

HOW FIRE MAINTENANCE LIMITED

Report and Financial Statements

31 December 1998



REPORT OF THE DIRECTORS

The directors present their report and the audited accounts for the year ended 31st December 1998.

ACTIVITIES

The principal activities of the company continue to be the maintenance of fire protection and detection systems in buildings and industrial premises.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The company has performed satisfactorily during the year with a profit on ordinary activities after taxation of £342,000 (1997 – profit £314,000). The order book at the start of 1999 was strong and the prospects for the year ahead look encouraging.

RESULTS

The results of the company are as set out in the accounts on pages 5 to 12 . The directors recommend a dividend of £4.88 per share (1997 - £21.44 per share).

DIRECTORS

The directors who served during the year are set out below:-

K J Walters

M J Ballard

J E Harte

G G R Ludlow (appointed 27/08/98)

C Gateley (appointed 27/08/98)

R Oliver (appointed 05/10/98)

J W R Devereux (appointed 22/04/99) (Company Secretary)

J S Williams (resigned 31/07/98)

D Summerfield (resigned 31/07/98)

D Lant (resigned 04/04/99)

T Bradbury was appointed Company Secretary on the 01/04/98 and resigned on the 22/04/99.

None of the directors has any beneficial interest in the shares of the company.

The interests of the directors in shares and share options at 31st December 1998 in the capital of the ultimate parent undertakings are as stated within the financial statements of the immediate parent undertaking, How Fire Limited.

The directors have no other interest in any other group undertaking (1997 - none).

REPORT OF THE DIRECTORS (Continued)

CREDITOR PAYMENT POLICY

It is the company's normal practice to agree payment terms with its suppliers and abide by those terms. Payment becomes due when it can be confirmed that goods and/or services have been provided in accordance with the relevant contractual conditions. Trade creditors at 31st December 1998, calculated in accordance with the requirements of the Companies Act 1985, were 78 days (1997 - 91 days). This represents the ratio, expressed in days, between the amounts invoiced to the company in the year by its suppliers and the amount due, at the year end, to trade creditors falling due for payment within one year.

YEAR 2000

The company continues to review its financial and operating systems in the light of the potential dangers of the "Millennium Bug". Many of the systems have already been modified or replaced in order to minimise such dangers and those areas yet to be completed are planned to have been dealt with well before the end of this year. The Board regularly considers this matter. Any costs related to these changes are not expected to have a significant effect upon company profitability.

AUDITORS

Resolutions will be proposed at the annual general meeting to reappoint Deloitte & Touche as auditors to the company and to authorise the directors to fix their remuneration.

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



J W R Devereux
Secretary

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

27th May 1999

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 of the profit or loss 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 1985. 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 5 to 12 which have been prepared under the accounting policies set out on pages 7 to 8.

Respective responsibilities of directors and auditors

As described on page 3 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 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 as at 31st December 1998 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
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN

17 June 1999

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1998

	Note	1998 £000	1997 £000
TURNOVER	1	4,591	4,291
Cost of sales		(2,964)	(2,725)
GROSS PROFIT		1,627	1,566
Administrative expenses		(1,126)	(1,105)
OPERATING PROFIT	3	501	461
Interest receivable	5	4	5
Interest payable	6	(1)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		504	466
Tax on profit on ordinary activities	7	(162)	(152)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		342	314
Equity dividend	8	(244)	(1,072)
RETAINED PROFIT/(LOSS) FOR THE YEAR TRANSFERRED TO/(FROM) RESERVES		98	(758)

All activities are continuing as defined under FRS3: Reporting Financial Performance.

A statement of Total Recognised Gains and Losses is not presented as there have been no recognised gains or losses other than the result for the year and the preceding year set out above.

BALANCE SHEET AT 31ST DECEMBER 1998

	Note	1998 £000	1997 £000
FIXED ASSETS			
Tangible assets	9	63	71
CURRENT ASSETS			
Stocks	11	151	117
Debtors	12	1,478	1,393
Cash at bank and in hand		59	-
		<u>1,688</u>	<u>1,510</u>
CREDITORS FALLING DUE WITHIN ONE YEAR			
Bank loans and overdrafts		-	(41)
Trade creditors		(620)	(579)
Sundry creditors	13	(723)	(651)
		<u>(1,343)</u>	<u>(1,271)</u>
NET CURRENT ASSETS		<u>345</u>	<u>239</u>
NET ASSETS		<u>408</u>	<u>310</u>
CAPITAL AND RESERVES			
Called up share capital	14	50	50
Profit and loss account	15	358	260
SHAREHOLDERS' FUNDS			
Equity Interest	16	<u>408</u>	<u>310</u>

These financial statements were approved by the Board of Directors on 27th May 1999. Signed on behalf of the Board of Directors.


R Oliver
DIRECTOR


J W R Devereux
DIRECTOR

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1998

1. ACCOUNTING POLICIES

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

CONVENTION

These financial statements have been prepared in accordance with the historical cost convention.

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, excluding VAT.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is provided on a straight line basis calculated to write down their cost over their estimated useful economic lives at the following annual rates:

Plant and equipment	-	20%
Motor vehicles	-	25%

LEASED ASSETS

The costs of operating leases are charged to the profit and loss account as they accrue.

STOCKS AND WORK IN PROGRESS

Stocks of raw materials and finished goods are valued at the lower of cost and net realisable value.

Contract work in progress is valued at cost plus attributable profit less foreseeable losses. Attributable profit is included when the outcome of a contract can be assessed with reasonable certainty. The value of contract work in progress is accounted for within turnover and in accordance with Statement of Standard Accounting Practice 9 (Revised) - Stocks and Long-term Contracts, the excess of the book value over payments receivable is included in debtors as "Amounts recoverable on Contracts". Payments receivable in excess of book value on an individual contract basis are included in creditors.

PENSIONS

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, Tilbury Douglas Plc.

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, Tilbury Douglas Plc.

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1998

1. ACCOUNTING POLICIES (continued)

FOREIGN CURRENCY

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit for the year.

DEFERRED TAXATION

Provision is made where appropriate and relief is taken at projected rates of taxation for timing differences between the treatment of certain items for taxation and for accounting purposes to the extent that liabilities or assets are likely to crystallise in the foreseeable future. Advance corporation tax which is available to reduce the corporation tax payable on future profits is deducted from the provision for deferred taxation.

2. SEGMENTAL ANALYSIS

The company's turnover arises mainly in the U.K. from its activities of providing maintenance services for fire protection and detection systems in buildings and industrial premises. Overseas turnover amounted to £39,000 (1997 - £11,000).

3. OPERATING PROFIT

	1998 £000	1997 £000
Operating profit is arrived at after charging:		
Depreciation on owned assets	28	28
Other rentals under operating leases	154	175
Auditors remuneration - Audit fees	4	4
	<u> </u>	<u> </u>

4. EMPLOYEES

	<u>Number</u>	<u>Number</u>
The average number employed by the company		
Within each category of persons was:		
Production	79	70
Sales	3	3
Administration	8	8
	<u> </u>	<u> </u>
	90	81
	<u> </u>	<u> </u>

	1998 £000	1997 £000
The costs incurred in respect of these employees were:		
Wages and salaries	1,680	1,562
Social security costs	181	143
Other pension costs	85	71
	<u> </u>	<u> </u>
	1,946	1,776
	<u> </u>	<u> </u>

No directors received any remuneration from the company during the year. Details of directors remuneration is disclosed in the financial statements of the immediate parent undertaking, How Fire Limited. It is not considered practicable to separately disclose the directors remuneration in relation to the company.

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1998

	1998 £000	1997 £000
5. INTEREST RECEIVABLE		
Group interest	<u>4</u>	<u>5</u>
6. INTEREST PAYABLE		
Other	<u>1</u>	<u>-</u>
7. TAX ON PROFIT ON ORDINARY ACTIVITIES		
UK Corporation tax at 31% (1997 – 31.5%)	162	153
Adjustments relating to earlier years		
Corporation tax	<u>-</u>	<u>(1)</u>
	<u>162</u>	<u>152</u>
8. DIVIDENDS		
On ordinary shares		
Interim at £2.60 per share (1997 - £21.44 per share)	130	1,072
Proposed Final at £2.28 per share (1997 – £Nil)	<u>114</u>	<u>-</u>
	<u>244</u>	<u>1,072</u>

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1998

9. TANGIBLE FIXED ASSETS

	<u>Plant, equipment & motor vehicles</u> £000
a) Movement during year	
COST	
1st January 1998	139
Additions	25
Disposals	(9)
	<u>155</u>
31st December 1998	
DEPRECIATION	
1st January 1998	68
Provided in year	28
Disposals	(4)
	<u>92</u>
31st December 1998	
NET BOOK VALUE	
31st December 1998	<u>63</u>
31st December 1997	<u>71</u>

10. OPERATING LEASES

At 31st December 1998 the company had annual commitments under non-cancellable operating leases as follows:

	<u>Land and buildings</u>		<u>Other</u>	
	1998	1997	1998	1997
	£000	£000	£000	£000
Commitments expiring:				
within one year	12	12	27	12
In two to five years	-	-	39	121
	<u>12</u>	<u>12</u>	<u>66</u>	<u>133</u>

The leases of land and buildings are with other group companies.

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1998

11. STOCKS	1998 £000	1997 £000
Materials	151	117

The replacement cost of stock is not materially different from the amounts stated in the accounts.

12. DEBTORS	1998 £000	1997 £000
Amounts recoverable on contracts	150	153
Trade debtors	959	1,052
Amounts owed by parent undertakings	170	37
Amounts owed by fellow subsidiary undertakings	197	105
Prepayments and accrued income	2	46
	1,478	1,393

Contract work in progress is accounted for in turnover and in accordance with the provisions of Statement of Standard Accounting Practice 9 (Revised) – Stocks and Long-term Contracts, the excess of book value over payments receivable is included in debtors as "Amounts Recoverable on Contracts".

13. SUNDRY CREDITORS	1998 £000	1997 £000
Amounts owed to parent undertakings	-	15
Amounts owed to fellow subsidiary undertakings	7	23
Other creditors	37	37
Corporation tax	130	153
Other taxation and social security	228	162
Accruals and deferred income	207	261
Proposed dividends	114	-
	723	651

14. CALLED UP SHARE CAPITAL	1998 £000	1997 £000
Authorised Ordinary shares of £1 each	50	50
Allotted and fully paid Ordinary shares of £1 each	50	50

15. PROFIT AND LOSS ACCOUNT	
1st January 1998	260
Retained profit for the year	98
31st December 1998	358

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1998

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	1998 £000	1997 £000
Profit attributable to shareholders	342	314
Dividends	(244)	(1,072)
	<hr/> 98	<hr/> (758)
Capital subscribed	-	50
	<hr/> 98	<hr/> (708)
Movement in year	98	(708)
Opening shareholders' funds	310	1,018
	<hr/> 408	<hr/> 310
Closing shareholders' funds	<hr/> 408	<hr/> 310

17. CONTINGENT LIABILITIES

At 31st December 1998 there were contingent liabilities in respect of guarantees given in the ordinary course of business.

The company has given guarantees covering banking facilities made available to the parent and fellow subsidiary undertakings. At 31st December 1998 these amounted to £41,348,000 (1997 - £9,472,000)

18. CASH FLOW STATEMENT

The company is not presenting a cash flow statement. It has taken advantage of the exemption contained in Financial Reporting Standard 1 (Revised) - Cash Flow Statements, as the ultimate parent undertaking, Tilbury Douglas Plc, has included a consolidated cash flow statement in the group accounts.

19. ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

The company's immediate parent undertaking is How Fire Limited and the ultimate parent undertaking and ultimate controlling party is Tilbury Douglas Plc, which is incorporated in Great Britain. The Group accounts of Tilbury Douglas Plc are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

The Company has taken advantage of the exemption contained in Financial Reporting Standard 8 - Related Party Transactions not to report transactions with Tilbury Douglas Group related parties which are disclosed in the consolidated financial statements of Tilbury Douglas Plc.