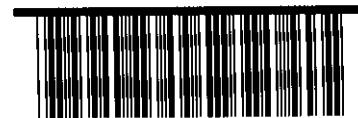


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HHT PLC AND ITS SUBSIDIARY
UNDERTAKINGS
REGISTERED NUMBER 1439213
FINANCIAL STATEMENTS
30 SEPTEMBER 2001



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COMPANIES HOUSE 30/04/02

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FIHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 30 September 2001.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements that give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for its financial year. In doing so the directors are required to:

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

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company and of the group is the heat treatment of metals.

Considering the difficult economic conditions prevailing during the year, the directors are content with the final consolidated group profit before tax of £1,189 for the year, being a loss before tax of £58,342 adjusted for the minority interest of £59,531, and consider the group's financial position at the end of the year to have been satisfactory.

MARKET VALUE OF LAND AND BUILDINGS

The land and buildings were professionally valued on an open market existing use basis at £2.03 million in the year to 30 September 2000. The directors have chosen not to reflect this valuation in the financial statements.

DIVIDENDS AND APPROPRIATIONS

Interim dividends of £16,500 have been paid on the participating preferred ordinary shares. The directors do not propose a final dividend.

DIRECTORS

The directors, and the number of the company's ordinary shares in which they had an interest at the beginning and end of the year, were:

	Non- beneficial 30.9.01	Beneficial 30.9.01	Non- beneficial 30.9.00	Beneficial 30.9.00
C W Hammond	50,000	50,000	50,000	50,000
D L Grove	-	-	-	-
D S Haggett (Deceased December 2000)	-	-	50,000	-
J H Houseman	-	16,666	-	16,666

The chairman is sad to announce that D S Haggett passed away in December 2000.

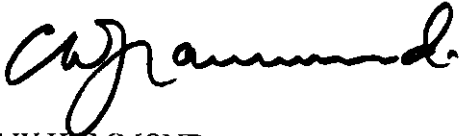
DIRECTORS' REPORT (Continued)

SUPPLIER PAYMENT POLICY

Suppliers are made aware of payment terms and how any disputes are to be settled; payment is to be made in accordance with those terms.

At 30 September 2001, the group had an average of 58 days (2000 - 58 days) purchases outstanding in trade creditors.

Approved by the board on 29 November 2001
and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'C W Hammond', written in a cursive style.

C W HAMMOND

Chairman

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF HHT PLC

We have audited the financial statements of HHT plc for the year ended 30 September 2001 on pages 5 to 22 which have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

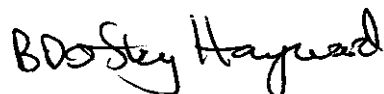
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates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

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

Qualified opinion arising from disagreement about accounting disclosure

The financial statements do not include the pension disclosures at 30 September 2001 required by Financial Reporting Standard 17. This has had no effect on the group's results for the year.

In our opinion the financial statements give a true and fair view of the profit of the group for the year ended 30 September 2001 and, except for the omission of the pension disclosures at 30 September 2001 required by Financial Reporting Standard 17, of the state of affairs of the company and the group at 30 September 2001 and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD

Chartered Accountants
Registered Auditors

WALSALL

30 November 2001

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 30 September 2001

	Notes	2001 £	2000 £
TURNOVER	2	4,526,057	4,724,289
Cost of sales		(3,236,723)	(3,436,523)
Impairment of fixed assets		-	(52,801)
GROSS PROFIT		1,289,334	1,234,965
Net operating expenses	3	(1,236,601)	(1,215,115)
Reorganisation costs		-	(88,301)
OPERATING PROFIT (LOSS)		52,733	(68,451)
Loss on disposal of fixed assets		-	(50,367)
		52,733	(118,818)
Investment income	4	100	92
		52,833	(118,726)
Interest payable	5	(111,175)	(127,269)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(58,342)	(245,995)
Taxation on loss on ordinary activities	7	(8,500)	16,000
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(66,842)	(229,995)
Minority interest		59,531	66,171
Dividends (including non-equity)	8	(16,500)	(55,000)
DEFICIT FOR THE YEAR		(23,811)	(218,824)
Revaluation reserve transfer	18	1,108	1,108
Retained profits brought forward		551,123	768,839
RETAINED PROFITS CARRIED FORWARD		528,420	551,123

All of the group's operations are continuing.

There are no recognised gains and losses other than the loss for the year.

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 30 September 2001

	2001 £	2000 £
Reported loss on ordinary activities before taxation	(58,342)	(245,995)
• Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	1,108	1,108
Historical cost loss on ordinary activities before taxation	<u>(57,234)</u>	<u>(244,887)</u>
Historical cost loss for the year after taxation, minority interest and dividends	<u>(22,703)</u>	<u>(217,716)</u>

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED BALANCE SHEET
30 September 2001

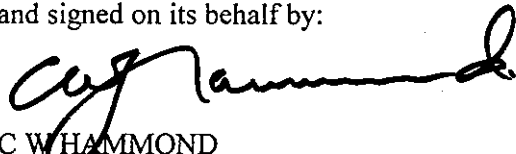
	Notes	£	2001 £	£	2000 £
FIXED ASSETS					
Tangible assets	10		3,243,615		3,637,136
Investments	11		1,521		1,521
			<u>3,245,136</u>		<u>3,638,657</u>
CURRENT ASSETS					
Stock	12	5,682		5,896	
Debtors	13	1,043,112		1,141,579	
Cash at bank and in hand		1,219		1,176	
			<u>1,050,013</u>	<u>1,148,651</u>	
CREDITORS - amounts falling due within one year	14	(1,571,976)		(1,846,232)	
NET CURRENT LIABILITIES			<u>(521,963)</u>		<u>(697,581)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,723,173		2,941,076
CREDITORS - amounts falling due after more than one year	15	624,275		758,836	
PROVISIONS FOR LIABILITIES AND CHARGES	16	218,000		218,000	
			<u>(842,275)</u>	<u>218,000</u>	<u>(976,836)</u>
			1,880,898		1,946,240
EQUITY MINORITY INTEREST			<u>(211,914)</u>		<u>(271,445)</u>
			1,668,984		1,692,795
CAPITAL AND RESERVES					
Called up share capital	17		166,666		166,666
Share premium account			135,434		135,434
Capital redemption reserve			100,000		100,000
Non-distributable reserve			107,336		107,336
Revaluation reserve	18		631,128		632,236
Profit and loss account			528,420		551,123
SHAREHOLDERS' FUNDS	21		<u>1,668,984</u>		<u>1,692,795</u>
ANALYSIS OF SHAREHOLDERS' FUNDS					
Equity interests			1,518,984		1,542,795
Non-equity interests			150,000		150,000
			<u>1,668,984</u>		<u>1,692,795</u>

HHT PLC

BALANCE SHEET
30 September 2001

	Notes	£	2001 £	£	2000 £
FIXED ASSETS					
Tangible assets	10		2,567,573		2,810,928
* Investments	11		500,013		500,013
			<u>3,067,586</u>		<u>3,310,941</u>
CURRENT ASSETS					
Stock	12	2,124		1,910	
Debtors	13	589,432		581,487	
Cash at bank and in hand		887		833	
			<u>592,443</u>	<u>584,230</u>	
CREDITORS - amounts falling due within one year	14	(1,152,560)		(1,133,627)	
NET CURRENT LIABILITIES			<u>(560,117)</u>		<u>(549,397)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,507,469</u>		<u>2,761,544</u>
CREDITORS - amounts falling due after more than one year	15	439,275		758,836	
PROVISIONS FOR LIABILITIES AND CHARGES	16	218,000		218,000	
			<u>(657,275)</u>	<u>218,000</u>	<u>(976,836)</u>
			<u>1,850,194</u>		<u>1,784,708</u>
CAPITAL AND RESERVES					
Called up share capital	17		166,666		166,666
Share premium account			135,434		135,434
Capital redemption reserve			100,000		100,000
Revaluation reserve	18		455,664		456,486
Profit and loss account			992,430		926,122
SHAREHOLDERS' FUNDS			<u>1,850,194</u>		<u>1,784,708</u>
ANALYSIS OF SHAREHOLDERS' FUNDS					
Equity interests			1,700,194		1,634,708
Non-equity interests			150,000		150,000
			<u>1,850,194</u>		<u>1,784,708</u>

Approved by the board on 29 November 2001
and signed on its behalf by:



C W HAMMOND
Chairman

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 September 2001	Notes	£	2001 £	£	2000 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	20a		597,054		528,981
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Dividends received		100		92	
Hire purchase interest		(33,883)		(46,418)	
Other interest payable		(77,292)		(80,851)	
Dividends paid on non-equity shares		(16,500)		(16,500)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(127,575)		(143,677)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Receipts from sales of tangible fixed assets		27,480		116,178	
Payments to acquire tangible fixed assets		(127,643)		(470,692)	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE			(100,163)		(354,514)
EQUITY DIVIDENDS PAID			(16,387)		-
NET CASH INFLOW BEFORE FINANCING			352,929		30,790
FINANCING					
Capital element of hire purchase and finance lease rental payments		(167,474)		(285,525)	
Repayments of bank loans and mortgages		(201,278)		(143,950)	
New loans		250,000		250,000	
NET CASH OUTFLOW FROM FINANCING			(118,752)		(179,475)
INCREASE (DECREASE) IN CASH IN THE YEAR	20b		234,177		(148,685)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT					
INCREASE (DECREASE) IN CASH IN THE YEAR	20b		234,177		(148,685)
Cash flow from decrease in debt and other financing	20b		368,752		429,475
New hire purchase contracts			-		(105,734)
New loans			(250,000)		(250,000)
Change in net debt resulting from cash flows			352,929		(74,944)
NET DEBT AT 30 SEPTEMBER 2000			(1,564,117)		(1,489,171)
NET DEBT AT 30 SEPTEMBER 2001	20b		(1,211,188)		(1,564,117)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2001

1. ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

The financial statements of all group undertakings are made up to 30 September 2001.

Goodwill on acquisitions

Goodwill on acquisition, being the difference between the market value of consideration given and the fair value of net assets acquired, is recognised as either purchased goodwill or negative goodwill under fixed assets.

Negative goodwill on the non-monetary assets is amortised through the profit and loss account as the relevant assets of the acquired subsidiary are depreciated.

Turnover

Turnover represents amounts receivable for goods and services net of value added tax.

Tangible fixed assets

In future all additions to tangible fixed assets will be stated at cost. Where existing unimpaired tangible fixed assets are stated at valuation the group has taken advantage of the transitional arrangements in FRS 15 to retain these book values. Where an asset that was previously revalued is disposed of, its book value is eliminated and an appropriate transfer made from the revaluation reserve to the profit and loss account.

Depreciation

Fixed assets other than freehold land have been depreciated so as to write them off over their anticipated useful lives at the following annual rates:

Freehold buildings	2% straight line
Plant, machinery and equipment	15% reducing balance and 33.3% straight line
Baskets and mesh panels	50% straight line
Motor vehicles	33.3% straight line

Stock

Stock and work in progress are valued at the lower of cost, including appropriate overhead expenses, and net realisable value.

Deferred tax

Deferred tax is calculated by the liability method and provision is made to the extent that it is probable a liability will crystallise.

Hire purchase contracts

Assets held under hire purchase contracts which confer rights and obligations similar to those attached to owned assets are capitalised as tangible fixed assets and the corresponding liability to pay rentals is shown net of interest in the financial statements as obligations under hire purchase and finance lease contracts. The capitalised values of the assets are written off over the useful lives of the assets concerned. The interest element of the payments is allocated so as to produce a constant periodic rate of charge throughout the lease or contract period.

Pension costs

Contributions to the pension scheme are charged to profit and loss account so as to spread the cost of pensions over the employees' working lives with the group.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 30 September 2001

1. ACCOUNTING POLICIES (Continued)

Government grants

Grants related to expenditure on tangible fixed assets are credited to the profit and loss account over the estimated useful lives of the related fixed assets. The balance of the grants is included within deferred income.

Group relief

The benefits of any available group relief is accounted for within the tax charge of the profit making undertaking. No payment is made for it between group undertakings.

Consortium relief

The benefit of any available consortium relief is accounted for within the tax charge of the profit making undertaking. A payment equal to the amount of tax saved by the offset of the loss surrendered is made to the surrendering company by the receiving company.

Operating leases

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

2. TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover and loss on ordinary activities are attributable to the principal activity of the group.

Loss on ordinary activities has been arrived at after charging (crediting):	2001 £	2000 £
Amortisation of negative goodwill	-	(3,421)
Depreciation of owned fixed assets	384,584	346,100
Depreciation of fixed assets held under hire purchase contracts	115,760	179,267
(Profit) loss on disposal of fixed assets	(6,660)	5,000
Auditors' remuneration	7,700	7,700
Amortisation of grant	(7,500)	(7,500)
Exceptional items:		
Loss on disposal of fixed assets	-	50,367
Impairment of fixed assets	-	52,801
Reorganisation costs	-	88,301
	<hr/>	<hr/>

3. NET OPERATING EXPENSES

Distribution costs	252,145	246,661
Administrative costs	989,460	977,458
Other operating income	(5,004)	(9,004)
	<hr/>	<hr/>
	1,236,601	1,215,115
	<hr/>	<hr/>

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 30 September 2001

4.	INVESTMENT INCOME	2001	2000
		£	£
	Income from listed fixed asset investments	100	92
		<u> </u>	<u> </u>
5.	INTEREST PAYABLE		
	Bank loans, overdrafts and similar finance	77,292	79,240
	Other interest	-	1,611
	Hire purchase interest	33,883	46,418
		<u> </u>	<u> </u>
		111,175	127,269
		<u> </u>	<u> </u>
6.	DIRECTORS AND EMPLOYEES		
	The average number of persons employed by the group during the year was:		
		Number	Number
	Production	67	74
	Selling and distribution	6	4
	Administration	18	20
		<u> </u>	<u> </u>
		91	98
		<u> </u>	<u> </u>
	Staff costs, including directors, were:	£	£
	Wages and salaries	1,616,784	1,771,369
	Social security costs	117,477	126,849
	Redundancy costs	-	31,830
	Pension costs	143,138	122,808
		<u> </u>	<u> </u>
		1,877,399	2,052,856
		<u> </u>	<u> </u>
	Directors' emoluments:		
	Aggregate emoluments	57,560	62,832
		<u> </u>	<u> </u>
	Retirement benefits are accruing to one director (2000 - one director) under a defined benefit pension scheme.		
7.	TAX ON LOSS ON ORDINARY ACTIVITIES		
	Corporation tax charge	8,500	-
	Deferred tax credit (note 16)	-	(16,000)
		<u> </u>	<u> </u>
		8,500	(16,000)
		<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
 Year ended 30 September 2001

8. DIVIDENDS	2001 £	2000 £
Non-equity		
Participating preferred ordinary shares		
Accrued at 30 September 2000	(2,750)	(2,750)
Interim paid	16,500	16,500
Accrued at 30 September 2001	2,750	2,750
	<hr/>	<hr/>
	16,500	16,500
Equity		
Ordinary shares		
Final proposed	-	38,500
	<hr/>	<hr/>
Total dividends	16,500	55,000
	<hr/>	<hr/>

9. PROFIT AND LOSS ACCOUNT

In accordance with Section 230 of the Companies Act 1985 the company has not presented its own profit and loss account.

The profit for the financial year included in the financial statements of the company amounted to £81,985 (2000 - loss £67,148).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 30 September 2001

10. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant, machinery, equipment, and vehicles £	Total £
GROUP			
Cost and valuation			
At 30 September 2000	1,231,049	5,439,265	6,670,314
Additions	485	127,158	127,643
Disposals	-	(133,154)	(133,154)
At 30 September 2001	<u>1,231,534</u>	<u>5,433,269</u>	<u>6,664,803</u>
Depreciation			
At 30 September 2000	75,316	2,957,862	3,033,178
Charge for the year	11,556	488,788	500,344
Disposals	-	(112,334)	(112,334)
At 30 September 2001	<u>86,872</u>	<u>3,334,316</u>	<u>3,421,188</u>
Net book value			
At 30 September 2001	<u>1,144,662</u>	<u>2,098,953</u>	<u>3,243,615</u>
At 30 September 2000	<u>1,155,733</u>	<u>2,481,403</u>	<u>3,637,136</u>

The net book value of plant and machinery includes £595,083 (2000 - £710,843) in respect of assets held under hire purchase contracts.

Freehold land and buildings includes land of £660,000 (2000 - £660,000) which is not depreciated.

The freehold land and buildings were valued on 12 November 1993 by a firm of chartered surveyors on an open market value for existing use basis, at £1,130,000. The group has taken advantage of the transitional arrangements of FRS 15, Tangible Fixed Assets, to retain the existing book values including those of its unimpaired tangible fixed assets that were previously stated at valuation.

On the historical cost basis the freehold land and buildings would have been included at:	2001 £	2000 £
Cost	666,107	665,622
Aggregate depreciation	(152,573)	(142,125)
	<u>513,534</u>	<u>523,497</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 30 September 2001

10. TANGIBLE FIXED ASSETS (Continued)

	Freehold land and buildings £	Plant, machinery, equipment and vehicles £	Total £
PARENT			
Cost and valuation			
At 30 September 2000	1,231,049	3,527,495	4,758,544
Additions	485	58,707	59,192
Disposals	-	(111,154)	(111,154)
At 30 September 2001	<u>1,231,534</u>	<u>3,475,048</u>	<u>4,706,582</u>
Depreciation			
At 30 September 2000	75,316	1,872,300	1,947,616
Charge for the year	11,556	287,182	298,738
Disposals	-	(107,345)	(107,345)
At 30 September 2001	<u>86,872</u>	<u>2,052,137</u>	<u>2,139,009</u>
Net book value			
At 30 September 2001	<u>1,144,662</u>	<u>1,422,911</u>	<u>2,567,573</u>
At 30 September 2000	<u>1,155,733</u>	<u>1,655,195</u>	<u>2,810,928</u>

The net book value of plant and machinery includes £595,083 (2000 - £710,843) in respect of assets held under hire purchase contracts.

Freehold land and buildings includes land of £660,000 (2000 - £660,000) which is not depreciated.

The freehold land and buildings were valued on 12 November 1993 by a firm of chartered surveyors on an open market value for existing use basis. The company has taken advantage of the transitional arrangements of FRS 15, Tangible Fixed Assets, to retain the existing book values including that of its unimpaired tangible fixed assets that were previously stated at valuation.

On the historical cost basis the freehold land and buildings would have been included at:	2001 £	2000 £
Cost	790,415	789,930
Aggregate depreciation	(101,417)	(90,683)
	<u>688,998</u>	<u>699,247</u>

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 30 September 2001

11.	FIXED ASSET INVESTMENTS	Investments in subsidiary undertakings £	Listed investments £	Total £
	Cost			
	At 30 September 2000 and 30 September 2001	498,492	1,521	500,013

The principal subsidiary undertakings, together with their principal activities, are:

Company	Principal activities	% of ordinary shares held	Accounting reference date
Hammond Heat Treatment Limited	Dormant agency company	100%	30 September
Hammond Heat Treatment (SQ) Limited	The heat treatment of metals	60%	30 September

In the directors' opinion the net realisable values of the investments in subsidiary undertakings are not less than their balance sheet values.

The market value of the listed investments at 30 September 2001 was £2,955 (2000 - £2,789).

12.	STOCK	2001 £	Group 2000 £	2001 £	Parent 2000 £
	Finished goods and goods for resale	5,682	5,896	2,124	1,910
13.	DEBTORS				
	Trade debtors	885,859	964,056	501,117	466,407
	Subsidiary undertaking	-	-	43,691	60,455
	Related undertaking	111,627	110,685	-	-
	Other debtors	703	400	703	400
	Prepayments and accrued income	44,923	66,438	43,921	54,225
		<u>1,043,112</u>	<u>1,141,579</u>	<u>589,432</u>	<u>581,487</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 30 September 2001

14. CREDITORS - amounts falling due within one year

	2001	Group	2001	Parent
	£	2000	£	2000
		£		£
Trade creditors	375,270	410,484	236,233	262,823
Subsidiary undertakings		-	255	255
Related undertakings	8,575	22,617	-	-
Taxation and social security	162,409	185,398	80,826	75,319
Other creditors	5,327	5,327	5,327	5,327
Director's loan	25,564	12,036	25,564	12,036
Accruals and deferred income	184,675	161,175	97,755	81,415
Hire purchase contracts	175,092	167,640	175,092	167,640
Bank loan, overdraft and similar finance	479,296	717,900	375,740	365,157
Dividends	147,268	163,655	147,268	163,655
Corporation tax	8,500	-	8,500	-
	<u>1,571,976</u>	<u>1,846,232</u>	<u>1,152,560</u>	<u>1,133,627</u>

The bank loan, overdraft and similar finance are secured by a legal mortgage over all of the company's freehold property, debentures over all the company's assets and by cross guarantees with certain subsidiary undertakings.

15. CREDITORS - amounts falling due after more than one year

	2001	Group	2001	Parent
	£	2000	£	2000
		£		£
Deferred income	5,000	12,500	5,000	12,500
Other creditors	61,256	66,583	61,256	66,583
Hire purchase contracts	153,862	328,788	153,862	328,788
Bank loan and similar finance	404,157	350,965	219,157	350,965
	<u>624,275</u>	<u>758,836</u>	<u>439,275</u>	<u>758,836</u>
The bank loan and similar finance and hire purchase contracts are repayable as follows:				
One to two years	514,854	307,676	314,854	307,676
Two to five years	183,165	372,077	58,165	372,077
	<u>558,019</u>	<u>679,753</u>	<u>373,019</u>	<u>679,753</u>

The bank loan and similar finance are secured as stated in note 14.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 30 September 2001

16. PROVISIONS FOR LIABILITIES AND CHARGES

	2001 £	Group 2000 £	2001 £	Parent 2000 £
Deferred tax				
At 30 September 2000	218,000	234,000	218,000	234,000
Credit for the year	-	(16,000)	-	(16,000)
At 30 September 2001	<u>218,000</u>	<u>218,000</u>	<u>218,000</u>	<u>218,000</u>

The deferred tax provision at 30% (2000 - 30%) comprises the excess of capital allowances over depreciation charged.

The potential liability not provided for in the financial statements at 30% (2000 - 30%) is:	2001 £	Group 2000 £	2001 £	Parent 2000 £
Industrial buildings allowances	108,000	107,000	108,000	107,000

There is no potential liability in respect of the revaluation of the land and buildings.

17. CALLED UP SHARE CAPITAL

	2001 £	2000 £
Authorised		
Ordinary shares of £1 each	124,999	124,999
Cumulative convertible participating preferred ordinary shares of £1 each	50,000	50,000
Cumulative redeemable preference shares of £1 each	100,000	100,000
	<u>274,999</u>	<u>274,999</u>
Allotted and fully paid		
Equity		
Ordinary shares of £1 each	116,666	116,666
Non-equity		
Cumulative convertible participating preferred ordinary shares of £1 each	50,000	50,000
	<u>166,666</u>	<u>166,666</u>

Dividend rights

The profits which the company determines to distribute in respect of any financial year is applied as follows:

- Pay to preferred ordinary shareholders in each financial year a fixed cumulative net cash preferential dividend (fixed dividend) of 11% of the total subscription price paid. It is payable half yearly on 31 March and 30 September each year. A further dividend of 8% of adjusted net profit of the group less the fixed dividend already paid is payable not more than 14 days after the annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 30 September 2001

17. SHARE CAPITAL (Continued)

- Pay to the ordinary shareholders a dividend equal to the amount of dividend paid on each preferred ordinary share.
- Pay to the preferred ordinary shareholders and ordinary shareholders an amount equal to one third of the distributable profits of the company earned in that year less a sum equal to the total of any fixed dividend participating dividend and ordinary shareholders dividend paid or declared in that year.
- The balance of profits will be distributed amongst the preferred ordinary and ordinary shareholders pro-rata to the amounts paid up on the shares held by them respectively.

Winding up

On a return of assets on liquidation or otherwise, the assets of the company remaining after a payment of its liabilities shall be applied as follows:

- In paying to the preferred ordinary shareholders subscription price per share together with a sum equal to any arrears on the dividends calculated to the date of the return of capital.
- In paying to the ordinary shareholders a sum equal to the amount of capital paid on each preferred ordinary share per share.
- The balance of such assets shall be distributed amongst the preferred ordinary shareholders and ordinary shareholders in proportion to the amounts paid up on the shares.

Voting rights

- Ordinary shareholders are entitled to one vote per share.
- Preferred ordinary shareholders are entitled to receive notice but are not entitled to attend or vote at any general meeting unless at the date of the notice to convene the meeting the fixed dividend on the preferred ordinary shares is six months in arrears and such a right shall cease once the fixed dividend is no longer in arrears.

Conversion rights

The holders of the preferred ordinary shares are entitled at any time to convert the whole, but not part, of the preferred ordinary shares into ordinary shares on a one to one basis subject to certain provisions being fulfilled.

18. REVALUATION RESERVE

	2001 £	Group 2000 £	2001 £	Parent 2000 £
At 30 September 2000	632,236	633,344	456,486	457,308
Transfer to profit and loss account	(1,108)	(1,108)	(822)	(822)
At 30 September 2001	<u>631,128</u>	<u>632,236</u>	<u>455,664</u>	<u>456,486</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 30 September 2001

19. PENSION COSTS	2001 £	2000 £
Regular pension cost	148,465	128,135
Variation from regular cost	(5,327)	(5,327)
	<u>143,138</u>	<u>122,808</u>

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, being invested separately in a trust administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The most recent valuation was as at 6 April 1999. 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 1.5% per annum higher than average salary increases and that present and future pensions would increase in line with statutory requirements.

The most recent actuarial valuation showed the value of the assets held by the fund totalled £2,569,000 and that the actuarial value of those assets represents an average 102.3% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

Creditors includes £66,583 (2000 - £71,910) being the excess of pension costs charged in the financial statements over amounts payable to the scheme.

The variation from regular cost represents the difference between assets and liabilities in the pension scheme at the 1996 actuarial valuation, and is being spread over 18 years, being the average remaining service lives of employees at the time of the 1996 valuation.

20. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT

a RECONCILIATION OF OPERATING PROFIT (LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2001 £	2000 £
Operating profit (loss)	52,733	(68,451)
Depreciation	500,344	525,367
Impairment of fixed assets	-	52,801
(Profit) loss on disposal of fixed assets	(6,660)	5,000
Amortisation of negative goodwill	-	(3,421)
Grant amortisation	(7,500)	(7,500)
Decrease in stocks	214	1,423
Decrease (increase) in debtors	98,467	(115,753)
(Decrease) increase in creditors	(40,544)	139,515
	<u>597,054</u>	<u>528,981</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 30 September 2001

20. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT (Continued)

b	ANALYSIS OF NET DEBT	30 September 2000 £	Cashflow £	Other non-cash changes £	30 September 2001 £
	Cash at bank and in hand	1,176	43	-	1,219
	Bank overdraft	(520,847)	234,134	-	(286,713)
		<u>(519,671)</u>	<u>234,177</u>	<u>-</u>	<u>(285,494)</u>
	Debt due within one year	(197,053)	69,470	(65,000)	(192,583)
	Debt due after more than one year	(350,965)	131,808	(185,000)	(404,157)
	Hire purchase contracts	(496,428)	167,474	-	(328,954)
		<u>(1,044,446)</u>	<u>368,752</u>	<u>(250,000)</u>	<u>(925,694)</u>
		<u>(1,564,117)</u>	<u>602,929</u>	<u>(250,000)</u>	<u>(1,211,188)</u>

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Loss for the year	(7,311)	(163,824)
Dividends	(16,500)	(55,000)
Net movement in shareholders' funds	<u>(23,811)</u>	<u>(218,824)</u>
Shareholders' funds at 30 September 2000	1,692,795	1,911,619
Shareholders' funds at 30 September 2001	<u>1,668,984</u>	<u>1,692,795</u>

22. CONTROLLING PARTY

The company is controlled by its directors.

23. RELATED PARTY TRANSACTIONS

Hammond Heat Treatment (SQ) Limited, a subsidiary of the company, made sales of £386,077 (2000 - £449,263) to Gartyne Limited in the year which owns 40% of the shares of Hammond Heat Treatment (SQ) Limited. £111,627 (2000 - £110,685) of these sales are included in debtors due from related undertakings in note 13.

Gartyne recharged overheads of £15,036 (2000 - £59,108) and pension contributions of £Nil (2000 - £13,777) to Hammond Heat Treatment (SQ) Limited during the year. Hammond Heat Treatment (SQ) Limited owed £8,575 (2000 - £22,617) to Garton Engineering plc, the parent undertaking of Gartyne Limited; this is shown as a related undertaking in note 14.

Gartyne Limited has guaranteed the £500,000 loan and overdraft facility of Hammond Heat Treatment (SQ) Limited until 9 September 2002. At 30 September 2001 £263,568 of this facility was in use.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 30 September 2001

23. RELATED PARTY TRANSACTIONS (continued)

Gartyne Limited holds an option over 10% of the share capital of Hammond Heat Treatment (SQ) Limited which is exercisable between 7 September 2004 and 6 September 2020 at a market value to be agreed.