

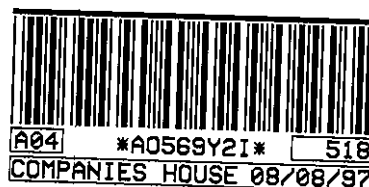


**HOW FIRE MAINTENANCE LIMITED**

**Report and Financial Statements**

**31 December 1996**

**Deloitte & Touche  
Colmore Gate  
2 Colmore Row  
Birmingham  
B3 2BN**



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**REPORT AND FINANCIAL STATEMENTS 1996**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

J S Williams (Chairman)  
M J Ballard  
D Lant  
D Summerfield  
J E Harte  
K J Walters

**SECRETARY**

C S Dixon

**REGISTERED OFFICE**

Intersection House  
110 Birmingham Road  
West Bromwich  
West Midlands  
B70 6RX

**BANKERS**

Midland Bank PLC  
130 New Street  
Birmingham  
B2 4JU

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Colmore Gate  
2 Colmore Row  
Birmingham  
B3 2BN



## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

### **ACTIVITIES**

The principal activity of the Company continues to be the maintenance of fire protection and detection systems in buildings.

### **REVIEW OF DEVELOPMENTS**

The Company continued to thrive during the year, increasing both turnover and profits over 1995 levels.

New offices are to be opened in London Docklands and in Scotland to satisfy the increased demand for maintenance and service in these areas.

### **RESULTS AND DIVIDENDS**

Details of the profit for the year are set out in the profit and loss account on page 6.

The Company has paid an interim dividend of £100,000 to its parent company in respect of the year. No final dividend is proposed.

### **FIXED ASSETS**

Movements in tangible fixed assets during the year are detailed in Note 5 to the financial statements.

### **DIRECTORS AND THEIR INTERESTS**

The directors who served during the year were:

J S Williams	(Chairman)
D Lant	
D Summerfield	
K J Walters	
M J Ballard	(appointed 1 December 1996)
J E Harte	(appointed 1 December 1996)

In accordance with the Articles of Association directors are not required to retire by rotation.

The directors hold no shares of the Company.

The directors who are not directors of the ultimate parent undertaking, How Group plc, held the following interests in the 10p ordinary shares of that company:

	At 31 December 1996		At 31 December 1995 (or date of appointment)	
	Fully paid	Share options	Fully paid	Share options
D Lant	18,239	20,000	54,239	20,000
K J Walters	-	45,000	-	45,000
M J Ballard	-	40,000	-	40,000
J E Harte	10,000	90,000	10,000	90,000

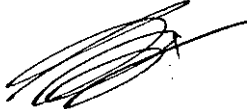
The interests of other directors in the shares of How Group plc are disclosed in that company's financial statements.

## **DIRECTORS' REPORT**

### **AUDITORS**

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



C S Dixon  
Secretary

**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 as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- 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 Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## Chartered Accountants

Deloitte & Touche  
Colmore Gate  
2 Colmore Row  
Birmingham B3 2BN

Telephone: National 0121 200 2211  
International + 44 121 200 2211  
Fax (Gp. 3): 0121 695 5311

## AUDITORS' REPORT TO THE MEMBERS OF

### HOW FIRE MAINTENANCE LIMITED

We have audited the financial statements on pages 6 to 12 which have been prepared under the accounting policies set out on page 8.

#### Respective responsibilities of directors and auditors

As described on page 4 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 Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

Chartered Accountants and Registered Auditors

*2 June 1997*





**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 1996**

	Note	1996 £	1995 £
<b>TURNOVER</b>		3,710,395	3,032,782
Cost of sales		(2,259,264)	(1,798,164)
Gross profit		1,451,131	1,234,618
Administrative expenses		(1,007,592)	(825,665)
<b>OPERATING PROFIT</b>	3	443,539	408,953
Interest payable		(102)	(103)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		443,437	408,850
Tax on profit on ordinary activities	4	(147,468)	(135,958)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		295,969	272,892
Interim dividend payable		(100,000)	(90,000)
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>	10	195,969	182,892

All activities derive from continuing operations.

There are no recognised gains or losses for the current and prior years other than as stated above in the profit and loss account.




**BALANCE SHEET  
31 December 1996**

	Note	£	1996 £	£	1995 £
<b>TANGIBLE FIXED ASSETS</b>	5		82,155		60,355
<b>CURRENT ASSETS</b>					
Stocks	6	87,235		145,918	
Debtors	7	1,120,215		805,401	
Cash at bank		1,156,805		1,160,340	
		<u>2,364,255</u>		<u>2,111,659</u>	
<b>CREDITORS: amounts falling due within one year</b>	8	<u>(1,428,204)</u>		<u>(1,349,777)</u>	
<b>NET CURRENT ASSETS</b>			<u>936,051</u>		<u>761,882</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>1,018,206</u>		<u>822,237</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	9		100		100
Profit and loss account	10		<u>1,018,106</u>		<u>822,137</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	11		<u>1,018,206</u>		<u>822,237</u>

These financial statements were approved by the Board of Directors on 21 March 1997.

Signed on behalf of the Board of Directors

J S Williams

Director

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1996**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

**Tangible fixed assets**

Depreciation is provided on all tangible fixed assets and is calculated on cost on a straight line basis over the following years, so as to write down the value of the assets to estimated residual value over their anticipated useful lives:

Motor vehicles	4 years
Plant, fixtures and equipment	5 years

Site equipment and other items of comparatively low value are normally written off in the year of purchase as revenue expenditure on the grounds that the life expectancy of such assets cannot be predicted with reasonable certainty, although it is likely to be less than 3 years in most cases.

**Stocks**

Stocks are valued at the lower of cost (ascertained on first in, first out principles) and net realisable value.

**Contracts in progress**

Contracts in progress are valued individually at the lower of cost, including related overheads, and estimated net realisable value, provision being made for anticipated future losses where appropriate.

Work in progress which has been completed, but not invoiced, is included at selling value in debtors as "amounts recoverable on contracts".

**Deferred taxation**

Provision is made for deferred taxation, where appropriate, using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes. However, no provision is made where the directors consider that a liability to taxation is unlikely to crystallise.

There is no liability, or potential liability, to deferred taxation for the years ended 31 December 1996 and 31 December 1995.

**Turnover**

Turnover represents the value of invoices rendered in respect of goods delivered and services provided as adjusted by the variation between opening and closing valuations of contracts in progress and after making full provision for possible claims and allowances.

**Operating leases**

Operating lease rentals are charged on a straight line basis over the lease terms.

**Pension costs**

The cost of the defined benefits pension arrangements are charged to the profit and loss account as the contributions become payable to the scheme's principal employer, How Group plc.


**NOTES TO THE ACCOUNTS**
**Year ended 31 December 1996**
**2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	1996 No	1995 No
<b>Average number of persons employed</b>	<u>71</u>	<u>66</u>
	£	£
<b>Staff costs during the year</b>		
Wages and salaries	1,787,254	1,497,534
Social security costs	120,060	105,976
Pension costs	64,913	58,205
	<u>1,972,227</u>	<u>1,661,715</u>

No director received any remuneration from the Company during the year.

**Pension costs**

The Company is a member of the How Group Staff Pension and Life Assurance Scheme. The Scheme is of the defined benefit type and is funded in advance by contributions at rates assessed by independent professionally qualified actuaries in valuation reports normally every three years. Particulars of the actuarial valuation are contained in the financial statements of the ultimate parent undertaking, How Group plc.

**3. OPERATING PROFIT**

	1996 £	1995 £
<b>After charging:</b>		
Depreciation (including adjustments on disposals)	22,623	17,794
Auditors' remuneration	4,000	4,000
Operating lease charges		
Vehicles	<u>147,668</u>	<u>132,675</u>

**4. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	1996 £	1995 £
United Kingdom corporation tax at 33% (1995 - 33%)	147,800	136,300
Adjustments relating to prior periods		
Corporation tax	<u>(332)</u>	<u>(342)</u>
	<u>147,468</u>	<u>135,958</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1996**
**5. TANGIBLE FIXED ASSETS**

	Motor vehicles £	Plant, fixtures and equipment £	Total £
<b>Cost</b>			
At 1 January 1996	34,384	54,734	89,118
Additions	40,640	4,983	45,623
Disposals	(6,750)	(5,698)	(12,448)
	<u>68,274</u>	<u>54,019</u>	<u>122,293</u>
<b>At 31 December 1996</b>			
<b>Depreciation</b>			
At 1 January 1996	10,295	18,468	28,763
Provided in year	12,850	9,379	22,229
Disposals	(5,156)	(5,698)	(10,854)
	<u>17,989</u>	<u>22,149</u>	<u>40,138</u>
<b>At 31 December 1996</b>			
<b>Net book value</b>			
At 31 December 1996	<u>50,285</u>	<u>31,870</u>	<u>82,155</u>
At 31 December 1995	<u>24,089</u>	<u>36,266</u>	<u>60,355</u>

**6. STOCKS**

	1996 £	1995 £
Stocks of spares and consumables	87,235	72,010
Work-in-progress	-	73,908
	<u>87,235</u>	<u>145,918</u>

**7. DEBTORS**

	1996 £	1995 £
Trade debtors	740,253	595,377
Amounts recoverable on contracts	147,077	-
Amounts owed by Group undertakings	167,371	177,183
Other debtors	303	122
Prepayments and accrued income	65,211	32,719
	<u>1,120,215</u>	<u>805,401</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1996**
**8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1996 £	1995 £
Trade creditors	530,802	361,231
Amounts owed to Group undertakings	43,165	105,028
Corporation tax	283,768	317,958
Other taxes and social security	144,422	167,928
Other creditors	73,829	20,488
Accruals and deferred income	252,218	287,144
Dividend payable	100,000	90,000
	<u>1,428,204</u>	<u>1,349,777</u>

**9. CALLED UP SHARE CAPITAL**

	1996 £	1995 £
Authorised, allotted and fully paid 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

**10. PROFIT AND LOSS ACCOUNT**

	£
At 1 January 1996	822,137
Profit for the year	<u>195,969</u>
At 31 December 1996	<u>1,018,106</u>

**11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1996 £	1995 £
Profit for the financial year	295,969	272,892
Dividends	<u>(100,000)</u>	<u>(90,000)</u>
Net increase in shareholders' funds	195,969	182,892
Opening shareholders' funds	<u>822,237</u>	<u>639,345</u>
Closing equity shareholders' funds	<u>1,018,206</u>	<u>822,237</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1996**

**12. FINANCIAL COMMITMENTS**

**Operating lease commitments**

At 31 December 1996, the Company was committed to making the following payments during the next year in respect of operating leases relating to plant and vehicles:

	Other £
Leases which expire:	
Within one year	9,150
Within 2 to 5 years	109,080
	<hr/> 118,230 <hr/>

**13. CONTINGENT LIABILITIES**

The Company has entered into an unlimited multilateral guarantee in respect of the bank borrowing of How Group plc and its subsidiary undertakings, under which the Company had a contingent liability at 31 December 1996 of £17,285,303 (1995 - £16,369,737) relating to the overdrafts of certain companies.

**14. ULTIMATE PARENT COMPANY**

The Company's ultimate parent undertaking is How Group plc.

How Group plc is the parent undertaking of the largest group of which How Fire Maintenance Limited is a member and for which group accounts are drawn up.

How Fire Limited, is the parent undertaking of the smallest group of which How Fire Maintenance Limited is a member and for which group accounts are drawn up.

Accounts for both parent undertakings have been delivered and are available from the Registrar of Companies, Crown Way, Maindy, Cardiff CF4 3UZ.