



**HOW FIRE MAINTENANCE LIMITED**

**Report and Financial Statements**

**31 December 1997**

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



**REPORT AND FINANCIAL STATEMENTS 1997**

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**REPORT AND FINANCIAL STATEMENTS 1997**

**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 1997.

### **ACTIVITIES**

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

### **REVIEW OF DEVELOPMENTS**

Although the Company has enjoyed a reasonably satisfactory result for the year, the performance was adversely affected by pressure on margins and problems associated with an installation contract.

It seems clear that if the Company is to maintain its level of profitability it will have to expand its small works departments and portables maintenance facility.

### **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 £1,071,900 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  
J E Harte

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 1997		At 31 December 1996	
	Fully paid	Share options	Fully paid	Share options
D Lant	18,239	25,000	18,239	20,000
K J Walters	-	35,000	-	45,000
M J Ballard	-	35,000	-	40,000
J E Harte	5,000	85,000	10,000	90,000

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

**Deloitte &  
Touche**



Deloitte Touche  
Tohmatsu

## **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.



## 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Neil H. Lane*

Chartered Accountants and Registered Auditors

*15 June 1998*



**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 1997**

	Note	1997 £	1996 £
<b>TURNOVER</b>		4,291,137	3,710,395
Cost of sales		(2,725,470)	(2,259,264)
Gross profit		1,565,667	1,451,131
Administrative expenses		(1,099,787)	(1,007,592)
<b>OPERATING PROFIT</b>	3	465,880	443,539
Interest payable		(153)	(102)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		465,727	443,437
Tax on profit on ordinary activities	4	(151,771)	(147,468)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		313,956	295,969
Interim dividend paid/payable		(1,071,900)	(100,000)
<b>RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>	10	(757,944)	195,969

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 1997**

	Note	£	1997 £	£	1996 £
<b>TANGIBLE FIXED ASSETS</b>	5		70,636		82,155
<b>CURRENT ASSETS</b>					
Stocks		117,139		87,235	
Debtors	6	1,392,754		1,120,215	
Cash at bank		-		1,156,805	
		<u>1,509,893</u>		<u>2,364,255</u>	
<b>CREDITORS: amounts falling due within one year</b>	7	<u>(1,270,367)</u>		<u>(1,428,204)</u>	
<b>NET CURRENT ASSETS</b>			<u>239,526</u>		<u>936,051</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>310,162</u>		<u>1,018,206</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	8		50,000		100
Profit and loss account	9		260,162		1,018,106
<b>EQUITY SHAREHOLDERS' FUNDS</b>	10		<u>310,162</u>		<u>1,018,206</u>

These financial statements were approved by the Board of Directors on 20 March 1998.

Signed on behalf of the Board of Directors

J S Williams

Director



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**

**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, which mainly comprise of spares and accessories, 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 1997 and 31 December 1996.

**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 1997**
**2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	1997 No	1996 No
<b>Average number of persons employed</b>	<u>81</u>	<u>71</u>
	£	£
<b>Staff costs during the year</b>		
Wages and salaries	1,561,394	1,787,254
Social security costs	143,215	120,060
Pension costs	71,309	64,913
	<u>1,775,918</u>	<u>1,972,227</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**

	1997 £	1996 £
<b>After charging:</b>		
Depreciation	27,570	22,623
Auditors' remuneration	4,000	4,000
Operating lease charges		
Vehicles and plant	<u>175,026</u>	<u>147,668</u>

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

	1997 £	1996 £
United Kingdom corporation tax at 31.5% (1996 - 33%)	153,000	147,800
Adjustments relating to prior periods		
Corporation tax	<u>(1,229)</u>	<u>(332)</u>
	<u>151,771</u>	<u>147,468</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**

**5. TANGIBLE FIXED ASSETS**

	<b>Motor vehicles £</b>	<b>Plant, fixtures and equipment £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 1997	68,274	54,019	122,293
Additions	8,000	8,051	16,051
	<hr/>	<hr/>	<hr/>
At 31 December 1997	76,274	62,070	138,344
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 January 1997	17,989	22,149	40,138
Provided in year	16,569	11,001	27,570
	<hr/>	<hr/>	<hr/>
At 31 December 1997	34,558	33,150	67,708
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 1997	41,716	28,920	70,636
	<hr/>	<hr/>	<hr/>
At 31 December 1996	50,285	31,870	82,155
	<hr/>	<hr/>	<hr/>

**6. DEBTORS**

	<b>1997 £</b>	<b>1996 £</b>
Trade debtors	1,051,524	740,253
Amounts recoverable on contracts	152,577	147,077
Amounts owed by Group undertakings	142,166	167,371
Other debtors	140	303
Prepayments and accrued income	46,347	65,211
	<hr/>	<hr/>
	1,392,754	1,120,215
	<hr/>	<hr/>



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**

**7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1997 £	1996 £
Bank overdraft (secured)	40,693	-
Trade creditors	578,821	530,802
Amounts owed to Group undertakings	37,752	43,165
Corporation tax	153,000	283,768
Other taxes and social security	161,579	144,422
Other creditors	37,263	73,829
Accruals and deferred income	261,259	252,218
Dividend payable	-	100,000
	<u>1,270,367</u>	<u>1,428,204</u>

The bank overdraft is secured by legal charges over properties, a fixed charge over book debts and a floating charge over other assets of How Group plc and its subsidiary undertakings.

**8. CALLED UP SHARE CAPITAL**

	1997 £	1996 £
Authorised, allotted and fully paid 50,000 (1996 - 100) ordinary shares of £1 each	<u>50,000</u>	<u>100</u>

During the year the company allotted 49,900 ordinary shares of £1 each at par.

**9. PROFIT AND LOSS ACCOUNT**

	£
At 1 January 1997	1,018,106
Loss for the year	<u>(757,944)</u>
At 31 December 1997	<u>260,162</u>

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

	1997 £	1996 £
Profit for the financial year	313,956	295,969
Dividends	<u>(1,071,900)</u>	<u>(100,000)</u>
	(757,944)	195,969
New share capital subscribed	<u>49,900</u>	<u>-</u>
Net (decrease)/increase in shareholders' funds	<u>(708,044)</u>	<u>195,969</u>
Opening shareholders' funds	<u>1,018,206</u>	<u>822,237</u>
Closing equity shareholders' funds	<u>310,162</u>	<u>1,018,206</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**

**11. FINANCIAL COMMITMENTS**

**Operating lease commitments**

At 31 December 1997, the Company was committed to making the following payments during the next year in respect of operating leases relating to plant and vehicles:

	<b>Land and buildings</b>		<b>Other</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Leases which expire:				
Within one year	11,618	-	11,711	9,150
Within 2 to 5 years	-	-	120,930	109,080
	<u>11,618</u>	<u>-</u>	<u>132,641</u>	<u>118,230</u>

**12. 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 1997 of £20,677,035 (1996 - £17,285,303) relating to the overdrafts of certain companies.

The consolidated accounts of How Group plc reflect net cash and bank deposit balances of £9,472,000 at 31 December 1997 (1996 - £7,759,000).

**13. 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.

The Company has taken advantage of the exemption within Financial Reporting Standard 8 from reporting transactions with other group companies.



### **ADDITIONAL INFORMATION**

The additional information on pages 14 to 15 has been prepared from the accounting records of the company. While it does not form part of the statutory financial statements, it should be read in conjunction with them and the auditors' report thereon.



**TRADING ACCOUNT**

**Year ended 31 December 1997**

	1997 £	£	1996 £
<b>TURNOVER</b>			
Sales	4,285,637		3,637,226
Add: Closing work in progress	152,577		147,077
	<u>4,438,214</u>		<u>3,784,303</u>
Less: Opening work in progress	147,077		73,908
	<u>4,291,137</u>		<u>3,710,395</u>
<b>COST OF SALES</b>			
Direct costs:			
Materials and other external charges	1,234,993	614,237	
Plant hire	25,504	27,375	
Direct labour	1,148,176	1,356,654	
Operatives' expenses	61,234	45,420	
	<u>2,469,907</u>		<u>2,043,686</u>
Indirect costs			
Operatives' National Insurance and pensions	96,699	80,495	
Tool and equipment repairs	10,819	8,082	
Depreciation of plant	2,438	2,740	
Consumables	3,621	2,860	
Commercial vehicle expenses	141,986	121,401	
	<u>255,563</u>		<u>215,578</u>
	<u>2,725,470</u>		<u>2,259,264</u>
<b>GROSS PROFIT</b>	<u>1,565,667</u>		<u>1,451,131</u>
Less: Overhead expenses (per attached schedule)	<u>1,099,787</u>		<u>1,007,592</u>
<b>OPERATING PROFIT FOR THE YEAR</b>	<u><u>465,880</u></u>		<u><u>443,539</u></u>





**SCHEDULE OF OVERHEAD EXPENSES**  
**Year ended 31 December 1997**

	1997	1996
£	£	£
Staff salaries and temporary staff	415,980	431,174
Staff NI	46,802	39,992
Group management and finance charges	69,122	60,796
Pension and welfare schemes	94,360	83,151
Publicity, printing, stationery, office materials and advertising	37,064	21,115
Rent, rates and insurance	75,072	69,471
Telephone	42,709	31,842
Travelling and entertaining expenses	18,941	12,421
Postage, cleaning and sundry trade expenses	37,377	19,387
Motor expenses	40,942	35,848
Contract hire costs	149,522	147,668
Subscriptions	2,891	2,383
Audit and accountancy charges	4,000	4,000
Bank charges	2,674	2,539
Light and heat	5,353	5,978
Repairs and renewals:		
Furniture and office equipment	17,314	8,595
Buildings	1,124	2,035
	<hr/>	<hr/>
	18,438	10,630
Legal and professional charges	2,387	1,558
Computer costs	2,245	1,016
Employee training	9,366	7,744
Depreciation:		
Fixtures and equipment	8,563	6,639
Motor vehicles	16,569	12,850
	<hr/>	<hr/>
	25,132	19,489
Loss on disposal of fixed assets	-	394
	<hr/>	<hr/>
	1,100,377	1,008,596
Deduct: Miscellaneous income:		
Discounts received	590	142
Rebates received	-	862
	<hr/>	<hr/>
	590	1,004
	<hr/>	<hr/>
<b>NET OVERHEAD EXPENSES</b>	<b>1,099,787</b>	<b>1,007,592</b>