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SIMON-BARRON LIMITED

AND ITS SUBSIDIARY COMPANY

REPORTS AND ACCOUNTS 1987

BRISTOL ROAD, GLOUCESTER.



SIMON-BARRON LIMITED
AND ITS SUBSIDIARY COMPANY

REPORTS AND ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1987

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SIMON-BARRON LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the consolidated accounts for the year ended 31st December 1987.

1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the group are those of designers, manufacturers and suppliers of animal feed milling machines, and spare parts with the ability to provide a design, construction and commissioning service to the animal feed industry. The group is continually involved in the development of its product range, expenditure in this respect being written off when incurred.

2. RESULTS

The profit for the year after interest and taxation was £304,239 which the directors recommend is taken to reserves. No dividend is proposed.

3. FIXED ASSETS

(i) Changes in fixed assets during the year ended 31st December 1987 are set out in note 8 to the accounts.

(ii) In the opinion of the directors, the market value of land and buildings at 31st December 1987 was £800,000.

4. DIRECTORS

The directors of the company during the year were:
D. Bates (Chairman)
C.J. Batty
C.F.J. Graham
J. Lodge

REPORT OF THE DIRECTORS (Continued)

5. DIRECTORS' INTERESTS IN GROUP COMPANIES

The interests of the directors at 31st December 1987 in the share capital of Simon Engineering p.l.c. were:

	<u>Number of ordinary shares</u>			
	<u>Beneficial</u>		<u>Options</u>	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
D. Bates	-	-	41,478	23,000
C.J. Batty	-	-	33,839	11,340
C.F.J. Graham	-	-	22,611	12,470
J. Lodge	-	-	-	-


The directors hold the above options under the Share Option Scheme of Simon Engineering p.l.c. approved by its shareholders on 27th November 1984.

None of the directors had any interest in the shares or debentures of any subsidiary of Simon Engineering p.l.c., or in Simon Engineering p.l.c. 9.25% Debenture Stock 1992/97.

6. AUDITORS

In accordance with Section 384 of the Companies Act 1985 a resolution proposing the reappointment of Deloitte Haskins & Sells as auditors to the company will be put to the Annual General Meeting.

BY ORDER OF THE BOARD


P. PARRY
Company Secretary

Gloucester.
6th May 1988

REPORT OF THE AUDITORS TO THE MEMBERS OF
SIMON-BAPTON LIMITED

We have audited the accounts on pages 5 to 19 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group at 31st December 1987 and of the profit of the group for the year then ended and comply with the Companies Act 1985.

The accounts do not include the statement of source and application of funds required by Statement of Standard Accounting Practice No. 10.

Deloitte Haskins & Sells
DELOITTE HASKINS & SELLS
Chartered Accountants

Gloucester.
6th May 1988

SIMON-BARRON LIMITED
AND ITS SUBSIDIARY COMPANY

ACCOUNTING POLICIES
FOR THE YEAR ENDED 31ST DECEMBER 1987

(i) ACCOUNTING CONVENTION

The accounts are prepared under the historical cost convention, as modified by the revaluation of certain assets.

(ii) BASIS OF CONSOLIDATION

The consolidated accounts include the accounts of Simon-Barron Limited and its subsidiary Simon-Barron Ireland Limited. The accounting year of each company ends on 31st December. Internal sales and profits are eliminated on consolidation.

(iii) TURNOVER

Turnover represents the amount derived from the provision of goods and services and erection work carried out during the year.

(iv) TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost or revaluation less government cash grants less accumulated depreciation.

(v) DEPRECIATION

No depreciation is provided on freehold land. Depreciation of other fixed assets is calculated on the straightline basis by reference to original cost (or subsequent revaluation) and the estimated lives of the assets; the details for each major class of depreciable asset are as follows:

Freehold buildings:

Owned at 31st December 1977 - Over the balance of an
estimated life of 100 years.
Acquired on or after 1st January 1978 - 1%

Plant, machinery and motor vehicles - Rates varying from 10%
to 25%

Computers and office equipment - Rates varying from 10%
to 20%

ACCOUNTING POLICIES (Continued)

(vi) STOCKS AND WORK IN PROGRESS

Stocks and factory work in progress are valued at the lower of cost and estimated net realisable value. Cost includes direct labour and appropriate production overheads.

(vii) DEFERRED TAXATION

Provision is made by the liability method for taxation deferred in respect of the following items:

- (a) Income and expenditure which are dealt with for taxation purposes in a different period from that in which they are recorded in the accounts.
- (b) The excess of capital allowances given for tax purposes over the depreciation charged in the accounts in the case of plant, vehicles and equipment, to the extent that it is considered probable that a tax liability will crystallise.

(viii) FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date.

Trading results denominated in foreign currencies are translated at the average rate during the year. The resulting gains and losses are taken to the profit and loss account.

SIMON-BARRON LIMITED
AND ITS SUBSIDIARY COMPANY

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1987

	<u>Notes</u>	<u>1987</u>	<u>1986</u>
		<u>£</u>	<u>£</u>
TURNOVER	1	7,661,994	6,557,357
Cost of sales		<u>(5,786,828)</u>	<u>(5,036,971)</u>
GROSS PROFIT		1,875,166	1,520,386
Distribution costs		-	-
Administration expenses		<u>(1,430,361)</u>	<u>(1,244,052)</u>
Other operating income and charges		<u>(31,310)</u>	<u>27,572</u>
OPERATING PROFIT	2	413,495	303,906
Interest receivable		1,426	-
Interest payable	4	<u>(102,200)</u>	<u>(222,241)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		312,721	81,665
Taxation	5	<u>(8,482)</u>	<u>(29,386)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		304,239	52,279
Extraordinary items	6	<u>-</u>	<u>(96,636)</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR 1987		<u>304,239</u> =====	<u>(44,357)</u> =====

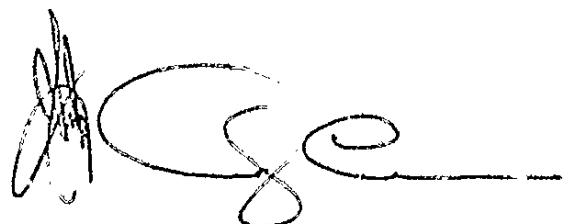
SIMON-BARRON LIMITED
AND ITS SUBSIDIARY COMPANY

CONSOLIDATED BALANCE SHEET
31ST DECEMBER 1987

	<u>Notes</u>	<u>1987</u>	<u>1986</u>
		<u>£</u>	<u>£</u>
FIXED ASSETS			
Tangible assets	8	858,102	1,328,681
CURRENT ASSETS			
Stocks	10	1,242,774	1,548,286
Debtors	11	1,685,278	2,083,384
Cash at bank and in hand		<u>40,263</u>	<u>17,919</u>
		2,968,315	3,649,589
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	<u>(2,753,886)</u>	<u>(2,772,137)</u>
NET CURRENT ASSETS		<u>214,429</u>	<u>877,452</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,072,531	2,206,133
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	(210,214)	(1,364,550)
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>(421,653)</u>	<u>(697,904)</u>
		440,664 =====	143,679 =====
CAPITAL AND RESERVES			
Called-up share capital	15	172,500	172,500
Share premium account		500	500
Reserves	16	<u>267,664</u>	<u>(29,321)</u>
		440,664 =====	143,679 =====

The accounts on pages 5 to 19 were approved by the board of directors on 6th May 1988 and are signed on its behalf by:

C.F.J. GRAHAM)
J. LODGE) Directors




BALANCE SHEET
31st DECEMBER 1987

	<u>Notes</u>	<u>1987</u>	<u>1986</u>
		<u>£</u>	<u>£</u>
FIXED ASSETS			
Tangible assets	8	855,425	1,229,153
Investments	9	<u>77,376</u>	<u>146,976</u>
		932,801	1,376,129
CURRENT ASSETS			
Stocks	10	1,242,774	1,546,793
Debtors	11	1,601,084	2,005,816
Cash at bank and in hand		<u>37,877</u>	<u>14,566</u>
		2,881,735	3,567,175
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	<u>(2,741,994)</u>	<u>(2,739,162)</u>
NET CURRENT ASSETS		<u>139,741</u>	<u>828,013</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,072,542	2,204,142
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	(210,214)	(1,362,552)
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>(421,653)</u>	<u>(697,904)</u>
		440,675 =====	143,686 =====
CAPITAL AND RESERVES			
Called-up share capital	15	172,500	172,500
Share premium account		500	500
Reserves	16	<u>267,675</u>	<u>(29,314)</u>
		440,675 =====	143,686 =====

The accounts on pages 5 to 19 were approved by the board of directors on 6th May 1988 and are signed on its behalf by:

C.F.J. GRAHAM)
J. LODGE) Directors



SIMON-BARRON LIMITED
AND ITS SUBSIDIARY COMPANY

NOTES ON THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1987

1. TURNOVER

The turnover and profit before taxation are attributable to the principal activity of the group.

Analysis of turnover by geographical area:

	<u>1987</u>		<u>1986</u>	
	<u>£</u>	<u>%</u>	<u>£</u>	<u>%</u>
North and South America	517,233	6.8	295,299	4.5
Australia and New Zealand	170,261	2.2	129,319	2.0
Africa	112,424	1.5	64,398	1.0
E.E.C.	639,685	8.3	792,264	12.1
Western Europe (other than E.E.C)	340,753	4.4	193,427	2.9
Eastern Europe and U.S.S.R.	(134)	-	377,122	5.7
Middle East	11,693	0.2	102,469	1.6
Far East	141,364	1.8	1,389,027	21.2
	<u>1,933,279</u>	<u>25.2</u>	<u>3,343,325</u>	<u>51.0</u>
United Kingdom	<u>5,728,715</u>	<u>74.8</u>	<u>3,214,032</u>	<u>49.0</u>
	<u>7,661,994</u>	<u>100.0</u>	<u>6,557,357</u>	<u>100.0</u>
	=====	=====	=====	=====

2. OPERATING PROFIT

The following items have been taken into account in arriving at operating profit:

	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>
Depreciation - Freehold buildings	9,026	9,024
Leasehold land and buildings	(4,228)	956
Plant, machinery and motor vehicles	40,404	137,778
Computers and office equipment	<u>17,556</u>	<u>15,557</u>
	62,758	163,315
Audit fees	14,804	12,165
Hire of plant, vehicles and equipment - operating leases	18,168	18,881
Research and development	<u>113,920</u>	<u>98,876</u>
	209,650	293,237
	=====	=====

NOTES ON THE ACCOUNTS (Continued)

3. EMPLOYEES

(i) The average weekly number of employees during the year was:

	<u>1987</u>			<u>1986</u>		
	<u>U.K.</u>	<u>Over seas</u>	<u>Total</u>	<u>U.K.</u>	<u>Over seas</u>	<u>Total</u>
Staff	85	2	87	91	2	93
Hourly paid	<u>29</u>	<u>=</u>	<u>29</u>	<u>61</u>	<u>=</u>	<u>61</u>
	114	2	116	152	2	154
	===		===	===	=	===

(ii) The aggregate employment costs for the year were:

	<u>1987</u>			<u>1986</u>		
	<u>U.K.</u>	<u>Over seas</u>	<u>Total</u>	<u>U.K.</u>	<u>Over seas</u>	<u>Total</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Gross salaries and wages	1,176	23	1,199	1,396	24	1,420
Social security contributions	83	3	86	97	3	100
Pension contributions	<u>20</u>	<u>1</u>	<u>21</u>	<u>38</u>	<u>1</u>	<u>39</u>
	1,279	27	1,306	1,531	28	1,559
	=====	==	=====	=====	==	=====

(iii) The total emoluments of directors were:

	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>
Management remuneration	50,350	45,747
	=====	=====

The chairman received no emoluments (1986 £Nil).

The emoluments of the highest paid director (excluding pension contributions) were £28,050 (1986 £25,598).

The following table shows the number of directors in each range of emoluments (excluding pension contributions):

	<u>1987</u>	<u>1986</u>
	<u>Number</u>	<u>Number</u>
Not exceeding £5,000	2	2
£20,001 - £25,000	1	1
£25,001 - £30,000	1	1
	=	=

NOTES ON THE ACCOUNTS (Continued)

4. INTEREST PAYABLE

	<u>1987</u>	<u>1986</u>
	£	£
Bank overdrafts wholly repayable within 5 years not by instalments	200	241
Loans wholly repayable within 5 years not by instalments	<u>102,000</u>	<u>222,000</u>
	102,200	222,241
	=====	=====

Interest payable includes £102,000 (1986 £222,000) payable on a loan from the holding company.

5. TAXATION

	<u>1987</u>	<u>1986</u>
	£	£
U.K. taxation:		
Corporation tax (35%)	109,876	46,352
Deferred taxation	13,558	(18,891)
Group relief - prior year adjustment	<u>(115,561)</u>	<u>-</u>
	7,773	27,461
Overseas taxation:		
Corporation tax (50%)	<u>709</u>	<u>1,925</u>
	8,482	29,386
	=====	=====

6. EXTRAORDINARY ITEMS

Rationalisation, reorganisation and redundancy costs (including additional depreciation on plant £150,000)	-	(110,000)
Part of holding company loan waived	<u>-</u>	<u>250,000</u>
	-	(160,000)
Taxation:		
Deferred taxation relating to the above costs	-	143,500
Deferred taxation on plant now fully provided	<u>-</u>	<u>(80,136)</u>
	-	(96,636)
	===	=====

NOTES ON THE ACCOUNTS (Continued)

7. COMPANY PROFIT AND LOSS ACCOUNT

A separate profit and loss account dealing with the results of Simon-Barron Limited only has not been presented. The profit dealt with in the accounts of the company is £304,239 (1986 loss £44,357).

8. TANGIBLE FIXED ASSETS

	<u>Cost or valuation</u>	<u>GROUP Depreciation</u>	<u>Net book value</u>
	<u>£</u>	<u>£</u>	<u>£</u>
31st December 1987:			
Land and buildings - Freehold	830,087	81,234	748,853
Plant, machinery and motor vehicles	181,503	155,791	25,712
Computers and office equipment	<u>170,472</u>	<u>86,935</u>	<u>83,537</u>
	1,182,062	323,960	858,102
	=====	=====	=====
Movements during 1987:			
1st January	2,579,049	1,250,368	1,328,681
Currency translation adjustments	(7,142)	(892)	(6,250)
Additions less grants	63,093	-	63,093
Sales	(1,452,938)	(988,274)	(464,664)
Depreciation for year	<u>-</u>	<u>62,758</u>	<u>(62,758)</u>
31st December	1,182,062	323,960	858,102
	=====	=====	=====

	<u>Cost or valuation</u>	<u>COMPANY Depreciation</u>	<u>Net book value</u>
	<u>£</u>	<u>£</u>	<u>£</u>
31st December 1987:			
Land and buildings - Freehold	830,087	81,234	748,853
Plant, machinery and motor vehicles	174,369	151,029	23,340
Computers and office equipment	<u>166,373</u>	<u>83,141</u>	<u>83,232</u>
	1,170,829	315,404	855,425
	=====	=====	=====
Movements during 1987:			
1st January	2,464,760	1,235,607	1,229,153
Additions less grants	63,093	-	63,093
Sales	(1,357,024)	(985,002)	(372,022)
Depreciation for year	<u>-</u>	<u>64,799</u>	<u>(64,799)</u>
31st December	1,170,829	315,404	855,425
	=====	=====	=====

Included in the cost or valuation of freehold land and buildings is land to the value of £163,000 (1986 £163,000).

NOTES ON THE ACCOUNTS (Continued)

8. TANGIBLE FIXED ASSETS (Continued)

FUTURE CAPITAL EXPENDITURE	<u>1987</u>		<u>1986</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Contracted for but not provided for in the accounts	30,700 =====	30,700 =====	Nil ===	Nil ===
Authorised but not contracted for	Nil ===	Nil ===	Nil ===	Nil ===

ANALYSIS OF COST OR VALUATION

31st December 1987:				
Cost	582,062	570,829	1,979,049	1,864,760
Valuation - 1971	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>
	1,182,062 =====	1,170,829 =====	2,579,049 =====	2,464,760 =====

TANGIBLE ASSETS INCLUDED AT VALUATION

If land and buildings valued at £600,000 had not been revalued they would have been included at the following amounts:

	<u>1987</u>		<u>1986</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Historical cost	218,565	218,565	222,530	222,530
Depreciation based on historical cost	<u>56,365</u>	<u>56,365</u>	<u>54,709</u>	<u>54,709</u>
Net historical cost value	162,200 =====	162,200 =====	167,821 =====	167,821 =====

NOTES ON THE ACCOUNTS (Continued)

9. INVESTMENTS

	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>
Investment in subsidiary company:		
Shares at cost	100	100
Loan account	<u>165,809</u>	<u>212,779</u>
	165,909	212,879
Less Provision for losses	<u>88,533</u>	<u>65,903</u>
	<u>77,376</u>	<u>146,976</u>
	=====	=====

The wholly owned subsidiary is Simon-Barron Ireland Limited which is incorporated and operates in the Republic of Ireland.

10. STOCKS

	<u>1987</u>		<u>1986</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Raw materials and consumables	306,944	306,944	667,187	667,187
Work in progress	701,763	701,763	274,589	274,589
Finished goods for resale	<u>404,061</u>	<u>404,061</u>	<u>606,510</u>	<u>605,017</u>
	1,412,768	1,412,768	1,548,286	1,546,793
Less Progress claims	<u>(169,994)</u>	<u>(169,994)</u>	<u>-</u>	<u>-</u>
	<u>1,242,774</u>	<u>1,242,774</u>	<u>1,548,286</u>	<u>1,546,793</u>
	=====	=====	=====	=====

11. DEBTORS

Trade debtors	1,102,599	1,001,220	1,276,811	1,172,103
Amounts owed by group companies	432,489	432,489	573,479	573,479
Amounts owed by subsidiary company	-	20,156	-	42,316
Other debtors	130,513	127,542	206,715	192,318
Prepayments	<u>19,677</u>	<u>19,677</u>	<u>26,379</u>	<u>25,600</u>
	<u>1,685,278</u>	<u>1,601,084</u>	<u>2,083,384</u>	<u>2,005,816</u>
	=====	=====	=====	=====

NOTES ON THE ACCOUNTS (Continued)

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1987</u>		<u>1986</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Payment received on account	413,801	413,801	275,436	260,760
Trade creditors	1,390,105	1,389,682	1,928,699	1,928,248
Amounts owed to group companies	493,355	493,355	247,449	247,449
Taxation - On profits	110,538	109,876	-	-
Other	17,667	17,432	32,860	23,183
Social security	14,235	13,908	19,027	18,533
Other creditors	29,666	29,666	39,228	39,033
Accruals and deferred income	<u>284,519</u>	<u>274,274</u>	<u>229,438</u>	<u>221,956</u>
	<u>2,753,886</u>	<u>2,741,994</u>	<u>2,772,137</u>	<u>2,739,162</u>
	=====	=====	=====	=====

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>1987</u>		<u>1986</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Corporation tax	-	-	48,350	46,352
Loan from holding company	<u>210,214</u>	<u>210,214</u>	<u>1,316,200</u>	<u>1,316,200</u>
	<u>210,214</u>	<u>210,214</u>	<u>1,364,550</u>	<u>1,362,552</u>
	=====	=====	=====	=====

NOTES ON THE ACCOUNTS (Continued)

14. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Group and Company</u>			
	<u>Deferred tax</u>	<u>Extraordinary item</u>	<u>Contract contingency provision</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
1st January 1987	89,991	235,000	372,913	697,904
Charge to profit and loss account	13,558	-	-	13,558
Utilised	<u>-</u>	<u>(224,396)</u>	<u>(65,413)</u>	<u>(289,809)</u>
31st December 1987	103,549	10,604	307,500	421,653
	=====	=====	=====	=====

Deferred taxation:

The potential amount of deferred taxation for all timing differences together with the amount provided in the accounts are as follows:

	<u>Provision</u>		<u>Total potential liability</u>	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Group and company:				
Excess of capital allowances on plant etc. over related depreciation	107,260	181,682	107,260	181,682
Revaluation of fixed assets	-	-	100,000	100,000
Short-term timing differences	<u>(3,711)</u>	<u>(91,691)</u>	<u>(3,711)</u>	<u>(91,691)</u>
	103,549	89,991	203,549	189,991
	=====	=====	=====	=====

Provision has not been made for taxation on chargeable gains which could arise on the disposal of those fixed assets which are included in the accounts at valuation, as any liability is not expected to crystallise in the foreseeable future.

NOTES ON THE ACCOUNTS (Continued)

15. SHARE CAPITAL

	<u>Authorised</u>		<u>Allotted, called-up and fully paid</u>	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Ordinary shares of £1 each	350,000	350,000	172,500	172,500
	=====	=====	=====	=====

16. RESERVES

	<u>Revaluation reserve</u>	<u>Other reserves</u>	<u>Profit and loss</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
GROUP				
1st January 1987	535,784	185,500	(750,605)	(29,321)
Exchange differences	(7,666)	-	412	(7,254)
Profit for the year	-	-	304,239	304,239
31st December 1987	528,118	185,500	(445,954)	267,664
	=====	=====	=====	=====
COMPANY				
1st January 1987	535,791	185,500	(750,605)	(29,314)
Exchange differences	(7,662)	-	412	(7,250)
Profit for the year	-	-	304,239	304,239
31st December 1987	528,129	185,500	(445,954)	267,675
	=====	=====	=====	=====

17. LEASING COMMITMENTS

The future annual leasing commitments as at 31st December 1987, under leases (all of which are non-cancellable operating leases of plant, etc.) are:

	<u>Group and Company</u>	
	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>
Expiring in over one year and under five years	69,194	16,770
	=====	=====

NOTES ON THE ACCOUNTS (Continued)

18. PENSION SCHEMES

The Simon Engineering Group operates contributory pension schemes covering the majority of its permanent employees in the United Kingdom. The schemes' funds are administered by trustees and are independent of the group's finances. The schemes are fully funded and contributions are paid to the schemes in accordance with the recommendations of independent actuaries.

Overseas subsidiaries make arrangements according to local practice or fiscal requirements.

19. CONTINGENT LIABILITIES

At 31st December 1987 there were contingent liabilities in respect of:

- (a) A secured guarantee given in favour of the Prudential Assurance Co. Limited, in connection with the £4.5 million 9.25% Debenture Stock 1992/97 issued by Simon Engineering p.l.c., the guarantee being secured by a first floating charge on the undertaking, property and assets, present and future, of the company.
- (b) Bills of exchange discounted £17,311 (1986 £24,263).
- (c) Cash and bank balances includes an amount of £23,243 (1986 £12,317) which under a Composite Accounting Agreement with Lloyds Bank p.l.c. may be offset against other group companies' overdrafts at the discretion of the bank.
- (d) Indemnities given to company's bankers in relation to guarantees given by the bank on behalf of the company £214,957 (1986 £204,051).

20. HOLDING COMPANY

The ultimate holding company is Simon Engineering p.l.c., a company incorporated in England.