Chairman’s Statement

In my first statement as Chairman, it is encouraging to be able to report a record turnover of £202 million, and Group profits before tax of £3.8 million, an increase of £1.1 million over 1978, which maintains our steady profit improvement. These results would have been better had not some of our overseas companies incurred losses arising from operating problems on which corrective action is being taken. Group liquidity has improved over last year and is at a satisfactory level. During the year we repaid the outstanding balance on our existing medium-term loan of £3.2 million, replacing this with new medium-term loan facilities amounting to £7 million. Currently our borrowings against these loan facilities are at a low level; however, this refinancing is important as it substantially enhances our ability to promote future expansion.

United Kingdom. We have once again achieved a satisfactory result in very competitive trading conditions. In Mechanical and Electrical Services, H aden Young incurred exceptional costs. The management of H aden Young have had to contend with cutbacks in the public sector, coupled with static private sector activity, thus an overall diminishing market. In Metal Finishing, C arrier Engineering had a year of modest investment in the automotive industry in contrast to Mechanical Handling, where D rsys King had a year of considerable activity, and following the Group investment in larger facilities is now well poised for future growth. Of the remaining United Kingdom operations, W estermann, M aker of industrial equipment, had a year of considerable activity, and following the Group investment in larger facilities is now well poised for future growth. D rsys King had a year of considerable activity, and following the Group investment in larger facilities is now well poised for future growth. Of the remaining United Kingdom operations, W estermann, M aker of industrial equipment, had a year of considerable activity, and following the Group investment in larger facilities is now well poised for future growth.

Australia. Results were disappointing, with continued unsatisfactory losses. A new management team is now working hard to rectify the situation in the coming year.

Nigeria. This remained a difficult market and results achieved were unsatisfactory. Despite some serious losses and cash flow problems, we are continuing our operations because there are indications that conditions are improving and the recent budget has been encouraging with funds being allocated for the completion of current building projects.

Elsewhere in the world we have projects in hand in Central and South America and in several Eastern European countries; we seek strenuously to expand our export activities.

Future Prospects

Inevitably one must be cautious in forecasting the future, as domestic and overseas trading patterns become increasingly complex. In Mechanical and Electrical Services there is a reasonable level of activity in the United Kingdom, in spite of a currently reduced market, of which we aim to get our fair share; internationally we will have to fight competition hard and face narrow margins. In Metal Finishing activity in the automotive industry looks encouraging in the short and medium term overseas, with a low level in the home market. In Mechanical Handling we have made major investments and believe we are now poised to capture a larger share of the markets in which we operate.

In general, therefore, having regard to the management changes and corrective action now being taken in our loss-making companies, I am optimistic that 1980 will maintain the steady improvement shown in recent years.
(Top) Crown Court, Liverpool
(Bottom) The Lyric Theatre, Hammersmith
Jebel Ali aluminium smelter plant in Dubai
CBI Headquarters at Centre Point, London
Chairman's Statement

In the 1979 Annual Report, and again in the Interim Statement for 1980, I indicated our belief that we would maintain the steady improvement shown in recent years. It is gratifying, therefore, to be able to report that 1980 has fulfilled these expectations, with profits before tax up by 65% at £6-2 million on turnover of £226 million.

Approximately half of the profit improvement is from trading operations, the other half coming from interest resulting from the substantial improvement in the Group's liquidity, largely due to effective cash control by the trading companies. Turnover was divided almost equally between domestic and overseas operations, with work outside the United Kingdom contributing a greater share of trading profit.

I referred last year to the corrective action being taken in certain overseas companies. This continues to bear fruit. We made an overall profit for the first time for several years in France. In Australia, following a history of major losses, we have pulled back in 1980 to a break-even situation. African operations, regrettably, have again incurred a loss, but the indications are that 1981 will show a marked improvement.

Whilst there is still scope for further improvement, our overseas companies are now, for the most part, in a healthier state. In addition, as part of our plan to streamline and consolidate our activities, we have in the course of the year, disposed of five small operations, two of them in the United Kingdom and three overseas, which were not particularly well suited to our main lines of activity.

Group liquidity remains good, and borrowings against the £7 million medium-term loan facilities are currently at a very low level. This strong position will be of considerable help to us in the implementation of certain expansion plans which are under consideration.

Building, Industrial and Process Engineering

Once again, a good result has been achieved in this area of operations.

In the United Kingdom the public sector continued to suffer cutbacks in capital spending, while the private sector, although still active in certain areas, and particularly in London, lacks overall growth. Therefore, to compensate for this situation, we will need to broaden our penetration into the developing sectors of the market.

Overseas, the French and Australian companies began to perform encouragingly under their new management structures. Unfortunately, France still showed a substantial loss in air conditioning, but a much improved order intake in the second half of the year should help to show a better result in 1981.

Our long-standing large contracts in the Middle East are now running efficiently under strong management teams and I consider that the main problems have been resolved. This has enabled us to make a more favourable assessment of their outcome.

As part of a plan to extend our range and area of activities in engineering services, we have established in the United Kingdom a new unit specialising in abattoirs and food processing equipment. Overseas a new company and operational base has been set up in Hong Kong.

Industrial Finishing Systems

Our position as a world leader in this sphere of activity was further enhanced as we increased our overall share of international markets, particularly in the automotive sector. The United Kingdom market continued at a low level, but the U.K. unit was able to give strong engineering and technical support to our overseas companies, enabling them to achieve a major share of the business available in their regions. Particularly good performances were achieved in the United States, Belgium and Spain. France made profits from its industrial finishing work, which was more than offset by the air conditioning losses, thus achieving an overall profit. Australia and South Africa performed well with very encouraging order intakes in the latter part of the year.

Mechanical Handling

This is our newest major area of activity and the one in which we plan to fight hard to establish a strong position.

In the United Kingdom we had a good year and, as part of the continued effort to widen our basis of expertise, have now started an operation which specialises in various types of systems automation, of which automated warehousing is an example.

Overseas, our French and Belgian organisations co-operated well and successfully on a large contract in Belgium, and we made encouraging progress in Australia, Spain and South Africa. In the U.S.A., where I reported considerable investment last year in new production facilities, order intake was encouragingly high. Profits are not yet at an acceptable level, but the problem is being tackled vigorously and the indications are that 1981 will be a more satisfactory year.

As a further indication of our confidence in the mechanical handling market, we have now formed a joint venture company in Mexico with the Grupo Intra as our local partners. The joint company will commence trading in 1981.

Product Companies

These companies are concerned with the distribution of products allied to some of the main contracting activities of the Group, in particular refrigeration, air conditioning, suspended ceilings, lighting and air distribution equipment. Turnover has been at a good level and market share maintained, but unfortunately these good sales performances did
Chairman’s Statement continued

not produce equally satisfactory financial results. However, I believe that these companies will, in the future, make an improved contribution to Group profits, both in the United Kingdom and in France.

Company Name
You will note that a resolution requesting shareholders’ approval to change the Company’s name to “Haden” will be put to the Annual General Meeting.

The purpose of this change is to enable us to establish a single and unambiguous image throughout the Group, based on the name “Haden”. Changes will be made in the names of the majority of Group operating companies, so that “Haden” runs as a common theme and Group logo visible to our customers.

I believe that these changes will increase our strength in world markets by bringing home to our customers the fact that we are a major international group of companies.

Dividend and Scrip Issue
I am pleased to report that the Directors are recommending a final ordinary dividend of 8.9p net per share, giving a total for the year of 12.5p per share, representing a 25% increase over last year.

The Directors are also recommending a one-for-one Scrip issue to Ordinary shareholders by way of capitalisation of part of the Share Premium Account. The purpose of this is to bring the issued share capital more into line with the fixed capital employed by the Group.

The Queen’s Award
We were honoured and delighted that the 1981 Queen’s Award for Export Achievement has been conferred upon Haden International Limited, the Group company which has executed a substantial volume of work overseas, particularly in the Middle East.

This recognition of our contribution to Britain’s export performance is naturally a source of considerable pride to us all, but particularly to the staff of Haden International who have worked so hard to merit this award.

People
Having read this Report, I hope shareholders will feel that during a quite difficult year our Company continued to gain strength. This would not have been possible without the hard work and loyalty of all our people. My thanks go to every one of them, whose support and help is so important to the Company in the achievement of our objectives for 1981 and the longer term future.

Future Prospects
1981, like the year under review, will not be easy. The U.K. market is not buoyant, but half our profits are now earned from our overseas activities, which gives us a balanced spread. We have come through 1980 well, with a much strengthened balance sheet and good liquidity. Considerable thought and effort has been devoted to resolving our problem areas and, while there is still more to be done, a great deal has been achieved.

We are now in a good position to pursue our plans for the development of the Group and this, combined with my belief that we will continue to win our share of the available business in our present worldwide markets, leads me to remain optimistic that we can maintain our steady profit improvement in 1981.

April, 1981.

[Signature]
Chairman

[Logo: Queen’s Award for Export Achievement 1981]
(Top) “Stella Polaris” converted to a Hotel in Kuwait
(Bottom) Maintenance Contract for M&E Services at the Barbican, London