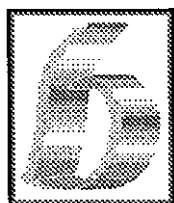
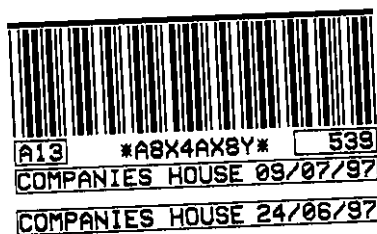


298654



# BILLAM

THE BILLAM GROUP



## Annual Report 1996

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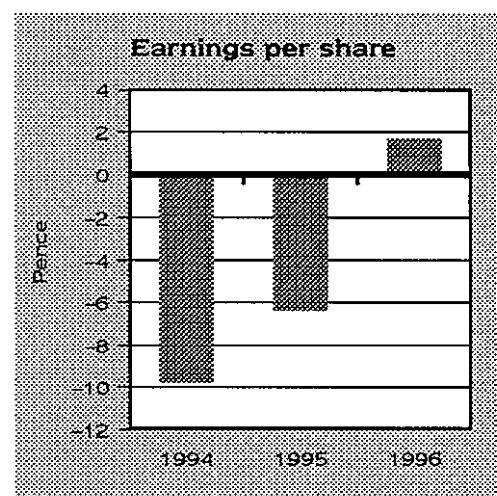
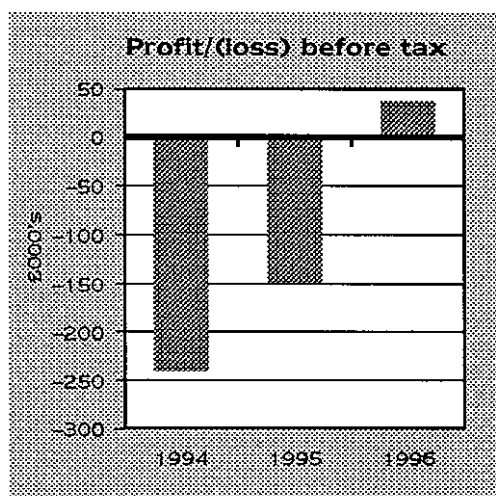
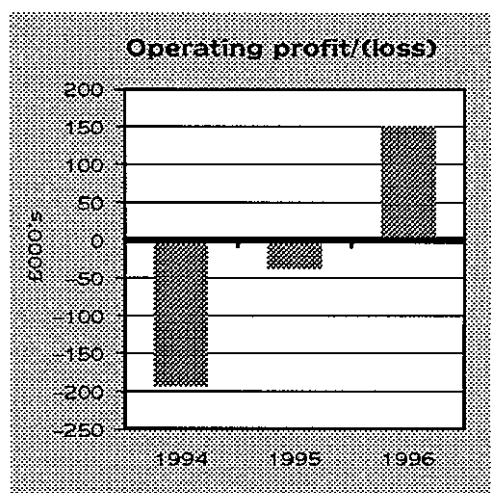
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# Financial Highlights

	1996 £000	1995 £000
Turnover	6,812	6,847
Operating profit/(loss)	147	(38)
Profit/(loss) before taxation	35	(150)
Profit/(loss) after taxation	27	(103)
Earnings per share	1.7p	(6.4p)
Dividend per share	5.3p	5.3p



# Directors and Advisors

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**Stephen Ingram\***

*Chairman*

**Barry Truman**

*Group Chief Executive*

**Barbara Billam**

**John C. G. Williams\***

## **Secretary**

Malcolm C. Cooper

## **Registered Office**

85 Headford Street

Sheffield S3 7WA

Reg. No. 298654 England

## **Auditors**

Grant Thornton

Chartered Accountants

Sheffield

## **Solicitors**

Dibb Lupton Alsop

Irwin Mitchell

Sheffield

## **Bankers**

Barclays Bank Plc

Sheffield

## **Stockbrokers**

Peel Hunt & Company Ltd

Leeds

## **Registrars**

Northern Registrars Ltd

Northern House

Penistone Road

Fenay Bridge

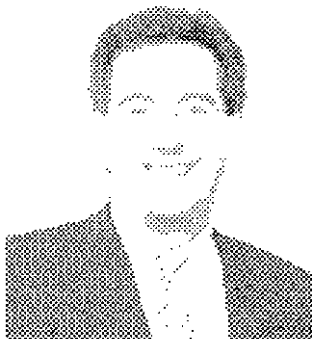
Huddersfield HD8 0LA

\* Non Executive



# Chairman's Statement

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## Results

I am pleased to report the Group's continuing recovery which has resulted in a return to profitability in 1996, despite the highly competitive conditions in its two main markets, aerospace and automotive.

The operating profit for the year was £147,000 an improvement of £185,000 compared with the previous year's operating loss of £38,000.

This improvement in performance, which was achieved on slightly lower sales of £6.81 million (1995 – £6.85 million), reflects operational efficiencies at ASME, together with a reduction in overheads at all of the operating companies in the Group.

After interest payable of £112,000 (1995 – £112,000) the Group achieved profit before taxation of £35,000 (1995 – loss £150,000).

Cash management has continued to be very tight during the year and at the year end gearing was 76%, some 11% better than at the half year and a 3% improvement compared with the previous year end.

## Dividend

The directors recommend that the final dividend is maintained at 3.1p per share making 5.3p per share for the full year (1995 5.3p). This is an indication of the directors' continuing confidence in the long-term prospects of the Billam Group.

## Strategy

Now that substantial progress has been achieved in the Group's recovery programme, it is intended to embark on a strategy of expansion. This strategy involves the profitable development and growth of existing businesses, as well as the development of related businesses, both organically and by acquisition.

One of the Board's primary objectives for several years has been to broaden both the Group's activities and also the markets it serves. The benefits of this strategy are now starting to show through with the development of several new business initiatives, in particular the manufacture of cabinets for gaming machines at ASME, and the launch of Billam Supplies in South Yorkshire. In addition, the Group will shortly commence the manufacture and sale under licence of a range of golf-trolleys under the Kaddy brand name. This will be the first product range to be launched through the newly-formed Billam Leisure Products Limited. Furthermore within the next few weeks Billam Purchasing and Trading Limited will commence trading. Various other developments are also under consideration which should further broaden the base of the Group's business.

The directors have recognised for some time that the size of the Group and in particular its market capitalisation might inhibit its ability to make appropriate acquisitions. After very careful consideration of the situation, including full consultation with its advisors, your Board has decided to transfer from the Official List to the Alternative Investment Market ("AIM") as this market is much better suited to the requirements of smaller companies. We believe that this move should make little, if any, discernible difference to the vast majority of our shareholders and will be in the best interests of all shareholders in the longer term. In particular it is considered that one of the primary benefits of making this transfer is that as an AIM listed company the regulations relating to both purchases and disposals of businesses are much less cumbersome than on the Official List. This makes the acquisition process easier which should facilitate the growth of the Group. The exact date for the transfer to AIM has not yet been determined but it is expected that it will take place during April 1997.

## Chairman's Statement continued

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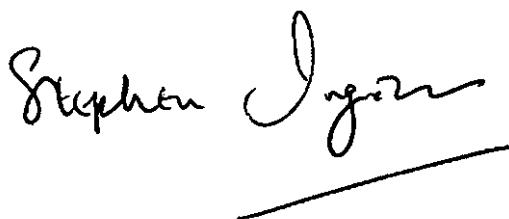
### Appreciation

I should like to express my appreciation to all the loyal and committed employees for the contribution that they have made to the Group's recovery. My colleagues Barry Truman (Group Chief Executive) and Barbara Billam (Executive Director) deserve particular mention for their unstinting hard work in managing the Group's recovery programme.

### Prospects

The start to the current financial year has been steady if unexciting, although this is in line with expectations. However each of the subsidiary managing directors is motivated and committed to achieving increased profitability. Accordingly your Board is looking to volume increases at all the Group operating companies in order to maintain the momentum of recovery. This is supported by the new business developments and initiatives which have been referred to above.

Your directors are therefore confident that there will be further significant improvement in the Group's performance in 1997.



**Stephen Ingram**  
*Chairman*

12 March 1997



# Chief Executive's Review

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## Introduction

The Group's performance during 1996 has continued to improve albeit at a slower pace than would have been liked. This was attributable to the very competitive markets in both automotive and aerospace and the slow development of new business in the non-aerospace and non-automotive markets. Significant development work has been carried out with prospective customers and this should reflect in increased sales in 1997.

## Financial

The turnover for the year at £6.81m was almost identical to the turnover in 1995 of £6.85m. There were significant advances in the Group's profitability due to the careful control of operating costs at all levels and in every location. Gross profit on sales improved by 3% to 29.6%, yielding an operating profit of £147,000 (1995 operating loss £38,000), and a profit before taxation for the first time since 1993.

Strong financial management led to a marked reduction in working capital with particular emphasis being placed on improved debtor control and on more efficient stock holding. Further improvements are expected in both areas during 1997. This tighter control of working capital released £154,000 to be applied elsewhere in the Group's operations.

The introduction of improved systems of forecasting and control facilitated the more efficient use of cash. The Group generated £480,000 from its operations, enabling capital expenditure of £143,000, and noticeable reductions in borrowings.

As a consequence, the gearing ratio of 76% of shareholders funds was achieved which was 11% below the half-year figure and 3% down on 31 December 1995.

Annual budgets are set for each operation and each company reports monthly within nine working days its performance with comparisons against budget and prior year. Consolidated reports are presented to the Group Board each month, additionally the Group undertakes quarterly and half-yearly reviews of its performance.

The operating subsidiaries are obliged to comply with all Group Financial Policy and Directives.

## Aircraft and Sheet Metal Engineers Ltd

Sales increased by approximately 6% which together with very significant improvements to operational efficiencies resulted in the company trading profitably at the end of the year.

A new computerised production control system was installed during the year which will enable further efficiencies to be gained and together with other cost saving initiatives will have a beneficial effect on profitability in 1997.

A significant new development has been the manufacture of cabinets for a casino-style gaming machine which has enabled the company to gain a 'foothold' in the leisure market. ASME has now begun to win new work and customers outside its traditional aerospace market and it is essential that this and its traditional markets are developed further.

ASME's quality accreditations and significantly improved operations means that it is well placed to gain new business in both the aerospace and non-aerospace markets.

## Carr Lane Engineering Supplies

Carr Lane in contrast to 1995 has traded profitably. This achievement, despite flat sales, came about through operational efficiencies.

Further minor organizational changes are planned for early 1997, which together with the opening of a sister operation in South Yorkshire will strengthen the opportunity to increase profitability.



## Chief Executive's Review continued

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### **Willis Pressings and Assemblies Ltd**

1996 has again been a profitable year and one of restructuring to meet the challenges of and threats to the markets supplied.

The emergence of mega suppliers such as Lucas Varity with global manufacturing facilities and the divestment and outsourcing by original auto equipment manufacturers emphasises the competitive dynamics which now characterise the auto industry.

Demand for the company's products was weak during the first half of 1996 with over capacity and lower demand from European car manufacturing.

Manning and overhead reductions were affected during the second and third quarters of 1996 resulting in improved margins for the year. The company continued to trade profitably in the second half of 1996 despite a 5% reduction in total sales compared with 1995 levels.

1997 first quarter sales demand indicates a return to sales growth for the company.

The foundations laid down during 1996 will enable the company to become a one stop supplier of high volume progression presswork from 1 to 400 tonnes.

Willis is confident that its value and process engineering initiatives and planned output efficiency improvements will enable it to remain competitive whilst aiming to increase its profit during 1997.

### **New Businesses**

In an endeavour to increase the scope of the Group, significant effort has been expended in setting up three new businesses which will be fully operational by April 1997.

### **Billam Leisure Products Ltd**

This company will manufacture and market the "Kaddy" range of golf trolleys. This will start as a joint venture with the present owner, however, there is an option for the Billam Group to purchase the whole business. The trolleys will be assembled using existing Group manufacturing facilities and will be supported administratively by the existing Head Office staff.

### **Billam Purchasing and Trading Ltd**

This small team will be based in Head Office and will carry out all the purchasing for the Group. However, its primary role will be to provide a purchasing service for other large companies and also to provide an 'outsourced' engineering stores operation.

### **Billam Supplies Ltd**

Based at the Group Head Office, Billam Supplies will be a distributor of cutting tools and engineering consumables servicing a wide range of manufacturing and service companies. Carr Lane Engineering Supplies is a division of this company and in addition to its traditional distribution business will continue to be the centre for all high quality tool and cutter grinding and bandsaw welding.

### **People**

Twenty four senior and middle managers across the Group have continued on their training programme throughout the year which will result in NVQ4 and 3 qualifications being awarded for the successful employees in mid 1997.

In conjunction with Sheffield TEC a consultant has been appointed and diagnostic interviews held to prepare an action plan prior to starting on the journey towards achieving Investors in People. It is anticipated that it will take between eighteen months and two years to achieve this recognition.



## Chief Executive's Review *continued*

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Several senior staff changes have taken place during the year including the appointment of Richard Chapman as Managing Director of Willis and Malcolm Cooper as Group Financial Controller. Overall the numbers employed across the Group have reduced from 195 in 1995 to 172 in 1996.

The success of the Group is very much dependent on its employees and I would like to take this formal opportunity to thank everyone for their commitment, loyalty and hard work throughout the year.

### **Outlook for 1997**

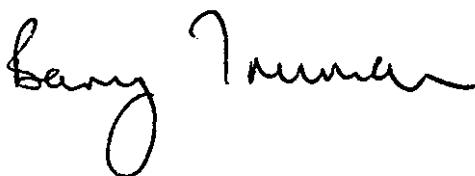
Despite the difficult trading conditions of recent years, we continue to make decisions on the basis of what is best for the long-term benefit of the Company and its shareholders, employees and customers. We will endeavour not to miss any opportunity to develop the business provided these criteria can be satisfied.

To this end the Board has decided to transfer to AIM rather than remain on the main London Stock Exchange. We consider that this market is more appropriate for our activities at the present time and will provide a more realistic capital market for the Company to grow organically and by acquisition.

In all our operations in 1996 the emphasis was to endeavour to increase sales whilst at the same time improving margins with tighter control of costs. We will continue with this strategy in 1997.

I am confident that the year ahead will see a significant improvement in the Group's performance because of the benefits of the restructuring of operations and financial controls introduced over the last eighteen months.

Order books across the Group are showing significant improvements on 1995 and 1996 and these will provide, together with the new businesses the platform for a much improved performance in 1997.



**Barry Truman**  
*Group Chief Executive*

12 March 1997



# Report of the Directors

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Your directors have pleasure in presenting their report together with the financial statements for the year ended 31 December 1996.

## Principal activity

The Group's principal activity is engineering.

## Results and dividends

The results for the year are set out in the Group profit and loss account on page 18.

The profit on ordinary activities before taxation amounted to £35,000 (1995 loss £150,000).

The directors recommend a final dividend of 3.1p per share amounting to £50,000 (1995 3.1p) making a total of 5.3p per share for the year amounting to £86,000 (1995 5.3p).

## Review of the business

A review of the business during the year and comments on the future outlook are contained in the Chairman's statement and the Chief Executive's review of operations on pages 4 to 8.

## Directors and their interests

The directors in office at the end of the year together with their respective beneficial interests in the shares of the Company are:

	Ordinary shares of 10p each	
	31 December 1996	1 January 1996
S. Ingram	107,000	107,000
B. Truman	16,800	10,000
B. P. Billam	350,179	350,179
J. C. G. Williams	2,500	2,500

J. C. G. Williams also held 2,500 ordinary shares in a non-beneficial capacity at 31 December 1996 (1 January 1996, 2,500).

All the directors shown above, served throughout the year. Mr. R. A. Tallis resigned as a director on 10 January 1996.

There have been no movements in directors' shareholdings since 31 December 1996 to the date of this report.

B. Truman retires by rotation and, being eligible, offers himself for re-election.

No director had an interest in any material contract, other than contracts of service and employment, to which the Group was a party.

## Non-executive directors

Stephen Ingram, 47, a chartered accountant, is senior partner of Ingram Forrest Associates, chairman of Candlelight Products Limited, a non-executive director of Tyzack Precision plc and several other companies.

John C. G. Williams, 64 is consultant to Blackburn & Co., solicitors, and a director of Castlebulk Limited.



## Report of the Directors continued

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### Substantial shareholdings

At 12 March 1997, the Group had been advised of the following notifiable interests in the ordinary share capital of the Company:

	%
Ms. B. P. Billam	21.6
Mrs. J. Knapp	20.4
Mr. S. Ingram	6.6
Imperial Pensions Nominees Limited	6.2
Three in Eleven Limited	4.2
State Street Nominees Limited	4.0

### Directors responsibilities for the financial statements

The following statement, which should be read in conjunction with the auditors' statement of auditors' responsibilities set on on page 15 is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by law to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group at the end of each financial year and of the result of the Group for the year. They are responsible for keeping proper accounting records, and taking reasonable steps for safeguarding assets and for preventing and detecting fraud and other irregularities.

The directors consider that suitable accounting policies have been consistently applied and that reasonable and prudent judgements and estimates have been used in the preparation of the financial statements. The directors also confirm that applicable accounting standards have been followed.

### Properties

The directors reviewed the current open market value of the Group's properties at the year end. This review indicated that there is no significant difference from the Balance Sheet amount.

### Auditors

The auditors, Grant Thornton, offer themselves for re-appointment in accordance with Section 385 of the Companies Act 1985.

By order of the Board,

M. C. Cooper  
Secretary



12 March 1997



# Corporate Governance

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## **Code of Best Practice**

The Company has complied throughout the year with the Code of Best Practice (the Code), contained in the Report of the Cadbury Committee on the Financial Aspects of Corporate Governance except that the Board of the Company includes two non-executive directors who also make up the audit committee. Therefore the Company does not comply with paragraph 4.3 of the Code. The Board believes that the current composition of the Board is suitable for the size of the Company and is in line with the recommendations of the City Group for Smaller Companies for companies of a similar size.

## **Board of Directors**

The Board currently comprises a non-executive chairman, one non-executive director and two executive directors.

The Board considers that its current composition is sufficient, given the size of the Group, for the views of the non-executive directors to carry significant weight in the Board's decisions. No one individual has unfettered powers of decision.

## **Audit Committee**

The Audit Committee members are Stephen Ingram and John Williams. Its duties include the monitoring of satisfactory standards of financial control throughout the Group, the review of the interim and full year financial statements and the approval of the Group's accounting policies. It meets with the external auditors not less than twice per annum.

## **Nomination Committee**

The Nomination Committee recommends to the Board any new Board appointments, whether in an executive or non-executive capacity, and considers succession. Its members are Stephen Ingram, Barbara Billam and John Williams.

## **Internal Financial Control**

The Board is responsible for establishing and maintaining the Group's system of internal financial control. Such a system can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board has set an organisational structure for the Group which specifies limits of authority through business plans and annual budgets based on the levels of perceived business risk. It has established appropriate reporting procedures including monthly management accounts and weekly cash and performance indicators which are monitored and reviewed internally under the direction of the executive directors of the Parent Company.

Internal control systems are in operation across the Group. In addition, the external auditors report annually on any significant weaknesses discovered during the course of their audit work. Any significant non-compliances have to be investigated and corrected promptly.

The directors confirm that they have reviewed the effectiveness of the system of internal financial control for the financial year and the period to the date of this report.



## Corporate Governance continued

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### **Going Concern**

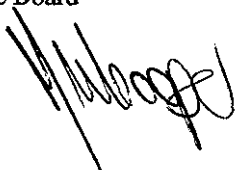
After making enquiries, the directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### **Credit Payment Policy**

The Group's policy is to conform to consistent terms of payment with suppliers, to ensure that suppliers are aware of these terms and to pay agreed invoices in accordance with them.

By order of the Board

**M. C. Cooper**  
*Secretary*



12 March 1997



# Remuneration Committee Report

---

The Company complied throughout the year with Section A of the Best Practice Provisions for Remuneration Committees as annexed to the Listing Rules.

## Remuneration Committee

The membership of the Committee comprises the two non-executive directors under the chairmanship of Mr. S. Ingram.

None of the Committee has any personal financial interest in the matters to be decided (other than as shareholders), potential conflicts of interest arising from cross-directorships nor any day-to-day involvement in running the business. The Committee consults the Chief Executive about its proposals and has access to professional advice from inside and outside the Company.

No director plays a part in any discussion about his own remuneration.

## Remuneration Policy for Executive Directors

In framing their policy the Committee has given full consideration to the provisions of Section B of the Best Practice Provisions annexed to the Listing Rules.

The Company through its Remuneration Committee aims to ensure that executive directors are fairly rewarded for their individual contributions to the Group's overall performance and to the interests of the shareholders and the continuing financial and commercial health of the Group.

There are three main elements to the remuneration package of executive directors:

- (i) basic annual salary and benefits in kind;
- (ii) annual bonus payments; and
- (iii) pension arrangements.

Each executive director's basic salary is reviewed annually by the Committee. In deciding upon appropriate levels of remuneration the Committee has regard to rates of pay for similar jobs in comparable companies as well as internal factors such as performance.

The Committee establishes the objectives which must be met for a cash bonus to be paid. The Committee believes that the award of any annual bonuses should be tied to the interests of the Company's shareholders and that the principal measure of those interests is shareholder value. The maximum performance related bonus that can be paid is 40% of basic annual salary.

## Pensions

Pension benefits are provided to the executive directors by the Company contributing up to 10% of pensionable earnings defined as basic salary and benefits to a defined contribution scheme. Their dependants are eligible for dependant's pension and the payment of a lump sum in the event of death in service. No other payments to directors are pensionable.

## Service Contracts

The executive directors' have rolling service contracts, Mr. B. Truman's is for six months and Miss B. P. Billam's is for twelve months.

## Non-Executive Directors' Remuneration

The remuneration of the non-executive directors is determined by the Board. Non-executive directors do not receive any bonuses, do not have a contract of service and are not eligible to join the Company's pension scheme.

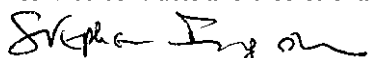


## Remuneration Committee Report continued

	Fees	Basic salaries and benefits	Annual bonuses	Sub-total	Pension scheme contributions	Compensation for loss of office	Total 1996	Total 1995
	£000	£000	£000	£000	£000	£000	£000	£000
Executive directors								
B. Truman	–	53	3	56	3	–	59	55
B. P. Billam	–	34	2	36	3	–	39	37
R. A. Talliss	–	–	–	–	–	30	30	55
Non-executive directors								
S. Ingram (Chairman)	22	3	–	25	–	–	25	37
J. C. G. Williams	9	–	–	9	–	–	9	8
	31	90	5	126	6	30	162	192

The emoluments, excluding pension contributions, of the Chairman were £25,000 (1995 £37,000), and of the highest paid director £56,000 (1995 £52,000).

Annual bonuses represent contractual profit related incentive payments as defined in executive directors' service contracts and discretionary performance related incentives.



**Stephen Ingram**

*Chairman of Remuneration Committee*

12 March 1997



# Reports of the Auditors

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To the Members of Billam Plc

We have audited the financial statements on pages 16 to 31 which have been prepared under the accounting policies set out on pages 16 and 17. We have also examined the amounts disclosed relating to the emoluments of the directors which form part of the Remuneration Committee Report on pages 13 to 14.

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

As described on page 10 the directors are responsible for the preparation of the financial statements. It is our responsibility to form an 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 test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 and the Group at 31 December 1996 and of the result of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Grant Thornton**  
*Registered Auditors*  
*Chartered Accountants*



Sheffield  
12 March 1997

To Billam Plc

In addition to our audit of the financial statements, we have reviewed the directors' statements on pages 11 and 12, concerning the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

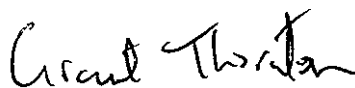
We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or its corporate governance procedures nor on the ability of the Group to continue in operational existence.

## **Opinion**

With respect to the directors' statement on internal financial control on page 11, and going concern on page 12, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the Company, and examination of the relevant documents, in our opinion the directors' statement on page 11 appropriately reflects the Company's compliance with the other aspects of the code specified for our review by Listing Rule 12.43(j).

**Grant Thornton**  
*Registered Auditors*  
*Chartered Accountants*



Sheffield  
12 March 1997



# Accounting Policies

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The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention as modified by the revaluation of certain land and buildings.

The principal accounting policies of the Group have remained unchanged from the previous year and are set out below.

## **Introduction of Financial Reporting Standard No. 1 (Revised 1996)**

The presentation of financial information has changed compared with the previous year to reflect early adoption of Financial Reporting Standard No. 1 (Revised 1996) 'Cash Flow Statements' ('FRS 1 Revised') which was published by the Accounting Standards Board in October 1996. The prior year's figures have been restated on a comparable basis.

## **Basis of consolidation**

The Group financial statements consolidate the financial statements of the Company and of its subsidiary undertakings for the year ended 31 December 1996. Profits or losses on intra-group transactions are eliminated in full.

## **Turnover**

Turnover represents sales invoiced to third parties excluding Value Added Tax.

## **Depreciation**

Depreciation is calculated to write down the cost or valuation, less estimated residual value, of all tangible assets, excluding land, by equal annual instalments over their expected useful economic lives. The rates generally applicable are:

Freehold and long leasehold buildings	2%
Plant and fixtures	10%-25%
Motor vehicles	25%

## **Stocks**

Stocks are stated at the lower of cost and net realisable value.

## **Deferred taxation**

Deferred taxation is the taxation attributable to timing differences between profits or losses as computed for taxation purposes and results as stated in the financial statements.

Deferred taxation is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred taxation is disclosed as a contingent liability.

Debit balances arising in respect of advance corporation tax on dividends payable or proposed are carried forward to the extent that it is foreseen that sufficient corporation tax will be assessed in the succeeding period to allow offset.

## **Leased assets**

Where assets are financed by leasing agreements which transfer risk and rewards approximating to ownership ('finance leases') they are treated as if they had been purchased outright on credit. They are initially recorded as a fixed asset and a liability at a sum equal to the fair value of the asset. Leasing payments on such assets are regarded as consisting of a capital element which reduces the outstanding liability and an interest charge.

All other leases are regarded as operating leases and the total payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.



## **Accounting Policies** continued

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### **Goodwill**

The amount by which the purchase price of the business as a whole exceeds the fair value of separable net assets on the acquisition of subsidiary undertaking is written off to reserves in the year of acquisition. Where the fair value of separable net assets exceeds the purchase price of the business as a whole, this difference is credited to reserves in the year of acquisition.

### **Contributions to pension schemes**

The pension costs charged against profits represent the amount of the contributions payable to the defined contribution schemes in respect of the accounting period.

### **Investments**

In the Company balance sheet investments in subsidiary undertakings are stated at cost less any provision for diminution in value.

### **Government Grants**

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit and loss account by annual instalments over the expected useful lives of the relevant assets. Revenue grants are released to profit and loss account over the life of the project to which they relate.



# Group Profit and Loss Account

For the year ended 31 December

	Note	1996 £000	1995 £000
<b>Turnover</b>	1	<b>6,812</b>	6,847
Cost of sales		<b>4,799</b>	5,033
<b>Gross Profit</b>		<b>2,013</b>	1,814
Distribution costs		<b>206</b>	230
Administrative expenses		<b>1,660</b>	1,622
<b>Operating profit/(loss)</b>		<b>147</b>	(38)
Interest payable	2	<b>112</b>	112
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>35</b>	(150)
Tax on profit/(loss) on ordinary activities	6	<b>8</b>	(47)
<b>Profit/(loss) on ordinary activities after taxation</b>		<b>27</b>	(103)
Dividends	7	<b>86</b>	86
<b>Retained loss for the year</b>	19	<b>(59)</b>	(189)
<b>Earnings per share</b>	8	<b>1.7p</b>	(6.4p)

There were no recognised gains and losses other than those included in the results above.

There is no material difference between the profit on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

The accompanying accounting policies and notes form part of these financial statements.

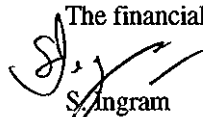


# Balance Sheets

At 31 December

		Group		Company	
	Note	1996 £000	1995 £000	1996 £000	1995 £000
<b>Fixed assets</b>					
Tangible assets	9	1,961	1,973	1,357	1,307
Investments	10	–	–	427	427
		<b>1,961</b>	<b>1,973</b>	<b>1,784</b>	<b>1,734</b>
<b>Current assets</b>					
Stocks	11	561	678	–	–
Debtors	12	1,791	1,830	488	469
Cash at bank and in hand		1	1	–	–
		<b>2,353</b>	<b>2,509</b>	<b>488</b>	<b>469</b>
<b>Creditors: amounts falling due within one year</b>	13	<b>2,338</b>	<b>2,355</b>	<b>577</b>	<b>474</b>
<b>Net current assets</b>		<b>15</b>	<b>154</b>	<b>(89)</b>	<b>(5)</b>
<b>Total assets less current liabilities</b>		<b>1,976</b>	<b>2,127</b>	<b>1,695</b>	<b>1,729</b>
<b>Creditors: amounts falling due after more than one year</b>	14	<b>151</b>	<b>235</b>	<b>–</b>	<b>–</b>
<b>Deferred income</b>	17	<b>12</b>	<b>20</b>	<b>6</b>	<b>12</b>
		<b>1,813</b>	<b>1,872</b>	<b>1,689</b>	<b>1,717</b>
<b>Capital and reserves</b>					
Called up share capital	18	162	162	162	162
Share premium account	19	161	161	161	161
Revaluation reserve	19	642	642	642	642
Profit and loss account	19	848	907	724	752
<b>Shareholders' funds</b>	20	<b>1,813</b>	<b>1,872</b>	<b>1,689</b>	<b>1,717</b>

The financial statements were approved by the directors on 12 March 1997.

  
 S. Ingram  
 B. Truman

Directors



The accompanying accounting policies and notes form part of these financial statements.



# Group Cash Flow Statement

For the year ended 31 December

	Note	1996 £000	1996 £000	1995 £000	1995 £000
<b>Net cash inflow/(outflow) from operating activities</b>	21		480		(73)
<b>Returns on investments and servicing of finance</b>					
Interest paid		(95)		(91)	
Interest paid on finance leases		(17)		(21)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(112)		(112)
<b>Taxation</b>					
UK corporation tax paid		(20)		(20)	
UK corporation tax recovered		20		109	
<b>Tax paid</b>			-		89
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(143)		(145)	
Sale of tangible fixed assets		6		58	
			(137)		(87)
<b>Acquisition</b>					
Purchase of business		-		(1)	
			-		(1)
<b>Equity dividends paid</b>			(86)		(86)
<b>Net cash inflow/(outflow) before use of liquid resources and financing</b>			145		(270)
<b>Financing</b>					
Capital element of finance lease rentals		(59)		(101)	
Debt due within one year:					
Repayment of loans		(78)		(77)	
<b>Net cash outflow from financing</b>	22		(137)		(178)
<b>Increase/(decrease) in cash in the year</b>	23		8		(448)

The accompanying accounting policies and notes form part of these financial statements.



# Notes to the Financial Statements

## 1. Turnover and segmental analysis

Turnover is attributable to one activity, engineering, all of which originates from the United Kingdom.

Geographical analysis of turnover by destination:

	1996 £000	1995 £000
United Kingdom	6,698	6,749
Rest of Europe	71	54
United States of America	28	33
Other export	15	11
	<u>6,812</u>	<u>6,847</u>

## 2. Interest payable

	1996 £000	1995 £000
On bank loans and overdrafts	95	91
On finance leases	17	21
	<u>112</u>	<u>112</u>

## 3. Profit/(loss) on ordinary activities before taxation

This is stated after taking into account:

	1996 £000	1995 £000
Depreciation		
– owned assets	145	152
– plant held under finance leases	44	33
Operating lease rentals		
– hire of plant and machinery	19	20
– other	74	108
Auditors' remuneration		
– audit services	22	22
– non-audit services	6	6
Government grants credited	(8)	(2)



## Notes to the Financial Statements continued

### 4. Directors' emoluments

	1996 £000	1995 £000
Directors' fees	31	11
Management remuneration (including benefits in kind)	90	164
Bonuses	5	4
Pension contributions	6	13
Compensation for loss of office	30	—
	<b>162</b>	<b>192</b>

The emoluments of the directors (excluding pension contributions) were in the following ranges:

	1996 Number	1995 Number
£ 0 to £ 5,000	1	—
£ 5,001 to £10,000	1	1
£20,001 to £25,000	1	—
£30,001 to £35,000	—	1
£35,001 to £40,000	1	1
£45,001 to £50,000	—	1
£50,001 to £55,000	—	1
£55,001 to £60,000	1	—

### 5. Employee information

The average number of employees (including directors) of the Group during the year and their payroll costs were:

	1996 Number	1995 Number
Engineering	172	195
	<b>1996 £000</b>	<b>1995 £000</b>
Wages and salaries	2,371	2,464
Social security costs	205	218
Pension costs (note 24)	29	38
	<b>2,605</b>	<b>2,720</b>



## Notes to the Financial Statements continued

### 6. Tax on profit/(loss) on ordinary activities

The taxation charge for the year is made up as follows:

	1996 £000	1995 £000
UK corporation tax	5	—
Deferred tax	3	(40)
Adjustments in respect of previous years — corporation tax	—	(7)
	<u>8</u>	<u>(47)</u>

### 7. Dividends

	1996 £000	1995 £000
Ordinary shares		
Interim dividend of 2.2p (1995 2.2p) per share	36	36
Proposed final dividend of 3.1p (1995 3.1p) per share	50	50
	<u>86</u>	<u>86</u>

### 8. Earnings per share

The calculation of earnings per share is based on the average number of shares in issue during the year of 1.62m (1995 1.62m), and the profit after tax for the year of £27,000 (1995 loss £103,000).



## Notes to the Financial Statements continued

### 9. Tangible assets

Group	Total £000	Land and buildings Freehold £000	Long leasehold £000	Plant, fixtures, vehicles £000
Cost or valuation				
At 1 January 1996	3,189	1,270	150	1,769
Additions	181	65	–	116
Disposals	(11)	–	–	(11)
At 31 December 1996	3,359	1,335	150	1,874
Depreciation				
At 1 January 1996	1,216	126	15	1,075
Provided in the year	189	22	3	164
Disposals	(7)	–	–	(7)
At 31 December 1996	1,398	148	18	1,232
Net book amount				
At 31 December 1996	1,961	1,187	132	642
Net book amount				
At 31 December 1995	1,973	1,144	135	694

Plant includes a net book amount of £248,000 of assets held under finance leases (1995 £232,000).

The gross amount of freehold property on which depreciation is being provided is £1,080,000 (1995 £1,015,000).

Company	Total £000	Land and buildings Freehold £000	Long leasehold £000	Plant fixtures £000
Cost or valuation				
At 1 January 1996	1,456	1,270	150	36
Additions	85	65	–	20
At 31 December 1996	1,541	1,335	150	56
Depreciation				
At 1 January 1996	149	126	15	8
Provided in the year	35	22	3	10
At 31 December 1996	184	148	18	18
Net book amount				
At 31 December 1996	1,357	1,187	132	38
Net book amount				
At 31 December 1995	1,307	1,144	135	28

The gross amount of freehold property on which depreciation is being provided is £1,080,000 (1995 £1,015,000)



# Notes to the Financial Statements continued

## 9. Tangible assets (continued)

The cost or valuation of land and buildings represents items at:

	1996		1995	
	Freehold £000	Long leasehold £000	Freehold £000	Long leasehold £000
<b>Group and Company</b>				
1989 valuation	665	150	665	150
Cost	670	—	605	—
<b>At 31 December</b>	<b>1,335</b>	<b>150</b>	<b>1,270</b>	<b>150</b>

The total amount of land and buildings according to the historical cost convention is as follows:

	1996		1995	
	Freehold £000	Long leasehold £000	Freehold £000	Long leasehold £000
<b>Group and Company</b>				
Cost	866	44	801	44
Depreciation	146	35	129	32
<b>At 31 December</b>	<b>720</b>	<b>9</b>	<b>672</b>	<b>12</b>

## 10. Fixed asset investments

Subsidiary undertakings

	1996 £000	1995 £000
<b>Company</b>		
Cost at 31 December	681	681
Provisions at 1 January	254	220
Movement in the year	—	34
Provisions at 31 December	254	254
Net book amount at 31 December	427	427

At 31 December 1996 the principal subsidiary undertakings, all of which are wholly owned and are registered and operate in England, were:

	<i>Nature of business</i>	<i>Class of capital</i>
Aircraft & Sheet Metal Engineers Limited	Manufacturer of sheet metal fabrications and assemblies	Ordinary
Billam Supplies Limited	Distributor of cutting tools and engineering consumables	Ordinary
Willis Pressings and Assemblies Limited	Manufacturer of pressed and welded assemblies	Ordinary



# Notes to the Financial Statements continued

## 11. Stocks

	Group	
	1996	1995
	£000	£000
Raw materials	155	159
Work in progress	222	220
Finished goods	184	299
	<u>561</u>	<u>678</u>

## 12. Debtors

	Group		Company	
	1996	1995	1996	1995
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	1,617	1,657	-	-
Amounts owed by subsidiary undertakings	-	-	142	139
Other debtors	54	17	60	34
Prepayments and accrued income	115	105	26	16
	<u>1,786</u>	<u>1,779</u>	<u>228</u>	<u>189</u>
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	-	-	260	280
Prepayments	5	51	-	-
	<u>1,791</u>	<u>1,830</u>	<u>488</u>	<u>469</u>

Prepayments include £47,000 (1995 £93,000) in respect of tooling expenditure which will be released to the profit and loss account over its estimated useful life.

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

	Group		Company	
	1996	1995	1996	1995
	£000	£000	£000	£000
Bank loans	53	78	-	-
Bank overdraft	1,109	1,117	170	99
Amounts owed to subsidiary undertakings	-	-	291	262
Trade creditors	737	702	18	5
Corporation tax	5	-	19	22
Social security and other taxes	206	201	8	5
Proposed dividend	50	50	50	50
Accruals	116	155	21	31
Obligations under finance leases	62	52	-	-
	<u>2,338</u>	<u>2,355</u>	<u>577</u>	<u>474</u>



## Notes to the Financial Statements continued

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

	Group	
	1996	1995
	£000	£000
Bank loans	52	105
Obligations under finance leases	99	130
	<u>151</u>	<u>235</u>

The bank overdraft and loans are secured by fixed and floating charges over the assets of the Company and its subsidiary undertakings.

### 15. Borrowings

Borrowings are repayable as follows:

	Group	
	1996	1995
	£000	£000
Within one year:		
Bank loans and overdraft	1,162	1,195
Finance leases	62	52
After one and within two years:		
Bank loans	25	78
Finance leases	21	52
After two and within five years:		
Bank loans	27	27
Finance leases	78	78
	<u>1,375</u>	<u>1,482</u>



## Notes to the Financial Statements continued

### 16. Provisions for liabilities and charges

Deferred taxation provided in the financial statements is set out below:

	Group	
	1996	1995
	£000	£000
Accelerated capital allowances	38	37
Recoverable advance corporation tax	(11)	(8)
Other timing differences	(27)	(29)
	<hr/>	<hr/>
	—	—
	<hr/>	<hr/>
Provision for deferred taxation at 25%		£000
At 1 January 1996		—
Transfer to profit and loss account		3
Recoverable advance corporation tax		(3)
		<hr/>
At 31 December 1996		—
		<hr/>

In the opinion of the directors, the freehold and long leasehold properties will be retained for use in the business and the likelihood of any taxation liability arising is remote. Accordingly, the potential deferred taxation in respect of these properties has not been quantified. There is no other unprovided deferred taxation.

### 17. Deferred income

Deferred income represents Government grants received not yet credited to profit and loss account.

### 18. Share capital

	1996	1995
	£000	£000
Authorised		
2,000,000 ordinary shares of 10p each	200	200
	<hr/>	<hr/>
Allotted, called up and fully paid		
1,620,000 ordinary shares of 10p each	162	162
	<hr/>	<hr/>



# Notes to the Financial Statements continued

## 19. Share premium account and reserves

	Share premium £000	Revalua- tion reserve £000	Profit and loss account £000
<b>Group</b>			
At 1 January 1996	161	642	907
Retained loss for the year	—	—	(59)
At 31 December 1996	161	642	848
<b>Company</b>			
At 1 January 1996	161	642	752
Retained loss for the year	—	—	(28)
At 31 December 1996	161	642	724

A separate profit and loss account dealing with the results of the Company only has not been presented in accordance with the exemptions given by Section 230 of the Companies Act 1985. The Group profit and loss account includes a profit of £58,000 (1995 £4,000) which is dealt with in the financial statements of the Parent Company.

## 20. Reconciliation of movements in shareholders' funds

	1996 £000	1995 £000
Profit/(loss) for the financial year	27	(103)
Dividends	86	86
Goodwill written off	(59)	(189)
Net decrease in shareholders' funds	(59)	(190)
Shareholders' funds at 1 January	1,872	2,062
Shareholders' funds at 31 December	1,813	1,872



## Notes to the Financial Statements continued

### 21. Reconciliation of operating profit to net cash inflow from operating activities

	1996 £000	1995 £000
Operating profit/(loss)	147	(38)
Depreciation	189	185
Release of grants	(8)	(2)
Profit on sale of tangible fixed assets	(2)	(5)
Decrease/(increase) in stocks	117	(35)
Decrease/(increase) in debtors	36	(109)
Increase/(decrease) in creditors	1	(69)
	<u>480</u>	<u>(73)</u>

### 22. Analysis of changes in net debt

	At 1 January 1996 £000	Cash flow £000	Other non-cash changes £000	At 31 December 1996 £000
Bank overdraft	(1,117)	8	–	(1,109)
Cash at bank and in hand	1	–	–	1
		<u>8</u>		
Debt falling due within one year	(78)	78	(53)	(53)
Debt falling due after one year	(105)	–	53	(52)
Finance leases	(182)	59	(38)	(161)
		<u>137</u>		
	<u>(1,481)</u>	<u>145</u>	<u>(38)</u>	<u>(1,374)</u>

### 23. Reconciliation of net cash flow to movement in net debt

	1996 £000	1995 £000
Increase/(decrease) in cash in the year	8	(448)
Cash outflow from financing	137	178
Change in net debt resulting from cashflows	<u>145</u>	<u>(270)</u>
Inception of finance leases	38	–
Movement in net debt in the year	<u>107</u>	<u>(270)</u>
Net debt at 1 January	(1,482)	(1,212)
Net debt at 31 December	<u>(1,375)</u>	<u>(1,482)</u>



## Notes to the Financial Statements continued

### 24. Pension scheme

The Group operates two defined contribution pension schemes for the benefit of its employees. The schemes are set up under trust and their assets are therefore held separately from the assets of the Group.

### 25. Contingent liabilities

There are unlimited mutual guarantees given by the Company and its subsidiary undertakings in respect of bank advances. The overdrafts and loans guaranteed by the Company at 31 December 1996 totalled £1,049,000 (1995 £1,182,000).

### 26. Commitments under operating leases

There were annual commitments under operating leases as follows:

Land and buildings	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Operating leases which expire:				
Between two and five years	30	30	30	30
<hr/>				
Other	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Operating leases which expire:				
Within one year	17	16	–	6
Between one and two years	18	–	18	–
Between two and five years	41	66	5	8
<hr/>				
	76	82	23	14
<hr/>				

### 27. Capital commitments

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Capital expenditure				
– authorised by the directors and contracted for	–	63	–	50
<hr/>				



## Summary of the Past Five Years

Year to 31 December

	1996 £000	1995 £000	1994 £000	1993 £000	1992 £000
Profit/(loss) before exceptional item	35	(150)	(175)	385	479
Exceptional item	—	—	68	—	—
Profit/(loss) on ordinary activities	35	(150)	(243)	385	479
Taxation	8	(47)	(85)	125	153
Profit/(loss) after taxation	27	(103)	(158)	260	326
Dividends	86	86	86	86	81
Taken to/(from) reserves	(59)	(189)	(244)	174	245
Net assets	1,813	1,872	2,062	2,306	2,132
Earnings per share	1.7p	(6.4p)	(9.8p)	16.0p	20.1p
Dividends per share	5.3p	5.3p	5.3p	5.3p	5.0p



## Financial Calendar

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Preliminary Announcement of Full Year Results	12 March 1997
Publication of Annual Report	11 April 1997
Annual General Meeting	20 May 1997
Announcement of Interim Results	October 1997

### PAYMENT OF DIVIDENDS

Interim	November
Final	May



## Notice of Meeting

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NOTICE IS HEREBY GIVEN that the 62nd Annual General Meeting of members of the Company will be held at Forte Posthouse Hotel, Manchester Road, Sheffield, on Tuesday, 20 May 1997 at 10.30 a.m. for the following purposes:

- (1) To receive the report of the directors and the financial statements for the year ended 31 December 1996 and the report of the auditors thereon.
- (2) To declare a final dividend of 3.1p per share on the ordinary shares.
- (3) To re-elect Mr. B. Truman as a director of the Company.
- (4) To re-appoint the auditors and to authorise the directors to fix their remuneration.

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in a poll instead of him. A proxy need not also be a member of the Company. Completed forms must be lodged at the registrars of the Company at the address shown on the form not less than 48 hours before the time appointed for the holding of the meeting.

In accordance with the requirements of the Stock Exchange, copies of the directors' contracts of service with the Company will be available for inspection at the registered office of the Company during normal business hours from the date of this notice until the date of the meeting and at the place of the meeting from 10.00 a.m. until its conclusion.

For the final dividend to be received, transfers must have been lodged by the close of business on 11 April 1997.

Dividend warrants will be posted on 22 May 1997.

Dated this 11th day of April 1997.

By order of the Board,

**M. C. Cooper**

*Secretary*

Registered Office:  
85 Headford Street  
Sheffield S3 7WA

Reg. No. 298654 England



# Form of Proxy

Please insert full name(s) and address(es)

I/We.....  
(Block Letters)

of .....

.....  
being a registered holder(s) of ordinary shares in the capital of Billam Plc hereby appoint .....  
...../the chairman of the meeting as my/our proxy  
to vote for me/us on my/our behalf at the annual general meeting of the Company to be held on Tuesday,  
20 May 1997 and at every adjournment thereof.

Please insert 'x' in the appropriate box alongside each resolution.

## Resolutions

1. To adopt the directors' report and accounts for the year ended 31 December 1996
2. To declare a final dividend
3. To re-elect Mr. B. Truman as a director
4. To re-appoint Grant Thornton as auditors and to authorise the directors to fix their remuneration

For	Against
1	
2	
3	
4	

Dated this ..... day of .....1997

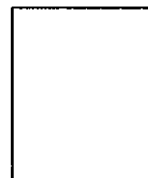
Signature.....

## Notes:

1. Please indicate how you wish your votes to be cast. If you do not indicate how you wish your proxy to use your vote on any particular matter the proxy will exercise his discretion both as to how he votes and as to whether or not he abstains from voting. The proxy will also exercise his discretion as to how he votes (and whether or not he abstains from voting) on any other business transacted at the meeting and on any other resolutions for the election of directors.
2. In the case of joint holders, only one need sign as the vote of the senior holder who tenders a vote will alone be counted.
3. If a member is a corporation this form must be executed either under its common seal or under the hand of an officer or attorney duly authorised in writing.
4. To be effective this proxy must be filled in, signed and lodged with the registrars, Northern Registrars Limited, Northern House, Penistone Road, Fenay Bridge, Huddersfield HD8 0LA not less than 48 hours before the time appointed for the meeting.
5. If you wish to appoint a proxy other than the chairman of the meeting please delete the words "the chairman of the meeting" and insert in block letters in the space provided the name and address of your proxy who need not be a member of the Company.



Second Fold



**Northern Registrars Limited**  
**Northern House**  
**Penistone Road**  
**Fenay Bridge**  
**Huddersfield**  
**HD8 0LA**

First Fold

Third Fold and Tuck in



**BILLAM**

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