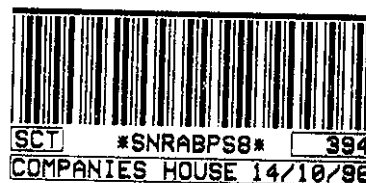




**HOW ENGINEERING SERVICES  
SCOTLAND LIMITED**

**Report and Financial Statements**

**31 December 1995**



**Deloitte & Touche  
Colmore Gate  
2 Colmore Row  
Birmingham  
B3 2BN**



**REPORT AND FINANCIAL STATEMENTS 1995**

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**REPORT AND FINANCIAL STATEMENTS 1995**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

A G Lawson (Managing Director)  
D Summerfield (Chairman)

**SECRETARY**

C S Dixon

**REGISTERED OFFICE**

1 Albion Way  
Kelvin Industrial Area  
East Kilbride  
Glasgow  
G75 0XZ

**BANKERS**

Barclays Bank plc  
1 Bridge Street  
Stockport  
Cheshire  
SK1 1XU

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Colmore Gate  
2 Colmore Row  
Birmingham  
B3 2BN

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended December 1995.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company continues to be that of the design, supply and installation of services to buildings.

### **REVIEW OF DEVELOPMENTS**

The Company has enjoyed a highly successful year on a significantly higher turnover and with an extended workforce. The directors remain optimistic for 1996.

### **DIVIDENDS AND TRANSFERS TO RESERVES**

Details of the results for the year are set out in the profit and loss account on page 6.

The directors are unable to recommend the payment of a dividend to the parent company in respect of the year.

### **FIXED ASSETS**

Movements in tangible fixed assets during the year are detailed in note 5 to the financial statements.

### **DIRECTORS AND THEIR INTERESTS**

The directors who served during the year were:

A G Lawson            appointed 11 January 1995  
 C J Parkinson  
 D Summerfield

In accordance with the Articles of Association directors are not required to retire by rotation.

In addition, C A Gilbert was a director until his resignation on 14 January 1995.

C J Parkinson resigned on 31 January 1996.

The directors hold no shares of the Company.

The directors who are not also directors of the ultimate parent undertaking, How Group plc, held the following interests in the 10p ordinary shares of that company:

	At 31 December 1995		At 31 December 1994 (or date of appointment)	
	Fully paid	Share options	Fully paid	Share options
A G Lawson	220,500	255,000	220,500	255,000
C J Parkinson	1,200,000	20,000	1,265,000	27,777

D Summerfield was also a director of How Group plc at 31 December 1995 and his interests are disclosed in that company's financial statements.



## **DIRECTORS' REPORT**

### **AUDITORS**

On 1 February 1996 our auditors changed the name under which they practise to Deloitte & Touche and, accordingly, have signed their report in their new name. A resolution for the reappointment of Deloitte & Touche as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

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

C S Dixon

Secretary



## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## Chartered Accountants

Deloitte & Touche  
Colmore Gate  
2 Colmore Row  
Birmingham B3 2BN

Telephone: National 0121 200 2211  
International + 44 121 200 2211  
Fax (Gp. 3): 0121 695 5311

## AUDITORS' REPORT TO THE MEMBERS OF

## HOW ENGINEERING SERVICES SCOTLAND LIMITED

We have audited the financial statements on pages 6 to 12 which have been prepared under the accounting policies set out on page 8.

### Respective responsibilities of directors and auditors

As described on page 4 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

Chartered Accountants and Registered Auditors

*27<sup>th</sup> June 1996*




**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 1995**

	Note	1995 £	1994 £
<b>TURNOVER</b>		3,000,506	763,800
Cost of sales		(2,714,623)	(649,507)
Gross profit		285,883	114,293
Administrative expenses		(206,204)	(140,646)
<b>OPERATING PROFIT/(LOSS) BEING PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	79,679	(26,353)
Tax on profit/(loss) on ordinary activities	4	(17,400)	927
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		62,279	(25,426)
Retained profit brought forward		24,691	50,117
Retained profit carried forward		86,970	24,691

All activities derive from continuing operations.

There are no recognised gains or losses other than as stated above in the profit and loss account.



**BALANCE SHEET**  
**31 December 1995**

	Note	£	1995 £	£	1994 £
<b>TANGIBLE FIXED ASSETS</b>	5		2,987		3,517
<b>CURRENT ASSETS</b>					
Work in progress	6	290,637		42,713	
Debtors	7	951,223		128,319	
Cash at bank and in hand		146,980		404,243	
		<u>1,388,840</u>		<u>575,275</u>	
<b>CREDITORS: amounts falling due within one year</b>	8	<u>(1,294,857)</u>		<u>(544,101)</u>	
<b>NET CURRENT ASSETS</b>			<u>93,983</u>		<u>31,174</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>96,970</u>		<u>34,691</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	9		10,000		10,000
Profit and loss account			86,970		24,691
<b>EQUITY SHAREHOLDERS' FUNDS</b>	10		<u>96,970</u>		<u>34,691</u>

These financial statements were approved by the Board of Directors on 22 March 1996.

Signed on behalf of the Board of Directors

A G Lawson

Director



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1995**

**1. ACCOUNTING POLICIES**

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

**Accounting convention**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

**Tangible fixed assets**

Depreciation is provided on all tangible fixed assets and is calculated on cost on a straight line basis over the following years, so as to write down the value of the assets to estimated residual value over their anticipated useful lives:

Plant, equipment and fixtures	5 years
Motor vehicles	4 years

**Contracts in progress**

Contracts in progress are valued individually at the lower of cost, including related overheads, and estimated net realisable value, provision being made for anticipated future losses where appropriate.

In the case of certain substantial long term contracts an element of profit, prudently estimated, is also included. However, where the outcome of such contracts cannot reasonably be assessed no profit is taken before completion.

The excesses of turnover over payments on account in respect of those contracts classified as long term and valued inclusive of accrued profit are included in debtors as "amounts recoverable on contracts". All other contracts are included as stocks, net of progress payments received.

**Trade creditors**

Trade creditors are stated to exclude subcontractors' progress applications not certified for payment by the Balance Sheet date, as these are included in 'accruals and deferred income' to the extent that they are considered likely to become payable.

**Deferred taxation**

Provision is made for deferred taxation, where appropriate, using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes.

There is no liability, or potential liability, to deferred taxation for the years ended 31 December 1995 and 31 December 1994.

**Turnover**

Turnover represents the invoiced value of goods supplied and services rendered, as adjusted by the variation between opening and closing valuations of contracts in progress and after making full provision for potential claims and allowances.

**Operating leases**

Operating lease rentals are charged on a straight line basis over the lease terms.

**Pension costs**

The cost of the defined benefits pension arrangements are charged to the profit and loss account as the contributions become payable to the scheme's principal employer, How Group plc.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1995**

**2. INFORMATION REGARDING EMPLOYEES**

	<b>1995</b>	<b>1994</b>
	<b>No</b>	<b>No</b>
Average number of persons employed	<u>32</u>	<u>8</u>
	<b>£</b>	<b>£</b>
Staff costs during the year		
Wages and salaries	605,432	140,927
Social security costs	49,061	15,735
Pension costs	<u>9,719</u>	<u>2,369</u>
	<u>664,212</u>	<u>159,031</u>

**Pension costs**

The Company is a member of the How Group Staff Pension and Life Assurance Scheme which is of the defined benefit type and is funded in advance by contributions at rates assessed by independent professionally qualified actuaries in valuation reports normally every three years. Particulars of the actuarial valuation are contained in the financial statements of the ultimate parent undertaking, How Group plc.

**3. OPERATING PROFIT/(LOSS)**

	<b>1995</b>	<b>1994</b>
	<b>£</b>	<b>£</b>
After charging/(crediting):		
Depreciation	530	2,651
Profit on disposal of fixed assets	-	(875)
Auditors' remuneration:		
Audit fees and expenses	1,000	1,000
Operating lease charges:		
Land and buildings	13,500	13,500
Hire of vehicles and plant	<u>30,050</u>	<u>3,404</u>

**4. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

	<b>1995</b>	<b>1994</b>
	<b>£</b>	<b>£</b>
UK Corporation tax at 33% (1994 - 33%) based on profit/(loss) for the year	17,400	-
Adjustments relating to prior periods:		
Corporation tax	<u>-</u>	<u>(927)</u>
	<u>17,400</u>	<u>(927)</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1995**

**5. TANGIBLE FIXED ASSETS**

	<b>Plant, fixtures and equipment £</b>	<b>Motor vehicles £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 1995 and 31 December 1995	34,257	10,840	45,097
<b>Depreciation</b>			
At 1 January 1995	31,740	9,840	41,580
Provided in year	530	-	530
At 31 December 1995	32,270	9,840	42,110
<b>Net book value</b>			
At 31 December 1995	1,987	1,000	2,987
At 31 December 1994	2,517	1,000	3,517

**6. WORK IN PROGRESS**

	<b>1995 £</b>	<b>1994 £</b>
Work in progress	1,071,145	517,311
Payments received on account	(780,508)	(474,598)
	<u>290,637</u>	<u>42,713</u>

Payments received on account which are in excess of contract values are included in creditors falling due within one year (note 8).

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1995**

**7. DEBTORS**

	<b>1995</b>	<b>1994</b>
	<b>£</b>	<b>£</b>
Trade debtors	13,060	5,062
Amounts recoverable on contracts	877,732	81,984
Amounts owed by Group undertakings	1,909	13,075
Value added tax	-	7,534
Other debtors	50,462	15,200
Prepayments and accrued income	8,060	5,464
	<u>951,223</u>	<u>128,319</u>

**8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>1995</b>	<b>1994</b>
	<b>£</b>	<b>£</b>
Payments received on account (note 6)	134,101	59,081
Trade creditors	517,144	211,879
Contract completion costs	28,547	3,588
Amounts owed to Group undertakings	179,594	168,730
Corporation tax	17,400	-
Other taxes and social security	31,577	8,720
Other creditors	7,054	3,782
Accruals and deferred income	379,440	88,321
	<u>1,294,857</u>	<u>544,101</u>

**9. CALLED UP SHARE CAPITAL**

	<b>1995</b>	<b>1994</b>
	<b>£</b>	<b>£</b>
Authorised, allotted and fully paid 10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1995**

**10. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS**

	1995 £	1994 £
Profit/(loss) for the financial year and net increase/(decrease) in shareholders' funds	62,279	(25,426)
Opening shareholders' funds	<u>34,691</u>	<u>60,117</u>
Closing equity shareholders' funds	<u>96,970</u>	<u>34,691</u>

**11. FINANCIAL COMMITMENTS**

The Company has the following annual obligations under operating lease commitments analysed into the period from the balance sheet date in which the leases expire.

	Land and buildings £	Other £
Leases which expire:		
Within one year	-	558
Between two and five years	-	6,720
After 5 years	<u>13,500</u>	<u>-</u>
	<u>13,500</u>	<u>7,278</u>

**12. CONTINGENT LIABILITIES**

The Company has entered into an unlimited multilateral guarantee in respect of the bank borrowing of How Group plc and its subsidiary undertakings under which the Company had a contingent liability at 31 December 1995 of £16,369,737 (1994 - £14,609,013) relating to the overdrafts of certain companies.

**13. ULTIMATE PARENT UNDERTAKING**

The Company's ultimate parent undertaking is How Group plc, registered in England and Wales.

How Group plc is the parent undertaking of the largest group of which How Engineering Services Scotland Limited is a member and for which group accounts are drawn up.

How Engineering Services Limited, registered in England and Wales, is the parent undertaking of the smallest group of which How Engineering Services Scotland Limited is a member and for which group accounts are drawn up.

Accounts for both undertakings have been delivered and are available from the Registrar of Companies, Crown Way, Maindy, Cardiff, CF4 3UZ.



### **ADDITIONAL INFORMATION**

The additional information on pages 14 to 15 has been prepared from the accounting records of the company. While it does not form part of the statutory financial statements, it should be read in conjunction with them and the auditors' report thereon.

**TRADING PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 1995**

	£	1995 £	£	1994 £
<b>TURNOVER</b>				
Sales		6,996		43,804
Closing work in progress		4,726,677		1,733,167
		<u>4,733,673</u>		<u>1,776,971</u>
Less: Opening work in progress		1,733,167		1,013,171
		<u>3,000,506</u>		<u>763,800</u>
<b>GROSS PROFIT</b>				
Direct costs:				
Materials and other external charges	2,024,606		508,937	
Plant hire	21,182		276	
Direct labour	541,400		105,452	
Operatives' expenses	55,503		9,268	
		<u>2,642,691</u>		<u>623,933</u>
Indirect costs:				
Holiday and sick pay	26,865		11,358	
Operatives' National Insurance	39,838		10,685	
Operatives' pension contributions	490		552	
Commercial vehicle expenses	-		44	
Tool and equipment repairs	4,739		2,935	
		<u>71,932</u>		<u>25,574</u>
		<u>2,714,623</u>		<u>649,507</u>
<b>GROSS PROFIT</b>		285,883		114,293
Less: Overheads (per attached schedule)		206,204		140,646
<b>OPERATING PROFIT/(LOSS )FOR THE YEAR</b>		<u>79,679</u>		<u>(26,353)</u>



**SCHEDULE OF OVERHEAD EXPENSES**  
**Year ended 31 December 1995**

	1995	1994
£	£	£
Staff salaries	89,771	64,532
Staff NI	9,223	6,047
Group management and finance charges	33,698	6,856
Rent, rates and insurance	19,253	24,102
Pension and welfare schemes	9,229	8,131
Heat and light	1,114	2,208
Printing, stationery, drawing office materials and advertising	3,579	2,847
Telephone	6,960	4,421
Travelling and entertainment expenses	5,904	2,433
Postage, cleaning and sundry trade expenses	4,612	1,473
Motor expenses and contract hire	19,325	10,930
Subscriptions	759	140
Audit and accountancy charges	1,000	1,000
Bank charges	2,347	2,519
Repairs and renewals	223	111
Legal and professional charges	1,665	2,107
Depreciation		
Furniture and office equipment	530	133
Motor vehicles	-	2,518
	530	2,651
Training	223	-
Computer costs	31	-
	209,446	142,508
Deduct - Miscellaneous income:		
Profit on sale of fixed assets	-	875
Discounts and rebates	3,242	987
	3,242	1,862
<b>NET OVERHEAD EXPENSES</b>	<b>206,204</b>	<b>140,646</b>