

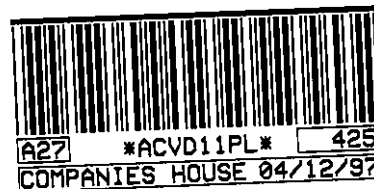
R

HHT plc
AND ITS SUBSIDIARY UNDERTAKINGS
REGISTERED NUMBER 1439213

ACCOUNTS

30 SEPTEMBER 1997

2. Directors' report
4. Auditors' report
5. Consolidated profit and loss account
7. Consolidated balance sheet
8. Balance sheet
9. Consolidated cash flow statement
10. Notes to the accounts



HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

DIRECTORS' REPORT

The directors present their report and the accounts for the year ended 30 September 1997.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts that give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for its financial year. In doing so the directors are required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the group throughout the year was the heat treatment of metals.

The results for the year are in line with the directors' expectations and reflect the major investment in new plant and machinery in recent years. This plant is now making a significant contribution to current trading performance and this will be reflected in the current year's results. Continued investment in new plant is planned for the current year.

The directors are pleased with the increased current level of demand for its core activity and consider the group's financial position at the end of the year to have been satisfactory.

DIVIDENDS AND APPROPRIATIONS

Interim dividends of £16,500 have been paid on the participating preferred ordinary shares. The directors recommend a final dividend of 40.2p per ordinary share payable to shareholders on the register at 31 January 1998, payable 6 February 1998, and £3,600 on the participating preferred ordinary shares.

DIRECTORS

The directors, and the number of the company's ordinary shares in which they had an interest at the beginning and end of the year, were:

	Options	Non-beneficial	Beneficial	30.9.96 or later date of appointment
C W Hammond	-	50,000	50,000	100,000
D L Grove	-	-	-	-
D S Haggett	-	50,000	-	-
J H Houseman (appointed 8 February 1997)	11,111	-	-	-

SUPPLIER PAYMENT POLICY

Suppliers are made aware of payment terms and how any disputes are to be settled and payment is to be made in accordance with those terms.

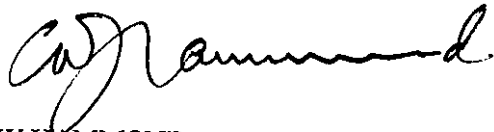
HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

DIRECTORS' REPORT (Continued)

AUDITORS

A resolution will be proposed at the annual general meeting to re-appoint Moores Rowland as auditors.

Approved by the board on 1 December 1997
and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'C W Hammond', written in a cursive style.

C W HAMMOND

Chairman

AUDITORS' REPORT TO THE MEMBERS OF HHT plc

We have audited the accounts on pages five to twenty.

Respective responsibilities of directors and auditors

As described in the directors' report the company's directors are responsible for the preparation of accounts. It is our responsibility as auditors to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group as at 30 September 1997 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



MOORES ROWLAND

Chartered Accountants
Registered Auditors

WALSALL

1 December 1997

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 30 September 1997

	Notes	1997 £	1996 £
TURNOVER		3,765,270	2,931,863
COST OF SALES		2,386,384	1,934,320
GROSS PROFIT		<u>1,378,886</u>	<u>997,543</u>
Net operating expenses	2	<u>1,037,446</u>	<u>953,128</u>
OPERATING PROFIT		341,440	44,415
Investment income	3	3,503	26
		<u>344,943</u>	<u>44,441</u>
Interest payable	4	(104,805)	(106,328)
PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>240,138</u>	<u>(61,887)</u>
Tax on profit (loss) on ordinary activities	7	(62,925)	33,307
PROFIT (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		<u>177,213</u>	<u>(28,580)</u>
Dividends	8	(60,300)	(49,500)
RETAINED PROFIT (DEFICIT) FOR THE YEAR		<u>116,913</u>	<u>(78,080)</u>
Revaluation reserve		1,108	1,108
Retained profits brought forward		608,688	685,660
RETAINED PROFITS CARRIED FORWARD		<u>726,709</u>	<u>608,688</u>

All of the group's operations are continuing.

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 30 September 1997

There are no recognised gains and losses other than the profit (loss) for the year.

NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 30 September 1997

	1997 £	1996 £
Reported profit (loss) on ordinary activities before taxation	240,138	(61,887)
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	1,108	1,108
Historical cost profit (loss) on ordinary activities before taxation	<u>241,246</u>	<u>(60,779)</u>
Historical cost profit (loss) for the year after taxation and dividends	<u>118,021</u>	<u>(76,972)</u>

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED BALANCE SHEET
30 September 1997

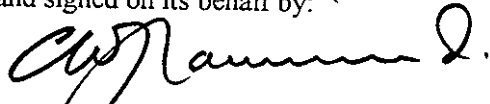
	Notes	£	1997 £	£	1996 £
FIXED ASSETS					
Tangible assets	10		2,730,005		2,695,705
Investments	11		856		58
			<u>2,730,861</u>		<u>2,695,763</u>
CURRENT ASSETS					
Stock	12	12,528		12,944	
Debtors	13	859,365		805,578	
Cash at bank and in hand		273		1,080	
			<u>872,166</u>	<u>819,602</u>	
CREDITORS - amounts falling due within one year	14	(1,166,804)		(1,116,115)	
NET CURRENT LIABILITIES			<u>(294,638)</u>		<u>(296,513)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,436,223</u>		<u>2,399,250</u>
CREDITORS - amounts falling due after more than one year	15	683,207		807,890	
PROVISIONS FOR LIABILITIES AND CHARGES	16	88,647		43,904	
			<u>(771,854)</u>	<u>43,904</u>	<u>(851,794)</u>
			<u>1,664,369</u>		<u>1,547,456</u>
CAPITAL AND RESERVES					
Called up share capital	17		150,000		150,000
Share premium account			52,100		52,100
Capital redemption reserve			100,000		100,000
Revaluation reserve	18		635,560		636,668
Profit and loss account			726,709		608,688
SHAREHOLDERS' FUNDS	21		<u>1,664,369</u>		<u>1,547,456</u>
ANALYSIS OF SHAREHOLDERS' FUNDS					
Equity interests			1,514,369		1,397,456
Non-equity interests			150,000		150,000
			<u>1,664,369</u>		<u>1,547,456</u>

HHT plc

BALANCE SHEET
30 September 1997

	Notes	£	1997 £	£	1996 £
FIXED ASSETS					
Tangible assets	10		2,730,005		2,695,705
Investments	11		1,117		319
			<u>2,731,122</u>		<u>2,696,024</u>
CURRENT ASSETS					
Stock	12	12,528		12,944	
Debtors	13	859,365		805,578	
Cash at bank and in hand		273		1,080	
			<u>872,166</u>	<u>819,602</u>	
CREDITORS - amounts falling due within one year	14	(1,167,065)		(1,116,376)	
NET CURRENT LIABILITIES					
			<u>(294,899)</u>		<u>(296,774)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
			2,436,223		2,399,250
CREDITORS - amounts falling due after more than one year	15	683,207		807,890	
PROVISIONS FOR LIABILITIES AND CHARGES	16	88,647		43,904	
			<u>(771,854)</u>	<u>43,904</u>	<u>(851,794)</u>
			<u>1,664,369</u>		<u>1,547,456</u>
CAPITAL AND RESERVES					
Called up share capital	17		150,000		150,000
Share premium account			52,100		52,100
Capital redemption reserve			100,000		100,000
Revaluation reserve	18		458,952		459,774
Profit and loss account			903,317		785,582
SHAREHOLDERS' FUNDS					
			<u>1,664,369</u>		<u>1,547,456</u>
ANALYSIS OF SHAREHOLDERS' FUNDS					
Equity interests			1,514,369		1,397,456
Non-equity interests			150,000		150,000
			<u>1,664,369</u>		<u>1,547,456</u>

Approved by the board on 1 December 1997
and signed on its behalf by:



C W HAMMOND
Director

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 September 1997

Notes

	£	1997 £	1996 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	20	792,225	1,484
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends received	37		26
Interest receivable	3,466		-
Hire purchase and finance lease interest	(47,771)		(56,928)
Other interest payable	(57,034)		(49,400)
Dividends paid on non equity shares	(16,500)		(16,500)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(117,802)	(122,802)
TAXATION			
Corporation tax paid -net		(5,418)	(16,101)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Receipts from sales of tangible fixed assets	5,452		4,350
Payments to acquire tangible fixed assets	(208,928)		(190,070)
Payments to acquire investments	(798)		-
Receipts from capital grants	-		50,000
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(204,274)	(135,720)
EQUITY DIVIDENDS PAID		-	(16,613)
NET CASH INFLOW (OUTFLOW) BEFORE FINANCING		464,731	(289,752)
FINANCING			
Capital element of hire purchase and finance lease rental payments	(202,758)		(178,253)
Receipts from bank loans	-		443,800
Repayments of bank loans and mortgages	(76,472)		(20,705)
		(279,230)	244,842
INCREASE (DECREASE) IN CASH IN PERIOD		185,501	(44,910)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
INCREASE (DECREASE) IN CASH IN THE YEAR		185,501	(44,910)
Cash flow from decrease (increase) in debt and other financing		279,230	(892,533)
New hire purchase and finance leases		(120,544)	(57,092)
Change in net debt resulting from cashflows		344,186	(880,351)
NET DEBT AT 1 OCTOBER 1996		(1,358,567)	(478,216)
NET DEBT AT 30 SEPTEMBER 1997		(1,014,381)	(1,358,567)

NOTES TO THE ACCOUNTS

Year ended 30 September 1997

1. ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention as modified by the revaluation of land and buildings.

Tangible fixed assets

Fixed assets other than freehold land have been depreciated so as to write them off over their anticipated useful lives at the following annual rates:

Freehold buildings	2% straight line
Plant and machinery	15% reducing balance and rates between 20% and 50% straight line commencing in the financial year after purchase
Baskets and mesh panels	50% straight line commencing in the month after purchase
Motor vehicles	25% reducing balance commencing in the month after purchase and 33.33% straight line commencing in the month after purchase

Stock

Stock and work in progress are valued at the lower of cost, including appropriate overhead expenses, and net realisable value.

Deferred tax

Deferred tax is calculated by the liability method and provision is made to the extent that it is probable a liability will crystallise.

Hire purchase and finance lease contracts

Assets held under hire purchase and finance lease contracts which confer rights and obligations similar to those attached to owned assets are capitalised as tangible fixed assets and the corresponding liability to pay rentals is shown net of interest in the accounts as obligations under hire purchase and finance lease contracts. The capitalised values of the assets are written off over the useful lives of the assets concerned. The interest element of the payments is allocated so as to produce a constant periodic rate of charge throughout the lease or contract period.

Pension costs

Contributions to the pension scheme are charged to profit and loss account so as to spread the cost of pensions over the employees' working lives with the group.

Government grants

Grants related to expenditure on tangible fixed assets are credited to profit and loss account over the estimated useful life of the related fixed assets. The balance of the grants is included within deferred income. Grants related to revenue expenditure are credited to the profit and loss account with the related costs.

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS (Continued)
Year ended 30 September 1997

2.	NET OPERATING EXPENSES	1997	1996
		£	£
	Distribution costs	147,728	165,012
	Administrative costs	946,323	794,510
	Other operating income	(56,605)	(6,394)
		<u>1,037,446</u>	<u>953,128</u>
3.	INVESTMENT INCOME		
	Income from listed fixed asset investments	37	26
	Interest receivable	3,466	-
		<u>3,503</u>	<u>26</u>
4.	INTEREST PAYABLE		
	Bank loans and overdrafts	54,790	47,150
	Other loans	2,244	2,250
	Hire purchase interest	47,771	56,928
		<u>104,805</u>	<u>106,328</u>
5.	TURNOVER AND PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		
	Turnover and profit (loss) on ordinary activities are attributable to the principal activity of the group.		
	Profit on ordinary activities has been arrived at after charging:		
		1997	1996
		£	£
	Depreciation of owned fixed assets	156,932	124,762
	Depreciation of fixed assets held under hire purchase contracts	132,788	51,122
	Auditors' remuneration	6,000	6,000
		<u>295,720</u>	<u>181,884</u>

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS (Continued)
Year ended 30 September 1997

6. DIRECTORS AND EMPLOYEES

The average number of persons employed by the group during the year was:

	1997 Number	1996 Number
Production	54	74
Selling and distribution	10	10
Administration	23	23
	<u>87</u>	<u>107</u>

Staff costs, including directors, were:

	£	£
Wages and salaries	1,488,929	1,380,576
Social security costs	110,818	106,037
Pension costs	92,747	98,487
	<u>1,692,494</u>	<u>1,585,100</u>

Directors' emoluments		
Aggregate emoluments	51,917	-
Company pension contributions to defined benefit scheme	1,700	-
Sums paid to a partnership, in which D S Haggett was a partner, for director's services	2,917	5,000

Retirement benefits are accruing to one director under a defined benefit pension scheme.

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £	1996 £
Corporation tax	(75)	(17,607)
Deferred tax (note 16)	63,000	(15,700)
	<u>62,925</u>	<u>(33,307)</u>

8. DIVIDENDS

Non-equity		
Participating preferred ordinary shares		
Accrued at 30 September 1996	(2,750)	(2,750)
Interim paid	16,500	16,500
Final proposed	3,600	-
Accrued at 30 September 1997	2,750	2,750
	<u>20,100</u>	<u>16,500</u>
Equity		
Ordinary shares		
Interim paid	-	16,613
Final proposed	40,200	16,387
Total dividends	<u>60,300</u>	<u>49,500</u>

NOTES TO THE ACCOUNTS (Continued)
Year ended 30 September 1997

9. PROFIT AND LOSS ACCOUNT

In accordance with Section 230 of the Companies Act 1985 the company has not presented its own profit and loss account.

The profit for the financial year included in the accounts of the company amounted to £177,213 (1996 - 88,999), after dividends received from subsidiaries.

10. TANGIBLE FIXED ASSETS

	Total £	Freehold land and buildings £	Plant, machinery, and vehicles £
GROUP			
Cost and valuation			
At 30 September 1996			
Additions	4,725,842	1,229,144	3,496,698
Disposals	329,472	-	329,472
	(100,215)	-	(100,215)
At 30 September 1997	<u>4,955,099</u>	<u>1,229,144</u>	<u>3,725,955</u>
Depreciation			
At 30 September 1996			
Charge for the year	2,030,137	29,404	2,000,733
Disposals	289,720	11,400	278,320
	(94,763)	-	(94,763)
At 30 September 1997	<u>2,225,094</u>	<u>40,804</u>	<u>2,184,290</u>
Net book value			
At 30 September 1997	<u>2,730,005</u>	<u>1,188,340</u>	<u>1,541,665</u>
At 30 September 1996	<u>2,695,705</u>	<u>1,199,740</u>	<u>1,495,965</u>

The net book value of plant and machinery includes £777,369 (1996 - £1,017,799) in respect of assets held under hire purchase and finance lease contracts.

The freehold land and buildings were valued on 12 November 1993 by a firm of chartered surveyors on an open market value for existing use basis, at £1,130,000.

On the historical cost basis the freehold land and buildings would have been included at:

	1997 £	1996 £
Cost	663,717	663,717
Aggregate depreciation	(110,937)	(100,645)
	<u>552,780</u>	<u>563,072</u>

NOTES TO THE ACCOUNTS (Continued)
Year ended 30 September 1997

10. TANGIBLE FIXED ASSETS (Continued)

	Total £	Freehold land and buildings £	Plant, machinery and vehicles £
PARENT			
Cost and valuation			
At 30 September 1996			
Additions	4,741,961	1,229,144	3,512,817
Disposals	329,472	-	329,472
	(100,215)	-	(100,215)
At 30 September 1997	<u>4,971,218</u>	<u>1,229,144</u>	<u>3,742,074</u>
Depreciation			
At 30 September 1996			
Charge for the year	2,046,256	29,404	2,016,852
Disposals	289,720	11,400	278,320
	(94,763)	-	(94,763)
At 30 September 1997	<u>2,241,213</u>	<u>40,804</u>	<u>2,200,409</u>
Net book value			
At 30 September 1997	<u>2,730,005</u>	<u>1,188,340</u>	<u>1,541,665</u>
At 30 September 1996	<u>2,695,705</u>	<u>1,199,740</u>	<u>1,495,965</u>

The net book value of plant and machinery includes £777,369 (1996 - £1,017,799) in respect of assets held under hire purchase and finance lease contracts.

The freehold land and buildings were valued on 12 November 1993 by a firm of chartered surveyors on an open market value for existing use basis.

On the historical cost basis the freehold land and buildings would have been included at:

	1997 £	1996 £
Cost	788,025	788,025
Aggregate depreciation	(58,637)	(48,059)
	<u>729,388</u>	<u>739,966</u>

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS (Continued)
Year ended 30 September 1997

11. FIXED ASSET INVESTMENTS

	Total £	Investment in group undertakings £	Other investments - listed £
Cost			
At 30 September 1996	319	261	58
Additions	798	-	798
At 30 September 1997	<u>1,117</u>	<u>261</u>	<u>856</u>

The subsidiary undertakings did not trade during the year.

The market value of the listed investments at 30 September 1997 was £5,210.

12. STOCK

	1997 £	1996 £
Consumables	2,885	3,689
Finished goods and goods for resale	9,643	9,255
	<u>12,528</u>	<u>12,944</u>

13. DEBTORS

	1997 £	Group 1996 £	1997 £	Parent 1996 £
Trade debtors	826,083	751,872	826,083	751,872
Other debtors	400	21,223	400	21,223
Prepayments and accrued income	32,882	32,483	32,882	32,483
	<u>859,365</u>	<u>805,578</u>	<u>859,365</u>	<u>805,578</u>

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS (Continued)
Year ended 30 September 1997

14. CREDITORS - amounts falling due within one year

	1997 £	Group 1996 £	1997 £	Parent 1996 £
Short term loan	25,000	25,000	25,000	25,000
Trade creditors	277,382	213,818	277,393	213,824
Subsidiary undertakings	-	-	255	255
Taxation and social security	153,558	66,850	153,558	66,850
Other creditors	5,327	2,663	5,327	2,663
Director's loan	31,462	36,852	31,462	36,852
Accruals and deferred income	147,325	112,884	147,325	112,884
	<u>640,054</u>	<u>458,067</u>	<u>640,315</u>	<u>458,328</u>
Hire purchase contracts	190,065	189,546	190,065	189,546
Corporation tax	14,803	2,039	14,803	2,039
Bank loan and overdraft	258,945	447,326	258,945	447,326
Dividends	62,937	19,137	62,937	19,137
	<u>1,166,804</u>	<u>1,116,115</u>	<u>1,167,065</u>	<u>1,116,376</u>

Bank facilities are secured by a debenture over all the company's assets.

The short term loan is unsecured and repayable on demand.

15. CREDITORS - amounts falling due after more than one year

	1997 £	Group 1996 £	1997 £	Parent 1996 £
Deferred income	35,000	42,500	35,000	42,500
Pension contributions	82,564	42,615	82,564	42,615
Hire purchase contracts	302,619	385,352	302,619	385,352
Bank loan	263,024	337,423	263,024	337,423
	<u>683,207</u>	<u>807,890</u>	<u>683,207</u>	<u>807,890</u>
The bank loan and hire purchase contracts are repayable as follows:				
One to two years	279,831	233,629	279,831	233,629
Two to five years	285,812	489,146	285,812	489,146
	<u>565,643</u>	<u>722,775</u>	<u>565,643</u>	<u>722,775</u>

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS (Continued)
Year ended 30 September 1997

16. PROVISIONS FOR LIABILITIES AND CHARGES

	1997 £	Group 1996 £	1997 £	Parent 1996 £
Deferred tax				
At 30 September 1996	48,000	63,700	48,000	63,700
Charge (credit) for the year	63,000	(15,700)	63,000	(15,700)
At 30 September 1997	111,000	48,000	111,000	48,000
Less: advance corporation tax	(22,353)	(4,096)	(22,353)	(4,096)
	<u>88,647</u>	<u>43,904</u>	<u>88,647</u>	<u>43,904</u>

The deferred tax provision at 31% (1996 - 33%) comprises the excess of capital allowances over depreciation charged.

The potential liability, not provided for in the accounts at 31% (1996 - 33%) is:

	1997 £	Group 1996 £	1997 £	Parent 1996 £
Industrial buildings allowances	93,000	83,000	93,000	83,000

There is no potential liability in respect of the revaluation of the land and buildings.

17. CALLED UP SHARE CAPITAL

	1997 £	1996 £
Authorised		
Ordinary shares of £1 each	124,999	100,000
Cumulative convertible participating preferred ordinary shares of £1 each	50,000	50,000
Cumulative redeemable preference shares of £1 each	100,000	100,000
	<u>274,999</u>	<u>250,000</u>

On the 20 December 1996 by way of a special resolution, the company increased its authorised share capital from 250,000 to 274,999 by the creation of 24,999 ordinary shares.

	1997 £	1996 £
Allotted and fully paid		
Equity		
Ordinary shares of £1 each	100,000	100,000
Non-equity		
Cumulative convertible participating preferred ordinary shares of £1 each	50,000	50,000
	<u>150,000</u>	<u>150,000</u>

Dividend rights

The profits which the company determines to distribute in respect of any financial year is applied as follows:

- Pay to preferred ordinary shareholders in each financial year a fixed cumulative net cash preferential dividend (fixed dividend) of 11% of the total subscription price paid. It is payable half yearly on 31 March and 30 September each year. A further dividend of 8% of adjusted net profit of the group less the fixed dividend already paid is payable not more than 14 days after the annual general meeting.

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS (Continued)
Year ended 30 September 1997

17. SHARE CAPITAL (Continued)

- Pay to the ordinary shareholders a dividend equal to the amount of dividend paid on each preferred ordinary share.
- Pay to preferred ordinary shareholders and ordinary shareholders an amount equal to one third of the distributable profits of the company earned in that year less a sum equal to the total of any fixed dividend participating dividend and ordinary shareholders dividend paid or declared in that year.
- The balance of profits will be distributed amongst the preferred ordinary and ordinary shareholders pro-rata to the amounts paid up on the shares held by them respectively.

Winding up

On a return of assets on liquidation or otherwise, the assets of the company remaining after a payment of its liabilities shall be applied as follows:

- In paying to the preferred ordinary shareholders subscription price per share together with a sum equal to any arrears on the dividends calculated to the date of the return of capital.
- In paying to the ordinary shareholders a sum equal to the amount of capital paid on each preferred ordinary share per share.
- The balance of such assets shall be distributed amongst the preferred ordinary shareholders and ordinary shareholders in proportion to the amounts paid up on the shares.

Voting rights

- Ordinary shareholders are entitled to one vote per share.
- Preferred ordinary shareholders are entitled to receive notice but are not entitled to attend or vote at any general meeting unless at the date of the notice to convene the meeting the fixed dividend on the preferred ordinary shares is six months in arrears and such a right shall cease once the fixed dividend is no longer in arrears.

Conversion rights

The holders of the preferred ordinary shares are entitled at any time to convert the whole, but not part, of the preferred ordinary shares into ordinary shares on a one to one basis subject to certain provisions being fulfilled.

Share options

At 30 September 1997, an option existed over 11,111 unallotted shares, which is exercisable at any time until two months after the general meeting at a fixed aggregate price of £100,000.

18. REVALUATION RESERVE

	1997 £	Group 1996 £	1997 £	Parent 1996 £
At 30 September 1996	636,668	637,776	459,774	460,596
Transfer to profit and loss account	(1,108)	(1,108)	(822)	(822)
At 30 September 1997	<u>635,560</u>	<u>636,668</u>	<u>458,952</u>	<u>459,774</u>

NOTES TO THE ACCOUNTS (Continued)
Year ended 30 September 1997

19. PENSION COSTS	1997	1996
	£	£
Regular pension cost	98,074	101,150
Variation from regular cost	(5,327)	(2,663)
	<u>92,747</u>	<u>98,487</u>

The group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group, being invested separately in a trust administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The most recent valuation was as at 6 April 1996. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 1.5% per annum higher than average salary increases and that present and future pensions would increase in line with statutory requirements.

The most recent actuarial valuation showed the value of the assets held by the fund totalled £1,916,000 and that the actuarial value of those assets represents an average 112% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

Creditors includes £87,891 (1996 - £45,278) being the excess of pension costs charged in the accounts over amounts payable to the scheme.

The variation from regular cost, which represents the difference between assets and liabilities in the pension scheme at the latest actuarial valuation, is being spread over 18 years, being the average remaining service lives.

20. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT

RECONCILIATION OF OPERATING PROFIT TO THE NET CASH INFLOW FROM OPERATING ACTIVITIES	1997	1996
	£	£
Operating profit	341,440	44,415
Depreciation	289,720	175,884
Amortisation	(7,500)	-
(Decrease) increase in stocks	416	(5,498)
(Increase) in debtors	(53,787)	(106,850)
Increase (decrease) in creditors	221,936	(106,467)
	<u>792,225</u>	<u>1,484</u>

ANALYSIS OF NET DEBT

	1 October	Non-cash	Cashflow	30
	1996	movements	1997	September
	£	£	£	£
Cash at bank and in hand	1,080	-	(807)	273
Bank overdraft	(361,654)	-	186,308	(175,346)
	<u>(360,574)</u>	<u>-</u>	<u>185,501</u>	<u>(175,073)</u>
Debt due within one year	(85,672)	-	2,073	(83,599)
Debt due after more than one year	(337,423)	-	74,399	(263,024)
Hire purchase and finance leases	(574,898)	(120,544)	202,758	(492,684)
	<u>(1,358,567)</u>	<u>(120,544)</u>	<u>464,731</u>	<u>(1,014,380)</u>

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS (Continued) Year ended 30 September 1997

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1997	1996
	£	£
Profit (loss) for the year	177,213	(28,580)
Dividends	(60,300)	(49,500)
Net movement in shareholders' funds	<u>116,913</u>	<u>(78,080)</u>
Shareholders' funds at 30 September 1996	1,547,456	1,625,536
Shareholders' funds at 30 September 1997	<u>1,664,369</u>	<u>1,547,456</u>

22. FUTURE CAPITAL EXPENDITURE

There was capital expenditure authorised and contracted for by the directors at the year end not provided for in the accounts amounting to £45,145 (1996 - £Nil).