

HATTERSLEY HEATON LIMITED

REPORT AND ACCOUNTS

1 MAY 1999

Registered number: 143011

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The directors present their report and the financial statements for the fifty-two weeks ended 1 May 1999.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company until 5 February 1998 was the manufacture of steel process valves. On this date the decision was taken to close the mainstream steel process valve manufacturing business. The remaining nuclear valves business was transferred to Shipham & Company, Limited, a fellow subsidiary undertaking, on 2 May 1998.

Manufacturing on the steel process valve manufacturing business continued until July 1998 when the company ceased to trade.

The accounts have been prepared on the basis of the discontinuance of the business in order to show a true and fair view. Where appropriate, assets and liabilities have been restated to their net realisable value.

DIRECTORS

I. A. Duncan resigned as a director of the company on 12 July 1999. Until that date he was also a director of the ultimate parent company, Tomkins PLC.

The other directors, and their interests in the ordinary shares of Tomkins PLC, are:

	Fully paid shares		Options to purchase shares			2 May 1998
	1 May 1999	2 May 1998	1 May 1999	Granted during year	Exercised during year	
P. D. Houghton	119,439	110,951	142,068	15,000	8,354	135,422
R. C. Jones	25,106	22,845	24,410	6,080	3,394	21,724

D. P. Burton was appointed as a director of the company on 12 July 1999.

S. M. Webber was appointed as a director of the company on 22 March 1999 and resigned as a director of the company on 30 April 1999.

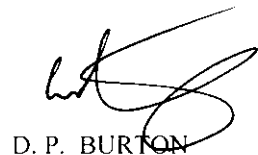
P. O'Reilly and J. N. Southall resigned as directors of the company on 26 June 1998. A. R. Clarkson and N. J. Watts resigned as directors of the company on 25 September 1998 and 31 January 1999 respectively.

No director had any material interest in any contract or arrangement subsisting during the year with the company.

STATUTORY DISPENSATION

The company has in force, under Section 379A of the Companies Act 1985, an election dispensing with the laying of accounts and reports before the company in General Meeting, the holding of Annual General Meetings and the obligation to appoint auditors annually.

Approved by the Board on 23 July 1999
and signed on its behalf by



D. P. BURTON
Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit for the year. In preparing those financial statements, the directors are required to:

- i. select suitable accounting policies and apply them consistently;
- ii. make judgments and estimates that are reasonable and prudent;
- iii. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which 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.

AUDITORS' REPORT TO THE MEMBERS OF HATTERSLEY HEATON LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described above, 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.

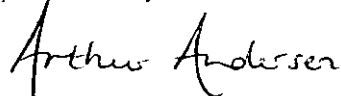
Basis of opinion

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 judgments 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 at 1 May 1999 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ARTHUR ANDERSEN

Chartered Accountants and Registered Auditors

London

23 July 1999

HATTERSLEY HEATON LIMITED
PROFIT AND LOSS ACCOUNT

YEAR ENDED 1 MAY 1999

	Notes	1999 £000	1998 £000
Discontinued operations			
Turnover	1	969	9,907
Operating loss after management charges	1 & 2	(67)	(2,117)
Profit on sale of fixed assets		1,425	-
Cost of business termination		-	(8,331)
Profit/(loss) on ordinary activities before interest		1,358	(10,448)
Interest receivable		1	-
Profit/(loss) on ordinary activities before tax		1,359	(10,448)
Tax on profit/(loss) on ordinary activities	4	(1,059)	3,185
Profit/(loss) on ordinary activities after tax		300	(7,263)
Deficiency at 2 May 1998		(10,261)	(2,998)
Deficiency at 1 May 1999		(9,961)	(10,261)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses in either year, other than the profit/(loss) on ordinary activities after tax for the year.

NOTE OF HISTORICAL COST LOSSES

The profits/(losses) for 1999 and 1998 respectively are reported under the historical cost convention.

HATTERSLEY HEATON LIMITED
BALANCE SHEET

AS AT 1 MAY 1999

	Notes	1999 £000	1998 £000
FIXED ASSETS			
Tangible assets	5	-	1,664
CURRENT ASSETS			
Stock	6	-	412
Debtors - amounts falling due within one year	7	1,047	5,652
Debtors - amounts falling due after more than one year	7	2,286	-
		<u>3,333</u>	<u>6,064</u>
CURRENT LIABILITIES			
Creditors - amounts falling due within one year	8	<u>(793)</u>	<u>(4,314)</u>
NET CURRENT ASSETS		2,540	1,750
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,540</u>	<u>3,414</u>
Creditors - amounts falling due after more than one year	9	-	(1,175)
Provisions for liabilities and charges	10	(1)	-
NET ASSETS		<u>2,539</u>	<u>2,239</u>
CAPITAL AND RESERVES			
Called up share capital	11	12,500	12,500
Profit and loss account		(9,961)	(10,261)
SHAREHOLDERS' FUNDS - EQUITY	12	<u>2,539</u>	<u>2,239</u>

Approved by the Board on 23 July 1999
and signed on its behalf by

R. C. JONES

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Directors

D. P. BURTON

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Basis of accounting

The accounts have been prepared on the basis of the discontinuance of the business in accordance with applicable accounting standards. Where appropriate, assets and liabilities have been restated to their net realisable value.

Accounting period

The accounts are for the fifty-two weeks ended 1 May 1999. In 1998 the accounts were for the fifty-two weeks ended 2 May 1998.

Turnover

Turnover comprises sales in the ordinary course of business to customers for goods supplied and services provided, exclusive of value added tax.

Research and development

Expenditure on research and development and on patents and trade marks is written off in the year in which it is incurred.

Fixed assets

Fixed assets are stated at the directors' best estimate of realisable value.

Operating leases

Operating lease rentals are charged to the profit and loss account on the straight line basis over the periods of the leases.

Stock

Stock is valued at the lower of cost and net realisable value with due allowance for any obsolete or slow moving items. Net realisable value is estimated selling price less cost to complete and sell. Work in progress, finished goods and goods held for resale include an appropriate proportion of overhead expense.

Tax

The tax charge is based on the result for the year and takes into account tax deferred due to timing differences between the treatment of certain items for tax and accounting purposes. Deferred tax is calculated under the liability method and it is considered probable that all liabilities will crystallise.

In accordance with the requirements of the ultimate parent undertaking, the company makes or receives payment in respect of group relief and advance corporation tax surrendered at 100% of the value of the relief given.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date, or at composite rates specified in related forward contracts.

Transactions in foreign currencies are translated at the rate ruling at the date of each transaction, or at composite rates at which forward cover exists.

Exchange differences arising out of day to day business transactions are included in operating results.

Pension benefits

The cost of the defined benefit pension plan is charged to the profit and loss account so as to spread the cost over the employees' working lives with the company.

1 TURNOVER AND OPERATING LOSS

a. Turnover and operating loss are attributable to the principal activity of the company.

b. Turnover by geographical destination	1999 £000	1998 £000
United Kingdom	661	5,795
Rest of Europe	15	1,245
Rest of the World	293	2,867
	<u>969</u>	<u>9,907</u>

c. Operating expenses	1999 £000	1998 £000
Cost of sales	778	10,029
Distribution costs	(22)	450
Administration expenses	280	1,545
	<u>1,036</u>	<u>12,024</u>

2 OPERATING LOSS is stated after charging:	1999 £000	1998 £000
Depreciation of fixed assets (see note 5)	183	621
Rents under operating leases	-	1
Auditors - audit fee and expenses	-	21
Research and development	-	4

The audit fee has been borne by the parent undertaking in 1999. No fees were paid to Arthur Andersen for non-audit services in either year.

3 DIRECTORS AND EMPLOYEES

The information below excludes I. A. Duncan who was also a director of Tomkins PLC, the ultimate parent company, and a number of other group companies. No part of his remuneration was specifically attributable to his services to Hattersley Heaton Limited. Full details of his remuneration are disclosed in the accounts of Tomkins PLC (see note 15). Additionally, the information below excludes the remuneration of P. D. Houghton as no part of his remuneration is specifically attributable to his services to the company. The following information relates solely to the executive directors of the company.

Remuneration

The aggregate remuneration of the directors of the company was as follows:

	1999 £000	1998 £000
Emoluments for services to the company	149	333
Compensation for loss of office	<u>77</u>	<u>39</u>

The above amounts do not include any gains made on the exercise of share options or the value of any shares or share options received or receivable under long-term incentive schemes. Two of the executive directors exercised share options in the year (1998 - two). One of the executive directors received shares under a long-term incentive plan in the year (1998 - one).

3 DIRECTORS AND EMPLOYEES - continued

Pensions

All the executive directors who served during both years were members of the defined benefit plan.

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	1999 £000	1998 £000
Emoluments	49	75

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 1 May 1999 was £17,000 (2 May 1998 - £5,000).

During the year the highest paid director exercised options in respect of 3,394 shares and received 853 shares under a long-term incentive scheme.

No director had a direct or indirect interest in any transaction, arrangement or agreement which, in the opinion of the other directors, requires disclosure.

The average number of persons employed by the company during the year was:

	1999 Number	1998 Number
Production	19	160
Selling and distribution	1	17
Administration	4	16
	24	193

Staff costs, including directors, were:

	1999 £000	1998 £000
Wages and salaries	510	3,554
Social security costs	47	279
Pension costs (see note 14)	-	-
	557	3,833

4 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	1999 £000	1998 £000
Corporation tax at 31% (1998 - 31%)	(1,000)	(707)
Deferred tax at 30% (1998 - 31%) (see note 10)	2,059	(2,478)
	1,059	(3,185)

5	TANGIBLE FIXED ASSETS	Total £000	Long leasehold land and buildings £000	Plant, equipment and vehicles £000
	Cost			
	At 2 May 1998	9,787	916	8,871
	Additions	425	425	-
	Transfers to group undertakings	(2,127)	(916)	(1,211)
	Disposals	(8,085)	(425)	(7,660)
	At 1 May 1999	-	-	-
	Depreciation			
	At 2 May 1998	8,123	520	7,603
	Charge for the year	183	-	183
	Transfers to group undertakings	(1,504)	(520)	(984)
	Eliminated on disposals	(6,802)	-	(6,802)
	At 1 May 1999	-	-	-
	Net book value			
	At 2 May 1998	1,664	396	1,268
	At 1 May 1999	-	-	-
6	STOCK		1999 £000	1998 £000
	Raw materials		-	180
	Work in progress		-	160
	Finished goods and goods held for resale		-	72
			-	412
7	DEBTORS		1999 £000	1998 £000
	Amounts falling due within one year:			
	Trade debtors		63	2,136
	Amounts owing by group undertakings		-	733
	Tax		984	707
	Deferred tax (see note 10)		-	2,058
	Prepayments and accrued income		-	18
			1,047	5,652
	Amounts falling due after more than one year:			
	Amounts owing by group undertakings		2,286	-
			3,333	5,652

The amounts falling due after more than one year owing by group undertakings are interest free and have no specified terms of repayment. None of the parties anticipate that any substantial part thereof will be repaid within the next twelve months.

8	CREDITORS - amounts falling due within one year	1999 £000	1998 £000
	Trade creditors	-	985
	Amounts owing to group undertakings	40	51
	Taxes and social security	430	225
	Other creditors	254	2,787
	Accruals and deferred income	69	266
		<u>793</u>	<u>4,314</u>
Some suppliers include in their conditions of sale a clause under which they reserve title to goods supplied until they are paid. These goods are included in stock.			
9	CREDITORS - amounts falling due after more than one year	1999 £000	1998 £000
	Amounts owing to group undertakings	-	1,175
10	PROVISIONS FOR LIABILITIES AND CHARGES/(DEFERRED TAX ASSET)	1999 £000	1998 £000
	Deferred tax		
	At 2 May 1998	(2,058)	420
	Charge/(credit) for the year (see note 4)	<u>2,059</u>	<u>(2,478)</u>
	At 1 May 1999	<u>1</u>	<u>(2,058)</u>
	The deferred tax provision comprises:		
	Shortfall of capital allowances over depreciation charged	-	(350)
	Other timing differences	<u>1</u>	<u>(1,708)</u>
		<u>1</u>	<u>(2,058)</u>
11	SHARE CAPITAL	Number	£000
	Authorised, allotted and fully paid		
	Ordinary shares of £1 each		
	At 1 May 1999 and 2 May 1998	<u>12,500,000</u>	<u>12,500</u>
12	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	1999 £000	1998 £000
	Profit/(loss) on ordinary activities after tax	300	(7,263)
	Shares issued during year	<u>-</u>	<u>9,200</u>
	Net addition to shareholders' funds	<u>300</u>	<u>1,937</u>
	Shareholders' funds at 2 May 1998	<u>2,239</u>	<u>302</u>
	Shareholders' funds at 1 May 1999	<u>2,539</u>	<u>2,239</u>

13 FINANCIAL COMMITMENTS

There are obligations under operating leases to pay rentals during the next year, which expire:

	Land and buildings	
	1999	1998
	£000	£000
Over five years	-	1

14 PENSION COMMITMENTS

The company contributes to a defined benefit pension plan, which is administered by a fellow subsidiary undertaking, to provide benefits based on final pensionable salary for most employees. The assets of the plan are held in separate funds administered by trustees. The pension cost relating to the plan is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The pension cost for the year of £112 (1998 - £272) is determined so as to spread the cost of pensions over employees' working lives with the company. The latest actuarial valuation of the plan was on 5 April 1998. The assumption which has the most significant effect on the valuation is the long-term average investment return. This has been determined at 2.0% per annum higher than the average increase in pay. The market value of the assets of the plan at the date of the formal review was £19,982,000 and the valuation of the assets was sufficient to cover 117% of the liability for benefits that had accrued to members at that date. There were no significant contributions outstanding or prepaid by the company at 1 May 1999.

15 RELATED PARTIES

Tomkins PLC is the company's parent undertaking and ultimate parent company.

Tomkins PLC produces group accounts; copies may be obtained from The Secretary, Tomkins PLC, East Putney House, 84 Upper Richmond Road, London SW15 2ST.

As a wholly owned subsidiary undertaking of Tomkins PLC, in accordance with FRS 8 "Related party disclosures", the company is not required to disclose transactions with other members of the group.