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SERVOMEX INTERNATIONAL LIMITED  
(formerly SWIFT 415 LIMITED)

DIRECTORS' REPORT AND ACCOUNTS

31 December 1988

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SERVOMEX INTERNATIONAL LIMITED  
(formerly SWIFT 415 LIMITED)

DIRECTORS' REPORT

The directors present their report and the financial statements for the twelve months ended 31 December 1988.

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.

The Group's objectives are to broaden market penetration through the expansion and diversification of its product base by development and/or acquisition and through the continued promotion and support of its worldwide distribution and service network.

RESULTS FOR THE PERIOD

The Group achieved a profit before taxation of £1,617,000 (1987 - £492,000). The retained profit for the financial period amounted to £801,000 (1987 - £201,000) which was transferred to reserves.

A preference dividend of £232,000 (1987 - £118,000) has been proposed in respect of the 3,304,594 cumulative redeemable preference shares in issue. The directors do not recommend the payment of a dividend in respect of the ordinary shares.

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.

REORGANISATION OF SHARE CAPITAL

The company agreed by special resolution on 4 October 1988 to reclassify 5,000 'A' ordinary shares as 'E' ordinary shares, a new class of share capital.

## DIRECTORS

The directors of Servomex International Limited are listed below:

JR Burton (Chairman and Managing Director)  
DR Winrow  
FR Tipping  
PG Parnell  
RF Kydd  
RMA Kocache  
RM Gordon  
P Smitham  
CC Gregory (appointed 22 February 1989)

The directors and their families have the following interests in the ordinary share capital of Servomex International Limited:

		<u>Number of ordinary shares</u>
JR Burton	('A' Ords)	15,121
DR Winrow	('A' Ords)	5,040
PG Parnell	('A' Ords)	5,040
RF Kydd	('A' Ords)	5,040
RMA Kocache	('A' Ords)	5,040
RM Gordon	('A' Ords)	5,040
FR Tipping	('E' Ords)	5,000
	('A' Ords)	40

## SIGNIFICANT CHANGES IN TANGIBLE FIXED ASSETS

Movements in tangible fixed assets during the year are shown in note 10 to the financial statements.

A revaluation of certain of the Group's freehold land and buildings at 31 December 1988 was undertaken by the directors on the basis of appropriate independent professional advice. This valuation resulted in a revaluation surplus of £1,354,000, which has been credited to a separate reserve.

## 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 with 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.

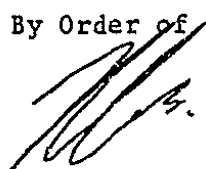
#### EMPLOYEE INVOLVEMENT

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, including the Group's performance and development. Through these meetings, the directors seek to promote employee involvement in an understanding of the factors which impact on the Group's well being.

#### 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.

By Order of the Board

  
RM Gordon  
Secretary

31 March 1989

## *Price Waterhouse*



### AUDITORS' REPORT TO THE MEMBERS OF SERVOMEX INTERNATIONAL LIMITED (formerly SWIFT 415 LIMITED)

We have audited the financial statements on pages 5 to 20 in accordance with approved 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 1988 and of the profit and source and application of funds of the Group for the year then ended and comply with the Companies Act 1985.

*Price Waterhouse*

Price Waterhouse  
Chartered Accountants

31 March 1989

SERVOMEX INTERNATIONAL LIMITED  
(formerly SWIFT 415 LIMITED)

CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 1988

	<u>Notes</u>	Year ended <u>31 December 1988</u> £'000	9 months ended <u>31 December 1987</u> £'000
TURNOVER	2	12,220	5,888
Cost of sales		<u>(5,943)</u>	<u>(2,860)</u>
GROSS PROFIT		6,277	3,028
Selling and distribution costs		(2,467)	(1,295)
Administrative expenses		(1,802)	(1,031)
Other operating expense		<u>(77)</u>	<u>(16)</u>
OPERATING PROFIT	3	1,931	686
Interest receivable	5	59	52
Interest payable	6	<u>(373)</u>	<u>(246)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,617	492
TAXATION	7	<u>(584)</u>	<u>(173)</u>
PROFIT FOR THE FINANCIAL PERIOD	8	1,033	319
DIVIDENDS PAID AND PROPOSED	9	<u>(232)</u>	<u>(118)</u>
PROFIT TRANSFERRED TO RESERVES	17	<u>801</u>	<u>201</u>

SERVOMEX INTERNATIONAL LIMITED  
(formerly SWIFT 415 LIMITED)

CONSOLIDATED BALANCE SHEET - 31 DECEMBER 1988

	Notes	Group 1988 £'000	Group 1987 £'000	Company 1988 £'000	Company 1987 £'000
FIXED ASSETS					
Tangible assets	10	2,337	963	-	-
Investments in subsidiaries	11	-	-	3,469	2,287
		2,337	963	3,469	2,287
CURRENT ASSETS					
Stocks	12	2,918	2,519	-	-
Debtors	13	2,888	3,614	4,171	4,758
Cash at bank and in hand		887	916	-	-
		6,693	7,049	4,171	4,758
CREDITORS (amounts falling due within one year)	14	(2,691)	(2,921)	(666)	(274)
NET CURRENT ASSETS		4,002	4,128	3,505	4,484
TOTAL ASSETS LESS CURRENT LIABILITIES		6,339	5,091	6,974	6,771
CREDITORS (amounts falling due after more than one year)	14	(2,648)	(3,453)	(2,619)	(3,400)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(58)	(105)	-	-
NET ASSETS		3,633	1,533	4,355	3,371
CAPITAL AND RESERVES					
Called up share capital	16	146	146	146	146
Share premium account	17	3,225	3,225	3,225	3,225
Profit and loss account	17	884	103	984	-
Goodwill write off reserve	17	(1,976)	(1,941)	-	-
Revaluation reserve	17	1,354	-	-	-
		3,633	1,533	4,355	3,371

JR BURTON )  
RM GORDON ) DIRECTORS

Approved by the Board of Directors on 31 March 1989.  
The annexed notes form part of these accounts.

SERVOMEX INTERNATIONAL LIMITED  
(formerly SWIFT 415 LIMITED)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 31 DECEMBER 1988

SOURCE OF FUNDS	Year ended 31 December 1988 £'000	9 months ended 31 December 1987 £'000
Profit on ordinary activities before taxation	1,617	492
Adjustment for items not involving the movement of funds:		
Depreciation	273	125
Exchange movements	(20)	(90)
FUNDS GENERATED FROM OPERATIONS	1,870	527
FUNDS FROM OTHER SOURCES		
Issue of ordinary share capital	-	113
Issue of preference share capital	-	3,258
Medium term loan	-	3,400
Disposal of tangible fixed assets	2	14
TOTAL SOURCE OF FUNDS	1,872	7,312
APPLICATION OF FUNDS		
Repayment of medium term loan	(381)	-
Dividend paid	(217)	-
Purchase of tangible fixed assets	(295)	(100)
Tax paid	(255)	(1,861)
Purchase of Servomex Ltd and Servomex Company	(35)	(2,287)
Loan to former parent company	-	(1,622)
TOTAL APPLICATION OF FUNDS	(1,183)	(5,870)
NET SOURCE OF FUNDS	689	1,442
THE NET SOURCE OF FUNDS IS REPRESENTED BY THE FOLLOWING INCREASE/ (DECREASE) IN WORKING CAPITAL		
Stocks	399	218
Debtors	416	(401)
Creditors	(97)	1,623
(Decrease)/increase in net liquid funds:		
Cash at bank and in hand	(29)	2
	689	1,442



SERVOMEX INTERNATIONAL LIMITED  
(formerly SWIFT 415 LIMITED)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1988

1 ACCOUNTING POLICIES

(a) 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 on an open market basis at 31 December 1988.

(b) Basis of consolidation

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

(c) Turnover

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

(d) 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.

(e) Depreciation

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

Freehold buildings	50 years
Leasehold buildings	5 to 50 years
Plant and equipment	4 to 16 years
Motor vehicles	4 to 5 years

(f) 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.

SERVOMEX INTERNATIONAL LIMITED  
(formerly SWIFT 415 LIMITED)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1988 (continued)

1 ACCOUNTING POLICIES (continued)

(g) 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 lesser.

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.

(h) Fixed asset investments

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

(i) 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.

(j) Deferred taxation

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

(k) Research and development

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

(l) 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.

SERVOMEX INTERNATIONAL LIMITED  
(formerly SWIFT 415 LIMITED)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1988 (continued)

1 ACCOUNTING POLICIES (continued)

(m) Pension cost

The Group operates a defined benefits pension scheme. Contributions to the scheme are based on the consulting actuary's recommendations and the related costs are charged to the profit and loss account in the period incurred.

2 TURNOVER

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

Analysis of turnover by geographical markets supplied is as follows:

	Year ended 31 December 1988 £'000	9 months to 31 December 1987 £'000
United Kingdom	2,812	1,427
Continental Europe	3,830	1,901
North America	4,306	1,991
Elsewhere	<u>1,272</u>	<u>569</u>
	<u>12,220</u>	<u>5,888</u>

3 OPERATING PROFIT

	Year ended 31 December 1988 £'000	9 months to 31 December 1987 £'000
Is arrived at after charging:		
Depreciation of owned assets	248	113
Depreciation of assets held under finance leases	25	12
Auditors' remuneration	37	33
Operating lease payments	301	163
Finance lease charges	9	8

SERVOMEX INTERNATIONAL LIMITED  
(formerly SWIFT 415 LIMITED)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1988 (continued)

4 DIRECTORS AND EMPLOYEES

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

	<u>1988</u> <u>Number</u>	<u>1987</u> <u>Number</u>
Manufacturing and production	207	175
Research and development	35	36
Selling and administration	<u>94</u>	<u>95</u>
	<u>336</u>	<u>306</u>
Staff costs (for the persons above):	£'000	£'000
Wages and salaries	3,946	2,090
Social security costs	335	164
Other pension costs	<u>130</u>	<u>58</u>
	<u>4,411</u>	<u>2,312</u>

The directors received the following remuneration:

	<u>Year ended</u> <u>31 December 1988</u>	<u>9 months to</u> <u>31 December 1987</u>
Total directors' emoluments (including pension contributions)	<u>£298,148</u>	<u>£169,817</u>
Emoluments of chairman and highest paid director (excluding pension contributions)	<u>£56,915</u>	<u>£32,888</u>

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

	<u>Year ended</u> <u>31 December 1988</u>	<u>9 months to</u> <u>31 December 1987</u>
£5,001 - £10,000	1	1
£20,001 - £25,000	-	6
£35,001 - £40,000	6	-

SERVOMEX INTERNATIONAL LIMITED  
(formerly SWIFT 415 LIMITED)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1988 (continued)

5 INTEREST RECEIVABLE

Interest receivable reflects income in respect of short term deposits.

6 INTEREST PAYABLE

	Year ended 31 December 1988 £'000	9 months to 31 December 1987 £'000
Interest on bank overdrafts	1	5
Interest on medium term loan	<u>372</u>	<u>241</u>
	<u>373</u>	<u>246</u>
Interest is payable in respect of:		
Borrowings repayable within 5 years	297	129
Borrowings repayable after more than 5 years	<u>76</u>	<u>117</u>
	<u>373</u>	<u>246</u>

7 TAXATION

	Year ended 31 December 1988 £'000	9 months to 31 December 1987 £'000
Based on the results for the year:		
United Kingdom corporation tax at 35%	492	170
Overseas taxation	201	64
Double taxation relief	<u>(62)</u>	<u>(53)</u>
	631	181
Deferred taxation credit	<u>(47)</u>	<u>(8)</u>
	<u>584</u>	<u>173</u>

8 PROFIT FOR THE FINANCIAL PERIOD

As permitted by Section 228 (7) of the Companies Act 1985 the profit and loss account of Servomex International Limited is not presented as part of these accounts. The profit after taxation attributable to Servomex International Limited for the period dealt with in the accounts of the Company is £1,216,000. (9 months ended 31 December 1987 - £118,000).

SERVOMEX INTERNATIONAL LIMITED  
(formerly SWIFT 415 LIMITED)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1988 (continued)

9 DIVIDENDS PAID AND PROPOSED

	Year ended 31 December 1988 £'000	9 months to 31 December 1987 £'000
In respect of 3,304,594 redeemable cumulative preference shares of 1p:		
Paid at 600% (1 January - 30 June)	99	19
Proposed at 800% (1 July - 31 December)	133	99
	<u>232</u>	<u>118</u>

10 TANGIBLE FIXED ASSETS

<u>Cost</u>	<u>Freehold property</u> £'000	<u>Short leasehold property</u> £'000	<u>Plant and equipment</u> £'000	<u>Total</u> £'000
At 1 January 1988	309	70	2,015	2,394
Additions	-	33	262	295
Disposals	-	-	(24)	(24)
Revaluation adjustment	1,290	-	-	1,290
Exchange adjustments	-	-	3	3
At 31 December 1988	<u>1,599</u>	<u>103</u>	<u>2,256</u>	<u>3,958</u>
<u>Depreciation</u>				
At 1 January 1988	61	12	1,358	1,431
Charge for the year	3	5	265	273
Disposals	-	-	(22)	(22)
Depreciation on revalued assets	(64)	-	-	(64)
Exchange adjustments	-	-	3	3
At 31 December 1988	<u>-</u>	<u>17</u>	<u>1,604</u>	<u>1,621</u>
<u>Net book values</u>				
At 31 December 1988	<u>1,599</u>	<u>86</u>	<u>652</u>	<u>2,337</u>
At 31 December 1987	<u>248</u>	<u>58</u>	<u>657</u>	<u>963</u>

Certain freehold land and buildings were professionally valued at 31 December 1988 by St John Vaughan, Estate Agents, Surveyors, Auctioneers and Valuers. This valuation has been incorporated in the financial statements with effect from 31 December 1988. The historical cost net book value of the revalued assets was £231,000 at 31 December 1988.

Included in plant and equipment are assets held under finance leases with a net book value of £58,605 (31 December 1987 £83,190).

SERVOMEX INTERNATIONAL LIMITED  
(formerly SWIFT 415 LIMITED)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1988 (continued)

11 INVESTMENTS IN SUBSIDIARIES

	£'000
At 1 January 1988	2,287
Reclassification of loan to Sybron Corporation	1,147
Additional costs of acquiring Servomex Limited	<u>35</u>
At 31 December 1988	<u>3,469</u>

The Company's subsidiaries, which are wholly owned, are listed below:

	<u>Incorporated in</u>
Servomex Limited	England
Servomex Company	United States of America
Servomex Overseas Limited	England
Servomex (UK) Limited	England

12 STOCKS

	<u>Group</u> <u>1988</u> <u>£'000</u>	<u>Group</u> <u>1987</u> <u>£'000</u>	<u>Company</u> <u>1988</u> <u>£'000</u>	<u>Company</u> <u>1987</u> <u>£'000</u>
Raw materials and consumables	588	755	-	-
Work in progress	2,035	1,479	-	-
Finished goods	<u>295</u>	<u>285</u>	<u>-</u>	<u>-</u>
	<u>2,918</u>	<u>2,519</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.

SERVOMEX INTERNATIONAL LIMITED  
(formerly SWIFT 415 LIMITED)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1988 (continued)

13 DEBTORS

	Group 1988 £'000	Group 1987 £'000	Company 1988 £'000	Company 1987 £'000
Trade debtors	2,087	1,715	-	-
Interest free loan to Sybron Corporation	480	1,622	480	1,622
Other debtors	88	145	2	18
Prepayments	233	132	29	-
Taxation recoverable	-	-	31	-
Amounts owed by subsidiaries	-	-	3,629	3,118
	<u>2,888</u>	<u>3,614</u>	<u>4,171</u>	<u>4,758</u>

The interest free loan to Sybron Corporation (the previous owner of Servomex Limited) falls to be repaid upon the settlement by the Group of certain liabilities incurred in the normal course of business.

During the year, these liabilities were more precisely determined and the amounts provided by the Group at 31 December 1987 was reduced. In accordance with the agreement under which the Company acquired Servomex Limited, the amount by which these liabilities were previously over-provided has been deducted from the Company's interest free loan to Sybron Corporation, and reclassified as cost of investment in Servomex Limited.

The Group's debtors are recoverable within one year.



SERVOMEX INTERNATIONAL LIMITED  
(formerly SWIFT 415 LIMITED)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1988 (continued)

14 CREDITORS

	Group 1988 £'000	Group 1987 £'000	Company 1988 £'000	Company 1987 £'000
Amounts falling due within one year:				
Medium term loan	400	-	400	-
Obligations under finance leases	24	23	-	-
Trade creditors	543	503	-	-
Dividends payable	133	118	133	118
Corporation tax	860	1,626	-	26
Taxation and social security	205	128	-	-
Other creditors	263	188	29	-
Accruals and deferred income	263	335	104	130
	<u>2,691</u>	<u>2,921</u>	<u>666</u>	<u>274</u>
Amounts falling due after more than one year:				
Obligations under finance leases	29	53	-	-
Payments under medium term loan				
- Due in 2 - 5 years	2,000	1,750	2,000	1,750
- Due after more than 5 years	619	1,650	619	1,650
	<u>2,648</u>	<u>3,453</u>	<u>2,619</u>	<u>3,400</u>

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

15 PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges  
comprise deferred taxation:

	Group 1988 £'000	Group 1987 £'000	Company 1988 £'000	Company 1987 £'000
Deferred taxation:				
At 1 January 1988	105	-	-	-
Provided at acquisition of subsidiaries	-	113	-	-
Profit and loss account	(47)	(8)	-	-
At 31 December 1988	<u>58</u>	<u>105</u>	<u>-</u>	<u>-</u>

SERVOMEX INTERNATIONAL LIMITED  
(formerly SWIFT 415 LIMITED)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1988 (continued)

15 PROVISIONS FOR LIABILITIES AND CHARGES (continued)

	Group 1988 £'000	Group 1987 £'000	Company 1988 £'000	Company 1987 £'000
Deferred taxation comprises:				
Accelerated capital allowances	68	113	-	-
Other timing differences	(10)	(8)	-	-
	<u>58</u>	<u>105</u>	<u>-</u>	<u>-</u>

The full potential amount of deferred taxation has been provided.

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.

16 CALLED UP SHARE CAPITAL

(1) Authorised share capital

On 4 October 1988 5,000 of the Company's 'A' ordinary shares were reclassified as 'E' ordinary shares.

After this reclassification the Company's authorised share capital was as follows:

	1988		1987	
	Number	£'000	Number	£'000
'A' ordinary shares of £1 each	95,000	95	100,000	100
'B' ordinary shares of £1 each	32,304	32	32,304	32
'C' redeemable ordinary shares of £1 each	29,155	29	29,155	29
'D' redeemable ordinary shares of £1 each	1,534	2	1,534	2
'E' ordinary shares of £1 each	5,000	5	-	-
Preference shares of 1p each	3,304,594	<u>33</u>	3,304,594	<u>33</u>
		<u>196</u>		<u>196</u>

SERVOMEX INTERNATIONAL LIMITED  
(formerly SWIFT 415 LIMITED)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1988 (continued)

16 CALLED UP SHARE CAPITAL (continued)

(2) Issued and fully paid

	1988		1987	
	Number	£'000	Number	£'000
'A' ordinary shares of £1 each	45,000	45	50,000	50
'B' ordinary shares of £1 each	32,304	32	32,304	32
'C' redeemable ordinary shares of £1 each	29,155	29	29,155	29
'D' redeemable ordinary shares of £1 each	1,534	2	1,534	2
'E' ordinary shares of £1 each	5,000	5	-	-
Preference shares of 1p each	3,304,594	33	3,304,594	33
		<u>146</u>		<u>146</u>

The preference shares were issued at a premium of 99p per share.

(3) Redeemable ordinary shares

The Company's "A", "B" and "E" ordinary shares and "C" and "D" redeemable ordinary shares rank pari passu, with the principal exception that a percentage of the "C" and "D" redeemable ordinary shares falls to be redeemed at par in the event of the admission of any of the Company's ordinary shares to any recognised Stock Exchange ("flotation") prior to 30 June 1990. The percentage of the redeemable ordinary shares to be so redeemed will be determined by the date of flotation and the market capitalisation achieved.

Immediately prior to listing or (if flotation has not occurred before 1 July 1990) on 1 July 1990, each "C" or "D" redeemable ordinary share that has not been redeemed under the arrangements referred to above will be converted into one "B" Ordinary share.

(4) Preference shares

The preference shares, which rank in priority both as regards income and capital above any other class of share, bear the right to a fixed cumulative preferential dividend at the following rates (net of tax credit) on the nominal amount of capital:

- \* 600% - from date of issue to 30 June 1988
- \* 800% - from 1 July 1988 to 30 June 1991
- \* 1,100% - from 1 July 1991 and after

The preference shares fall for redemption at a premium of 99p per share in stages during the period 1992 - 1998 or at flotation, if earlier.

SERVOMEX INTERNATIONAL LIMITED  
(formerly SWIFT 415 LIMITED)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1988 (continued)

17 RESERVES

Group	Share Premium account £'000	Profit and loss account £'000	Goodwill write off reserve £'000	Revaluation reserve £'000
Balance at 1 January 1988	3,225	103	(1,941)	-
Retained profit	-	801	-	-
Revaluation of land and buildings	-	-	-	1,354
Acquisition costs	-	-	(1,182)	-
Provisions released	-	-	1,147	-
Exchange movements	-	(20)	-	-
Balance at 31 December 1988	<u>3,225</u>	<u>884</u>	<u>(1,976)</u>	<u>1,354</u>

Acquisition costs reflect additional costs incurred in acquiring Servomex Limited. The provisions were made at acquisition in the accounts of Servomex Limited but have proved to be surplus to requirements.

Company	Share Premium account £'000	Profit and loss account £'000
Balance at 1 January 1988	3,225	-
Retained profit	-	984
Balance at 31 December 1988	<u>3,225</u>	<u>984</u>

18 CAPITAL COMMITMENTS

	1988 £'000	1987 £'000
Capital expenditure authorised but not contracted for	<u>60</u>	<u>28</u>

SERVOMEX INTERNATIONAL LIMITED  
(formerly SWIFT 415 LIMITED)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1988 (continued)

19 COMMITMENTS UNDER OPERATING LEASES

At 31 December 1988 the Group had the following annual commitments under non-cancellable operating leases:

	Land and buildings		Other	
	1988 £'000	1987 £'000	1988 £'000	1987 £'000
Expiring within one year	33	2	17	30
Expiring between two and five years	-	43	140	94
Expiring in five years or more	144	86	-	-
	<u>177</u>	<u>131</u>	<u>157</u>	<u>124</u>

20 OBLIGATIONS UNDER FINANCE LEASES

At 31 December 1988 the Group had the following commitments under finance leases, excluding future interest charges:

	1988 £'000	1987 £'000
Payable within 1 year	24	23
Payable in 2 - 5 years	<u>29</u>	<u>53</u>
	<u>53</u>	<u>76</u>

21 CONTINGENT LIABILITIES

At 31 December 1988 the Group had contingent liabilities in respect of guarantees to third parties and discounted bills of exchange amounting to £64,944 (31 December 1987 - £126,798).

22 PENSION SCHEME FUNDING

An actuarial valuation of the Group's pension scheme was undertaken as at 31 May 1987 by Cubie, Wood & Co Ltd, Actuaries. This valuation concluded that there was adequate funding to meet the liabilities of the scheme.