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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** When considering what action you should take, you are recommended to seek your own personal financial advice from your stockbroker, solicitor, accountant or other independent adviser authorised under the Financial Services Act 1986.

If you have sold all your ordinary stock units in Hicking Pentecost PLC, please hand this document, Application Form and the accompanying Form of Proxy to the purchaser or to the stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

Copies of this document which comprises Listing Particulars relating to Hicking Pentecost PLC in accordance with the listing rules made under section 142 of the Financial Services Act 1986 have been delivered to the Registrar of Companies in England and Wales for registration in accordance with section 149 of that Act.

Application has been made to the Council of The Stock Exchange for the new ordinary stock units proposed to be issued to be admitted to the Official List.

# **HICKING PENTECOST PLC**

Proposed acquisition

of

**FORGEMASTERS (HOLDINGS) LIMITED**

and

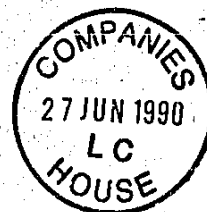
**Open Offer to Stockholders**

by

**Robert Fleming & Co. Limited**

of

**1,470,868 new ordinary stock units at  
68p per stock unit**



Notice of an Extraordinary General Meeting of the Company to be held at 25 Copthall Avenue, London EC2R 7DR following the Annual General Meeting on Monday, 23 July 1990 is set out on page 50.

The enclosed Form of Proxy should be received by no later than 12.10 pm on Sunday, 22 July 1990.

Application Forms in respect of the Open Offer must be lodged no later than 3.00 pm on Wednesday, 18 July 1990.

## DEFINITIONS

The following definitions apply throughout this document and the accompanying Form of Proxy and Application Form unless the context requires otherwise:

"Hicking Pentecost" or "the Company"	Hicking Pentecost PLC
"Hicking Pentecost Group"	Hicking Pentecost and its existing subsidiaries
"Forgemasters Holdings"	Forgemasters (Holdings) Limited
"Forgemasters Group"	Forgemasters Holdings and its subsidiaries
"Forgemasters"	Forgemasters PLC, a subsidiary of Forgemasters Holdings
"Garth Estates"	Garth Estates Limited a subsidiary of Forgemasters Holdings
"Vendors"	Mr. A. G. Hurn, Mr. T. G. Davies, Mr. M. T. J. Molyneux and Mr. R. A. Meacham
"Stock Option Scheme"	The Hicking Pentecost PLC Senior Executive Stock Option Scheme
"Flemings"	Robert Fleming & Co. Limited
"ordinary stock units"	ordinary stock units of 50p each of Hicking Pentecost (or, if Resolution No. 5 to be proposed at the Extraordinary General Meeting is passed, ordinary shares)
"existing ordinary stock units"	the ordinary stock units currently in issue
"new ordinary stock units"	the Acquisition stock units and the Offer stock units
"ordinary shares"	ordinary shares of 50p each of Hicking Pentecost
"the Articles"	the existing Articles of Association of Hicking Pentecost
"Listing Particulars"	the Listing Particulars in respect of Hicking Pentecost comprised in this document
"The Stock Exchange"	The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited
"Acquisition"	the proposed acquisition of the entire issued share capital of Forgemasters Holdings
"Acquisition Agreements"	the conditional agreements dated 27 June 1990 relating to the Acquisition (1) made between the Vendors, Hicking Pentecost and Forgemasters Holdings and (2) made between the Welsh Development Agency and Hicking Pentecost
"Acquisition stock units"	ordinary stock units to be issued in connection with the Acquisition
"Qualifying Stockholders"	holders of existing ordinary stock units on the register of members of Hicking Pentecost at the close of business on the Record Date other than such holders who are U.S. or Canadian persons
"Open Offer"	the invitation by Flemings, as agent of Hicking Pentecost, to Qualifying Stockholders pursuant to which they may apply to acquire Offer stock units
"Offer stock units"	ordinary stock units to be issued in connection with the Open Offer
"Placing"	the placing by Flemings of Offer stock units not taken up under the Open Offer
"Placing Agreement"	the agreement dated 27 June 1990 between Hicking Pentecost, Flemings, J. T. Lister, J. E. M. Carlsen and Legibus Ten Limited relating to the Open Offer and the Placing
"Record Date"	record date for the Open Offer, namely the close of business on 19 June 1990
"Loan Stocks"	"A" Loan Stock and the "B" Loan Stock
"the 'A' Loan Stock"	the £300,000 "A" unsecured loan stock 2000 of Hicking Pentecost to be issued in connection with the Acquisition and guaranteed as to payment of principal and interest by National Westminster Bank PLC
"the 'B' Loan Stock"	the £140,000 "B" unsecured loan stock 2000 of Hicking Pentecost to be issued in connection with the Acquisition
"U.S. or Canadian person"	any individual who is a citizen or resident of the United States of America or a resident of Canada, a corporation, partnership, or other entity created or organised in or under the laws of the United States of America or Canada, or an estate or trust the income of which is subject to United States federal income taxation regardless of the source, or any individual, corporation, partnership, trust or other entity resident in Canada or receiving this document in Canada; provided, however, that the term "U.S. or Canadian person" does not include a branch or agency of a United States bank or insurance company that is operating outside the United States of America for valid business reasons as a locally registered branch or agency engaged in the banking or insurance business and not solely for the purposes of investing in securities not registered under the Securities Act

# SUMMARY TIMETABLE

1990

Record date for Open Offer	19 June
Latest time for splitting Application Forms	3.00 pm on 16 July
Latest time for payment and receipt of Application Forms	3.00 pm on 18 July
Latest time for receipt of Forms of Proxy	12.10 pm on 22 July
Extraordinary General Meeting	12.10 pm on 23 July
Expected date for commencement of dealings in the Offer stock units	24 July
Expected date for despatch of definitive stock certificates	24 July

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(Registered in England No. 406925)

**Directors:**

J. T. Lister (*chairman*)  
J. E. M. Carlsen (*chief executive and deputy chairman*)  
T. G. Davies (*managing director*)  
S. M. Gravett  
J. B. Hamilton (*non-executive*)

**Registered Office:**

Queen's Road  
Nottingham  
NG2 3AT

27 June 1990

*To the holders of ordinary stock units and, for information only, to the holders of options under the Stock Option Scheme.*

Dear Stockholder,

**Introduction**

Your board announced today that Hicking Pentecost has entered into conditional agreements whereby Hicking Pentecost will acquire the entire issued ordinary and preference share capital of Forgemasters Holdings. The ordinary share capital is to be acquired from the Vendors for a maximum consideration of £2,490,000, to be satisfied by the issue of unsecured loan stock and ordinary stock units to the Vendors. £1,590,000 of the consideration will be payable on completion and the remainder will become payable dependent on Forgemasters achieving certain profit targets. The preference share capital of Forgemasters Holdings is to be acquired from the Welsh Development Agency for £170,000 in cash.

The Acquisition will involve Hicking Pentecost assuming £1.3 million of borrowings of the Forgemasters Group. In order to reduce the level of group borrowings that will result, the Board proposes to raise £1.0 million, before expenses, through an Open Offer to stockholders of 1,470,868 new ordinary stock units at 68p per stock unit. John Carlsen and I have undertaken to take up our full entitlements under the Open Offer and to subscribe up to a further 413,200 new ordinary stock units as participants in the associated Placing.

The Acquisition requires the approval of Hicking Pentecost's stockholders, because of its size and because of the involvement of Tudor Davies, who joined the board of Hicking Pentecost on 18 June 1990, as a Vendor. The Open Offer also requires the approval of Hicking Pentecost's stockholders, because of the participation of John Carlsen and myself in the associated Placing.

The purpose of this document is to give you details of the proposed transactions and to ask you to vote in favour of the resolutions to be proposed at the Extraordinary General Meeting of Hicking Pentecost to be held on Monday, 23 July 1990. The document also includes proposals to increase the number of ordinary stock units covered by the Stock Option Scheme, to increase the borrowing limits in the Company's Articles, to convert the ordinary stock units into shares and to adopt a securities seal.

**Information on the Forgemasters Group**

The Forgemasters Group, which is located in South Wales, comprises Forgemasters Holdings, a holding company and its wholly owned subsidiaries: Forgemasters, an engineering company; Garth Estates, a property holding company; and a wholly owned subsidiary of Garth Estates. Forgemasters Holdings has not traded and has no material assets or liabilities other than its shares in its subsidiary companies.

Forgemasters's principal activity is the manufacture of steel forgings for the mechanical engineering, railway, oil and gas, commercial vehicle and other industries. Profit before taxation of £128,000 was generated in the year to 31 March 1990. Forgemasters had net assets of £442,000 at that date.

Forgemasters was formed in February 1987 by Tudor Davies, Alexander Hurn and Mark Molyneux with the backing of the Welsh Development Agency and British Coal Enterprise Limited to acquire some of the assets of a forge near Cardiff. The forge itself had been operational since 1938 but, following the economic downturn in the engineering industry in the 1980's, closed down in February 1987. Trading under the previous name of "South Wales Forgemasters", Forgemasters recommenced production in April 1987 with forty employees who were largely drawn from the previous workforce. The layout of the forge is currently being altered to increase efficiency and to release space for letting.

Forgemasters has been concentrating on organic growth of its forging business and, in particular, the extension of its added value content by offering to its customers comprehensive part and full machining facilities. Its strategy has been to develop niche product lines including a specialist propshaft range.

Forgemasters's major customers include Borg Warner, Hi-ton, Hunting, British Timken, Welding Units, T.V. Valves, Ford Motor Company and Rockwell Maudsley.

Garth Estates and its subsidiary own an 8.9 acre site, of which 8.5 acres comprises freehold land, at Taffs Well, Mid Glamorgan, of which Forgemasters occupies some 4.6 acres. The rest of the site is being used as a trading estate. The current annual gross rental income is £249,895 (including annual rental payable by Forgemasters of £60,000) which is expected to increase as the site is refurbished and partitioned. The site has been professionally valued at £2.4 million and a valuation report is set out in Part IV. Garth Estates has an outstanding loan of £858,000 secured on the site. The book value of Garth Estate's net assets at 14 February 1990 amounted to £275,000.

Further financial information on the Forgemasters Group is set out in Part II.

The directors of Forgemasters Holdings, who are also respectively chairman and managing director of Forgemasters, are Tudor Davies and Roger Meacham. Following the Acquisition, Mr Meacham will continue to manage Forgemasters.

#### **Reasons for the Acquisition**

John Carlsen and I joined the Hicking Pentecost board in September 1989 and were appointed chief executive and chairman in December 1989. We then embarked on a thorough and detailed review of the Company's operations as a result of which the Company is undergoing a major re-organisation at all levels and has developed a new strategy for its future development.

This new strategy recognises that the Company's previous concentration on knitting and dyeing is not an adequate basis for long-term growth and future prosperity. Whilst Hicking Pentecost still regards knitting and dyeing as a core activity, current trading conditions have required a significant reduction in production capacity to levels which are capable of being sustained. The re-organisation has involved the Company in costs which totalled £1,129,000 in the year to 31 March 1990.

Under the new strategy we intend to diversify the Company's activities into the engineering sector, in particular the production of parts from molten or forged metal. We believe this will provide good opportunities for profitable growth and is an area in which John Carlsen and I have relevant experience, having founded and developed Eurocast International Foundries Limited, an engineering company, which we sold in 1987. The acquisition of the Forgemasters Group is in accordance with this long term strategy.

Forgemasters brings to Hicking Pentecost a strong order book, together with a comprehensive forging capability and a high level of team work and commitment from both management and employees.

Additionally, the board has established a property division to exploit the Company's property assets more efficiently, including the property assets to be acquired with the Forgemasters Group.

#### **Management and Employees**

Hicking Pentecost has given assurances to the board of Forgemasters Holdings that the rights of employees of the Forgemasters Group, including existing conditions of service, will be fully safeguarded.

#### **Current Trading**

The Company's results for the year ended 31 March 1990 were announced today and the Annual Report for the period is also being posted today to stockholders. Although the board had to announce a loss for the year, mainly attributable to the knitwear and Realmtree businesses, your directors view the current year with optimism and the early trading results bear this out.

#### **Terms of the Acquisition Agreements**

Under the terms of the Acquisition Agreements, Hicking Pentecost has agreed to acquire the entire issued ordinary share capital of Forgemasters Holdings for an initial consideration of £1,590,000 to be satisfied by the issue to the Vendors of the Loan Stocks and 1,597,222 Acquisition stock units representing 16.8 per cent. of the issued capital of the Company as enlarged by the initial consideration and the Open Offer. It has also agreed to acquire from the Welsh Development Agency all the issued preference shares of Forgemasters Holdings for a cash consideration of £170,000. Further earn-out payments to the Vendors up to a maximum of £900,000 may be made, contingent upon Forgemasters achieving specified profit levels in the 3 years commencing 1 April 1990. These earn-out payments will be satisfied by the issue of further Acquisition stock units, the number of which will be calculated by reference to the middle market price of an ordinary stock unit at the relevant time.

The maximum number of Acquisition stock units to be issued under the terms of the Acquisition Agreements in respect of the earn-out payments may not, in any event, exceed 1,800,000.

The Acquisition Agreements are conditional, *inter alia*, upon the passing of Resolution 1 set out in the Notice of Extraordinary General Meeting and upon the Council of The Stock Exchange admitting the Acquisition stock units to the Official List.

The Acquisition stock units will rank *pari passu* in all respects with the existing ordinary stock units except that the Acquisition stock units to be issued in satisfaction of the initial and deferred consideration will not rank for the final dividend in respect of the relevant preceding year.

The Vendors have undertaken not to dispose of more than £200,000 worth in aggregate of their Acquisition stock units within twelve months of allotment without Hicking Pentecost's consent except in limited circumstances and not to dispose of Acquisition stock units by way of sale after the twelve month period otherwise than through Hicking Pentecost's brokers provided their fees and prices offered are competitive.

Further details of the Acquisition Agreements are given in Part V.

#### **Open Offer**

Under the Open Offer the directors have arranged for Flemings to invite applications from Qualifying Stockholders to subscribe for the Offer stock units at 68p per share free of all expenses. John Carlsen and I and our associated company, Legibus Ten Limited, have undertaken to take up our full entitlements under the Open Offer, amounting to 382,668 Offer stock units, representing 26.0 per cent. of the Offer stock units.

Applications from Qualifying Stockholders will be accepted in full for up to the maximum entitlement of 0.2288 Offer stock units for each ordinary stock unit held at the Record Date. Details of the Open Offer are set out in the letter from Flemings on pages 9 and 10 of this document.

Any Offer stock units which are not taken up under the Open Offer (other than those covered by the undertakings referred to above) have been conditionally placed through Flemings at a price of 68p per stock unit. As part of the Placing arrangements, John Carlsen and I have undertaken to subscribe up to 413,200 Offer stock units, in addition to our entitlements, as participants in the Placing. We will not receive any placing commissions. The effect of our undertakings is that our maximum possible aggregate interest in the Company following the Acquisition and the Open Offer would be approximately equal to the current level of 26.0 per cent.

Details of the Placing Agreement are set out in Part V of this document.

The Offer stock units will rank *pari passu* in all respects with the existing ordinary stock units, except that they will not rank for the final dividend in respect of the year ending 31 March 1990. Application has been made to the Council of The Stock Exchange for the Offer stock units to be admitted to the Official List.

#### **Stock Option Scheme**

The Stock Option Scheme was introduced in 1985. Under the Stock Option Scheme options may be granted in respect of a maximum of 637,866 ordinary stock units in any ten year period and 318,933 ordinary stock units in any five year period. Your directors wish to have the ability to provide incentives to senior executives including those who become employed within the Hicking Pentecost Group as a result of the Acquisition. Resolution 4 set out in the Notice of Extraordinary General Meeting will have the effect of increasing the number of ordinary stock units available for option over a ten year period from 637,866 to 949,670 and over a five year period from 318,933 to 474,835. The proposed increase is proportionate to the proposed increases in the Company's issued share capital as a result of the initial consideration under the Acquisition and the Open Offer.

#### **Conversion of Stock Units to Shares**

Under the Articles, as and when any ordinary shares are issued and paid up in full or credited as fully paid, such shares immediately stand converted into ordinary stock units. Your directors consider that there is no good reason why the Company's ordinary share capital should continue to be denominated in stock units rather than shares. Moreover, there would be a saving of administrative expenses if the classification of the Company's ordinary share capital as ordinary stock units was discontinued. Resolution 5 will have the effect of suspending the conversion of ordinary shares to ordinary stock units and converting all existing ordinary stock units into an equal number of ordinary shares. Existing stock certificates will remain valid for all purposes and there will be no alteration in your rights.

#### **Increase in Borrowing Limits**

At the moment, the Company's borrowings are limited to the amount of the issued share capital and reserves. This is considered by your directors to be too restrictive and Resolution 6 will permit the Company to borrow up to twice the amount of the issued share capital and reserves. Under the existing borrowing powers the figure for reserves is adjusted by excluding sums set aside for taxation and any reserves derived from a revaluation of assets after 31 March 1959. Resolution 6 will have the effect of deleting these exclusions so that no adjustment to the reserves need be made in respect of taxation and the current value of assets can be taken into account.

### Securities Seal

The registration of stock transfers and the issuing of stock certificates have been dealt with up to now by the Company Secretary but Exchange Registrars Limited have recently been appointed as the Company's registrars and will in future deal with these matters. Resolution 7 will allow share certificates to be sealed by Exchange Registrars Limited under a securities seal, which is common practice for most quoted companies.

### Extraordinary General Meeting

Set out on pages 50 to 52 of this document is a Notice convening an Extraordinary General Meeting of the Company to be held on Monday, 23 July 1990 at which resolutions to the following effect will be proposed:

1. to approve the Acquisition, to increase the authorised share capital of the Company and to authorise the directors to allot up to 3,397,222 ordinary stock units for the purposes of satisfying the consideration due under the Acquisition Agreements;
2. to increase further the authorised share capital of the Company, to authorise the directors to allot up to 1,470,868 ordinary stock units for the purposes of the Open Offer and to approve the participation in the Placing of John Carlsen and myself;
3. to increase further the authorised share capital of the Company, to authorise the directors to allot further ordinary stock units up to a maximum of 2,703,290 ordinary stock units and to empower the directors to allot ordinary stock units for cash other than to stockholders *pro rata* to their existing holdings up to a maximum of 474,834 ordinary stock units;
4. to increase the maximum number of ordinary stock units in respect of which options may be granted pursuant to the Stock Option Scheme to 949,670 over a ten year period and 474,835 over a five year period;
5. to provide that ordinary shares shall not stand converted into ordinary stock units when issued and paid in full and to convert all issued and paid up ordinary stock units into ordinary shares;
6. to increase the borrowing limits contained in the Articles of Association from an amount equal to the issued share capital and reserves to twice that amount and to alter the method of calculating reserves for this purpose; and
7. to authorise the adoption by the Company of a securities seal.

### Action to be Taken

#### (a) Open Offer

If you wish to apply for any Offer stock units under the Open Offer, you should complete the accompanying Application Form in accordance with the instructions therein and return it in the enclosed reply paid envelope to Exchange Registrars Limited, New Garden House, 78 Hatton Garden, London EC1B 1AA, so that it is received by no later than 3.00pm on 18 July 1990.

#### (b) Extraordinary General Meeting

A Form of Proxy is enclosed for use by stockholders at the Extraordinary General Meeting. Whether or not you intend to be present at the meeting you are requested to complete, sign and return the Form of Proxy to Exchange Registrars Limited, 18 Park Place, Cardiff CF1 1YX so as to arrive not later than 12.10 pm on 22 July 1990. Completion and return of the Form of Proxy will not preclude you from attending the Extraordinary General Meeting and voting in person should you so wish.

### Further Information

Your attention is drawn to the further financial and other information about Hicking Pentecost and the Forgemasters Group set out in Parts I to VI of this document.

#### **Recommendation**

The Company's independent financial adviser, Robert Fleming & Co. Limited, considers that the Acquisition and the Open Offer are fair and reasonable as regards the stockholders of the Company and are in the interests of the Company and its stockholders.

Because of the involvement in the Acquisition of Tudor Davies as a Vendor, he may not take part in the board's recommendation of Resolution 1 to be proposed at the Extraordinary General Meeting and must abstain from voting thereon. Because of the involvement in the Open Offer of John Carlsen and myself as participants in the Placing, we may not take part in the board's recommendation of Resolution 2 and must abstain from voting thereon. Your directors (with, in relation to Resolutions 1 and 2, the respective exceptions noted above) recommend stockholders to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting, as they intend to do in respect of their own beneficial holdings totalling 1,677,000 ordinary stock units representing approximately 26.1 per cent. of the existing ordinary stock units.

Yours faithfully

John Lister  
*Chairman*



# ROBERT FLEMING & CO. LIMITED

25 Copthall Avenue, London EC2R 7DR

27 June 1990

*To the stockholders of Hicking Pentecost and, for information only, to the holders of options under the Stock Option Scheme.*

Dear Sir or Madam,

## **OPEN OFFER OF 1,470,868 NEW ORDINARY STOCK UNITS AT 68P PER STOCK UNIT**

### **Introduction**

The letter from your Chairman preceding this letter explains that 1,470,868 new ordinary stock units in Hicking Pentecost are being made available to Qualifying Stockholders at a price of 68p per Offer stock unit, free of all expenses. Your Chairman's letter contains information on, and the reasons for, the Open Offer.

### **The Open Offer**

Flemings, as agent for the Company, hereby invites Qualifying Stockholders to apply for Offer stock units at a price of 68p per stock unit payable in full on application and free of all expenses.

Applications may be made for any whole number of Offer stock units up to and including the maximum *pro rata* entitlement of 0.2288 Offer stock units for each existing ordinary stock unit held by Qualifying Stockholders at the Record Date. Entitlements will be rounded down to the nearest whole number of Offer stock units.

The Open Offer is subject to the satisfaction of the following conditions on or before 25 August 1990:

- (a) the passing of the Resolutions Nos. 1 and 2 set out in the Notice of Extraordinary General Meeting of the Company which appears on pages 50 to 52 of this document;
- (b) the Council of The Stock Exchange admitting the Offer stock units to the Official List and such admission becoming effective;
- (c) the Placing Agreement having become unconditional in all respects and remaining effective; and
- (d) the completion of the Acquisition.

Details of the Placing Agreement are set out in Part V.

### **The Offer Stock Units**

Application has been made to the Council of The Stock Exchange for the Offer stock units to be admitted to the Official List. The Offer stock units will rank *pari passu* in all respects with the existing ordinary stock units except that they will not rank for the final dividend in respect of the year ending 31 March 1990. The Acquisition stock units will not carry the right to participate in the Open Offer.

### **Procedure for Application**

The enclosed Application Form shows the number of existing ordinary stock units registered in your name on the Record Date and also your maximum entitlement to Offer stock units.

Applications may only be made on the enclosed Application Form, which is personal to the stockholder(s) named thereon. It is transferable only to satisfy bona fide market claims in relation to purchases through the market prior to 27 June 1990 which had not been registered at the Record Date. The Application Form is not a document of title and cannot be traded. Stockholders who have recently sold all or part of their holdings of ordinary stock units are advised to consult their stockbroker or other professional adviser as soon as possible, as the benefits arising under the Open Offer may be claimed from them by the purchaser(s) under the Rules of The Stock Exchange. In order to facilitate such claims, you are asked to follow the instructions printed on the Application Form.

Registered office as above: registered in England No. 262511  
Member of The Securities Association and The International Stock Exchange

If you wish to apply for Offer stock units you must complete the Application Form in accordance with the instructions printed thereon and return it with your remittance for the full amount payable on application, either by post or by hand, to Exchange Registrars Limited, New Garden House, 78 Hatton Garden, London EC1B 1AA so as to arrive not later than 3.00 p.m. on Wednesday, 18 July 1990. After such time (subject as provided in the Placing Agreement with regard to late or incomplete applications) Application Forms will not be accepted. A reply-paid envelope is enclosed for your use.

Cheques and banker's drafts should be made payable to Exchange Registrars Limited and crossed "Not negotiable - Flicking Pentecost PLC - Open Offer" and must be drawn in sterling on a UK branch of a bank which is either a member of the London or Scottish clearing houses or which has arranged for its cheques to be cleared through the facilities provided for the members of such clearing houses for the full amount payable on application. It is a term of the Open Offer that cheques will be honoured on first presentation and if this term is not met applications will be rejected.

Cheques and bankers drafts are liable to be presented for payment upon receipt. If they are presented for payment before the conditions of the Open Offer are fulfilled, the application monies will be kept in a separate bank account. To the extent that the conditions of the Open Offer are not fulfilled by 25 August 1990, application monies will be returned without interest by crossed cheque in favour of the applicants through the post at the applicants' risk as soon as is practicable.

If you do not wish to apply for any of the Offer stock units, you should not complete or return an Application Form, but you are nevertheless requested to complete and return the Form of Proxy for use at the Extraordinary General Meeting.

#### **Taxation**

The Open Offer is likely to be treated by the Inland Revenue as a reorganisation of the share capital of Flicking Pentecost. If so, the Offer stock units acquired and your existing holding of ordinary stock units will be treated as the same asset, acquired at the time you acquired your existing holding. The price paid for the Offer stock units will be added to the base cost of your existing holding save that for the purpose of calculating indexation allowance on a subsequent disposal of ordinary stock units, the price paid for the Offer stock units will only be taken into account from the time at which you made payment.

If the Open Offer is not treated as a reorganisation, the Offer stock units will not be treated as the same asset as your existing holding. The price paid for the Offer stock units will constitute their base cost for capital gains tax purposes, subject to rules relating to indexation and pooling.

If you hold ordinary stock units acquired before 6 April 1982 you may, depending on your particular circumstances, be affected by whether your acquisition of Offer stock units is or is not treated as a reorganisation.

**If you are in any doubt as to your tax position you should consult your professional adviser.**

#### **Overseas Stockholders**

The making of the Open Offer to persons resident outside the United Kingdom may be affected by the laws of the relevant jurisdictions. Stockholders so resident should inform themselves of and observe any applicable legal requirements. It is the responsibility of any persons resident outside the United Kingdom wishing to accept the Open Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consents which may be required or the compliance with other necessary formalities.

In particular the Offer stock units have not been registered under the United States Securities Act 1933, as amended, and therefore the Offer stock units may not be offered, sold or transferred directly or indirectly in the United States of America (including the States and the District of Columbia) or Canada or to or for the benefit of any U.S. or Canadian person. No Application Form has been sent to any stockholder whose registered address is in the U.S.A. or Canada, nor will any Application Form be accepted from any stockholder who is unable to make the declaration set out in the Application Form or who Flemings has reason to believe is a U.S. or Canadian person or agent of any such person.

#### **Dealings**

Dealings in the Offer stock units for normal account settlement are expected to commence on Tuesday, 24 July 1990. Definitive certificates in respect of the Offer stock units are expected to be sent to stockholders who take up Offer stock units under the Open Offer by post at their risk, by no later than Tuesday, 24 July 1990. Offer stock units will be registered by the Company in the name(s) specified on the Application Form. Pending despatch of definitive certificates transfers will be certified against the register.

Yours faithfully,  
for and on behalf of  
**ROBERT FLEMING & CO. LIMITED**  
I.K.C. Ellison  
Director

## PART I

### FINANCIAL INFORMATION ON THE HICKING PENTECOST GROUP

#### A INTRODUCTION

The financial information relating to the Hicking Pentecost Group set out in this Part I for the years ended 31 March 1988, 1989 and 1990 does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985 (as inserted by section 10 of the Companies Act 1989). Statutory accounts of Hicking Pentecost for the years ended 31 March 1988 and 1989, upon which the auditors of Hicking Pentecost, Price Waterhouse, Chartered Accountants, of Victoria House, 76 Milton Street, Nottingham NG1 3QY, made unqualified reports under section 236 of the Companies Act 1985, have been delivered to the Registrar of Companies. Statutory accounts for the year ended 31 March 1990, upon which Price Waterhouse have made an unqualified report, have not yet been delivered to the Registrar of Companies but will be so delivered as soon as practicable after approval at the Annual General Meeting to be held on 23 July 1990.

#### B GROUP PROFIT AND LOSS ACCOUNTS

The profit and loss accounts of the Hicking Pentecost Group, which are extracted from its published audited accounts for the three financial years ended 31 March 1990, are set out below:

	Note	1990 £'000	1989 £'000	1988 £'000
Turnover	1	18,954	19,160	16,505
Cost of sales		(15,482)	(15,160)	(13,221)
Gross profit		3,472	4,000	3,284
Distribution costs		(1,697)	(1,497)	(1,448)
Administrative expenses		(1,631)	(1,397)	(1,289)
Operating profit		144	1,106	547
Exceptional losses	2	(1,251)	-	-
Interest payable	3	(579)	(383)	(178)
(Loss)/profit on ordinary activities before taxation	4	(1,686)	723	369
Taxation on (loss)/profit on ordinary activities	6	(43)	(43)	(11)
(Loss)/profit after taxation before extraordinary items		(1,729)	680	358
Extraordinary loss	7	(266)	-	-
(Loss)/profit for the financial year		(1,995)	680	358
Dividend	8	(128)	(128)	(32)
Retained (loss)/profit for the year	17	(2,123)	552	326
(Loss)/earnings per stock unit	18			
- on ordinary activities		(27.09p)	10.66p	5.61p
- excluding exceptional losses		(7.49p)	10.66p	5.61p
Dividend per stock unit	8	2.0p	2.0p	0.5p

# **C GROUP BALANCE SHEETS**

The balance sheets of the Hicking Pentecost Group, which are extracted from its published audited accounts for the three financial years ended 31 March 1990, are set out below:

	Note	31 March 1990 £'000	31 March 1989 £'000	31 March 1988 £'000
<b>Fixed assets</b>				
Tangible assets	9	4,240	4,318	2,802
<b>Investments:</b>				
Share in related companies	10	—	10	—
		4,240	4,328	2,802
<b>Current assets</b>				
Stock	11	2,402	3,550	3,265
Debtors	12	4,661	3,456	3,098
Cash		4	4	3
		7,067	7,010	6,366
<b>Creditors: amounts falling due within one year</b>	13	6,505	5,711	3,663
<b>Net current assets</b>		562	1,299	2,703
<b>Total assets less current liabilities</b>		4,802	5,627	5,505
<b>Creditors: amounts falling due after more than one year</b>	14	(288)	(354)	(380)
<b>Provisions for liabilities and charges</b>	15	(282)	(100)	(72)
		4,232	5,173	5,053
<b>Capital and reserves:</b>				
Called up share capital	16	3,207	3,189	3,189
Reserves	17	1,025	1,984	1,864
		4,232	5,173	5,053

#### D GROUP SOURCE AND APPLICATION OF FUNDS

The statements of source and application of funds of the Hicking Pentecost Group, which are extracted from its published audited accounts for the three financial years ended 31 March 1990, are set out below:

	1990		1989		1988	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Source of funds</b>						
(Loss)/profit on ordinary activities before taxation		(1,686)		7.3		369
Extraordinary charges		(266)		-		-
Provision against investment		10		-		-
Depreciation less adjustments on disposal		414		243		297
<b>Generated from operations</b>		(1,528)		966		666
<b>Funds from other sources</b>						
Issue of shares		18		-		-
Loans received		127		60		29
Disposal of fixed assets*		206		280		131
		(1,177)		1,306		826
<b>Application of funds</b>						
Goodwill on acquisition of subsidiary		-		1,615		-
Purchase of fixed assets		542		856		598
Dividends		128		32		-
Purchase of shares in related company		-		10		-
Loan repayments		76		13		88
Tax paid		22		-		-
<b>Movement in working capital:</b>						
Stock*	(1,148)		285		71	
Debtors*	41		358		366	
Creditors*	1,072		(718)		(214)	
Provisions	(182)		(28)		131	
		(217)		(103)		354
		551		2,423		1,040
<b>(Increase) in net bank borrowings*</b>		(1,728)		(1,117)		(214)

\*Effects of the disposal of the Realmtree business included above:

	£'000
Fixed assets	(15)
Stock	(318)
Debtors	(159)
Creditors	165
Loss on sale	266
Cash received	61

## **E ACCOUNTING POLICIES**

The group's accounting policies are as follows:

### **Basis of Accounting**

The accounts have been prepared under the historical cost convention as modified by the revaluation of properties.

### **Basis of Consolidation**

The consolidated accounts incorporate the accounts of the Company and all its subsidiaries. The accounts of all subsidiaries are made up to the same date as those of the Company and are prepared in accordance with group accounting policies. Goodwill arising on consolidation is written off against reserves in the year of acquisition.

### **Turnover**

Turnover represents net amounts receivable for goods sold and services rendered to external customers in the ordinary course of business.

### **Government Grants**

Government grants on capital expenditure are deducted from the costs of the relevant assets. Revenue grants are credited to operating profit in the same period in which the expenditure to which they relate is charged.

### **Fixed Assets and Depreciation**

The net cost or valuation including that for each asset held under finance leases is written off over the estimated life by providing depreciation on a straight line basis at the following annual rates:

Buildings	2% to 5%
Plant and equipment	6.25%, 10% and 20%

### **Leases**

Assets held under finance leases are capitalised as fixed assets. Interest is charged to the profit and loss account over the primary period of the lease. Rentals under operating leases are charged against income when paid.

### **Stock**

Stock and work in progress are stated at the lower of cost, including a proportion of factory overheads, and net realisable value.

### **Deferred Taxation**

Deferred taxation is provided only to the extent to which it is considered to fall due for payment in the foreseeable future. No provision is made for any potential liability which might arise on disposals of properties at their revalued amounts.

### **Research and Development**

Research and development expenditure is written off as incurred.

### **Pensions**

The group operates a pension scheme for its employees. The scheme is funded by contributions partly from the employees and partly from the group in accordance with the advice of independent actuaries and the rules of the scheme.

The year to 31 March 1990 was the first year in which Statement of Standard Accounting Practice 24, Accounting for Pension Costs, has been implemented and under the transitional provisions the pension fund surplus at 1 April 1989 has been credited to reserves and carried forward in the balance sheet in debtors.

The charge to the profit and loss account reflects the regular service costs of the scheme net of the interest credit arising on the pension fund surplus.

# **F NOTES TO THE ACCOUNTS**

The following information is extracted from the Notes to the accounts for the financial year ended 31 March 1990.

## **1. Turnover**

	1990 £'000	1989 £'000
Dyeing division	6,768	6,425
Knitwear division	11,015	10,932
Discontinued operation	1,171	1,803
	<u>18,954</u>	<u>19,160</u>
Overseas:		
EC	3,188	3,450
Scandinavia	857	1,186
North America	78	119
Other	136	125
	<u>4,259</u>	<u>4,880</u>

## **2. Exceptional losses**

Realmtree operating loss (discontinued)	122	-
Reorganisation costs:		
Knitwear division	1,061	-
Corporate centre	68	-
	<u>1,251</u>	<u>-</u>

Knitwear division reorganisation costs comprise accelerated depreciation and stock write-downs of £580,000 and costs arising on the reduction of production capacity amounting to £481,000.

## **3. Interest payable**

Bank and other interest	534	347
Debenture	8	10
Finance leases	20	9
On loans falling due beyond five years	17	17
	<u>579</u>	<u>383</u>

## **4. (Loss)/Profit on ordinary activities before taxation**

These figures are stated after charging/(crediting):

Depreciation - ordinary activities	458	416
- exceptional	120	-
Profit on disposal of fixed assets	(164)	(173)
Hire of plant and other equipment	302	233
Directors' remuneration - fees	2	3
- other emoluments	137	149
Compensation to former director	58	-
Audit fees	30	31

## **5. Employees**

	Number	Number
Average number of persons employed:		
Dyeing division	393	403
Knitwear division	518	520
Discontinued operations	8	16
	<u>919</u>	<u>939</u>
Staff costs during the year:	£'000	£'000
Wages and salaries	6,824	6,272
Social security costs	526	501
Other pension costs	70	166
	<u>7,420</u>	<u>6,939</u>

6. **Taxation**

- (a) The charge for the year comprises advance corporation tax written off (1989-£43,000).  
 (b) No provision has been made for deferred tax. The potential liability in terms of tax at 35% is as follows:

	1990 £'000	1989 £'000
Accelerated capital allowances	49	261
Timing difference on pension fund surplus	407	-
Short term timing difference	(228)	(19)
Losses available for offset	(313)	(66)
	<u>(85)</u>	<u>176</u>
ACT recoverable	-	(132)
	<u>(85)</u>	<u>44</u>

As properties are not held for the purposes of resale the potential deferred tax effect of disposing of properties at their revalued amounts has not been quantified.

Gross losses carried forward by the holding company amount to £868,000 (1989: £190,000). Losses carried forward by subsidiaries amount to £nil (1989: £800,000). There is recoverable advance corporation tax of £634,000 (1989: £600,000).

7. **Extraordinary loss**

Loss on disposal of Realmtree	266	-
-------------------------------	-----	---

On 31 October 1989 the loss-making Realmtree business was sold to the management for £61,000. The loss on disposal has been provided as an extraordinary item.

8. **Dividends**

Interim declared 0.5p per stock unit (1989: 0.5p)	32	32
Final proposed 1.5p per stock unit (1989: 1.5p)	96	96
	<u>128</u>	<u>128</u>

9. **Tangible fixed assets**

	<i>Land and buildings</i>		<i>Plant and equipment</i>	<i>Total</i>
	<i>Freehold</i>	<i>Long leasehold</i>		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 1989	2,828	52	5,656	8,536
Additions	96	-	446	542
Disposals	(9)	-	(239)	(248)
At 31 March 1990	<u>2,915</u>	<u>52</u>	<u>5,863</u>	<u>8,830</u>
1989 valuation	2,819	52	-	2,871
Cost	<u>96</u>	<u>-</u>	<u>5,863</u>	<u>5,959</u>



9. Tangible fixed assets continued

	<i>Land and buildings</i>		<i>Plant and equipment</i>	<i>Total</i>
	<i>Freehold</i>	<i>Long leasehold</i>	<i>£'000</i>	<i>£'000</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Depreciation				
At 1 April 1989	-	-	4,218	4,218
Charge for year	54	1	523	578
Disposals	-	-	(206)	(206)
Revaluation	-	-	-	-
At 31 March 1990	54	1	4,535	4,590
Net book amount				
At 31 March 1990	2,861	51	1,328	4,240
At 31 March 1989	2,828	52	1,438	4,318

On a historical cost basis land and buildings would be included at a net book amount of £1,482,000 (1989: £1,417,000).

The following amounts are included in respect of assets held under finance leases:

	<i>Plant and Equipment</i>	
	<i>1990</i>	<i>1989</i>
	<i>£'000</i>	<i>£'000</i>
Cost	567	471
Depreciation brought forward	(384)	(347)
Depreciation charge for the year	(34)	(37)
	149	87

Capital expenditure authorised and committed by the directors but not provided for in these accounts was £73,000 (1989: £226,000) and capital expenditure authorised by the directors but not committed totalled £29,000 (1989: £66,000).

10. Investments

	<i>Shares in related companies</i>
	<i>£'000</i>
At 1 April 1989	10
Additions	-
Provisions	(10)
At 31 March 1990	-

The group acquired a 40% share in Maxilusta Limited in November 1988. Maxilusta Limited, which operates in the United Kingdom, is a processor of yarn whose allotted and fully paid share capital is £25,000. The directors regard the results of Maxilusta Limited for the two years to 31 March 1990 as unsatisfactory and full provision has been made against the cost of the investment.

All subsidiary companies are wholly owned and are incorporated and operate in the United Kingdom:

- Hicking Pentecost (Dyers) Limited
- Hicking Pentecost & Co (NI) Limited
- The British Textile Manufacturing Company Limited
- Straven Exports Limited
- Hicking Pentecost (R.T.) Limited
- Glenarm Knitwear Limited (now operating as group property company)

Details of the non-trading subsidiaries will be included in the next annual return of the Company.

**11. Stock**

	1990 £'000	1989 £'000
Raw materials	387	564
Work in progress	1,053	1,460
Finished stock	962	1,526
	<u>2,402</u>	<u>3,550</u>

**12. Debtors**

Trade debtors	3,085	3,133
Other debtors	239	152
Prepayments	1,337	171
	<u>4,661</u>	<u>3,456</u>

Prepayments include £1,159,000 (1989: £nil) in respect of employer's pension contributions (see note 20).

**13. Creditors: amounts falling due within one year:**

8.5% Debenture Stock 1986/91	90	10
Bank overdraft	3,374	1,646
Trade creditors	1,371	2,207
Corporation tax	75	54
Other taxation and social security	597	570
Other creditors	64	38
Accruals	724	1,013
Loans	82	45
Proposed dividend	128	128
	<u>6,505</u>	<u>5,711</u>

The bank overdraft is secured by a fixed charge on the group's debtors and on certain of the group's freehold properties and by a floating charge on the assets of the group.

The 8.5% Debenture Stock 1986/91 is repayable at par on 31 March 1991 or earlier at the option of the Company.

**14. Creditors: amounts falling due after more than one year**

8.5% Debenture Stock 1986/91	-	99
10.5% Mortgage loan	127	149
Secured loans	43	50
Finance lease creditors	118	56
	<u>288</u>	<u>354</u>
Due between 1 and 2 years	81	150
Due between 2 and 5 years	113	89
Due beyond 5 years	94	115
	<u>288</u>	<u>354</u>

The secured loans are interest free and are repayable by twelve equal quarterly repayments commencing June 1990. They are secured by a fixed charge on the group's debtors and on certain of the group's freehold properties and a floating charge on the assets of the group.

The mortgage loan, secured on certain freehold property, is repayable by 30 half yearly payments which commenced August 1986.

15. Provisions for liabilities and charges

	£'000
At 1 April 1989	100
Established during the year	481
Utilised during the year	(294)
Released during the year	(5)
At 31 March 1990	282

Provisions established during the year related to the costs of reorganisation of the knitwear division. Provisions utilised relate to both the knitwear division and Realmtree.

16. Called up share capital

	1990 Authorised £'000	1990 Allotted and fully paid £'000	1989 Authorised £'000	1989 Allotted and fully paid £'000
Ordinary shares of 50p each	793	-	811	-
Ordinary stock units of 50p each	3,207	3,207	3,189	3,189
	<u>4,000</u>	<u>3,207</u>	<u>4,000</u>	<u>3,189</u>

Options were exercised over 35,000 stock units at 50p during the year and over 15,000 stock units at 52p subsequent to the year end. Further options were granted over 22,000 stock units at 119p and 10,000 at 75p. These may be exercised between 1992 and 1999 and between 1993 and 2000, respectively. In addition, options lapsed over 28,966 stock units.

17. Reserves

	Revaluation Reserve £'000	Profit and Loss Account £'000
At 1 April 1989	1,501	483
Pension fund surplus	-	1,164
Revised balance at 1 April 1989	1,501	1,647
Deficit for the year	-	(2,123)
Realised on property disposals	(90)	90
Revaluation transfer	(32)	32
At 31 March 1990	<u>1,379</u>	<u>(354)</u>
Total		<u>1,025</u>

The pension fund surplus arises on the adoption at 1 April 1989 of the Statement of Standard Accounting Practice Number 24 'Accounting for Pension Costs' (See note 20).

The revaluation reserve represents the unrealised surplus on revaluation of properties.

18. Earnings per stock unit

	1990 £'000	1989 £'000
The calculation of earnings per ordinary stock unit is based on:		
(Loss)/Profit after taxation before extraordinary items	<u>(1,729)</u>	<u>680</u>
Weighted average number of ordinary stock units in issue during the year	<u>6,383,491</u>	<u>6,378,619</u>

19. Lease commitments

Operating lease rentals – included in hire of plant (note 4)	£'000 295	£'000 217
	<u>Plant and equipment</u>	<u>Plant and equipment</u>
Commitments under operating leases to be paid next year where the commitments expire:		
Within that year	56	38
Within 2 to 5 years	150	164
	<u>206</u>	<u>202</u>
Net commitments under finance lease:		
Payable within		
1 year	46	31
2 to 5 years	118	56
	<u>164</u>	<u>87</u>

20. Pensions

The group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group and are financed through a separate trustee administered fund. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent update of the valuation was as at 1 April 1989. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 10% per annum and dividend growth 5.5%, that salary increases would average 7.5% per annum and that present and future pensions would increase at the rate of 3% per annum.

The past service surplus at 1 April 1989 of £1,164,000 has been credited to reserves and £1,159,000 has been carried forward in debtors at 31 March 1990.

The pension charge for the period was £70,000 (1989: £166,000) which is net of £116,000 interest accrued on the past service pension surplus.

The most recent actuarial valuation showed that the market value of the scheme's assets was £5.4 million and the actuarial value of those assets represented 130% of the benefit that had accrued to members after allowing for expected future increases in earnings. The regular cost to the Company amounts to 8% of pensionable salaries for staff members and 5.4% of pensionable salaries for non-staff members with employee contributions of 5% and 3.25% respectively.

21. Contingent liabilities

In relation to the disposal of the business of Realmtree Limited there is a contingent liability of a guarantee of £100,000 to the bankers of Starbuff Limited, the management buy-out company which acquired the trade, trading assets and goodwill of the business. The guarantee is for a period of four years from 30 November 1989. In exchange for the guarantee there is a deferred consideration being percentages of after tax profits of Starbuff during the four years ending 30 November 1993. No credit has been taken for this deferred consideration in these accounts.

## H. SEGMENTAL INFORMATION

Turnover	1990 £'000	1989 £'000	1988 £'000
Dyeing division	6,768	6,425	6,733
Knitwear division	11,015	10,932	9,772
Casual Wear division	1,171	1,803	-
	<u>18,954</u>	<u>19,160</u>	<u>16,505</u>
Overseas			
Republic of Ireland	46	37	25
West Germany	1,203	1,864	1,381
France	935	634	440
Belgium	34	68	-
Italy	7	6	-
Greece	23	22	-
Austria	319	508	114
Switzerland	610	311	293
Scandinavia	857	1,186	1,116
North America	78	119	386
Other	147	125	84
	<u>4,259</u>	<u>4,880</u>	<u>3,839</u>

## PART II

### ACCOUNTANTS' REPORT ON THE FORGEMASTERS GROUP

The following is the text of a report on the Forgemasters Group by Price Waterhouse, Chartered Accountants:-

The Directors  
Hicking Pentecost PLC  
Queen's Road  
Nottingham NG2 3AT

**Price Waterhouse**



Victoria House  
76 Milton Street  
Nottingham NG1 3QY

The Directors  
Robert Fleming & Co. Limited  
25 Copthall Avenue  
London EC2R 7DR

27 June 1990

Gentlemen,

This report has been prepared in connection with the proposed acquisition by Hicking Pentecost PLC of the Forgemasters group of companies. The group comprises Forgemasters (Holdings) Limited ("Forgemasters Holdings"); its two wholly-owned subsidiaries, Forgemasters PLC ("Forgemasters") and Garth Estates Limited; and BCS (Engineers & Contractors) Limited, which is a wholly-owned subsidiary of Garth Estates Limited.

#### **Forgemasters Holdings**

Forgemasters Holdings was formed on 15 December 1989 as MBH 17 Limited and changed its name to Forgemasters (Holdings) Limited on 28 February 1990. On 31 May 1990, Forgemasters Holdings acquired the whole of the issued share capital in Forgemasters. On the 1 June 1990 the company acquired the whole of the issued share capital of Garth Estates Limited. Forgemasters (Holdings) has not traded since its incorporation. We have examined the audited balance sheet of Forgemasters (Holdings) at 31 March 1990 upon which the auditors, Philip Cline & Co., gave an unqualified audit opinion. The financial information set out below in Section A has been prepared from the audited balance sheet to which no adjustments are considered necessary.

#### **Forgemasters**

We have examined the audited financial statements of Forgemasters for the periods ended 2 April 1988, 31 March 1989 and 31 March 1990. Spicer & Oppenheim, who were the auditors throughout these periods, have given unqualified reports in respect of these financial statements. The financial information set out below in Section B has been prepared from these financial statements to which no adjustments are considered necessary.

#### **Garth Estates Limited**

Garth Estates Limited was formed on 12 December 1989 as MBH 7 Limited and changed its name on 16 February 1990. It acquired the assets and liabilities of a partnership, Garth Investments, on 14 February 1990. These principally comprised a freehold property, part of which is occupied by Forgemasters, the whole of the issued share capital of BCS (Engineers & Contractors) Limited and indebtedness secured on the property. Garth Estates Limited commenced trading as a property management company on 14 February 1990. We have examined the audited balance sheet of the company at 14 February 1990 upon which the auditors, Philip Cline & Co., gave an unqualified audit opinion. The financial information set out below in Section C has been prepared from the audited balance sheet to which no adjustments are considered necessary.

#### **BCS (Engineers & Contractors) Limited**

We have examined the audited financial statements of BCS (Engineers & Contractors) Limited for the three years ended 31 December 1989 during which period the company owned a freehold property but did not trade. Philip Cline & Co, who were the auditors for the year ended 31 December 1989, and Shepherd Hallett & Co., who were the auditors for the years ended 31 December 1987 and 31 December 1988, have given unqualified reports in respect of these financial statements. The financial information set out below in Section D has been prepared from these financial statements to which no adjustments are considered necessary.

Our work has been carried out in accordance with the Auditing Guideline "Prospectuses and the reporting accountant".

#### **Opinion**

In our opinion the financial information set out in Section B gives a true and fair view of the profit and source and application of funds of Forgemasters for each of the periods stated and the financial information in Sections A, B, C and D gives a true and fair view of the state of affairs of Forgemasters Holdings, Forgemasters, Garth Estates Limited and BCS (Engineers & Contractors) Limited at the dates stated.

## SECTION A

### Forgemasters (Holdings) Limited

#### Balance sheet

	Notes	31 March 1990
<b>Current assets</b>		
Sundry debtor		<u>£2</u>
<b>Capital and reserves</b>		
Called up share capital	2	<u>£2</u>

#### Notes to the financial information

##### 1 Accounting convention

The financial information has been prepared in accordance with the historical cost convention.

##### 2 Share capital

	£'000
Authorised: 500,000 ordinary shares of £1 each	500
100,000 preference shares of £1 each	<u>100</u>
	<u>600</u>

Issued and fully paid up: 2 ordinary shares of £1 each

£2

##### 3 Subsequent events

On 31 May 1990 the company acquired the entire issued ordinary and preference share capital of Forgemasters PLC. The consideration was the issue of 98,044 ordinary shares of £1 each and 91,666 preference shares of £1 each in the company credited as fully paid.

On 1 June 1990 the Company acquired the entire issued ordinary share capital of Garth Estates Limited. The consideration was the issue of 275,000 ordinary shares of £1 each in the Company credited as fully paid.

## SECTION B

### Forgemasters PLC

#### Profit and Loss Accounts

		12 months ended 31 March 1990 £'000	12 months ended 31 March 1989 £'000	13 months ended 2 April 1988 £'000
	Notes			
Turnover	2	3,191	2,906	2,575
Operating costs	3	(2,584)	(2,800)	(2,373)
Operating profit		207	106	202
Net interest payable	5	(79)	(78)	(11)
Profit on ordinary activities before taxation		128	28	191
Tax	6	—	10	(10)
Profit on ordinary activities after taxation		128	38	181
Extraordinary items	7	—	(33)	(56)
Profit for the financial period		128	5	125
Dividends	8	(2)	(4)	—
Profit retained	16	126	1	125

#### Balance Sheets

		31 March 1990 £'000	31 March 1989 £'000	2 April 1988 £'000
	Notes			
Fixed assets				
Tangible assets	9	523	389	413
Current assets				
Stock	10	201	190	147
Debtors	11	698	1,168	860
		899	1,358	1,007
Creditors (due within one year)				
Finance debt	12	198	382	362
Other creditors	13	684	898	647
		882	1,280	1,009
Net current assets/(liabilities)	17	17	78	(2)
Total assets less current liabilities		540	467	411
Creditors (due after one year)				
Finance debt	12	(98)	(151)	(86)
Provision for liabilities and charges	14	—	—	(10)
		442	316	315
Capital and reserves				
Called up share capital	15	190	190	190
Reserves	16	252	126	125
		442	316	315



# Statements of Source and Application of Funds

	12 months ended 31 March 1990 £'000	12 months ended 31 March 1989 £'000	13 months ended 2 April 1988 £'000
<b>Flow of funds from operations</b>			
<i>Sources</i>			
Profit on ordinary activities before taxation	128	28	191
Less extraordinary set up costs	—	—	(56)
Items not involving the movement of funds:			
Depreciation	76	49	28
Government grants released	(18)	(75)	(153)
Profit on disposal of fixed assets	(23)	(90)	—
Disposal of tangible assets	24	197	—
	<u>187</u>	<u>109</u>	<u>10</u>
<i>Applications</i>			
Additions to tangible assets	(210)	(132)	(441)
Extraordinary legal costs	—	(33)	—
Dividends paid	(5)	—	—
Changes in working capital (Note 17)	243	(100)	(350)
	<u>28</u>	<u>(265)</u>	<u>(791)</u>
<b>Funds generated/(absorbed) by operations</b>	<u>215</u>	<u>(156)</u>	<u>(781)</u>
<b>Other flows of funds</b>			
Shares issued	—	—	180
Hire purchase and finance leases	—	—	—
Receipts	8	35	1
Payments	(11)	(10)	—
Loans received	—	85	236
Loans repaid	(30)	(41)	(113)
Government grants received	22	70	153
	<u>(11)</u>	<u>139</u>	<u>457</u>
<b>Change in bank overdraft</b>	<u>204</u>	<u>(17)</u>	<u>(324)</u>

## Notes to the financial information

### 1 Accounting policies

#### *Accounting convention*

The financial information has been prepared in accordance with the historical cost convention.

#### *Turnover*

Turnover is the amount derived from the provision of goods and services falling within the company's ordinary activities after deduction of trade discounts and value added tax.

#### *Tangible fixed assets and depreciation*

Depreciation on fixed assets is calculated to write down their cost to estimated residual values by equal annual instalments over the period of their estimated useful economic lives, which are considered to be:

Improvements to leasehold premises	— over the lease term
Motor vehicles	— 3 years
Fixtures, fittings and office equipment	— 5 years
Plant and machinery	— 10 years
Dies	— 3 years

#### *Stock*

Stock and work in progress are stated at the lower of cost and net realisable value.

#### *Foreign currency transactions*

Exchange differences are dealt with through the profit and loss account.

#### *Leased assets*

Fixed assets leased under finance leases are capitalised and depreciated over their expected useful lives. The finance charges are allocated over the primary period of the lease in proportion to the capital element outstanding. The costs of operating leases are charged to the profit and loss account as they accrue.

#### *Grants received*

Government grants are recognised in the accounts at the earlier of their receipt or when the conditions for their receipt have been complied with and there is reasonable assurance that the grants will be received.

Grants received in respects of tangible fixed assets are treated as a deferred credit and are released to the profit and loss account in equal instalments over the estimated useful economic life of the asset concerned.

Grants received in respect of jobs created are released to the profit and loss account over the period during which the company is required to maintain these jobs. The grants are matched with the costs of providing these jobs for that period but account is taken of any extra income generated by the new jobs.

#### *Pensions*

Contributions are charged against profits as the contributions are made. The company operates only defined contribution schemes.

#### *Deferred taxation*

Deferred tax is provided in respect of significant timing differences to the extent that it is probable that such tax will become payable in the foreseeable future.

Advance corporation tax which is available to reduce the corporation tax payable on future profits is deducted from the provision for deferred taxation.

### **2 Turnover**

	12 months ended 31 March 1990 £'000	12 months ended 31 March 1989 £'000	13 months ended 2 April 1988 £'000
United Kingdom	2,976	2,710	2,161
United States of America	51	188	387
Europe	164	8	27
	<u>3,191</u>	<u>2,906</u>	<u>2,575</u>

### **3 Operating costs**

Cost of sales	2,465	2,357	2,046
Distribution costs	51	56	102
Administrative expenses	486	462	382
Other operating income	(18)	(75)	(157)
	<u>2,984</u>	<u>2,800</u>	<u>2,373</u>

#### *Operating costs include:*

Depreciation	76	49	28
Directors' remuneration	40	40	24
Auditors' remuneration	8	3	5
Profit on disposal of fixed assets	(23)	(90)	—
Regional development grants	(13)	(56)	(141)
Insurance receipts	(46)	(199)	—

The insurance receipts arose from a claim for loss of profits following a fire at one of Forgemasters's sites. The total receipts arising from the claim amounted to £376,000 of which £245,000 covered additional costs incurred and loss of profits, £92,000 loss of fixed assets and £39,000 loss of stock and excess rental costs.

#### 4 Employees

	12 months ended 31 March 1990 Number	12 months ended 31 March 1989 Number	13 months ended 2 April 1988 Number
The average number employed by the company, which includes directors, was as follows:			
Production staff	52	56	39
Sales and distribution staff	2	2	1
Administration staff	12	12	7
	<u>66</u>	<u>70</u>	<u>47</u>

Staff costs incurred during the period:

	£'000	£'000	£'000
Wages and salaries	745	763	535
Social security costs	78	73	42
Pension costs	11	11	3
	<u>834</u>	<u>847</u>	<u>580</u>

#### 5 Net interest payable

Bank overdraft interest	60	60	7
Loan interest	15	15	7
Finance lease interest	4	3	—
Interest receivable	—	—	(3)
	<u>79</u>	<u>78</u>	<u>11</u>

#### 6 Tax

Deferred tax charge/(release)	<u>—</u>	<u>(10)</u>	<u>10</u>
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During the three periods to 31 March 1989 no corporation tax charge has arisen. No provision has been made for the corporation tax liability of £38,000 relating to the profit on disposal of fixed assets on the basis that these gains will be deferred by roll-over relief. At 31 March 1990 taxation allowances amounting to approximately £95,000 are available for offset against future trading profits. Consequently no provision has been made for deferred taxation.

#### 7 Extraordinary items

In the 13 month period ended 2 April 1988 preliminary and formation costs incurred in setting up the company were charged as an extraordinary item.

In the 12 month period ended 31 March 1989 the cost of a legal action against a former employee and a third party relating to intellectual property were charged as an extraordinary item.

#### 8 Dividends

The preference shareholders are entitled to dividends in priority to any other share, the first payment of 3.065p per share being payable on 1 September 1988 rising to 43.633p per share by 1 September 1993.

The final preference share dividend of £3,947 for the year ended 31 March 1990 has been waived.

9 Tangible fixed assets

	31 March 1990 £'000	31 March 1989 £'000	2 April 1988 £'000
<b>Cost</b>			
Short leasehold property	105	23	9
Plant, machinery, equipment and motor vehicles	569	442	432
	<u>674</u>	<u>465</u>	<u>441</u>
<b>Accumulated depreciation</b>			
Short leasehold property	6	2	—
Plant, machinery, equipment and motor vehicles	145	74	28
	<u>151</u>	<u>76</u>	<u>28</u>
<b>Net book amount</b>	<u>523</u>	<u>389</u>	<u>413</u>

At 31 March 1990 capital expenditure authorised and contracted for by Forgemasters amounted to £38,000; capital expenditure authorised but not contracted for amounted to £153,000.

10 Stock

Raw materials and consumables	107	102	88
Work in progress and finished goods	94	88	59
	<u>201</u>	<u>190</u>	<u>147</u>

11 Debtors

Trade debtors	671	894	767
Insurance claim	—	210	—
Other debtors	27	64	93
	<u>698</u>	<u>1,168</u>	<u>860</u>

12 Finance debt

Bank overdraft	137	341	324
Finance lease obligations	23	26	1
Other loans	136	166	123
	<u>296</u>	<u>533</u>	<u>448</u>

Repayable as follows:

Between two and five years	47	98	61
Between one and two years	51	53	25

In one year or less

98	151	86
198	382	362
<u>296</u>	<u>533</u>	<u>448</u>

	31 March 1990	31 March 1989	2 April 1988
	£'000	£'000	£'000
<b>13 Other creditors (due within one year)</b>			
Creditors and accrued charges	584	793	554
Taxation and social security	100	92	42
Deferred credit – Regional development grants	–	13	51
	<u>684</u>	<u>898</u>	<u>647</u>
<b>14 Provision for liabilities and charges</b>			
Deferred tax provision	–	–	10
	<u>–</u>	<u>–</u>	<u>10</u>
<b>15 Share capital</b>			
Authorised:			
408,334 ordinary shares of £1 each	408	408	408
91,666 cumulative redeemable preference shares of £1 each	92	92	92
	<u>500</u>	<u>500</u>	<u>500</u>
Issued and fully paid:			
98,044 ordinary shares of £1 each	98	98	98
91,666 cumulative redeemable preference shares of £1 each	92	92	92
	<u>190</u>	<u>190</u>	<u>190</u>
<b>16 Reserves</b>			
Profit and loss account			
Opening balance	126	125	–
Profit retained	126	1	125
	<u>252</u>	<u>126</u>	<u>125</u>
Closing balance			
	<u>252</u>	<u>126</u>	<u>125</u>
<b>17 Changes in working capital</b>			
Stocks	12	43	147
Debtors and prepayments	(452)	339	800
Creditors and accrued charges	197	(232)	(597)
	<u>(243)</u>	<u>100</u>	<u>350</u>

**SECTION C**  
**Garth Estates Limited**

		14 February 1990 £'000
<b>Balance Sheet</b>	<b>Note</b>	
<b>Fixed assets</b>		
Tangible assets	2	1,207
Investments	3	61
		<u>1,268</u>
<b>Current assets</b>		
Debtors		14
Creditors (due within one year)		
Finance debt	4	114
Other creditors		140
		<u>254</u>
<b>Net current liabilities</b>		<u>(240)</u>
<b>Total assets less current liabilities</b>		<u>1,028</u>
<b>Creditors (due after one year)</b>		
Finance debt	4	(753)
		<u>275</u>
<b>Capital and reserves</b>		
Called up share capital	5	<u>275</u>

**Notes to the financial information**

**1 Accounting policies**

**Accounting convention**

The financial information has been prepared in accordance with the historical cost convention.

	14 February 1990 £'000
<b>2 Tangible assets</b>	
Freehold land and buildings at cost and net book amount	<u>1,207</u>
<b>3 Investments</b>	
The company owns the whole of the issued share capital of BCS (Engineers & Contractors) Limited	
<b>4 Finance debt</b>	£'000
Bank overdraft	19
Loans	848
	<u>867</u>
Repayable as follows:	
Over five years	671
Between two and five years	58
Between one and two years	24
	<u>753</u>
In one year or less	114
	<u>867</u>

These borrowings are secured on the company's freehold land and buildings.

**5. Share Capital**

	14 February 1990 £'000
Authorised: 300,000 £1 ordinary shares	300
Issued and fully paid: 275,000 £1 ordinary shares	<u>275</u>

**6. Capital commitments**

The company had no capital commitments on 14 February 1990.

# SECTION D

## BCS (Engineers & Contractors) Limited

### Balance sheets

	Note	31 December 1989 £'000	31 December 1988 £'000	31 December 1987 £'000
<b>Fixed assets</b>				
Tangible assets	2	5	5	5
<b>Capital and Reserves</b>				
Called up share capital	3	10	10	10
Reserves	4	(5)	(5)	(5)
		5	5	5

### Notes to the financial information

#### 1 Accounting policies

##### Accounting convention

The financial information has been prepared in accordance with the historical cost convention.

##### Depreciation

No depreciation is charged on freehold land and buildings.

#### 2 Fixed assets

	31 December 1989 £'000	31 December 1988 £'000	31 December 1987 £'000
Freehold land and buildings:			
Cost and net book amount	5	5	5

The directors believe that the Market Value of the freehold land and buildings is in excess of £80,000.

#### 3 Share capital

10,000 ordinary shares of £1 each authorised issued and fully paid

10	10	10
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#### 4 Reserves

The company has not traded during the three years ended 31 December 1989 nor have any dividends been proposed or paid.

#### 5 Capital commitments

The company had no capital commitments on 31 December 1989.

Yours faithfully,

PRICE WATERHOUSE

### PART III

#### PRO FORMA STATEMENT OF NET ASSETS

The following pro forma statement of the net assets of the Hicking Pentecost Group following the Acquisition and the Open Offer is provided for illustrative purposes only and is derived from the net assets of the Hicking Pentecost Group and Forgemasters as at 31 March 1990, of Garth Estates as at 14 February 1990 and of BCS (Engineers & Contractors) Limited as at 31 December 1989 as shown in their respective audited balance sheets at these dates.

	<i>Hicking Pentecost 31 March 1990 £'000</i>	<i>Forgemasters 31 March 1990 £'000</i>	<i>Garth Estates 14 February 1990 £'000</i>	<i>BCS 31 December 1989 £'000</i>	<i>Adjust- ments £'000</i>	<i>Note Enlarged group £'000</i>
<b>Fixed assets</b>						
Tangible	4,240	523	1,207	5	1,188	(i) 7,163
Investments	—	—	61	—	(61)	(ii) —
	<u>4,240</u>	<u>523</u>	<u>1,268</u>	<u>5</u>	<u>1,127</u>	<u>7,163</u>
<b>Current assets</b>						
Stocks	2,402	201	—	—	—	2,603
Debtors	4,661	698	14	—	—	5,373
Cash and investments	4	—	—	—	—	4
	<u>7,067</u>	<u>899</u>	<u>14</u>	<u>—</u>	<u>—</u>	<u>7,980</u>
<b>Creditors: Amounts falling due within one year</b>	<u>6,505</u>	<u>882</u>	<u>254</u>	<u>—</u>	<u>(650)</u>	(iii) <u>6,991</u>
<b>Net current assets/(liabilities)</b>	<u>562</u>	<u>17</u>	<u>(240)</u>	<u>—</u>	<u>650</u>	<u>989</u>
<b>Total assets less current liabilities</b>	<u>4,802</u>	<u>540</u>	<u>1,028</u>	<u>5</u>	<u>1,777</u>	<u>8,152</u>
<b>Creditors: Amounts falling due after more than one year</b>	<u>(288)</u>	<u>(98)</u>	<u>(753)</u>	<u>—</u>	<u>(440)</u>	(iv) <u>(1,579)</u>
<b>Provisions for liabilities and charges</b>	<u>(282)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(282)</u>
<b>Net assets</b>	<u><u>4,232</u></u>	<u><u>442</u></u>	<u><u>275</u></u>	<u><u>5</u></u>	<u><u>1,337</u></u>	<u><u>6,291</u></u>

#### Notes

- (i) Revaluation of the Garth Estates property to £2.4 million.
- (ii) Elimination of inter-group investments.
- (iii) Proceeds of Open Offer less expenses and cost of purchasing the preference shares held by the Welsh Development Agency.
- (iv) Loan notes issued as part of the Acquisition Agreements.
- (v) No account has been taken of the profits or losses of the Hicking Pentecost Group or of the Forgemasters Group since their last respective balance sheet dates.
- (vi) The deferred consideration of up to £900,000, payable under the Acquisition Agreements, is to be wholly satisfied by the allotment of Acquisition stock units. As this allotment will not affect the net assets of the enlarged group it has not been included in the above proforma.
- (vii) Apart from the property valuation referred to in note (i) no other fair value adjustments have been made.



## PART IV

### PROPERTY VALUATION

The following is the text of a report (excluding appendices A and B which comprise maps) by Cooke & Arkwright, Chartered Surveyors.  
A copy of the complete report including appendices forms one of the documents on display as set out in paragraph 23 of Part VI.

The Directors,  
Hicking Pentecost PLC  
Queens Road  
Nottingham NG2 3AT

7/8 Windsor Place  
Cardiff CF1 3SX

The Directors,  
Robert Fleming & Co. Limited  
25 Copthall Avenue  
London EC2R 7DR

27 June 1990

Dear Sirs

#### FORGEMASTERS SITE, GARTH WORKS, TAFFS WELL, NR. CARDIFF

The property being valued is the Forgemasters site, Garth Works, Taffs Well, Nr. Cardiff ("the Property"). We have inspected the Property in accordance with your instructions and wish to report as set out below.

#### INSTRUCTIONS

This report is drawn up in accordance with your instructions to give a valuation figure for the above land and for inclusion in a circular to be sent to stockholders of Hicking Pentecost PLC and includes a valuation certificate in the form required for the Council of The Stock Exchange. It has been prepared in a format appropriate to comply with the R.I.C.S. Guidance Notes on the Valuation of Assets.

#### BASIS OF VALUATION

- (a) The Property is valued on the basis of open market value in its existing use. The valuation figure reported, however, reflects the long term potential for the redevelopment of part or all of the Property.
- (b) For the purpose of the report "open market value" means the best price at which the freehold and leasehold interests might reasonably be expected to be sold by private treaty as at the date of valuation, assuming:-
- (i) A willing seller.
  - (ii) A reasonable period in which to negotiate the sale, taking into account the nature of the Property and the state of the market.
  - (iii) That values will remain static throughout the period.
  - (iv) That the Property will be freely exposed to the market.
  - (v) That no account will be taken of an additional bid by a special purchaser.
- (c) "Existing use" in this context is not restricted to the various statutory definitions of existing use which are used in town and country planning legislation or for taxation purposes.
- (d) It is not considered appropriate to use the principle of depreciated replacement cost.

#### DATE OF VALUATION

The value of the Property comprised in this report was assessed as at 14 June 1990.

#### THE VALUER

- (a) The valuer responsible for the preparation of this report is Roger Thomas, a Chartered Surveyor. He is Regional Director, Commercial Services in Cooke & Arkwright.
- (b) This report is an independent valuation prepared by us as external valuers as defined in the R.I.C.S. Guidance Notes.

#### VALUATION CERTIFICATE

On the Basis of Valuation as set out above and subject to the General Provisions of this report, we value the Property as follows:-

#### PROPERTY

Forgemasters Site, Garth Works, Taffs Well, Nr. Cardiff.

#### TENURE

Freehold, owned by Garth Estates and its subsidiary (subject to tenancies of the greater part) and partly leasehold (in respect of land owned by British Rail which is let to the subsidiary of Garth Estates Limited and is the subject of a proposed new lease to the subsidiary of Garth Estates Limited commencing on 25 March 1990 at a yearly rent of £2,300 for a term of 3 years less one day).

#### VALUATION

£2,400,000 (TWO MILLION, FOUR HUNDRED THOUSAND POUNDS).

## SCHEDULE TO THE VALUATION CERTIFICATE

### THE PROPERTY

#### (a) DESCRIPTION

The Property comprises a heavy industrial complex, part of which was originally designed as, and is still in use as, a forge, whilst a number of the ancillary more traditionally built industrial buildings, offices, stores, etc. have been subdivided and let to various occupiers.

#### (b) USE

The principal forge building is still used for heavy engineering purposes as are the two buildings which adjoin it. That part of the complex which has been let is occupied by a variety of users including steel fabrication, woodwork joinery, vehicle storage, general storage, glazing, building maintenance depot and offices.

#### (c) NATURE/DESIGN

The design of the original buildings is typical of heavy engineering works to which have been added various extensions including rough stores, plant rooms, etc.

The principal buildings are steel framed and have clear headroom in excess of 30ft.

The buildings which have been let are generally less substantial, more traditionally constructed steel trussed buildings, some with eaves height of up to 25ft. Various outbuildings range from an original stone built structure to a two storey office block with extension, and prefabricated garages have all been converted into units for letting.

#### (d) APPROXIMATE AGE

We understand that there has been an industrial complex on the site for many years; and the O.S. of 1900 shows a foundry on the site. In the absence of any specific information to the contrary, we would assess the age of the main complex as being 40-plus years old. One of the office buildings has been converted from a farmhouse which was originally on the site and is probably Victorian in age. To our knowledge no substantial new structures have been added in the last 10-15 years.

### SITUATION

The Property is located at Taffs Well approximately 6 miles north west of Cardiff city centre. It lies immediately adjacent to the A470(T) Merthyr to Cardiff dual carriageway, which in turn joins the M4 motorway at junction 32, three quarters of a mile to the south.

The A470(T) is the principal road leading from Cardiff to the Rhondda, Cynon and Aberaare Valleys. Taffs Well marks the start of the industrial development that straddles the River Taff as far as Treforest, approximately 4 miles away to the north.

Appendix A shows the approximate location of the Property.

### ACCESS

Access to the Property, from Cardiff Road (which in turn leads to the A470(T) at Ynys Bridge), is via a private road, the freehold of which is vested in British Rail. Terms have recently been concluded for the Grant of a perpetual right of access by British Rail to Garth Estates Limited and its subsidiary, as the owners of the Property, over the above private road. The terms make provision for the grantees paying a proportionate part, according to use, of the cost of maintenance, repairing and cleaning, etc. the private roadway.

During our preliminary enquiries with the local planning and highway authority, we were advised of a long term proposal to reclaim an area of land lying to the north of the subject site on the eastern side of the A470(T), known as the new Rockwood Colliery. If the reclamation scheme commences it is proposed that a road improvement project will be undertaken which might include the provision of a new industrial access road over the private road owned by British Railways Board and the subject of the new Deed of Grant referred to above. Our enquiries, however, reveal that whilst desirable, no date has yet been fixed for the implementation of the colliery reclamation scheme and thus the associated road improvement works.

## SITE

Our understanding of the boundary of the site in the freehold ownership of Garth Estates Limited and its subsidiary is edged red on a plan referred to as Appendix B, and our calculations show this to extend to approximately 8.5 acres as measured from the Ordnance Survey. In addition, and shown edged in blue on the same plan, is the area of land of approximately 0.4 acres owned freehold by British Rail, which we are advised is to be relet by British Rail to the subsidiary of Garth Estates Limited on a new lease commencing 25 March 1990 at an annual rent of £2,300 for a term of 3 years less one day. We have not had sight of the proposed draft lease.

The total site area (freehold and leasehold) is therefore approximately 8.9 acres.

The site is basically flat and those areas which have not been developed with buildings are hard surfaced with concrete, tarmac or consolidated hardcore finishes.

Boundaries are marked in a number of ways, but principally with chain link or plain wire fencing on concrete posts.

## CONSTRUCTION

The main forge buildings are constructed in a steel framework with brick/block walls to varying heights and light steel trussed roofs. External elevations are mainly painted corrugated asbestos cladding, but one section has been reclad in PVC coated steel. Roofs to the main forge buildings are corrugated asbestos with translucent lighting. Most are single skin and unlined. Floors are mainly concrete and have been subjected to very heavy wear, as have the principal forge buildings themselves.

A more modern steel framed office block lies to the north of the main forge buildings. This is clad externally in PVC coated steel and has a flat metal decked roof. Ground and first floors are solid.

A variety of outbuildings are constructed around the main unit, built of blockwork, brickwork and corrugated asbestos cladding. Some are single storey and others are two storey.

That part of the Property which has been subdivided into individual letting units comprises a former engineering complex, the main industrial buildings of which are constructed in steel framework with light steel trussed roofs clad in corrugated asbestos (partly lined). Walls are part brick/blockwork, finished in corrugated asbestos. There is also a ferro concrete framed two storey brick built office block with a corrugated asbestos roof. The original farmstead buildings are stone built and slate roofed and are now converted into offices, stores and workshop. There is a steel framed workshop with PVC coated steel cladding and earth floor, a three storey brick built office structure with timber framed flat roof extension, brick built corrugated asbestos roofed lean-to structures and prefabricated concrete panel garage type units.

Both parts of the Property are heated by various means, including gas/oil fired space heating, central heating, freestanding heaters and electrical installations.

We should draw to your attention the fact that the majority of the buildings comprising the Property are old, and those that are still occupied by Forgemasters PLC have been used for an intensive form of heavy engineering, where the nature of the operation carried out inside the building does not require a fully wind and watertight building. As such, therefore, both these parts of the Property and those areas which have been let are being maintained only to a standard that offers safety and reasonable weatherproofing. It is possible that in future years the development of the whole or parts of the subject site would appear practicable (subject to necessary planning consents being forthcoming).

## ACCOMMODATION

The main forge buildings offer the following accommodation:-

Machine Shop	10,000 sq. ft.
Main Forge	47,316 sq. ft.
Second Forge	29,660 sq. ft.

The forge buildings have overhead travelling gantries of various makes and capacities.

The separate office block provides the following accommodation:-

Ground Floor	3,820 sq. ft.
First Floor	3,820 sq. ft.

This building comprises shower room, locker room, wash area and joinery workshop at ground floor level, part of which is proposed to be converted into further offices.

At first floor level the accommodation is laid out as reception and various individual offices, typical of those ancillary to an industrial complex.

### FORGE BUILDINGS AND OFFICES

TOTAL AREA	94,616 sq. ft.
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The parts of the Property which have been let offer various units of accommodation, the approximate sizes of which appear on Appendix C (schedule of tenancies).

The main workshop units have travelling gantries of various makes and capacities.

### LEASED ACCOMMODATION (ENGINEERING/STORAGE UNITS)

TOTAL AREA	72,781 sq. ft.
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### TOTAL FLOOR SPACE

FORGEMASTERS SITE, GARTH WORKS, TAFFS WELL	167,397 sq. ft.
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The above floor areas have been measured on a gross internal basis, but exclude low quality outbuildings, plant structures, switch rooms, etc. adjacent to the main forge buildings. Because of the continuing changes made to the units of accommodation on that part of the Property which has been leased, it is not possible to guarantee accuracy of measurement of individual floor areas. Those areas quoted have been calculated from reference to plans provided to us and from check measurements taken of those units which were in existence at the time of our various inspections of the site.

## SERVICES

Specific enquiry of the statutory undertakings has not been possible in the time available regarding the availability, capacity and location of services. However, from informal enquiries on site, and from our observations when we inspected, all mains services are connected to the site or available adjacent to the site.

There is an electricity substation on site which we presume is the property of South Wales Electricity.

## TENURE

The Property is freehold and part leasehold as previously referred to. No easements or rights of way in favour of other parties were apparent on inspection.

## TENANCIES

In our description of the various tenancies (written and oral) to which the Property is subject, we have relied upon the Report on Title prepared by Morgan Bruce, Solicitors, Bradley Court, Park Place, Cardiff and received on 12 June 1990. We have also relied upon information supplied to us by the agents representing Forgemasters PLC dated 23 November 1989 and from further information given to us by the directors of Forgemasters PLC on 24 January 1990. In addition to those tenancies specifically referred to in Appendix C (schedule of tenancies), there is a lease in favour of Forgemasters PLC dated 28 March 1987. We understand that this demised the heavy engineering "Forge" and offices part of the site and is for a term of 21 years from 1 April 1987. The current rent reserved under the lease is £60,000 per annum and is next subject to review on 1 April 1991 and thereafter every 3 years of the term. Further details of the tenancy are set out in the Report on Title previously referred to. We understand that Forgemasters PLC is party to the transaction to which this report and valuation refers. Our reference to this tenancy is as a matter of record only and for the avoidance of doubt we hereby state that we have not taken into account any value attributable to the leasehold interest vested in Forgemasters PLC.

Appendix C sets out the various tenancies in existence at the time of the Report on Title produced by Morgan Bruce.

We have not been shown copies of all the leases that have been granted where they are written, nor have we seen signed memoranda recording newly agreed rentals where reviews have been concluded.