

HHT PLC AND ITS SUBSIDIARY  
UNDERTAKINGS  
REGISTERED NUMBER 1439213  
FINANCIAL STATEMENTS  
30 SEPTEMBER 1999



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COMPANIES HOUSE 09/02/00

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# HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

## DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 30 September 1999.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements that give a true and fair view of the state of affairs of the company and of 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
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements 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 financial statements 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.

As described in note 27 to the accounts, the results for the year include an exceptional profit on asset disposals of £135,119 and insurance proceeds of £175,645 for business interruption due to a fire at the company's premises.

Considering the events that have occurred during the year, the directors are pleased with the final result for the year and are hopeful of improved results in the foreseeable future.

The directors 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. Final dividends of £38,500 are proposed 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:

	Non- beneficial 30.9.99	Beneficial 30.9.99	Non- beneficial 30.9.98	Beneficial 30.9.98
C W Hammond	50,000	50,000	50,000	50,000
D L Grove	-	-	-	-
D S Haggett	50,000	-	50,000	-
J H Houseman	-	16,666	-	16,666

## YEAR 2000 COMPLIANCE

Following the action taken by the directors, the Year 2000 technology problem has had no significant impact on the operations of the business to date. The directors will continue to monitor the situation throughout the coming year.

DIRECTORS' REPORT (Continued)

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.

At 30 September 1999, the company had an average of 49 days purchases outstanding in trade creditors.

AUDITORS

Moores Rowland merged with BDO Stoy Hayward on 1 March 1999. A resolution will be proposed at the annual general meeting to re-appoint BDO Stoy Hayward as auditors.

Approved by the board on *2 February 2000*  
and signed on its behalf by:



C W HAMMOND

Chairman

## AUDITORS' REPORT TO THE MEMBERS OF HHT PLC

We have audited the financial statements on pages 5 to 22, which have been prepared under the historical cost convention as modified by the revaluation of land and buildings, and the accounting policies set out on page 10.

### **Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility as auditors to form an independent opinion, based on our audit, on those financial 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 that 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 as at 30 September 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*BDO Stoy Hayward*

BDO STOY HAYWARD

Chartered Accountants  
Registered Auditors

WALSALL

*2 February 2000*

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED PROFIT AND LOSS ACCOUNT  
Year ended 30 September 1999

	Notes	1999 £	1998 £
TURNOVER	2	3,584,118	4,259,814
COST OF SALES		(2,658,418)	(2,713,609)
GROSS PROFIT		925,700	1,546,205
Net operating expenses			
Normal	4	(1,079,594)	(1,118,863)
Exceptional	27	175,645	-
OPERATING PROFIT		21,751	427,342
Profit on disposal of fixed assets	27	135,119	-
		156,870	427,342
Investment income	5	80	81
		156,950	427,423
Interest payable	6	(128,008)	(118,452)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	28,942	308,971
Tax on profit on ordinary activities	8	(37,097)	(112,000)
(LOSS) PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(8,155)	196,971
Minority interests		(3,182)	-
Dividends	9	(55,000)	(90,720)
(DEFICIT) RETAINED PROFIT FOR THE YEAR		(66,337)	106,251
Revaluation reserve	21	1,108	1,108
Retained profits brought forward		834,068	726,709
RETAINED PROFITS CARRIED FORWARD		768,839	834,068

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 1999

	Notes	1999 £	1998 £
(Loss) profit for the financial year		(11,337)	196,971
Unrealised gain on acquisition of properties	3	107,336	-
Total gains and losses recognised since last annual report		<u>95,999</u>	<u>196,971</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES  
Year ended 30 September 1999

Reported profit on ordinary activities before taxation		28,942	308,971
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount		1,108	1,108
Historical cost profit on ordinary activities before taxation		<u>30,050</u>	<u>310,079</u>
Historical cost (loss) profit for the year after taxation, minority interests and dividends		<u>(65,229)</u>	<u>107,359</u>

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED BALANCE SHEET  
30 September 1999

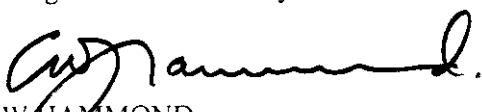
	Notes	£	1999 £	£	1998 £
<b>FIXED ASSETS</b>					
Intangibles	11		(3,421)		-
Tangible assets	12		3,810,423		3,589,422
Investments	13		1,521		1,521
			<u>3,808,523</u>		<u>3,590,943</u>
<b>CURRENT ASSETS</b>					
Stock	14	7,319		3,260	
Debtors	15	1,025,826		961,372	
Cash at bank and in hand		929		712	
			<u>1,034,074</u>	<u>965,344</u>	
CREDITORS - amounts falling due within one year	16	(1,551,804)		(1,537,736)	
<b>NET CURRENT LIABILITIES</b>			<u>(517,730)</u>		<u>(572,392)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>3,290,793</u>		<u>3,018,551</u>
CREDITORS - amounts falling due after more than one year	17	807,558		951,264	
PROVISIONS FOR LIABILITIES AND CHARGES	18	234,000		196,667	
			<u>(1,041,558)</u>	<u>196,667</u>	<u>(1,147,931)</u>
			<u>2,249,235</u>		<u>1,870,620</u>
<b>EQUITY MINORITY INTERESTS</b>			<u>(337,616)</u>		<u>-</u>
			<u>1,911,619</u>		<u>1,870,620</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	19		166,666		166,666
Share premium account	20		135,434		135,434
Capital redemption reserve			100,000		100,000
Non distributable reserve	3		107,336		-
Revaluation reserve	21		633,344		634,452
Profit and loss account			768,839		834,068
<b>SHAREHOLDERS' FUNDS</b>	24		<u>1,911,619</u>		<u>1,870,620</u>
<b>ANALYSIS OF SHAREHOLDERS' FUNDS</b>					
Equity interests			1,761,619		1,720,620
Non-equity interests			150,000		150,000
			<u>1,911,619</u>		<u>1,870,620</u>



BALANCE SHEET  
30 September 1999

	Notes	£	1999 £	£	1998 £
<b>FIXED ASSETS</b>					
Tangible assets	12		2,976,527		3,589,422
Investments	13		500,013		1,782
			<u>3,476,540</u>		<u>3,591,204</u>
<b>CURRENT ASSETS</b>					
Stock	14	4,869		3,260	
Debtors	15	841,419		961,372	
Cash at bank and in hand		703		712	
			<u>846,991</u>	<u>965,344</u>	
CREDITORS - amounts falling due within one year	16	(1,375,120)		(1,537,997)	
<b>NET CURRENT LIABILITIES</b>			<u>(528,129)</u>		<u>(572,653)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>2,948,411</u>		<u>3,018,551</u>
CREDITORS - amounts falling due after more than one year	17	807,558		951,264	
PROVISIONS FOR LIABILITIES AND CHARGES	18	234,000		196,667	
			<u>(1,041,558)</u>	<u>196,667</u>	<u>(1,147,931)</u>
			<u>1,906,853</u>		<u>1,870,620</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	19		166,666		166,666
Share premium account	20		135,434		135,434
Capital redemption reserve			100,000		100,000
Revaluation reserve	21		457,308		458,130
Profit and loss account			1,047,455		1,010,390
<b>SHAREHOLDERS' FUNDS</b>			<u>1,906,853</u>		<u>1,870,620</u>
<b>ANALYSIS OF SHAREHOLDERS' FUNDS</b>					
Equity interests			1,756,853		1,720,620
Non-equity interests			150,000		150,000
			<u>1,906,853</u>		<u>1,870,620</u>

Approved by the board on *2 February 2000*  
and signed on its behalf by:

  
C W HAMMOND  
Director

## HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

## CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 September 1999	Notes	£	1999 £	£	1998 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	23a		454,569		656,964
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Dividends received		80		80	
Interest receivable		-		1	
Hire purchase and finance lease interest		(71,905)		(57,829)	
Other interest payable		(56,103)		(60,623)	
Dividends paid on non equity shares		(16,500)		(16,500)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(144,428)		(134,871)
TAXATION					
Corporation tax paid			(6,162)		(12,385)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Receipts from sales of tangible fixed assets		420,079		12,000	
Payments to acquire tangible fixed assets		(523,750)		(451,372)	
Payments to acquire investments		-		(665)	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE			(103,671)		(440,037)
ACQUISITIONS AND DISPOSALS					
Purchase of subsidiary undertaking	3		(22,745)		-
EQUITY DIVIDENDS PAID			-		(50,500)
NET CASH INFLOW BEFORE FINANCING			177,563		19,171
FINANCING					
Capital element of hire purchase and finance lease rental payments		(325,487)		(237,504)	
Repayments of bank loans and mortgages		(57,396)		(83,896)	
New bank loan		251,250		-	
Receipts from issue of ordinary shares		-		100,000	
			(131,633)		(221,400)
INCREASE (DECREASE) IN CASH IN PERIOD	23b		45,930		(202,229)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT					
INCREASE (DECREASE) IN CASH IN THE YEAR			45,930		(202,229)
Cash flow from decrease in debt and other financing	23b		131,633		321,400
New hire purchase and finance leases			-		(746,525)
Change in net debt resulting from cash flows			177,563		(627,354)
NET DEBT AT 30 SEPTEMBER 1998			(1,666,734)		(1,039,380)
NET DEBT AT 30 SEPTEMBER 1999	23b		(1,489,171)		(1,666,734)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 1999

I. ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

Financial statements of all group undertakings are made up to 30 September 1999 except for Hammond Heat Treatment (SQ) Limited which was acquired in the year and is consolidated from the date of acquisition as detailed in note 13.

Goodwill on acquisitions

Goodwill on acquisition, being the difference between the market value of consideration given and the fair value of net assets acquired, is recognised as either purchased goodwill or negative goodwill under fixed assets.

Negative goodwill on the non-monetary assets is amortised through the profit and loss account as the relevant assets of the acquired subsidiary are depreciated.

Turnover

Turnover represents amounts receivable for goods and services net of VAT.

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 20% - 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 and 33.3% 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 financial statements 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 lives of the related fixed assets. The balance of the grants is included within deferred income.

# HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 30 September 1999

### 1. ACCOUNTING POLICIES (Continued)

#### Group relief

The benefits of any available group relief is accounted for within the tax charge of the profit making undertaking. No payment is made for it between group undertakings.

#### Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

### 2. 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 (crediting):	1999 £	1998 £
Depreciation of owned fixed assets	230,349	190,923
Depreciation of fixed assets held under hire purchase contracts	256,974	135,557
Profit on disposal of fixed assets	(1,598)	-
Auditors' remuneration	7,500	6,200
Hire of plant and machinery	11,318	35,221
Amortisation of grant	(7,500)	(7,500)
Exceptional items - profit on disposal of fixed assets	(135,119)	-
- insurance proceeds	(175,645)	-
	<hr/>	<hr/>

### 3. ACQUISITION

The company acquired 60% of the ordinary share capital (designated as 'H' ordinary shares) of Hammond Heat Treatment (SQ) Limited on 7 September 1999.

The fair values attributed to the net tangible assets acquired were as follows:

	Book values at acquisition £	Adjustments £	Fair value to group £
Fixed assets	691,242	144,844	836,086
Negative goodwill on acquisition			(3,421)
			<hr/>
			832,665
Fixed assets formerly owned by HHT plc			475,486
Costs			22,745
Minority interest on acquisition			334,434
			<hr/>
			832,665

The book value of the assets shown above have been taken from the management accounts of the business at acquisition. The fair value adjustment above arose as a consequence of restating the book value of assets to their market value at acquisition, and will be revised if necessary in 2000.

The adjustment includes an unrealised gain of £107,336 on fixed assets with a book value of £368,150 formerly owned by HHT plc given in consideration for the purchase, which has been taken to a non distributable reserve in the consolidated accounts.

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
Year ended 30 September 1999

## 3. ACQUISITION (Continued)

The remaining 40% of the ordinary share capital (designated as 'G' ordinary shares) is owned by Gartyne Limited, itself a subsidiary of Garton Engineering Plc. Assets with a book value of £323,092 and a fair value of £360,600 were sold to Hammond Heat Treatment (SQ) Limited as consideration for the 40% stake.

Gartyne has guaranteed the £500,000 overdraft facility of Hammond Heat Treatment (SQ) for a period of three years.

4.	NET OPERATING EXPENSES	1999 £	1998 £
	Distribution costs	189,619	193,110
	Administrative costs	915,585	1,002,984
	Other operating income	(25,610)	(77,231)
		<u>1,079,594</u>	<u>1,118,863</u>
5.	INVESTMENT INCOME		
	Income from listed fixed asset investments	80	80
	Interest receivable	-	1
		<u>80</u>	<u>81</u>
6.	INTEREST PAYABLE		
	Bank loans and overdrafts	52,967	58,309
	Other interest	3,136	2,314
	Hire purchase interest	71,905	57,829
		<u>128,008</u>	<u>118,452</u>
7.	DIRECTORS AND EMPLOYEES		
	The average number of persons employed by the group during the year was:	Number	Number
	Production	62	66
	Selling and distribution	3	3
	Administration	21	23
		<u>86</u>	<u>92</u>
	Staff costs, including directors, were:	£	£
	Wages and salaries	1,481,719	1,580,816
	Social security costs	115,481	127,605
	Pension costs	111,253	96,204
		<u>1,708,453</u>	<u>1,804,625</u>
	Directors' emoluments:		
	Aggregate emoluments	<u>62,965</u>	<u>68,666</u>

Retirement benefits are accruing to one director (1998 - one director) under a defined benefit pension scheme.

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
Year ended 30 September 1999

8.	TAX ON PROFIT ON ORDINARY ACTIVITIES	1999 £	1998 £
	Irrecoverable advance corporation tax written off	26,097	-
	Deferred tax charge (note 18)	11,000	112,000
		<u>37,097</u>	<u>112,000</u>
9.	DIVIDENDS		
	Non-equity		
	Participating preferred ordinary shares		
	Accrued at 30 September 1998	(2,750)	(2,750)
	Interim paid	16,500	16,500
	Final proposed	-	8,706
	Accrued at 30 September 1999	2,750	2,750
		<u>16,500</u>	<u>25,206</u>
	Equity		
	Ordinary shares		
	Additional final 1998 paid	-	6,700
	Final proposed	38,500	58,814
		<u>55,000</u>	<u>90,720</u>
10.	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 financial statements of the company amounted to £128,324 (1998 - £308,971), after dividends received from subsidiaries.		
11.	INTANGIBLE FIXED ASSETS		Negative goodwill £
	Cost		
	Acquisition of subsidiary undertaking and as at 30 September 1999		<u>(3,421)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
Year ended 30 September 1999

## 12. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant, machinery, and vehicles £	Total £
<b>GROUP</b>			
Cost and valuation			
At 30 September 1998	1,231,049	4,757,543	5,988,592
Acquisition of subsidiary	-	836,086	836,086
Additions	-	523,750	523,750
Disposals	-	(908,738)	(908,738)
At 30 September 1999	<u>1,231,049</u>	<u>5,208,641</u>	<u>6,439,690</u>
Depreciation			
At 30 September 1998	52,204	2,346,966	2,399,170
Charge for the year	11,556	475,767	487,323
Disposals	-	(257,226)	(257,226)
At 30 September 1999	<u>63,760</u>	<u>2,565,507</u>	<u>2,629,267</u>
Net book value			
At 30 September 1999	<u>1,167,289</u>	<u>2,643,134</u>	<u>3,810,423</u>
At 30 September 1998	<u>1,178,845</u>	<u>2,410,577</u>	<u>3,589,422</u>

The net book value of plant and machinery includes £1,231,668 (1998 - £1,488,642) 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:

	1999 £	1998 £
Cost	665,622	665,622
Aggregate depreciation	(131,677)	(121,229)
	<u>533,945</u>	<u>544,393</u>

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
Year ended 30 September 1999

12. TANGIBLE FIXED ASSETS (Continued)

	Freehold land and buildings £	Plant, machinery and vehicles £	Total £
<b>PARENT</b>			
Cost and valuation			
At 30 September 1998	1,231,049	4,773,662	6,004,711
Additions	-	515,110	515,110
Disposals	-	(1,791,149)	(1,791,149)
At 30 September 1999	<u>1,231,049</u>	<u>3,497,623</u>	<u>4,728,672</u>
Depreciation			
At 30 September 1998	52,204	2,363,085	2,415,289
Charge for the year	11,556	464,937	476,493
Disposals	-	(1,139,637)	(1,139,637)
At 30 September 1999	<u>63,760</u>	<u>1,688,385</u>	<u>1,752,145</u>
Net book value			
At 30 September 1999	<u>1,167,289</u>	<u>1,809,238</u>	<u>2,976,527</u>
At 30 September 1998	<u>1,178,845</u>	<u>2,410,577</u>	<u>3,589,422</u>

The net book value of plant and machinery includes £1,231,668 (1998 - £1,488,642) 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:

	1999 £	1998 £
Cost	789,930	789,930
Aggregate depreciation	(79,889)	(69,215)
	<u>710,041</u>	<u>720,715</u>

Disposals include assets with a net book value of £368,150 which were transferred to Hammond Heat Treatment (SQ) Limited as detailed in note 3.



HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
Year ended 30 September 1999

13. FIXED ASSET INVESTMENTS	Investment in subsidiary undertakings £	Other investments - listed £	Total £
Cost			
At 30 September 1998	261	1,521	1,782
Additions	498,231	-	498,231
At 30 September 1999	<u>498,492</u>	<u>1,521</u>	<u>500,013</u>

The principal subsidiary undertakings, together with their principal activities, are:

Company	Principal activities	% of ordinary shares held	Accounting reference date
Hammond Heat Treatment Limited	Dormant agency company	100%	30 September
Hammond Heat Treatment (SQ) Limited	The heat treatment of metals	60%	30 September

The investment in Hammond Heat Treatment (SQ) Limited was acquired on 7 September 1999, Hammond Heat Treatment (SQ) Limited having been incorporated on 24 June 1999 as FBC 255 Limited and been dormant until the date of acquisition. Hammond Heat Treatment (SQ) Limited commenced trading on the date of acquisition and the first statutory accounts are to be prepared for the period ended 30 September 2000; accordingly the results to 30 September 1999 have been consolidated based on management accounts figures.

Further details of the consideration are shown in note 3 to the accounts.

The market value of the listed investments at 30 September 1999 was £5,436 (1998 - £4,779).

14. STOCKS	1999 £	Group 1998 £	1999 £	Parent 1998 £
Finished goods and goods for resale	<u>7,319</u>	<u>3,260</u>	<u>4,869</u>	<u>3,260</u>
15. DEBTORS				
Trade debtors	900,768	854,726	687,884	854,726
Subsidiary undertaking	-	-	28,477	-
Other debtors	74,565	58,220	74,565	58,220
Prepayments and accrued income	50,493	48,426	50,493	48,426
	<u>1,025,826</u>	<u>961,372</u>	<u>841,419</u>	<u>961,372</u>

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
Year ended 30 September 1999

16. CREDITORS - amounts falling due within one year

	1999 £	Group 1998 £	1999 £	Parent 1998 £
Short term loan	25,000	25,000	25,000	25,000
Trade creditors	343,504	260,295	294,817	260,301
Subsidiary undertakings	-	-	255	255
Related undertakings	16,359	-	-	-
Taxation and social security	173,077	178,426	132,838	178,426
Other creditors	5,327	5,327	5,327	5,327
Director's loan	18,484	23,178	18,484	23,178
Accruals and deferred income	95,444	156,536	63,404	156,536
Hire purchase contracts	261,590	325,621	261,590	325,621
Corporation tax	-	6,398	-	6,398
Bank loan and overdraft	487,862	470,298	448,248	470,298
Dividends	125,157	86,657	125,157	86,657
	<u>1,551,804</u>	<u>1,537,736</u>	<u>1,375,120</u>	<u>1,537,997</u>

The bank facilities are secured by a legal mortgage over all the company's freehold property, a debenture over all the company's assets and by cross guarantees with certain subsidiary undertakings.

The short term loan is unsecured and repayable on demand.

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

	1999 £	Group 1998 £	1999 £	Parent 1998 £
Deferred income	20,000	27,500	20,000	27,500
Pension contributions	71,910	77,237	71,910	77,237
Hire purchase contracts	414,628	676,084	414,628	676,084
Bank loan	301,020	170,443	301,020	170,443
	<u>807,558</u>	<u>951,264</u>	<u>807,558</u>	<u>951,264</u>
The bank loan and hire purchase contracts are repayable as follows:				
One to two years	282,751	362,392	282,751	362,392
Two to five years	432,897	484,135	432,897	484,135
	<u>715,648</u>	<u>846,527</u>	<u>715,648</u>	<u>846,527</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
Year ended 30 September 1999

## 18. PROVISIONS FOR LIABILITIES AND CHARGES

	1999 £	Group 1998 £	1999 £	Parent 1998 £
Deferred tax				
At 30 September 1998	223,000	111,000	223,000	111,000
Charge for the year	11,000	112,000	11,000	112,000
At 30 September 1999	234,000	223,000	234,000	223,000
Less: advance corporation tax	-	(26,333)	-	(26,333)
	<u>234,000</u>	<u>196,667</u>	<u>234,000</u>	<u>196,667</u>

The deferred tax provision at 30% (1998 - 31%) comprises the excess of capital allowances over depreciation charged.

The potential liability, not provided for in the financial statements, at 30% (1998 - 31%) is:	1999 £	Group 1998 £	1999 £	Parent 1998 £
Industrial buildings allowances	107,000	109,000	107,000	109,000

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

## 19. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised		
Ordinary shares of £1 each	124,999	124,999
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>274,999</u>
Allotted and fully paid		
Equity		
Ordinary shares of £1 each	116,666	116,666
Non-equity		
Cumulative convertible participating preferred ordinary shares of £1 each	50,000	50,000
	<u>166,666</u>	<u>166,666</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 FINANCIAL STATEMENTS (Continued)  
Year ended 30 September 1999

## 19. 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.

20. SHARE PREMIUM ACCOUNT			1999	1998
			£	£
At 30 September 1998			135,434	52,100
Proceeds from issue of shares			-	83,334
			<hr/>	<hr/>
At 30 September 1999			135,434	135,434
			<hr/>	<hr/>
21. REVALUATION RESERVE		Group		Parent
	1999	1998	1999	1998
	£	£	£	£
At 30 September 1998	634,452	635,560	458,130	458,952
Transfer to profit and loss account	(1,108)	(1,108)	(822)	(822)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 1999	633,344	634,452	457,308	458,130
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
Year ended 30 September 1999

22.	PENSION COSTS	1999 £	1998 £
	Regular pension cost	116,580	101,531
	Variation from regular cost	(5,327)	(5,327)
		<u>111,253</u>	<u>96,204</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 1999. 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 £2,569,000 and that the actuarial value of those assets represents an average 87% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

Creditors includes £77,237 (1998 - £82,564) being the excess of pension costs charged in the financial statements over amounts payable to the scheme.

The variation from regular cost represents the difference between assets and liabilities in the pension scheme at the 1996 actuarial valuation, and is being spread over 18 years, being the average remaining service lives of employees at the time of the 1996 valuation.

23. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT

a	RECONCILIATION OF OPERATING PROFIT TO THE NET CASH INFLOW FROM OPERATING ACTIVITIES	1999 £	1998 £
	Operating profit	21,751	427,342
	Depreciation	487,323	326,480
	Profit on disposal of fixed assets	(1,598)	-
	Grant amortisation	(7,500)	(7,500)
	(Increase) decrease in stocks	(4,059)	9,268
	Increase in debtors	(64,454)	(102,007)
	Increase in creditors	23,106	3,381
		<u>454,569</u>	<u>656,964</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
Year ended 30 September 1999

## 23. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT (Continued)

## b ANALYSIS OF NET DEBT

	30 September 1998 £	Cashflow £	30 September 1999 £
Cash at bank and in hand	712	217	929
Bank overdraft	(378,014)	45,713	(332,301)
	<u>(377,302)</u>	<u>45,930</u>	<u>(331,372)</u>
Debt due within one year	(117,284)	(63,277)	(180,561)
Debt due after more than one year	(170,443)	(130,577)	(301,020)
Hire purchase and finance leases	(1,001,705)	325,487	(676,218)
	<u>(1,289,432)</u>	<u>131,633</u>	<u>(1,157,799)</u>
	<u>(1,666,734)</u>	<u>177,563</u>	<u>(1,489,171)</u>

## 24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
(Loss) profit for the year	(11,337)	196,971
Dividends	(55,000)	(90,720)
Proceeds from issue of shares	-	100,000
Unrealised profit on acquisition of subsidiary	107,336	-
	<u>40,999</u>	<u>206,251</u>
Net movement in shareholders' funds	40,999	206,251
Shareholders' funds at 30 September 1998	1,870,620	1,664,369
	<u>1,911,619</u>	<u>1,870,620</u>
Shareholders' funds at 30 September 1999	1,911,619	1,870,620

## 25. CONTINGENT LIABILITY

The company has received a government grant of £50,000. This amount is repayable if any of the conditions of receipt are breached with the next two years. The directors consider that the possibility of any of the conditions being breached is remote. At 30 September 1999 £22,500 (1998 - £15,000) of the grant had been released to the profit and loss account.

## 26. OTHER FINANCIAL COMMITMENTS

At 30 September 1999 the company had annual commitments under non-cancellable operating leases for plant and machinery as set out below:

	Land and buildings		Other	
	1999 £	1998 £	1999 £	1998 £
Operating leases which expire:				
Within one year	1,700	-	9,534	11,318
After more than five years	72,000	-	-	-
	<u>73,700</u>	<u>-</u>	<u>9,534</u>	<u>11,318</u>
After more than five years	73,700	-	9,534	11,318

# HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 30 September 1999

### 27. EXCEPTIONAL ITEMS

£

Profits on disposal of fixed assets comprise:

Partial destruction of mesh melt conveyor furnace	188,893
Loss on disposal of 'Shaker' furnace	(53,774)
	<hr/>
	135,119
	<hr/>

*During December 1998 a fire broke out at the company's premises and partially destroyed a mesh belt conveyor furnace. The partial destruction of the asset crystallised a profit on disposal of the asset of £188,893, together with insurance proceeds of £175,645 to compensate for the resultant business interruption.*

### 28. CONTROLLING PARTY

The company is controlled by its directors.