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# Graystone

## Directors and Advisers

**Directors** R F Richardson *Chairman & Chief Executive*  
M P Goodchild *Managing Director*  
C E Davies *Corporate Finance Director*  
M A Fawcett *Operating Finance Director*  
D W Hammoud *Director*  
P A C Fox *Director*  
W A McClue *Non-Executive*  
R J J Wickham *Non-Executive*

**Secretary** J M Yates

**Registered Office** Emerson Court  
Alderley Road  
Wilmslow  
Cheshire SK9 1NX

**Auditors** Ernst & Young  
Chartered Accountants  
Commercial Union House  
Albert Square  
Manchester M2 6LP

**Registrars** Barclays Registrars  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

**Bankers** Bank of Scotland  
144-148 High Street  
Southampton SO9 3LX

**Advisers** Chemical Bank  
125 London Wall  
London EC2Y 5AJ

**Stockbrokers** Henry Cooke, Lumsden plc  
One King Street  
Manchester M60 3AH

Peel, Hunt & Company Limited  
Threadneedle Street  
London EC2H 8HP

## Chairman's Statement

*For the twelve months ended 30 June 1994*

### Summary

I am pleased to report that in the year ended 30 June 1994 the Company achieved major strategic growth by a significant expansion of its capital base and considerable improvements in profitability. These developments have enabled the Group to move closer towards its aim of becoming a leading electro-mechanical engineering group in its respective markets.

### Results

The results for the year ended 30 June 1994 show:

- |   |                    |                        |
|---|--------------------|------------------------|
| • Sales growth                                  | to £36.151 million | (1993 £9.9 million)    |
| • Operating profits increased                   | to £4.302 million  | (1993 £0.545 million)  |
| • Pre-tax profits increased                     | to £4.131 million  | (1993 £0.200 million)  |
| • Earnings per ordinary share increased by 154% | to 1.45p           | (1993 0.57p per share) |

### Dividends

In view of the improved trading performance, the board have recommended a final dividend of 0.14p per ordinary share which, together with the interim, totals 0.24p per ordinary share for the year as a whole. The final dividend will be paid on 14 December 1994 to shareholders on the register as at the close of business on 3 November 1994.

I am pleased that our Group has resumed dividend payments and it is the policy of the board to pay dividends consistent with the growth in earnings, whilst maintaining an appropriate level of cover.

### Corporate Strategy

In my previous statements, I have outlined the Group's strategy to build a group of companies focused on electro-mechanical engineering. The acquisition of British Syphon Industries plc in November 1993 was a major step within this strategic plan. We will continue to progress our disposal programme of the non-core businesses. In accordance with this policy, during the year the disposals were completed of Gainsborough Flowers (Porth) Ltd in August 1993, G A Stadler & Co Ltd in November 1993 and the Maynard Arms Hotel in March 1994. Following the acquisition of British Syphon Industries plc, the disposals were also completed of two non-engineering subsidiary companies, Road Signs-Franco Ltd in January 1994 and Arnold Belford Ltd in June 1994. In June 1994 the investment held in Blue Thane Ltd was realised.

## Chairman's Statement

*continued*

### Operating Review

During the year a reorganisation of the operating management structure has taken place with the Group operating companies being formed into five separate divisions and a new financial control and reporting structure introduced. The markets for the majority of the Group's products showed growth as the year progressed and, as the results show, the companies benefited from this as well as from the increased efficiency in its operations.

### Finance

The Group's balance sheet strengthened considerably during the year with a significant reduction in Group indebtedness. Treating the convertible loan stock of £2,700,000 as part of shareholders' funds, this equates to a ratio of net bank borrowings to shareholders' funds of 19%. As at June 1993, the equivalent ratio was 322%. During the year £550,000 of the remaining £3,250,000 convertible loan notes issued in 1992 as part of the consideration for the acquisition of the component companies was converted into ordinary shares.

### Personnel

I am pleased to have strengthened the board during the year with the appointment of Bob Wickham, who recently retired as General Manager of Bank of Scotland. His abilities and advice on financial matters will add substantially to the skills of the board.


The year under review has been one of considerable change and re-organisation. The success of the Group has been made possible with the dedication of our employees, both those who have been with the Group for some time and those who joined with the acquisition of British Syphon Industries. I would like to thank them for their support and hard work during this period and for promoting the success of the enlarged Group.

### Future Prospects

The first two months of the new financial year show improved performance on the comparative period for 1993/94, and order books remain at an encouraging level.

The new products that the Group introduced during the latter half of the year under review, should give additional benefits during the current financial year.

Your board remains committed to improving the Group's performance by internal growth and focused acquisitions. We currently have under review a number of acquisition opportunities and, where these offer growth, enhanced financial performance and improved earnings per share, we will pursue them further.

  
R E Richardson  
Chairman & Chief Executive  
10 October 1994

## Review of Activities

The Chairman's statement has outlined the substantial progress made during the year in our strategic plan to form an industrial group of companies manufacturing electrical and mechanical engineering products with a substantial distribution network.

### Group Structure

Graystone's operations are divided into five divisions. Businesses that manufacture similar products and supply similar market sectors are grouped together within a division. This structure enables the maximisation of efficiency, the consolidation of distribution networks and the communication of ideas and opportunities within the divisions for the benefit of the Group. Each division has its own divisional managing director who also fulfils a line management role.

Strong group financial control systems allow the best utilisation of resources. Weekly reports are submitted to central group control covering sales, orders, stock purchases and cash, as well as regular monthly management accounts and three month forecasts.

### Electrical Engineering Division

Sales £11.6m

Operating Profit £1.7m

Employees 329

Cableform Ltd, located at Sowerby Bridge, West Yorkshire, consists of three business units, Cableform Lighting, English Numbering Machines (ENM), and Cableform Controls.

Cableform Lighting has had a successful year, developing new products for both the industrial and domestic photocell markets and extending its range of low voltage electrical lights for the European and North American markets.

English Numbering Machines succeeded in achieving its planned operating profit for the year, against a market experiencing depressed trading conditions.

Cableform Controls achieved a significant improvement in operating profit over the previous year and has developed an exciting new range of electrical control products, which will enable further sales to be achieved in the latter half of next financial year.

H A Birch & Company Ltd showed considerable improvement in operating profit as a result of increased efficiencies. During the year major new business for heating elements and transformers was achieved. Additionally the development and introduction of a new range of domestic electric fires will bring more growth in the coming year. The Birch business is currently being relocated from its site in Cannock to the Cableform manufacturing unit at Sowerby Bridge.

## Review of Activities

*continued*

BMAC Ltd based in Hyde, Cheshire, joined the group at the time of the British Syphon Industries (BSI) acquisition. It designs, develops and manufactures a range of electrical interior and exterior lighting products and switching controls used in rail and road transport vehicles. In spite of the reduction in large contract business from the railway sector BMAC has had a successful year, with a buoyant market for conventional road transport vehicle products. A new development of an exterior solid state light for road and rail use, intended to replace conventional filament lamps, has been completed and its introduction in the coming months should enable the business to gain additional sales from a mature market sector.

### **Mechanical Engineering Division**

Sales £5.2m	Operating Profit £0.4m	Employees 112
-------------	------------------------	---------------

Thomas Eaves Ltd had another good year, and its objective of furthering its development of niche cold forged fastening products for the automotive and electrical controls markets has resulted in increased profits. A new product has been developed for motor vehicle exhaust fixing and contracts won for delivery in the next financial year should ensure further growth in sales and profits.

Airmatic Engineering (UK) Ltd increased sales and profitability. The new product development programme, which commenced two years ago, has resulted in several new products being introduced which have already shown encouraging sales levels. In particular the development and introduction of a semi automatic component loader for machining centres and a precision indexing table and calibration system have met with encouraging orders.

Portobello Fabrications Ltd, based in Sheffield, a fabricator of metal containers for the storage of gas and liquid by the oil and petrochemical industries, returned to profit in its first half year of trading since acquisition. This improvement is expected to continue into the new financial year, aided by the recent award of American standard approvals, which will now enable the business to win new orders for the manufacture and repair of pressure vessels.

### **Distribution Division**

Sales £12.7m	Operating Profit £1.0m	Employees 63
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The businesses in the distribution division were all acquired with BSI.

During the year M&F Components Ltd, based in Accrington, and Bell Autoparts Ltd, previously based in Liverpool, were combined onto the M&F site. Whilst the administrative and warehousing functions of the two businesses are being fully integrated, Bell Autoparts will still continue to market and sell under its own brand name. M&F distributes a wide range of automotive workshop consumables, tools, accessories and electrical parts, and Bell distributes its range of automotive 'hard parts', including water pumps and suspension joints, to a similar market. The benefits of amalgamation of these two businesses will show improvements in operating efficiency and profitability in the coming year.

## Review of Activities

*continued*

Van-Line Ltd, based in Leeds, is a distributor of hand tools and of automotive and industrial consumables, including fuel filters, breather caps and carburettor diaphragms, to the independent mobile van wholesaler. Its first half year of trading since acquisition resulted in improved profits compared to the previous comparable period. The addition of new products to its professional tools range during 1993 has further expanded its sales.

Data-Label Ltd, based in Earl Shilton, Leicester, prints a large range of self adhesive labels for the food processing industry and distributes a specialist range of printing machines and associated consumable items. Its first half year of trading since acquisition showed a growth in sales and profitability.

R P Polythene Ltd, of Bredbury, and Whitehead Packaging Ltd, of Oldham, distributors of polythene materials and bags used in food and general product packaging, were consolidated on a single site in Oldham in January 1994. The two businesses are now fully integrated and trade under the name R P Whitehead Ltd. The benefits of the integration of these businesses will continue to come through in the new financial year.

### **Equipment Division**

Sales £4.4m

Operating Profit £0.9m

Employees 34

Parking Equipment and Services Ltd, based in Merton, London, design, manufacture, install and service car parking control systems. The year saw the launch of an industrial gate barrier, a ticket dispensing unit, and a new range of automatic payment revenue collection equipment. In addition new sales and marketing initiatives were started, from which early results show great promise. In its first half year since acquisition, Parking Equipment has exceeded its sales over the previous year.

Flowcool Systems Ltd, based in Alfreton, Derbyshire, is a leading manufacturer of industrial cooling and refrigeration equipment. During the year the business increased its sales and marketing efforts in the market area of engineering consultants. This has resulted in Flowcool winning new customers and gaining significantly higher sales.

Campden Instruments Ltd, which manufactures a range of laboratory, analytical and presentation equipment mainly for use by the surgical professions, showed improved performance during the year with higher sales and increased profitability. In particular market acceptance of two of its new products 'Vibroslice' and the 'Pipette Puller' has been most encouraging and was the main element in the substantial sales growth, especially in export markets.



## Review of Activities

*continued*

### **North American Division**

Sales £1.5m

Operating Profit £0.2m

Employees 22

Cableform Inc achieved increased sales and profits during the year. The Graystone policy of investing in new product design and development is showing benefits in the business's performance. The development and launch, during the year, of an in-house designed electrical control system for large electrical motors used in the control of mining equipment, proved to be successful. Work has already begun on a new generation of electric motor controllers using microprocessor technology, which should result in further improved results next year and an ongoing expansion of our US business.

Cableform Inc was also successful as the North American distributor for the ENM manufactured hand numbering machines, with a major USA government contract being awarded. Following on from this success, it has also embarked on a marketing programme to introduce Cableform Lighting's range of low voltage lighting products to the market in the USA. The policy of using Cableform Inc as a distributor of Group products will be extended in the coming year.

### **Non-Core Activities**

Sales £1.3m

Operating Loss £0.2m

Employees 46

Following the sale during the year under review of Gainsborough Flowers (Porth) Ltd, G A Stadler & Co Ltd and the Maynard Arms Hotel, the Group's non-core activities have been substantially reduced and currently represent less than 2% of the Group's turnover. The remaining non-core businesses are Mary Ford Publications Ltd, the Barbican Hotel, Lincoln and the Bank Hotel, Urtroxtet. The Company will continue its policy of divestment of these non-core activities at commercial values.



## Directors' Report

The directors present their report and the audited accounts for the twelve months ended 30 June 1994.

### Principal Activities and Review

The principal activities of the Group are in engineering and during the year comprised the manufacture and distribution of electrical and mechanical components and equipment, and the merchandising of automotive parts and packaging materials. A review of activities is set out on pages 5 to 8.

### Results and Dividends

The operating profit for the year amounted to £4,302,000 (1993: £545,000) and the profit before taxation was £4,131,000 (1993: £200,000).

The directors recommend the payment of a final dividend of 0.14p per ordinary share which, together with the interim dividend of 0.1p paid on 6 June 1994, will represent a total for the year of 0.24p per ordinary share. If approved, the final dividend will be payable on 14 December 1994 to shareholders on the register at the close of business on 3 November 1994.

The net profit for the year after taxation and the above dividends and dividends due on the preference shares was £2,352,000, which has been transferred to reserves.

### Acquisitions and Disposals

On 15 November 1993 the recommended offer for British Syphon Industries plc was declared unconditional and following completion of the acquisition its results have been consolidated from that date.

As part of the previously stated strategy of disposing of non-core businesses, on 16 August and 16 November 1993 the Company completed the sales of the businesses of Gainsborough Flowers (Porth) Ltd and of G A Stadler & Co Ltd for a total consideration of £800,000 and £274,000 respectively. Additionally, on 29 March 1994, the leasehold, fixtures and fittings and goodwill of the Maynard Arms Hotel were disposed of for a maximum consideration of £300,000.

Following the acquisition of British Syphon Industries plc, two of its subsidiaries were disposed of. On 25 January 1994, Road Signs-Franco Ltd was sold to a joint venture of Ringway Signs Ltd and Pathfinder Traffic Signs Ltd for its net asset value at that date. On 30 June 1994, Arnold Belford Ltd, a paper converter, was sold to API Group plc for a cash consideration of £1,679,000. British Syphon's investment in Blue Thane Ltd, the parent of The East Lancashire Paper Mill Company Ltd, was sold on 21 June 1994 for £450,000.

## Directors' Report

*continued*

### Directors

The directors listed on page 2 served throughout the twelve months ended 30 June 1994 except Mr R J J Wickham, who was appointed to the board on 7 February 1994. Accordingly, having been appointed since the last Annual General Meeting, he retires and being eligible offers himself for re-election. In addition, Mr W A McClue retires by rotation and offers himself for re-election. Neither of these directors has a service agreement with the Company.

Upon the acquisition of British Syphon Industries plc on 15 November 1993, Messrs A B Morrall, M H Hayes and J E A Statham were appointed to the board. They resigned as directors on 28 February, 15 March and 2 February 1994 respectively.

The Company maintains a directors' and officers' liability insurance policy, which covers all directors of the Company. Otherwise, no director had an interest in any contract of significance to which the Company or any of its subsidiary undertakings was a party during the year.

### Directors' Interests

The beneficial interests of the directors and those of their families in the share capital of the Company were as follows:

	30 June 1994		1 July 1993		
	Ordinary Shares of 5p	Options	Ordinary Shares of 5p	Options At 147.5p	Options At 72p
R E Richardson	1,077,499	1,800,000	849,999	—	—
M P Goodchild	90,909	725,000	—	—	—
C E Davies	1,018,846	800,000	358,333	—	—
M A Fawcett	63,636	700,000	—	—	—
P A C Fox	560,106	815,000	362,793	80,000	60,000
D W Hammond	425,000	725,000	425,000	—	—
W A McClue	640,750	—	640,750	—	—
R J J Wickham	25,572	—	—	—	—
		5,565,000		80,000	60,000

## Directors' Report

*continued*

During the financial year the following options to subscribe for ordinary shares have been granted to directors.

	At 8.5p	At 11.5p	Total
R E Richardson	900,000	900,000	1,800,000
M P Goodchild	375,000	350,000	725,000
C E Davies	375,000	425,000	800,000
M A Fawcett	250,000	450,000	700,000
P A C Fox	375,000	300,000	675,000
D W Hammond	375,000	350,000	725,000
	<u>2,650,000</u>	<u>2,775,000</u>	<u>5,425,000</u>

The options granted at 8.5p are exercisable from 6 July 1996 and have an expiry date of 5 July 2003, whilst those options granted at 11.5p are exercisable from 21 January 1997 with an expiry date of 20 January 2004.

Between 30 June 1994 and the date of this report, Mr R E Richardson purchased 4,000 ordinary shares, Mr C E Davies purchased 188,500 ordinary shares and Mr P A C Fox purchased 30,570 ordinary shares.

No director had any interest in the 3.5% non-voting cumulative preference shares of 62.5p each or in the 19.2% non-voting convertible cumulative preference shares of 25p each.

Brief details of the non-executive directors are as follows:

Mr W A McClue became a non-executive director of the Company on 15 February 1991 prior to which he had been executive chairman. He is a director of Sandford Investment Services Limited.

Mr R J J Wickham became a non-executive director of the Company on 7 February 1994 following his retirement as General Manager of Bank of Scotland.

### Substantial Shareholdings

The Company has been notified or made aware of the following shareholdings representing 3% or more of the issued ordinary share capital as at 5 October 1994.

	Number of Ordinary Shares of 5p	Percentage of Ordinary Shares %
TSB Group (including Hill Samuel)	36,180,520	12.97
Rowe Price Fleming International Inc	27,378,057	9.81
Fisher Karpark Holdings Limited	12,500,000	4.48
Edinburgh UK Smaller Companies Fund	12,341,521	4.42
John Govett Fund Managers	8,636,018	3.09

## Directors' Report

*continued*

### **Fixed Assets**

Particulars of changes in fixed assets during the year are shown in notes 11 and 12 to the accounts. In the opinion of the directors the market value of the Group's land and buildings is not significantly different from their book value at 30 June 1994.

### **Disabled Persons**

It is the Group's policy to give full consideration to suitable applications for employment by disabled persons, who are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees of the Group who become disabled to continue in their employment or to be trained for other positions in the Group.

### **Employee Involvement**

The Group recognises the need for good communications and is committed to involve all employees in its development. Employees are kept informed of, consulted and encouraged to express their views on matters, which are likely to affect their interest in and contributions to their company and its performance.

### **Research and Development**

The Group carries on a programme of research and development relevant to the present and future requirements of its activities and the needs of its customers.

### **Charitable and Political Donations**

Charitable donations made during the year amounted to £4,167. There were no political donations.


### **Taxation Status**

The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

### **Auditors**

Ernst & Young have expressed their willingness to continue in office and a resolution proposing their re-appointment will be put at the Annual General Meeting in accordance with section 385(2) of the Companies Act 1985.

Approved by the board  
on 10 October 1994

  
J. M. Yates  
Secretary

## Corporate Governance

The Cadbury Committee report on the financial aspects of corporate governance together with its code of best practice came into effect on 1 July 1993. The board acknowledges that its stewardship of the Company should be of the highest standard and has been implementing changes during the financial year in order to achieve substantial compliance with the code of best practice. Since February 1994 the Company has complied with the provisions of the code, excepting those regarding the number of non-executive directors, and those contained in paragraphs 4.5 and 4.6 (pending the issue of formal guidance).

The board normally meets monthly and comprises six executive and two non-executive members. The non-executive directors are not appointed for specified fixed terms. However, they are regularly presented for re-election by shareholders. During the year the Company appointed Mr R J J Wickham as a second non-executive director. Whilst the board is mindful of the costs of non-executive directors in relation to the size of the Group, it is the board's intention, as the Group expands, to appoint a further non-executive director, who would join the audit and remuneration committees. At that stage it is intended that non-executive directors would form the majority of both committees.

Both non-executive directors are members of, and respectively chair, the audit and remuneration committees of the board. The audit committee, chaired by Mr R J J Wickham, is formally constituted with terms of reference and is responsible for ensuring that the Group's financial performance is properly measured, controlled and reported. The remuneration committee is chaired by Mr W A McClue, who was executive chairman of the Company until 15 February 1991, since when he has served as a non-executive director. Notwithstanding his previous executive role, the board is firmly of the view that he fulfils a strong and independent presence on the board. The remuneration committee provides recommendations for the remuneration of and incentives for the executive directors.

The Company's auditors, Ernst & Young, have notified the board that in their opinion this statement reflects the Company's compliance with those paragraphs of the code of best practice, upon which the auditors are required to report.

## Statement of Directors' Responsibilities in Respect of the Accounts

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing these accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors confirm that the accounts comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Notes to the Financial Statements

*continued*

The total borrowings of the Group at 30 June 1994 are repayable as follows:

	Bank loans and overdrafts		Other borrowings	
	1994 £'000	1993 £'000	1994 £'000	1993 £'000
Within one year	1,560	1,543	526	26
Between one and two years	296	267	526	526
Between two and five years	1,054	950	1,080	1,580
In five years or more	540	783	26	52
<b>Totals</b>	<b>3,450</b>	<b>3,543</b>	<b>2,158</b>	<b>2,184</b>

**18. Obligations Under Finance Leases**

	Group		Company	
	30 June 1994 £'000	30 June 1993 £'000	30 June 1994 £'000	30 June 1993 £'000
The capital amounts due under finance lease obligations are as follows:				
Within one year	178	120	63	83
Within two to five years	135	144	43	104
	<b>313</b>	<b>264</b>	<b>106</b>	<b>187</b>

**19. Provisions For Liabilities and Charges**

	Group		Company	
	30 June 1994 £'000	30 June 1993 £'000	30 June 1994 £'000	30 June 1993 £'000
Deferred taxation (see below)	-	121	-	-
Fair value provisions (see below)	805	407	-	-
Provision for loss on operations to be discontinued	-	107	-	-
Provision for loss on disposal of subsidiary undertakings (note 26)	226	-	-	-
Other provisions	35	30	-	-
	<b>1,066</b>	<b>665</b>	<b>-</b>	<b>-</b>



## Notes to the Financial Statements

*continued***Fair Value Provisions**

Movements in fair value provisions during the year are as follows:

	1994 £'000	1993 £'000
At 30 June 1993	407	-
Created during year following acquisition of subsidiary undertakings – Current year acquisitions (note 26)	935	440
Prior year acquisitions	215	-
Released during year	(752)	(33)
At 30 June 1994	805	407

The amount released in the year includes £138,000 in respect of the loss on sale of an acquired property (note 26).

**Deferred Taxation**

Movements in group deferred taxation balances during the year are as follows:

	1994 £'000	1993 £'000
At 30 June 1993	121	-
Acquisitions	-	121
Released in the year	(121)	-
At 30 June 1994	-	121

Deferred taxation provided in the Group accounts and the amounts not provided, calculated at the rate of 33% (1993: 33%), are as follows:

	Provided		Not provided	
	1994 £'000	1993 £'000	1994 £'000	1993 £'000
Accelerated capital allowances	110	191	154	-
Other timing differences	(36)	15	-	-
Losses carried forward	(74)	(85)	-	-
	-	121	154	-

The Company had no deferred tax liabilities, either provided or unprovided, at 30 June 1994 (1993: nil).

## Notes to the Financial Statements

*continued***20. Called-Up Share Capital**

The authorised and allotted share capital at 30 June 1994 and 1993 was:

	Authorised		Allotted and fully paid	
	1994 £'000	1993 £'000	1994 £'000	1993 £'000
<b>Equity shares</b>				
Ordinary shares of 5p each	21,250	9,687	13,950	4,783
<b>Non-equity shares</b>				
19.2% convertible preference shares of 25p each	2,500	—	2,374	—
3.5% cumulative preference shares of 62.5p each	13	13	13	13
Deferred shares of 7.5p each	—	5,400	—	1,100
	2,513	5,413	2,387	1,113
<b>Total</b>	<b>23,763</b>	<b>15,100</b>	<b>16,337</b>	<b>5,896</b>

On 8 July 1993, following application to the High Court, the Company cancelled each of the 72 million deferred shares of 7.5p each (issued and unissued) reducing the authorised share capital of the Company from £15,100,000 to £9,700,000 and reducing the issued share capital by £1,100,000.

In November 1993, the Company issued 167,401,752 ordinary shares of 5p each at a price of 11p per share pursuant to a rights issue on a 7 for 4 basis. The proceeds of the rights issue were applied towards the acquisition of the share capital of British Syphon Industries plc (note 26); the consideration for this acquisition also included the issue of 11,533,154 ordinary shares of 5p each at an issue price of 11p per share and 9,497,390 new 19.2% convertible preference shares of 25p each. These preference shares were independently valued by Henry Cooke, Lumsden plc at a market value of 60p each. The authorised share capital of the ordinary and convertible preference shares was increased to £21,250,000 and £2,500,000 respectively prior to the new issues being made.

On 30 May 1994, the holders of £550,000 of the Company's 4% convertible loan stock (note 24) exercised their rights to convert their holdings into 4,400,000 ordinary shares of 5p each on the basis of 8 ordinary shares for every £1 nominal value of loan stock.

The holders of the convertible preference shares of 25p each are entitled to receive in priority to the equity shareholders a fixed cumulative dividend of 19.2% per annum until 1 January 2004. From 1 January 1995, the shares can be converted into fully paid equity shares on the basis of four ordinary shares for each 25p preference share. Any outstanding preference shares at 1 January 2004 shall be automatically converted into fully paid ordinary shares on the same basis. The holders of the preference shares are not entitled to vote at general meetings. On a winding-up, the assets available for distribution shall be applied to repaying the preference shareholders, in priority to the equity shareholders, at a rate of £1 per fully paid share and arrears of dividends due.

The holders of the cumulative preference shares of 62.5p each are entitled to receive, with equal priority to the convertible preference shareholders, a fixed dividend of 3.5% per annum. Voting rights and entitlement to assets on a winding-up are identical to those held by the holders of the convertible preference shares.

## Notes to the Financial Statements

continued

## 21. Reserves

	Share premium account £'000	Revaluation reserve £'000	Other non-distributable reserves £'000	Profit and loss account £'000
<b>Group</b>				
At 30 June 1993	4,935	130	94	(13,237)
Capital reduction	(3,700)	-	956	3,844
Shares issued in year – equity shares	11,066	-	-	-
non-equity shares	3,324	-	-	-
Equity share issue costs	(938)	-	-	-
Provision for diminution in revalued assets	-	(100)	-	-
Exchange differences – overseas subsidiaries	-	-	-	(24)
Goodwill on acquisition of BSI written off (note 26)	-	-	-	(23,323)
Goodwill on prior year acquisitions written off	-	-	-	(215)
Goodwill released on disposal of subsidiary (note 26)	-	-	-	811
Retained profit for the year	-	-	-	2,352
<b>At 30 June 1994</b>	<b>14,687</b>	<b>30</b>	<b>1,050</b>	<b>(29,792)</b>
<b>Company</b>				
At 30 June 1993	1,935	-	-	(3,844)
Capital reduction	(3,700)	-	955	3,844
Shares issued in year – equity shares	11,066	-	-	-
non-equity shares	3,324	-	-	-
Equity share issue costs	(938)	-	-	-
Retained profit for the year	-	-	-	103
<b>At 30 June 1994</b>	<b>14,687</b>	<b>-</b>	<b>955</b>	<b>103</b>

In accordance with the exemption allowed by section 230(1) of the Companies Act 1985 the company has not presented its own profit and loss account. The loss before management charges and dividends received from subsidiary undertakings for the year dealt with in the accounts was £1,719,000 (1993: £162,000 loss).

As explained in note 20, on 8 July 1993, following application to the High Court, the Company cancelled each of the 72 million deferred shares of 7.5p each (issued and unissued) and reduced the issued share capital by £1,100,000. The difference between the adverse balance on the Company's profit and loss account of £3,844,000 and £4,800,000, being the maximum deficit approved by the court, has been transferred to non-distributable reserves.

The cumulative amount of goodwill written off in relation to acquisitions in previous years, net of goodwill relating to businesses disposed of is £13,138,000.

## Notes to the Financial Statements

*continued***22. Reconciliation Of Movements In Shareholders' Funds**

	1994 £'000	1993 £'000
Profit attributable to members of the Company	3,287	200
Dividends	(935)	-
	<u>2,352</u>	<u>200</u>
New share capital subscribed net of issue costs and including share premiums of £14,390,000 (1993: £2,430,000)	24,993	6,479
Goodwill written off (notes 21 and 26)	(23,538)	(9,583)
Goodwill reinstated on disposals (note 26)	811	-
Other recognised gains and losses	(124)	-
Net increase/(decrease) in shareholders' funds	<u>4,494</u>	<u>(2,904)</u>
Opening shareholders' funds	(2,182)	722
Closing shareholders' funds	<u>2,312</u>	<u>(2,182)</u>
Attributable to:		
Equity share interests	(3,138)	(3,295)
Non-equity share interests	5,450	1,113
	<u>2,312</u>	<u>(2,182)</u>

**23. Financial Commitments**

Authorised future capital expenditure, before deduction of available governments grants, amounted to:

	Group		Company	
	30 June 1994 £'000	30 June 1993 £'000	30 June 1994 £'000	30 June 1993 £'000
Contracted	1	-	-	-
Non contracted	-	36	-	-

The annual commitment under non-cancellation operating leases was as follows:

	Group		Company	
	Land and buildings £'000	Plant, equipment & vehicles £'000	Land and buildings £'000	Plant, equipment & vehicles £'000
Leases expiring:				
Within one year	20	28	-	-
Within two to five years	76	-	-	-
Thereafter	144	-	-	-
	<u>240</u>	<u>28</u>	<u>-</u>	<u>-</u>

## Notes to the Financial Statements

*continued*

### 24. Convertible Loan Stock

During the year ended 30 June 1993 the Company issued £6.5 million nominal value of 4% convertible redeemable secured loan stock. Prior to 30 June 1993, agreement was reached with the stockholders for £3.25 million nominal value of the loan stock to be redeemed at a profit to Graystone of £935,000 (stated after fair value adjustments upon issue). Because all the necessary conditions to repay this loan stock had been met prior to the year end, this profit was recognised in the profit and loss account for the year ended 30 June 1993. This liability of £2,080,000 was included in creditors falling due within one year (note 16).

During the year ended 30 June 1994 the holders of a further £550,000 nominal value of the loan stock exercised options to convert their holdings into 4,400,000 ordinary shares of 5p each (Note 20).

The agreed terms regarding the remaining £2,700,000 of convertible loan stock are:

- (a) The stockholders will be entitled to convert their holdings into new ordinary shares, on the basis of 8 new ordinary shares for every £1 nominal of convertible loan stock held, at any time during the period of 1 May to 30 May in each of the years 1995 and 1996.
- (b) In the event that any holder does not exercise his conversion rights in any year the Company will be entitled to redeem all or part of the balance of the convertible loan stock on the following basis:
  - (i) between 1 June and 30 June 1995 at a rate of 88p per £1 nominal of convertible loan stock;
  - (ii) between 1 June and 30 June 1996 at the rate of £1 per £1 nominal of convertible loan stock.
- (c) Any convertible loan stock outstanding after 30 June 1996 shall at the holder's option be:
  - (i) convertible at any time on the basis of 8 new ordinary shares for every £1 nominal convertible loan stock;
  - or
  - (ii) redeemable after 9 November 1996 at the rate of £1 per £1 nominal of convertible loan stock subject to a maximum of £1,180,000.
- (d) The convertible loan stock will become freely transferable.

In the opinion of the directors, the convertible loan stock should be treated as shareholders' funds. This view is based on the terms of the convertible loan stock detailed above, in particular that only £1,180,000 of the nominal £2,700,000 can be redeemed at the stockholders' option and the directors' expectations that, due to the continued improved performance of the Group, it is prudent to assume that the remaining stockholders will ultimately invoke their option to convert.

The directors are however mindful of the requirements of the Companies Act, Financial Reporting Standard No.4 and current practice and have therefore included the convertible loan stock as part of creditors due after more than one year.

## Notes to the Financial Statements

*continue*

### **25. Pensions**

Following completion of the acquisition of the component companies and Cableform during the previous financial year, the Company is in the process of setting up a group defined benefit pension scheme to accommodate the employees of these companies who were members of such a scheme at the date of acquisition. At the relevant dates the Company was advised by independent actuaries that the proposed transfer values from both schemes represented amounts that would fully fund past service benefits for those employees.

British Syphon Industries operates a group contracted-out defined benefit scheme, contributions to which are administered externally and the assets of which are held separately by professional investment managers. The scheme is funded by contributions from members at 5% of pensionable salary and by contributions from participating companies at rates recommended by an independent actuary. The last triennial actuarial valuation was carried out as at 6 April 1993 using the projected unit method. The principal assumptions on a continuing prospective rights basis used by the actuary in his valuation were an investment return of 9% p.a., salary increases of 7.5% p.a. and dividend growth of 4.25% p.a. The market value of the assets as at the valuation date was £16,974,000 and their actuarial value on a discounted income basis was £16,693,000, which exceeded the value of the liabilities and represented 101% of the benefits that had accrued to members after allowing for expected future salary increases.

The amount charged to the Profit and Loss account is £508,000 (1993: £62,000). In view of the fact that the proposed transfer values from the component companies and Cableform members benefits and the actuarial valuation of the British Syphon Industries scheme, indicate that current contributions are fully funding the Group's pension liabilities to its employees, the Directors do not consider that any prepayment or provision is required to recognise differences between amounts of the regular cost of pension contributions and the amounts funded or paid directly. This matter will be reviewed further when the new Group pension scheme is established.

## Notes to the Financial Statements

*continued***26. Acquisitions and Disposals****Acquisitions**

On 15 November 1993 the Group acquired the whole of the ordinary and preference share capital of British Syphon Industries plc (BSI). The fair values of assets acquired, the goodwill arising and the fair value of the consideration paid are summarised as follows:

	Net tangible assets acquired	Fair value adjustments	Fair value of assets
	£'000	£'000	£'000
Fixed assets	3,446	(138)	3,308
Stock	2,697	(2)	2,695
Debtors	7,271	-	7,271
Cash and cash equivalents	9,119	-	9,119
Creditors	(10,105)	(795)	(10,900)
Provision for liabilities and charges (note 19)	(226)	-	(226)
Corporation tax	540	-	540
Minority Interest	(743)	-	(743)
	11,999	(935)	11,064
Goodwill acquired			23,323
Total fair value of consideration			<u>34,387</u>
Discharged by:			
Issue of 5p ordinary shares (including share premium)			1,269
Issue of 25p convertible preference share at fair value (including share premium)			5,699
Cash - financed from rights issue of shares			18,414
- financed from bank loan			9,005
			<u>34,387</u>

The fair value adjustments comprise a write-down of property to net realisable value and other provisions.

The goodwill of £23,323,000 relates to acquisition of core businesses and has been written off to reserves (note 21).

The profit after taxation of BSI for the year ended 31 December 1992 was £4,190,000 including interest receivable of £3,097,000. The profit after taxation of BSI for the subsequent period to the date of acquisition on 15 November 1993 was £754,000, after charging £660,000 of abortive acquisition costs.



## Notes to the Financial Statements

*continued***Disposals**

The subsidiary undertakings disposed of during the year were G A Stadler & Co Ltd on 16 November 1993 and Arnold Belford Ltd on 30 June 1994.

In addition the Group disposed of the net assets and trade of Gainsborough Flowers (Porth) Ltd on 16 August 1993 and the assets of the Maynard Arms Hotel, held in Parmigan Hotels Ltd. on 29 March 1994.

The aggregate net assets disposed of were as follows:

	Sales of subsidiaries' share capital £'000	Sales of subsidiaries' assets £'000
Fixed assets	31	785
Stocks	392	495
Debtors	659	160
Bank balance	378	-
Creditors	(720)	(318)
Goodwill	811	-
	1,551	1,122
Profit/(loss) on disposal	335	(250)
	1,886	872
Satisfied by:		
Cash received (net of costs of disposal)	1,772	72
Deferred consideration	114	800
	1,886	872
Net cash inflows:		
Cash consideration	1,772	72
Bank balance of subsidiary sold	(378)	-
	1,394	72

The businesses sold during the year did not contribute materially to Group cash flows except as indicated above.

## Five Year Statement

	1993/94	1992/93	1991/92 (as restated)	1990/91 (as restated)	1989/90 (as restated)
	£'000	£'000	£'000	£'000	£'000
Turnover	36,151	9,921	3,261	4,519	4,935
Profit/(loss) on ordinary activities before taxation	4,131	200	(736)	(2,665)	(311)
Taxation on ordinary activities	(844)	-	(87)	1	12
Profit/(loss) on ordinary activities after taxation	3,287	200	(744)	(2,664)	(299)
Extraordinary items	-	-	-	(481)	(469)
Dividends	(935)	-	-	-	(25)
Retained profit/(loss) for the year	2,352	200	(744)	(3,145)	(793)
Earnings/(loss) per ordinary share	1.45p	0.57p	(5.07p)	(22.92p)	(3.06p)
Fixed assets	7,832	5,905	2,615	2,773	4,742
Current assets less current and deferred liabilities and deferred income	(1,011)	(4,172)	(1,893)	(1,283)	(1,120)
Provision for liabilities and charges	(1,066)	(665)	-	-	(26)
Net assets	5,755	1,068	722	1,490	3,596
Convertible loan stock	(2,700)	(3,250)	-	-	-
Minority interests	(743)	-	-	-	-
	2,312	(2,182)	722	1,490	3,596

## Notice of Annual General Meeting

Notice is hereby given that the one hundred and fourth Annual General Meeting of Graystone PLC will be held at the Institute of Directors, Pall Mall, London on Wednesday 23 November 1994 at 10.30am to transact the following business.

### Ordinary Business

1. To receive the accounts for the year ended 30 June 1994 together with the reports of the directors and auditors.
2. To declare a final dividend of 0.14p per ordinary 5p share.
3. To re-elect Mr W A McClure, a director retiring by rotation.
4. To re-appoint Mr R J J Wickham as a director.
5. To re-appoint Ernst & Young as auditors and to authorise the directors to fix their remuneration.

### Special Business

6. To consider and, if thought fit, pass the following Resolution as a Special Resolution.

(a) THAT in substitution for all existing authorities, the directors be generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 (as amended) (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of the authorised but unissued share capital of the Company at the date of passing of this Resolution for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) 15 months after the date of passing of this Resolution or at the conclusion of the next annual general meeting following the passing of this Resolution, whichever first occurs, but the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the directors may allot relevant securities in pursuance of that offer or agreement;

(b) THAT in substitution for all existing authorities, the directors be empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) pursuant to the authority conferred upon them by paragraph (a) of this Resolution as if section 89(1) of the Act did not apply to any such allotment PROVIDED THAT such power:-


(i) expires 15 months after the date of passing of this Resolution or at the conclusion of the next annual general meeting following the passing of this Resolution, whichever first occurs, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this authority and the directors may allot securities in pursuance of that offer or agreement; and

(ii) is limited to allotments of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company and, if in accordance with their rights the directors so determine, holders of other securities of any class made in proportion (as nearly as may be) to their existing holdings of ordinary shares or (as the case may be) other equity securities of the class concerned (so that any offer to holders of other equity securities of any class shall be on the basis of their rights to receive such offer and, failing which, shall be on the basis that their holdings had been converted into or that they had subscribed for ordinary shares on the basis then applicable) but subject to the directors having a right to make such exclusions or other arrangements in connection with the offering as they deem necessary or expedient to deal with equity securities representing fractional entitlements and to deal with legal or practical problems under the laws of, or the requirements of any recognized regulatory body or any stock exchange in any territory; and

## Notice of Annual General Meeting

continued

and is limited to all transactions of equity securities for cash otherwise than pursuant to paragraph (b) above up to an aggregate nominal value not exceeding £637,482 representing 7% of the issued ordinary share capital.

  
By order of the Board  
J. M. Yates  
Secretary

10 October 1994

Registered Office,  
Emerson Court,  
Alderley Road,  
Wilmslow, Cheshire  
SK9 1NX

### Notes:

1. Holders of preference shares are not entitled to attend or vote at this meeting. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his place. A proxy need not be a member of the Company.
2. The following documents will be available for inspection at the registered office of the Company during usual business hours (Saturdays excepted), from the date of the notice until the date of the annual general meeting, and also during and at least fifteen minutes before the start of the meeting:
  - (a) The register of directors' interests and transactions;
  - (b) Copies of the Memorandum and Articles of Association of the Company;
  - (c) Copies of all directors' service contracts with the Company or any of its subsidiaries of more than one year's duration.

## Report of the Auditors

*to the members of Graystone PLC*

We have audited the accounts on pages 16 to 43, which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of the accounting policies set out on pages 22 and 23.

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

As described on page 14 the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

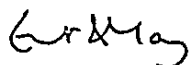
### **Basis of opinion**

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 Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which 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 of the Group as at 30 June 1994 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Chartered Accountants  
Registered Auditor  
Manchester

10 October 1994

# Graystone

## Consolidated Profit and Loss Account

For the twelve months ended 30 June 1994

	Note	1994 £'000	1993 £'000
<b>Turnover</b>			
Continuing operations		16,888	8,977
Acquisitions		17,252	-
		34,140	8,977
Discontinued operations		2,011	944
	2/3	36,151	9,921
<b>Operating costs</b>	4	(31,849)	(9,376)
<b>Operating profit/(loss)</b>			
Continuing operations		1,983	714
Acquisitions		2,142	-
		4,125	714
Discontinued operations		177	(169)
<b>Operating profit</b>	3	4,302	545
Profit on sale of fixed asset investment	13	450	-
Profits on sale of discontinued operations	26	335	-
Losses on sales of discontinued operations		(1,013)	-
Less 1992/93 provision		763	(763)
	26	(250)	-
<b>Profit/(loss) on ordinary activities before interest</b>		4,837	(218)
Interest payable	7	(1,077)	(517)
Interest receivable	7	371	-
Profit on early redemption of loan stock	24	-	935
<b>Profit on ordinary activities before taxation</b>		4,131	200
Tax on profit on ordinary activities	8	(844)	-
<b>Profit for the year after taxation and before dividends</b>		3,287	200
Dividends - equity shares		(650)	-
non-equity shares		(285)	-
	9	(935)	-
<b>Retained profit for the year</b>	21	2,352	200
<b>Earnings per share</b>	10	1.45p	0.57p
<b>Earnings per share fully diluted</b>	10	1.26p	0.54p

A statement of the movements on reserves is given in note 21.

## Consolidated Balance Sheet

30 June 1994

	Note	30 June 1994 £'000	30 June 1993 £'000
<b>Fixed assets</b>			
Intangible assets	11	-	-
Tangible assets	12	7,832	5,905
Investments	13	-	-
		<b>7,832</b>	<b>5,905</b>
<b>Current assets</b>			
Stocks	14	5,227	4,039
Debtors: Amounts falling due within one year	15	9,708	3,877
Amounts falling due after more than one year	15	871	-
Cash at bank and in hand		2,374	101
		<b>18,180</b>	<b>8,017</b>
<b>Creditors: Amounts falling due within one year</b> <b>(including convertible loan stock)</b>	<b>16</b>	<b>15,534</b>	<b>7,888</b>
<b>Net current assets</b>		<b>2,646</b>	<b>129</b>
<b>Total assets less current liabilities</b>		<b>10,478</b>	<b>6,034</b>
<b>Creditors: Amounts falling due after more than one year</b> <b>(including convertible loan stock)</b>	<b>17</b>	<b>6,357</b>	<b>7,551</b>
<b>Provisions for liabilities and charges</b>	<b>19</b>	<b>1,066</b>	<b>665</b>
<b>Minority interests – non-equity shares</b>		<b>743</b>	<b>-</b>
<b>Capital and reserves</b>			
Called-up share capital – equity shares	20	13,950	4,783
– non-equity shares	20	2,387	1,113
		<b>16,337</b>	<b>5,896</b>
Share premium account	21	14,687	4,935
Other reserves	21	1,080	224
Profit and loss account	21	(29,792)	(13,237)
<b>Total shareholders' funds</b>		<b>2,312</b>	<b>(2,182)</b>
		<b>10,478</b>	<b>6,034</b>

R. E. Richardson

M. A. Fawcett

10 October 1994



# Graystone

## Balance Sheet

30 June 1994

	Note	30 June 1994 £'000	30 June 1993 £'000
<b>Fixed assets</b>			
Tangible assets	12	219	266
Investments	13	51,657	17,287
		51,876	17,553
<b>Current assets</b>			
Debtors: Amounts falling due within one year	15	6,023	653
Amounts falling due after more than one year	15	85	-
Cash at bank and in hand		163	1,460
		6,271	2,113
<b>Creditors: Amounts falling due within one year (including convertible loan stock)</b>	16	20,089	5,325
<b>Net current liabilities</b>		(13,818)	(3,212)
<b>Total assets less current liabilities</b>		38,058	14,341
<b>Creditors: Amounts falling due after more than one year (including convertible loan stock)</b>	17	5,976	7,354
<b>Capital and reserves</b>			
Called-up share capital	20	16,537	5,896
Share premium account	21	14,687	4,935
Other reserves	21	955	-
Profit and loss account	21	103	(3,844)
<b>Total shareholders' funds</b>		32,082	6,987
		38,058	14,341

R E Richardson

M A Fawcett

10 October 1994

## Statement of Total Recognised Gains and Losses

	1994 £'000	1993 £'000
Profit for the year attributable to shareholders of the Company	3,287	200
Provision for diminution in value of revalued assets	(100)	—
Exchange differences – overseas subsidiaries	(24)	—
Expenses of issuing shares	(938)	—
Total recognised gains and losses relating to the year	<u>2,225</u>	<u>200</u>

## Consolidated Cash Flow Statement

*For the twelve months ended 30 June 1994*

	1994 £'000	1993 £'000
<b>Net cash inflow from operating activities</b>	<b>4,895</b>	<b>1,283</b>
<b>Returns on investments and servicing of finance</b>		
Interest paid	(992)	(517)
Interest received	339	-
Dividends paid	(557)	-
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(1,210)</b>	<b>(517)</b>
Taxation paid	(8)	(15)
<b>Investing activities</b>		
Payments to acquire tangible fixed assets	(647)	(424)
Receipts from sales of tangible fixed assets	474	34
Receipts from sales of fixed asset investments	450	-
Receipts from sales of subsidiary undertakings, net of cash transferred	1,466	-
Payments to acquire subsidiary undertakings, net of cash acquired	(18,300)	(7,036)
<b>Net cash outflow from investing activities</b>	<b>(16,557)</b>	<b>(7,426)</b>
<b>Net cash outflow before financing</b>	<b>(12,880)</b>	<b>(6,675)</b>
<b>Financing</b>		
Rights issue of ordinary share capital, less issue costs	(17,475)	(5,479)
Proceeds from new borrowings	(10,163)	(2,000)
Convertible loan stock repaid	2,080	-
Repayment of loans	8,739	28
Net repayments/(obligations) under finance leases	123	(208)
<b>Net cash inflow from financing</b>	<b>(16,696)</b>	<b>(7,659)</b>
<b>Increase in cash and cash equivalents</b>	<b>3,816</b>	<b>984</b>
	<b>(12,880)</b>	<b>(6,675)</b>

## Consolidated Cash Flow Statement

*For the twelve months ended 30 June 1994 continued*

	1994 £'000	1993 £'000
<b>Cash and cash equivalents</b>		
Cash at bank and in hand		
Opening balance	101	61
Change in year	2,273	40
Closing balance	2,374	101
<b>Bank overdrafts</b>		
Opening balance	(1,543)	(2,487)
Change in year	1,543	944
Closing balance	—	(1,543)
<b>Total cash and cash equivalents</b>		
Opening balance	(1,442)	(2,426)
Change in year	3,816	984
Closing balance	2,374	(1,442)
<b>Reconciliation of operating profit to net cash inflow from operating activities:</b>		
Operating profit	4,302	545
Depreciation of tangible fixed assets	763	325
Loss on disposal of tangible fixed assets	13	—
Amortisation of goodwill	—	45
Exchange differences	(24)	—
Fair value provision movements	(752)	—
(Increase)/decrease in stocks	622	231
(Increase)/decrease in debtors	1,859	(224)
Increase/(decrease) in creditors	(1,888)	361
Net cash inflow from operating activities	4,895	1,283
<b>Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings:</b>		
Cash consideration	(27,419)	(6,418)
Cash at bank and in hand acquired	9,119	262
Bank overdrafts of acquired subsidiary undertakings	—	(880)
Net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings	(18,300)	(7,036)

## Notes to the Financial Statements

*Twelve months ended 30 June 1994*

### **1. Accounting Policies**

#### **(a) Accounting convention**

The accounts are prepared under the historical cost convention, modified by the revaluation of certain freehold properties. The accounts are prepared in accordance with applicable accounting standards.

#### **(b) Basis of consolidation**

The consolidated accounts incorporate the accounts of the Company and each of its subsidiary undertakings for the year ended 30 June. Except as stated in the notes to the accounts, the results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated profit and loss account from or up to the effective date of acquisition or disposal.

#### **(c) Leased assets**

Assets held under leasing arrangements that give rights approximating to ownership are capitalised as finance leases. The amount capitalised is the present value of the minimum payments payable during the term of each lease. The corresponding leasing commitments are included in creditors. The interest element of the rental obligations is charged to the profit and loss account using the annuity method.

Rentals in respect of all other leases are charged to the profit and loss account on a straight line basis over the lease term.

#### **(d) Depreciation**

Freehold and long leasehold land is not depreciated. Depreciation on other assets is calculated to write off the cost or valuation on a straight line basis over the estimated useful lives, at the following rates:

- Freehold buildings: 50 years
- Short leasehold property: over period of lease
- Plant and equipment: 4 – 15 years
- Motor vehicles: 4 – 5 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or the periods of the leases where these are shorter.

## Notes to the Financial Statements

*continued*

### **(e) Government grants**

Governments grants towards capital expenditure are treated as deferred income and are credited to the profit and loss account annually on the same basis as that on which the relevant asset is depreciated. Government grants towards revenue expenditure are credited to the profit and loss account at the time that the expenditure is incurred or on the date of receipt if later.

### **(f) Stocks and work in progress**

Stocks are valued at the lower of cost, on a first in first out basis, and net realisable value after making due allowance for any obsolete or slow moving items. In the case of finished goods and work in progress, cost comprises direct materials, direct labour and an appropriate proportion of production overheads.

### **(g) Deferred taxation**

Provision is made for deferred taxation, using the liability method, on all timing differences to the extent that it is probable that the liability will crystallise.

### **(h) Pension benefits**

Pension benefits are funded over the employees periods of service. The Company's contributions to certain personal pension policies are charged to the profit and loss account as incurred. With regard to the pension schemes of recently acquired companies, the position is outlined in note 25 of the accounts.

### **(i) Goodwill**

Purchased goodwill is written off immediately to reserves in the case of acquisitions of businesses which form part of the Group's core activities. Goodwill relating to businesses not regarded as forming part of the Group's core activities is amortised through the profit and loss account over the directors' estimate of its useful life.

### **(j) Foreign currency translation**

On consolidation, foreign currency values in the profit and loss accounts of overseas subsidiaries are translated into sterling at the average rate of exchange ruling throughout the period. Foreign currency values in the balance sheets of overseas subsidiary companies are translated at the rates of exchange ruling at the balance sheet date. The difference between the average rate and closing rate for the profit and loss account is taken to reserves.

## **2. Turnover**

Turnover comprises the invoiced value of goods and services supplied by the Group exclusive of VAT and intra-group transactions.

## Notes to the Financial Statements

*continued***3. Segmental Information**

Following the introduction of the five operating divisions the directors recognise that the segmental information should be changed to reflect the new reporting structure of the Group. Accordingly the information below is analysed by division and prior year information restated.

An analysis of turnover, operating profit and net assets by division and by geographical location is given below:

	1994			1993		
	Turnover £'000	Profit £'000	Net Assets £'000	Turnover £'000	Profit £'000	Net Assets £'000
<b>Division</b>						
Electrical Engineering	11,621	1,714	4,127	3,729	229	4,235
Mechanical Engineering	5,197	415	2,775	2,650	29	2,449
Distribution	12,680	1,037	1,832	-	-	-
Equipment	4,399	866	(124)	471	54	100
North American	1,469	199	334	370	14	497
Non-core Activities	1,315	(184)	1,149	2,701	(337)	2,622
Head office & unallocated	-	255	(677)	-	556	(2,945)
Inter-division sales	(530)	-	-	-	-	-
	<u>36,151</u>	<u>4,302</u>	<u>9,416</u>	<u>9,921</u>	<u>545</u>	<u>6,958</u>
<b>Geographical location by origin</b>						
United Kingdom	35,212	4,177	9,082	9,551	527	6,461
North America	1,469	125	334	370	18	497
Inter-division sales	(530)	-	-	-	-	-
	<u>36,151</u>	<u>4,302</u>	<u>9,416</u>	<u>9,921</u>	<u>545</u>	<u>6,958</u>
	1994 Turnover £'000			1993 Turnover £'000		
<b>By destination</b>						
United Kingdom	31,040			8,924		
Europe	2,322			339		
Far East & Middle East	288			-		
North America	1,616			-		
Rest of the World	885			658		
	<u>36,151</u>			<u>9,921</u>		



## Notes to the Financial Statements

*continued***Reconciliation of net operating assets to total net assets**

	1994 £'000	1993 £'000
Net operating assets as above	9,416	6,958
Cash at bank and in hand	2,374	101
Corporation tax – Debtor	1,086	–
Deferred consideration	886	–
Corporation tax – Creditor	(1,709)	–
Finance leases and hire purchase	(312)	(264)
Proposed dividend	(378)	–
Loans	(8,308)	(8,977)
	3,055	(2,182)
Minority interests	(743)	–
	<u>2,312</u>	<u>(2,182)</u>

**4. Operating Costs**

	1994 £'000	1993 £'000
Changes in stocks of finished goods and work in progress	(1,203)	(48)
Raw materials and consumables	18,191	3,960
Employee costs (note 5)	10,624	3,372
Depreciation	763	325
Other operating expenses	3,474	1,767
	<u>31,849</u>	<u>9,376</u>

Included in the above are operating costs relating to acquisitions of £15,110,000 including raw materials and consumables of £9,855,000, employee costs of £4,191,000, depreciation of £246,000 and other operating expenses of £818,000.

Operating costs relating to discontinued operations amount to £1,834,000 (1993: £1,113,000), including raw materials and consumables of £1,017,000 (1993: £409,000) employee costs of £238,000 (1993: £461,000), depreciation of £3,000 (1993: £41,000) and other operating expenses of £576,000 (1993: £202,000).

## Notes to the Financial Statements

*continued*

Operating costs are stated after charging:

	1994 £'000	1993 £'000
Amortisation of goodwill	-	45
Hire of plant, equipment and vehicles under operating leases	209	16
Leasehold property rents	68	104
Auditors' remuneration - audit fees	130	93

Fees payable to Ernst & Young for non-audit services for 1994 were £196,000 (1993: £195,000).

### 5. Staff Costs and Numbers

	1994 £'000	1993 £'000
Wages	9,310	3,036
Social security costs	806	274
Other pension costs	508	62
	<u>10,624</u>	<u>3,372</u>

The average number of persons employed by the Group during the year, including directors, was as follows:

	Number	Number
Management and administration	153	73
Production	418	229
Sales	42	14
	<u>613</u>	<u>316</u>

## Notes to the Financial Statements

*continued*

### 6. Emoluments of Directors

	1994 £'000
Fees	52
Other emoluments (including pensions and contributions):	
Basic salaries	487
Benefits	44
Performance related bonuses	137
Compensation for loss of office	112
Pension contributions	65
	<hr/> 897

The total remuneration payable to directors includes £155,000 in respect of payments to former directors who resigned during the year and £112,000 relating to their payments for compensation for loss of office.

Two of the directors are also divisional managing directors with line management responsibility for their respective divisions where they spend the majority of their time. Included in total directors' remuneration is an amount of £167,000 relating to their costs.

The emoluments of the Chairman being also the highest paid director are as follows:

	1994 £'000
Fees	—
Salary	102
Benefits	6
	<hr/> 108
Performance related bonus	40
	<hr/> 148
Pension contributions	14
	<hr/> 162

The total directors' remuneration for 1993 was £315,000 and the Chairman and highest paid director in 1993 received £72,000.

Directors emoluments includes £52,000 (1993: £126,000) paid to third parties for the services of three (1993: two) directors.

## Notes to the Financial Statements

*continued*

The emoluments (excluding pension contributions) of the directors fell within the following ranges:

	1994 Number of Directors	1993 Number of Directors
£Nil to £5,000	1	—
£10,001 to £15,000	1	1
£15,001 to £20,000	—	1
£20,001 to £25,000	—	1
£26,001 to £35,000	—	3
£36,001 to £45,000	1	1
£46,001 to £55,000	2	—
£56,001 to £65,000	1	—
£66,001 to £75,000	2	—
£76,001 to £85,000	1	—
£86,001 to £95,000	1	—
£96,001 to £105,000	1	—
£106,001 to £115,000	1	—
£116,001 to £125,000	1	—

The number of directors and emoluments includes the two divisional managing directors and the emoluments and compensation for loss of office of the three former directors referred to on page 27.

**7. Interest Payable and Receivable**

	1994 £'000	1993 £'000
<i>Interest payable</i>		
Bank loans, overdrafts and other loans repayable within 5 years	782	332
Other loans	145	5
Convertible loan stock	127	172
Finance lease charges	23	8
	<hr/> 1,077	<hr/> 517
<i>Interest receivable</i>		
On cash deposits	317	—
Other	54	—
	<hr/> 371	<hr/> —

**8. Taxation**

	1994 £'000	1993 £'000
The charge based on the profit for the year comprises:		
Corporation tax at 33% (1993: 33%)	965	—
Deferred taxation	(121)	—
	<hr/> 844	<hr/> —

The tax charge for the year has been reduced by utilising capital losses on the disposal of investments and trading losses brought forward.

## Notes to the Financial Statements

*continued***9. Dividends**

	1994 £'000	1993 £'000
Ordinary – equity shares	650	–
Preference – non-equity shares	285	–
	<u>935</u>	<u>–</u>

**10. Earnings Per Ordinary Share**

The calculation of earnings per share is based on the profits on ordinary activities, after taxation and preference share dividends, of £3,026,000 (1993: £200,000). The weighted average number of shares in issue during the year was 208,311,222 (1993: 34,920,756). On a fully diluted basis, the earnings were £3,414,000 and the number of shares in issue during the year was 271,912,974 (1993: 69,397,463).

**11. Intangible Fixed Assets**

	Goodwill £'000
<b>Group</b>	
<i>Cost</i>	
At 30 June 1993	3,269
Disposal	(3,269)
At 30 June 1994	–
<i>Amortisation</i>	
At 30 June 1993	3,269
Disposal	(3,269)
At 30 June 1994	–
<i>Net book amounts</i>	
At 30 June 1994 and 30 June 1993	<u>–</u>

The goodwill disposed of during the year relates to the business of Gainsborough Flowers (Porth) Ltd (note 26).

# Notes to the Financial Statements

*continued*

## 12. Tangible Fixed Assets

Group	Freehold land and buildings £'000	Long leasehold property £'000	Short leasehold property £'000	Plant, equipment and vehicle £'000	Total £'000
<i>Cost or valuation</i>					
At 30 June 1993	3,556	-	950	8,323	12,829
Exchange differences	11	-	-	(6)	5
Relating to acquisitions	1,490	843	278	3,621	6,232
Additions	7	3	-	636	646
Disposals	(722)	-	(502)	(1,020)	(2,244)
At 30 June 1994	4,342	846	726	11,554	17,468
<i>Depreciation</i>					
At 30 June 1993	394	-	343	6,187	6,924
Exchange differences	7	-	-	(5)	2
Relating to acquisitions	145	69	78	2,494	2,786
Charge for year	175	14	45	629	863
Relating to disposals	(72)	-	(188)	(679)	(939)
At 30 June 1994	649	83	278	8,626	9,636
<i>Net book amounts</i>					
At 30 June 1994	3,693	763	448	2,928	7,832
At 30 June 1993	3,162	-	607	2,136	5,905

## Notes to the Financial Statements

*continued*

	Plant, equipment and vehicles £'000
<b>Company</b>	
<i>Cost</i>	
At 30 June 1993	289
Additions	90
Disposals	(73)
At 30 June 1994	<u>306</u>
<i>Depreciation</i>	
At 30 June 1993	23
Charge for year	76
Disposals	(12)
At 30 June 1994	<u>87</u>
<i>Net book amounts</i>	
At 30 June 1994	219
At 30 June 1993	<u>266</u>

At the start of the year freehold land and buildings included £683,000, less accumulated depreciation of £40,000, representing the professional valuation of a hotel property on an open market for existing use basis as at 30 June 1989. Due to current market conditions in the Hotel Industry the directors have decided to recognise a fall in book value of £100,000 in the previously revalued hotel property and therefore this amount has been transferred to revaluation reserve (note 21). If the property had not been revalued it would have been carried in the consolidated balance sheet at 30 June 1994 at a cost of £554,000 (1993: £578,000) less accumulated depreciation of £56,000 (1993: £44,000).

The net book amounts of plant, equipment and vehicles for the Group and Company include £251,000 (1993: £311,000) and £173,000 (1993: £243,000), respectively, in respect of leased assets.

The value of land included in freehold land and buildings for the Group at 30 June 1994 amount to £937,000 (1993: £637,000).

### 13. Fixed Asset Investments

	Group		Company	
	30 June 1994	30 June 1993	30 June 1994	30 June 1993
	£'000	£'000	£'000	£'000
Cost at 30 June 1993	-	178	20,165	4,482
Additions	-	-	34,531	15,683
Disposals	-	(178)	(161)	-
Provisions	-	-	(2,878)	(2,878)
Net book amount at 30 June 1994	-	-	<u>51,657</u>	<u>17,287</u>

## Notes to the Financial Statements

*(continued)*

The subsidiary undertakings at 30 June 1994 which have traded during the year were:

Principal subsidiary undertakings by division	Principal activity
<b>Electrical Engineering</b>	
BMAC Ltd <sup>a</sup>	Transportation lighting equipment manufacturer
Cableform Ltd <sup>a</sup>	Lighting products, controls and electrical equipment
Greenspear Products Ltd	Hearing equipment for horticultural products
H A Birch & Company Ltd <sup>a</sup>	Electrical elements, resistors and transformers
<b>Mechanical Engineering</b>	
Airtastic Engineering (UK) Ltd <sup>a</sup>	Precision engineering
Portobello Fabrications Ltd	Metal fabricator
Thomas Eaves Ltd <sup>a</sup>	Cold forged steel and brass fasteners
<b>Distribution</b>	
Bell Autoparts Ltd	Automotive parts distributor
Data-Label Ltd	Self-adhesive label and labelling machine distributor
M & F Components Ltd	Automotive accessories and spares distributor
R P Whitehead Ltd	Packaging materials distributor
Van-Line Ltd	Automotive and industrial consumables distributor
<b>Equipment</b>	
Campden Instruments Ltd	Laboratory equipment and instruments
Flowcool Systems Ltd	Temperature control equipment manufacturer
Parking Equipment and Services Ltd	Car parking and security systems supplier
<b>North American</b>	
Cableform Inc.	Electrical equipment
<b>Non-core Activities</b>	
Mary Ford Publications Ltd <sup>a</sup>	Book publisher
Parmigan Hotels Ltd <sup>a</sup>	Hotels
<b>Head Office</b>	
British Syphon Industries Ltd <sup>a</sup>	Industrial holding company
Marshall's Universal PLC	Industrial holding company

All the above companies are registered in England and Wales and based in the United Kingdom, except for Cableform Inc., which is registered in the State of Delaware and trades in the USA.

<sup>a</sup> Direct subsidiaries of the parent undertaking, Graystone PLC.

The parent undertaking or its subsidiary undertakings own 100% of the ordinary and preference issued share capitals of the above undertakings, with the exception of Marshall's Universal PLC in which 31.3% of the preference shares are held by others.

Additions to Group fixed asset investments comprise trade investments acquired at nil cost that were disposed of before 30 June 1994 at an aggregate profit of £450,000.

Details of acquisitions and disposals during the year are included in note 26.

All of the above subsidiary undertakings have been included in the consolidated accounts. Road Signs-Franco Ltd was acquired with BSI and the Group had no intention of retaining it within the Group. Accordingly, its results have not been consolidated.



## Notes to the Financial Statements

*continued***14. Stocks**

	Group	
	30 June 1994	30 June 1993
	£'000	£'000
Raw materials and consumables	2,022	2,037
Work in progress	1,230	1,118
Finished goods	1,975	884
	<u>5,227</u>	<u>4,039</u>

**15. Debtors**

	Group		Company	
	30 June 1994	30 June 1993	30 June 1994	30 June 1993
	£'000	£'000	£'000	£'000
Trade debtors	7,631	3,438	-	-
Amounts owed by subsidiary undertakings	-	-	5,146	388
Other debtors	502	335	403	247
Prepayments and accrued income	446	91	149	5
Corporation tax recoverable	1,086	13	296	13
Deferred consideration for sale of operations of subsidiary undertakings	914	-	114	-
	<u>10,579</u>	<u>3,877</u>	<u>6,108</u>	<u>653</u>

Included in Group and Company other debtors at 30 June 1994 is an amount of £270,000 (1993: £247,000) representing the cost value of fish and cages, including associated legal costs, lost in the storms in the winter of 1988/89. Arising out of this incident the Group has issued legal proceedings for the loss of fish and cages, and compensation for loss of profits totalling in excess of £300,000. The board has been advised that there are good prospects of recovery of the amounts claimed.

The Group's deferred consideration for sale of operations of subsidiary undertakings at 30 June 1994 includes approximately £871,000 (Company: £85,000) that will not be received for more than twelve months under the respective terms of sale agreed with the purchasers.

## Notes to the Financial Statements

*continued***16. Creditors: Amounts Falling Due Within One Year**

	Group		Company	
	30 June 1994 £'000	30 June 1993 £'000	30 June 1994 £'000	30 June 1993 £'000
Convertible loan stock (note 24)	-	2,080	-	2,080
Bank overdrafts (secured)	-	1,543	1,069	-
Bank loans (secured)	1,559	-	1,554	-
Other loans (note 17)	527	27	500	-
Trade creditors	7,522	2,473	506	572
Amounts owed to subsidiary undertakings	-	-	15,747	2,233
Other taxation and social security	1,247	440	29	9
Other creditors and accruals	2,414	1,182	113	348
Obligations under finance leases (note 18)	178	120	63	83
Corporation tax	1,709	23	130	-
Proposed dividend	378	-	378	-
	<b>15,534</b>	<b>7,888</b>	<b>20,089</b>	<b>5,325</b>

**17. Creditors: Amounts Falling Due After More Than One Year**

	Group		Company	
	30 June 1994 £'000	30 June 1993 £'000	30 June 1994 £'000	30 June 1993 £'000
Convertible loan stock (note 24)	2,700	3,250	2,700	3,250
Bank loans (secured)	1,891	2,000	1,733	2,000
Other loans	1,631	2,157	1,500	2,000
Obligations under finance leases (note 18)	135	144	43	104
	<b>6,357</b>	<b>7,551</b>	<b>5,976</b>	<b>7,354</b>

The bank loans at 30 June 1994 comprise:

- (i) a loan of £2,000,000 repayable in monthly instalments over 6 years from July 1994. Interest is payable at 2.5% per annum over bank base rate (minimum 8.5% per annum). The loan is secured by a fixed and floating charge on the assets of the Group;
- (ii) a US dollar loan of £163,000 (\$250,000) repayable in monthly instalments over 15 years from August 1994. Interest is payable at 9.5% per annum. The loan is secured by a fixed charge on the assets of the borrowing subsidiary undertakings, and
- (iii) a revolving credit loan of £1,287,000 repayable within one year.

The other loans at 30 June 1994 comprise:

- (i) an unsecured loan of £2,000,000 to Fisher Karpark Holdings Limited, a subsidiary of FKI plc, repayable in four annual instalments from March 1995. Interest is payable at 6% per annum.
- (ii) a loan of £158,000 from a brewery over 10 years. Interest is payable at 2% per annum. The loan is secured by a fixed charge on a hotel property.