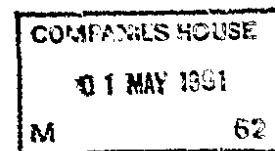


Company No 1938746

SERVOMEX PLC

ANNUAL REPORT AND ACCOUNTS

1990

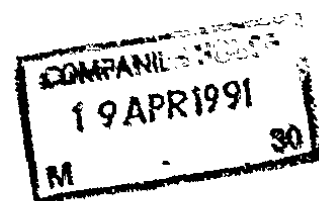


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Servomex

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Servomex

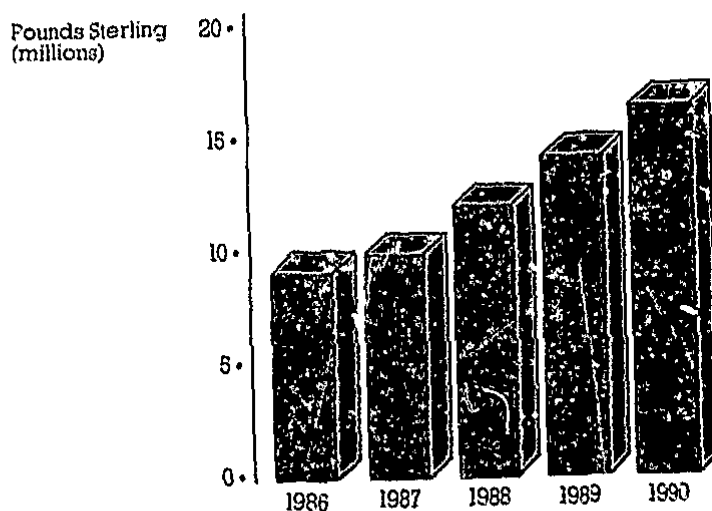
Company Information

Directors	John Robert Burton (<i>Chairman</i>) Robert Malcolm Gordon Riad Mouhamed Adel Kocache Robert Fielding Kydd Malcolm Phillip Langridge Peter George Parnell David Richard Winrow Colin Clive Gregory (<i>Non-executive</i>) Peter Smitham (<i>Non-executive</i>)
Secretary	Robert Malcolm Gordon, FCA
Registered office	Crowborough Hill Jarvis Brook Crowborough East Sussex TN6 3DU
Registered number	1938746
Stockbrokers	Schroder Securities Limited 120 Cheapside London EC2V 6DS
Auditors	Price Waterhouse Chartered Accountants Southwark Towers 32 London Bridge Street London SE1 9SY
Solicitors	Baker & McKenzie Inveresk House Aldwych London WC2B 4JP
Principal bankers	Manufacturers Hanover Trust Company The Adelphi 1-11 John Adam Street London WC2N 6HT Barclays Bank PLC 1 High Street Crowborough East Sussex TN6 2PX
Registrars	Lloyds Bank Plc Registrar's Department Goring-by-Sea Worthing West Sussex BN12 6DA

Chairman's Statement

I am pleased once again to report record results for Servomex in 1990. Servomex's position as one of the world's leading manufacturers of gas analysis instrumentation was further reinforced during the year in which our sales at £16.7m rose by 15% over 1989, with increases in all the main geographical areas of the business. Approximately 80% of these sales were made to customers outside the United Kingdom.

Group sales



Profits before taxation and minority interests for the year were £1.939m, an increase of 1.6% over 1989. After tax profits increased by 9.6%. Earnings per share were 12.7p (1989 12.1p).

The Board is recommending a net final dividend of 3.6p per share. With the net interim dividend of 1.8p per share already paid this represents a total net dividend of 5.4p per share. £712,000 is being retained in the business for further growth.

Review of the year

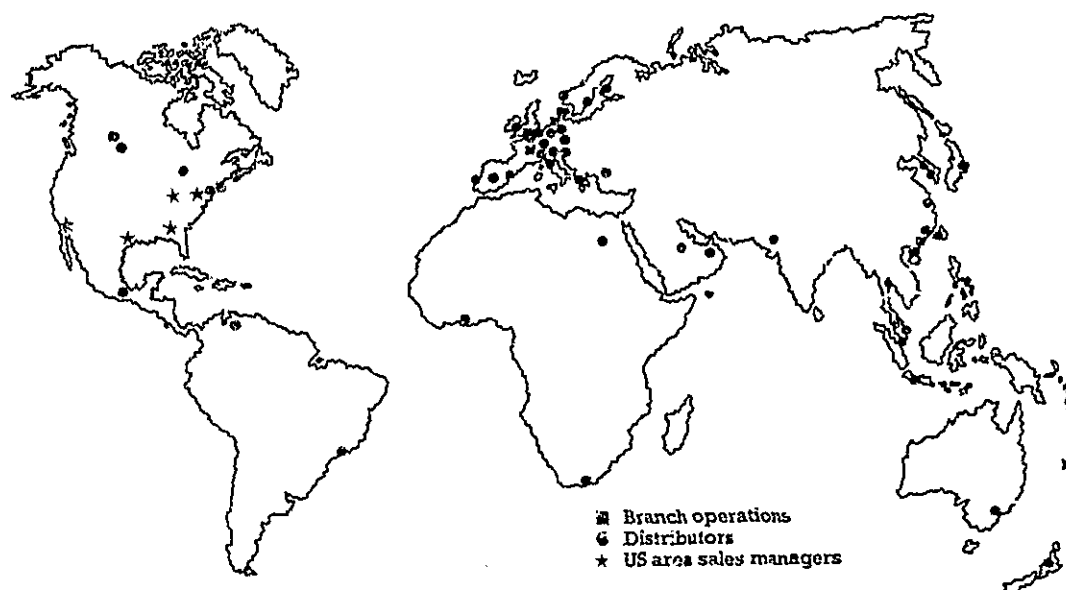
Sales in all major geographic markets were ahead of the previous year. UK domestic sales were 32% ahead and our subsidiaries in USA, France and Holland were up, in local currency, 13%, 9% and 20% respectively. Sales to our German distributor were particularly strong at 96% above the previous year.

The dollar profits of our US subsidiary were partly protected during 1990 by an advantageous 'hedge rate' on purchases from the UK factory. US dollar profits when translated to sterling were however adversely affected by the weakness of the dollar. Exchange variations with other currencies had a minimal effect on the business.

Servomex

Chairman's Statement

Distribution network



Further strengthening of our worldwide distribution network took place with the opening of Servomex Asia Pacific, based in Taiwan. This step is an important part of our strategy to maximise sales to the Far East where a high level of investment in basic industries is taking place.

In January 1991, Servomex (UK) Limited received a letter of intent to order the analytical instrument package for the Drax Power Station desulphurisation plant worth £910,000. A firm order worth £30 000 has been received to cover the design phase.

This power station is the first in the UK to be fitted with such plant which is intended to drastically cut emissions of sulphur dioxide into the atmosphere. The order was won against tough competition from a number of companies, principally German, and was placed following technical trials. The prestige from this project is expected to be of considerable benefit to the Group in bidding for similar projects all around the world.

In November 1990, Scottish Anglo Environmental Protection Limited (SAEP) was acquired and immediately following the acquisition, the business of Servomex Gas Monitoring Division was transferred there. Key employees at SAEP were permitted to purchase shares in this combined operation leaving Servomex with 75% of the equity. The minority interest will be purchased by Servomex during 1994/1995. SAEP is an established market leader in the manufacture of gas analysers and monitors for the diving industry. Its products are principally used to supply diving system manufacturers with gas measurements necessary to monitor the levels of oxygen and carbon dioxide in life support systems.

Operating margin at 13.1% narrowed over the previous year. The principal cause of this arose from a more than doubling of systems manufactured in the UK, arising from increasing demands by customers for complete packages. In response to this, the Group has made significant investment in computer aided design and additional staff which will be of major benefit in the future. However, the learning curve associated with the bedding down of the new structure produced lower margins than previously experienced with systems design and manufacture. The full benefits of these changes are expected to be realised from the second quarter of 1991.

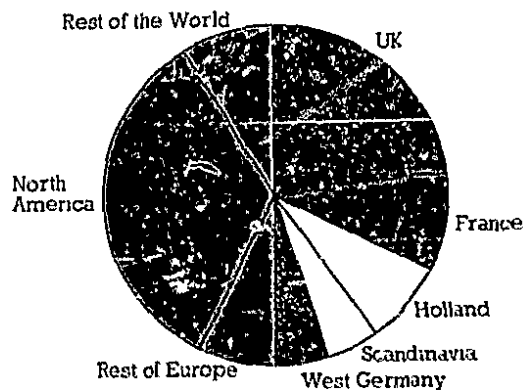
Major investment in capital equipment continued particularly in the areas of manufacturing plant, computer aided design and equipment for product development.

Training at all levels has always been a major focus for the Group. In 1990 this was further reinforced by a government grant of approximately £22,000 to improve facilities.

Prospects

One of Servomex's greatest strengths continues to be its operation in diverse geographic and applications markets. Only some 20% of the Group's business is done in the UK and a very significant portion of this is to contractors building plant for ultimate export. In the present UK business climate, the Directors expect a reduction over 1990 in orders for final UK destinations.

Geographic markets - 1990



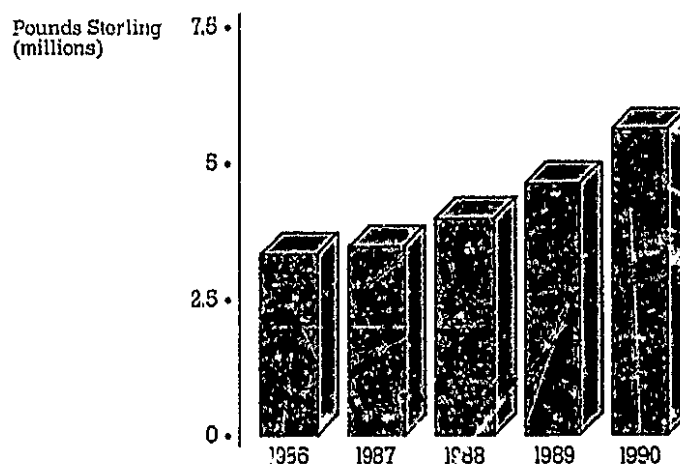
The weakness of the US dollar, despite some very recent strengthening, is expected to produce a narrowing of margins to that part of the world. US business continued to be buoyant throughout 1990. Some softness has been experienced in the early weeks of 1991 but there is a perception that the economy has 'bottomed out' and that with the Gulf War over, a better climate lies ahead.

Servomex

Chairman's Statement

Demand for the Group's products in continental Europe and the Far East continues to be strong. The Group is particularly well positioned to take advantage of opportunities in the Far East through its new subsidiary in Taiwan which is expected to yield profit in the second half of 1991.

European sales



The combination of Scottish Anglo Environmental Protection Limited and the Group's gas monitoring division brings together a critical mass of experience and product capability to serve associated markets with less sophisticated quality products. Since acquisition SAEP has enjoyed orders above expectations.

Backing these upside potentials for new business, the Directors have put in place a value analysis programme designed to lower the costs of existing products. New products with improved features and lower costs are expected to be introduced over the course of the current year.

Overall, whilst it is more difficult than usual to predict the likely outcome for the year with the turbulent world situation we all see around us, the spread of the Group's business across many applications and geographic markets reinforces the Directors' confidence in the future.

J R Burton
20 March 1991

Directors' Report

The Directors have pleasure in presenting their report and the financial statements for the year ended 31 December 1990.

Principal activity and business review

The principal activity of the Group is the design, manufacture, marketing and sale of gas analysis equipment, instrumentation and systems for distribution worldwide.

Results for the year

The Group achieved a profit before taxation of £1,939,000 (1989: £1,802,000). The retained profit for the financial year amounted to £712,000 (1989: £636,000) which was transferred to reserves. An interim dividend of £175,000 or 1.8p per share was paid in respect of the 9,721,624 ordinary shares in issue on 16 November 1990 (1989: £Nil).

The Directors are recommending the payment of an ordinary dividend of £350,000 or 3.6p per share (1989: 3.6p) in respect of the 9,721,624 ordinary shares in issue. The dividend will be payable on 10 May 1991 to shareholders on the register at close of business on 11 April 1991.

The Chairman's statement provides a review of the results for 1990 and information concerning the Company's prospects for 1991.

Research and development

The Group's products are classified by the Directors as advanced technology and as such require constant update and renewal to remain competitive.

It is the policy of the Group to devote significant funds each year towards the exploitation of new technology within the gas analysis field.

Directors

The Directors of Servomex Plc are listed below:

J R Burton	Chairman and Managing Director
R M Gordon	Financial Director and Company Secretary
R M A Kocache	Research Director
R F Kydd	Engineering Director
M P Langridge	Sales Director
P G Parnell	Marketing Director
D R Winrow	Manufacturing Director
C C Gregory	Non-executive Director
P Smitham	Non-executive Director

C C Gregory, aged 47, is Managing Director of Halls, Homes and Gardens PLC and became a Director on 22 February 1989.

P Smitham, aged 48, is a partner of Schroder Venture Advisors and became a Director on 27 May 1987.

Servomex

Directors' Report

The Directors and their families have the following interests in the ordinary share capital of Servomex Plc:

	31 December 1990		31 December 1989	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
J R Burton	799,120	42,475	799,120	49,350
R M Gordon	310,800	—	310,800	—
R M A Kocache	308,000	—	308,000	—
R F Kydd	265,300	—	265,300	—
M P Langridge	31,850	—	31,850	—
P G Parnell	282,800	—	282,800	—
D R Winrow	253,400	30,030	253,400	30,030
C C Gregory	—	—	—	—
P Smitham	—	—	—	—

There have been no changes in the above shareholdings between 31 December 1990 and 20 March 1991.

Each of the Directors has a service contract which can be terminated by the Company or by themselves on or after 27 May 1991 by giving one year's notice, or in the case of J R Burton, two years' notice.

None of the Directors had a material interest in any significant contract undertaken by the Company or its subsidiaries during the year.

Substantial shareholdings

Apart from the Directors' interests shown above, as at 20 March 1991, the Directors have been advised of the following persons holding or being beneficially interested in more than 3% of the share capital of the Company:

	Ordinary shares	%
Britannic Assurance PLC	320,000	3.3
Citifriends Nominees Limited	425,000	4.4
Dundee & London Investment Trust PLC	552,500	5.7
Framlington Group plc	1,289,500	13.3
John Carrington & Co. Limited	318,150	3.3
Manufacturers Hanover Limited	313,880	3.2
Midland Bank Trust Company Limited	478,000	4.9
Standard Life Assurance Company Limited	729,469	7.5
State Street Nominees Limited	355,646	3.7

Share options

Options in respect of a total of 262,500 shares have been granted under the Company's Executive Share Option Scheme to certain employees of the Group, including an option over 80,500 shares granted to Dr M P Langridge. The options are exercisable at 125p per share on or after 10 April 1992.

Options in respect of a total of 193,130 shares have been granted and are outstanding under the Company's Savings Related Share Option Scheme to certain employees of the Group. These options are exercisable upon the expiration of five years from the date of the grant at an exercise price of 71.4p per share.

Significant changes in tangible fixed assets

Movements in tangible fixed assets during the year are set out in note 11 to the financial statements.

Employment of disabled persons

The Group's policy and practice is to maintain a working environment which gives due regard to the needs of disabled persons. Full and fair consideration is given to applications for employment from the disabled who have appropriate skills, experience or qualifications.

Employees who have become disabled are encouraged, as far as practicable, to continue with their existing work, or are provided with such training as will enable them to take up alternative work within the Group. The training, career development and promotion of a disabled person is, as far as possible, identical to that of a person fortunate enough not to suffer from a disability.

Employee involvement

The Directors believe in the benefits derived from the creation and maintenance of strong lines of communication within the Group. By means of regular monthly briefing and open discussion sessions, employees are advised and encouraged to ask questions upon a wide range of matters. Through these meetings, the Directors seek to promote employee involvement in an understanding of the factors which impact on the well being of the Group.

Charitable contributions

Charitable contributions for the year amounted to £538 (1989, £295).

Directors and Officers insurance

The Company has taken out, as permitted under section 310(3) of the Companies Act 1985, insurance for its officers against liabilities in relation to their duties for the Group.

Close company

The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Auditors

The auditors, Price Waterhouse, have expressed their willingness to continue in office and resolutions re-appointing them and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.

Servomex

Directors' Report

Special business

The following resolutions will be proposed as special resolutions at the Annual General Meeting.

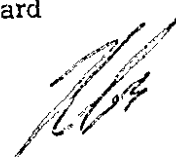
Resolutions 5 and 6

Continuing the power of the Directors to allot shares generally and shares otherwise than pro-rata to existing shareholders. This provides flexibility for any future minor acquisitions or working capital requirement.

By Order of the Board

R M Gordon
Secretary

20 March 1991



Auditors' Report

Price Waterhouse



To the members of Servomex Plc

We have audited the financial statements on pages 12 to 24 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 1990 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants

20 March 1991

Servomex

Consolidated Profit and Loss Account

for the year ended 31 December 1990

	Notes	1990 £'000	1989 £'000
Turnover	2	16,686	14,509
Cost of sales		<u>(8,825)</u>	<u>(7,446)</u>
Gross profit		7,861	7,063
Distribution costs		(3,319)	(2,956)
Administrative expenses		(1,395)	(1,246)
Research and development expenses		(952)	(794)
Other operating (expenses)/income		<u>(5)</u>	<u>69</u>
Operating profit	2/3	2,190	2,136
Other interest receivable and similar income	5	67	80
Interest payable and similar charges	6	<u>(338)</u>	<u>(414)</u>
Profit on ordinary activities before taxation		1,939	1,802
Taxation	7	<u>(700)</u>	<u>(672)</u>
Profit on ordinary activities after taxation	8	1,239	1,130
Minority interests		<u>(2)</u>	<u>—</u>
Profit for the financial year		1,237	1,130
Dividends paid and proposed	9	<u>(525)</u>	<u>(434)</u>
Profit transferred to reserves	18	<u>712</u>	<u>696</u>
Earnings per share	10	<u>12.7p</u>	<u>12.1p</u>

The annexed notes form part of these accounts.

Balance Sheet

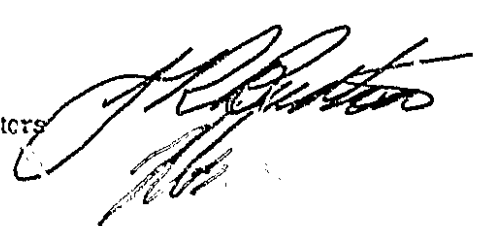
as at 31 December 1990

	Notes	Group		Company	
		1990 £'000	1989 £'000	1990 £'000	1989 £'000
Fixed assets					
Tangible assets	11	2,558	2,451	—	—
Investments	12	15	—	7,116	6,659
		<u>2,573</u>	<u>2,451</u>	<u>7,116</u>	<u>6,659</u>
Current assets					
Stocks	13	3,721	3,542	—	—
Debtors	14	4,413	3,301	4,752	4,850
Cash at bank and in hand		1,120	1,271	—	75
		<u>9,254</u>	<u>8,114</u>	<u>4,752</u>	<u>4,925</u>
Creditors: amounts falling due within one year	15	(4,420)	(2,747)	(2,410)	(1,855)
Net current assets		<u>4,834</u>	<u>5,367</u>	<u>2,342</u>	<u>3,060</u>
Total assets less current liabilities		<u>7,407</u>	<u>7,818</u>	<u>9,458</u>	<u>9,719</u>
Creditors: amounts falling due after more than one year	15	(2,452)	(3,214)	(2,469)	(3,192)
Provisions for liabilities and charges	16	(44)	(29)	4	15
Net assets		<u>4,881</u>	<u>4,575</u>	<u>6,993</u>	<u>6,546</u>
Capital and reserves					
Called up share capital	17	486	486	486	486
Share premium account	18	1,165	3,421	1,165	3,421
Profit and loss account	18	2,258	1,509	3,086	2,639
Goodwill write off reserve	18	(427)	(2,256)	—	—
Revaluation reserve	18	1,355	1,355	—	—
Non-distributable reserve	18	—	—	2,256	—
Shareholders' funds		<u>4,837</u>	<u>4,575</u>	<u>6,993</u>	<u>6,546</u>
Minority interests		<u>44</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>4,881</u>	<u>4,575</u>	<u>6,993</u>	<u>6,546</u>

J R Burton

R M Gordon

Directors



Approved by the Board of Directors on 20 March 1991. The annexed notes form part of these accounts

Servomex

Statement of Source and Application of Funds

for the year ended 31 December 1990

	1990 £'000	1989 £'000
Source of funds		
Profit on ordinary activities before taxation	1,939	1,802
Adjustment for items not involving the movement of funds:		
Depreciation	341	323
Exchange movements	(11)	(13)
Funds generated from operations	2,269	2,107
Funds from other sources		
Issue of ordinary share capital	—	2,966
Medium term loan	—	173
Disposal of tangible fixed assets	9	—
Loan notes issued	86	—
Total source of funds	2,364	5,246
Application of funds		
Repayment of medium term loan	(723)	—
Dividend paid	(525)	(217)
Purchase of tangible fixed assets	(400)	(430)
Taxation paid	(617)	(1,009)
Purchase of TIL83 Limited and Servomex Company	—	(279)
Redemption of ordinary and preference share capital	—	(1,990)
Flotation expenses	—	(440)
Purchase of Scottish Anglo Environmental Protection Limited	(457)	—
Purchase of Servomex Asia Pacific Limited	(101)	—
Total application of funds	(2,823)	(4,365)
Net (application)/source of funds	(459)	881
The net (application)/source of funds is represented by the following increase/(decrease) in working capital		
Stocks	41	624
Debtors	364	413
Creditors	(472)	(111)
Decrease in net liquid funds:		
Cash at bank and in hand	(892)	(45)
	(459)	881

The net effects of the purchase of Scottish Anglo Environmental Protection Limited and Servomex Asia Pacific Limited are analysed in note 24.

Notes to the Financial Statements

for the year ended 31 December 1990

1. Accounting policies

Basis of accounting

The Group prepares its annual financial statements under the historical cost convention, with the exception of certain freehold land and buildings, which are included at a valuation.

Basis of consolidation

The results of the Group's subsidiaries are included in the consolidated profit and loss account from the date of acquisition.

Turnover

Turnover represents the value of goods and services invoiced to customers during the year excluding all sales taxes.

Translation of foreign currencies

Transactions arising in foreign currencies are translated into sterling at the approximate rates of exchange ruling at the time they arise. Exchange gains and losses are credited or charged to the profit and loss account. Assets and liabilities denominated in foreign currencies are translated into sterling at rates ruling at the balance sheet date.

The profit and losses of foreign branches and subsidiaries are translated into sterling at the average rates prevailing during the year. Where foreign currency assets and liabilities are covered by forward contracts they are translated at the appropriate forward rate.

Differences arising from the retranslation of opening net assets of subsidiaries are dealt with through reserves.

Depreciation

Depreciation is calculated to write off the cost of fixed assets in equal annual instalments over their estimated useful lives as follows:

Freehold property	50 years
Leasehold property	5 to 50 years
Plant and machinery	4 to 16 years
Motor vehicles	4 to 5 years

Goodwill

Goodwill is calculated by reference to the surplus of the costs of acquiring the Company's subsidiaries over the fair values of the net assets acquired. Goodwill is written off as it arises to a separate reserve designated for that purpose.

Finance leases

Where fixed assets are financed by leasing agreements that give rights approximately equivalent to ownership (finance leases) the assets are treated as if they have been purchased outright. The corresponding lease commitments are treated as obligations to the lessor. Leasing payments are treated as consisting of capital and interest elements with the interest charged against revenue. Assets held under finance leases are depreciated over the estimated useful life of the asset or the lease period, whichever is the lower.

All other leases are operating leases, the annual rentals of which are charged to the profit and loss account on a straight line basis over the term of the lease.

Fixed asset investments

Fixed asset investments are stated at cost, but are written down to realisable value if, in the opinion of the Directors, there has been a permanent diminution.

Stocks

Stocks are recorded at the lower of cost (including an appropriate proportion of overheads) and net realisable value.

Cost is calculated on a first in first out basis and represents the expenditure incurred in the normal course of business in bringing the stocks to their present location and condition.

Deferred taxation

Deferred taxation is provided only to the extent that it is considered probable that a liability will crystallise in the foreseeable future.

Servomex

Notes to the Financial Statements

1. Accounting policies continued

Research and development

All research and development expenditure is written off in the period in which it is incurred

Research grants

Research grants receivable from the UK government under approved research projects are credited to the profit and loss account in the period that the grants are confirmed.

Pension cost

Regular pension costs are charged to the profit and loss account in a manner which provides a substantially level percentage of current and expected future pensionable payroll. Any variations from regular cost are charged or credited to the profit and loss account over the average expected remaining service life of employees.

2. Turnover and operating profit

In the opinion of the Directors the Group operates in one class of business.

Analysis of turnover by geographical markets supplied is as follows:

	1990 £'000	1989 £'000
United Kingdom	3,862	2,925
Continental Europe	5,659	4,638
North America	5,726	5,486
Rest of the World	1,439	1,461
	<u>16,686</u>	<u>14,510</u>

The Group's operating profit/(loss) is generated by subsidiaries in the following geographical locations:

	1990 £'000	1989 £'000
United Kingdom	1,324	1,312
Continental Europe	284	289
North America	612	498
Rest of the World	(30)	-
	<u>2,190</u>	<u>2,100</u>

3. Operating profit

	1990 £'000	1989 £'000
Is arrived at after charging:		
Depreciation of owned assets	314	236
Depreciation of assets held under finance leases	27	31
Auditors' remuneration	51	-
Operating lease rentals in respect of plant and machinery	225	208
Other operating lease rentals	210	223
Finance lease charges	7	9

4. Directors and employees

The average weekly number of persons employed by the Group during the year was:

	1990 Number	1989 Number
Manufacturing and production	224	215
Research and development	36	35
Selling and administration	101	97
	<u>361</u>	<u>347</u>

Staff costs:

	1990 £'000	1989 £'000
Wages and salaries	5,212	4,616
Social security costs	470	410
Other pension costs	188	200
	<u>5,870</u>	<u>5,226</u>

Directors received the following remuneration:

	1990 £	1989 £
Directors' emoluments (including pension contributions)	<u>361,070</u>	<u>342,806</u>
Emoluments of Chairman and highest paid Director (excluding pension contributions)	<u>67,792</u>	<u>62,223</u>

Number of other Directors whose emoluments (excluding pension contributions) are within the following ranges:

	1990 Number	1989 Number
Nil	—	1
£ 5,000	2	2
£35,001	—	1
£10,001	6	4

5. Interest receivable

Interest receivable represents income in respect of short term deposits

6. Interest payable

	1990 £'000	1989 £'000
Interest on bank overdrafts and other loans	51	12
Interest on medium term loan	287	400
	<u>338</u>	<u>414</u>
Interest is payable in respect of		
Borrowings wholly repayable within 5 years	<u>338</u>	<u>414</u>
	<u>338</u>	<u>414</u>

Servomex

Notes to the Financial Statements

7. Taxation

	1990 £'000	1989 £'000
Based on the results for the year:		
UK corporation tax at 35%	340	394
Overseas taxation	345	307
	685	701
Deferred taxation charge/(credit)	15	(29)
	700	672

8. Profit for the year

As permitted by Section 230(1)-(4) of the Companies Act 1985 the profit and loss account of Servomex Plc is not presented as part of these accounts. The profit after taxation for the year attributable to Servomex Plc dealt with in the accounts of the Company is £732,000 (1989: £2,263,000)

9. Dividends paid and proposed

	1990 £'000	1989 £'000
In respect of 3,304,594 redeemable cumulative preference shares of 1p:		
Paid at 800%	—	24
In respect of 9,721,624 ordinary shares of 5p:		
Interim dividend paid at 1.8p per share	175	
Proposed final dividend at 3.6p per share	350	350
	525	350

10. Earnings per share

Earnings per share have been calculated on profit after taxation and minority interests and, in 1989 after deducting the dividend on the redeemable cumulative preference shares which were not converted into ordinary shares under the reorganisation prior to flotation divided by the weighted average of ordinary shares deemed to be in issue.

	1990	1989
Earnings (£'000)	1,237	1,320
Number of shares of 5p each	9,721,624	3,920,721

11. Tangible fixed assets

Cost or valuation	Freehold property £'000	Short leasehold property £'000	Plant and machinery £'000	Total £'000
At 1 January 1990	1,599	127	2,674	4,400
Additions	5	2	393	400
Added through acquisition	—	14	97	111
Disposals	—	—	(19)	(19)
Exchange adjustments	—	—	(26)	(26)
At 31 December 1990	<u>1,604</u>	<u>143</u>	<u>3,119</u>	<u>4,866</u>
Depreciation				
At 1 January 1990	10	26	1,913	1,949
Charge for the year	10	8	323	341
Added through acquisition	—	2	40	42
Disposals	—	—	(10)	(10)
Exchange adjustments	—	—	(14)	(14)
At 31 December 1990	<u>20</u>	<u>36</u>	<u>2,252</u>	<u>2,308</u>
Net book amount				
At 31 December 1990	<u>1,584</u>	<u>107</u>	<u>867</u>	<u>2,558</u>
At 31 December 1989	<u>1,589</u>	<u>101</u>	<u>761</u>	<u>2,451</u>

Certain freehold land and buildings were independently valued at 31 December 1988 at £1 585,000. The historical cost net book value of the revalued assets at 31 December 1990 was £227,000 (1989: £229,000). The Directors have been advised that the market value of land that has been included in the balance sheet at cost of £14,000 is considerably in excess of the net book amount.

Included in plant and machinery are assets held under finance leases with a cost of £116,317 (1989: £116,317) and a net book value of £21,849 (1989: £49,034).

12. Investments

	Group Other participating interests £'000	Company Shares in related undertakings £'000
At 1 January 1990	—	6,659
Additions:		
Scottish Anglo Environmental Protection Limited	—	457
CODE International Limited	<u>15</u>	—
At 31 December 1990	<u>15</u>	<u>7,116</u>

Servomex

Notes to the Financial Statements

12. Investments continued

The Group's subsidiaries and related undertakings are listed below:

Wholly owned:

Servomex (UK) Limited
 Servomex SARL
 Servomex BV
 Servomex Company
 Servomex Overseas Limited
 TIL83 Limited

Incorporated and operating in

England
 France
 Netherlands
 United States of America
 England
 England

Partly owned:

Servomex Asia Pacific Limited
 Scottish Anglo Environmental Protection Limited

% Equity held

91%
 75%

Incorporated and operating in

Taiwan
 England

The Group has a 19½% participating interest in CODE International Limited which is treated as a trade investment in these accounts.

13. Stocks

	Group		Company	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
Raw materials and consumables	745	677	—	—
Work in progress	2,565	2,505	—	—
Finished goods	411	207	—	—
	<u>3,721</u>	<u>3,389</u>	<u>—</u>	<u>—</u>

In the opinion of the Directors the replacement cost of the Group's stocks does not differ significantly from the amount at which they are stated in the balance sheet.

14. Debtors

	Group		Company	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
Trade debtors	3,850	—	—	—
Other debtors	240	—	59	—
Prepayments	258	—	2	—
Taxation recoverable	65	—	34	—
Amounts owed by Group undertakings	—	—	4,657	1,000
	<u>4,413</u>	<u>—</u>	<u>4,752</u>	<u>1,000</u>

Both the Group's and the Company's debtors are recoverable within one year

15. Creditors

	Group		Company	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
Amounts falling due within one year:				
Amounts owed to Group undertakings	—	—	802	814
Bank loans, overdrafts and loan notes	1,300	429	1,095	429
Obligations under finance leases	36	29	—	—
Trade creditors	1,142	618	68	112
Dividends payable	350	350	350	350
Corporation tax	674	552	—	11
Taxation and social security	133	105	—	—
Other creditors	377	460	27	65
Accruals and deferred income	353	204	33	84
Deferred acquisition consideration	55	—	35	—
	<u>4,420</u>	<u>2,747</u>	<u>2,410</u>	<u>1,865</u>
Amounts falling due after more than one year:				
Obligations under finance leases				
Due within 5 years	13	22	—	—
Payments under medium term loan				
Due in 2-5 years	<u>2,469</u>	<u>3,192</u>	<u>2,469</u>	<u>3,192</u>
	<u>2,482</u>	<u>3,214</u>	<u>2,469</u>	<u>3,192</u>

The medium term loan is secured by a fixed and floating charge over the assets and undertakings of the Company's subsidiaries

16. Provisions for liabilities and charges

Provisions for liabilities and charges comprise deferred taxation.

	Group		Company	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
Deferred taxation:				
At 1 January 1990	29	58	(19)	—
Profit and loss account	15	(29)	15	(19)
At 31 December 1990	<u>44</u>	<u>29</u>	<u>(4)</u>	<u>(19)</u>
Deferred taxation comprises:				
Accelerated capital allowances	52	71	—	—
Other timing differences	(8)	(42)	(4)	(19)
	<u>44</u>	<u>29</u>	<u>(4)</u>	<u>(19)</u>

The full potential amount of deferred taxation has been provided except that no provision has been made for corporation tax on any capital gains that might arise on the sale by the Group of its revalued land and buildings, as there is no present intention of disposal.

Servomex

Notes to the Financial Statements

17. Called up share capital

The Company's share capital as at 31 December was as follows:

	1990 Number	1990 £'000	1989 Number	1989 £'000
Authorised:				
Ordinary shares of 5p each	13,000,000	650	13,000,000	650
Issued and fully paid:				
Ordinary shares of 5p each	9,721,624	486	9,721,624	486

18. Reserves

Group	Share premium account £'000	Profit and loss account £'000	Goodwill write-off reserve £'000	Revalu- ation reserve £'000	Non- distributable reserve £'000
Balance at 1 January 1990	3,421	1,569	(2,256)	1,355	—
Retained profit	—	712	—	—	—
Conversion to non-distributable reserve	(2,256)	—	—	—	2,256
Goodwill write off	—	—	2,256	—	(2,256)
Goodwill arising on acquisitions	—	—	(427)	—	—
Exchange movements	—	(23)	—	—	—
Balance at 31 December 1990	1,165	2,258	(427)	1,355	—

During the year the Group obtained sanction from the Court under Section 135 of the Companies Act 1985 to reduce the share premium account and to create a non-distributable reserve. The balance brought forward on the goodwill write-off reserve has been offset against this non-distributable reserve.

Company

	Share premium account £'000	Profit and loss account £'000	Non- distributable reserve £'000
Balance at 1 January 1990	3,421	2,639	—
Conversion to non-distributable reserve	(2,256)	—	2,256
Retained profit	—	207	—
Exchange movements	—	240	—
Balance at 31 December 1990	1,165	3,086	2,256

19. Capital commitments

	1990 £'000	1989 £'000
Capital expenditure authorised and not contracted for	64	235

20. Commitments under operating leases

At 31 December 1990 the Group had the following annual commitments under non-cancellable operating leases:

	Land and buildings		Other	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
Expiring within one year	39		27	45
Expiring between one and five years	33	77	155	134
Expiring after five years	130	125	—	—
	<u>202</u>	<u>202</u>	<u>182</u>	<u>179</u>

22. Contingent liabilities

At 31 December 1990 the Group had contingent liabilities in respect of guarantees to third parties amounting to £82,595 (1989: £80,183).

23. Pension costs

The Group has contributory and non-contributory pension schemes providing retirement benefits for the majority of employees and Directors. The main scheme, which covers 80% of scheme members, is of the defined benefit type, the benefits being based on years of service and employees' final remuneration. The assets of this scheme are held in a separate administered fund.

The total pension cost for the Group was £188,000 (1989: £200,000), and included a credit of £71,000 (1989: £33,000) for variations from regular pension costs in respect of the amortisation of a surplus arising on the main UK scheme.

At 31 December 1990, debtors included a prepayment of £104,000 (1989: £33,000) and creditors falling due within one year included a provision in respect of the main UK scheme of £21,000 (1989: £81,000).

United Kingdom scheme

In the UK, approximately 190 employees are members of The Servomex Pension and Assurance Scheme ("the Scheme"), a funded, defined benefit scheme which was formed in 1959.

The contributions to the Scheme are determined by a qualified actuary on the basis of internal valuations. The most recent, formal review of the Scheme was at 1 January 1990 and was performed using the Projected Unit Method. The assumptions which had the most significant effect on the results of the review are set out below.

Rate of return on investments	8.5% p.a.
Rate of pensionable salary increases	7.0% p.a.
Rate of dividend growth for equities	4.0% p.a.

Servomex

Notes to the Financial Statements

23. Pensions continued

The review showed that the market value of the Scheme's assets was £3,705,000 and that the actuarial value of these assets represented 139% of the benefits that had accrued to members to 1 January 1990, after allowing for expected future increases in earnings.

The Company is currently contributing to the Scheme at the rate of 7.9% of Pensionable Salaries with employees contributing at 5%. In accordance with actuarial advice and UK Standard Accounting Practice 24 the variation in respect of the experienced surplus is being spread forward over 16 years, the average remaining service lives of the members.

Overseas schemes

Certain retirement benefit costs relating to overseas schemes, where the charge to profit and loss has been determined in accordance with best local practice using an accounting policy different to that of the Group, have been included in the accounts of the Group unadjusted. The effect of not adjusting these costs is immaterial.

24. Source and application of funds

The net effect of the purchase of Scottish Anglo Environmental Protection Limited and Servomex Asia Pacific Limited is as follows:

Scottish Anglo Environmental Protection Limited

Net assets acquired		Discharged by	
Fixed assets	54	Cash	336
Stocks	138	Loan notes	86
Debtors	159	Deferred consideration	35
Investment	15		
Creditors	(190)		
Taxation	11		
Bank overdraft	(20)		
Goodwill	332		
Minority interests	(42)		
	<u>457</u>		<u>457</u>

Servomex Asia Pacific Limited

Net assets acquired		Discharged by	
Fixed assets	15	Cash	81
Creditors	(9)	Deferred consideration	20
Goodwill	95		
	<u>101</u>		<u>101</u>

Servomex

Five Year Review

	1990 £'000	1989 £'000	1988 £'000	1987 £'000	1986 £'000
Turnover	16,688	14,508	12,220	10,135	9,425
Operating profit	2,190	2,136	1,931	1,295	1,204
Profit before taxation	1,939	1,802	1,617	1,464	1,378
Taxation	700	672	584	514	514
Profit after taxation	1,239	1,130	1,033	950	864
Minority interests	2	--	--	--	--
Profit after minority interests	1,237	1,130	1,033	950	864
Dividends	525	434	232	118	--
Increase in reserves	712	696	801	832	864
Earnings per share – pre buy out	—				13 6p
— post buy out	12.7p	12.1p	12.2p	12.7p	

Servomex

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at Buxted Park Hotel, Buxted, Uckfield, East Sussex on Thursday, 2 May 1991 at 12.30 p.m. for the purposes of considering and, if thought fit, passing the following resolutions of which resolutions 1, 2, 3, 4 and 5 will be proposed as ordinary resolutions and resolution 6 as a special resolution:

Ordinary business

- 1 To receive and adopt the Accounts and Report of the Directors and Auditors for the year ended 31 December 1990.
- 2 To declare a final dividend, 3.6p per share.
- 3 To re-appoint Price Waterhouse as Auditors and to authorise the Directors to fix their remuneration.
- 4 To re-elect Mr C C Gregory as a Director who retires by rotation but being eligible will be proposed for re-election.

Special business

- 5 That the Directors be and are hereby generally and unconditionally authorised to exercise all or any of the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Companies Act 1985 ("the Act")) of the Company up to an aggregate nominal amount of £163,919 (34% of issued share capital of the Company) for a period expiring on the conclusion of the Annual General Meeting of the Company held in 1992 (unless previously renewed, varied or revoked by the Company in General Meeting) save that the Company may prior to such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired.
- 6 That subject to the passing of resolution 5 the Directors be and are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94(2) of the Act) of the Company pursuant to the authority conferred by resolution 5 as if Section 89(1) of the Act did not apply to such allotment provided that this power:
 - (A) shall expire on the conclusion of the Annual General Meeting of the Company held in 1992 save that the Company may prior to such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired, and

(B) shall be limited to:

- (a) any allotments of equity securities in connection with a rights issue to holders of equity securities in proportion (as nearly as may be) to their then holdings subject only to the Directors having a right to make such arrangements in connection with such rights issue as they deem necessary or expedient:
 - (i) to deal with equity securities representing fractional entitlements, and
 - (ii) to deal with equity securities which the Directors consider it necessary or expedient to exclude from the offer on account of either legal problems under the laws of any territory or the requirements of any recognised regulatory body or any other Stock Exchange, and
- (b) any other allotments of equity securities for cash up to a maximum nominal amount of £24,300 (5% of issued share capital of the Company).

By Order of the Board

R M Gordon
Secretary

5 April 1991

Registered office:
Crowborough Hill
Jarvis Brook
Crowborough
East Sussex TN6 3DU

Notes

- 1 A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf and such proxy or proxies need not be a member or members of the Company. A proxy form is included with this document which if required should be completed and returned in accordance with instructions set out therein.
- 2 There will be available for inspection at the registered office of the Company during normal business hours from the date of this notice until the date of the Annual General Meeting and for at least fifteen minutes prior to and during the meeting:
 - (a) The register of Directors' interests kept by the Company in accordance with Section 325 of the Companies Act 1985
 - (b) Copies of the Directors' contracts of service with the Company