

R

HHT plc
AND ITS SUBSIDIARY UNDERTAKINGS
REGISTERED NUMBER 1439213

ACCOUNTS

30 SEPTEMBER 1996

- 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 1996.

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 of HHT Surface Engineering Limited have been included as discontinued operations in the profit and loss account for 1995 on page 5 following the closure of the business on 30 September 1995 after the expiry of its trading licence.

The results for the year are in line with the directors' expectations and reflect the major investment in new plant and machinery during the year. This plant is now fully operational and is making a significant contribution to current trading performance. This should be reflected in the current year's results.

The directors are pleased with the increased current level of demand for its core activity products 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 and an interim dividend of £16,613 has been paid on the ordinary shares. The directors recommend a final dividend of £16,387 on the 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:

	30.9.96	30.9.95
C W Hammond	100,000	100,000
D L Grove	-	-
D S Haggett	-	-

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 *2 December 1996*
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 nineteen.

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 1996 and of the result 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

3 December 1996

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 30 September 1996

	Notes	£	1996 £	£	1995 £
TURNOVER					
Continuing operations			2,931,863		2,803,715
Discontinued operations			-		497,654
	5		<u>2,931,863</u>		<u>3,301,369</u>
COST OF SALES					
Continuing operations			1,934,320		1,901,208
Discontinued operations			-		295,101
			<u>-</u>		<u>295,101</u>
GROSS PROFIT					
Continuing operations		997,543		902,507	
Discontinued operations		-		202,553	
		<u>997,543</u>		<u>202,553</u>	
			997,543		1,105,060
Net operating expenses	2		<u>953,128</u>		<u>1,056,947</u>
OPERATING PROFIT					
Continuing operations		44,415		52,077	
Discontinued operations		-		(3,964)	
		<u>44,415</u>		<u>(3,964)</u>	
			44,415		48,113
Investment income	3		<u>26</u>		<u>23</u>
			44,441		48,136
Interest payable	4		<u>106,328</u>		<u>25,248</u>
(LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION					
	5		(61,887)		22,888
Tax on (loss) profit on ordinary activities	7		<u>33,307</u>		<u>3,322</u>
(LOSS) PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION					
			(28,580)		26,210
Dividends	8		<u>(49,500)</u>		<u>(49,500)</u>
DEFICIT FOR THE YEAR					
			(78,080)		(23,290)
Revaluation reserve	18		1,108		1,108
Retained profits brought forward			<u>685,660</u>		<u>707,842</u>
RETAINED PROFITS CARRIED FORWARD					
			<u>608,688</u>		<u>685,660</u>

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 30 September 1996

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

NOTE OF HISTORICAL COST PROFITS AND LOSSES

Year ended 30 September 1996

	1996	1995
	£	£
Reported (loss) profit on ordinary activities before taxation	(61,887)	22,888
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	<u>1,108</u>	<u>1,108</u>
Historical cost (loss) profit on ordinary activities before taxation	<u>(60,780)</u>	<u>23,996</u>
Historical cost loss for the year after taxation and dividends	<u>(76,972)</u>	<u>(22,182)</u>

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED BALANCE SHEET

30 September 1996

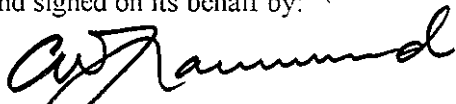
	Notes	£	1996 £	£	1995 £
FIXED ASSETS					
Tangible assets	10		2,695,705		2,095,269
Investments	11		58		58
			<u>2,695,763</u>		<u>2,095,327</u>
CURRENT ASSETS					
Stock	12	12,944		7,446	
Debtors	13	805,578		698,728	
Cash at bank and in hand		1,080		1,610	
			<u>819,602</u>	<u>707,784</u>	
CREDITORS - amounts falling due within one year	14	1,116,115		1,014,572	
			<u>(296,513)</u>		<u>(306,788)</u>
NET CURRENT LIABILITIES					
TOTAL ASSETS LESS CURRENT LIABILITIES			2,399,250		1,788,539
CREDITORS - amounts falling due after more than one year	15	807,890		99,303	
PROVISIONS FOR LIABILITIES AND CHARGES	16	43,904		63,700	
			<u>851,794</u>	<u>63,700</u>	
			<u>1,547,456</u>		<u>1,625,536</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		636,668		637,776
Profit and loss account			608,688		685,660
SHAREHOLDERS' FUNDS	20		<u>1,547,456</u>		<u>1,625,536</u>
ANALYSIS OF SHAREHOLDERS' FUNDS					
Equity interests			1,397,456		1,475,536
Non-equity interests			150,000		150,000
			<u>1,547,456</u>		<u>1,625,536</u>

HHT plc

BALANCE SHEET
30 September 1996

	Notes	£	1996 £	£	1995 £
FIXED ASSETS					
Tangible assets	10		2,695,705		2,095,269
Investments	11		319		319
			<u>2,696,024</u>		<u>2,095,588</u>
CURRENT ASSETS					
Stock	12	12,944		7,446	
Debtors	13	805,578		698,728	
Cash at bank and in hand		1,080		1,610	
			<u>819,602</u>	<u>707,784</u>	
CREDITORS - amounts falling due within one year	14	1,116,376		1,132,412	
			<u>(296,774)</u>	<u>(424,628)</u>	
NET CURRENT LIABILITIES					
TOTAL ASSETS LESS CURRENT LIABILITIES			2,399,250		1,670,960
CREDITORS - amounts falling due after more than one year	15	807,890		99,303	
PROVISION FOR LIABILITIES AND CHARGES	16	43,904		63,700	
			<u>851,794</u>	<u>163,003</u>	
			<u>1,547,456</u>	<u>1,507,957</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	459,774		460,596	
Profit and loss account			785,582		745,261
			<u>1,547,456</u>		<u>1,507,957</u>
SHAREHOLDERS' FUNDS					
ANALYSIS OF SHAREHOLDERS' FUNDS					
Equity interests			1,397,456		1,357,957
Non-equity interests			150,000		150,000
			<u>1,547,456</u>		<u>1,507,957</u>

Approved by the board on 2 December 1996
and signed by:


C W HAMMOND
Director

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 September 1996

	£	1996 £	1995 £
NET CASH INFLOW FROM OPERATING ACTIVITIES		1,484	387,175
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends received	26		23
Hire purchase interest	(56,928)		(12,723)
Interest paid	(49,400)		(12,525)
Dividends paid	(33,113)		(49,500)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(139,415)	(74,725)
TAXATION			
Corporation tax paid		(16,101)	(20,613)
INVESTING ACTIVITIES			
Receipts from capital grants	50,000		-
Payments to acquire tangible fixed assets	(780,670)		(420,563)
Tangible fixed assets on hire purchase	590,600		57,092
Receipts from sales of tangible fixed assets	4,350		61,050
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(135,720)	(302,421)
NET CASH OUTFLOW BEFORE FINANCING		(289,752)	(10,584)
FINANCING			
Receipts from bank loans	(443,800)		-
Repayments of bank loans and mortgages	20,705		-
Capital element of hire purchase	178,253		42,230
NET CASH (INFLOW) OUTFLOW FROM FINANCING		(244,842)	42,230
DECREASE IN CASH AND CASH EQUIVALENTS		(44,910)	(52,814)
		(289,752)	(10,584)
ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS			
Bank overdraft - (increase)		(44,380)	(53,009)
Cash at bank and in hand - (decrease) increase		(530)	195
		(44,910)	(52,814)
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
Operating profit		44,415	48,113
Depreciation		175,884	178,726
(Increase) in stock		(5,498)	(709)
(Increase) decrease in debtors		(106,850)	23,379
Decrease (increase) in creditors		(106,467)	137,666
NET CASH INFLOW FROM OPERATING ACTIVITIES		1,484	387,175

NOTES TO THE ACCOUNTS

Year ended 30 September 1996

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.

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS (Continued)

Year ended 30 September 1996

2. NET OPERATING EXPENSES

	Continuing operations £	1996 Dis- continued operations £	Total £	Continuing operations £	1995 Dis- continued operations £	Total £
Distribution costs	165,012	-	165,012	159,452	6,428	165,880
Administrative costs	794,510	-	794,510	695,435	200,089	895,524
Other operating income	(6,394)	-	(6,394)	(4,457)	-	(4,457)
	<u>953,128</u>	<u>-</u>	<u>953,128</u>	<u>850,430</u>	<u>206,517</u>	<u>1,056,947</u>

3. INVESTMENT INCOME

	1996 £	1995 £
Income from listed fixed asset investments	<u>26</u>	<u>23</u>

4. INTEREST PAYABLE

	1996 £	1995 £
Bank loans and overdrafts	47,150	10,275
Other loans	2,250	2,250
Hire purchase interest	56,928	12,723
	<u>106,328</u>	<u>25,248</u>

5. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover and profit on ordinary activities are attributable to the principal activity of the group.

Profit on ordinary activities has been arrived at after charging:

	1996 £	1995 £
Depreciation of owned fixed assets	124,762	108,715
Depreciation of fixed assets held under hire purchase contracts	51,122	70,011
Auditors' remuneration	6,000	9,000
	<u>181,884</u>	<u>187,726</u>

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS (Continued)

Year ended 30 September 1996

6. DIRECTORS AND EMPLOYEES

The average number of persons employed by the group during the year was:	1996 Number	1995 Number
Production	74	66
Selling and distribution	10	10
Administration	23	23
	<u>107</u>	<u>99</u>

Staff costs, including directors, were: £ £

Wages and salaries	1,380,576	1,398,963
Social security costs	106,037	103,760
Pension costs	98,487	92,533
	<u>1,585,100</u>	<u>1,595,256</u>

The emoluments of the directors were:
For services as executives £ 5,000 £ 21,936

The individual emoluments, excluding pension contributions, of all the directors who held office during the year were:
Chairman, and highest paid director in 1995 - £ 16,936

Highest paid director in 1996 £ 5,000

Other directors in the range: Number Number
£0 - £5,000 1 2

7. TAX ON PROFIT ON ORDINARY ACTIVITIES £ £

Corporation tax	(17,607)	21,478
Deferred tax (note 16)	(15,700)	(24,800)
	<u>(33,307)</u>	<u>(3,322)</u>

8. DIVIDENDS

Non-equity		
Participating preferred ordinary shares		
Accrued at 30 September 1995	(2,750)	(2,750)
Interim paid	16,500	16,500
Accrued at 30 September 1996	2,750	2,750
	<u>16,500</u>	<u>16,500</u>

Equity		
Ordinary shares		
Interim paid	16,613	33,000
Final proposed	16,387	-
Total dividends	<u>49,500</u>	<u>49,500</u>

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS (Continued)

Year ended 30 September 1996

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 £88,999 (1995 - £750,556), 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 1995	4,032,960	1,188,054	2,844,906
Additions	780,670	41,090	739,580
Disposals	(87,788)	-	(87,788)
At 30 September 1996	<u>4,725,842</u>	<u>1,229,144</u>	<u>3,496,698</u>
Depreciation			
At 30 September 1995	1,937,691	18,844	1,918,847
Charge for the year	175,884	10,560	165,324
Disposals	(83,438)	-	(83,438)
At 30 September 1996	<u>2,030,137</u>	<u>29,404</u>	<u>2,000,733</u>
Net book value			
At 30 September 1996	<u>2,695,705</u>	<u>1,199,740</u>	<u>1,495,965</u>
At 30 September 1995	<u>2,095,269</u>	<u>1,169,210</u>	<u>926,059</u>

The net book value of plant and machinery includes £1,017,799 (1995 - £221,678) 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:	1996 £	1995 £
Cost	663,717	622,627
Aggregate depreciation	(100,645)	(91,193)
	<u>563,072</u>	<u>531,434</u>

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS (Continued)
Year ended 30 September 1996

10. TANGIBLE FIXED ASSETS (Continued)

	Total £	Freehold land and buildings £	Plant, machinery and vehicles £
PARENT			
Cost and valuation			
At 30 September 1995	4,049,079	1,188,054	2,861,025
Additions	780,670	41,090	739,580
Disposals	(87,788)	-	(87,788)
	<u>4,741,961</u>	<u>1,229,144</u>	<u>3,512,817</u>
At 30 September 1996			
Depreciation			
At 30 September 1995	1,953,810	18,844	1,934,966
Charge for the year	175,884	10,560	165,324
Disposals	(83,438)	-	(83,438)
	<u>2,046,256</u>	<u>29,404</u>	<u>2,016,852</u>
At 30 September 1996			
Net book value			
At 30 September 1996	<u>2,695,705</u>	<u>1,199,740</u>	<u>1,495,965</u>
At 30 September 1995	<u>2,095,269</u>	<u>1,169,210</u>	<u>926,059</u>

The net book value of plant and machinery includes £1,017,799 (1995 - £221,678) 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:	1996 £	1995 £
Cost	788,025	746,935
Aggregate depreciation	(48,059)	(38,321)
	<u>739,966</u>	<u>708,614</u>

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS (Continued)
Year ended 30 September 1996

11. FIXED ASSET INVESTMENTS	Total £	Investment in group undertakings £	Other investments - listed £
Cost At 30 September 1995 and 1996	319	261	58

The subsidiary undertakings did not trade during the year.

12. STOCK	1996 £	1995 £
Consumables	3,689	2,389
Finished goods and goods for resale	9,255	5,057
	<u>12,944</u>	<u>7,446</u>

13. DEBTORS	1996 £	Group 1995 £	1996 £	Parent 1995 £
Trade debtors	751,872	657,637	751,872	657,637
Taxation and social security	-	4,296	-	4,296
Other debtors	21,223	400	21,223	400
Prepayments and accrued income	32,483	36,395	32,483	36,395
	<u>805,578</u>	<u>698,728</u>	<u>805,578</u>	<u>698,728</u>

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS (Continued)

Year ended 30 September 1996

14. CREDITORS - amounts falling due within one year

	1996 £	Group 1995 £	1996 £	Parent 1995 £
Short term loan	25,000	25,000	25,000	25,000
Trade creditors	213,818	356,227	213,824	356,227
Subsidiary undertakings	-	-	255	117,840
Taxation and social security	66,850	49,736	66,850	49,736
Other creditors	2,663	2,105	2,663	2,105
Director's loan	36,852	29,603	36,852	29,603
Accruals and deferred income	112,884	136,978	112,884	136,978
	<u>458,067</u>	<u>599,649</u>	<u>458,328</u>	<u>717,489</u>
Hire purchase contracts	189,546	63,247	189,546	63,247
Corporation tax	2,039	31,651	2,039	31,651
Bank loan and overdraft	447,326	317,275	447,326	317,275
Dividends	19,137	2,750	19,137	2,750
	<u>1,116,115</u>	<u>1,014,572</u>	<u>1,116,376</u>	<u>1,132,412</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

	1996 £	Group 1995 £	1996 £	Parent 1995 £
Deferred income	42,500	-	42,500	-
Pension contributions	42,615	-	42,615	-
Hire purchase contracts	385,352	99,303	385,352	99,303
Bank loan	337,423	-	337,423	-
	<u>807,890</u>	<u>99,303</u>	<u>807,890</u>	<u>99,303</u>
The bank loan is repayable as follows:				
Within one year	85,672	-	85,672	-
One to two years	83,599	-	83,599	-
Two to five years	253,824	-	253,824	-
	<u>423,095</u>	<u>-</u>	<u>423,095</u>	<u>-</u>

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS (Continued)

Year ended 30 September 1996

16. PROVISIONS FOR LIABILITIES AND CHARGES

	1996 £	Group 1995 £	1996 £	Parent 1995 £
Deferred tax				
At 30 September 1995	63,700	88,500	63,700	-
Transfer from subsidiary undertakings	-	-	-	88,500
Credit for the year	(15,700)	(24,800)	(15,700)	(24,800)
At 30 September 1996	48,000	63,700	48,000	63,700
Less: advance corporation tax	(4,096)	-	(4,096)	-
	<u>43,904</u>	<u>63,700</u>	<u>43,904</u>	<u>63,700</u>

The deferred tax provision at 33% comprises the excess of capital allowances over depreciation charged.

The potential liability, not provided for in the accounts at 33% is:	1996 £	Group 1995 £	1996 £	Parent 1995 £
Accelerated capital allowances	-	26,400	-	26,400
Industrial buildings allowances	83,000	41,600	83,000	41,600
	<u>83,000</u>	<u>68,000</u>	<u>83,000</u>	<u>68,000</u>

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

17. CALLED UP SHARE CAPITAL

	1996 £	1995 £
Authorised		
Ordinary shares of £1 each	100,000	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>250,000</u>	<u>250,000</u>
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.

NOTES TO THE ACCOUNTS (Continued)

Year ended 30 September 1996

17. SHARE CAPITAL (Continued)

- Pay to the ordinary shareholders a dividend equal to the amount of dividend paid on each preferred ordinary share.
- 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.

18. REVALUATION RESERVE	1996 £	Group 1995 £	1996 £	Parent 1995 £
At 30 September 1995	637,776	638,884	460,596	461,418
Transfer to profit and loss account	(1,108)	(1,108)	(822)	(822)
At 30 September 1996	<u>636,668</u>	<u>637,776</u>	<u>459,774</u>	<u>460,596</u>

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE ACCOUNTS (Continued)

Year ended 30 September 1996

19. PENSION COSTS	1996 £	1995 £
Regular pension cost	101,150	92,533
Variation from regular cost	(2,663)	-
	<u>98,487</u>	<u>92,533</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 £45,278 (1995 - Nil) 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. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1996 £	1995 £
(Loss) profit for the year	(28,580)	26,210
Dividends	(49,500)	(49,500)
Net movement in shareholders' funds	<u>(78,080)</u>	<u>(23,290)</u>
Shareholders' funds at 30 September 1995	1,625,536	1,648,826
Shareholders' funds at 30 September 1996	<u>1,547,456</u>	<u>1,625,536</u>

21. 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 £Nil (1995 - £579,193).