may initially prove difficult for smaller companies to implement and suggests minimum standards in those areas.

The board accepts that the CISCO bulletin is not an alternative to the Code. However, the board believes that the standards outlined in the bulletin are more relevant to a company the size of Severfield-Reeve Plc with its limited resources. Consequently, certain areas of non-compliance with the Code will be justified by reference to the CISCO recommendations.

With the exception of the board of directors and the audit committee comprising only two non-executive directors and the delay in procedures for directors to take independent professional advice at the company's expense as detailed below, the company has been in compliance with the requirements of the Code for the year ended 31 December 1995.

Board composition

The board of directors comprises three executive and two non-executive directors. The board considers that due to the size of the company and to avoid unnecessary expense, the presence of only two non-executive directors, rather than three as required by the Code, is adequate for the requirements of the company. This position is consistent with CISCO recommendations. The board meets monthly throughout the year and is responsible for overall group strategy, acquisition and divestment policy, major capital expenditure and other significant financial matters. It reviews individual trading subsidiaries, their annual budgets, their progress towards achievement of those budgets and their capital expenditure programmes.

Procedures were adopted on 2 March 1995 for directors to take independent professional advice at the company's expense. The delay in agreeing procedures was due to the directors giving due consideration to the most appropriate implementation policy for the company.

Audit committee

The audit committee comprises the two non-executive directors, Mr Peter Levine and Mr John Featherstone, together with the financial director, Mr Peter Davison. The committee has written terms of reference. Meetings are held not less than twice a year and additional meetings may be requested by the auditors.

Going concern

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Internal financial control

The board of directors has overall responsibility for ensuring that the group maintains a system of internal financial control to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication and that assets are safeguarded. There are inherent limitations in any system of internal financial control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets.

The key features of the internal financial control systems which have been established are as follows:

Control environment

The group's control environment is the responsibility of the group's directors and managers at all levels. The group's organisational structure has clear lines of responsibility. Operating and financial responsibility for subsidiary companies is delegated to the operating boards.

Identification of business risks
All subsidiary companies are required to assess key risks, and related controls and monitoring procedures.

Major corporate information systems
The group operates a comprehensive budgeting and financial reporting system which, as a matter of routine, compares actual results to budgets. Management accounts are prepared for each subsidiary company and the group on a monthly basis. Material variances from budget are thoroughly investigated. In addition, a more detailed profitability forecast based on actual contracts secured is regularly prepared to monitor the performance of the main operating company of the group as the year progresses.

Cash flow forecasts are regularly prepared to ensure that the group has adequate funds and resources for the foreseeable future.

Standard financial control procedures operate throughout the group to ensure the integrity of the group's financial statements.

Monitoring systems used by the board
The board reviews and approves budgets and monitors the group's performance against those budgets monthly. Variances from the expected outcome are investigated fully and where lapses in internal control are detected, these are rectified. The group's cash flow is also monitored monthly compared to forecast. The board receives reports on deficiencies in internal control from the audit committee. Where lapses are detected action is taken to prevent further breaches of the group's procedures. The board has reviewed the effectiveness of the systems of internal financial control for the period.

Remuneration Committee Report

The remuneration committee comprises the two non-executive directors, Mr Peter Levine and Mr John Featherstone, together with the financial director, Mr Peter Davison and considers the remuneration of the executive directors. The remuneration committee's policy is to ensure that the remuneration packages offered are competitive and designed to attract, retain and motivate executive directors of the right calibre.

The service contracts of executive directors are no longer than twelve months duration.

The remuneration of the non-executive directors is considered by the executive directors and reflects the time which they commit to the company.

No director plays a part in any decisions about his own remuneration.

Full details of the remuneration packages of individual directors and information on share options are set out in note 3 to the financial statements.

Approved by the board of directors and signed on their behalf.

P.M. Levine
Chairman of the Remuneration Committee
7 March 1996

Review Report

TO SEVERFIELD-REEVE Plc ON CORPORATE GOVERNANCE MATTERS

In addition to and separate from our audit of the financial statements, we have reviewed the directors' statement on pages 10 and 11 on the company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

Basis of opinion
We carried out our review in accordance with Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the company's system of internal financial control or its corporate governance procedures or on the ability of the company to continue in operational existence.

Opinion
With respect to the directors' statement on internal financial control on pages 10 and 11 and going concern on page 10, in our opinion the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on page 10 appropriately reflects the company's compliance with the other paragraphs of the Code specified for our review.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
10–12 East Parade
LEEDS
LS1 2AJ

7 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 affairs of the company and the group as at the end of the financial year and of the profit or loss of the group 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;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' Report

TO THE MEMBERS OF SEVERFIELD-REEVE Plc

We have audited the financial statements on pages 14 to 31 which have been prepared under the accounting policies set out on pages 19 and 20.

Respective responsibilities of directors and auditors
As described above, 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 the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and the group, 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 and the group as at 31 December 1995 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
10–12 East Parade
LEEDS
LS1 2AJ

7 March 1996

Consolidated Profit and Loss Account

For the year ended 31 December 1995

	Note	1995 £000	1994 £000
Turnover — continuing operations	1	**39,214**	26,645
Cost of sales		**35,227**	24,315
Gross Profit		**3,987**	2,330
Distribution costs		**419**	324
Administrative expenses		**1,122**	1,018
		2,446	988
Other operating income		**96**	94
Operating profit — continuing operations	2	**2,542**	1,082
Interest payable and similar charges	4	**323**	360
Profit on ordinary activities before taxation		**2,219**	722
Tax on profit on ordinary activities	5	**706**	241
Profit on ordinary activities after taxation for the financial year		**1,513**	481
Dividends payable to equity shareholders	6	**470**	156
Profit retained transferred to reserves	23	**1,043**	325
Earnings per ordinary share	7	**9.66p**	3.07p

Consolidated Balance Sheet

At 31 December 1995

	Note		1995 £000		1994 £000
Fixed assets					
Intangible assets	9		30		—
Tangible assets	10		**9,342**		7,392
Investment properties	11		**348**		348
			9,720		7,740
Current assets					
Stocks	13	**1,357**		974	
Debtors	14	**9,598**		7,744	
Cash at bank and in hand		**756**		788	
		11,711		9,506	
Creditors — amounts falling due within one year:					
Bank loan and overdraft	15	**218**		176	
Obligations under hire-purchase contracts	15	**501**		404	
Trade creditors		**6,214**		5,016	
Other creditors including taxation and social security	16	**3,458**		2,745	
Proposed dividend	6	**313**		78	
		10,704		8,419	
Net current assets			**1,007**		1,087
Total assets less current liabilities			**10,727**		8,827
Creditors — amounts falling due after more than one year	17		**2,117**		1,367
Provisions for liabilities and charges	18		**561**		454
			8,049		7,006
Capital and reserves					
Called up share capital	19		**1,566**		1,566
Share premium account	20		**1,700**		1,700
Revaluation reserve	21		**787**		787
Merger reserve	22		**114**		114
Profit and loss account	23		**3,882**		2,839
Equity and total shareholders' funds			**8,049**		7,006

These financial statements were approved by the board of directors on 7 March 1996.

Signed on behalf of the board of directors

M.J. Reeve Director

P.J. Davison Director

P J Davison

Company Balance Sheet

At 31 December 1995

	Note		1995 £000		1994 £000
Fixed assets					
Tangible assets	10		**4,704**		3,693
Investment properties	11		**348**		348
Investments	12		**160**		160
			5,212		4,201
Current assets					
Debtors	14	**4,878**		4,600	
Creditors — amounts falling due within one year:					
Bank loan and overdraft	15	**679**		471	
Amounts owed to subsidiary undertakings		**1,561**		561	
Other creditors including taxation and social security	16	**119**		59	
Proposed dividend	6	**313**		78	
		2,672		1,169	
Net current assets			**2,206**		3,431
Total assets less current liabilities			**7,418**		7,632
Creditors — amounts falling due after more than one year	17		**959**		709
			6,459		6,923
Capital and reserves					
Called up share capital	19		**1,566**		1,566
Share premium account	20		**1,700**		1,700
Revaluation reserve	21		**787**		787
Profit and loss account	23		**2,406**		2,870
Equity and total shareholders' funds			**6,459**		6,923

These financial statements were approved by the board of directors on 7 March 1996

Signed on behalf of the board of directors

M.J. Reeve Director

P.J. Davison Director

P J Davison

Consolidated Cash Flow Statement

For the year ended 31 December 1995

	Note		1995 £000		1994 £000
Net cash inflow from operating activities	24(i)		**2,211**		1,452
Returns on investments and servicing of finance:					
Interest paid		**(312)**		(362)	
Dividends paid		**(235)**		(117)	
Net cash outflow from returns on investments and servicing of finance			**(547)**		(479)
Taxation					
Advance corporation tax (paid)/received (net)			**(10)**		49
Investing activities:					
Payments to acquire tangible fixed assets		**(1,540)**		(1,106)	
Payments to acquire intangible fixed assets		**(30)**		—	
Payments to acquire investment properties		**—**		(4)	
Receipts from sale of tangible fixed assets and assets held for disposal		**63**		397	
Net cash outflow from investing activities			**(1,507)**		(713)
Net cash inflow before financing			**147**		309
Financing					
Bank loan introduced	24(iv)	**500**		1,000	
Capital element of bank loan repayments		**(208)**		(115)	
Capital element of finance lease rentals		**(471)**		(339)	
Net cash (outflow)/inflow from financing			**(179)**		546
(Decrease)/increase in cash and cash equivalents	24(iii)		**(32)**		855

Supplementary Statements

For the year ended 31 December 1995

Statement of Total Recognised Gains and Losses

The profit for the financial year of £1,513,000 (1994: £481,000) represents the total recognised gains and losses in the year.

Reconciliation of Movements in Shareholders' Funds

	1995 £000	1994 £000
Profit for the financial year	**1,513**	481
Dividends	**(470)**	(156)
Net addition to shareholders' funds	**1,043**	325
Opening shareholders' funds	**7,006**	6,681
Closing shareholders' funds	**8,049**	7,006

Note of Historical Cost Profits

	1995 £000	1994 £000
Historical cost profit on ordinary activities before taxation	**2,219**	722
Historical cost profit for the year retained, after taxation and dividends	**1,043**	325

Accounting Policies

Accounting Convention

The group financial statements are prepared under the historical cost convention, as modified by the revaluation of freehold and long leasehold properties, and have been prepared in accordance with applicable accounting standards.

Compliance with SSAP19 "Accounting for investment properties" requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given below.

Basis of Consolidation

The group financial statements consolidate the financial statements of the company and all subsidiaries for the financial year ended 31 December 1995.

Turnover

Turnover in respect of construction activities is calculated on a contract by contract basis and only taken once a contract is substantially complete, or where the contract is so significant to the financial statements for the year that not to take turnover would distort the truth and fairness of the financial statements. Turnover in respect of other activities represents the invoiced value of sales. Value added tax is excluded from turnover.

Intangible Fixed Assets

Patents and Intellectual Property Rights are depreciated on a straight line basis over a period of five years.

Tangible Fixed Assets

Freehold and long leasehold land is not depreciated.

Depreciation is provided on other fixed assets to write off the cost or revalued amount of each asset over its estimated useful life at the following rates:

Freehold buildings	1% straight line
Plant and machinery	10% on written down value
Fixtures, fittings and office equipment	10% on written down value
Computer equipment	20% straight line
Motor vehicles	25% on written down value

Investment Properties

In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to revaluation reserve. No depreciation is provided in respect of investment properties.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, because these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Accounting Policies

Investments
Investments held as fixed assets are stated at the nominal value of shares or cash issued to acquire the subsidiaries, less any provision for diminution in value.

Goodwill
Goodwill arising on consolidation is written off directly to reserves in the year in which it arises.

Stocks
Raw materials, consumables and finished goods are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in progress represents costs incurred on specific contracts, net of amounts transferred to cost of sales in respect of work recorded as turnover, less foreseeable losses and payments on account not matched with turnover. Attributable profit is taken on the same basis as turnover, as noted previously.

Amounts recoverable on contracts represents the excess of recorded turnover over amounts invoiced, and is disclosed separately within debtors.

Payments received on account in excess of the value of the work done on the related contract are included in creditors.

Deferred Taxation
Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Pensions
The group operates two defined contribution pension schemes. The costs of these schemes are charged to the profit and loss account in the period in which they are incurred.

Leases
Assets held under hire-purchase contracts and the related hire-purchase obligations are recorded in the balance sheet at the fair value of the hired assets at the inception of the contract. The amounts by which the hire-purchase payments exceed the recorded contract obligations are treated as finance charges which are amortised over each contract term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

Notes to the Financial Statements

1. TURNOVER AND SEGMENTAL ANALYSIS

Class of Business	Structural Steelwork		Food Hygiene Equipment		Group	
	1995	1994	**1995**	1994	**1995**	1994
	£000	£000	**£000**	£000	**£000**	£000
Turnover by destination and class of business:						
United Kingdom	**38,893**	26,645	**30**	—	**38,923**	26,645
Europe	**—**	—	**4**	—	**4**	—
Other Countries	**287**	—	**—**	—	**287**	—
	39,180	26,645	**34**	—	**39,214**	26,645
By class of business:						
Profit/(loss) on ordinary activities before taxation	**2,345**	722	**(126)**	—	**2,219**	722
Net assets	**8,136**	7,006	**(87)**	—	**8,049**	7,006

2. OPERATING PROFIT

	1995	1994
	£000	£000
Operating profit is after crediting:		
Rents receivable	**93**	90
and after charging:		
Depreciation on own assets	**366**	331
Depreciation on assets held under hire-purchase contracts	**217**	211
Loss on sale of tangible fixed assets and assets held for disposal	**12**	44
Auditors' remuneration — audit	**30**	28
— other services	**20**	22
Vehicle operating lease costs	**138**	85
Hire of plant and machinery	**577**	734
Directors' emoluments — fees	**26**	20
— salaries, taxable benefits and pension contributions	**305**	217

Notes to the Financial Statements

3. DIRECTORS AND EMPLOYEES

The emoluments, excluding pension contributions, of the directors were as follows:

	1995	1994
	£000	£000
Chairman	89	68
Highest paid director	105	71

Other directors' emoluments were in the following ranges:	1995	1994
£5,001 - £10,000	1	1
£10,001 - £15,000	—	1
£15,001 - £20,000	1	—
£50,001 - £55,000	—	1
£65,001 - £70,000	1	—

Details of the directors' emoluments are as follows:

Name of director	Basic Salary £000	Fees £000	Taxable benefits £000	Pension £000	1995 Total £000	1994 Total £000
Executive						
M.J. Reeve	80		9	15	104	77
J.L. Severs	93		12	16	121	80
P.J. Davison	57		9	14	80	60
Non-Executive						
P.M. Levine		16			16	12
J.R. Featherstone		10			10	8
Aggregate emoluments	230	26	30	45	331	237

Aggregate emoluments disclosed above do not include any amounts for the value of options to subscribe for ordinary shares in the company granted to directors. Details of the options are as follows:

Name of director	1 January 1995	Granted	31 December 1995	Exercise Price	Date option granted
P.J. Davison	75,000	—	75,000	61p	16 May 1994
P.J. Davison	—	70,000	70,000	67p	19 May 1995

The options are exercisable not less than three years and not more than ten years from the date of grant.

The market price of the shares at 31 December 1995 was 156p and the range during 1995 was 49p to 156p.

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

	1995	1994
	£000	£000
Production	136	109
Site	44	38
Sales and administration	19	15
	199	162

The aggregate payroll costs of these persons were as follows:

	1995	1994
	£000	£000
Wages and salaries	4,762	3,649
Social security costs	479	361
Other pension costs	102	73
	5,343	4,083

Accounting Policies

4. INTEREST PAYABLE AND SIMILAR CHARGES	**1995**	1994
	£000	£000
Bank loan and overdraft repayable within five years	**240**	244
Hire-purchase contracts	**98**	117
	338	361
Less: Interest receivable	**15**	1
	323	360

5. TAX ON PROFIT ON ORDINARY ACTIVITIES	**1995**	1994
	£000	£000
United Kingdom corporation tax charge at 33% (1994: 33%) based on the profit for the year	**599**	—
Deferred taxation	**111**	236
Adjustments to prior years' tax provision	**(4)**	5
	706	241

6. DIVIDENDS PAYABLE TO EQUITY SHAREHOLDERS	**1995**	1994
	£000	£000
Interim paid — 1.00p per ordinary share (1994: 0.50p)	**157**	78
Final proposed — 2.00p per ordinary share (1994: 0.50p)	**313**	78
	470	156

7. EARNINGS PER SHARE

The calculation of earnings per share is based on profit after taxation of £1,513,000 (1994: £481,000) and 15,664,854 (1994: 15,664,854) ordinary shares, being the number of shares in issue during the year.

8. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company profit for the financial year amounted to £6,000 (1994: loss £7,000).

Notes to the Financial Statements

9. INTANGIBLE ASSETS

Group	Intellectual Property rights £000	Patents £000	Total £000
Cost			
At 1 January 1995	—	—	—
Additions	20	10	30
At 31 December 1995	**20**	**10**	**30**
Net book value			
At 31 December 1995	**20**	**10**	**30**
At 31 December 1994	—	—	—

No depreciation has been charged as the assets were acquired towards the end of the year.

10. TANGIBLE ASSETS

Group	Freehold and long leasehold land and buildings £000	Plant and machinery £000	Fixtures, fittings and office equipment £000	Motor vehicles £000	Total £000
Cost or valuation					
At 1 January 1995	3,765	4,498	585	464	9,312
Additions	1,041	1,233	107	227	2,608
Disposals	—	(5)	(14)	(120)	(139)
At 31 December 1995	**4,806**	**5,726**	**678**	**571**	**11,781**
Depreciation					
At 1 January 1995	72	1,353	373	122	1,920
Provided in year	30	345	105	103	583
Disposals	—	(3)	(8)	(53)	(64)
At 31 December 1995	**102**	**1,695**	**470**	**172**	**2,439**
Net book value					
At 31 December 1995	**4,704**	**4,031**	**208**	**399**	**9,342**
At 31 December 1994	3,693	3,145	212	342	7,392

Notes to the Financial Statements

10. TANGIBLE ASSETS (Continued)

Company	Freehold and long leasehold land and buildings £000
Cost or valuation	
At 1 January 1995	3,765
Additions	1,041
At 31 December 1995	**4,806**
Depreciation	
At 1 January 1995	72
Provided in year	30
At 31 December 1995	**102**
Net book value	
At 31 December 1995	**4,704**
At 31 December 1994	3,693

Group and Company

The amount of freehold and long leasehold land and buildings (included at valuation), determined according to the historical cost convention is as follows:

	1995 £000	1994 £000
Cost	**4,019**	2,978
Accumulated depreciation	**102**	72
Net book value at 31 December	**3,917**	2,906

Freehold and long leasehold land and buildings at Dalton Airfield Industrial Estate were valued on 19 February 1993 at open market value on the basis of existing use and occupation at £3,110,000 by Michael Robinson & Partners, Property Surveyors and Valuers. The deficit below net book value of £51,000 was withdrawn from the Revaluation Reserve in 1992. Additions since that date are included at cost.

The net book value of the group's fixed assets includes £2,477,000 (1994: £1,624,000) in respect of assets held under hire-purchase contracts.

11. INVESTMENT PROPERTIES

Group and Company	**1995 £000**	1994 £000
At valuation at 1 January	**348**	344
Additions in year at cost	—	4
At valuation at 31 December	**348**	348

The investment properties represent freehold let units at Dalton Airfield Industrial Estate. They are stated at the directors' estimate of open market value at 31 December 1995.

The historical cost of these investment properties is £352,000 (1994: £352,000).

Notes to the Financial Statements

12. INVESTMENTS HELD AS FIXED ASSETS

Company

The company owns the whole of the issued share capital of the subsidiaries noted below, other than Steel (U.K.) Limited and Manabo (UK) Limited of which it owns 80% and 75% respectively. The share capital of Manabo (UK) Limited was purchased in August 1995 and the company started trading at that time. All subsidiaries are registered in England.

Severfield-Reeve Structures Limited	— steel fabrication
Severfield-Reeve Projects Limited	— project managers of building contracts
Severfield-Reeve Properties Limited	— group property portfolio managers
Steelcraft Erection Services Limited	— steel erection
Severfield-Reeve International Limited	— overseas contracts
Steel (U.K.) Limited	— steel trading
Manabo (UK) Limited	— suppliers of equipment to the food industry

	1995	1994
	£000	£000
Shares in subsidiary undertakings at cost	**160**	160

13. STOCKS

	Group		Company	
	1995	1994	**1995**	1994
	£000	£000	**£000**	£000
Work in progress	**233**	152	—	—
Raw materials and consumables	**1,114**	822	—	—
Finished goods and goods for resale	**10**	—	—	—
	1,357	974	—	—

14. DEBTORS

	Group		Company	
	1995	1994	**1995**	1994
	£000	£000	**£000**	£000
Trade debtors	**7,185**	6,522	—	—
Other debtors	**53**	49	—	—
Prepayments and accrued income	**275**	105	—	—
Amounts recoverable on contracts	**1,947**	1,018	—	—
Recoverable corporation tax	**138**	50	**137**	49
Amounts owed by subsidiary undertakings	—	—	**4,741**	4,551
	9,598	7,744	**4,878**	4,600

Notes to the Financial Statements

15. BORROWINGS

	Group 1995 £000	Group 1994 £000	Company 1995 £000	Company 1994 £000
Bank overdraft	—	—	**461**	295
Bank loan	**218**	176	**218**	176
Obligations under hire-purchase contracts due within one year	**501**	404	—	—
Repayable within one year	**719**	580	**679**	471
Bank loan:				
Due between one and two years	**266**	195	**266**	195
Due between two and five years	**693**	514	**693**	514
Repayable after more than one year	**959**	709	**959**	709
Obligations under hire-purchase contracts:				
Due between one and two years	**418**	312	—	—
Due between two and five years	**740**	346	—	—
Repayable after more than one year	**1,158**	658	—	—
Total borrowings	**2,836**	1,947	**1,638**	1,180

The bank loan and overdraft are secured by fixed and floating charges on the assets of the company, with unlimited cross guarantees supported by fixed and floating charges given by its subsidiaries, excluding Manabo (UK) Limited in both cases.

Obligations under hire-purchase contracts are secured by related assets.

16. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	Group 1995 £000	Group 1994 £000	Company 1995 £000	Company 1994 £000
Corporation tax	**599**	—	—	—
Advance corporation tax	**117**	39	**117**	39
Other taxation and social security	**956**	1,343	—	18
Other creditors and accruals	**1,786**	1,363	**2**	2
	3,458	2,745	**119**	59

Notes to the Financial Statements

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	1995	1994	**1995**	1994
	£000	£000	**£000**	£000
Bank loan (see note 15)	**959**	709	**959**	709
Obligations under hire-purchase contracts (see note 15)	**1,158**	658	**—**	—
	2,117	1,367	**959**	709

18. PROVISION FOR LIABILITIES AND CHARGES

Deferred Taxation

The amount of deferred taxation provided and unprovided in the financial statements is:

Group	Amount provided		Amount unprovided	
	1995	1994	**1995**	1994
	£000	£000	**£000**	£000
Excess capital allowances	**571**	463	**293**	250
Surplus on revaluation	**—**	—	**50**	91
Gain deferred by roll-over relief	**—**	—	**22**	22
Other timing differences	**(10)**	(9)	**—**	—
	561	454	**365**	363

Deferred Taxation — Movement for the year	**£000**
At 1 January 1995	**454**
Current year charge	**111**
Adjustment in respect of prior years	**(4)**
At 31 December 1995	**561**

Company	Amount provided		Amount unprovided	
	1995	1994	**1995**	1994
	£000	£000	**£000**	£000
Excess capital allowances	**—**	—	**293**	250
Surplus on revaluation	**—**	—	**50**	91
Gain deferred by roll-over relief	**—**	—	**22**	22
	—	—	**365**	363

Notes to the Financial Statements

19. CALLED UP SHARE CAPITAL

	1995 £000	1994 £000
Authorised:		
20,000,000 ordinary shares of 10p each	2,000	2,000
Allotted, called up and fully paid:		
15,664,854 ordinary shares of 10p each	1,566	1,566

Should the placing and open offer referred to in the Directors' Report be approved and proceed it is anticipated that the authorised share capital will increase to 27,000,000 ordinary shares of 10p each, and the allotted, called up and fully paid share capital to 19,581,067 ordinary shares of 10p each.

Share Options:
During the year options to subscribe for ordinary shares have been granted under the Severfield-Reeve Executive Share Option Scheme at a price of 67p per share. The options were granted to 29 executives of the company for a total of 217,000 shares in the company. At 31 December 1995, options were outstanding on 450,000 ordinary shares, made up as follows:

Date option granted	Number of ordinary shares	Option price
16 May 1994	233,000	61p
19 May 1995	217,000	67p
	450,000	

The options are exercisable not less than three years and not more than ten years from the date of grant.

20. SHARE PREMIUM ACCOUNT

	£000
Group and Company	
At 1 January 1995 and 31 December 1995	1,700

21. REVALUATION RESERVE

	£000
Group and Company	
At 1 January 1995 and 31 December 1995	787

22. MERGER RESERVE

	£000
Group	
At 1 January 1995 and 31 December 1995	114

The cumulative amount of goodwill written off to the merger reserve is £735,000 (1994: £735,000).

Notes to the Financial Statements

23. PROFIT AND LOSS ACCOUNT

	Group £000	Company £000
At 1 January 1995	2,839	2,870
Retained profit/(loss) for the year	1,043	(464)
At 31 December 1995	3,882	2,406

24. NOTES TO THE CASH FLOW STATEMENT

(i) Reconciliation of operating profit to net cash inflow from operating activities

	1995 £000	1994 £000
Operating profit	2,542	1,082
Depreciation charges	583	542
Loss on sale of tangible fixed assets and assets held for disposal	12	44
Increase in Stocks	(383)	(192)
Increase in Debtors	(1,766)	(1,497)
Increase in Creditors	1,233	1,473
Net cash inflow from operating activities	2,211	1,452

(ii) Analysis of the balances of cash and cash equivalents as shown in the consolidated balance sheet

			Change in year	
	1995 £000	1994 £000	1995 £000	1994 £000
Cash at bank and in hand	756	788	(32)	679
Bank overdraft	—	—	—	176
	756	788	(32)	855

(iii) Analysis of changes in cash and cash equivalents during the year

	1995 £000	1994 £000
Balance at 1 January	788	(67)
Net cash (outflow)/inflow	(32)	855
Balance at 31 December	756	788

Notes to the Financial Statements

24. NOTES TO THE CASH FLOW STATEMENT (Continued)

(iv) Analysis of changes in financing during the year

	Share Capital (including share premium) 1995 £000	**Loans and hire-purchase obligations 1995 £000**	Share Capital (including share premium) 1994 £000	Loans and hire-purchase obligations 1994 £000
Balance at 1 January	**3,266**	**1,947**	3,266	1,025
Bank loan introduced	**—**	**500**	—	1,000
Fixed assets purchased on hire-purchase	**—**	**1,068**	—	376
Cash outflow from financing	**—**	**(679)**	—	(454)
Balance at 31 December	**3,266**	**2,836**	3,266	1,947

25. CAPITAL COMMITMENTS

	Group **1995 £000**	Group 1994 £000	Company **1995 £000**	Company 1994 £000
Contracted for but not provided in the financial statements	**565**	—	**—**	—
Authorised but not yet contracted for	**—**	—	**—**	—

26. CONTINGENT LIABILITIES

The company and its subsidiaries (excluding Manabo (UK) Limited) have provided unlimited multilateral guarantees to secure the bank loan and overdrafts of all other group companies. The group has also given performance bonds in the normal course of trade.

27. OPERATING LEASE COMMITMENTS

At 31 December 1995 the group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings £000	**Other £000**
Leases which expire:		
Within one year	—	27
Within two to five years	—	172
After five years	50	2
	50	201

28. POST-BALANCE SHEET EVENTS

On 7 March 1996 the company entered into a conditional agreement to acquire the structural steelwork business of J N Rowen Limited and the business of Structural Metal Decks Limited for a cash consideration of £800,000.

On the same date the company entered into an agreement to raise approximately £6.6 million, after expenses, by way of a placing and open offer of 3,916,213 new ordinary shares at a price of 180p per share on the basis of one new ordinary share for every four ordinary shares held at the close of business on 1 March 1996.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Severfield-Reeve Plc will be held at The Angel Inn, Long Street, Topcliffe, Thirsk, North Yorkshire, YO7 3RW on Friday 24 May 1996 at 12.00 noon for the following purposes:

Ordinary Business

1. To receive and adopt the Directors' Report and Financial Statements for the year ended 31 December 1995 together with the Auditors' Report.
2. To declare a final dividend for the year ended 31 December 1995 of 2.0p net per share, payable on 31 May 1996 to shareholders on the register on 26 March 1996.
3. To reappoint Deloitte & Touche as auditors of the group and to authorise the directors to fix their remuneration.

Special Business

4. To consider and, if thought fit, to pass the following resolution as a Special Resolution:

   That new Articles of Association in the form described in the Directors' Report on pages 7 to 9 of this document be approved and adopted in substitution for and to the exclusion of the existing Articles of Association of the company in compliance with undertakings given by the directors to London Stock Exchange Limited on 6 June 1995.

By order of the board

P.J. Davison
Secretary
7 March 1996

Dalton Airfield Industrial Estate
Dalton, Thirsk
North Yorkshire
YO7 3JN

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead subject to the Articles of Association of the company. Proxy forms must be lodged with the registrars of the company not less than 48 hours before the time fixed for the meeting. Lodgement of proxy forms will not preclude a member from attending and voting at the meeting. A proxy need not be a member of the company. A form of proxy is included.
2. The following will be available for inspection at the registered office of the company during normal business hours and, on the day of the Annual General Meeting, at the aforementioned venue 15 minutes prior to and throughout the meeting: (a) Register of directors' interests, (b) Copies of all directors' service contracts, (c) Memorandum and Articles of Association of the company, (d) Rules of the Severfield-Reeve Executive Share Option Scheme, (e) Rules of The Severfield-Reeve Plc 1996 Executive Share Option Scheme.

S E V E R F I E L D - R E E V E P l c
Dalton Airfield Industrial Estate
Dalton, Thirsk
North Yorkshire YO7 3JN
Tel: (01845) 577896 Fax: (01845) 577411