



SYMONDS GROUP LIMITED

Report and Financial Statements

31 December 1996

**Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR**





REPORT AND FINANCIAL STATEMENTS 1996

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REPORT AND FINANCIAL STATEMENTS 1996

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

N M Biddle (Chairman)
C A Booy
A K Harden
J H Leighton
B Saint-Andre
P C Sweeney
I A Sexton
T J Piper
L C Charles-Jones

SECRETARY

D France

REGISTERED OFFICE

37-41 Old Queen Street
London
SW1H 9JA

BANKERS

National Westminster Bank plc
City of London office
21 Lombard Street
London
EC3P 3AR

SOLICITORS

Morgan Bruce
Bradley Court
Park Place
Cardiff
CF1 3DP

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR



DIRECTORS' REPORT

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

ACTIVITIES

The Group's principal activities during the year were project, cost, and facilities management and engineering consultancy.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The results for the year and the position at the year end of it are shown in the profit and loss account and balance sheet on pages 6 and 7. The directors consider that the group is well placed to continue to operate successfully.

On 1 January 1996 all the trade, assets and liabilities of Symonds Limited, Symonds Facilities Management plc and Symonds Travers Morgan Limited were transferred to Symonds Group Limited. These companies ceased trading as at that date.

On 1 July 1996 the Company purchased the trade, assets and liabilities of Power Engineering Limited, a fellow group undertaking of Energy and Technical Services Group plc.

Symonds Group Limited has branch operations in Saudi Arabia and the Philippines.

DIVIDENDS

The directors do not recommend payment of a dividend (1995 - £nil).

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year are set out below:

| | |
|-------------------|--|
| N M Biddle | (Chairman) |
| C A Booy | |
| A H Cox | (resigned 10 May 1996) |
| E T Jones | (resigned 28 June 1996) |
| O J Jones | (resigned 28 March 1997) |
| J H Leighton | |
| B Saint-Andre | |
| P C Sweeney | |
| I A Sexton | |
| T Piper | |
| M F Jenkinson | (resigned 29 November 1996) |
| M R Noyce | (resigned 31 December 1996) |
| L C Charles-Jones | (appointed 1 January 1996) |
| A K Harden | (appointed 1 January 1996) |
| C S Hale | (appointed 1 January 1996 and resigned 29 August 1997) |

None of the directors in office at the end of the year had any interests in the shares of the company, or any group company, at any time during the year.



DIRECTORS' REPORT

EMPLOYEES

It is the Group's policy to ensure that equal opportunities are available to all, regardless of gender, marital status, ethnic origin or nationality. Full and fair consideration is given to applications for employment from disabled persons having regard to their particular aptitudes and abilities. Consideration will be given to employees of the Group who become disabled to continue in their employment or to be trained for other positions in the Group. It is also the Group's policy to consult with employees and their representatives in order to achieve the efficient execution and development of the Group's business.

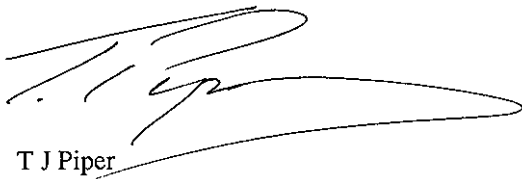
CREDITORS

It is the Group's normal practice to agree terms of transactions, including payment terms, with suppliers and provided suppliers perform in accordance with the agreed terms, it is the Group's policy that payment is made accordingly.

AUDITORS

Deloitte & Touche have expressed their willingness to continue as auditors and a resolution for their reappointment is to be proposed at the forthcoming Annual General Meeting.

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



T J Piper

Director

29 October 1997



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 and the group as at the end of the financial year and of the profit or loss of the group 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 a 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 the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Chartered Accountants

Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR

Telephone: National 0171 936 3000
International + 44 171 936 3000
Telex: 884739 TRLNDN G
Fax (Gp. 3): 0171 583 8517
LDE: DX 599

AUDITORS' REPORT TO THE MEMBERS OF

SYMONDS GROUP LIMITED

We have audited the financial statements on pages 6 to 21 which have been prepared under the accounting policies set out on pages 9 and 10.

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 affairs of the company and the group at 31 December 1996 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and
Registered Auditors

31 October 1997

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 1996

| | Note | 1996 £'000 | 1995 £'000 |
|--|------|---------------|---------------|
| TURNOVER | | | |
| Continuing operations | | 68,231 | 44,464 |
| Acquisitions | | 4,226 | - |
| Discontinued operations | | 31 | 168 |
| | | <u>72,488</u> | <u>44,632</u> |
| Staff costs | 2 | (33,770) | (22,001) |
| Depreciation | 3 | (1,307) | (905) |
| Other operating income | | 18 | - |
| Other operating charges | 4 | (35,579) | (20,703) |
| | | <u>1,850</u> | <u>1,023</u> |
| OPERATING PROFIT | | | |
| Continuing operations | | 2,037 | 398 |
| Acquisitions | | (46) | 689 |
| Discontinued operations | | (141) | (64) |
| | | <u>1,850</u> | <u>1,023</u> |
| Interest receivable and similar income | | 41 | 16 |
| Interest payable and similar charges | 6 | (787) | (653) |
| | | <u>1,104</u> | <u>386</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | | |
| Tax on profit on ordinary activities | 7 | (478) | (293) |
| | | <u>626</u> | <u>93</u> |
| PROFIT AFTER TAXATION | | | |
| Equity minority interests | | (27) | - |
| | | <u>599</u> | <u>93</u> |
| RETAINED PROFIT TRANSFERRED TO RESERVES | 18 | | |

The group has no recognised gains or losses other than as stated above for the current and prior years and therefore no separate statement of total recognised gains and losses has been presented.



CONSOLIDATED BALANCE SHEET
31 December 1996

| | Note | 1996 £'000 | 1995 £'000 |
|--|------|-----------------|-----------------|
| FIXED ASSETS | | | |
| Tangible assets | 9 | <u>4,721</u> | <u>3,066</u> |
| CURRENT ASSETS | | | |
| Work in progress | 12 | 3,106 | 1,873 |
| Debtors | 13 | 18,057 | 15,506 |
| Cash at bank and in hand | | <u>744</u> | <u>1,019</u> |
| | | 21,907 | 18,398 |
| CREDITORS: amounts falling due within one year | 14 | <u>(16,976)</u> | <u>(16,261)</u> |
| NET CURRENT ASSETS | | <u>4,931</u> | <u>2,137</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 9,652 | 5,203 |
| CREDITORS: amounts falling due after more than one year | 15 | (9,578) | (2,655) |
| PROVISIONS FOR LIABILITIES AND CHARGES | 16 | (229) | (999) |
| Equity minority interests | | <u>(132)</u> | <u>-</u> |
| | | <u>(287)</u> | <u>1,549</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 17 | - | - |
| Profit and loss account | 18 | <u>(287)</u> | <u>1,549</u> |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | | <u>(287)</u> | <u>1,549</u> |

These financial statements were approved by the Board of Directors on 29 October 1997.

Signed on behalf of the Board of Directors

T J Piper

Director


BALANCE SHEET
31 December 1996

| | Note | £'000 | 1996 £'000 | £'000 | 1995 £'000 |
|--|------|-----------------|---------------|--------------|---------------|
| FIXED ASSETS | | | | | |
| Tangible assets | 9 | | 4,055 | | 56 |
| Investments | 11 | | 11,948 | | 11,653 |
| | | | <u>16,003</u> | | <u>11,709</u> |
| CURRENT ASSETS | | | | | |
| Work in progress | 12 | 1,877 | | - | |
| Debtors | 13 | 18,269 | | 723 | |
| Cash at bank and in hand | | 423 | | 106 | |
| | | <u>20,569</u> | | <u>829</u> | |
| CREDITORS: amounts falling due within one year | 14 | <u>(13,666)</u> | | <u>(186)</u> | |
| NET CURRENT ASSETS | | | <u>6,903</u> | | <u>643</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 22,906 | | 12,352 |
| CREDITORS: amounts falling due after more than one year | 15 | | (13,162) | | (2,294) |
| PROVISIONS FOR LIABILITIES AND CHARGES | 16 | | <u>-</u> | | <u>(22)</u> |
| | | | <u>9,744</u> | | <u>10,036</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 17 | | - | | - |
| Profit and loss account | 18 | | 9,744 | | 10,036 |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | | | <u>9,744</u> | | <u>10,036</u> |

These financial statements were approved by the Board of Directors on 29 October 1997.

Signed on behalf of the Board of Directors


 T J Piper
 Director

NOTES TO THE ACCOUNTS
31 December 1996

1. ACCOUNTING POLICIES

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

Accounting convention

These financial statements have been prepared under the historical cost convention.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and all subsidiaries for the financial year ended 31 December 1996.

Investments

Investments in subsidiaries are stated at cost less provision for any permanent diminution in value.

Acquisitions and goodwill

On the acquisition of a business, fair values are attributed to the net tangible assets acquired. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill and is written off directly to reserves in the year of acquisition.

Fixed assets and depreciation

Depreciation is provided in equal annual instalments, in order to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives at the following rates:

| | |
|----------------------------------|---------------------|
| Freehold property | 2% per annum |
| Motor vehicles | 25% per annum |
| Fixtures, fittings and equipment | 10% - 15% per annum |
| Plant and equipment | 25% per annum |

Consultancy contracts

Profit on consultancy activities is taken as work progresses. The percentage margin on each individual contract is the lower of the margin earned to date, and that forecast at completion taking account of agreed claims. Full provision is made for all known or expected losses at completion, immediately such losses are forecast on each contract. Profit for the year may include settlement of claims arising on contracts completed in prior years.

Cash received on account of contracts is deducted from amounts recoverable on contracts. Such amounts which have been received and exceed amounts recoverable are included in creditors. Contract provisions in excess of amounts recoverable are included in provisions for liabilities and charges.

Long-term contracts

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Where the final outcome can be assessed, turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Long-term contract work-in-progress is stated at cost plus, where the outcome can be assessed with reasonable certainty, estimated profits attributable to the state of completion, less provision for any known or anticipated losses and progress payments receivable on account. Advance payments and deposits are included in creditors.

NOTES TO THE ACCOUNTS
31 December 1996

1. ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in years different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Leases

Rental costs under operating leases are charged to profit and loss account in equal annual amounts over the lease term.

Turnover

Turnover is the amount derived from the provision of services during the accounting year representing the net amount invoiced as adjusted for accrued and deferred income.

Foreign Currency transactions

Transactions of UK companies denominated in foreign currencies are translated into sterling at the rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

The accounts of overseas subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves.

Pension costs

The expected costs of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the costs over the service lives of employees in the schemes operated within the Group in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

Statement of cashflows

A statement of cashflows has not been prepared as the group is wholly owned by Energy and Technical Services Group plc, which prepares a consolidated statement of cashflows complying with Financial Reporting Standard No. 1 (Revised).

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

| | 1996 | 1995 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Directors' emoluments (paid by subsidiaries) | | |
| Fees | - | - |
| Other emoluments | 1,119 | 669 |
| Pension scheme contributions | 55 | 44 |
| | <u>1,174</u> | <u>713</u> |
| Remuneration of the chairman (also highest paid director) | <u>189</u> | <u>120</u> |

NOTES TO THE ACCOUNTS
31 December 1996

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

| | 1996 £'000 | 1995 £'000 |
|---|---------------|---------------|
| Scale of other directors' remuneration | | |
| £ 0 - £ 5,000 | 4 | 3 |
| £ 15,001 - £ 20,000 | - | 2 |
| £ 20,001 - £ 25,000 | - | 1 |
| £ 40,001 - £ 45,000 | 1 | - |
| £ 50,001 - £ 55,000 | 1 | - |
| £ 65,001 - £ 70,000 | 1 | - |
| £ 70,001 - £ 75,000 | 1 | 2 |
| £ 75,001 - £ 80,000 | 1 | 1 |
| £ 80,001 - £ 85,000 | 1 | - |
| £ 85,001 - £ 90,000 | 1 | 2 |
| £ 95,001 - £ 100,000 | - | 1 |
| £ 105,001 - £ 110,000 | 2 | - |
| £ 150,001 - £ 155,000 | 1 | - |
| | <hr/> | <hr/> |
| Average number of persons employed | No. | No. |
| Technical | 887 | 700 |
| Administration | 290 | 208 |
| | <hr/> | <hr/> |
| | 1,177 | 908 |
| | <hr/> | <hr/> |
| | £'000 | £'000 |
| Staff costs during the year | | |
| Wages and salaries | 30,433 | 19,607 |
| Social security costs | 2,535 | 1,775 |
| Pension costs | 802 | 619 |
| | <hr/> | <hr/> |
| | 33,770 | 22,001 |
| | <hr/> | <hr/> |
| | £'000 | £'000 |
| Analysed between: | | |
| Continuing operations | 32,642 | 21,941 |
| Acquisitions | 1,105 | - |
| Discontinued | 23 | 60 |
| | <hr/> | <hr/> |
| | 33,770 | 22,001 |
| | <hr/> | <hr/> |

3. DEPRECIATION

| | 1996 £'000 | 1995 £'000 |
|-------------------------|---------------|---------------|
| Continuing operations | 1,277 | 903 |
| Acquisitions | 30 | - |
| Discontinued operations | - | 2 |
| | <hr/> | <hr/> |
| | 1,307 | 905 |
| | <hr/> | <hr/> |



NOTES TO THE ACCOUNTS
31 December 1996

4. OTHER OPERATING CHARGES

| | 1996 £'000 | 1995 £'000 |
|-------------------------|---------------|---------------|
| Continuing operations | 35,153 | 20,533 |
| Acquisitions | 746 | - |
| Discontinued operations | 148 | 170 |
| | <u>35,579</u> | <u>20,703</u> |

5. OPERATING PROFIT

| | 1996 £'000 | 1995 £'000 |
|--|---------------|---------------|
| Operating profit is after charging: | | |
| Auditors' remuneration: | | |
| Audit fees | 88 | 49 |
| Non-audit fees | 46 | 7 |
| Depreciation of tangible fixed assets | | |
| Owned | 1,307 | 868 |
| Leased | - | 37 |
| Rentals under operating leases | | |
| Other assets | 524 | 1,785 |
| | <u>524</u> | <u>1,785</u> |

6. INTEREST PAYABLE AND SIMILAR CHARGES

| | 1996 £'000 | 1995 £'000 |
|---|---------------|---------------|
| Bank loans, overdrafts and other loans repayable | | |
| within five years | 437 | 251 |
| Finance charges in respect of hire purchase contracts | - | 12 |
| Intra group interest | 314 | 271 |
| Interest on loan notes | 22 | 119 |
| Other interest | 14 | - |
| | <u>787</u> | <u>653</u> |

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 1996 £'000 | 1995 £'000 |
|---------------------------------------|---------------|---------------|
| United Kingdom corporation tax at 33% | 585 | 271 |
| Tax on overseas subsidiaries | (85) | - |
| Deferred taxation | (22) | 22 |
| | <u>478</u> | <u>293</u> |

The disproportionately high tax charge (55% of profit before taxation) is due to losses in overseas subsidiaries for which no tax credit is obtainable.


NOTES TO THE ACCOUNTS
31 December 1996
8. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act, the profit and loss of the parent company is not presented as part of these accounts. The parent company's profit for the financial year amounted to £116,000 (1995 profit - £26,592).

9. TANGIBLE FIXED ASSETS

| The Group | Freehold property £'000 | Motor vehicles £'000 | Plant and equipment £'000 | Fixtures and fittings £'000 | Total £'000 |
|----------------------------------|-------------------------------|----------------------------|---------------------------------|-----------------------------------|----------------|
| Cost | | | | | |
| At 1 January 1996 | 130 | 2,105 | 1,925 | 480 | 4,640 |
| Reclassification | - | - | (349) | 349 | - |
| Additions | - | 178 | 1,634 | 1,271 | 3,083 |
| Additions arising on acquisition | - | - | - | 38 | 38 |
| Inter group transfers | 10 | 132 | 222 | 74 | 438 |
| Disposals | - | (643) | (61) | (42) | (746) |
| Exchange difference | - | (14) | (16) | (6) | (36) |
| At 31 December 1996 | 140 | 1,758 | 3,355 | 2,164 | 7,417 |
| Accumulated depreciation | | | | | |
| At 1 January 1996 | 3 | 679 | 622 | 270 | 1,574 |
| Reclassification | - | - | (71) | 71 | - |
| Charge for the year | 4 | 473 | 524 | 306 | 1,307 |
| Inter group transfers | 2 | 64 | 183 | 37 | 286 |
| Disposals | - | (399) | (52) | (10) | (461) |
| Exchange difference | - | (3) | (6) | (1) | (10) |
| At 31 December 1996 | 9 | 814 | 1,200 | 673 | 2,696 |
| Net book value | | | | | |
| At 31 December 1996 | 131 | 944 | 2,155 | 1,491 | 4,721 |
| At 31 December 1995 | 127 | 1,426 | 1,303 | 210 | 3,066 |

The net book value of motor vehicles includes an amount of £54,000 (31 December 1995 - £19,800) in respect of assets held under hire purchase contracts. Additionally, plant and equipment includes a net book value of £nil (31 December 1995 - £7,416) held under hire purchase contracts.

NOTES TO THE ACCOUNTS
31 December 1996

9. TANGIBLE FIXED ASSETS (continued)

| | Freehold property £'000 | Motor vehicles £'000 | Plant and equipment £'000 | Fixtures and fittings £'000 | Total £'000 |
|---------------------------------|--|-------------------------------------|--|--|------------------------|
| The Company | | | | | |
| Cost | | | | | |
| At 1 January 1996 | - | 54 | - | 28 | 82 |
| Transfers from subsidiaries | - | 1,831 | 1,273 | 665 | 3,769 |
| Additions | - | 88 | 1,443 | 1,183 | 2,714 |
| Disposals | - | (523) | (20) | (37) | (580) |
| Exchange difference | - | (3) | - | (5) | (8) |
| Inter group transfers | 10 | 132 | 222 | 74 | 438 |
| At 31 December 1996 | 10 | 1,579 | 2,918 | 1,908 | 6,415 |
| Accumulated depreciation | | | | | |
| At 1 January 1996 | - | 18 | - | 8 | 26 |
| Transfers from subsidiaries | - | 612 | 387 | 259 | 1,258 |
| Charge for year | 1 | 434 | 465 | 281 | 1,181 |
| Disposals | - | (364) | (20) | (5) | (389) |
| Inter group transfers | 2 | 64 | 183 | 37 | 284 |
| Exchange difference | - | (1) | - | (1) | (2) |
| At 31 December 1996 | 3 | 763 | 1,015 | 579 | 2,360 |
| Net book value | | | | | |
| At 31 December 1996 | 7 | 816 | 1,903 | 1,329 | 4,055 |
| At 31 December 1995 | - | 36 | - | 20 | 56 |

NOTES TO THE ACCOUNTS
31 December 1996

10. ACQUISITION OF SUBSIDIARY UNDERTAKINGS

| | Henderson | Power | Other | Total |
|---|------------------|--------------------|--------------|--------------|
| | £'000 | Engineering | £'000 | £'000 |
| | | £'000 | | |
| Net assets acquired (fair values) | | | | |
| Tangible fixed assets | 38 | 152 | - | 190 |
| Work in progress | 170 | 158 | - | 328 |
| Debtors | 281 | 455 | - | 736 |
| Cash | 28 | 4 | 400 | 432 |
| Creditors | (182) | (154) | - | (336) |
| Overdraft | (34) | (418) | - | (452) |
| Commercial bill | (139) | - | - | (139) |
| Minority interest | - | - | (105) | (105) |
| Fair value of net assets acquired | 162 | 197 | 295 | 654 |
| Goodwill | 2,202 | - | - | 2,202 |
| | <u>2,364</u> | <u>197</u> | <u>295</u> | <u>2,856</u> |
| Satisfied by: | | | | |
| Cash consideration | 1,360 | 197 | 295 | 1,852 |
| Acquisition costs | 68 | - | - | 68 |
| Deferred consideration | 936 | - | - | 936 |
| | <u>2,364</u> | <u>197</u> | <u>295</u> | <u>2,856</u> |
| Net overdraft/(cash) at bank acquired | 6 | 414 | (400) | 20 |
| Purchase of subsidiary undertakings (net of cash and cash equivalents) | <u>2,370</u> | <u>611</u> | <u>(105)</u> | <u>2,876</u> |

On acquisition of a company or business, the Group carries out a review of the assets and liabilities acquired to establish a fair value to be taken into the accounts of the Group.

Analysis of the acquisition of the Henderson Consultants

On 4 January 1996 the Group acquired the business and some of the assets of Henderson Consultants. No fair value adjustments were required to the assets purchased.

The deferred consideration including interest was paid on 11 January 1997. The calculation was based on performance targets, set at the time of acquisition, for the year ended 31 December 1996.

It is not possible to separately identify the cash flows for the Hendersons business as the accounting systems have been merged with those of Symonds Pty Ltd. The profit after tax for the six months ended 31 December 1995 was £55,000 (year ended 30 June 1995 - £301,000).

Acquisition of Power Engineering

The Company acquired the trade, assets and liabilities of Power Engineering Limited on 1 July 1996. Power Engineering Limited is a fellow group undertaking of Energy and Technical Services Group plc

NOTES TO THE ACCOUNTS
31 December 1996

10. ACQUISITION OF SUBSIDIARY UNDERTAKINGS (continued)

Other acquisitions

The Group subscribed for 75.1% of the share capital of Novo Architects on 16 February 1996 at a cost of £225,300 and 70% of the share capital of Abros Enterprise on 13 March 1996 at a cost of £70,000. The goodwill calculation on the acquisition of the Travers Morgan business and on the original acquisition of the Symonds business was adjusted during the year (note 19).

11. INVESTMENTS HELD AS FIXED ASSETS

| | The Company £'000 |
|--------------------------------|----------------------------------|
| Shares in subsidiaries at cost | |
| At 1 January 1996 | 11,653 |
| Acquired during year | 295 |
| | <hr/> |
| At 31 December 1996 | 11,948 |
| | <hr/> |

The company owns 100% of the share capital and voting rights of the following subsidiaries:

| | Principal activity | Place of registration |
|---|-----------------------------|------------------------------|
| Symonds Limited | Project and cost management | Jersey |
| Symonds Tramor | Project and cost management | Saudi Arabia |
| Symonds Group Inc. | Project and cost management | USA |
| Symonds Facilities Management plc | Facilities management | England and Wales |
| Symonds Travers Morgan Limited | Engineering Consultancy | England and Wales |
| Symonds International Limited | Engineering Consultancy | England and Wales |
| Symonds Pty Ltd | Engineering Consultancy | Australia |
| Symonds Travers Morgan (Malaysia) Sdh Bhd | Engineering Consultancy | Malaysia |
| Symonds Travers Morgan (Hong Kong) Ltd | Engineering Consultancy | Hong Kong |
| Symonds Travers Morgan (NZ) Ltd | Engineering Consultancy | New Zealand |

In addition the company also owns shares in the following company and subsidiaries:

| | | | |
|-----------------------|-----------------|-------------------------|-------------------|
| Symonds Woolf Ltd | 75% shares held | Construction Management | England and Wales |
| Abros Enterprises Ltd | 70% shares held | Financial Consultancy | England and Wales |
| Novo Architects Ltd | 75% shares held | Architects | England and Wales |

The directors are of the opinion that the aggregate value of the investment in subsidiaries is not less than the amount at which they are stated in the company's accounts.

On 1 January 1996 the trading activities of all wholly owned UK Symonds group companies were transferred into Symonds Group Ltd (with the exception of Charter Services Ltd).

On 16 January 1996 Symonds Travers Morgan Pty Ltd changed its name to Symonds Pty Ltd.

NOTES TO THE ACCOUNTS
31 December 1996

12. WORK IN PROGRESS

| | The Group | | The Company | |
|-----------------------------|------------------|--------------|--------------------|--------------|
| | 1996 | 1995 | 1996 | 1995 |
| | £'000 | £'000 | £'000 | £'000 |
| Long term contract balances | 3,106 | 1,873 | 1,877 | - |

13. DEBTORS

| | The Group | | The Company | |
|----------------------------------|------------------|---------------|--------------------|--------------|
| | 1996 | 1995 | 1996 | 1995 |
| | £'000 | £'000 | £'000 | £'000 |
| Trade debtors | 16,541 | 11,251 | 14,527 | 125 |
| Amounts recoverable on contracts | 351 | 387 | 351 | - |
| Amounts owed by parent company | 66 | 229 | - | - |
| Amounts owed by subsidiaries | - | - | 2,779 | 501 |
| Group relief receivable | - | - | - | 44 |
| Other debtors and prepayments | 1,099 | 1,940 | 612 | 47 |
| Accrued income | - | 1,699 | - | 6 |
| | <u>18,057</u> | <u>15,506</u> | <u>18,269</u> | <u>723</u> |

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | The Group | | The Company | |
|---|------------------|---------------|--------------------|--------------|
| | 1996 | 1995 | 1996 | 1995 |
| | £'000 | £'000 | £'000 | £'000 |
| Bank loans | 2,321 | - | - | - |
| Bank overdraft | 3,454 | 5,250 | 3,266 | 66 |
| Payments on account | - | 435 | - | - |
| Trade creditors | 1,802 | 2,073 | 764 | 8 |
| Amounts owed to parent company | - | - | - | - |
| Amounts owed to subsidiaries | - | - | 2,393 | 108 |
| Other creditors and accruals | 5,695 | 5,971 | 3,749 | 4 |
| Corporation tax | 597 | 304 | 500 | - |
| Other taxation and social security | 3,080 | 2,204 | 2,994 | - |
| Obligations under hire purchase contracts | 27 | 24 | - | - |
| | <u>16,976</u> | <u>16,261</u> | <u>13,666</u> | <u>186</u> |

NOTES TO THE ACCOUNTS
31 December 1996

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

| | The Group | | The Company | |
|---|------------------|--------------|--------------------|--------------|
| | 1996 | 1995 | 1996 | 1995 |
| | £'000 | £'000 | £'000 | £'000 |
| Trade creditors | - | 258 | - | - |
| Amounts owed to parent company | 9,535 | 1,922 | 9,330 | 2,294 |
| Accruals and deferred income | - | 380 | - | - |
| Obligations under hire purchase contracts | 43 | 95 | - | - |
| Amounts owed to subsidiaries | - | - | 3,832 | - |
| | <u>9,578</u> | <u>2,655</u> | <u>13,162</u> | <u>2,294</u> |

16. PROVISIONS FOR LIABILITIES AND CHARGES

| | Provision for employee related costs £'000 | Contract loss provisions £'000 | Deferred taxation £'000 | Total £'000 |
|--------------------------------|---|---|--|------------------------|
| The Group | | | | |
| At the beginning of the year | 333 | 642 | 24 | 999 |
| Profit and loss account credit | (333) | (415) | (22) | (770) |
| At the end of the year | <u>-</u> | <u>227</u> | <u>2</u> | <u>229</u> |
| The Company | | | | |
| At the beginning of the year | - | - | 22 | 22 |
| Profit and loss account credit | - | - | (22) | (22) |
| At the end of the year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

NOTES TO THE ACCOUNTS
31 December 1996

16. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

The amounts of deferred taxation provided and unprovided in the accounts are as follows:

| | Provided 1996 £'000 | Provided 1995 £'000 | Not provided 1996 £'000 | Not provided 1995 £'000 |
|--|------------------------------------|------------------------------------|--|--|
| The Group | | | | |
| Capital allowances in excess of depreciation | - | - | - | (53) |
| Other timing differences | 2 | 24 | - | - |
| | <u>2</u> | <u>24</u> | <u>-</u> | <u>(53)</u> |
| The Company | | | | |
| Other timing differences | - | 22 | - | - |
| | <u>-</u> | <u>22</u> | <u>-</u> | <u>-</u> |

17. CALLED UP SHARE CAPITAL

| | 1996 £ | 1995 £ |
|---|-------------------|-------------------|
| Authorised 10,000 shares of £1 each | <u>10,000</u> | <u>10,000</u> |
| Called up, allotted and fully paid 2 shares of £1 each | <u>2</u> | <u>2</u> |

18. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND MOVEMENTS IN RESERVES

| | Share capital £'000 | Profit and loss account £'000 | 1996 Total £'000 | 1995 Total £'000 |
|---|------------------------------------|--|---------------------------------|---------------------------------|
| The Group | | | | |
| At the beginning of the year | - | 1,549 | 1,549 | (6,016) |
| Profit for the financial year | - | 599 | 599 | 93 |
| Goodwill arising on acquisition | - | (2,202) | (2,202) | (2,528) |
| Goodwill arising on fair value adjustment | - | (321) | (321) | - |
| Recapitalisation from parent company | - | - | - | 10,000 |
| Exchange differences on retranslation | - | 88 | 88 | - |
| | <u>-</u> | <u>(287)</u> | <u>(287)</u> | <u>1,549</u> |

NOTES TO THE ACCOUNTS
31 December 1996

18. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND MOVEMENTS IN RESERVES (continued)

| The Company | Share capital £'000 | Profit and loss account £'000 | 1996 Total £'000 | 1995 Total £'000 |
|--|------------------------|-------------------------------------|------------------------|------------------------|
| At the beginning of the year | - | 10,036 | 10,036 | 63 |
| Profit/(loss) for the financial year | - | 116 | 116 | (27) |
| Exchange rate differences | - | (87) | (87) | - |
| Recapitalisation from parent company or retranslation | - | - | - | 10,000 |
| Goodwill arising on fair value adjustment | - | (321) | (321) | - |
| At the end of the year | - | 9,744 | 9,744 | 10,036 |

19. ADJUSTMENTS TO GOODWILL ON PREVIOUS ACQUISITIONS

Acquisition of the Travers Morgan business

The provisional fair value of the work in progress, as reported in the 1995 report and accounts, has now been finalised. This results in a decrease in the net assets purchased and therefore a corresponding increase in goodwill on acquisition of £310,000.

Acquisition of the Symonds business

As a result of a final fair value adjustment to the Symonds acquisition, an additional amount of goodwill of £11,000 was written off to reserves.

20. FINANCIAL LEASE COMMITMENTS

At 31 December 1996 the group was committed to making the following payments during the next year in respect of operating leases:

| | Land and buildings 1996 £'000 | Other 1996 £'000 | Land and buildings 1995 £'000 | Other 1995 £'000 |
|----------------------------|--|------------------------|--|------------------------|
| Leases which expire: | | | | |
| Within one year | 1,479 | 732 | 6 | 48 |
| Within two to five years | 4,176 | 1,493 | 377 | 405 |
| After more than five years | 3,897 | 4 | 1,244 | 5 |
| | 9,552 | 2,229 | 1,627 | 458 |

Bank guarantees

The Group has entered into a cash management agreement with its ultimate UK parent undertaking, Energy and Technical Services Group plc and fellow subsidiary undertakings to allow for cash concentration of the group. A cross guarantee exists between all parties to the agreement whereby each company has guaranteed the bank current accounts of the others. Energy and Technical Services Group plc has an unsecured overdraft facility of £5 million.



NOTES TO THE ACCOUNTS
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21. PENSION COMMITMENTS

The company participates in the main Energy and Technical Services Group plc defined benefit pension scheme. Contributions to the scheme are based on group pension costs. Payments of £728,174 (1995 - £618,574) were made into group schemes and £73,256 (1995 - £122,333) was outstanding at the year end. Further details can be obtained in the financial statements of Energy and Technical Services Group plc.

22. ULTIMATE PARENT COMPANY

At 31 December 1995 the ultimate controlling party was Compagnie Générale Des Eaux SA, a company incorporated in France. Copies of its financial statements may be obtained from 52 Rue d'Anjou, 75384 Paris Cédex 08, France. The smallest group of which the company is a member and for which group accounts were prepared is Energy and Technical Services Group plc, which is incorporated in Great Britain and registered in England and Wales.

The group is exempt under Financial Reporting Standard 8 paragraph 3 (c) from disclosing transactions with other entities of the group owned by Compagnie Générale Des Eaux SA.