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HILL & SMITH LIMITED

DIRECTORS REPORT AND ACCOUNTS 30th SEPTEMBER 1977

Contents

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 17th Annual General Meeting of HILL & SMITH LIMITED will be held at Chamber of Commerce House, 75 Harborne Road, Edgbaston, Birmingham B15 3DH on Tuesday, 21st March, 1978 at 12 noon for the following purposes:

1. To receive the Statement of Accounts for the year ended 30th September 1977 together with the Reports of the Directors and Auditors thereon.
   (Resolution No. 1)

2. To approve the payment of the Proposed Final Dividend of 1·44p per share.
   (Resolution No. 2)

3. To re-elect Mr. J. R. Skidmore as Director.
   (Resolution No. 3)

4. To authorise the Directors to fix the Auditors' Remuneration.
   (Resolution No. 4)

5. To re-appoint Messrs. John W. Hinks & Co. as Auditors.
   (Resolution No. 5)

6. To transact any other business of an Annual General Meeting.

By Order of the Board,
B. N. BUCKNALL,
Secretary.

P.O. Box 4,
Canal Street,
Brierley Hill,
West Midlands,
DY5 1JL.
24th February 1978

NOTE:

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. The instrument appointing a proxy shall be received at the Registered Office not less than 48 hours before the time fixed for the meeting.

A form of proxy is enclosed.

The following documents will be available at the Registered Office on any weekday (except Saturday) during normal business hours and for a period of fifteen minutes prior to the Annual General Meeting and during the Meeting:

(a) A Statement of all transactions of each Director and of their family interests in the share capital of the Company;

(b) Copies of Contracts of Service of the Directors of the Company.

Directors and Officers

Directors

T. HAMPSON SILK, B.Sc. (ENG.) LOND., C. ENG., M.I.E.E. *(Chairman)*
D. HODGETTS *(Managing)*
J. R. SKIDMORE
B. N. BUCKNALL, F.C.A.

Secretary

B. N. BUCKNALL, F.C.A.

Registered Office

P.O. Box 4, Canal Street, Brierley Hill,
West Midlands, DY5 1JL.

Re[illegible]d Transfer Office

NATIONAL WESTMINSTER BANK LIMITED,
P.O. Box 82, National Westmi[illegible], 37 Broad Street,
Bristol BS99 7NH.

Auditors

JOHN W. HINKS & CO., *Chartered Accountants,*
Church House, 5–14 South Road, Smethwick, Warley,
West Midlands, B67 7BH.

Bankers

MIDLAND BANK LIMITED,
Market Place, P.O. Box 6, Willenhall,
West Midlands, WV13 2AF.

Solicitors

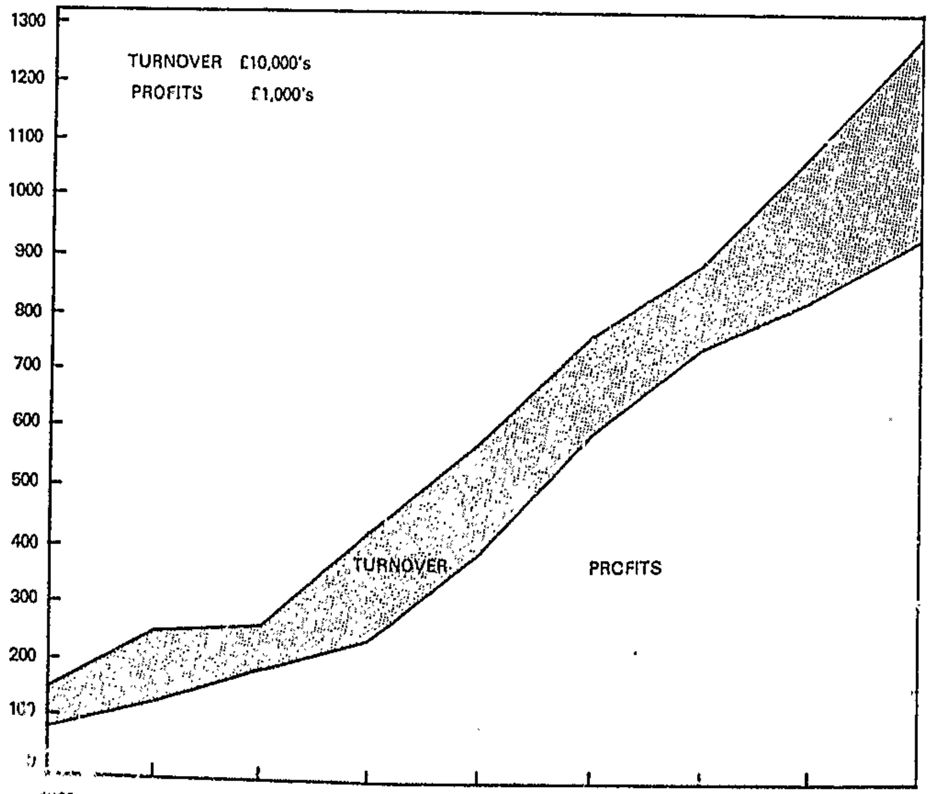
JOHN SILK & CO.,
Barclays Bank Chambers, Church Square, Oldbury, Warley,
West Midlands, B69 4EZ.

Results in Brief

	1977 £	1976 £
TURNOVER	12,732,066	10,901,537
PROFIT BEFORE TAXATION	926,666	832,285
PROFIT AFTER TAXATION	931,806	* 834,440
EARNINGS PER SHARE	18·94p	* 16·96p
DIVIDENDS	2·19p	* 1·9606p

*These figures have been adjusted for the Capitalisation issue in the year ended 30th September 1977 and the change in accounting policy in respect of the treatment of Deferred Taxation.

Nine Years Progress



	1969	1970	1971	1972	1973	1974	1975	1976	1977
£'s Turnover	1,549,099	2,565,118	2,695,047	4,371,924	5,910,189	7,709,254	8,946,803	10,901,537	12,732,066
£'s Pre-tax profit	79,929	128,947	190,978	244,283	399,021	601,394	762,966	832,285	926,666

Chairman's Statement

I am very pleased to be able to report for the ninth successive year the satisfactory progress of your Company with profits at £926,666 compared with £832,285 last year.

The results of the year's trading are particularly pleasing in view of the very low demands for safety barrier and fencing and their associated contracting activity. The performance of the Fabrication Division was nevertheless satisfactory overall largely due to a good performance by W. H. Barker & Son Engineers Limited but the Contracting Division were unable to make any profit contribution. The Forging Division recovered very well from the low levels of the previous year due to an excellent performance by Criterion Stampings Limited and the Stockholding Division also produced very good results in difficult conditions.

During the year Tipton Steel Stockholders (Stoke) Limited moved to new freehold premises at Biddulph, Stoke-on-Trent and this Company is making increasing contributions to the Stockholding Division. Extensions and rebuilding at the W. H. Barker premises were nearing completion at the end of the year.

The current year has started well overall and subject to there being no serious deterioration in demand I am again confident that our progress can be maintained.

I have referred in previous statements to claims made against us of Patent and Copyright infringement in respect of galvanized steel lintels. Judgment was given on 15th February 1978 and your Company was found not to have infringed any copyright but was found to infringe Patent on some lintels manufactured in 1975 and 1976. Consideration is being given to an appeal against the finding of Patent infringement but in any event there will be no material liability arising from this judgment.

In the last 18 months your Company has been engaged in the manufacture of other lintels, which now have Agrément Board approval and National House Building Council acceptance and your Directors intend to increase sales and production of these products. I look forward with confidence to reporting our further progress in this field over the next few years.

Your Directors propose a final dividend of 1·44p per share payable on 23rd March 1978 which, with the 0·75p per share already paid as an interim dividend, makes a total of 2·19p per share for the year which is the maximum permitted under present legislation. Your Directors also recommend, subject to Shareholders' approval, a further Scrip Issue of one Ordinary Share for every ten Ordinary Shares held.

In connection with the proposed Scrip Issue you will find enclosed with this Report a Notice convening an Extraordinary General Meeting of the Company to be held on Tuesday, 21st March 1978 immediately following the Annual General Meeting, together with a Proxy card (coloured blue) for use at such Meeting. The purpose of the Meeting will be to consider and, if thought fit, to pass the Ordinary Resolution set out in the Notice which provides for the capitalisation of the sum of £123,013·25 from Reserves and the application of the same in payment up in full at par of 492,053 new Ordinary Shares of 25p each in the capital of the Company to Shareholders on the Register of Members at the close of business on the 24th February 1978 in the proportion of one such new Ordinary Share for every ten Ordinary Shares then held.

Chairman's Statement—continued

Fractions of new Ordinary Shares arising from this Capitalisation Issue will not be allotted and, as the fractional entitlements of Shareholders will in no case amount to the value of one Ordinary Share, all such fractions will be aggregated and allotted to a Nominee to be appointed by your Directors and sold for the benefit of the Company.

The new Ordinary Shares will not, of course, rank for the final dividend in respect of the year ended 30th September 1977 but as regards future dividends and in all other respects they will rank *pari passu* with the existing issued Ordinary Shares.

Application is being made to the Council of The Stock Exchange for a listing for the new Ordinary Shares and, subject to such listing being granted and the above-mentioned Ordinary Resolution being passed, Renounceable Share Certificates for these new Ordinary Shares will be posted to the Shareholders by first class post on the 21st March 1978 with a view to dealings commencing on the 22nd March 1978.

Finally, I sincerely thank the Management and all Employees for their continuing loyalty, skill and support which makes this report possible.

T. HAMPSON SILK,
Chairman.

24th February 1978

Report of the Directors

The Directors have pleasure in presenting to the Members their Report and Statement of Accounts for the year ended 30th September 1977.

TRADING RESULTS

The Group Profit for the year before Taxation amounted to £926,666 compared with £832,285 for the previous year.

PRINCIPAL ACTIVITIES

The principal activities of the member companies of the Group are:

Steel Stockholding of steel plates, sheets, bars and sections including structural beams and channels.

Fabrication of steel railings and gates, road safety barriers, fabrications for Mining, Pressure Vessel, Heat Exchanger, Petro-Chemical and General Engineering Industries.

Forging of drop forgings in all steels, brass and aluminium. Manufacture of dies and tools, edge tools, picks, hoes and hammers.

Contracting for fencing and road safety barriers, supply and erection of all types and Plant Hire.

There were no changes in the principal activities during the year.

FIXED ASSETS

A summary of the movements and significant changes in the Fixed Assets of the Company are shown in the Table in Note No. 13 in the Notes to the Accounts. In the opinion of the Directors the Market Value of interests in Freehold and Leasehold Property held as Fixed Assets at the end of the Financial Year is not less than Book Value.

INFLATION ACCOUNTING

In the absence of an agreed method of inflation accounting the Directors do not think it appropriate at this stage to include inflation adjusted figures.

COMPANY'S AFFAIRS

In the opinion of the Directors, the state of the Company's affairs is satisfactory.

DIVIDENDS

The Directors recommend that a Final Dividend of 1·44p per share be paid, making the total distribution for the year 2·19p per share, the maximum permitted under present statutory regulations.

The Directors also recommend that, after making transfers to reserves as shown in Note No. 9 in the Notes to the Accounts the retained profits be carried forward.

Report of the Directors—continued

SHARE CAPITAL

During the year the Issued Share Capital has been increased by £111,830·25 being the Capitalisation issue from Revenue Reserves of one Ordinary Share for every ten Ordinary Shares held on 25th February 1977 as authorised at the Extraordinary General Meeting held on 25th March 1977.

EXPORTS

Goods to the value of £426,734 (1976 – £280,652) were exported by the Group during the financial year.

EMPLOYEES

The average weekly number of employees in the Group, including Directors, was 540 and their total remuneration amounted to £1,811,501.

DIRECTORS

The Directors who served during the year were:

T. HAMPSON SILK
D. HODGETTS
L. G. JAMES (Deceased 28.8.1977)
J. R. SKIDMORE
B. N. BUCKNALL

The death of Mr. L. G. James on 28th August 1977, is recorded with regret.

Mr. J. R. Skidmore retires by rotation and, being eligible, offers himself for re-election.

The interests of the Directors and their families in the Company during the year were as follows:

	Ordinary Shares of 25p each	
	Beneficial	*Non-Beneficial*
T. Hampson Silk		
At 30th September 1976	968,340	—
At 30th September 1977	1,065,172	—
D. Hodgetts		
At 30th September 1976	72,112	174,618
At 30th September 1977	79,327	192,079
L. G. James		
At 30th September 1976	367,508	—
At 30th September 1977	—	—
J. R. Skidmore		
At 30th September 1976	23,010	—
At 30th September 1977	27,510	—
B. N. Bucknall		
At 30th September 1976	15,036	—
At 30th September 1977	16,539	—

The 192,079 Ordinary Shares held in Trust in the name of Mr. D. Hodgetts are also reflected in the beneficial holding of Mr. T. Hampson Silk.

Report of the Directors—continued

DIRECTORS (continued)

There are no schemes to benefit Directors to enable them to buy shares in the Company.

The only movement in Directors' shareholdings between the end of the year and 2nd February 1978 was the purchase of 10,000 shares by Mr. T. Hampson Silk.

None of the Directors had a material interest in any contract to which the Company or a Subsidiary was a party during the financial year.

SUBSTANTIAL SHAREHOLDINGS

No person, other than the Directors had, at the 2nd February 1978, so far as they were aware, an interest in the Ordinary Share Capital of the Company in excess of 10%.

DONATIONS

There was a Charitable Donation made in the year of £100 but no Political Donations.

CLOSE COMPANY PROVISIONS

As far as the Directors are aware, the close company provisions of the Income and Corporation Taxes Act 1970, as subsequently amended, do not apply to the Company and there has been no change in this respect since the end of the financial year.

AUDITORS

The Auditors, Messrs. John W. Hinks & Co., have intimated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board,
B. N. BUCKNALL,
Secretary.

2nd February 1978

Report of the Auditors

to the Members of Hill & Smith Limited

In our opinion the Accounts set out on pages 11 to 20 which have been prepared under the historical cost convention, excepting certain property revaluations, give, under that convention, a true and fair view of the state of affairs of the Company and the Group at 30th September 1977, and of the profit and source and application of funds of the Group for the year ended on that date, and comply with the Companies Acts 1948 and 1967.

JOHN W. HINKS & CO.
Chartered Accountants

John W. Hinks & Co.

Church House,
5–14 South Road
Smethwick,
Warley,
West Midlands,
B67 7BH

2nd February 1978

Consolidated Profit and Loss Account

For the year ended 30th September 1977

	Notes	£	£	1976 £	£
Group Turnover	1 (ii)				
Divisible: Outside		12,732,066		10,901,537	
Inter-Company		1,546,363	14,278,429	1,746,399	12,647,936
Group Trading Profit			1,771,040		1,540,678
Subject to :					
Rent Received			4,500		4,500
Income from Investments			808		636
			1,776,348		1,545,814
Directors' Emoluments	2	76,758		64,176	
Auditors' Remuneration		10,935		8,523	
Interest Paid	3	300,321		256,899	
Depreciation	1 (iii)	123,149		117,121	
Hire of Plant		338,519	849,682	266,810	713,529
Group Profit before Taxation			926,666		832,285
Taxation	4		5,140		2,155
Group Profit after Taxation			931,806		834,440
Earnings per Share	5	18·94p		16·96p	
Dividends Paid and Proposed	6		84,432		72,667
			847,374		761,773
Extraordinary Items	7		1,615		2,774
Retained Profit for the Year			845,759		758,999
In Parent Company			572,440		477,686
In Subsidiary Companies			273,319		281,313

The Notes on pages 14 to 19 form part of these Accounts and should be read in conjunction therewith.

Consolidated Balance Sheet

As at 30th September 1977

	Notes	£	£	£ 1976	£
Capital Employed					
Issued Share Capital	8		1,230,133		1,118,303
Reserves and Surplus	9 (a)		2,690,363		1,979,497
Medium Term Loans	12		1,250,000		—
			5,170,496		3,097,800
Represented by:					
Fixed Assets	13		1,761,812		1,362,236
Investments	14		10,076		8,074
Goodwill arising on Consolidation	1 (vi)		64,014		63,692
Current Assets:					
Stocks and Work in Progress	1 (iv) & 15	3,918,535		2,712,650	
Debtors and Prepayments		4,253,329		3,445,278	
Bank and Cash		3,545		1,993	
		8,175,409		6,159,921	
Less Current Liabilities:					
Bank Overdrafts (Secured)		1,066,115		1,459,231	
Creditors and Accrued Charges		3,387,500		2,668,407	
Hire Purchase Creditors		220,784		172,501	
Current Taxation		110,899		148,587	
Proposed Final Dividend		55,517		47,397	
		4,840,815	3,334,594	4,496,123	1,663,798
			5,170,496		3,097,800

T. HAMPSON SILK
D. HODGETTS
} *Directors*

The Notes on pages 14 to 19 form part of these Accounts and should be read in conjunction therewith.

Balance Sheet

As at 30th September 1977

	Notes	£	£	1976 £	1976 £
Capital Employed					
Issued Share Capital	8		1,230,133		1,118,303
Reserves and Surplus	9 (b)		1,343,527		899,861
Medium Term Loan	12		500,000		—
			3,073,660		2,018,164
Represented by:					
Fixed Assets	13		802,086		719,590
Interests in Subsidiaries	16		599,876		599,876
Quoted Investments	14		8,074		8,074
			1,410,036		1,327,540
Current Assets					
Stocks and Work in Progress	1 (iv) & 15	1,276,634		719,188	
Debtors and Prepayments		413,122		319,825	
Subsidiary Companies		1,267,476		1,014,935	
Dividends Receivable		269,025		228,408	
Cash in Hand		212		205	
		3,226,469		2,282,561	
Less Current Liabilities					
Bank Overdraft (Secured)		438,107		607,698	
Creditors and Accrued Charges		847,636		752,587	
Hire Purchase Creditors		110,686		68,244	
Current Taxation		110,899		116,011	
Proposed Final Dividend		55,517		47,397	
		1,562,845		1,591,937	
			1,663,624		690,624
			3,073,660		2,018,164

T. HAMPSON SILK
D. HODGETTS
} Directors

The Notes on pages 14 to 19 form part of these Accounts and should be read in conjunction therewith.

Notes to the Accounts

1 Accounting Policies

The accounting policies set out below have been applied by the Company in preparation of the Accounts for the year ended 30th September 1977 and in the Consolidated Accounts of the Group and are consistent with previous years, apart from the change in basis of calculation of Work in Progress in certain companies in order to comply with current accounting practice.

(i) Presentation of Accounts

(a) The Consolidated Accounts include the Accounts of all the Subsidiaries of the Group, each of which are made up to 30th September and are prepared under the Historical Cost Convention subject to certain properties included at valuation.

(b) The whole of the Assets, Liabilities and transactions of the Group for the year are reflected in the Accounts.

(ii) Turnover

Turnover is based on the amounts receivable for Goods and Services provided during the year in the ordinary course of business of the Group.

(iii) Depreciation

Depreciation provided by the Company is calculated on cost, in order to write off the book values over the normal expected life of the Assets concerned and the principal annual rates used are:

(a) Motor Vehicles – 25% p.a. straight line basis.

(b) Plant, Machinery and Equipment – 10% p.a. reducing balance basis.

(c) Office Machinery, Fixtures & Fittings – 10% p.a. reducing balance basis.

(d) Short Leases – annually over the period of the Lease.

(e) Leasehold Properties – amortized over the remaining term of the Leases.

Freehold Property is not depreciated.
The subsidiaries provide for depreciation at rates which are not materially different from the above.

(iv) Stocks and Work in Progress

Stocks are valued at the lower of Historical Cost or Net Realisable Value.
Work in Progress is valued at the lower of Historical Cost (including overheads as appropriate) and Net Realisable Value. The basis of valuation has been altered to conform with current accounting practice.

(v) Deferred Taxation

Provision is made using the liability method calculated at the year end taxation rate for:

(a) The excess of the Net Book Value of Fixed Assets (excluding properties) based on the historical cost thereof, qualifying for taxation allowances, over the corresponding written down values for taxation purposes.

(b) Stock Appreciation Relief.

(c) The future potential Capital Gains Tax liability on the revaluation of the Company's and certain Subsidiary Companies' Freehold Property.

and anticipated relief for Advance Corporation Tax is deducted therefrom.

Deferred Taxation is shown as a Reserve since the Directors consider that in the foreseeable future no liability will arise.

(vi) Goodwill

Goodwill arising on consolidation is the excess of cost of shares in subsidiaries over book values of net assets at dates of acquisition.

Notes to the Accounts—continued

2 Directors' Remuneration (excluding Pension Contributions)

	1977	1976
Chairman's Emoluments	£13,310	£9,000

In the year ended 30th September 1976 Mr. T. H. Silk waived his Chairman's Emoluments for the three months ending 31st December 1975.

Emoluments of Highest Paid Director (including Commission)	£23,460	£20,252

The remuneration of £20,252 for 1976 was after waiver of Commission due in excess of the amount paid for the year ended 30th September 1975.
The aggregate of the above waivers was £3,844.
No remuneration has been waived in the current year.

Emoluments of other Directors fall in the following categories:		
£2,501 – £5,000	1	1
£5,001 – £7,500	–	1
£7,501 – £10,000	1	–
£15,001 – £17,500	1	1

3 Interest Paid

	1977 £	1976 £
Short Term Interest	28,166	30,257
Bank Interest	272,155	226,642
	300,321	256,899

4 Taxation

	1977 £	1976 £
Over provision for previous years	5,140	2,155

No provision is made for Corporation Tax because it is anticipated that Stock Appreciation Relief will expunge the liability for the year.

5 Earnings per Share

	1977	1976
	18·94p	16·96p
Based on:		
Profit before extraordinary items	£931,806	£834,440
Number of Shares	4,920,533	4,920,533

The earnings per share and number of shares for 1976 have been adjusted for the Capitalisation issue in the year ended 30th September 1977 and the change in accounting policy in respect of the treatment of Deferred Taxation (Note 1 (v)).

6 Dividends Paid and Proposed

	1977 £	1976 £
Dividends for the year are as follows:		
Interim Dividend (after waivers) of 0·75p per share (paid 30.9.77) (1976 – 0·75p per share after waivers)	28,915	25,270
Proposed Final Dividend (after waivers) of 1·44p per share (1976 – 1·4067p per share after waivers)	55,517	47,397
	84,432	72,667

Certain Directors and their families have again this year waived their interim dividends and intend also to waive their final dividends the provision for which is after taking into account these proposed waivers. The dividends waived are as follows:

	1977	1976
Interim Dividend	£7,989	£8,279
Proposed Final Dividend	£15,338	£15,528

Notes to the Accounts—continued

7 Extraordinary Items

	1977 £	1976 £
Capital Issue Costs Written Off	1,937	2,472
Preliminary Expenses Written Off	—	302
Capital Reserve arising on Consolidation no longer required	(322)	—
	1,615	2,774

8 Share Capital

	1977 £	1976 £
Authorised – 10,000,000 Ordinary Shares of 25p each (1976 – 10,000,000)	2,500,000	2,500,000
Issued and Fully Paid – 4,920,533 Ordinary Shares of 25p each (1976 – 4,473,212)	1,230,133	1,118,303

9 Reserves and Surplus

(a) Group

	1977 £	1977 £	1976 £	1976 £
Retained Profit for the year	845,759		758,999	
Less Deferred Taxation Transferred to Reserve (Note 10)	461,838		488,519	
		383,921		270,480
Balance brought forward	759,640		837,922	
Less Amount capitalised and Issed as Bonus Shares	111,830		348,762	
		647,810		489,160
Retained Profits carried forward		1 031,731		759,640
Surplus on Revaluation of Property		72,506		72,506
Other Reserves		4,057		4,200
Deferred Taxation (Note 11)		1,582,069		1,143,151
		2,690,363		1,979,497

(b) Company

	1977 £	1977 £	1976 £	1976 £
Retained Profit for the year	572,440		477,686	
Less Transfer to Group Companies in respect of Loss Relief	—		170,234	
	572,440		307,452	
Less Deferred Taxation Transferred to Reserve	169,574		33,316	
		402,866		274,136
Balance brought forward	629,576		704,202	
Less Amount capitalised and Issued as Bonus Shares	111,830		348,762	
		517,746		355,440
Retained Profits carried forward		920,612		629,576
Other Reserves		5,822		4,987
Deferred Taxation (Note 11)		417,093		265,298
		1,343,527		899,861

10 Deferred Taxation for the Year

Provided at 52% (1976 – 52%) in respect of:	1977 £	1976 £
Accelerated Capital Allowances	35,352	13,397
Stock Appreciation Relief	426,486	442,772
Capital Gains on Revaluation of Property	—	32,350
	461,838	488,519

Notes to the Accounts—continued

11 Deferred Taxation

	Group 1977 £	Group 1976 £	Company 1977 £	Company 1976 £
Arising from Accelerated Capital Allowances	381,377	346,026	232,094	195,82[illegible]
Arising from Stock Appreciation Relief	1,258,859	837,513	259,616	126,31[illegible]
Arising from Revaluation of Properties	48,800	48,800	32,350	32,350
	1,689,036	1,232,339	524,060	354,486
Anticipated Relief for Advance Corporation Tax	106,967	89,188	106,967	89,188
	1,582,069	1,143,151	417,093	265,298

Deferred Taxation is included in Reserves and Surplus (Note 9) in accordance with the accounting policy noted (Note 1 (v)).

12 Medium Term Loans

	Group 1977 £	Group 1976 £	Company 1977 £	Company 1976 £
Bank Loans over 8 years	1,25[illegible]00	Nil	500,000	Nil

Interest is payable at 3% over London Inter Bank Offered Rate repayable by Subsidiary Companies in quarterly instalments commencing in August 1979 and by the Company in half yearly instalments commencing in April 1980 respectively.

13 Fixed Assets

1977	Cost £	Valuation £	Depreciation £	Net £
Group				
Freehold Property	371,651	358,100	—	729,751
Leasehold Property	147,120	—	21,966	125,154
Plant and Equipment	1,253,830	—	556,095	697,735
Motor Vehicles	335,532	—	127,562	207,970
Goodwill and Patents	3,224	—	2,022	1,202
	2,111,357	358,100	707,645	1,761,812
1976 –	1,626,763	358,100	622 627	1,362,236
Company				
Freehold Property	[illegible]2,043	226,500	—	298,543
Plant and Equipment	7[illegible]2,189	—	282,173	420,016
Motor Vehicles	123,365	—	40,280	83,085
Patents	442	—	—	442
	[illegible]039	226,500	322,453	802,086
1976 –	77[illegible]	226,500	284,1[illegible]	719 590

Movement of Fixed Assets

	Book Value 30.9.76 £	[illegible]ddi[illegible]s £	Disposals at Book Value £	[illegible] £	Book Value 30.9.77 £
Group					
Freehold Property	447,433	2[illegible]18		—	729,751
Leasehold Property	130,215	—	—	5,061	125,154
Plant and Equipment	636 [illegible]	133,[illegible]63	960	71,355	697,735
Motor Vehicles	[illegible]47,54[illegible]	154,[illegible]	39 035	55,296	207,970
Goodwill and Patents	[illegible]	[illegible]2	—	—	1,202
	[illegible]	571,283	39,995	131,712	1,761,812

Notes to the Accounts—continued

Movement of Fixed Assets (continued)

	Book Value 30.9.76 £	*Additions* £	*Disposals at Book Value* £	*Depreciation* £	*Book Value 30.9.77* £
Company					
Freehold Property	298,543	—	—	—	298,543
Plant and Equipment	394,752	68,618	905	42,449	420,016
Motor Vehicles	26,295	82,172	10,991	14,391	83,085
Patents	—	442	—	—	442
	719,590	151,232	11,896	56,840	802,086

Valuations

Freehold Property has been professionally revalued as under:	*Amount*	*Year ended*
Parent Company	£226,500	30.9.67
W. H. Barker & Son Engineers Limited	£61,600	30.9.68
Criterion Stampings Limited	£45,000	30.9.70
Ajax Welding Engineers Limited	£25,000	30.4.74

Provision for Taxation in respect of Capital Gains which might arise in the event of these properties being sold at their revalued amounts has been made.

14 Investments

	Group		Company	
	1977 £	1976 £	1977 £	1976 £
Quoted				
Cost (market value £8,718 – 1976 £4,456)	8,074	8,074	8,074	8,074
Unquoted				
Shares in former subsidiary	2,002	—	—	—
	10,076	8,074	8,074	8,074

The unquoted shares were formerly Ordinary Shares of £1 each held in The Strongarc Welding Company (Wolverhampton) Limited by Ajax Welding Engineers Limited and were converted to 11% Non-Voting Participating Preference Shares of £1 each on the disposal of the controlling interest in that Company.

15 Stocks and Work in Progress

	Group		Company	
	1977 £	1976 £	1977 £	1976 £
These comprise the following:				
Stocks	2,917,688	2,032,334	578,328	415,780
Work in Progress	1,000,847	680,316	698,306	303,408
	3,918,535	2,712,650	1,276,634	719,188

The increase in the Work in Progress due to the change in basis of valuation (Note 1 (iv)) amounts to £194,078 (Company £173,002).

Notes to the Accounts—continued

16 Interests in Subsidiaries

	1977	1976
	£	£
Cost of Shares	599,876	599,876

Subsidiary Companies are all wholly owned, registered in England, and operate in the United Kingdom.

Ajax Welding Engineers Limited
*Ajax Fabrications Limited
W. H. Barker & Son Engineers Ltd.
Criterion Stampings Limited
Fencing Contractors Limited
Hilsmith Civil Engineering Ltd.
Hilsmith Lintels Limited
Hilsmith Plant Limited
Invicta Components (Whitwell) Limited
Invicta Fencing Company Limited
John Perks & Sons Limited
The Stock Steel Company Limited
Tipton Steel Stock Holders Limited
Tipton Steel Stock Holders (Stoke) Ltd.

*wholly-owned subsidiary company of Ajax Welding Engineers Limited

The controlling interest in Strongarc Welding Company (Wolverhampton) Limited formerly held by Ajax Welding Engineers Limited was disposed of during the year.

17 Capital Commitments

Capital Expenditure not provided for in the Accounts is as follows:

	Group		Company	
	1977	1976	1977	1976
	£	£	£	£
Contracted for	67,000	20,000	45,000	20,000
Authorised but not contracted for	—	204,785	—	17,000

18 Contingent Liabilities

(a) There are guarantees given by the Parent Company for bank loans and overdrafts of certain subsidiary companies up to £1,500,000 guarantees to other subsidiaries and in addition reciprocal guarantees and debentures given for bank overdrafts and short term borrowings by certain subsidiary companies.

(b) The Company is defending proceedings in the High Court, alleging infringement of patent and copyright in respect of a new product, sales of which product total less than 0·3% of the external turnover. The action was due to be heard in April 1977 but was postponed at the instigation of the Plaintiffs, and is due to be heard shortly. In the event of the Company's defence not prevailing there will be a liability which cannot at present be quantified. Costs as incurred have been charged against profits.

Source and Application of Funds

For the year ended 30th September 1977

			1976	
	£	£	£	£
Source of Funds				
Profit before Taxation		926,666		832,285
Less Extraordinary Items		1,937		2,472
		924,729		829,813
Adjustment for items not involving the movement of Funds:				
Depreciation		123,149		117,121
Total Generated from Operations		1,047,878		946,934
Funds from other Sources				
Proceeds of Sale of Fixed Assets	47,580		22,370	
Proceeds of Sale of Right	835		—	
Medium Term Loans	1,250,000	1,298,415	—	22,370
		2,346,293		969,304
Application of Funds				
Dividends Paid	76,312		68,195	
Taxation Paid	55,468		193,967	
Purchase of Fixed Assets etc.	573,285	705,065	159,809	421,971
		1,641,228		547,333
Increase in Working Capital				
Increase in Stocks	1,205,885		945,715	
Increase in Debtors	808,051		605,931	
Increase in Creditors	(767,376)		(913,169)	
Decrease in Bank Overdraft and Cash (1976 – Increase)	394,668	1,641,228	(91,144)	547,333

Group Companies

HILL & SMITH LIMITED
Canal Street, Brierley Hill, West Midlands, DY5 1JL

AJAX FABRICATIONS LIMITED
Castle Street, Wolverhampton, WV1 3AD

AJAX WELDING ENGINEERS LIMITED
Millfields Road, Ettingshall, Wolverhampton, WV4 6JH

W. H. BARKER & SON ENGINEERS LIMITED
Etna Works, Duke Street, Fenton, Stoke-on-Trent, Staffordshire, ST4 3NS

CRITERION STAMPINGS LIMITED
Criterion Works, Bilston Lane, Willenhall, West Midlands, WV13 2LH

FENCING CONTRACTORS LIMITED
Deeside Industrial Estate, Queensferry, Flintshire, CH5 2LR

HILSMITH CIVIL ENGINEERING LIMITED
Stourvale Road, Lye, Stourbridge, West Midlands, DY9 8QB

HILSMITH LINTELS LIMITED
Canal Street, Brierley Hill, West Midlands, DY5 1JL

HILSMITH PLANT LIMITED
Stourvale Road, Lye, Stourbridge, West Midlands, DY9 8QB

INVICTA COMPONENTS (WHITWELL) LIMITED
Stourvale Road, Lye, Stourbridge, West Midlands, DY9 8QB

INVICTA FENCING COMPANY LIMITED
The Hoo Estate Yard, Whitwell, Herts., SG4 8EA

JOHN PERKS & SONS LIMITED
Canal Street, Brierley Hill, West Midlands, DY5 1JL

THE STOCK STEEL COMPANY LIMITED
Stourvale Road, Lye, Stourbridge, West Midlands, DY9 8QB

TIPTON STEEL STOCK HOLDERS LIMITED
Hobart Road, Tipton, West Midlands, DY4 9LQ

TIPTON STEEL STOCK HOLDERS (STOKE) LIMITED
Brown Lees Road, Biddulph, Stoke-on-Trent, Staffordshire, ST8 6JZ