

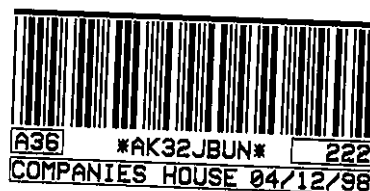
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HHT plc
AND ITS SUBSIDIARY UNDERTAKINGS
REGISTERED NUMBER 1439213

ACCOUNTS

30 SEPTEMBER 1998

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 1998.

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.

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. The directors recommend a final dividend of 50.4 pence per ordinary share and £8,706 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:

	Non-beneficial 30.9.98	Beneficial 30.9.98	Non-beneficial 30.9.97	Beneficial 30.9.97	Options 30.9.97
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

CHARITABLE DONATIONS

During the year the company made various charitable contributions totalling £3,750.

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

DIRECTORS' REPORT (Continued)

YEAR 2000 COMPLIANCE

The group is in the process of assessing the risks to the business in detail. It is considering not only the group's own systems but also those of its major suppliers and customers. Once this assessment is complete it will develop detailed plans to deal with any such risks as are identified.

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 1998, the company had an average of 37 days purchases outstanding in trade creditors.

AUDITORS

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

Approved by the board on *27 November 1998*
and signed on its behalf by:



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 1998 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

27 November 1998

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 30 September 1998

	Notes	1998 £	1997 £
TURNOVER		4,259,814	3,765,270
COST OF SALES		2,713,609	2,386,384
GROSS PROFIT		1,546,205	1,378,886
Net operating expenses	2	1,118,863	1,037,446
OPERATING PROFIT		427,342	341,440
Investment income	3	81	3,503
		427,423	344,943
Interest payable	4	(118,452)	(104,805)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	308,971	240,138
Tax on profit on ordinary activities	7	(112,000)	(62,925)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		196,971	177,213
Dividends	8	(90,720)	(60,300)
RETAINED PROFIT FOR THE YEAR		106,251	116,913
Revaluation reserve	19	1,108	1,108
Retained profits brought forward		726,709	608,688
RETAINED PROFITS CARRIED FORWARD		834,068	726,709

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 1998

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

NOTE OF HISTORICAL COST PROFITS AND LOSSES Year ended 30 September 1998	1998 £	1997 £
Reported profit on ordinary activities before taxation	308,971	240,138
Difference between a 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>310,079</u>	<u>241,246</u>
Historical cost profit for the year after taxation and dividends	<u>107,359</u>	<u>118,021</u>

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED BALANCE SHEET
30 September 1998


	Notes	£	1998 £	£	1997 £
FIXED ASSETS					
Tangible assets	10		3,589,422		2,730,005
Investments	11		1,521		856
			<u>3,590,943</u>		<u>2,730,861</u>
CURRENT ASSETS					
Stock	12	3,260		12,528	
Debtors	13	961,372		859,365	
Cash at bank and in hand		712		273	
			<u>965,344</u>	<u>872,166</u>	
CREDITORS - amounts falling due within one year	14	(1,537,736)		(1,166,804)	
NET CURRENT LIABILITIES			<u>(572,392)</u>		<u>(294,638)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>3,018,551</u>		<u>2,436,223</u>
CREDITORS - amounts falling due after more than one year	15	951,264		683,207	
PROVISIONS FOR LIABILITIES AND CHARGES	16	196,667		88,647	
			<u>(1,147,931)</u>	<u>88,647</u>	<u>(771,854)</u>
			<u>1,870,620</u>		<u>1,664,369</u>
CAPITAL AND RESERVES					
Called up share capital	17		166,666		150,000
Share premium account	18		135,434		52,100
Capital redemption reserve			100,000		100,000
Revaluation reserve	19		634,452		635,560
Profit and loss account			834,068		726,709
SHAREHOLDERS' FUNDS	22		<u>1,870,620</u>		<u>1,664,369</u>
ANALYSIS OF SHAREHOLDERS' FUNDS					
Equity interests			1,720,620		1,514,369
Non-equity interests			150,000		150,000
			<u>1,870,620</u>		<u>1,664,369</u>

HHT plc

BALANCE SHEET
30 September 1998

	Notes	£	1998 £	£	1997 £
FIXED ASSETS					
Tangible assets	10		3,589,422		2,730,005
Investments	11		1,782		1,117
			<u>3,591,204</u>		<u>2,731,122</u>
CURRENT ASSETS					
Stock	12	3,260		12,528	
Debtors	13	961,372		859,365	
Cash at bank and in hand		712		273	
			<u>965,344</u>	<u>872,166</u>	
CREDITORS - amounts falling due within one year	14	(1,537,997)		(1,167,065)	
NET CURRENT LIABILITIES			<u>(572,653)</u>		<u>(294,899)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			3,018,551		2,436,223
CREDITORS - amounts falling due after more than one year	15	951,264		683,207	
PROVISIONS FOR LIABILITIES AND CHARGES	16	196,667		88,647	
			<u>(1,147,931)</u>	<u>88,647</u>	<u>(771,854)</u>
			<u>1,870,620</u>		<u>1,664,369</u>
CAPITAL AND RESERVES					
Called up share capital	17		166,666		150,000
Share premium account	18		135,434		52,100
Capital redemption reserve			100,000		100,000
Revaluation reserve	19		458,130		458,952
Profit and loss account			1,010,390		903,317
SHAREHOLDERS' FUNDS			<u>1,870,620</u>		<u>1,664,369</u>
ANALYSIS OF SHAREHOLDERS' FUNDS					
Equity interests			1,720,620		1,514,369
Non-equity interests			150,000		150,000
			<u>1,870,620</u>		<u>1,664,369</u>

Approved by the board on 27 November 1998
and signed on its behalf by:


C W HAMMOND
Director

HHT plc AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 September 1998	Notes	£	1998 £	£	1997 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	21		656,964		792,225
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Dividends received		80		37	
Interest receivable		1		3,466	
Hire purchase and finance lease interest		(57,829)		(47,771)	
Other interest payable		(60,623)		(57,034)	
Dividends paid on non equity shares		(16,500)		(16,500)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(134,871)		(117,802)
TAXATION					
Corporation tax paid -net			(12,385)		(5,418)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Receipts from sales of tangible fixed assets		12,000		5,452	
Payments to acquire tangible fixed assets		(451,372)		(208,928)	
Payments to acquire investments		(665)		(798)	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE			(440,037)		(204,274)
EQUITY DIVIDENDS PAID			(50,500)		-
NET CASH INFLOW BEFORE FINANCING			19,171		464,731
FINANCING					
Capital element of hire purchase and finance lease rental payments		(237,504)		(202,758)	
Repayments of bank loans and mortgages		(83,896)		(76,472)	
Receipts from issue of ordinary shares		100,000		-	
INCREASE (DECREASE) IN CASH IN PERIOD			(221,400)		(279,230)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT					
INCREASE (DECREASE) IN CASH IN THE YEAR			(202,229)		185,501
Cash flow from decrease in debt and other financing			321,400		279,230
New hire purchase and finance leases			(746,525)		(120,544)
Change in net debt resulting from cashflows			(627,354)		344,187
NET DEBT AT 30 SEPTEMBER 1997			(1,014,380)		(1,358,567)
NET DEBT AT 30 SEPTEMBER 1998	21		(1,641,734)		(1,014,380)

NOTES TO THE ACCOUNTS

Year ended 30 September 1998

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 1998

2.	NET OPERATING EXPENSES	1998	1997
		£	£
	Distribution costs	193,110	147,728
	Administrative costs	1,002,984	946,323
	Other operating income	(77,231)	(56,605)
		<u>1,118,863</u>	<u>1,037,446</u>
3.	INVESTMENT INCOME		
	Income from listed fixed asset investments	80	37
	Interest receivable	1	3,466
		<u>81</u>	<u>3,503</u>
4.	INTEREST PAYABLE		
	Bank loans and overdrafts	58,309	54,790
	Other loans	2,314	2,244
	Hire purchase interest	57,829	47,771
		<u>118,452</u>	<u>104,805</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:	1998	1997
		£	£
	Depreciation of owned fixed assets	190,923	156,932
	Depreciation of fixed assets held under hire purchase contracts	135,557	132,788
	Auditors' remuneration	6,200	6,000
	Hire of plant and machinery	35,221	33,036
		<u>367,901</u>	<u>328,756</u>

NOTES TO THE ACCOUNTS (Continued)
Year ended 30 September 1998

6. DIRECTORS AND EMPLOYEES

The average number of persons employed by the group during the year was:	1998 Number	1997 Number
Production	66	54
Selling and distribution	3	10
Administration	23	23
	<u>92</u>	<u>87</u>

Staff costs, including directors, were:	£	£
Wages and salaries	1,580,816	1,488,929
Social security costs	127,605	110,818
Pension costs	96,204	92,747
	<u>1,804,625</u>	<u>1,692,494</u>

Directors' emoluments:		
Aggregate emoluments	68,666	51,917
Sums paid to a partnership, in which D S Haggett was a partner, for director's services	-	2,917

During the year one director exercised his option to purchase 16,666 ordinary shares of £1 each from the company.

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

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
Corporation tax	-	(75)
Deferred tax (note 16)	112,000	63,000
	<u>112,000</u>	<u>62,925</u>

8. DIVIDENDS

Non-equity		
Participating preferred ordinary shares		
Accrued at 30 September 1997	(2,750)	(2,750)
Interim paid	16,500	16,500
Final proposed	8,706	3,600
Accrued at 30 September 1998	2,750	2,750
	<u>25,206</u>	<u>20,100</u>
Equity		
Ordinary shares		
Additional final 1997 paid	6,700	-
Final proposed	58,814	40,200
	<u>90,720</u>	<u>60,300</u>
Total dividends		

NOTES TO THE ACCOUNTS (Continued)
Year ended 30 September 1998

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 £200,087 (1997 - £177,213), after dividends received from subsidiaries.

10. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant, machinery, and vehicles £	Total £
GROUP			
Cost and valuation			
At 30 September 1997	1,229,144	3,725,955	4,955,099
Additions	1,905	1,195,992	1,197,897
Disposals	-	(164,404)	(164,404)
At 30 September 1998	<u>1,231,049</u>	<u>4,757,543</u>	<u>5,988,592</u>
Depreciation			
At 30 September 1997	40,804	2,184,290	2,225,094
Charge for the year	11,400	315,080	326,480
Disposals	-	(152,404)	(152,404)
At 30 September 1998	<u>52,204</u>	<u>2,346,966</u>	<u>2,399,170</u>
Net book value			
At 30 September 1998	<u>1,178,845</u>	<u>2,410,577</u>	<u>3,589,422</u>
At 30 September 1997	<u>1,188,340</u>	<u>1,541,665</u>	<u>2,730,005</u>

The net book value of plant and machinery includes £1,488,642 (1997 - £777,369) 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:

	1998 £	1997 £
Cost	665,622	663,717
Aggregate depreciation	(121,229)	(110,937)
	<u>544,393</u>	<u>552,780</u>

NOTES TO THE ACCOUNTS (Continued)
Year ended 30 September 1998

10. TANGIBLE FIXED ASSETS (Continued)

	Freehold land and buildings £	Plant, machinery and vehicles £	Total £
PARENT			
Cost and valuation			
At 30 September 1997	1,229,144	3,742,074	4,971,218
Additions	1,905	1,195,992	1,197,897
Disposals	-	(164,404)	(164,404)
At 30 September 1998	<u>1,231,049</u>	<u>4,773,662</u>	<u>6,004,711</u>
Depreciation			
At 30 September 1997	40,804	2,200,409	2,241,213
Charge for the year	11,400	315,080	326,480
Disposals	-	(152,404)	(152,404)
At 30 September 1998	<u>52,204</u>	<u>2,363,085</u>	<u>2,415,289</u>
Net book value			
At 30 September 1998	<u>1,178,845</u>	<u>2,410,577</u>	<u>3,589,422</u>
At 30 September 1997	<u>1,188,340</u>	<u>1,541,665</u>	<u>2,730,005</u>

The net book value of plant and machinery includes £1,488,642 (1997 - £777,369) 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:

	1998 £	1997 £
Cost	789,930	788,025
Aggregate depreciation	(69,215)	(58,637)
	<u>720,715</u>	<u>729,388</u>

NOTES TO THE ACCOUNTS (Continued)
Year ended 30 September 1998

11. FIXED ASSET INVESTMENTS	Investment in subsidiary undertakings £	Other investments - listed £	Total £
Cost			
At 30 September 1997	261	856	1,117
Additions	-	665	665
	<u>261</u>	<u>1,521</u>	<u>1,782</u>
At 30 September 1998	<u>261</u>	<u>1,521</u>	<u>1,782</u>

The subsidiary undertakings did not trade during the year.

The market value of the listed investments at 30 September 1998 was £4,779 (1997 - £5,210).

12. STOCK	1998 £	1997 £
Consumables	-	2,885
Finished goods and goods for resale	3,260	9,643
	<u>3,260</u>	<u>12,528</u>

13. DEBTORS	1998 £	Group 1997 £	1998 £	Parent 1997 £
Trade debtors	854,726	826,083	854,726	826,083
Other debtors	58,220	400	58,220	400
Prepayments and accrued income	48,426	32,882	48,426	32,882
	<u>961,372</u>	<u>859,365</u>	<u>961,372</u>	<u>859,365</u>

NOTES TO THE ACCOUNTS (Continued)
Year ended 30 September 1998

14. CREDITORS - amounts falling due within one year

	1998 £	Group 1997 £	1998 £	Parent 1997 £
Short term loan	25,000	25,000	25,000	25,000
Trade creditors	260,295	277,382	260,301	277,393
Subsidiary undertakings	-	-	255	255
Taxation and social security	178,426	153,558	178,426	153,558
Other creditors	5,327	5,327	5,327	5,327
Director's loan	23,178	31,462	23,178	31,462
Accruals and deferred income	156,536	147,325	156,536	147,325
	<u>648,762</u>	<u>640,054</u>	<u>649,023</u>	<u>640,315</u>
Hire purchase contracts	325,621	190,065	325,621	190,065
Corporation tax	6,398	14,803	6,398	14,803
Bank loan and overdraft	470,298	258,945	470,298	258,945
Dividends	86,657	62,937	86,657	62,937
	<u>1,537,736</u>	<u>1,166,804</u>	<u>1,537,997</u>	<u>1,167,065</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

	1998 £	Group 1997 £	1998 £	Parent 1997 £
Deferred income	27,500	35,000	27,500	35,000
Pension contributions	77,237	82,564	77,237	82,564
Hire purchase contracts	676,084	302,619	676,084	302,619
Bank loan	170,443	263,024	170,443	263,024
	<u>951,264</u>	<u>683,207</u>	<u>951,264</u>	<u>683,207</u>
The bank loan and hire purchase contracts are repayable as follows:				
One to two years	362,392	279,831	362,392	279,831
Two to five years	484,135	285,812	484,135	285,812
	<u>846,527</u>	<u>565,643</u>	<u>846,527</u>	<u>565,643</u>

NOTES TO THE ACCOUNTS (Continued)
Year ended 30 September 1998

16. PROVISIONS FOR LIABILITIES AND CHARGES

	1998 £	Group 1997 £	1998 £	Parent 1997 £
Deferred tax				
At 30 September 1997	111,000	48,000	111,000	48,000
Charge for the year	112,000	63,000	112,000	63,000
At 30 September 1998	223,000	111,000	223,000	111,000
Less: advance corporation tax	(26,333)	(22,353)	(26,333)	(22,353)
	<u>196,667</u>	<u>88,647</u>	<u>196,667</u>	<u>88,647</u>

The deferred tax provision at 31% comprises the excess of capital allowances over depreciation charged.

The potential liability, not provided for in the accounts at 31% is:	1998 £	Group 1997 £	1998 £	Parent 1997 £
Industrial buildings allowances	109,000	93,000	109,000	93,000

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

17. CALLED UP SHARE CAPITAL

	1998 £	1997 £
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	100,000
Non-equity		
Cumulative convertible participating preferred ordinary shares of £1 each	50,000	50,000
	<u>166,666</u>	<u>150,000</u>

During the year options over 16,666 ordinary shares of £1 each were exercised for a cash consideration of £100,000.

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 1998

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.

18.	SHARE PREMIUM ACCOUNT		1998 £	1997 £
	At 30 September 1997		52,100	52,100
	Proceeds from issue of shares		83,334	-
	At 30 September 1998		135,434	52,100
19.	REVALUATION RESERVE	Group		Parent
		1997	1998	1997
		£	£	£
	At 30 September 1997	635,560	636,668	458,952
	Transfer to profit and loss account	(1,108)	(1,108)	(822)
	At 30 September 1998	634,452	635,560	458,130
				458,952

NOTES TO THE ACCOUNTS (Continued)
Year ended 30 September 1998

20.	PENSION COSTS	1998	1997
		£	£
	Regular pension cost	101,531	98,074
	Variation from regular cost	(5,327)	(5,327)
		<u>96,204</u>	<u>92,747</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 £82,564 (1997 - £87,891) 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.

21. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT

RECONCILIATION OF OPERATING PROFIT TO THE NET CASH INFLOW FROM OPERATING ACTIVITIES	1997	1998
	£	£
Operating profit	427,342	341,440
Depreciation	326,480	289,720
Grant amortisation	(7,500)	(7,500)
Decrease in stocks	9,268	416
Increase in debtors	(102,007)	(53,787)
Increase in creditors	3,381	221,936
	<u>656,964</u>	<u>792,225</u>

ANALYSIS OF NET DEBT

	30			30
	September	Non-cash	Cashflow	September
	1997	movements	£	1998
	£	£	£	£
Cash at bank and in hand	273	-	439	712
Bank overdraft	(175,346)	-	(202,668)	(378,014)
	<u>(175,073)</u>	<u>-</u>	<u>(202,229)</u>	<u>(377,302)</u>
Debt due within one year	(83,599)	(92,581)	83,896	(92,284)
Debt due after more than one year	(263,024)	92,581	-	(170,443)
Hire purchase and finance leases	(492,684)	(746,525)	237,504	(1,001,705)
	<u>(1,014,380)</u>	<u>(746,525)</u>	<u>119,171</u>	<u>(1,641,734)</u>

NOTES TO THE ACCOUNTS (Continued)
Year ended 30 September 1998

22.	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1998	1997
		£	£
	Profit for the year	196,971	177,213
	Dividends	(90,720)	(60,300)
	Proceeds from issue of shares	100,000	-
	Net movement in shareholders' funds	206,251	116,913
	Shareholders' funds at 30 September 1997	1,664,369	1,547,456
	Shareholders' funds at 30 September 1998	1,870,620	1,664,369

23. 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 (1997 - £45,145).

24. OTHER FINANCIAL COMMITMENTS

At 30 September 1998 the company had annual commitments under non-cancellable operating leases for plant and machinery as set out below:

	1998	1997
	£	£
Operating leases which expire:		
Within one year	11,318	-