

HW Machinery Limited

Report and Accounts

31 March 2001

Company Number: 3721208



HW Machinery Limited

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 31 March 2001.

PRINCIPAL ACTIVITY

The principal activity of the company for the year under review was that of an intermediate holding company.

RESULTS AND DIVIDENDS

The loss for the year after taxation and dividends received amounted to £12,304 (2000: profit of £584,042). The directors do not propose the payment of a final dividend (2000 - £ Nil).

DIRECTORS

The directors who served during the year are as follows:

J G Harris
S M Watson

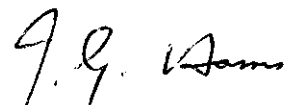
None of the directors had an interest in the shares of the company. J G Harris and S M Watson are directors of the ultimate parent company, Harris Watson Holdings PLC and their shareholdings are disclosed in that company's accounts.

No contract significant to the company's business in which a director had a material interest was entered into during the period.

AUDITORS

On 28 June 2001, Ernst and Young, the Company's auditor, transferred its entire business to Ernst and Young LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The directors consented to treating the appointment of Ernst and Young as extending to Ernst and Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst and Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board


J G Harris

Secretary
Dated *January 14. 2002*

HW Machinery Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

- select suitable accounting policies and then 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

REPORT OF THE AUDITORS
to the members of HW Machinery Limited

We have audited the company's financial statements for the year ended 31 March 2001 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Reconciliation of Shareholders' Funds and the related notes 1 to 12. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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.

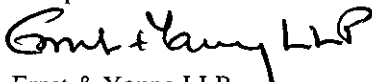
Basis of audit opinion

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Birmingham

Date 17 January 2002.

HW Machinery Limited

PROFIT AND LOSS ACCOUNT for the year to 31 March 2001

	<i>Notes</i>	<i>2001</i> £	<i>2000</i> £
TURNOVER		-	-
Cost of sales		-	-
		<hr/>	<hr/>
GROSS PROFIT		-	-
Administration expenses		2,541	-
		<hr/>	<hr/>
OPERATING LOSS		(2,541)	-
Income from investments		-	600,000
Net interest payable	3	(15,037)	(22,796)
		<hr/>	<hr/>
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(17,578)	577,204
Tax credit on profit on ordinary activities	4	5,274	6,838
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(LOSS) / PROFIT FOR THE YEAR	9	(12,304)	584,042
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There are no other recognised gains or losses as disclosed in the profit and loss account for either year.

HW Machinery Limited

BALANCE SHEET at 31 March 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Investment	5	1,326,000	1,206,000
		<u>1,326,000</u>	<u>1,206,000</u>
CURRENT ASSETS			
Debtors	6	31,622	1
Cash at bank and in hand		183	-
		<u>31,805</u>	<u>1</u>
CREDITORS: amounts falling due within one year	7	141,146	621,958
		<u>141,146</u>	<u>621,958</u>
Net current liabilities		(109,341)	(621,957)
		<u>(109,341)</u>	<u>(621,957)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,216,659	584,043
		<u>1,216,659</u>	<u>584,043</u>
CREDITORS: amounts falling due after more than one year	8	644,920	-
		<u>644,920</u>	<u>-</u>
		<u>571,739</u>	<u>584,043</u>
CAPITAL AND RESERVES			
Called up share capital	9	1	1
Profit and loss account	10	571,738	584,042
		<u>571,738</u>	<u>584,042</u>
TOTAL SHAREHOLDERS' FUNDS		571,739	584,043
		<u>571,739</u>	<u>584,043</u>



S M Watson
Director

Dated 14 January 2002

HW Machinery Limited

NOTES TO THE ACCOUNTS

at 31 March 2001

1. ACCOUNTING POLICIES

Fundamental accounting concept

The accounts have been prepared on a going concern basis as the parent company has indicated that it will continue to support the company to meet its liabilities as and when they fall due. The parent undertaking has agreed not to recall the amounts advanced to the company until all other creditors have been met.

Basis of preparation

The accounts are prepared under the historical cost convention and are in accordance with applicable accounting standards. The accounts present information about the company as an individual undertaking and not about its group.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

2. STAFF COSTS

There were no employees during the year other than the directors.

3. INTEREST PAYABLE

	2001 £	2000 £
Interest payable on bank loans and overdrafts	15,037	22,796
	<u>15,037</u>	<u>22,796</u>

TAXATION

	2001 £	2000 £
Group relief	5,274	6,838
	<u>5,274</u>	<u>6,838</u>

The company has surrendered tax losses as group relief for which payment has been received.

HW Machinery Limited

NOTES TO THE ACCOUNTS at 31 March 2001

5. INVESTMENTS

	<i>Cost</i>	<i>Book value</i>
	<i>£</i>	<i>£</i>
Other investments - unlisted shares at cost	1,326,000	1,326,000

This investment represents 88% (2000 : 80%) of the issued share capital of H&K Technologies Limited, a company incorporated in England and Wales. During the year the company purchased a further 8% of the issued share capital for £120,000.

The company has taken advantage of the dispensation granted under S228 of the Companies Act 1985 not to produce group accounts, being a wholly owned subsidiary undertaking of another body incorporated in Great Britain.

DEBTORS

	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>
Other	1	1
Amount owed by subsidiary undertakings	31,621	-
	<u>31,622</u>	<u>1</u>

7. CREDITORS: amounts falling due within one year

	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>
Bank loans (see note 8)	84,500	-
Amounts owed to group undertakings	56,646	614,558
Amounts owed to parent undertaking	-	7,400
	<u>141,146</u>	<u>621,958</u>

HW Machinery Limited

NOTES TO THE ACCOUNTS at 31 March 2001

3. CREDITORS: amounts falling due after more than on year

	2001 £	2000 £
Bank loans	644,920	-
	<u>644,920</u>	<u>-</u>
	2001 £	2000 £
Amounts repayable:		
In one year or less	84,500	-
In more than one year but not more than two years	90,694	-
In more than two years but not more than two years	314,972	-
	<u>490,166</u>	<u>-</u>
In more than two years	239,254	-
	<u>729,420</u>	<u>-</u>

The bank loans are secured by cross guarantees and debenture provided by H K Technologies Limited.

The bank loan is repayable in monthly instalments over 7 years with a rate interest at Base Rate plus 2% per annum.

CALLED UP SHARE CAPITAL

	2001 £	2000 £
Authorised:		
1000 ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:		
1 ordinary share of £1 each	1	1
	<u>1</u>	<u>1</u>

4. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total £
As at 1 April 2000	1	584,042	584,043
Loss for the year	-	(12,304)	(12,304)
	<u>1</u>	<u>571,738</u>	<u>571,739</u>
As at 31 March 2001	1	571,738	571,739

HW Machinery Limited

NOTES TO THE ACCOUNTS at 31 March 2001

11. RELATED PARTY TRANSACTIONS

Other than transactions with other members of the Harris Watson Group which are exempt from disclosure under FRS8 (related party transactions) there are no other related party transactions.

12. ULTIMATE PARENT UNDERTAKING

The parent undertaking of the group of undertakings for which group accounts are drawn up and of which the company is a member is Harris Watson Holdings PLC, a company registered in England and Wales. Copies of the accounts of Harris Watson Holdings PLC can be obtained from 45a Waterlinks House, Richard Street, Birmingham B7 4AA.