

## **NOTICE OF ILLEGIBLE PAGES**

**Companies House regrets that documents in this company's record have pages which are illegible.**

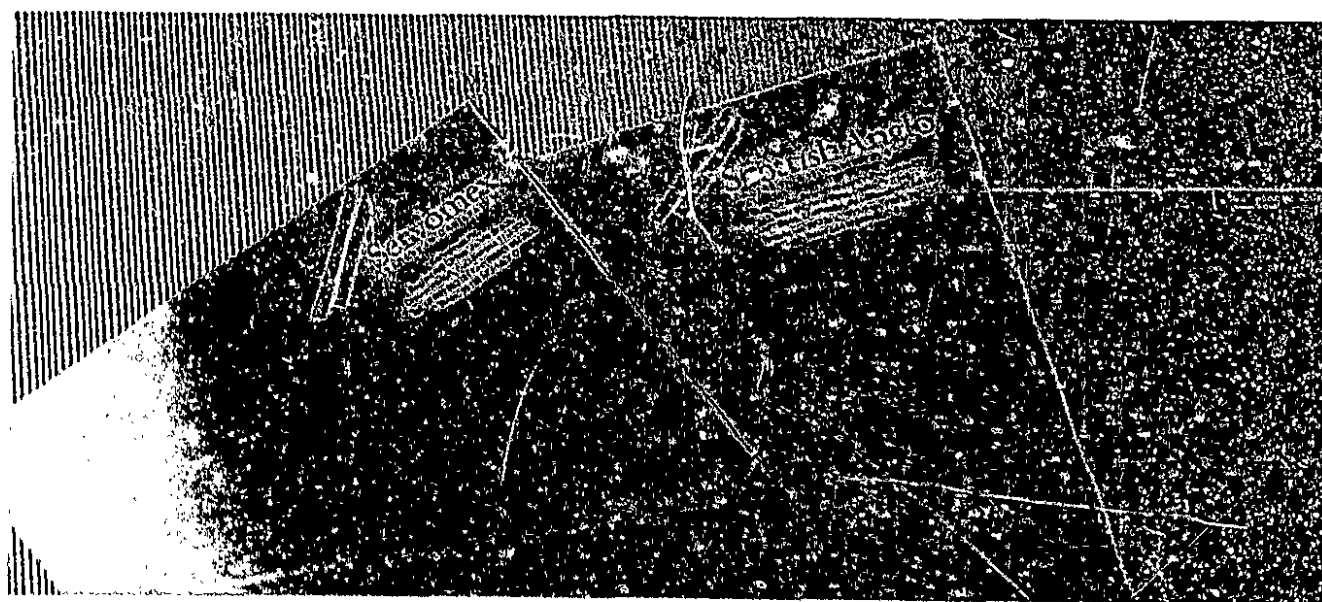
**The poor quality has been noted, but unfortunately steps taken to improve them were unsuccessful.**

**Companies House would like to apologise for any inconvenience this may cause**



1938746

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## COMPANY INFORMATION

### Directors and Senior Executives

**Directors**

**\*John Burton, C.Eng. M.Eng. MSc** Chairman  
 (MSc) MPhil

**Roger Harrop, BSc (Hons) C.Eng. F.Eng. F.IMECH** Chief Executive  
 (MSc) FRS

**Bob Gordon, FCA** Finance

**\*Clive Gregory, FCA** Group Finance Director Pentaplc

**Riad Kocacho, BSc (Hons) MSc PhD C.Eng. C.Eng. F.Eng. F.IMECH FRC** Business Development and Research

**Bob Kydd, BSc (Hons) F.Eng. M.Eng. MSc** Engineering

**Peter Parnell, BSc (Hons)** UK Division

**Dave Willett, AAS BS** USA

**David Winrow, MPhil MPM** Manufacturing Division

### Senior Executives

**Alan Harbottle** General Manager  
 South of Asia  
 Environmental Protection Ltd

**Claude Jossien** General Manager  
 Servomex S.A.R.L.

**Auke Rentenaar** General Manager  
 Servomex B.V.

**Robert Wang** General Manager  
 Servomex Asia  
 Pacific Limited

\*Director in Executive

**Secretary** Robert Malcolm Gordon FCA

**Registered Office** Chichester  
 Jarvis Brook  
 Chichester  
 East Sussex TN30 3DU

**Registered Number** 1938748

**Stockbrokers** Natwest Wood McKenzie & Co Limited  
 135 Bishopsgate  
 London EC2M 3AT

**Auditors** Price Waterhouse  
 Chartered Accountants  
 Southwark Towers  
 32 London Bridge Street  
 London SE1 9SY

**Solicitors** Baker & McKenzie  
 100 New Bridge Street  
 London EC4A 3JA

**Principal Bankers** Barclays Bank PLC  
 Turnbridge Wells Business Centre  
 75 Calverley Road  
 Turnbridge Wells  
 Kent TN1 2DZ

**Registrars** Lloyd's Bank PLC  
 Registrar's Department The Causeway  
 Worthing West Sussex BN19 6DA

## GROUP OPERATING UNITS

**Servomex plc** Jarvis Brook Chichester  
 UK Division East Sussex TN30 3DU England  
 Manufacturing Tel: (0892) 662181  
 Division Fax: (0892) 662263

**Servomex** 90 Kerry Road, Norwood  
 Company Inc. MA 02062 USA  
 Tel: (617) 762-7790  
 Fax: (617) 762-7834

**Servomex S.A.R.L.** 8 Rue de la Station B.P. 50  
 93212 - Paris Saint Denis  
 Paris, France  
 Tel: (1) 48 20 8322  
 Fax: (1) 48 20 6358

**Servomex B.V.** Postbus 406 2700 AH Zoetermeer  
 Steunensstraat 20 2710  
 PH Zoetermeer Holland  
 Tel: 079 43 11 41  
 Fax: 079 436610

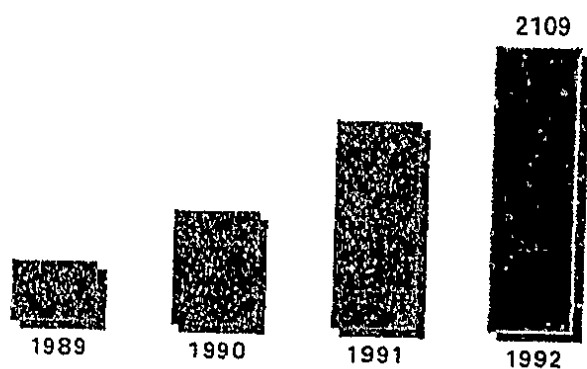
**Servomex Asia** 502, No. 88  
 Pacific Ltd 105, 106, 107 Road  
 Taipei, Taiwan ROC  
 Tel: (02) 2782236-2782376  
 Fax: (02) 2782234

**Scottish Anglo** Tees, Tyne & Wear  
 Environmental Modeston  
 Protection Ltd Cleveland TS6 6LJ  
 Tel: (0642) 451771  
 Fax: (0642) 456782

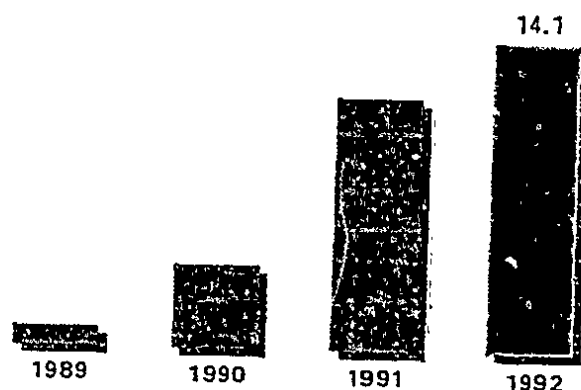
# FINANCIAL HIGHLIGHTS

£'000	1991	1992	
Profit pre-tax		2109	up 2.5%
Sales		19725	up 7.8%
Earnings per share (pence)		14.1	up 2.2%
Dividend per share (pence)		5.9	up 3.5%
Gearing		23%	Down 28%
Interest cover		17x	

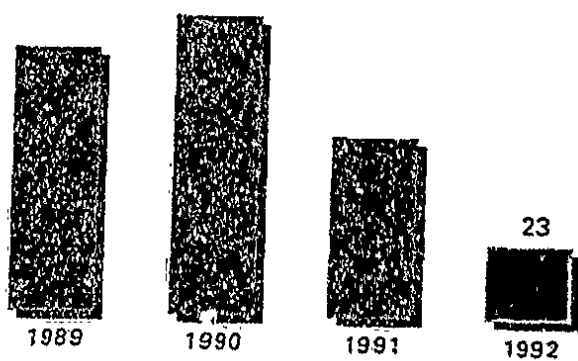
Profit Pre-tax (£'000)



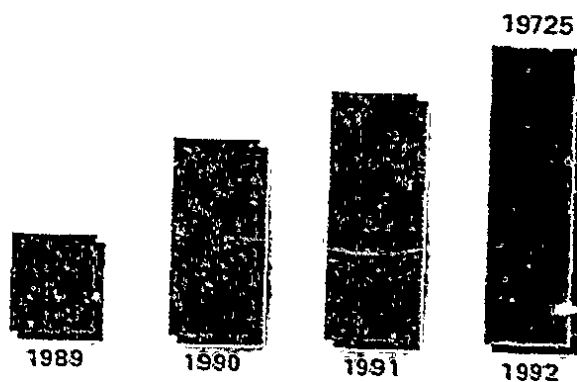
Earnings Per Share (pence)



Gearing (%)



Sales (£'000)



## FIVE YEAR REVIEW

	1992 £'000	1991 £'000	1990 £'000	1989 £'000	1988 £'000
Turnover	19,725	18,249	16,680	14,717	12,370
Operating Profit	2,289	2,272	2,224	2,106	1,857
Profit before taxation	2,109	2,075	1,989	1,802	1,617
Taxation	(784)	(715)	(780)	(672)	(521)
Profit after taxation	1,375	1,340	1,209	1,130	1,096
Minority interests	9	11	12	13	12
Profit after minority interests	1,384	1,389	1,237	1,130	1,096
Dividends	(584)	(531)	(525)	(414)	(361)
Increase in reserves	800	855	712	680	620
Earnings per share	14.1p	13.5p	12.7p	12.1p	12.2p

## STATISTICAL INFORMATION

### Business Ratios:

Debtor days outstanding

Inventory days held

Sales per employee

R&D to sales

### Exchange Rates:

US Dollar

- Translation average

- Hedge Contract Rate

French Franc

- Translation average

Dutch Guilder

- Translation average

Taiwan Dollar

- Translation average

1992

58 days

103 days

£59.9k

5.4%

1991

60 days

121 days

£45.7k

5.4%

1.76

1.65

9.41

3.08

41.59

1.77

1.53

10.01

3.31

45.07

## CHAIRMAN'S STATEMENT

Against a background of continuing general industrial recession in the major economies throughout 1992 I am pleased to be reporting increases in both turnover and earnings

Sales at £19.7m rose by 8% over 1991 with strong growth in our UK, US and Asia Pacific markets. Continental European markets remained depressed during the year with both France and Holland particularly affected.

New product introductions, and our focus on environmental legislation driven markets, have significantly helped in achieving the overall improvement.

Gross margin improved to 47.5% during the year (1991: 46.3%) as a result of continuing efforts to lower manufacturing costs, and more favourable exchange rates, particularly in relation to the US Dollar. The income generated has largely offset the increase in operating overheads arising from the enhanced programmes of investment in sales, marketing and product development now in progress. Operating overheads have also borne the costs of certain headcount reductions which became necessary during the year.

Profits before taxation at £2,109k improved over the 1991 level by 2.5%. This was due to the significantly reduced interest burden down from £314k in 1991 to £130k in 1992. This arose as a result of our continuing positive cashflow performance and from the very low rate of interest now applicable to our US Dollar based borrowing.

The combination of earnings growth and the high priority placed on working capital reduction drove our gearing level down from an opening position of 32% to 17% in early December. Whilst the replacement of our computer facility in the UK in December caused the year end gearing level to increase to 23%, the overall trend is expected to continue downwards.

Earnings per share at 14.1p improved by 2.2% over 1991. As a result of the performance in the year the Board is recommending the payment of a final net dividend of 4.0p per share which, together with the net interim dividend of 1.9p per share, represents a total net dividend for the year of 5.9p per share (1991: 5.7p). £800,000 is being retained in the business for further growth.

### Prospects

Despite some reports to the contrary an upturn in overall economic conditions has yet to materialise in our major markets and the year has started slowly.

Nevertheless we do expect to see further incremental business for continuous emission monitoring equipment particularly in the US.

This may however not materialise sufficiently early for us to ship in the first half due to hesitations in the release of CEM projects whilst they await the new US governments' intentions on 'green' tax credits.

New product introductions together with the developmental programmes initiated by our new Chief Executive, Roger Harrop, to enhance the Servomex image, product quality, customer service and overall operating efficiency are also expected to begin to take beneficial effect in 1993.

Overall we are confident in the long term growth potential for Servomex and in its ability to achieve that potential.

### Cadbury Committee Recommendations

Much public attention has been given to corporate governance. Accordingly we felt it appropriate to include in this report a statement of compliance with the Committee's recommendations. This follows as an appendix to my report.

### Profit Sharing Share Scheme/Alterations to existing Share Schemes

The Board is particularly pleased to be recommending for your approval a new share based profit sharing scheme and amendments to the existing share option schemes, for the benefit of employees.

Further details are given on page 31 of the Annual Report.

Copies of the rules for the new scheme as well as copies of the revised rules for the share option schemes will be available for inspection prior to the AGM.

It is felt appropriate to bring the rules of the existing scheme up to date to reflect changes in legislation since their introduction. It is proposed that the savings-related scheme be changed to increase the maximum amount of savings to £250 per month and relax the provisions for exercise where employees cease to be employed at Servomex (through illness, redundancy or death). It is also proposed to take advantage of the opportunity to offer a discount of 20% to

employees participating in this scheme. It is further proposed to alter the executive scheme to enable a 15% discount to be given from the open market price when granting performance-related share options to senior executives.

When the rules were originally approved by shareholders a limit of 10% of the then share capital was imposed on all schemes. Upon the introduction of the proposed new profit sharing scheme we thought it appropriate to review that limit. Although the 10% overall limit is not to be changed, we are seeking your approval to update the figures referred to in each scheme, such that 10% of the Company's present share capital will be the figure governing new shares to be issued to the schemes.

The proposals for which your approval is sought are within the current guidelines of the Association of British Insurers.

The enhanced share option schemes together with the new profit sharing scheme will, we believe enable us further to develop the link between our shareholders and employees through performance related awards.

### Board Changes

Following my retirement as Managing Director in June last year and the successful integration of Roger Harrop as my replacement I have decided that the time has now come for me to finally relinquish the reins over the Group, and I shall be standing down at the conclusion of the AGM. This will enable me to more fully exploit my retirement and to make way for a new Chairman who, by bringing in fresh perspectives, will further complement the management team.

The 12 years that I have spent at Servomex have been the most satisfying of my career. There have been many changes and much progress has been made. I wish to take this opportunity to thank the Board and all staff for their support throughout this period. I am confident that, under the new Chairman and Chief Executive, the advance will continue.

The Board, having interviewed a number of candidates has elected Mr Terence Clements to the position of non-executive Chairman and are recommending his confirmation as a Director at the AGM.

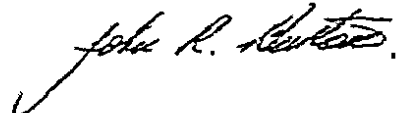
Mr Clements B Eng, C Eng, M I Mech E, was formerly executive Chairman of Landis & Gyr Communications Limited and non-executive Chairman of Lake Electronics and of Peregrine Expert Systems Limited. He remains a non-executive Director of Landis & Gyr (UK) Limited.

Dave Willett, President of our US Company has joined the Board to provide valuable input from a market sector which accounts for over one third of Group turnover.

Dr Sam Langridge having expressed his wish to live and work overseas has decided to stand down from the Board.

### Staff

The success of Servomex depends upon the collective professionalism, experience and effort of the whole team. On behalf of the Board I wish to record their thanks to all staff for the dedication which has produced another good year for the Group.



J R BURTON  
Chairman  
29th March 1993



Ken Thomas receiving the 1992  
Endeavour Award from Roger  
Harrop, Chief Executive

## THE CODE OF BEST PRACTICE

	YES	UNDER REVIEW
<b>1 The Board of Directors</b>		
1.1 The board should meet regularly, retain full and effective control over the company and monitor the executive management	✓	
1.2 There should be a clearly accepted division of responsibility at the head of a company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision. Where the chairman is also the chief executive, it is essential that there should be a strong and independent element on the board, with a recognised senior member	✓	
1.3 The board should include non-executive directors of sufficient calibre and number for their views to carry significant weight in the board's decision (See Footnote 1)		✓
1.4 The board should have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the company is firmly in its hands	✓	
1.5 There should be an agreed procedure for directors in the furtherance of their duties to take independent professional advice if necessary, at the company's expense	✓	
1.6 All directors should have access to the advice and services of the company secretary, who is responsible to the board for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Any question of the removal of the company secretary should be a matter for the board as a whole	✓	
<b>2 Non-Executive Directors</b>		
2.1 Non-executive directors should bring an independent judgement to bear on issues of strategy, performance, resources, including key appointments and standards of conduct	✓	
2.2 The majority should be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement apart from their fees and shareholding. Their fees should reflect the time which they commit to the company	✓	
2.3 Non-executive directors should be appointed for specified terms and reappointment should not be automatic		✓
2.4 Non-executive directors should be selected through a formal process and both their process and their appointment should be a matter for the board as a whole	✓	

## THE CODE OF BEST PRACTICE

	YES	UNDER REVIEW
<b>3 Executive Directors</b>		
3 Directors' service contracts should not exceed three years without shareholders' approval (See Footnote 2)		✓
3.2 There should be full and clear disclosure of directors' total emoluments and those of the chairman and highest paid UK director, including pension contributions and stock options. Separate figures should be given for salary and performance-related elements and the basis on which performance is measured should be explained.	✓	
3.3 Executive directors' pay should be subject to the recommendations of a remuneration committee made up wholly or mainly of non-executive directors.	✓	
<b>4 Reporting and Controls</b>		
4.1 It is the board's duty to present a balanced and understandable assessment of the company's position.	✓	
4.2 The board should ensure that an objective and professional relationship is maintained with the auditors.	✓	
4.3 The board should establish an audit committee of at least 3 non-executive directors with written terms of reference which deal clearly with its authority and duties.		✓
4.4 The directors should explain their responsibility for preparing the accounts next to a statement by the auditors about their reporting responsibilities.		✓
4.5 The directors should report on the effectiveness of the company's system of internal control (See Footnote 3)		✓
4.6 The directors should report that the business is a going concern, with the supporting assumptions or qualifications as necessary.		✓
<b>Footnotes</b>		
1 With the appointment of T. A. Clements as a non-executive director we believe we will be in full compliance.		
2 Each of the executive Directors has a service contract which can be terminated by giving one year's notice.		
3 We are advised that a standard for compliance with this clause certifiable by our Auditors has yet to be adopted.		

## REVIEW OF OPERATIONS

1992 was a difficult year for trading in almost all markets and the consequent need for tight control on expenditure was paramount. Bearing in mind the highly unpredictable nature of our markets throughout the year we believe our results bear testament to the resilience, flexibility and single mindedness of purpose of the Company.

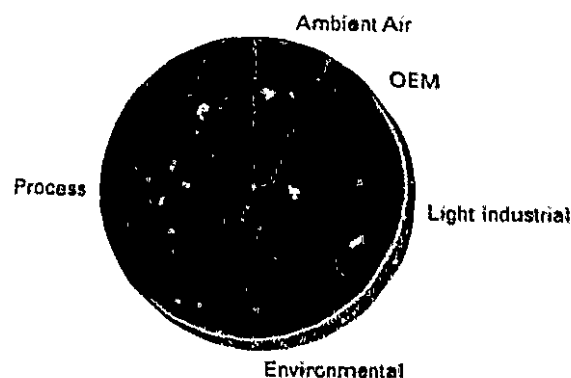
Important new products were launched in the year all of which gained rapid acceptance in the market place. At the same time we further developed and refined our paramagnetic oxygen transducers to ensure that we retain our world dominance in this sector.

The opportunity was taken in the second quarter of the year to review and redefine the Company's strategies and a clear mission statement and objectives were set out. We have set ourselves the overriding objective of aspiring to be world class in all aspects of our business.

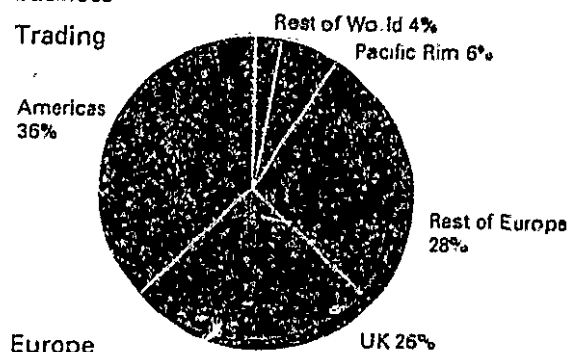
This necessarily dictates that we must be market driven in all that we do and consistent with that the various change and development programmes we now have in place throughout the Group come under the umbrella of our overall "Customer Delight" programme. We no longer believe it is adequate to aspire to merely satisfying our customers - we intend to exceed their expectations in every respect.

Organisational changes were introduced, designed to bring more focus to our geographical trading activities and to our central functions of marketing, research, business and product development. We now believe that with these focused and flattened structures in place we are well poised to quickly identify and exploit market opportunities whenever and wherever they arise.

Business development strategies are targeted towards achieving balanced portfolios across our three key geographic sectors, America, Europe and Pacific Rim and our five key market sectors, Process, Environmental, Light Industrial, OEM and Ambient Air.



We have further enhanced our reporting mechanisms and now have in place a robust financial reporting and profit plan regime throughout the Group. This provides at the local level additional information to assist in the management of the operating units whilst ensuring at corporate level we have appropriate and early information on the health of the business.



It has been a most difficult year in almost all territories with particularly depressed markets in Holland, Italy and France. The launch of our new 2500 series Infrared process analyser family however served to offset the effects of the recession and good sales and significant activity was seen in the environmental sector where new legislation coming into force throughout Europe is fuelling demand.

Trading activities for the UK, Scandinavia, Eastern Europe and Africa now fall under the aegis of our new UK Division charged with clearly defined responsibilities and ambitions.

We moved quickly to seek out and address opportunities within the newly liberalised Eastern Europe and now have selling structures in place in each of those countries. This has resulted in an excellent growth in sales most particularly of our Zirconia product for power station combustion control.

Four units of the Drax Power Station Emission control project secured in 1991 have been delivered in the year with a residual ten units to be delivered over the next two years.

Our Scottish Anglo company responsible for the ambient air monitoring market posted a 12% growth in the year with increased market share in its traditional off shore deep diving business where we are world leader - counting the US, Brazilian and Dutch Navies amongst our portfolio of international customers.

## REVIEW OF OPERATIONS

### The Americas

Poor economic conditions, coupled with customers being forced to operate with reduced capital expenditure budgets, led to a highly competitive environment that translated into difficulty in obtaining orders.

Despite this orders and sales of our US operation were again at record levels with sales up 13% on the prior year. This was in part due to their success in securing a number of major environmental orders and recording a good market response to the new 2500 infrared analyser series.

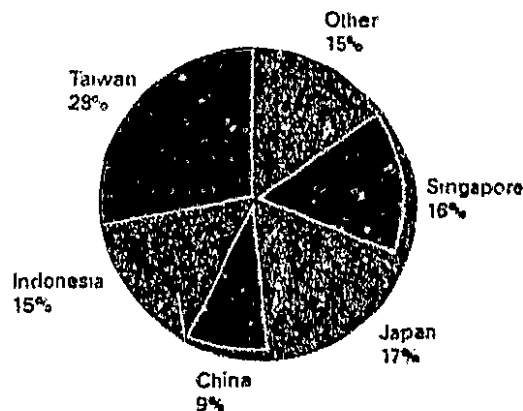
This performance was achieved by training and retraining our sales representative network, intensified sales and marketing focus and finally, striving to outperform our competitors on such matters as timely generation of quotations, fast deliveries, product quality and after sales support.

During the year a number of "preferred supplier agreements" were signed with major customers in recognition of our product quality, technology and service.

Our US company has now assumed responsibility for the whole of North America, Mexico, Central and South America.

### Pacific Rim

Servomex Asia Pacific posted an excellent 39% increase in order levels in the year with particular gains being made in Indonesia, People's Republic of China (P.R.C.), Japan and Taiwan - each of which represent key target markets. These gains resulted from the tight sales and marketing and support focus we maintained on these markets together with our investment in additional resource and training coupled with the excellent levels of economic growth exhibited by the region - with the single exception of Japan.

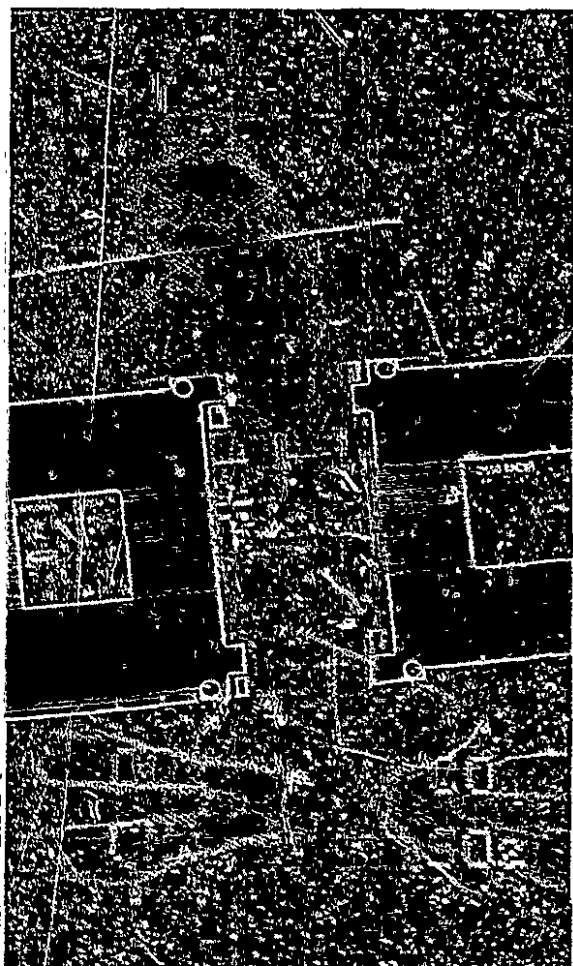


Growth of output from our systems assembly capability in Kaohsiung was substantial with major systems being delivered to the P.R.C., Indonesia and Taiwan.

We are now completing negotiations in China to set up a joint operation in Beijing with an important government agency to promote the sale of our analysers throughout the People's Republic. We see this as a significant step forward in the development of our sales in this important market place.

### Rest of the World

Whilst the Indian sub continent and Australasia continued to trade at depressed levels our South African business grew and indeed the launch order for 20 of our new 2550 Multi component Infrared Process Analyser was secured from that region at the end of the year for delivery in 1993. We also were successful in negotiating a confirmed L.O.C.E.A. million order from Niger after many months of discussions.



## REVIEW OF OPERATIONS

### Outlook

Although the month of December represented an all time record for order input at £2.3m we have yet to see any clearly definable trends in our markets to suggest any underlying upturn in business confidence or activity levels.

We hope to see 1993 therefore as a continuation of our strategy designed to achieve sustained profitable growth resulting from our own efforts in product, market and people development rather than as a result of any recovery in underlying demand.

### Corporate

#### Product Development

A high level of activity was maintained throughout the year with respect to product introduction, new project start ups, organisational changes and investment programmes.

During the year we launched six major new products. These included the outstanding 2500 series Infrared Process Analyser and the highly competitive 2510 Gas Filter Correlation infrared analyser at Servomex and the CAGA compressed air gas analyser and a new own make Pointmaster sequencer at Scottish Anglo.

Expansion and enhancement of our world beating gas sensor and transducer range continued. Most particularly we launched the I.R.s. in a family of miniaturised IR bench transducers and we have reached a critical stage in the development of a new and unique combustion measurement technology.

An important element in our organisational restructuring has been the formation of a Business Development Department to act as the engine room for the accelerated development of differentiated products addressing our key market sectors.

New products are being developed by the expanded use of simultaneous engineering disciplines utilising multidisciplinary teams under the leadership of Business Development Managers.

These teams incorporate committed personnel from relevant internal departments, external suppliers, design consultants and others and are already proving successful in achieving their ambitious targets.

The first new products to be launched under this regime are the completion of the 2500 series



of Process Photometric Analysers with the 2550 Multi-component and 2600 Ultraviolet analysers to be launched during the year.

### Marketing

Under the aegis of our overall "Customer Delight" programme we have in hand various marketing initiatives. These are tightly focused toward building upon our existing worldwide reputation as a high quality, high performance oxygen analyser supplier to widen the perception to include our capability to supply high technology, high specification analysers for the measurement of a wide range of gases together with our continuous emission monitoring expertise.

The first step in this programme has been to adopt a universal and enhanced corporate identity throughout the Group. This symbolically represents our commitment to the environment and "clean skies" together with the adoption of the byline "leaders in gas analysis".

### Manufacturing

Transducer and analyser manufacturing is based at Crowborough whilst we now have systems assembly capabilities in Crowborough, Boston USA and Kaohsiung Taiwan.

## REVIEW OF OPERATIONS

During the year we reinforced our Taiwan operation and it now has a full capability of systems manufacture to Servomex's high standards of quality.

The Manufacturing Division is now putting in place major programmes for step change development. These encompass a move towards cellular manufacturing systems, enhanced focus on vendor supply agreements, a rigorous ongoing review of make or buy decisions, investment into latest technology production equipment and factory layout and an enhanced investment in training and education. We have secured a DTI grant to assist in financing this programme.

### Working Capital

Low working capital levels are an essential element in our world class targets and with an already tight control upon receivables management our focus has been directed at inventory. We have a dedicated inventory reduction programme in place and the first steps were made in the year with worldwide inventory reduced by over £74m by the year end from the peak levels of the first quarter.

Ongoing inventory reduction is targeted through our MAST (Module and Standards Team) programme charged with product and component standardisation and also resulting from our step change manufacturing development programme specifically aimed at work in progress reduction and vendor supply agreements.

### Capital Expenditure

Capital expenditure levels were raised to c. £1m in the year with the major investment being in new business, manufacturing and advanced engineering systems computer equipment.

We have placed on order a £150k advanced technology CNC turning centre for delivery during the second quarter of 1993 giving a simple pay back of less than 2 years.

We anticipate the capital expenditure level set in 1992 to be maintained into the foreseeable future.

### Environment

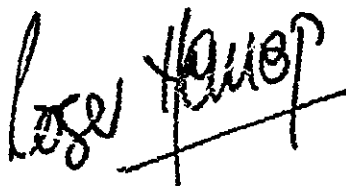
The Company has a corporate wide commitment to good international environmental standards and continuously strives to conduct its affairs in a responsible fashion to protect people and enhance the environment.

The Company is committed to be an environmentally responsible member in the local, national and worldwide community in which it operates.

Additionally the Company's products are increasingly being used in environmental monitoring applications and our product development effort is directed in part towards detection and measurement of ever lower dilutions of pollutant gases.

### People

Finally due recognition must be given to our worldwide Servomex employees. We have an outstanding team of people comprising the worldwide Servomex family whose dedication and loyalty was demonstrated throughout this trying year but most particularly in the last quarter. As a consequence of the difficult and unpredictable trading conditions we were seeing at that time our entire worldwide workforce at all levels volunteered a 10% pay cut. We were able to subsequently reimburse this when our worst fears on business levels were proved unfounded but I would like to take this opportunity to give my sincere thanks to each and every one of our employees for the action they were prepared to take to support the overall well being and future of the company.



ROGER HARROP  
Ch. of Executive

29 March, 1993

## DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 31 December 1992.

### Principal activity and business review

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

### Results for the year

The Group achieved a profit before taxation of £2,109,000 (1991: £2,058,000). The retained profit for the financial year amounted to £800,000 (1991: £785,000) which was transferred to reserves. An interim dividend of £187,000 or 1.9p per share was paid in respect of the 9,835,724 ordinary shares in issue on 6 November 1992 (1991: £175,000).

The Directors are recommending the payment of a final dividend of £393,000 or 4.0p per share.

(1991: 3.9p) in respect of the 9,835,724 ordinary shares in issue. This will bring the total dividend for the year to 5.9p (1991: 5.7p). The final dividend will be payable on 14 May 1993 to shareholders on the register at close of business on 29 April 1993.

The Chairman's statement and Chief Executive's review of operations together provide an overview of the results for 1992 and information concerning the Group's prospects for 1993.

### Research and development

The Group's products are regarded 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 and gas monitoring fields.

### Directors

The Directors of Servomex plc are listed below:

J R Burton	Chairman
R Harrop	Chief Executive (Appointed 1 March 1992)
R M Gordon	Financial Director and Company Secretary
R M A Kocache	Business Development and Research Director
R F Kydd	Engineering Director
P G Parnell	Director and General Manager, UK Division
D A Willett (USA)	Director & President Servomex Company Inc (Appointed 24 March 1993)
D R Winrow	Director and General Manager, Manufacturing Division
C C Gregory	Non-executive Director
M P Langridge	(Resigned 22 March 1993)
P Smitham	(Resigned 30 April 1992)

C C Gregory aged 49 is Group Finance Director of Pentos Plc and a non-executive director of Goldsmiths Plc. He became a Director on 22 February 1989.

Each of the Executive Directors has a service contract which can be terminated by the Company or by themselves by giving one year's notice.

The Executive Directors are eligible to participate in a bonus incentive scheme based upon growth in earnings per share above 5% pa.

## DIRECTORS' REPORT

The Directors and their families have the following interests in the ordinary share capital of Serenex plc

	31 December 1992		31 December 1991	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
J R Burton	499,120	—	500,000	—
R M Gordon	300,000	—	300,000	—
R M A Kocacho	262,325	37,920	270,000	—
R F Kydd	243,730	—	243,600	—
M P Langridge	31,850	—	31,920	—
P G Parnell	278,800	—	278,800	—
D R Winrow	234,606	—	234,606	—

There have been no changes in the above shareholdings between 31 December 1992 and 19 March 1993.

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

### Substantial shareholders

Apart from the Directors' interests shown above, as at 19 March 1993, 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	
Framlington Group plc	1,013,498	10.5%
The Equitable Life Assurance Society	922,800	9.5%
Standard Life Assurance Company	839,739	8.6%
TSB Group plc	798,774	8.2%
Dundee & London Investment Trust plc	552,500	5.6%
Cititrends Nominees Limited	425,000	4.3%
Britannic Assurance plc	320,000	3.2%
John Carrington & Co Limited	318,050	3.2%

### Share options

Options in respect of a total of 415,200 ordinary shares have been granted and are outstanding under the Company's Executive Share Option Scheme to certain employees of the Group.

Included within this are options over 70,000 shares granted to Dr M P Langridge (1991) 150,500 which are exercisable at 146p per share on or after 21 March 1994 and 150,000 shares granted to R Harrop (1991) nil exercisable at 177p per share as to 75,000 on or after 1 April 1995 and 75,000 on or after 1 April 1997.

Options in respect of a total of 172,270 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.

## DIRECTORS' REPORT

### 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 £1,307 (1991: £1,234). No contributions were made to political parties.

### Directors' and Officers' Insurance

The Company has taken out, as permitted under section 310 (3) of the Company's 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 1985.

### 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.


### Special Business

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

### Resolutions 9 and 10

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  
29 March 1993

## AUDITORS' REPORT TO THE MEMBERS OF SERVOMEX PLC

We have audited the financial statements on pages 17 to 30 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 1992 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE  
Chartered Accountants  
and Registered Auditor  
London  
29 March 1993



# GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1992

	Notes	1992 £'000	1991 £'000
Turnover		19,725	18,225
Cost of sales	2	(10,349)	(9,623)
Gross profit		9,376	8,602
Distribution costs		(4,422)	(3,846)
Administrative expenses		(1,794)	(1,531)
Research and development expenses		(1,071)	(980)
Other operating income		150	59
Operating profit		2,239	2,372
Other interest receivable and similar income	2/3	61	81
Interest payable and similar charges	5	(191)	(395)
Profit on ordinary activities before taxation	6	2,109	2,058
Taxation on profit on ordinary activities	7	(734)	(718)
Profit on ordinary activities after taxation	8	1,375	1,240
Minority interests		9	(1)
Profit for the financial year		1,384	1,339
Dividends paid and proposed	9	(584)	(554)
Profit transferred to reserves		800	785
Earnings per share	10	14.1p	13.8p

A statement of movement on reserves is given in note 19.

The annexed notes form part of these financial statements.

# BALANCE SHEETS

as at 31 December 1992

	Notes	GROUP		COMPANY	
		1992 £'000	1991 £'000	1992 £'000	1991 £'000
Fixed assets					
Tangible assets	11	3,079	2,895	2,734	2,816
Investments	12	15	15	7,127	7,115
		<u>3,094</u>	<u>2,910</u>	<u>9,861</u>	<u>7,115</u>
Current assets					
Stocks	13	3,426	3,887	1,971	—
Debtors	14	4,719	4,159	4,058	3,856
Cash at bank and in hand		<u>1,324</u>	<u>1,466</u>	<u>623</u>	<u>226</u>
		<u>9,469</u>	<u>9,474</u>	<u>6,652</u>	<u>4,122</u>
Creditors:					
amounts falling due within one year	15	(4,494)	(4,482)	(4,174)	(2,081)
Net current assets		<u>4,975</u>	<u>4,992</u>	<u>2,378</u>	<u>2,041</u>
Total assets less current liabilities		<u>8,069</u>	<u>7,502</u>	<u>12,239</u>	<u>9,157</u>
Creditors:					
amounts falling due after more than one year	15	(1,269)	(1,801)	(5,635)	(1,691)
Provisions for liabilities and charges	16	(8)	(8)	(8)	8
Net assets		<u>6,792</u>	<u>5,693</u>	<u>6,596</u>	<u>7,474</u>
Capital and reserves					
Called up share capital	17	492	486	492	486
Share premium account	17	1,301	1,165	1,301	1,165
Other reserves	18	1,355	1,355	2,256	2,256
Profit and loss account	19	<u>3,616</u>	<u>2,642</u>	<u>2,547</u>	<u>3,567</u>
Shareholders' funds		<u>6,764</u>	<u>5,648</u>	<u>6,596</u>	<u>7,474</u>
Minority interests		<u>28</u>	<u>45</u>	<u>—</u>	<u>—</u>
		<u>6,792</u>	<u>5,693</u>	<u>6,596</u>	<u>7,474</u>

The financial statements were approved by the Board of Directors on 29 March 1993 and were signed on it's behalf by

R HARROP  
R M GORDON } Directors

The annexed notes form part of these financial statements.

*[Handwritten signatures]*

# GROUP CASH FLOW STATEMENT

For the year ended 31 December 1992

	1992 £'000	1991 £'000
Net cash flow from operating activities (note 24)	2,697	2,377
Returns on investments and servicing of finance		
Interest received	61	81
Interest paid	(191)	(355)
Interest element of finance lease rental payments	(3)	(11)
Dividends paid	(570)	(525)
Net cash outflow from returns on investments and servicing of finance	(703)	(800)
Taxation		
UK corporation tax paid	(770)	(457)
Overseas tax paid	(135)	(325)
Tax paid	(905)	(782)
Investing activities		
Purchase of tangible fixed assets	(978)	(311)
Purchase of subsidiary undertakings (net of cash and cash equivalents acquired) (note 29)	(10)	—
Sale of tangible fixed assets	19	7
Net cash outflow from investing activities	(969)	(304)
Financing		
Issue of share capital	142	—
Redemption of loan notes	—	(36)
(Reduction) / increase in secured loans	(806)	281
Capital element of finance lease rental payments	312	(25)
Net cash (outflow) / inflow from financing (note 27)	(352)	160
Increase in cash and cash equivalents (note 25)	(232)	173

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 1997

### 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, and in accordance with applicable Accounting Standards.

#### Basis of consolidation

The results of all the Group's subsidiary undertakings 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 the subsidiary undertakings 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 the subsidiary undertakings are dealt with through reserves.

#### Depreciation

Depreciation is calculated to write off the cost of tangible 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 subsidiary undertakings over the fair values of the net assets acquired. Goodwill arising on consolidation and purchased goodwill are written off immediately against reserves.

#### Finance leases

Where tangible fixed assets are leased under leasing agreements that give a right to approximately equivalent to ownership then the leased assets are treated as if they have been purchased outright. The corresponding lease payments 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 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 expense incurred in the normal course of business, including the costs of the present location and operation.

#### Deferred taxation

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

#### Research and development

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

#### Research grants

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

#### Pension cost

Regular pension costs are charged to the profit and loss account in a manner which reflects a substantial average percentage of current and expected future pensionable pay.

Any variations from regular costs are charged or credited to the profit and loss account over the average expected remaining service lives of the employees.

## NOTES TO FINANCIAL STATEMENTS

### 2. Segmental reporting

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

The geographical analysis of turnover is as follows:

	By destination		By origin	
	1992 £'000	1991 £000's	1992 £000's	1991 £'000
United Kingdom	5,051	4,101	13,828	13,428
Rest of Europe	5,484	5,900	2,494	2,805
North America	7,187	6,461	6,960	6,696
Asia Pacific	1,201	1,035	495	50
Rest of the World	802	723	—	—
	<u>19,725</u>	<u>18,280</u>	<u>23,777</u>	<u>22,989</u>
Inter territorial sales	—	—	(4,052)	(4,035)
	<u>19,725</u>	<u>18,280</u>	<u>19,725</u>	<u>18,280</u>

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

	1992 £'000	1991 £'000
United Kingdom	1,789	1,841
Rest of Europe	81	215
North America	408	430
Asia Pacific	(39)	(115)
	<u>2,239</u>	<u>2,372</u>

In the opinion of the Directors disclosure of operating profit data by geographical destination would be prejudicial to the interests of the Group.

Analysis of Group net assets/(liabilities) is as follows:

	1992 £'000	1991 £'000
United Kingdom	4,980	5,057
Rest of Europe	869	767
North America	2,074	1,605
Asia Pacific	112	50
	<u>8,035</u>	<u>7,502</u>
Interest bearing net liabilities	(1,243)	(1,209)
	<u>6,792</u>	<u>6,293</u>

## NOTES TO FINANCIAL STATEMENTS

### 3. Operating Profit

Is arrived at after charging/(crediting):

Depreciation of owned assets

Depreciation of assets held under finance leases

Auditors' remuneration - Audit fees

- Other emoluments

Operating lease rentals in respect of plant and machinery

Other operating lease rentals

Finance lease charges

Exchange gain

1992 £'000	1991 £'000
357	305
14	8
57	56
20	17
267	249
266	235
6	2
(135)	(50)

### 4. Directors and Employees

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

	1992 Number	1991 Number
Manufacturing and production	200	218
Research and development	38	37
Selling and administration	128	113
	366	368

Staff costs:

Wages and salaries

Social security costs

Other pension costs

1992 £'000	1991 £'000
6,000	5,423
700	491
142	175
6,842	6,090

Directors received the following remuneration:

Directors' Fees

Directors' emoluments (including pension contributions)

1992 £	1991 £
22,167	25,500
417,388	366,014
439,555	380,514
47,149	73,181
71,095	

Emoluments of Chairman (excluding pension contributions)

Emoluments of highest paid director (excluding pension contributions)

## NOTES TO FINANCIAL STATEMENTS

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

£0 - £5,000

£10,001 - £15,000

£40,001 - £45,000

£45,001 - £50,000

5. Interest receivable

Interest receivable represents income in respect of short term deposits

6. Interest payable

Interest on bank overdrafts and other loans

Interest on medium term loan

Interest is payable in respect of borrowings wholly repayable within 5 years.

7. Taxation on profit on ordinary activities

Based on the results for the year:

UK corporation tax at 33% (1991: 33.25%)

Overseas taxation

Deferred taxation credit

8. Profit on ordinary activities after taxation

As permitted by Section 230 of the Companies Act 1985 the profit and loss account of Servomex plc is not presented as part of these financial statements. The profit after taxation for the year attributable to Servomex plc dealt with in the accounts of the Company is £30,000 (1991: £1,119,000).

The holding company's profit and loss account was approved by the Board on 29 March 1993.

9. Dividends paid and proposed

In respect of 9,835,724 ordinary shares of 5p (1991: 9,721,624)

Adjustment to final 1990 dividend

in respect of share options exercised (1991: nil)

Interim dividend paid at 1.9p per share (1991: 1.6p)

Proposed final dividend at 4.0p per share (1991: 3.9p)

10. Earnings per share

Earnings per share have been calculated on profit after taxation and minority interests of £1,384,000 (1991: £1,339,000) divided by the weighted average of 9,801,195 (1991: 9,721,624) ordinary shares in issue. Earnings per share would not be materially different if the shares under option were taken into the calculation.

1992  
Number

1
1
6

1991  
Number

1
1
6

1992  
£'000

41
150
191

1991  
£'000

101
244
395

1992  
£'000

563
171
734
734

1991  
£'000

548
286
734
734

1992  
£'000

4
187
393
584

1991  
£'000

734
734
734
734

## NOTES TO FINANCIAL STATEMENTS

### 11 Tangible fixed assets

Group	Freehold property £'000	Short leasehold property £'000	Plant and machinery £'000	Total £'000
Cost or valuation				
At 1 January 1992	1,604	171	3,328	5,103
Additions	1	78	899	978
Disposals	—	—	(31)	(31)
Exchange adjustments	—	13	67	80
At 31 December 1992	1,605	262	4,263	6,130
Depreciation				
At 1 January 1992	30	52	2,526	2,608
Charge for the year	11	25	377	413
Disposals	—	—	(12)	(12)
Exchange adjustments	—	3	41	44
At 31 December 1992	41	78	2,932	3,051
Net book amount				
At 31 December 1992	1,564	184	1,331	3,079
At 31 December 1991	1,574	119	802	2,495

### Company

	Freehold property £'000	Short leasehold property £'000	Plant and machinery £'000	Total £'000
Cost at 31 December 1992	1,605	173	3,535	5,277
Depreciation at 31 December 1992	41	43	2,459	2,543
Net book amount at 31 December 1992	1,564	130	1,076	2,734

The company acquired all of the tangible fixed assets of Servomex (UK) Limited as at 31 December 1992

Certain freehold land and buildings were independently valued at 31 December 1992 at £1,558,000. The historical cost net book value of the revalued assets at 31 December 1992 was £223,000 (1991: £225,000). 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 lease with a cost of £424,574 (1991: £1,531,317) and a net book value of £307,729 (1991: £13,252).

### 12. Investments

	Group Other participating interests £'000	Company Shares in subsidiary undertakings £'000
At 31 December 1992	15	—

## NOTES TO FINANCIAL STATEMENTS

### 12. Investments continued

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

Wholly owned	Incorporated and operating in
Servomex (UK) Limited*	England
Servomex S.A.R.L.	France
Servomex BV	Netherlands
Servomex Company, Inc	United States of America
Servomex Asia Pacific Limited	Taiwan
Servomex Overseas Limited*	England
TIL83 Limited*	England

Partly owned:	% Equity Held	Incorporated and operating in
Scottish Anglo Environmental Protection Limited*	77%	England

\* Of the above, Companies marked\* are owned by Servomex plc.

The Group has a 20% participating interest in the ordinary share capital of CODE International Limited which is treated as a trade investment in these accounts.

During the year the Company bought out part of the minority interest in Scottish Anglo Environmental Protection Limited. There were no other movements in investments during the year.

The business and assets of Servomex (UK) Ltd were sold to Servomex plc under an asset purchase agreement dated 31 December 1992. This transaction had no impact on the consolidated accounts of Servomex plc as Servomex (UK) Ltd is a wholly owned subsidiary of Servomex plc.

### 13. Stocks

	Group		Company	
	1992 £'000	1991 £'000	1992 £'000	1991 £'000
Raw materials and consumables	529	663	488	80
Work in progress	1,640	2,115	1,139	—
Finished goods	1,257	1,180	344	—
	<u>3,426</u>	<u>3,957</u>	<u>1,971</u>	<u>80</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	
	1992 £'000	1991 £'000	1992 £'000	1991 £'000
Trade debtors	3,606	3,328	1,203	1,000
Amounts owed by subsidiary undertakings	—	—	1,945	1,600
Other debtors	99	45	78	73
Prepayments	368	368	252	1,100
Prepaid pension contributions	269	150	269	1,100
ACT recoverable	311	200	311	200
Overseas tax recoverable	66	33	—	—
	<u>4,719</u>	<u>4,154</u>	<u>4,058</u>	<u>3,533</u>

## NOTES TO FINANCIAL STATEMENTS

Both the Group's and the Company's debtors are recoverable within one year, with the exception of those items noted below.

- Based upon the current pension funding plans, the prepaid pension contributions are recoverable after more than one year

- ACT totalling £194,000 in respect of the Company and the Group is recoverable after more than one year

### 15. Creditors

	Group		Company	
	1992 £'000	1991 £'000	1992 £'000	1991 £'000
Amounts falling due within one year:				
Medium term loans, bank loans and overdrafts	7,539	1,451	1,065	1,000
Trade creditors	702	872	346	32
Amounts owed to subsidiary undertakings	—	—	1,116	592
Other creditors	267	182	110	—
Taxation and social security	163	191	77	12
Accruals and deferred income	611	563	244	53
Corporation tax	567	849	570	12
ACT payable	194	—	194	—
Dividends payable	393	—	353	365
Obligations under finance leases	58	3	58	—
	4,494	4,482	4,174	2,031
Amounts falling due after more than one year:				
Obligations under finance leases due within 5 years	254	—	246	—
Amounts owed to subsidiary undertakings	—	—	4,384	—
Payments under medium term loan due in 2 - 5 years	1,005	—	1,005	—
	1,259	—	5,635	—

Medium term loans totalling £2,004,000 (1991: £2,692,000) are secured by a fixed and floating charge over the assets of the Company's subsidiary undertakings.

### 16. Provisions for liabilities and charges

	Group		Company	
	1992 £'000	1991 £'000	1992 £'000	1991 £'000
Provisions for liabilities and charges comprise deferred taxation:				
Deferred taxation: At 1 January 1992	—	—	(8)	(4)
Transfer from Servomex (UK) Limited Profit and loss account	—	—	8	—
At 31 December 1992	8	—	8	—
Deferred taxation comprises:				
Accelerated capital allowances	8	—	8	—
Other timing differences	—	—	—	—
	8	—	8	—

## NOTES TO FINANCIAL STATEMENTS

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.

No provision is made for deferred tax which may arise if the accumulated profits of overseas subsidiaries were remitted to the United Kingdom. This accords with the current intention of retaining profits in the overseas entities and the availability of double taxation relief.

### 17. Called up share capital and share premium account

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

	1992 Number	1992 £'000	1991 Number	1991 £'000
Authorised Ordinary shares of 5p each	13,000,000	650	13,000,000	650
Allotted and fully paid Ordinary shares of 5p each	9,835,724	492	9,721,624	486

The movements on the share capital and share premium account arise solely due to the share options exercised during the year.

### 18. Other reserves

	Group		Company	
	1992 £'000	1991 £'000	1992 £'000	1991 £'000
Revaluation reserve	1,355	1,355	—	—
Non-distributable reserve	—	—	2,256	2,256
	1,355	1,355	2,256	2,256

### 19. Profit and loss account

	Group £'000	Company £'000
Balance at 1 January 1992	2,642	2,642
Retained profit / (loss)	800	(152)
Goodwill arising	(10)	(17)
Exchange movements	177	(29)
Adjustment to minority interest	7	—
Balance at 31 December 1992	3,616	2,544

The cumulative amount of goodwill which has been written off against reserves at the end of the current year amounts to £2,674,000

### 20. Capital commitments

	Group		Company	
	1992 £'000	1991 £'000	1992 £'000	1991 £'000
Capital expenditure authorised and not contracted for	126	131	—	—
Capital expenditure contracted for but not provided	162	—	—	—

## NOTES TO FINANCIAL STATEMENTS

### 21. Commitments under operating leases

At 31 December 1992 the Group had the following annual commitments under non-cancellable operating leases.

	Land and Buildings		Other	
	1992 £'000	1991 £'000	1992 £'000	1991 £'000
Expiring within one year	46		29	
Expiring between one and five years	93		183	
Expiring after five years	130			
	269		212	

### 22. Contingent liabilities

At 31 December 1992 the Group had contingent liabilities in respect of guarantees to third parties amounting to £63,561 (1991: £116,038).

### 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 £176,000 (1991: £176,000), and included a credit of £99,000 (1991: £54,000) for variations from regular pension costs in respect of the amortisation of a surplus arising on the main UK Scheme.

At 31 December 1992, debtors included a prepayment of £269,000 (1991: £157,000) and creditors falling due within one year included a provision in respect of the main UK scheme of £72,000 (1991: £22,000).

#### United Kingdom Scheme

In the UK, approximately 191 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 triennial 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.

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.

For accounts purposes the assumptions in respect of salary increases and dividend growth used to determine the pension cost for the year have been changed upon the advice of the actuary to the Scheme. Salary increases have been assumed to be 7.5% and dividend growth assumed at 4.5%. These changes have been made to reflect the actuary's present best estimates of the prospective rates of salary and dividend increases.

The Company is currently contributing to the scheme at the rate of 7.9% of all Pensionable Salaries with employees contributing at 5%. In accordance with actuarial advice and UK Statement 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.

## NOTES TO FINANCIAL STATEMENTS

### Overseas schemes

Certain retirement benefit costs relating to overseas schemes, where the charge to profit and loss account 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. Reconciliation of Operating Profit to net cash inflow from Operating Activities

	1992 £'000	1991 £'000
Operating profit	2,239	2,372
Depreciation charges	411	374
Decrease/(Increase) in stocks	509	(111)
Decrease/(Increase) in debtors	(381)	520
(Decrease) in creditors	(81)	(273)
Net cash inflow from continuing operating activities	2,697	2,877

### 25. Analysis of changes in cash and cash equivalents during the year

	1992 £'000	1991 £'000
Balance at 1 January 1992	995	(94)
Net cash inflow/(outflow) before adjustments for the effect of foreign exchange rate changes	(232)	1,129
Effect of foreign exchange rate changes	22	(40)
Balance at 31 December 1992	785	995

### 26. Analysis of the balances of cash and cash equivalents as shown in the Balance Sheet

	1992 £'000	1991 £'000	Change in year £'000
Cash at bank and in hand	1,324	1,446	122
Bank overdrafts	(539)	(451)	(88)
	785	995	(210)

### 27. Analysis of changes in financing during the year

	1992 £'000	1991 £'000	Change in year £'000
Balance at 1 January 1992	2,773	2,813	(40)
Cash inflows/(outflows) from financing activities	(494)	169	(663)
Balance at 31 December 1992	2,279	2,773	(494)

# NOTES TO FINANCIAL STATEMENTS

## 28. Purchase of subsidiary undertakings

	1992 £'000	1991 £'000
Goodwill	10	
Satisfied by cash	10	

During the year the Company acquired a further 2% of the shares in Scottish Anglo Environmental Protection Ltd

## 29. Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings

	1992 £'000	1991 £'000
Cash consideration	10	
Net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings	10	

## EMPLOYEE INCENTIVE SCHEMES

### The profit sharing scheme

The proposed new scheme will be an Inland Revenue approved scheme under which shares with a value of up to 10% of an employee's salary or £8,000 per year may be allocated to a trust for the employee's benefit and can be enjoyed tax-free if the shares are not disposed of for 5 years.

Shares can be purchased by the Trustees (Directors of the Company will act in the first instance, but the Trustees can be changed from time to time) either from the Company or on the Stock Exchange, using funds transferred from the profits made by the Company each year. No more than 5% of UK profits (as measured by the Board) can be consumed each year and the Board will not issue more than 1% of share capital in any one year.

Shares issued to the Trustees of the scheme will be taken into account in the overall limit of 10% of share capital that may be consumed by all of the share participation schemes operated by the Company.

Available profits will be allocated amongst eligible employees on the basis of a minimum of £250 and then pro rata to salary; all staff will be eligible to participate if they have been employed throughout the accounting year to which the appropriation of profits relates.

The shares will remain in the Trust for two years and thereafter an employee will be able to instruct the Trustees to transfer the shares to him or her for disposal, subject to the payment of income tax on a sliding scale, such that after five years from the date the shares are first allocated to the employee they will be free from tax.

The Directors may amend the scheme from time to time, except that any alterations to the limits on new shares to be issued, personal limits and the fundamentals of the scheme shall be subject to the approval of the Inland Revenue and of shareholders in general meeting.

### The savings-related scheme

The proposals are in line with recent legislation, allowing a maximum savings level of £250 per month and a maximum discount available to staff of 20% from market price at the commencement of the savings contract.

The relaxation of the provisions governing the rights to exercise options will be extended to enable the exercise of options within six months after departure from the company caused by such matters as injury, disability, redundancy or death.

### The executive scheme

New legislation has enabled the grant of options to executives at a discount of 15% by a company which operates any Inland Revenue approved share participation scheme for its staff generally, such as the savings-related share scheme or the proposed new profit sharing scheme.

It is therefore thought right that we should take advantage of that legislation, but to do so the rules of the executive scheme need to be changed to ensure that it is only if all employees of Servomex have been notified of the existence of the company wide scheme and their right to participate therein that options at a discount can be granted.

The rights of the Board to allow exercise of options at its discretion when executives depart is to be added, in line with normal practice for listed companies.

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at The Spa Hotel, Tunbridge Wells, Kent on Friday, 30 April 1993 at 12.30 pm for the purposes of considering and, if thought fit, passing the following resolutions of which resolutions 1,2,3,4,5,6,7 and 8 will be proposed as ordinary resolutions and resolutions 9 and 10 as special resolutions.

### Ordinary business

1 To receive and adopt the Accounts and Report of the Directors and Auditors for the year ended 31 December 1992

2 To declare a final dividend of 4 0p per share.

3 To re-appoint Price Waterhouse as Auditors and to authorise the Directors to fix their remuneration

4 To elect T. A. Clements as a Director in accordance with the Articles of Association

5 To elect D. A. Willett as a Director in accordance with the Articles of Association

6 That the profit sharing scheme, be and is hereby adopted and that the Board be authorised to do any act or thing to enable its formal approval by the Board of Inland Revenue

7. That the savings related share option scheme of the Company is hereby altered to allow the Board authorisation to do any act or thing to enable its formal approval by the Board of Inland Revenue.

8 That the executive share option scheme of the Company is hereby altered to allow the Board authorisation to do any act or thing to enable its formal approval by the Board of Inland Revenue

9 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 £158,214 (32% of issued share capital of the Company) for a period expiring on the conclusion of the Annual General Meeting of the Company held in 1994 (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.

10 That subject to the passing of resolution 9 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 9 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 1994 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 £24,569 (5% of issued share capital of the Company)

By order of the Board

R M Gordon Secretary 7 April 1993

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 and

(b) Copies of the Directors' contracts or service with the Company