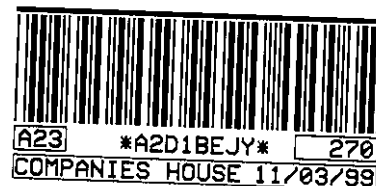


272643

HAMMOND & CHAMPNESS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 1998



***Saffery Champness***

CHARTERED ACCOUNTANTS

# HAMMOND & CHAMPNESS LIMITED

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COMPANY INFORMATION

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DIRECTORS

G Elliot	- Chairman
E L Jones	- Managing Director
H Prahl	
A J Sunderland	
J J Wright	

SECRETARY

C E Newman

REGISTERED OFFICE

Traffic Street  
Nottingham  
NG2 1NF

REGISTERED NUMBER

272643

REGISTERED AUDITORS

Saffery Champness  
Fairfax House  
Fulwood Place  
Gray's Inn  
London  
WC1V 6UB

DIRECTORS' REPORT

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The directors present their annual report and audited financial statements for the year ended 30 September 1998. Comparative figures are for the nine months ended 30 September 1997.

## DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, 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 financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## PRINCIPAL ACTIVITIES

The principal activities of the company are the installation, servicing and repair of lifts.

## REVIEW OF THE BUSINESS

During the year the company was acquired by Thyssen Aufzüge Limited. In the year the company returned to profit through substantial reduction in overheads.

## RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £1,815,000 (1997: Loss - £1,973,000). No dividends were paid during the period (1997: £10,521,000). The directors do not propose the payment of a final dividend (1997: £Nil).

## DIRECTORS AND DIRECTORS' INTERESTS

The directors named on page 1 held office throughout the year together with D Farber who resigned on 9 September 1998.

None of the directors or their families had any interests in the share capital of the company.

## DISABLED PERSONS

The company's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities.

DIRECTORS' REPORT (continued)

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EMPLOYEE INVOLVEMENT

The company keeps its employees well informed about the progress and position of the company.

YEAR 2000

The company has undertaken a review of its computer systems to ensure they are able to operate effectively after 31 December 1999. Those systems that are not compliant are expected to be replaced in the early part of 1999 as part of the company's normal replacement policy. An ongoing review also covers third parties from whom the company receives services. It is anticipated that the review will be substantially complete by the end of the current financial year. New installations installed by the company are millennium compliant, and existing installations are being assessed and modified at the customer's request.

The cost to the company in dealing with the Year 2000 date change is not expected to be material.

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of Saffery Champness as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



C E Newman  
Secretary

15 January 1999

REPORT OF THE AUDITORS TO THE SHAREHOLDERS

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We have audited the financial statements on pages 5 to 13.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the directors' report on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

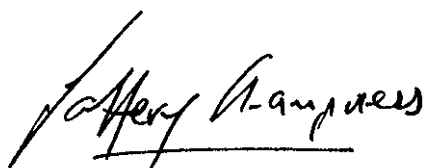
## BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 September 1998 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



SAFFERY CHAMPNESS  
Chartered Accountants  
Registered Auditors  
Fairfax House  
Fulwood Place  
Gray's Inn  
London  
WC1V 6UB

15 January 1999

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 SEPTEMBER 1998

		12 Months 1998 £'000	9 Months 1997 £'000
TURNOVER	2	26,250	20,087
Cost of sales		(15,686)	(12,879)
Exceptional charges		-	(630)
GROSS PROFIT		10,564	6,578
Administrative expenses		(8,322)	(7,777)
OPERATING PROFIT/(LOSS)		2,242	(1,199)
Reorganisation costs		-	(1,443)
Interest receivable and similar income	6	196	150
Interest payable and similar charges	7	(3)	(33)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	2,435	(2,525)
Taxation	8	(620)	552
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		1,815	(1,973)
Retained (loss)/profit brought forward		(1,973)	10,521
Dividend paid	9	-	(10,521)
RETAINED (LOSS) CARRIED FORWARD	16	(158)	(1,973)

The company has no recognised gains or losses other than the result for the financial period.  
There were no discontinued operations, or acquisitions, during the year ended 30 September 1998.

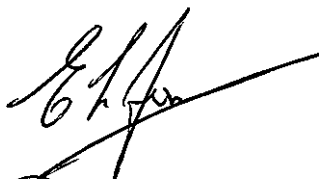
The notes on pages 7 to 13 form part of these financial statements.

BALANCE SHEET  
AS AT 30 SEPTEMBER 1998

	Notes	1998 £'000	1997 £'000
FIXED ASSETS			
Tangible assets	10	1,609	1,770
CURRENT ASSETS			
Stocks	11	1,390	1,772
Debtors	12	5,175	7,068
Cash at bank and in hand		8	537
		<u>6,573</u>	<u>9,377</u>
CREDITORS: Amounts falling due within one year	13	<u>(7,790)</u>	<u>(12,570)</u>
NET CURRENT (LIABILITIES)		<u>(1,217)</u>	<u>(3,193)</u>
Total assets less current liabilities		392	(1,423)
Provisions for liabilities and charges	14	<u>(50)</u>	<u>(50)</u>
NET ASSETS/(LIABILITIES)		<u>342</u>	<u>(1,473)</u>
CAPITAL AND RESERVES			
Called up share capital	15	500	500
Profit and loss account	16	<u>(158)</u>	<u>(1,973)</u>
SHAREHOLDERS' FUNDS (Including non equity interests)	16	<u>342</u>	<u>(1,473)</u>

These financial statements were approved by the Board on 15 January 1999.

E L Jones  
Director



H Prah  
Director



The notes on pages 7 to 13 form part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 1998

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**1 PRINCIPAL ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

**Fixed assets and depreciation**

Depreciation is provided by the company to write off the cost of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	-	10% per annum
Office equipment	-	10 - 20% per annum
Vehicles	-	30% per annum

**Foreign currencies**

Transactions in foreign currencies are recorded using the average rate of exchange for the month in which the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

**Operating leases**

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

**Pension costs - defined benefit scheme**

The pension costs charged in the profit and loss account are based on an actuarial method and actuarial assumptions designed to spread the anticipated pension costs over the service lives of the employees in the pension scheme, in a way that seeks to ensure that the regular pension cost represents a subsidiary level percentage of the current and future pensionable salary roll in the light of the current actuarial assumptions. Variations from regular costs are spread over the average remaining service lives of current employees in the pension schemes.

**Pension costs - defined contribution scheme**

The pension costs charged in the profit and loss account represent the amount of contributions payable to the scheme in respect of the accounting period.

**Stocks**

Raw materials, consumables and short term work in progress are stated at the lower of cost and net realisable value. Cost for this purpose comprises direct materials, direct labour and attributable overheads. The amount of work in progress has been reduced by progress payments received.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1998 (continued)

## 1 PRINCIPAL ACCOUNTING POLICIES (continued)

**Long term contracts**

The profit on a long term contract is recognised only when the contract is completed. Provision for any losses are made as soon as they are foreseen. Contract work in progress is stated at costs incurred, less foreseeable losses and payments on account.

**Deferred taxation**

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

**Cash flow statement**

The company is not required to present a cash flow statement since it is a wholly owned subsidiary undertaking.

**Turnover**

Turnover represents the aggregate of invoiced sales for the year, excluding value added tax, net of recharges of costs to group companies (See Note 2).

2 TURNOVER	1998 £'000	1997 £'000
Total invoiced sales for the year	30,892	20,087
Costs recharged to group companies	(4,642)	-
	<u>£26,250</u>	<u>£20,087</u>

All turnover was within the United Kingdom.

3 PROFIT/(LOSS) ON ORDINARY ACTIVITIES  
BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

Directors' emoluments (see note 4)	68	654
Auditors' remuneration:		
Audit	24	24
Other services	13	4
Depreciation of fixed assets	838	940
Operating leases:		
Land and buildings	530	458
Plant and machinery	-	2
	<u>-</u>	<u>2</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 1998 (continued)

4	DIRECTORS EMOLUMENTS	1998 £'000	1997 £'000
	Aggregate emoluments	63	380
	Company pension contributions to money purchase scheme	5	6
	Compensation for loss of office	-	155
		<u>68</u>	<u>541</u>
	Retirement benefits accrued in the period to two directors under a defined benefit scheme and to one director under a money purchase scheme.		
5	STAFF NUMBERS AND COSTS		
	The average number of persons employed by the company during the year, excluding directors was:	Number	Number
	Administration	31	42
	Service and repair	385	420
	Other	96	96
		<u>512</u>	<u>558</u>
	The aggregate payroll costs of these persons were as follows:	£'000	£'000
	Wages and salaries	10,169	8,679
	Social security costs	972	774
	Other pension costs	361	277
		<u>11,502</u>	<u>9,730</u>
6	INTEREST RECEIVABLE AND SIMILAR INCOME		
	Receivable from group undertakings	192	19
	Other	4	131
		<u>196</u>	<u>150</u>
7	INTEREST PAYABLE AND SIMILAR CHARGES		
	Exchange losses	<u>3</u>	<u>33</u>
8	TAXATION		
	UK corporation tax charge/(credit) for the period	620	(491)
	Adjustments for previous years	-	(61)
		<u>620</u>	<u>(552)</u>
9	DIVIDENDS		
	Ordinary shares: Interim dividend paid	-	<u>10,521</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 1998 (continued)

## 10 TANGIBLE FIXED ASSETS

	Leasehold improvements	Plant and machinery	Fixtures fittings tools and equipment	Total
	£'000	£'000	£'000	£'000
<b>COST</b>				
At 1 October 1997	169	4,179	1,518	5,866
Additions	-	598	120	718
Disposals	-	(586)	(123)	(709)
At 30 September 1998	<u>169</u>	<u>4,191</u>	<u>1,515</u>	<u>5,875</u>
<b>DEPRECIATION</b>				
At 1 October 1997	169	2,883	1,044	4,096
Charge for period	-	713	125	838
On disposals	-	(597)	(71)	(668)
At 30 September 1998	<u>169</u>	<u>2,999</u>	<u>1,098</u>	<u>4,266</u>
<b>NET BOOK VALUE</b>				
At 30 September 1998	<u>-</u>	<u>1,192</u>	<u>417</u>	<u>1,609</u>
At 30 September 1997	<u>-</u>	<u>1,296</u>	<u>474</u>	<u>1,770</u>

## 11 STOCKS

	1998 £'000	1997 £'000
Raw materials and consumables	1,105	1,129
Work in progress	285	643
	<u>1,390</u>	<u>1,772</u>
Work in progress comprises:		
Net costs less foreseeable losses	1,362	2,161
Payments on account	(1,077)	(1,518)
Net work in progress	<u>285</u>	<u>643</u>

## 12 DEBTORS

Trade debtors	4,316	6,212
Amounts owed by group undertakings	582	14
Corporation tax and ACT recoverable	-	351
Prepayments and accrued income	277	491
	<u>5,175</u>	<u>7,068</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 1998 (continued)

## 13 CREDITORS

	1998 £'000	1997 £'000
Amounts falling due within one year:		
Bank overdraft	1,330	-
Trade creditors	1,723	1,461
Amounts owed to group undertakings	10	5,664
Corporation tax	264	-
Other taxes and social security	848	971
Accruals and deferred income	3,615	4,474
	<u>7,790</u>	<u>12,570</u>

The company is a member of the Thyssen AG group cash pool facility and included in the bank overdraft above is £846,261 being the company's balance within this arrangement.

## 14 PROVISIONS FOR LIABILITIES AND CHARGES

Guarantee work and repairs	<u>50</u>	<u>50</u>
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The movement on guarantee work and repairs in the period is as follows:

	Other provisions £'000
At beginning of period	50
Released to the profit and loss account during period	-
At end of period	<u>50</u>

No amounts have been recognised in the accounts in respect of deferred taxation because the amounts are not expected to crystallise in the foreseeable future. The full potential liability not provided is £nil (1997: £nil).

## 15 CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised, allotted, called up and fully paid:		
Ordinary shares of £1 each	500,000	500,000
6% cumulative preference shares of £1 each	100	100
	<u>500,100</u>	<u>500,100</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 1998 (continued)

16 RECONCILIATION OF MOVEMENTS IN  
SHAREHOLDERS' FUNDS

	Share capital	Profit and loss account	Shareholders' funds
	£'000	£'000	£'000
At 1 October 1997	500	(1,973)	(1,473)
Profit for the financial year	-	1,815	1,815
At 30 September 1998	<u>500</u>	<u>(158)</u>	<u>342</u>

Share capital includes £100 of non-equity shares.

17 PENSION SCHEME

As explained in the accounting policies set out on page 7, the company operates both a defined benefit contributory pension scheme and a defined contribution pension scheme which was introduced on 1 January 1993. In respect of the former, contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 31 July 1995 and showed that the market value of the scheme's assets was £17,018,000 and that the actuarial value of those assets represented 103% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The assumptions which have the most significant effect on the results of the valuation are those relating to long-term future average real rates of return and long-term average real pay growth of plan members. It was assumed that the long-term future average real rates of return on new money becoming available for investment would be 3.5% per annum on assets backing pensions in payment and 4.5% per annum on other assets, and that long-term average real pay growth of plan members would be 2% per annum. Real rates refer to the excess over the growth of the retail prices index which it was assumed would be 4% per annum.

In respect of the defined contributions scheme, the assets are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £223,446.

18 FINANCIAL COMMITMENTS

At 30 September 1998 the company had annual commitments under operating leases as follows:

	1998 £'000	1997 £'000
LAND AND BUILDINGS		
Expiring within one year	23	10
Expiring between two and five years inclusive	68	65
Expiring after five years	<u>402</u>	<u>497</u>
	<u>493</u>	<u>572</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 1998 (continued)

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19 CAPITAL COMMITMENTS

There were no capital commitments at the balance sheet date (1997: £Nil).

20 ULTIMATE PARENT COMPANY

At the balance sheet date the company's immediate parent company was Thyssen Aufzüge Limited, a company registered in England and Wales. The ultimate parent undertaking is Thyssen AG which is incorporated in Germany.

The smallest group for which consolidated accounts are prepared is headed by Thyssen Industrie AG, D-45117, Essen. The consolidated accounts of Thyssen AG are available to the public and may be obtained from Postfach 101010, D-40001, Düsseldorf.

As the company is a wholly owned subsidiary, it is exempt from disclosing transactions with other entities of the group headed by Thyssen AG.