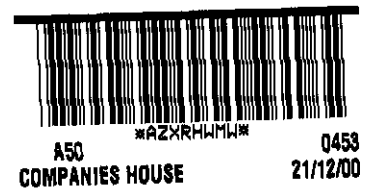


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HHT PLC AND ITS SUBSIDIARY
UNDERTAKINGS
REGISTERED NUMBER 1439213
FINANCIAL STATEMENTS
30 SEPTEMBER 2000



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DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 30 September 2000.

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 throughout the year was the heat treatment of metals.

As described in note 28 to the accounts, the results for the year include an exceptional loss on asset disposals of £50,367, as well as exceptional reorganisation costs of £88,301 and an impairment of fixed assets of £52,801.

These costs have arisen as a consequence of a decision by the directors to reorganise the group's activities so that the group is now positioned to generate improved results in the foreseeable future.

Considering the events that have occurred during the year, the directors are content with the final result for the year 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 have been professionally valued on an open market existing use basis at £2.03 million. 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. Final dividends of £38,500 are proposed on the ordinary shares.

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 30.9.00	Beneficial 30.9.00	Non- beneficial 30.9.99	Beneficial 30.9.99
C W Hammond	50,000	50,000	50,000	50,000
D L Grove	-	-	-	-
D S Haggett	50,000	-	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

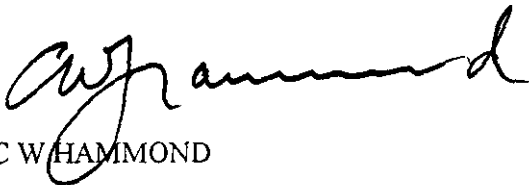
Suppliers are made aware of payment terms and how any disputes are to be settled; payment is to be made in accordance with those terms.

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

AUDITORS

A resolution will be proposed at the annual general meeting to re-appoint BDO Stoy Hayward as auditors.

Approved by the board on 15 December 2000
and signed on its behalf by:



C W HAMMOND

Chairman

AUDITORS' REPORT TO THE SHAREHOLDERS OF HHT PLC

We have audited the financial statements on pages 5 to 22, which have been prepared under the historical cost convention as modified by the revaluation of land and buildings, and the accounting policies set out on page 10 and 11.

Respective responsibilities of directors and auditors

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

Basis of opinion

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

We planned and performed our audit so as to obtain all the information and explanations that 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 of the group as at 30 September 2000 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward

BDO STOY HAYWARD

Chartered Accountants
Registered Auditors

WALSALL

15 December 2000

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 30 September 2000

	Notes	2000 £	1999 £
TURNOVER	2	4,724,289	3,584,118
Cost of sales		(3,436,523)	(2,658,418)
Impairment of fixed assets		(52,801)	-
GROSS PROFIT		<u>1,234,965</u>	<u>925,700</u>
Net operating expenses	4	(1,215,115)	(1,079,594)
Insurance proceeds		-	175,645
Reorganisation costs	28	(88,301)	-
OPERATING (LOSS) PROFIT		<u>(68,451)</u>	<u>21,751</u>
(Loss) profit on disposal of fixed assets		(50,367)	135,119
		<u>(118,818)</u>	<u>156,870</u>
Investment income	5	92	80
		<u>(118,726)</u>	<u>156,950</u>
Interest payable	6	(127,269)	(128,008)
(LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	<u>(245,995)</u>	<u>28,942</u>
Tax on profit on ordinary activities	8	16,000	(37,097)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(229,995)</u>	<u>(8,155)</u>
Minority interests		66,171	(3,182)
Dividends (including non-equity)	9	(55,000)	(55,000)
DEFICIT FOR THE YEAR		<u>(218,824)</u>	<u>(66,337)</u>
Revaluation reserve	21	1,108	1,108
Retained profits brought forward		768,839	834,068
RETAINED PROFITS CARRIED FORWARD		<u>551,123</u>	<u>768,839</u>

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 2000

	2000 £	1999 £
Reported (loss) profit on ordinary activities before taxation	(245,995)	28,942
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	<u>1,108</u>	<u>1,108</u>
Historical cost (loss) profit on ordinary activities before taxation	<u>(244,887)</u>	<u>30,050</u>
Historical cost (loss) for the year after taxation, minority interests and dividends	<u>(233,716)</u>	<u>(65,229)</u>

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED BALANCE SHEET
30 September 2000

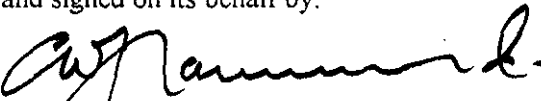
	Notes	£	2000 £	£	1999 £
FIXED ASSETS					
Intangibles	11		-		(3,421)
Tangible assets	12		3,637,136		3,810,423
Investments	13		1,521		1,521
			<u>3,638,657</u>		<u>3,808,523</u>
CURRENT ASSETS					
Stock	14	5,896		7,319	
Debtors	15	1,141,579		1,025,826	
Cash at bank and in hand		1,176		929	
			<u>1,148,651</u>	<u>1,034,074</u>	
CREDITORS - amounts falling due within one year	16	(1,846,232)		(1,551,804)	
NET CURRENT LIABILITIES			<u>(697,581)</u>		<u>(517,730)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,941,076		3,290,793
CREDITORS - amounts falling due after more than one year	17	758,836		807,558	
PROVISIONS FOR LIABILITIES AND CHARGES	18	218,000		234,000	
			<u>(976,836)</u>	<u>234,000</u>	<u>(1,041,558)</u>
			1,946,240		2,249,235
EQUITY MINORITY INTERESTS			<u>(271,445)</u>		<u>(337,616)</u>
			<u>1,692,795</u>		<u>1,911,619</u>
CAPITAL AND RESERVES					
Called up share capital	19		166,666		166,666
Share premium account	20		135,434		135,434
Capital redemption reserve			100,000		100,000
Non distributable reserve	3		107,336		107,336
Revaluation reserve	21		632,236		633,344
Profit and loss account			551,123		768,839
SHAREHOLDERS' FUNDS	24		<u>1,692,795</u>		<u>1,911,619</u>
ANALYSIS OF SHAREHOLDERS' FUNDS					
Equity interests			1,542,795		1,761,619
Non-equity interests			150,000		150,000
			<u>1,692,795</u>		<u>1,911,619</u>

HHT PLC

BALANCE SHEET
30 September 2000

	Notes	£	2000 £	£	1999 £
FIXED ASSETS					
Tangible assets	12		2,810,928		2,976,527
Investments	13		500,013		500,013
			<u>3,310,941</u>		<u>3,476,540</u>
CURRENT ASSETS					
Stock	14	1,910		4,869	
Debtors	15	581,487		841,419	
Cash at bank and in hand		833		703	
			<u>584,230</u>	<u>846,991</u>	
CREDITORS - amounts falling due within one year	16	(1,133,627)		(1,375,120)	
NET CURRENT LIABILITIES			<u>(549,397)</u>		<u>(528,129)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,761,544		2,948,411
CREDITORS - amounts falling due after more than one year	17	758,836		807,558	
PROVISIONS FOR LIABILITIES AND CHARGES	18	218,000		234,000	
			<u>(976,836)</u>	<u>234,000</u>	<u>(1,041,558)</u>
			<u>1,784,708</u>		<u>1,906,853</u>
CAPITAL AND RESERVES					
Called up share capital	19		166,666		166,666
Share premium account	20		135,434		135,434
Capital redemption reserve			100,000		100,000
Revaluation reserve	21		456,486		457,308
Profit and loss account			926,122		1,047,445
SHAREHOLDERS' FUNDS			<u>1,784,708</u>		<u>1,906,853</u>
ANALYSIS OF SHAREHOLDERS' FUNDS					
Equity interests			1,634,708		1,756,853
Non-equity interests			150,000		150,000
			<u>1,784,708</u>		<u>1,906,853</u>

Approved by the board on 15 December 2000
and signed on its behalf by:


C W HAMMOND
Director

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 September 2000	Notes	£	2000 £	£	1999 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	23a		528,981		454,569
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Dividends received		92		80	
Hire purchase interest		(46,418)		(71,905)	
Other interest payable		(80,851)		(56,103)	
Dividends paid on non-equity shares		(16,500)		(16,500)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(143,677)		(144,428)
TAXATION					
Corporation tax paid			-		(6,162)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Receipts from sales of tangible fixed assets		116,178		420,079	
Payments to acquire tangible fixed assets		(470,692)		(523,750)	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE			(354,514)		(103,671)
ACQUISITIONS AND DISPOSALS					
Purchase of subsidiary undertaking			-		(22,745)
NET CASH INFLOW BEFORE FINANCING			30,790		177,563
FINANCING					
Capital element of hire purchase and finance lease rental payments		(285,525)		(325,487)	
Repayments of bank loans and mortgages		(143,950)		(57,396)	
New loans		250,000		251,250	
NET CASH OUTFLOW FROM FINANCING			(179,475)		(131,633)
(DECREASE) INCREASE IN CASH IN THE YEAR	23b		(148,685)		45,930
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT					
(DECREASE) INCREASE IN CASH IN THE YEAR			(148,685)		45,930
Cash flow from decrease in debt and other financing	23b		429,475		382,883
New hire purchase contracts			(105,734)		-
New loans			(250,000)		(251,250)
Change in net debt resulting from cash flows			(74,944)		177,563
NET DEBT AT 30 SEPTEMBER 1999			(1,489,171)		(1,666,734)
NET DEBT AT 30 SEPTEMBER 2000	23b		(1,564,115)		(1,489,171)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2000

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 2000.

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

The group has adopted FRS 15 this year. 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 commencing in the financial year after purchase
Baskets and mesh panels	50% straight line commencing in the month after purchase
Motor vehicles	33.3% straight line commencing in the month after purchase

An impairment review has been carried out on plant and machinery as shown in note 12.

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.

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 30 September 2000

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) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

(Loss) profit on ordinary activities has been arrived at after charging (crediting):	2000 £	1999 £
Amortisation of negative goodwill	(3,421)	-
Depreciation of owned fixed assets	346,100	230,349
Depreciation of fixed assets held under hire purchase contracts	179,267	256,974
(Loss) profit on disposal of fixed assets	5,000	(1,598)
Auditors' remuneration	7,700	7,500
Amortisation of grant	(7,500)	(7,500)
Exceptional items:		
(Loss) profit on disposal of fixed assets	50,367	(135,119)
Insurance proceeds	-	(175,645)
Impairment of fixed assets	52,801	-
Reorganisation costs	88,301	-
	<hr/>	<hr/>

3. ACQUISITION

The company acquired 60% of the ordinary share capital (designated as 'H' ordinary shares) of Hammond Heat Treatment (SQ) Limited on 7 September 1999.

The fair values attributed to the net tangible assets acquired were as follows:	Book values at acquisition £	Adjustment £	Fair value to group £
Fixed assets	<u>691,242</u>	<u>144,844</u>	836,086
Negative goodwill on acquisition			(3,421)
			<hr/>
			832,665
Fixed assets formerly owned by HHT plc			475,486
Costs			22,745
Minority interest on acquisition			334,434
			<hr/>
			832,665
			<hr/>

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 30 September 2000

3. ACQUISITION (Continued)

The book value of the assets shown above has been taken from the management accounts of the business at acquisition. The provisional fair value adjustment above recognised in the 1999 accounts arose as a consequence of restating the book value of assets to their market value at acquisition; in accordance with FRS 7 and FRS 10 an impairment review has been performed and no amendments to the negative goodwill on acquisition are required.

The adjustment includes an unrealised gain of £107,336 on fixed assets with a book value of £368,150 formerly owned by HHT plc given in consideration for the purchase, which has been taken to a non distributable reserve in the consolidated accounts.

The remaining 40% of the ordinary share capital (designated as 'G' ordinary shares) is owned by Gartyne Limited, itself a subsidiary of Garton Engineering Plc. Assets with a book value of £323,092 and a fair value of £360,600 were transferred to Hammond Heat Treatment (SQ) Limited as consideration for the 40% stake.

4.	NET OPERATING EXPENSES	2000 £	1999 £
	Distribution costs	246,661	189,619
	Administrative costs	977,458	915,585
	Other operating income	(9,004)	(25,610)
		1,215,115	1,079,594
5.	INVESTMENT INCOME		
	Income from listed fixed asset investments	92	80
6.	INTEREST PAYABLE		
	Bank loans, overdrafts and similar finance	79,240	52,967
	Other interest	1,611	3,136
	Hire purchase interest	46,418	71,905
		127,269	128,008
7.	DIRECTORS AND EMPLOYEES		
	The average number of persons employed by the group during the year was:	Number	Number
	Production	74	62
	Selling and distribution	4	3
	Administration	20	21
		98	86
	Staff costs, including directors, were:	£	£
	Wages and salaries	1,771,369	1,481,719
	Social security costs	126,849	115,481
	Redundancy costs	31,830	-
	Pension costs	122,808	111,253
		2,052,856	1,708,453

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 30 September 2000

7.	DIRECTORS AND EMPLOYEES (Continued)	2000	1999
		£	£
	Directors' emoluments:		
	Aggregate emoluments	62,832	62,965
		<u> </u>	<u> </u>
	Retirement benefits are accruing to one director (1998 - one director) under a defined benefit pension scheme.		
8.	TAX ON PROFIT ON ORDINARY ACTIVITIES	2000	1999
		£	£
	Irrecoverable advance corporation tax written off	-	26,097
	Deferred tax (credit) charge (note 18)	(16,000)	11,000
		<u> </u>	<u> </u>
		(16,000)	37,097
		<u> </u>	<u> </u>
9.	DIVIDENDS		
	Non-equity		
	Participating preferred ordinary shares		
	Accrued at 30 September 1999	(2,750)	(2,750)
	Interim paid	16,500	16,500
	Accrued at 30 September 2000	2,750	2,750
		<u> </u>	<u> </u>
		16,500	16,500
	Equity		
	Ordinary shares		
	Final proposed	38,500	38,500
		<u> </u>	<u> </u>
	Total dividends	55,000	55,000
		<u> </u>	<u> </u>
10.	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 loss for the financial year included in the financial statements of the company amounted to £83,148 (1999 - profit £91,227).		
11.	INTANGIBLE FIXED ASSETS		Negative goodwill
			£
	Cost		
	At 30 September 1999 and 30 September 2000		(3,421)
			<u> </u>
	Amortisation		
	Credit for the year and at 30 September 2000		3,421
			<u> </u>
	Net book value at 30 September 2000		-
			<u> </u>
	Net book value at 30 September 1999		(3,421)
			<u> </u>

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 30 September 2000

12. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant, machinery, equipment, and vehicles £	Total £
GROUP			
Cost and valuation			
At 30 September 1999	1,231,049	5,208,641	6,439,690
Additions	-	576,426	576,426
Disposals	-	(345,802)	(345,802)
At 30 September 2000	<u>1,231,049</u>	<u>5,439,265</u>	<u>6,670,314</u>
Depreciation			
At 30 September 1999	63,760	2,565,507	2,629,267
Charge for the year	11,556	513,811	525,367
Impairment	-	52,801	52,801
Disposals	-	(174,257)	(174,257)
At 30 September 2000	<u>75,316</u>	<u>2,957,862</u>	<u>3,033,178</u>
Net book value			
At 30 September 2000	<u>1,155,733</u>	<u>2,481,403</u>	<u>3,637,136</u>
At 30 September 1999	<u>1,167,289</u>	<u>2,643,134</u>	<u>3,810,423</u>

The net book value of plant and machinery includes £710,843(1999 - £1,231,668) in respect of assets held under hire purchase contracts.

Freehold land and buildings includes £660,000 (1999 - £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, this year 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:	2000 £	1999 £
Cost	665,622	665,622
Aggregate depreciation	(142,125)	(131,677)
	<u>523,497</u>	<u>533,945</u>

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 30 September 2000

12. TANGIBLE FIXED ASSETS (Continued)

	Freehold land and buildings £	Plant, machinery, equipment and vehicles £	Total £
PARENT			
Cost and valuation			
At 30 September 1999	1,231,049	3,497,623	4,728,672
Additions	-	184,074	184,074
Disposals	-	(154,202)	(154,202)
At 30 September 2000	<u>1,231,049</u>	<u>3,527,495</u>	<u>4,758,544</u>
Depreciation			
At 30 September 1999	63,760	1,688,385	1,752,145
Charge for the year	11,556	323,849	335,405
Disposals	-	(139,934)	(139,934)
At 30 September 2000	<u>75,316</u>	<u>1,872,300</u>	<u>1,947,616</u>
Net book value			
At 30 September 2000	<u>1,155,733</u>	<u>1,655,195</u>	<u>2,810,928</u>
At 30 September 1999	<u>1,167,289</u>	<u>1,809,238</u>	<u>2,976,527</u>

The net book value of plant and machinery includes £710,843 (1999 - £1,231,668) in respect of assets held under hire purchase contracts.

Freehold land and buildings includes land of £660,000 (1999 - £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, this year to retain the existing bank 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:	2000 £	1999 £
Cost	789,930	789,930
Aggregate depreciation	(90,623)	(79,889)
	<u>699,307</u>	<u>710,041</u>

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 30 September 2000

13.	FIXED ASSET INVESTMENTS	Investments in subsidiary undertakings £	Listed investments £	Total £
	Cost			
	At 30 September 1999 and 30 September 2000	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 that the net realisable value of the investments in subsidiary undertakings not less than their balance sheet values.

The market value of the listed investments at 30 September 2000 was £2,789 (1999 - £5,436).

14.	STOCK	2000 £	Group 1999 £	2000 £	Parent 1999 £
	Finished goods and goods for resale	5,896	7,319	1,910	4,869

15.	DEBTORS	2000 £	Group 1999 £	2000 £	Parent 1999 £
	Trade debtors	964,056	874,990	466,407	687,884
	Subsidiary undertaking	-	-	60,455	28,477
	Related undertaking	110,685	25,778	-	-
	Other debtors	400	74,565	400	74,565
	Prepayments and accrued income	66,438	50,493	54,225	50,493
		1,141,579	1,025,826	581,487	841,419

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 30 September 2000

16. CREDITORS - amounts falling due within one year

	2000 £	Group 1999 £	2000 £	Parent 1999 £
Short term loan	-	25,000	-	25,000
Trade creditors	410,484	343,504	262,823	294,817
Subsidiary undertakings	-	-	255	255
Related undertakings	22,617	16,359	-	-
Taxation and social security	185,398	173,077	75,319	132,838
Other creditors	5,327	5,327	5,327	5,327
Director's loan	12,036	18,484	12,036	18,484
Accruals and deferred income	161,175	95,444	81,415	63,404
Hire purchase contracts	167,640	261,590	167,640	261,590
Bank loan, overdraft and similar finance	717,900	487,862	365,157	448,248
Dividends	163,655	125,157	163,655	125,157
	<u>1,846,232</u>	<u>1,551,804</u>	<u>1,133,627</u>	<u>1,375,120</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.

The short term loan is unsecured and repayable on demand.

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

	2000 £	Group 1999 £	2000 £	Parent 1999 £
Deferred income	12,500	20,000	12,500	20,000
Other creditors	66,583	71,910	66,583	71,910
Hire purchase contracts	328,788	414,628	328,788	414,628
Bank loan and similar finance	350,965	301,020	350,965	301,020
	<u>758,836</u>	<u>807,558</u>	<u>758,836</u>	<u>807,558</u>
The bank loan and similar finance and hire purchase contracts are repayable as follows:				
One to two years	307,676	282,751	307,676	282,751
Two to five years	372,077	432,897	372,077	432,897
	<u>679,753</u>	<u>715,648</u>	<u>679,753</u>	<u>715,648</u>

The bank loan and similar finance are secured as stated in note 16.

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 30 September 2000

18. PROVISIONS FOR LIABILITIES AND CHARGES

	2000 £	Group 1999 £	2000 £	Parent 1999 £
Deferred tax				
At 30 September 1999	234,000	223,000	234,000	223,000
(Credit) charge for the year	(16,000)	11,000	(16,000)	11,000
At 30 September 2000	<u>218,000</u>	<u>234,000</u>	<u>218,000</u>	<u>234,000</u>

The deferred tax provision at 30% (1999 - 30%) comprises the excess of capital allowances over depreciation charged.

	2000 £	Group 1999 £	2000 £	Parent 1999 £
The potential liability, not provided for in the financial statements, at 30% (1999 - 30%) is:				
Industrial buildings allowances	107,000	107,000	107,000	107,000

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

19. CALLED UP SHARE CAPITAL

	2000 £	1999 £
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.

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 30 September 2000

19. SHARE CAPITAL (Continued)

- Pay to the ordinary shareholders a dividend equal to the amount of dividend paid on each preferred ordinary share.
- Pay to 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.

20.	SHARE PREMIUM ACCOUNT		2000 £	1999 £
	At 30 September 1999 and 30 September 2000		135,434	135,434
21.	REVALUATION RESERVE			
		2000 £	Group 1999 £	2000 £
	At 30 September 1999	633,344	634,452	457,308
	Transfer to profit and loss account	(1,108)	(1,108)	(822)
	At 30 September 2000	632,236	633,344	456,486
			457,308	457,308

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 30 September 2000

22.	PENSION COSTS	2000 £	1999 £
	Regular pension cost	128,135	116,580
	Variation from regular cost	(5,327)	(5,327)
		122,808	111,253

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 87% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

Creditors includes £71,910 (1999 - £77,237) 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.

23. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT

a	RECONCILIATION OF OPERATING (LOSS) PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2000 £	1999 £
	Operating (loss) profit	(68,451)	21,751
	Depreciation	525,367	487,323
	Impairment of fixed assets	52,801	-
	Loss (profit) on disposal of fixed assets	5,000	(1,598)
	Amortisation of negative goodwill	(3,421)	-
	Grant amortisation	(7,500)	(7,500)
	Decrease (increase) in stocks	1,423	(4,059)
	Increase in debtors	(115,753)	(64,454)
	Increase in creditors	139,515	23,106
		528,981	454,569

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 30 September 2000

23. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT (Continued)

b ANALYSIS OF NET DEBT	30 September 1999 £	Cashflow £	Other non-cash changes £	30 September 2000 £
Cash at bank and in hand	929	247	-	1,176
Bank overdraft	(371,915)	(148,932)	-	(520,847)
	<u>(370,986)</u>	<u>(148,685)</u>	<u>-</u>	<u>(519,671)</u>
Debt due within one year	(140,947)	8,607	(64,712)	(197,052)
Debt due after more than one year	(301,020)	135,343	(185,288)	(350,965)
Hire purchase contracts	(676,218)	285,525	(105,734)	(496,427)
	<u>(1,118,185)</u>	<u>429,475</u>	<u>(355,734)</u>	<u>(1,044,444)</u>
	<u>(1,489,171)</u>	<u>280,790</u>	<u>(355,734)</u>	<u>(1,564,115)</u>

24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2000 £	1999 £
(Loss) profit for the year	(163,824)	(11,337)
Dividends	(55,000)	(55,000)
Unrealised profit on acquisition of subsidiary	-	107,336
	<u>(218,824)</u>	<u>40,999</u>
Net movement in shareholders' funds	(218,824)	40,999
Shareholders' funds at 30 September 1999	1,911,619	1,870,620
	<u>1,692,795</u>	<u>1,911,619</u>
Shareholders' funds at 30 September 2000	1,692,795	1,911,619

25. CONTINGENT LIABILITY

The company has received a government grant of £50,000. This amount is repayable if any of the conditions of receipt are breached within the next year. The directors consider that the possibility of any of the conditions being breached is remote.

26. CONTROLLING PARTY

The company is controlled by its directors.

27. RELATED PARTY TRANSACTIONS

Hammond Heat Treatment (SQ) Limited, a subsidiary of the company, made sales of £423,485 (1999 - £25,778) to Gartyne Limited in the year; Gartyne Limited owns 40% of the shares of Hammond Heat Treatment (SQ) Limited as detailed in note 3. £110,865 (1999 - £25,778) of these sales are included in debtors due from related undertakings in note 15.

Gartyne recharged overheads of £59,108 and pension contributions of £13,777 to Hammond Heat Treatment (SQ) Limited during the year. Hammond Heat Treatment (SQ) Limited owed £22,617 (1999 - £16,359) to Garton Engineering plc, the parent undertaking of Gartyne Limited this is shown as a related undertaking in note 16.

Gartyne Limited has guaranteed the £500,000 overdraft facility of Hammond Heat Treatment (SQ) Limited until 9 September 2002. At 30 September 2000 £283,818 of the facility was in use.

HHT PLC AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 30 September 2000

27. 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.

28. EXCEPTIONAL ITEM

Following a decision to reorganise the group's activities exceptional costs of relocating plant and machinery and associated redundancy costs totalling £88,301 have arisen.