GROUP PLC

1990 ANNUAL REPORT & ACCOUNTS

TT GROUP PLC is an industrial holding company whose subsidiaries are well–established in their own industries and have a reputation for supplying quality products and a high standard of service.

The Directors of TT Group intend to maintain the growth of its existing businesses by capital investment and market leadership and to increase the scope of the Group operations by acquiring manufacturing and distribution companies with a dominant position in their specific markets.

GROUP PLC

DIRECTORS

T. H. REED (Chairman) — Non executive

J. W. NEWMAN — Executive

N. D. SHIPP — Executive

S. W. A. COMONTE — Executive

D. G. ASHTON DAVIES — Executive

M. R. EKE — Executive

M. J. MALLETT — Non executive

GROUP SECRETARY

M. G. LEIGH ACMA

REGISTERED OFFICE

Clive House
12 – 18 Queens Road
Weybridge
Surrey KT13 9XB

BANKERS

MIDLAND BANK plc

NATIONAL WESTMINSTER BANK plc

AUDITORS

GRANT THORNTON
28 Kenwood Park Road
Sheffield S7 1NG

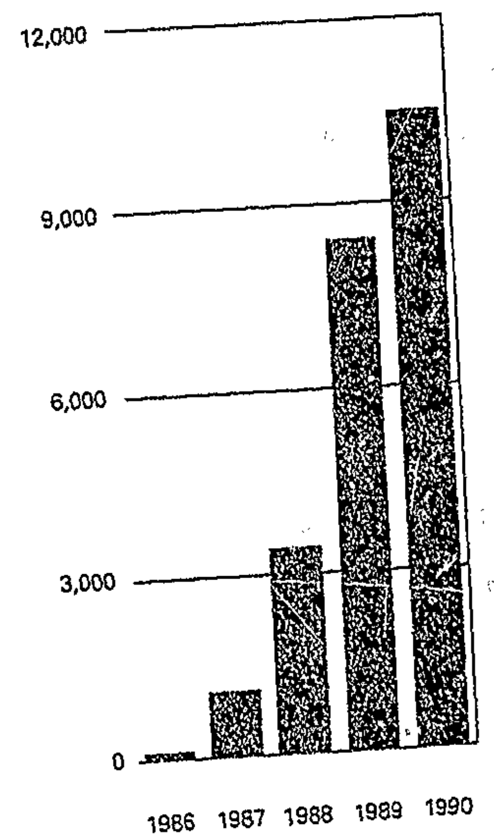
REGISTRARS

ROYAL BANK OF SCOTLAND plc
P.O. Box 435
Owen House
8 Bankhead Crossway North
Edinburgh E11 4BR

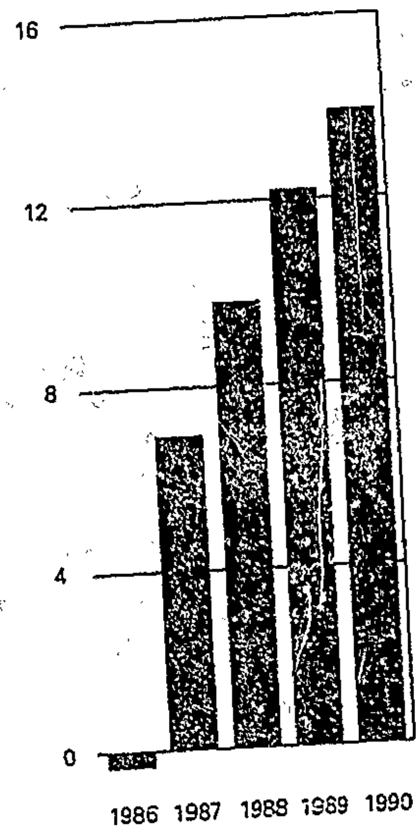
FINANCIAL HIGHLIGHTS

	1990 £'000	1989 £'000
TURNOVER	100,311	60,913
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	10,493	8,422
SHAREHOLDERS' FUNDS	42,711	30,364
EARNINGS PER SHARE	14.0p	12.3p
DIVIDENDS PER SHARE (NET)	5.0p	4.0p

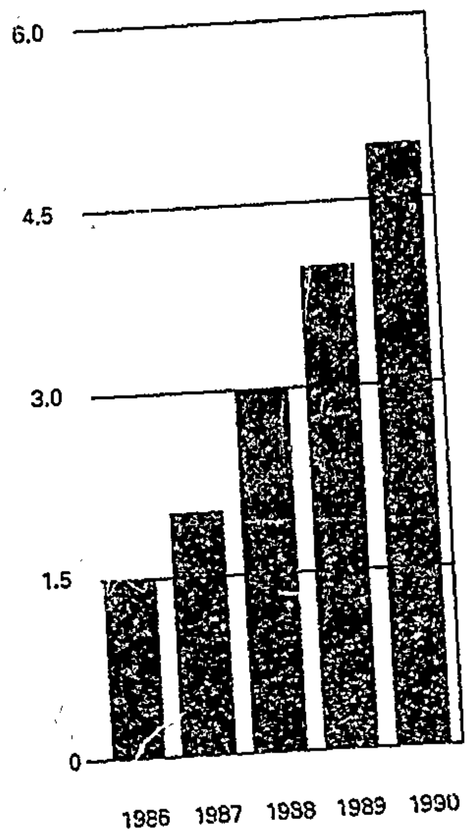
Pre-tax profits £000



Earnings per share p



Dividends per share (net) p



CHAIRMAN'S STATEMENT

Year ended 29 December 1990

RESULTS FOR THE YEAR

In 1990 the Group succeeded in achieving further growth in both pre-tax profit and earnings per share despite the deteriorating economic climate. All divisions made a contribution to the improved performance. Following the acquisition of Crystalate Holdings plc, its activities have been included within the Industrial division for four months.

Pre-tax profits for the twelve months to 29 December 1990 were £10.49 million compared with £8.42 million for 1989 and turnover rose from £60.91 million to £100.31 million. The Group earnings per share increased from 12.3p to 14.0p and a final dividend of 3.0p (net) is proposed making 5.0p (net) for the full year compared with 4.0p (net) for the previous year.

After a prolonged struggle between the TT Group and an American Company, Vishay Intertechnology Inc. for control of Crystalate Holdings plc., TT Group succeeded with its original offer of seven TT Group Ordinary Shares for every ten Crystalate Shares or a cash alternative introduced later of 85½p. This offer finally went unconditional on 30 August 1990.

UNITED PACKAGING PLC showed an increase in sales in 1990 compared with the previous year in its three main product areas — twine, stretchwrap film and machines. During the Gulf crisis the price of polymer was affected by the rising oil prices which resulted in a shortage of supply of certain types of film enabling United Packaging to reduce its stocks. After a longer than anticipated settling-in period for the second blown film line at Bridgewater, levels of output have steadily improved and the speed of the machines increased. The current year has commenced well with sales in all areas exceeding budget.

TWINE AND CORDAGE MANUFACTURING CO. (PRIVATE) LIMITED exceeded its budget for 1990 with a significant increase in sales over the previous year. A new Signode strapping extruder was installed towards the end of the year which is now producing good quality products. 1991 has started well with exceptional performances from sales of tobacco twine and haberdashery. The main issue in Zimbabwe is the high level of inflation currently running in excess of 20 per cent per annum leading to currency devaluation.

TRADING

Packaging Division

BEATSON CLARK plc which has a strong position in the supply of glass containers for the pharmaceutical industry, has succeeded in acquiring new business from other product areas to take up the extra capacity from an additional production line which was brought on stream in 1990. During the year the furnace at Barnsley was relined and the opportunity was taken to improve the cold end facilities at the same time. Despite the worsening economic situation, Beatson Clark has succeeded in improving its profitability in 1990 by a combination of better margins on sales and a further improvement in productivity. The budget for 1991 shows a useful uplift in sales as a result of the increase in production capacity. Pont Packaging, the Dutch sales subsidiary, has experienced a strong demand for glass containers on the Continent in 1990 and is looking forward to further increases in glass sales in 1991.

Industrial Division

DELTIGHT INTERNATIONAL LIMITED continued to maintain its position as a leading UK manufacturer of nuts, screws and washers. Improved margins in most areas support the good results in this highly competitive market and the company's quality and service are being increasingly recognised in the EEC, resulting in improved sales in Europe.

BINTCLIFFE TURNER LIMITED has continued its investment in capital equipment enabling the company to improve its margins and maintain its leading position as a manufacturer of precision machined components for the majority of the UK aerospace and electronic companies. Both sales and margins of the patented series of captive nuts (Flangeform) continued to increase with exports to the EEC and USA representing a high proportion of the product turnover.

WELWYN COMPONENTS LIMITED which is the principal resistor manufacturer of Crystalate in the UK is divided into six main product areas. Considerable action has been taken to reduce overheads by cutting costs and indirect labour which will improve profit margins. Computer systems were introduced in October to determine gross margins by customer and line item in order to identify low margin product and enable remedial action to be taken to achieve better margins. The current year has started well with a better than expected order intake and should benefit from a greater anticipated contribution from the sales offices in France, Germany and Italy.

WELWYN SYSTEMS LIMITED provides total capability for customers requiring high volume assembly from product layout and component procurement through manufacture using printed circuit board insertion equipment. The company is an approved manufacturer of printed circuit assemblies for IBM and is now an established supplier to a number of other customers. A major reorganisation of the business has taken place and the company is well placed for an upturn in the economic cycle.

COLVERN LIMITED traditionally manufactured potentiometers for marine and industrial customers. However, it has developed a rapidly growing application in the automotive industry where its product is used in engine management, gear train and suspension systems. The company exports seventy-five percent of its auto sensor products to EEC countries. A vigorous programme of reorganisation and review of manufacturing costs has been implemented. Even in a declining vehicle market an increasing number of European car manufacturers require these specialised controls so that further growth is anticipated.

STRAINSTALL ENGINEERING SERVICES LIMITED supplies a wide range of products and technical support to varying industries requiring stress and strain control, analysis and consultancy advice. Its customers are widespread and include aerospace, marine, oil rigs, construction and transport with a high proportion of its sales to overseas customers. Since acquisition the company has demonstrated an acceptable performance and has embarked upon an energetic promotional campaign highlighting its unique services to all market sectors.

INTERNATIONAL RESISTIVE COMPANY INC. is the U.S. manufacturing and marketing division of Crystalate. There are manufacturing units at Boone, Corpus Christi and Smithfield in the U.S.A. and also in Mexico and Barbados. The three principal operations in the U.S.A. are performing well and have responded to cost savings and margin improvement. Barbados and Mexico have suffered from problems created by the decision in 1989 to close a factory in Newland, North Carolina, and move the manufacturing operations to those locations, which has necessitated the training of labour. The move was due to be completed in October 1990 but due to production problems has taken longer than envisaged. IRC has a significant research and development capability coupled with an extensive sales and marketing organisation which enhances Crystalate's ability to maintain its position as a major force in the electronics industry.

CRYSTALATE G.C.I.E. S.A., a French subsidiary, specialises in the refurbishment, servicing and testing of electronic equipment. The Company has also been rationalised and certain in-house activities have been transferred to sub-contractors. New costing rates have been established and the elimination of loss making contracts is being progressed.

Building Services Division

BURGESS ARCHITECTURAL PRODUCTS LIMITED continues to maintain a significant position in the U.K. metal ceiling market. The company has been successful in selecting projects that are not significantly affected by recession in the building and construction industry, including supplying a large number of ceilings to the new Tesco stores. Most of British Telecom acoustic hoods are supplied by Burgess and a large proportion of this sector's business is exported worldwide.

JAMES GIBBONS FORMAT LIMITED which specialises in architectural ironmongery, has a predominant share of the top end of the door fittings market. The company has been able to remain virtually immune to the slump in the U.K. building and construction industry by having a well established and extremely healthy export business.

EMPLOYMENT

Throughout what has been a difficult year with world economies generally slowing down, I would like to congratulate all employees of the Group on the significant contribution which they have made in ensuring the continuing success of the TT Group.

INVESTMENTS

It has been TT Group's policy to take strategic investments in public companies which in the Board's view have been underperforming. Previously this has led to the acquisition of Beatson Clark plc and Crystalate Holdings plc. During the course of the acquisition of Crystalate it became apparent that TT Group might not be successful in its bid because of the higher offer made by Vishay Intertechnology Inc.

At this time, TT Group took an investment in CH Industrials PLC, which announced 1990 pre-tax profits of £11.6 million (1989: £15.3 million) and gearing of 66%. It was considered that this could be an attractive acquisition candidate as CH Industrials contained a number of well known trading companies and that under TT Group management the company could be enhanced significantly. Unfortunately in February 1991, CH Industrials' bankers, which consisted of a consortium of sixteen banks, decided that the company should be placed into administration. On 28 February 1991, an Administrative Receiver was appointed and therefore the Directors of TT Group believe it would be prudent to provide in full against the cost of this investment. This is shown as an extraordinary item in the Accounts of the Group.

FUTURE PROSPECTS

The Group has increased in size significantly with the acquisition of Crystalate Holdings plc. This has strengthened the Group and will create opportunities both in the USA and Europe, not only for Crystalate, by providing new outlets for other products manufactured by the Group. Measures which have been taken and are being implemented are already showing signs of success in increasing the profitability of the Crystalate business. In spite of the depressed state of the economy and high interest rates, it is planned to achieve further growth throughout the Group in the current financial year.

On 17 April 1991 the Company announced an offer for Magnetic Materials Group plc. This follows the purchase by TT Group of a 9.4% shareholding on 15 April 1991. The Board believes the Magnetic Materials business is complementary to the existing TT Group business and that TT Group can contribute to its profitable development.

TIMOTHY REED
Chairman

25 April 1991

REPORT OF THE DIRECTORS

The Directors submit their report and the audited accounts for the Group for the year ended 29 December 1990.

1 GROUP ACTIVITIES

During the year TT Group PLC was a holding company providing management services to the Group. The activities of the principal subsidiaries are set out on page 27.

2 ACQUISITIONS

On 30 April 1990 the shareholders in an Extraordinary General Meeting approved the acquisition of Crystalate Holdings plc and on 30 August 1990 the company announced that the offer had become unconditional. Details are set out in note 18.

3 RESULTS AND DIVIDENDS

The results for the year are shown in the Group profit and loss account on page 10.

A final ordinary dividend of 3.0p (net) is recommended by the Directors making a total ordinary dividend for the year of 5.0p (net). After this distribution there is £2,989,000 available to be added to reserves.

4 FUTURE PROSPECTS

The future prospects of the Group are referred to in the Chairman's Statement.

5 DIRECTORS AND THEIR INTERESTS

Directors who held office on 29 December 1990 together with their respective interests in the shares of the company, are:—

	at 25 April 1991		at 29 December 1990		at 31 December 1989	
	Beneficial	Options	Beneficial	Options	Beneficial	Options
T. H. Reed	51,086	—	51,086	—	51,086	—
J. W. Newman	11,598,678	162,000	11,573,678	112,000	11,593,678	—
N. D. Shipp	11,598,678	162,000	11,573,678	112,000	11,593,678	—
S. W. A. Comonte	2,000	186,000	2,000	161,000	2,000	136,000
D. G. Ashton Davies	20,000	125,000	20,000	125,000	—	120,000
M. R. Eke	2,000	170,250	2,000	146,000	2,000	136,000
M. J. Mallett	606,730 (1)	—	606,730 (1)	—	606,730 (1)	—

(1) 600,000 Ordinary Shares are held through Ayre Mallett & Co. Limited.

Mr T. H. Reed has non beneficial interests in 92,680 ordinary 25p shares at 31 December 1989, 29 December 1990 and the date of this report.

REPORT OF THE DIRECTORS Continued

The options referred to above were granted by Mepstar Finance Limited on 15 September 1987 and under the TT Group PLC Executive Share Option Scheme on 26 August 1988, 8 June 1989 and 22 May 1990. Also included are options under the TT Group PLC Executive Share Option Scheme which had been offered and accepted on 19 April 1991. None of the other Directors of the company has been granted any options over ordinary shares of the company under the share option schemes of the Group. On 5 November 1990 Mr. D. G. Ashton Davies exercised the option granted to him by Mepstar Finance Limited on 20,000 TT Group ordinary shares.

Messrs T. H. Reed, M. J. Mallett and M. R. Eke had beneficial interests in the 10.875% convertible cumulative redeemable preference shares 1997 of £1 each, of 8,172; 30,000 and 320 respectively at 29 December 1990 and the date of this report.

No Director had any interest in any contract subsisting during or at the end of the year which was significant.

Under the Articles of Association, Mr. T. H. Reed and Mr. M. R. Eke retire and being eligible, offer themselves for re-election. Neither of these Directors has a service contract with the company.

6 NON EXECUTIVE DIRECTORS

T. H. Reed, 50, was appointed to the Board of the Company in 1973 and was appointed non executive Chairman in 1974. Mr. Reed is a partner in Dibb Lupton Broomhead and Prior, solicitors based in Sheffield.

M. J. Mallett, 59, was appointed to the Board of the Company in 1984. Mr. Mallett is Chairman of Record Holdings plc, Ayre Mallett & Co. Limited and a number of private companies.

7 SHARE CAPITAL

On 10 December 1990 the shareholders in an Extraordinary General Meeting approved the placing and open offer of up to 10,000,000 £1 10.875% convertible cumulative redeemable preference shares 1997 of £1 each.

Details of shares issued during the year are set out in note 16 to these accounts.

On 10 December 1990 shareholders authorised the directors to allot, for cash, equity securities up to an amount not exceeding five per cent of the issued ordinary share capital without first being required to offer such shares to existing ordinary shareholders. This approval expires at the forthcoming Annual General Meeting. Also on 22 May 1990 shareholders authorised the company to make market purchases of its own shares of up to ten per cent of the issued ordinary share capital. Such approval also expires at the forthcoming Annual General Meeting. Resolutions to renew each of these authorities will be proposed as items of special business at the annual general meeting: details are included in the notice of meeting on pages 28 and 29. There is no present intention to exercise the powers which will be made available by the renewal of either of the authorities but the directors consider it desirable to maintain the flexibility afforded by these powers. The company will only make purchases of its own shares if the directors are satisfied that it would be in the best interests of the company to do so and that such purchases would result in an increase in the earnings per share attributable to ordinary shareholders.

8 SUBSTANTIAL SHAREHOLDINGS

In compliance with Section 198 of the Companies Act 1985, the following have notified interests in the ordinary share capital of the company.

	Ordinary Shares as at 22 April 1991	% of the Allotted Ordinary Share Capital
J. W. Newman	11,598,678	18.5
N. D. Shipp	11,598,678	18.5
Newship Industries Limited	6,601,984	10.6
Newship Investments plc	6,601,984	10.6
Sun Life Assurance Society	3,723,970	5.9
Postel Investment Management Limited	3,176,297	5.1
Norwich Union Fund Managers Limited	3,044,007	4.9
University Superannuation Scheme Limited	3,000,000	4.8
Friends Provident Life Office	2,935,000	4.7
Royal London Mutual Insurance Society Limited	2,324,774	3.7

The shares in which Mr. J. W. Newman is interested are as to 7,341,296 such shares, the same shares as those in which Mr. N. D. Shipp is interested, and vice versa. The shares in which Mr. J. W. Newman and Mr. N. D. Shipp are interested include those in which Newship Investments plc and Newship Industries Limited are interested. The shares in which Newship Industries Limited is interested are the same shares as those in which Newship Investments plc is interested.

So far as can be ascertained, no other person or corporation holds or is beneficially interested in any substantial part of the share capital of the Company.

9 SHARE OPTIONS

(a) **Executive Scheme** — this scheme for senior executives was approved at an Extraordinary General Meeting on 30 November 1984. On 22 May 1990 options over 475,000 ordinary shares were granted and on 19 April 1991 options over 519,250 ordinary shares had been offered and accepted. Options (including for this purpose options which have been offered and accepted but not yet granted) over 1,492,250 ordinary shares are outstanding at the date of this report. Such options are:

Exercisable on or after	Options	Price
26.8.91	78,000	118p
8.6.92	438,000	126p
22.5.93	457,000	115p
19.4.94	519,250	131p

(b) **SAYE Scheme** — this scheme for all qualifying employees was approved at an Extraordinary General Meeting on 30 November 1984. No options are outstanding at the date of this report.

(c) **United Packaging PLC Scheme** — outstanding options on United Packaging PLC ordinary shares were exchanged for options on 250,914 ordinary shares in TT Group PLC on acquisition. All of these options are outstanding at the date of this report. The share options are exercisable on or after 17 December 1989 at a price of 127p per share.

(d) **Beatson Clark plc Scheme** — outstanding options on Beatson Clark plc ordinary shares were exchanged for options on 103,040 ordinary shares in TT Group PLC on acquisition, of which 71,040 share options are outstanding at the date of this report. The share options are exercisable on or after 3 July 1989 at a price of 68p per share.

(e) Crystalate Holdings plc Scheme — outstanding options on Crystalate Holdings plc ordinary shares were exchanged for options on 165,821 ordinary shares in TT Group PLC on acquisition. All of these options are outstanding at the date of this report. Such share options are:—

Exercisable on or after	Options	Price
24.1.93	50,321	100.0p
24.1.93	115,500	108.5p

10 EXECUTIVE SHARE OPTION SCHEME AMENDMENTS

Shareholders' approval will be sought by resolution (D) set out on page 29 for the amendment of the Executive Share Option Scheme by increasing the maximum number of shares which may be comprised in options to ten per cent of the company's present allotted ordinary share capital or five per cent of the company's allotted ordinary share capital at the time any option is granted (whichever number shall be the lower).

11 TANGIBLE FIXED ASSETS

Changes in fixed assets are set out in note 9 on page 17. Gross expenditure in the year amounted to £7,837,000, the principal item of which was the rebuild of a glass bottle manufacturing facility.

The land and buildings of Crystalate Holdings plc within the UK were revalued on acquisition in August 1990. In the opinion of the directors the market value of the other land and buildings within the Group is in excess of book value. However in the absence of a current valuation the amount of the excess cannot be accurately quantified.

12 AMENDMENT TO ARTICLES OF ASSOCIATION

Following the bid for Crystalate with its operations in the USA, the Board decided to arrange Directors and Officers Liability Insurance for all directors and officers (and certain employees) of the company and for directors and officers of its then subsidiaries at an annual premium of £5,000. Such insurance covers some fifty persons including the seven directors of the company. The Board has been advised that although it has an implied power to effect such insurance at the company's cost, it would be preferable that an express power should be included in the Articles of Association. There will therefore be proposed at the Annual General Meeting a Special Resolution altering the Articles for this purpose.

13 SUBSCRIPTIONS AND DONATIONS

During the year the Group contributed £27,000 (1989 £23,000) for charitable purposes. There were no political contributions.

14 HEALTH AND SAFETY

It is the Group's policy to take all reasonable steps to ensure the health and safety of its employees at work and where appropriate, the general public who come into contact with the Group or its products.

15 EMPLOYEES

The Board of Directors recognises the importance of the development of employee involvement throughout the Group based on good communication and working relationships. This is achieved through normal contacts with subsidiary companies and in meetings with all levels of employees which assist the employees to become more aware of factors affecting the performance of the Group.

The Group gives equal opportunities to disabled persons whenever possible, both in recruitment and career development.

16 CLOSE COMPANY STATUS

The company is not a close company for the purposes of the Income and Corporation Taxes Act, 1988.

17 POST BALANCE SHEET EVENTS

During 1990 the Group acquired a significant holding of ordinary shares in CH Industrials PLC. On 28 February 1991, it was announced that an Administrative Receiver had been appointed to that company. This event has caused the directors of TT Group PLC to review the carrying value of the investment and in the circumstances they believe that it is prudent to provide against the cost of this investment in full at the year end. The charge in respect of this provision together with associated tax relief has been shown as an extraordinary item in the profit and loss account.

On 17 April 1991, the company announced an offer for Magnetic Materials Group plc.

18 AUDITORS

In accordance with Section 385 of the Companies Act 1985 a resolution proposing the re-appointment of Grant Thornton as auditors to the company will be put to the Annual General Meeting.

By Order of the Board

M. C. LEIGH
Group Secretary

25 April 1991.

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 29 December 1990

	Note	1990 £000	1989 £000
TURNOVER	1	100,311	60,913
Cost of sales		(71,495)	(41,610)
GROSS PROFIT		28,816	19,303
Net operating expenses	2	(16,531)	(10,056)
OPERATING PROFIT		12,285	9,247
Interest	3	(1,792)	(825)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	10,493	8,422
Taxation	6	(3,065)	(2,812)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		7,428	5,610
Minority shareholders' interests		(84)	(44)
Extraordinary item	7	(1,228)	(204)
PROFIT FOR THE YEAR		6,116	5,362
Dividends	8	(3,127)	(1,944)
RETAINED PROFIT FOR THE YEAR	17	2,989	3,418
Earnings per share before extraordinary item (calculated on average numbers of shares in issue during the year of 52,307,003 (1989 — 45,346,222))		14.0p	12.3p

The share options granted to directors and employees and the 10.875% convertible cumulative redeemable preference shares 1997 of £1 each allotted on 10 December 1990 do not give rise to a material dilution of the earnings per share for the year.

BALANCE SHEETS

as at 29 December 1990

Company 1989 £000	Company 1990 £000		Note	Group 1990 £000	Group 1989 £000
		FIXED ASSETS			
126	175	Tangible assets	9	51,956	25,702
31,926	48,500	Investments	10	342	2,808
32,052	48,675			52,298	28,510
		CURRENT ASSETS			
—	—	Stocks	11	28,852	13,086
191	15,095	Debtors	12	33,316	15,324
—	4,850	Cash at bank and in hand		3,312	1,697
191	19,945			65,480	30,109
		Less:			
5,184	20,074	CREDITORS: amounts falling due within one year	13	54,783	22,620
(4,993)	(129)	NET CURRENT ASSETS/(LIABILITIES)		10,697	7,489
27,059	48,546	TOTAL ASSETS LESS CURRENT LIABILITIES		62,995	35,999
—	12,493	CREDITORS: amounts falling due after more than one year	14	16,117	1,909
—	—	MINORITY SHAREHOLDERS INTERESTS		382	454
—	—	PROVISION FOR LIABILITIES AND CHARGES	15	3,785	3,272
		CAPITAL AND RESERVES			
12,140	25,636	Called up share capital	16	25,636	12,140
14,919	10,417	Reserves	17	17,075	18,224
27,059	48,546			62,995	35,999

T. H. REED
M. R. EKE } Directors

ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain tangible fixed assets.

The principal accounting policies of the Group are set out below and have remained unchanged from the previous year.

(a) **Basis of Consolidation**—the Group accounts consolidate the accounts of the company and its subsidiaries of which the principal ones are shown on page 27. The trading results of the subsidiary acquired in the year are included from the effective date of acquisition.

(b) **Turnover**—is the net invoice value of goods and services supplied.

(c) **Depreciation**—no depreciation is provided on freehold land. Depreciation on other fixed assets is provided at rates calculated to write off their cost or valuation over their expected useful lives.

(d) **Stocks**—are valued at the lower of cost and net realisable value.

(e) **Deferred Taxation**—is the taxation attributable to timing differences between results computed for taxation purposes and results as stated in the accounts. Provision for deferred taxation is made where it is probable that a liability will crystallise.

(f) **Purchased Goodwill**—being the amount by which the purchase price exceeds the fair value of assets and liabilities on the acquisition of subsidiary companies, is written off to reserves in the year of acquisition.

(g) **Leases**—payments on operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Assets acquired under finance leases are capitalised and outstanding instalments are shown in creditors.

(h) **Foreign Currencies**—balances are translated at the rates ruling at the balance sheet date. Transactions during the year are translated at rates ruling at the time of the transactions.

Profits and losses of overseas subsidiaries are translated at the average rates applicable to the accounting period. Exchange differences on the restatement of the net investment in overseas subsidiaries and the difference between the profit and loss account translated at the average rate and the closing rate are recorded as movements on reserves.

(i) **Government Grants**—received and receivable are deducted from the relevant expenditure.

(j) **Pension Schemes**

Defined Contribution Schemes

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Defined Benefit Schemes

The pension costs charged against profits are based on an actuarial method and actuarial assumptions designed to provide the anticipated pension costs over the service lives of the employees in the scheme, in a way that seeks to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll in the light of current actuarial assumptions. Variations from regular cost are spread over the remaining service lives of current employees in the scheme.

NOTES TO THE ACCOUNTS

1 *Turnover*

	1990	1989
	£000	£000
Turnover by geographical location was:		
United Kingdom	72,860	50,120
North America	8,475	1,241
Europe	10,837	3,214
Other	8,139	6,338
	100,311	60,913
The analysis of turnover by activity was:		
Industrial	42,568	7,246
Packaging	44,731	44,532
Building services	13,012	9,135
	100,311	60,913

2 Net operating expenses

	£000	£000
Sales and distribution costs	9,029	5,834
Administration expenses	8,217	4,503
	17,246	10,337
Less: Other operating income	(715)	(281)
	16,531	10,056

3 Interest

	£000	£000
Interest payable:		
On borrowings repayable on demand	1,177	699
On borrowings repayable within five years by instalments	109	130
	1,286	829
On borrowings repayable after more than five years by instalments	831	122
	2,117	951
Interest receivable	(325)	(126)
	1,792	825

4 Profit on ordinary activities before taxation

	1990 £000	1989 £000
The profit for the year is stated after charging the following:		
Depreciation of tangible assets—owned	4,452	3,145
—finance leases	147	105
Audit fees	156	89
Hire of plant and equipment—operating lease rentals	193	99
—other	354	214
Directors' emoluments:		
Management remuneration	425	288

The analysis of operating profit by activity was:		
Industrial	2,992	1,389
Packaging	8,498	7,467
Building services	1,869	1,368
Other activities	(1,074)	(977)
	12,285	9,247

5 Employees

The average number of employees including directors by activity of the Group during the year was:

	No.	No.
Industrial	1,233	189
Packaging	1,085	1,051
Building services	210	251
Other activities	18	16
	2,546	1,507

The aggregate emoluments for the year were:	£000	£000
Wages and salaries	27,237	14,743
Employer's social security charges	2,258	1,187
Employer's pension contributions	879	356

NOTES TO THE ACCOUNTS Continued

5 Employees (Continued)

	1990 £000	1989 £000
The directors' emoluments for executive services, excluding pension contributions, contained in the above details were:		
Chairman	10	9
Highest paid director	86	71
	No.	No.
Other directors		
£5,001—£10,000	1	2
£25,001—£30,000	—	1
£35,001—£40,000	—	1
£40,001—£45,000	—	1
£55,001—£60,000	1	—
£65,001—£70,000	1	—
£70,001—£75,000	—	1
£80,001—£85,000	1	—
£85,001—£90,000	1	—

6 Taxation

	£000	£000
UK corporation tax at 35% on the profits for the year	2,798	2,747
Deferred taxation	34	(99)
Overseas taxation	233	164
	3,065	2,812

7 Extraordinary item

	£000	£000
Provision against cost of investment in CH Industrials PLC	1,889	—
Adjustment on the disposal of Beatson Plastics Limited in 1988	—	314
Tax Relief	(661)	(110)
	1,228	204

8 Dividends

	1990		1989	
	p per share	£000	p per share	£000
Preference	—	—	5.25	2
Ordinary—Interim	2.00	1,251	1.50	728
—Final	3.00	1,876	2.50	1,214
		3,127		1,944

9 Fixed assets — Tangible

	Group			
	Land and Buildings		Plant and	
	Freehold	Leasehold	Equipment	Total
	£000	£000	£000	£000
Cost/Revaluation as at 31 December 1989	12,907	—	30,922	43,829
Additions	112	13	7,712	7,837
Relating to companies acquired	7,133	2,639	32,580	42,352
(Disposals)	—	—	(2,182)	(2,182)
Exchange translation differences	(211)	(28)	(538)	(777)
Cost/Revaluation as at 29 December 1990	19,941	2,624	68,494	91,059
Depreciation as at 31 December 1989	2,500	—	15,627	18,127
Charge for the year	361	34	4,204	4,599
Relating to companies acquired	300	199	18,030	18,529
(Disposals)	—	—	(1,937)	(1,937)
Exchange translation differences	(16)	(5)	(194)	(215)
Depreciation as at 29 December 1990	3,145	228	35,730	39,103
Net book amounts:				
At 29 December 1990	16,796	2,396	32,764	51,956
At 30 December 1989	10,407	—	15,295	25,702

The net book amount of £51,956,000 (1989 £25,702,000) includes an amount of £826,000 (1989 £618,000) in respect of plant and equipment held under finance leases.

The analysis of cost and valuation included in the above is as follows:

	£000	£000	£000	£000
Valuation	11,729	1,474	7,985	21,188
Cost	8,212	1,150	60,509	69,871
Cost/Revaluation	19,941	2,624	68,494	91,059

Leasehold land and buildings comprise long leasehold (over 50 years) £1,471,000 (1989 £Nil) and short leasehold £967,000 (1989 £Nil).

The fixed assets of the company (comprising plant and equipment) at a cost of £245,000 (1989 £171,000) and accumulated depreciation of £70,000 (1989 £45,000) are included above. During the year, additions at cost were £133,000 and disposals totalled £59,000.

Depreciation is provided, other than on freehold land, at the following annual rates on a straight line basis:

Freehold buildings	2%
Leasehold land and buildings (or over the period of the lease, if less than 50 years)	2%
Plant and equipment	4% — 50%

NOTES TO THE ACCOUNTS Continued

10 Fixed assets — Investments

	Group 1990 £000	Group 1989 £000	Company 1990 £000	Company 1989 £000
UK listed investments	2,217	2,808	—	—
Other investments	14	—	—	—
Shares in subsidiary undertakings			48,500	31,926
	2,231	2,808	48,500	31,926
Less provision	(1,889)	—		
	342	2,808		

The value of the investments is not materially different from the value stated in the accounts.

The Group's principal operating companies are shown on page 27.

11 Stocks

	Group 1990 £000	Group 1989 £000
Raw materials, consumables and loose tools	9,781	3,366
Work in progress	6,902	1,269
Finished goods and goods for resale	12,169	8,453
	28,852	13,088

12 Debtors

	Group 1990 £000	Group 1989 £000	Company 1990 £000	Company 1989 £000
Trade debtors	31,194	14,215	9	32
Other debtors	362	420	91	33
Prepayments and accrued income	1,703	661	59	75
Deferred finance charges	57	28	—	—
Amounts owed by subsidiary undertakings			13,931	24
Advance corporation tax	—	—	1,005	27
	33,316	15,324	15,095	191

13 Creditors: amounts falling due within one year

	Group 1990 £000	Group 1989 £000	Company 1990 £000	Company 1989 £000
Bank loans and overdrafts	4,634	1,949	—	15
Obligations under finance leases	255	188	—	—
Trade creditors	21,046	8,582	—	—
Amounts owed to subsidiary undertakings			5,367	895
Corporation tax	4,478	2,936	—	—
Taxation and social security	2,999	1,630	108	17
Other creditors	9,606	4,034	7,781	2,236
Accruals	9,889	2,087	4,942	807
Dividends	1,876	1,214	1,876	1,214
	54,783	22,620	20,074	5,184

Bank loans are secured by a fixed charge on the land and buildings pertaining to the facility. Certain bank overdrafts are subject to cross guarantees within the Group.

Included in other creditors is the Crystalate Convertible Unsecured Loan Stock of £5,581,000 which was acquired after the year end.

14 Creditors: amounts falling due after more than one year

	Group 1990 £000	Group 1989 £000
Bank loans	13,551	1,270
Obligations under finance leases	301	254
Corporation tax	54	179
Other creditors	2,211	206
	16,117	1,909
Repayable between 1 and 2 years		
— Bank loans	193	193
— Obligations under finance leases	281	128
— Corporation tax	54	179
— Other creditors	899	18
Repayable between 2 and 5 years		
— Bank loans	450	673
— Obligations under finance leases	20	126
— Other creditors	1,138	62
Repayable after 5 years		
— Bank loans	12,908	404
— Other creditors	174	126

Included in creditors of the company falling due after more than one year is a bank loan repayable after five years.

14 Creditors: amounts falling due after more than one year (Continued)

The principal bank loan is secured by a cross guarantee by certain companies within the Group, and is repayable in instalments commencing in January 2001. Other bank loans are secured by a fixed charge on the land and buildings pertaining to the facility, and are repayable by instalments. The rate of interest applicable on bank loans is between 1 per cent and 2¾ per cent over bank base rate.

A mortgage loan is secured by a fixed charge on the related land and buildings and is repayable by instalments. The rate of interest is 12⅛ per cent.

There are other unsecured loans which are repayable by instalments. For UK loans interest rates are between 6½ per cent and 8¾ per cent (net). For US loans interest at prime rate applies.

15 Provision for liabilities and charges

	Group £'000
Deferred taxation at 35%	
At 31 December 1989	3,272
Movements during the year were:	
Charges to profit and loss account	34
Relating to companies acquired	479
At 29 December 1990	3,785

Represented by:	Amount Provided 1990 £000	Amount Provided 1989 £000	Amount Unprovided 1990 £000	Amount Unprovided 1989 £000
Accelerated capital allowances	3,785	3,342	1,748	1,645
Unrelieved losses	—	(70)	—	—
	3,785	3,272	1,748	1,645

There are unrelieved tax losses of approximately £5,611,000 (1989 £762,000) not utilised against the *deferred* tax provision noted above and available for relief against future profits in certain subsidiaries.

The amount unprovided represents a contingent liability at the balance sheet date. In particular no provision for deferred taxation has been made in relation to the surplus on the revaluation of freehold and long leasehold land and buildings because, since the Group has no intention to dispose of these in the foreseeable future, this is not considered a timing difference.

16 Share capital

	Group and Company 1990 Authorised £000	1990 Allotted called up and fully paid £000	1989 Authorised £000	1989 Allotted called up and fully paid £000
Ordinary shares of 25p	24,750	15,636	16,250	12,140
10.875% Convertible cumulative redeemable preference shares 1997 of £1	10,000	10,000	—	—
	34,750	25,636	16,250	12,140

16 Share capital (Continued)

(a) During the year the authorised share capital of the company was increased to £34,750,000 by the creation of 34,000,000 additional ordinary shares of 25p each and 10,000,000 new 10.875% convertible cumulative redeemable preference shares 1997 of £1 each.

(b) Between 19 October and 29 December 1990, 13,981,031 ordinary shares of 25p each in the company were allotted, at a premium of 95p, in connection with the acquisition of Crystalate Holdings plc.

(c) On 10 December 1990, 10,000,000 10.875% convertible cumulative redeemable preference shares of £1 each were allotted, at par, following the approval of the placing and proposed offer at an extraordinary general meeting held on that date.

17 Reserves

	Total	Share Premium	Retained Profit	Merger Reserve	Capital Redemption Reserve
(a) Group	£000	£000	£000	£000	£000
At 31 December 1989	18,224	14	6,428	11,735	47
Retained profit for year	2,989	—	2,989	—	—
Exchange losses	(724)	—	(724)	—	—
Arising on the acquisition of Crystalate Holdings plc	(3,414)	—	—	(3,414)	—
At 29 December 1990	17,075	14	8,693	8,321	47

Group retained profit includes £1,000,000 in respect of Crystalate Holdings plc.

	Total	Share Premium	Retained Profit	Merger Reserve	Capital Redemption Reserve
(b) Company	£000	£000	£000	£000	£000
At 31 December 1989	14,919	14	3,123	11,735	47
Retained loss for year	(1,088)	—	(1,088)	—	—
Arising on the acquisition of Crystalate Holdings plc	(3,414)	—	—	(3,414)	—
At 29 December 1990	10,417	14	2,035	8,321	47

In accordance with the exemption allowed by Section 230 of the Companies Act 1985, the company has not presented its own profit and loss account. Of the profit available for appropriation, the sum of £2,039,000 (1989 £4,580,000) has been dealt with in the accounts of the company.

In accordance with the relief permitted under Section 131 of the Companies Act 1985, the premium arising on the issue of shares in respect of the acquisition of Crystalate Holdings plc has been credited to merger reserve.

NOTES TO THE ACCOUNTS *Continued*

18 Acquisitions

Crystalate Holdings plc is accounted for as a wholly owned subsidiary in accordance with the principles of acquisition accounting from 31 August 1990.

Adjustments have been made to reflect the fair value of assets acquired as follows:—

	Net tangible assets acquired £000	Fair value adjustments £000	Fair value of assets acquired £000
Fixed assets	20,934	2,931	23,865
Current assets	42,199	—	42,199
Creditors and provisions	(44,214)	—	(44,214)
	18,919	2,931	21,850
Goodwill			16,696
			38,546
Consideration represented by:			
Shares			16,777
Cash			21,769

19 Guarantees and financial commitments

A subsidiary company has guaranteed the overdraft of a fellow subsidiary. The amount outstanding is approximately £288,000 (1989 £3,000).

There is a cross guarantee between certain companies in the Group on bank overdrafts with the Midland Bank plc. At 29 December 1990 the amount thus guaranteed by the company was £840,568 (1989 £Nil).

20 Contingent liability

Apart from deferred taxation shown in Note 15 the company and Group have no other contingent liabilities.

21 Capital expenditure

	Group 1990 £000	Group 1989 £000
Commitments were:		
Contracted for	751	315
Authorised but not contracted for	924	403

22 Leasing commitments

At 29 December 1990 there were commitments due within one year in respect of operating leases as follows:

(a) Group	Land and buildings £000	Other £000	Total £000
Operating lease payments—due to terminate:			
within one year	—	121	121
between 2 and 5 years	234	376	610
after five years	492	14	506
	726	511	1,237

(b) Company	£000	£000	£000
Operating lease payments—due to terminate:			
within one year	—	16	16
between 2 and 5 years	120	30	150
	120	46	166

23 Pension schemes

(a) Defined Benefit Schemes

The Group operates eight pension schemes to provide benefits to members based on their final remuneration. These schemes are broadly associated with each principal subsidiary of the Group. The schemes are set up under Trust and their assets are therefore independent from those of the Group.

Pension costs are assessed in accordance with the advice of qualified actuaries using recognised actuarial methods. Actuarial valuation of the various schemes took place between September 1987 and December 1989.

The principal assumptions used by the actuaries to the schemes were that the investment returns would be between 1% and 2% higher than the growth in annual salaries and that pensions in the course of payment could increase by up to 5% per annum.

The total UK contributions paid by the Group in respect of the year ended 29 December 1990 were £879,000 (1989 £356,000). The combined market valuations at actuarial date of the schemes operated by the Group was £41 million representing between 70% and 150% of the benefits accrued to the members of the various schemes.

(b) Defined Contribution Schemes

The Group operates two defined contribution schemes for the benefit of members. The assets of the schemes are administered by trustees in funds independent from those of the Group.

24 Approval of accounts

The Accounts were approved by the Directors on 25 April 1991.

STATEMENT OF GROUP SOURCE AND APPLICATION OF FUNDS

for the year ended 29 December 1990

	1990		1989	
Source of funds	£000	£000	£000	£000
Profit on ordinary activities before taxation and extraordinary item		10,493		8,422
Extraordinary item	(1,228)		(204)	
Minority interests	(84)		(44)	
Exchange rate adjustments	(724)		(13)	
		(2,036)		(261)
		8,457		8,161
Adjustments not involving the movement of funds				
Depreciation	4,599		3,250	
Profit on sale of assets	(36)		(116)	
Minority interest	(68)		10	
Exchange rate adjustments	562		(56)	
Extraordinary item	1,228		—	
		6,285		3,088
Funds from other sources				
Net proceeds of share issues - acquisition	16,777		10,516	
other	10,000		—	
share option	—		21	
Net proceeds from investment transactions	3,254		148	
Sale of tangible fixed assets	267		2,474	
Book value of sale of businesses	—		64	
Loans	12,493		—	
Tax recovered	53		—	
		42,844		13,223
Application of funds				
Purchase of business (see note 18)	38,546		12,994	
Purchase of fixed assets	7,837		3,575	
Dividends paid	2,469		1,530	
Tax paid	1,623		1,461	
Redemption of share capital	—		51	
Purchase of investments	2,623		2,846	
		(53,098)		(22,457)
		4,488		2,015
Movements in working capital				
Stocks		(1,334)		(479)
Debtors		(7,108)		711
Creditors		448		(1,943)
Overdraft and cash balances		12,482		3,726
		4,488		2,015

AUDITORS' REPORT

Report of the auditors to the members of TT GROUP PLC

We have audited the accounts set out on pages 10 to 24 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and the Group at 29 December 1990 and of the profit and source and application of funds of the Group for the year ended on that date and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

GRANT THORNTON

Sheffield

25 April 1991

FIVE YEAR RECORD

	29 Dec 1990	30 Dec 1989	31 Dec 1988	26 Dec 1987	27 Dec 1986
	£000	£000	£000	£000	£000
Turnover	100,311	60,913	28,047	16,746	10,916
Profit before tax and exceptional item	10,493	8,422	3,583	1,153	73
Exceptional item	—	—	—	(54)	(44)
Taxation	(3,065)	(2,812)	(1,019)	(140)	(56)
Profit/(Loss) after taxation	7,428	5,610	2,564	959	(27)
Minority shareholders' interests	(84)	(44)	(48)	—	—
Extraordinary item	(1,228)	(204)	246	(135)	(289)
Dividends	(3,127)	(1,944)	(992)	(328)	(141)
Retained profit/(loss)	2,989	3,418	1,770	495	(457)
Earnings per ordinary share — pence	14.0	12.3	10.0	7.0	(0.3)
Ordinary dividend (net) — pence	5.0	4.0	3.0	2.0	1.5
Shareholders' Funds — £000	42,711	30,364	27,269	7,560	2,817

Note:

Comparative figures are re-stated to achieve consistency with the Group accounting treatment adopted for acquisitions and the capitalisation issue of one for one ordinary shares of 25p each in May 1989.

PRINCIPAL SUBSIDIARY COMPANIES

Building Services Division

BURGESS ARCHITECTURAL PRODUCTS LIMITED	Manufacturer of suspended metal ceiling tiles and acoustic telephone enclosures.
JAMES GIBBONS FORMAT LIMITED	Manufacturer of architectural ironmongery.

Industrial Division

BINTCLIFFE TURNER LIMITED	Manufacturer of aerospace fasteners and components.
COLVERN LIMITED	Design and manufacture of precision potentiometers and autosensors.
CRYSTALATE G.C.I.E. SA France	Refurbishment, servicing and testing of electronic equipment.
DELTIGHT INTERNATIONAL LIMITED	Manufacturer of industrial and commercial fasteners and washers.
INTERNATIONAL RESISTIVE COMPANY INC. USA	Resistive component manufacturer.
STRAINSTALL ENGINEERING SERVICES LIMITED	Stress analysis service for load measurement and monitoring.
WELWYN COMPONENTS LIMITED	Resistive component manufacturer.
WELWYN SYSTEMS LIMITED	Manufacturer of printed circuit board assemblies.

Packaging Division

BEATSON CLARK plc	Manufacturer of glass containers.
PONT PACKAGING BV Netherlands	Distributor of glass and plastic containers and closures.
TWINE & CORDAGE MANUFACTURING CO. (PRIVATE) LIMITED Zimbabwe	Manufacturer of twines, threads and plastic strappings.
UNITED PACKAGING PLC	Manufacturer and distributor of stretch wrap packaging machines and film, and twines.

Note:
The company holds directly or indirectly 75.1% of Twine & Cordage Manufacturing Co. (Private) Limited and 100% of all other subsidiaries. Except where shown, all companies are incorporated in England.