

J & S SEDDON (PAINTING) LIMITED

**Registered in England and Wales
No 2403551**

Reports and Financial Statements

For the year ended 31 December 1996



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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

John S Seddon (Chairman and Joint Managing Director)
Clive L Russell (Joint Managing Director)
Vaughan N Cartwright

SECRETARY

Brian J Mellor

REGISTERED OFFICE

55 Duke Street
Fenton
Stoke on Trent
ST4 3NN

BANKERS

Barclays Bank plc
51 Mosley Street
Manchester
M60 2AU

AUDITORS

Grant Thornton
Chartered Accountants
Heron House
Albert Square
Manchester
M60 8GT

REPORT OF THE DIRECTORS

The directors submit their report and audited financial statements for the year ended 31 December 1996.

1 PRINCIPAL ACTIVITY

The activity of the company during the year was that of painting and decorating contractors.

2 RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £80,500 (1995: £83,188). The directors do not recommend the payment of a dividend (1995 : £Nil) and the profit has been transferred to reserves.

3 REVIEW OF THE BUSINESS

The increase in turnover has been achieved through concentrated marketing direction, but margins remain very competitive.

4 FUTURE REVIEW

The prospects for this company are satisfactory, as the potential workload should allow us to maintain our present level of turnover. New areas of operation are being considered and marketed accordingly.

5 DIRECTORS AND THEIR INTERESTS

The directors who served during the year were:

J S Seddon
C L Russell
V N Cartwright

None of the directors had any interest in the share capital of the company. The interests of Mr J S Seddon, in the shares of the ultimate parent company, Seddon Group Limited, are shown in the financial statements of the intermediate holding company, Seddon Holdings Limited. Neither of the other directors had any interest in the share capital of Seddon Group Limited.

6 DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to :

- i adopt appropriate accounting policies and then apply them consistently ;
- ii make judgements and estimates that are reasonable and prudent;
- iii state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- iv prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE DIRECTORS (CONTINUED)

7 AUDITORS

Grant Thornton have expressed their willingness to continue in office as auditors.

By order of the board



B J Mellor
Secretary

7 May 1997

REPORT OF THE AUDITORS

TO THE MEMBERS OF J & S SEDDON (PAINTING) LIMITED

We have audited the financial statements on pages 5 to 10 which have been prepared under the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

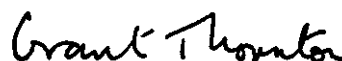
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
MANCHESTER**

7 May 1997

PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards. The principal accounting policies have remained unchanged from the previous year and are described below.

Accounting convention

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

Turnover

Turnover represents the net amount receivable, excluding value added tax, for goods and services supplied to external customers and the value of work done during the year.

Stock

Stocks of stores and consumables are stated at the lower of cost and net realisable value. Cost is calculated on the FIFO basis.

Amounts recoverable on contracts

Amounts recoverable on contracts are included in current assets and are stated at cost plus attributable profit, less any foreseeable losses, less payments received on account.

Subcontractor costs

Subcontractor costs in respect of work done on contracts are included in these financial statements on an accruals basis.

Deferred taxation

Deferred taxation is provided in respect of significant timing differences to the extent that it is probable that such tax will become payable in the foreseeable future.

Advance corporation tax which is available to reduce the corporation tax payable on future profits is deducted from the provision for deferred taxation.

Pension costs

The company participates in the Seddon Group Retirement Benefit Scheme, a defined benefit scheme. The pension cost for the year is based on the pension cost across the group as a whole so as to spread the cost of pensions over the employees service lives.

The company also participates in certain defined contribution schemes. The pension costs charged against profits represent the contributions payable to the schemes in respect of the accounting period.

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996

	Note	1996 £	1995 £
Turnover	1	10,289,461	9,608,965
Cost of sales		<u>9,442,846</u>	<u>8,776,790</u>
Gross profit		846,615	832,175
Administrative expenses		<u>699,709</u>	<u>713,136</u>
Operating profit		146,906	119,039
Interest receivable		<u>-</u>	<u>20</u>
Profit on ordinary activities before taxation	1	146,906	119,059
Tax on profit on ordinary activities	3	66,406	35,871
Retained profit for the financial year	5	<u><u>80,500</u></u>	<u><u>83,188</u></u>

There are no recognised gains or losses other than those included in the profit and loss account.

The accompanying accounting policies and notes form an integral part of these financial statements.

BALANCE SHEET AT 31 DECEMBER 1996

	Note	1996 £	1995 £
Current assets			
Stock of stores and consumables		68,516	46,403
Amount recoverable on contracts		1,889,135	1,863,225
Amounts owed by group companies		789,253	870,531
Prepayments		23,815	17,375
Cash at bank and in hand		<u>1,251,576</u>	<u>81,001</u>
		4,022,295	2,878,535
Creditors : amounts falling due within one year			
Amounts owed to group companies		1,236,028	1,154
Other creditors		239,986	327,441
Corporation tax		<u>3,993</u>	<u>88,152</u>
		1,480,007	416,747
Net current assets		2,542,288	2,461,788
Creditors : amounts falling due after more than one year			
Amounts owed to group companies		<u>2,000,000</u>	<u>2,000,000</u>
		<u>542,288</u>	<u>461,788</u>
Capital and reserves			
Called up share capital	4	1,000	1,000
Profit and loss account	5	541,288	460,788
Equity shareholders' funds	6	<u>542,288</u>	<u>461,788</u>

The financial statements were approved by the board of directors on 7 May 1997.

Signed on behalf of the board of directors

J Stuart Seddon, Director

The accompanying accounting policies and notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1996

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit on ordinary activities before taxation of the company are attributable to the principal activities of painting and maintenance contractors and was all carried out within the United Kingdom.

Profit on ordinary activities before taxation is arrived at after charging:	1996	1995
	£	£
Hire of plant and machinery	127,045	126,136
Auditors' remuneration		
- audit services	3,000	4,000
- non-audit services	1,200	1,450
	<u>127,045</u>	<u>126,136</u>

2 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1996	1995
	£	£
Directors' emoluments	125,833	104,138

The fees and other emoluments, excluding pension contributions, of directors were as follows:

	1996	1995
	£	£
Chairman	-	-
Highest paid director	74,014	59,776

Other directors:

	1996	1995
	Number	Number
£40,001 to £45,000	1	1

The average number of persons employed by the company was:

	1996	1995
	Number	Number
Construction staff	181	176
Administration staff	46	41
	<u>227</u>	<u>217</u>

The costs incurred in respect of these employees were:

	1996	1995
	£	£
Wages and salaries	2,379,146	2,169,115
Social security costs	188,822	172,871
Other pension costs	57,125	40,115
	<u>2,625,093</u>	<u>2,382,101</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996 £	1995 £
Taxation is based on the profit for the year and comprises:		
UK Corporation tax at a rate of 24.25% (1995 : 33%) of taxable profit	4,000	38,000
Group relief payable at 33%	53,000	-
	<u>57,000</u>	<u>38,000</u>
Adjustments regarding previous years		
UK Corporation tax	9,406	(2,129)
	<u>66,406</u>	<u>35,871</u>

4 CALLED UP SHARE CAPITAL

	1996 £	1995 £
Authorised, allotted, and fully paid 1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

5 PROFIT AND LOSS ACCOUNT

	£
At 1 January 1996	460,788
Retained profit for the financial year	80,500
At 31 December 1996	<u>541,288</u>

6 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
Retained profit for the financial year	80,500	83,188
Opening shareholders' funds	461,788	378,600
Closing shareholders' funds	<u>542,288</u>	<u>461,788</u>

7 CONTINGENT LIABILITIES

A contingent liability exists at 31 December 1996 in respect of counter indemnities given in connection with performance bonds totalling £10,175 (1995: £10,175).

There is a bank cross guarantee and set-off arrangement between the company, Seddon Holdings Limited, and certain other fellow subsidiary and related companies. This facility was £5,142,511 in hand at 31 December 1996 (1995: in hand £2,505,750).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996

8 PENSION ARRANGEMENTS

The group operates a defined benefit pension scheme whose assets are held in independently administered funds separate from those of the group. Annual contributions are paid on the recommendation of independent qualified actuaries following triennial actuarial valuations, the latest of which was as at 1 November 1994. The valuation method used is the Projected Unit Method and the most significant assumption of the valuation was that the investment return would exceed salary growth rate by 2% compound. At 1 November 1994, the valuation showed that the discounted cashflow value of the Scheme's assets was £10,531,000 and represented a prospective funding level of 105%.

The group also operates three defined contribution pension schemes, the assets of which are held in independently administered funds.

9 ULTIMATE PARENT COMPANY

The ultimate parent company is Seddon Group Limited which is registered in England and Wales.

The intermediate holding companies are Seddon Holdings Limited (formerly Seddon Group Limited) and Seddon (Stoke) Limited, which are also registered in England and Wales. Both of these intermediate holding companies have prepared consolidated financial statements, copies of which are available from Companies House.