

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2000
FOR
HEATON HOLDINGS LIMITED**

Morris Crocker
Chartered Accountants
Registered Auditors
1 Osborn Road South
Fareham
Hampshire
PO16 7JT



HEATON HOLDINGS LIMITED

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HEATON HOLDINGS LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 30 APRIL 2000

DIRECTORS: S J H Waring BSc(Hons)C Eng, FICE
Mrs A C H Waring
D W Russell Solicitor

SECRETARY: D G Hosier ACCA

REGISTERED OFFICE: Heaton House
Cams Estate
Fareham
Hampshire
PO16 8AA

REGISTERED NUMBER: 1604821

AUDITORS: Morris Crocker
Chartered Accountants and
Registered Auditors
1 Osborn Road South
Fareham
Hampshire
PO16 7JT

BANKERS: Lloyds TSB Bank plc
Gracechurch House
23/35 Castle Way
Southampton
Hampshire
SO14 2BW

SOLICITORS: Blake Laphorn
1 Barnes Wallis Road
Segensworth
Fareham
Hampshire

HEATON HOLDINGS LIMITED

REPORT OF THE CHAIRMAN FOR THE YEAR ENDED 30 APRIL 2000

Heaton Holdings Limited have enjoyed an excellent year to 30th April 2000. Profit on ordinary activities before tax has almost doubled in the period to £1,802,467 and the Group balance sheet has advanced to a figure in excess of £14.6 million.

The two major development companies in the Group, Gatcombe House Properties Limited and Strand Harbour Securities Limited have both performed well.

At North Harbour, near Portsmouth, Gatcombe House Properties concluded the letting of Shore House to McLarens Toplis and subsequently sold the 20,500 sq.ft. building to the Merchant Navy Officers Pension Fund. Deals were also concluded with Wessex Landrover for a new showroom and workshops and a Children's Nursery for Jigsaw. Planning permission has now been granted for the last two units on the site and construction has already started on the first of these.

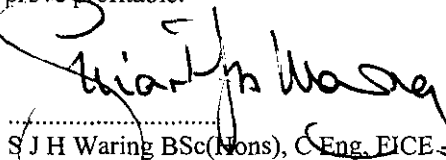
On the Cams Estate, near Fareham, Strand Harbour Securities has achieved the letting of the first part of Delme Place and the completion of land sale to Merlin Communications. The Home Farm group of buildings are now fully let and investment sales of some units has taken place. More sales are planned in the coming year.

The final phase of development on the Cams Estate has now obtained planning consent. Carnac Court consists of 38,500 sq.ft. of offices in six buildings and construction is due to commence in the autumn of this year.

Heaton Property Investments has undertaken a rationalisation of part of its portfolio of properties. This included the sale of Gatcombe House, a period mansion let to the Warings Construction Group, and also the sale of two other small office buildings. It is intended that this company will strengthen its rental income by acquiring investment properties at Cams and North Harbour.

OFWAT's 5-yearly review of the budgets of the major water companies was very much more severe than the industry had anticipated. This has resulted in large scale redundancies and a virtual moratorium on capital investment, particularly in the sewer side of the industry. The results for Sanipor (UK) Limited therefore have inevitably deteriorated from the previous year. It is however, expected that the situation will improve over the next 12 months, because the sewer infrastructure is deteriorating at an alarming rate. This should produce an upturn in the financial performance of Sanipor UK in due course.

The Group continues to enjoy a healthy cash balance and the Directors are confident that the current year will also prove profitable.



S J H Waring BSc(Nons), CEng, FICE - CHAIRMAN

Dated: 25 August 2000

HEATON HOLDINGS LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 APRIL 2000

The directors present their report with the financial statements of the company for the year ended 30 April 2000.

PRINCIPAL ACTIVITY

The principal activities of Heaton Holdings Limited and its subsidiaries in the year under review are property development and property investment. The group also owns Sanipor (UK) Limited which licences various companies to use the patented Sanipor Sewer Renovation process.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

An interim dividend of £3.58 per share was paid on 28 April 2000. The directors recommend that no final dividend be paid.

The total dividends for the year ended 30 April 2000 will be £500,165.

DIRECTORS

The directors during the year under review were:

S J H Waring BSc(Hons)C Eng, FICE
Mrs A C H Waring
D W Russell Solicitor

Mr and Mrs Waring have an interest in the share capital of the company through their holding in the shares of the ultimate holding company, Heaton Consolidated Property Holdings Limited. Their interests are shown in the directors' report for that company.

DONATIONS

During the year the group made various charitable contributions totalling £1,000.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

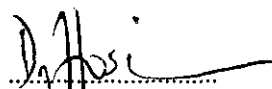
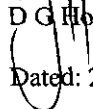
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors, Morris Crocker, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:


.....
D G Hosier ACCA - SECRETARY


Dated: 25 August 2000

HEATON HOLDINGS LIMITED

**REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
HEATON HOLDINGS LIMITED**

We have audited the financial statements on pages five to twenty one which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on page eleven.

Respective responsibilities of directors and auditors

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

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 the company and the group's affairs as at 30 April 2000 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Morris Crocker
Chartered Accountants and
Registered Auditors
1 Osborn Road South
Fareham
Hampshire
PO16 7JT

Dated: 30 August 2000

HEATON HOLDINGS LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 APRIL 2000

		2000	1999
	Notes	£	£
TURNOVER		4,608,879	6,097,286
Cost of sales		<u>(2,561,514)</u>	<u>(4,564,033)</u>
GROSS PROFIT		2,047,365	1,533,253
Administrative expenses		<u>(578,680)</u>	<u>(528,316)</u>
		1,468,685	1,004,937
Other operating income		<u>281,504</u>	<u>8,780</u>
OPERATING PROFIT	3	1,750,189	1,013,717
Interest receivable and similar income		124,887	111,893
Interest payable and similar charges	5	<u>(72,609)</u>	<u>(199,580)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,802,467</u>	<u>926,030</u>
Tax on profit on ordinary activities	6	<u>(393,647)</u>	<u>(108,144)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,408,820	817,886
Equity minority interest		<u>(33,721)</u>	<u>(36,411)</u>
PROFIT FOR THE FINANCIAL YEAR		1,375,099	781,475
Dividends	7	<u>(500,165)</u>	<u>(139,711)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		874,934	641,764
RETAINED PROFIT BROUGHT FORWARD		<u>11,633,692</u>	<u>11,052,971</u>
		12,508,626	11,694,735
Transfer from revaluation reserve on disposal of investment property		890,463	(68,465)
Adjustment on disposal of subsidiaries		3,753	7,422
Profits realised on disposal of property		<u>29,490</u>	<u>-</u>
RETAINED PROFIT CARRIED FORWARD		<u>£13,432,332</u>	<u>£11,633,692</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

The notes form part of these financial statements

HEATON HOLDINGS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 APRIL 2000

	2000	1999
	£	£
PROFIT FOR THE FINANCIAL YEAR	1,375,099	781,475
Unrealised surplus on revaluation of investment properties	<u>195,756</u>	<u>643,150</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u><u>£1,570,855</u></u>	<u><u>£1,424,625</u></u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 30 APRIL 2000

	2000	1999
	£	£
REPORTED PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,802,467	926,030
Realisation of property revaluation profits of previous years	809,463	-
Realisation of property revaluation losses on previous years	<u>-</u>	<u>(68,465)</u>
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u><u>£2,611,930</u></u>	<u><u>£857,565</u></u>
Historical cost profit for the year retained after taxation, minority interest and dividends	<u><u>£1,684,397</u></u>	<u><u>£573,299</u></u>

HEATON HOLDINGS LIMITED

GROUP BALANCE SHEET 30 APRIL 2000

		2000	1999
	Notes	£	£
FIXED ASSETS:			
Tangible assets	8	5,956,390	7,190,291
Intangible assets	9	60,000	80,000
		<u>6,016,390</u>	<u>7,270,291</u>
CURRENT ASSETS:			
Stocks and work in progress	11	6,366,548	5,624,069
Debtors	12	2,771,408	111,366
Cash at bank and in hand		<u>1,579,354</u>	<u>3,274,872</u>
		10,717,310	9,010,307
CREDITORS: Amounts falling due within one year	13	<u>(2,053,157)</u>	<u>(2,734,970)</u>
NET CURRENT ASSETS:		<u>8,664,153</u>	<u>6,275,337</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:		14,680,543	13,545,628
CREDITORS: Amounts falling due after more than one year	14	<u>(3,940)</u>	<u>(6,679)</u>
		<u>£14,676,603</u>	<u>£13,538,949</u>
CAPITAL AND RESERVES:			
Called up share capital	18	139,711	139,711
Other reserves	19	1,184,769	1,879,476
Profit and loss account		<u>13,432,332</u>	<u>11,633,692</u>
Shareholders' funds	20	14,756,812	13,652,879
Equity minority interest		<u>(80,209)</u>	<u>(113,930)</u>
		<u>£14,676,603</u>	<u>£13,538,949</u>

HEATON HOLDINGS LIMITED
PARENT COMPANY BALANCE SHEET
30 APRIL 2000

		2000	1999
	Notes	£	£
FIXED ASSETS:			
Tangible assets	8	790,390	823,291
Investments	10	<u>57,975</u>	<u>121,520</u>
		<u>848,365</u>	<u>944,811</u>
 CURRENT ASSETS:			
Debtors	12	10,107,937	7,936,037
Cash in hand		<u>118,379</u>	<u>3,223,807</u>
		10,226,316	11,159,844
CREDITORS: Amounts falling due within one year	13	<u>(86,454)</u>	<u>(425,231)</u>
NET CURRENT ASSETS:		<u>10,139,862</u>	<u>10,734,613</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:		10,988,227	11,679,424
 CREDITORS: Amounts falling due after more than one year	14	(3,940)	(6,679)
PROVISIONS FOR LIABILITIES AND CHARGES:	17	<u>(281,786)</u>	<u>(281,786)</u>
		<u>£10,702,501</u>	<u>£11,390,959</u>
 CAPITAL AND RESERVES:			
Called up share capital	18	139,711	139,711
Capital redemption reserve	19	16,891	16,891
Profit and loss account		<u>10,545,899</u>	<u>11,234,357</u>
SHAREHOLDERS' FUNDS:	20	<u>£10,702,501</u>	<u>£11,390,959</u>

ON BEHALF OF THE BOARD:


D W Russell

Approved by the Board on 25/8/00

HEATON HOLDINGS LIMITED

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2000

		2000	1999
	Notes	£	£
Net cash (outflow)/ inflow from operating activities	1	(526,006)	4,291,118
Returns on investments and servicing of finance			
Interest received		138,964	97,816
Interest paid		<u>(111,110)</u>	<u>(204,473)</u>
		27,854	(106,657)
Taxation		(167,786)	(52,225)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(81,506)	(622,356)
Sale of tangible fixed assets		<u>1,554,649</u>	<u>202,471</u>
		1,473,143	(419,885)
Acquisitions and disposals			
Sale of subsidiary undertaking		180	-
Net cash inflow on capital expenditure and financial investment		807,385	3,712,351
Equity dividends paid		<u>(500,165)</u>	<u>(139,711)</u>
Net cash inflow before financing		307,220	3,572,640
Financing			
Repayment of long-term loan		(2,000,000)	(487,199)
Capital element of hire purchase and finance lease repayments		<u>(2,738)</u>	<u>(2,738)</u>
Net cash (outflow) from financing		<u>(2,002,738)</u>	<u>(489,937)</u>
(Decrease)/increase in cash for the year		<u>£(1,695,518)</u>	<u>£3,082,703</u>
Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash for the year		(1,695,518)	3,082,703
Cash outflow from debt and lease financing		<u>2,002,739</u>	<u>489,937</u>
Movement in net funds for year		307,221	3,572,640
Net funds at 1 May 1999	2	<u>1,265,455</u>	<u>(2,307,185)</u>
Net funds at 30 April 2000	2	<u>£1,572,676</u>	<u>£1,265,455</u>

HEATON HOLDINGS LIMITED

NOTES TO THE GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2000

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 £	1999 £
Operating profit	1,750,189	1,013,717
Depreciation and amortisation charges	96,102	71,353
Profit on sale of tangible fixed assets	(86,254)	(8,081)
(Increase)/decrease in stocks	(742,479)	3,256,824
(Increase)/decrease in debtors	(2,653,840)	73,463
Increase/(decrease) in creditors	<u>1,110,276</u>	<u>(116,158)</u>
	<u>£(526,006)</u>	<u>£4,291,118</u>

2. ANALYSIS OF NET DEBT

	At 01.05.99 £	Cash Flow £	At 30.04.00 £
<u>Net cash:</u>			
Cash at bank and in hand	3,274,872	(1,695,518)	1,579,354
<u>Debt:</u>			
Debt due within on year	(2,000,000)	2,000,000	-
Hire purchase and finance leases	<u>(9,417)</u>	<u>2,739</u>	<u>(6,678)</u>
	<u>£1,265,455</u>	<u>£307,221</u>	<u>£1,572,676</u>

HEATON HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2000

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold property	- 50 years
Plant and machinery	- 5 years
Motor vehicles	- 5 years
Patents, licences and franchise costs	- 5 years

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

Finance lease and operating lease commitments

Assets obtained under hire purchase/finance lease contracts are capitalised in the balance sheet and are depreciated over their estimated useful lives. The interest element of the obligations is charged to the profit and loss account and represents a constant rate of interest. The liability included in the balance sheet represents total future commitments net of outstanding interest.

Operating lease rentals are charged to the profit and loss account in the period in which they incurred.

Pension costs

Contributions to defined contribution schemes are charged to the profit and loss account in the period in which they fall due.

Investment properties

These represent properties held by the group for their investment potential. They are included in the balance sheet at market value as determined by the directors. In accordance with Statement of Standard Accounting Practice No 19, no depreciation is provided in respect of freehold investment properties. Although the Companies Act 1985 would normally require the systematic annual depreciation of fixed assets, the directors believe that this policy of not providing depreciation is necessary in order for the accounts to give a true and fair view, since the current value of the investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax.

Property developments

Speculative property developments represent the invoiced value of sales, exclusive of value added tax. Work in progress is valued at the lower of cost or net realisable value.

Development contracts are valued at the sales value of work done after provision for anticipated future losses. Cash received on account and amounts certified are deducted from the value of work done and the balance is reflected in debtors as amounts recoverable on contracts. Turnover reflects the value of work done, exclusive of value added tax. Profit on individual contracts is included on a prudent basis when their outcome can be foreseen with reasonable certainty. Full provision is made for foreseeable losses.

HEATON HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2000

1. ACCOUNTING POLICIES (CONTINUED)

Consolidation

The group accounts consolidate the accounts of Heaton Holdings Limited and all its subsidiary companies.

2. STAFF COSTS

	2000	1999
	£	£
Wages and salaries	289,590	269,439
Social security costs	29,533	34,334
Other pension costs	<u>14,222</u>	<u>10,844</u>
	<u>333,345</u>	<u>314,617</u>

The average monthly number of employees during the year was as follows:

	2000	1999
Management, clerical and administrative	9	9
Technical and operational	<u>1</u>	<u>1</u>
	<u>10</u>	<u>10</u>

3. OPERATING PROFIT

The operating profit is stated after charging:

	2000	1999
	£	£
Depreciation - owned assets	93,467	68,718
Depreciation - assets on finance leases	2,635	2,635
Loss on disposal of fixed assets	8,303	1,190
Auditors' remuneration	<u>26,675</u>	<u>24,820</u>
	<u>191,498</u>	<u>96,500</u>

4. AMOUNTS WRITTEN OFF INVESTMENTS

	2000	1999
	£	£
Loss on disposal of subsidiary	<u>63,365</u>	<u>-</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2000	1999
	£	£
Bank loan and overdraft interest	71,889	198,860
Hire purchase	<u>720</u>	<u>720</u>
	<u>72,609</u>	<u>199,580</u>

HEATON HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2000

6. TAXATION

The tax charge on the profit on ordinary activities for the year was as follows:

	2000	1999
	£	£
UK corporation tax	390,369	113,393
Deferred taxation	-	4,101
Under/(Over) provision in earlier years	<u>3,278</u>	<u>(9,350)</u>
	<u>393,647</u>	<u>108,144</u>

UK corporation tax has been charged at 30% (1999 - 30%).

7. DIVIDENDS

	2000	1999
	£	£
Equity shares:		
Interim - ordinary share	<u>500,165</u>	<u>139,711</u>

8. TANGIBLE FIXED ASSETS GROUP

	Freehold property	Plant and machinery	Motor vehicles	Totals
	£	£	£	£
COST OR VALUATION				
At 1 May 1999	6,966,843	83,592	243,188	7,293,623
Additions	37,313	19,651	24,542	81,506
Disposals	(1,430,000)	-	(56,093)	(1,486,093)
Surplus on revaluation	<u>229,000</u>	<u>-</u>	<u>-</u>	<u>229,000</u>
At 30 April 2000	<u>5,803,156</u>	<u>103,243</u>	<u>211,637</u>	<u>6,118,036</u>
DEPRECIATION:				
At 1 May 1999	667	9,112	93,553	103,332
Charge for year	17,185	18,707	40,210	76,102
Eliminated on disposals	<u>-</u>	<u>-</u>	<u>(17,788)</u>	<u>(17,788)</u>
At 30 April 2000	<u>17,852</u>	<u>27,819</u>	<u>115,975</u>	<u>161,646</u>
NET BOOK VALUE:				
At 30 April 2000	<u>5,785,304</u>	<u>75,424</u>	<u>95,662</u>	<u>5,956,390</u>
At 30 April 1999	<u>6,966,176</u>	<u>74,480</u>	<u>149,635</u>	<u>7,190,291</u>

HEATON HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2000

8. TANGIBLE FIXED ASSETS (CONTINUED) GROUP

Fixed assets, included in the above, which are held under finance leases are as follows:

	<u>Plant and machinery</u>
	£
COST:	
At 1 May 1999	
and 30 April 2000	<u>13,173</u>
DEPRECIATION:	
At 1 May 1999	3,074
Charge for year	<u>2,635</u>
At 30 April 2000	<u>5,709</u>
NET BOOK VALUE:	
At 30 April 2000	<u>7,464</u>
At 30 April 1999	<u>10,099</u>

Cost or valuation at 30th April 2000 is represented by:

	<u>Freehold property</u>	<u>Investment properties</u>	<u>Totals</u>
	£	£	£
Valuation in 2000	-	984,413	984,413
Cost	<u>637,156</u>	<u>4,181,587</u>	<u>4,818,743</u>
	<u>637,156</u>	<u>5,166,000</u>	<u>5,803,156</u>

The investment properties were valued by Mr W E F Whyte, BSc, FRICS, who is a director of the subsidiary company which holds the investment properties. The valuation was based on the market value of investment properties at 30 April 2000.

HEATON HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2000

8. TANGIBLE FIXED ASSETS COMPANY

	Freehold property	Plant and machinery	Motor vehicles	Totals
	£	£	£	£
COST OR VALUATION				
At 1 May 1999	599,843	83,592	243,188	926,623
Additions	37,313	19,651	24,542	81,506
Disposals	-	-	(56,093)	(56,093)
At 30 April 2000	<u>637,156</u>	<u>103,243</u>	<u>211,637</u>	<u>952,036</u>
DEPRECIATION:				
At 1 May 1999	667	9,112	93,553	103,332
Charge for year	17,185	18,707	40,210	76,102
Eliminated on disposals	-	-	(17,788)	(17,788)
At 30 April 2000	<u>17,852</u>	<u>27,819</u>	<u>115,975</u>	<u>161,646</u>
NET BOOK VALUE:				
At 30 April 2000	<u>619,304</u>	<u>75,424</u>	<u>95,662</u>	<u>790,390</u>
At 30 April 1999	<u>599,176</u>	<u>74,480</u>	<u>149,635</u>	<u>823,291</u>

Fixed assets, included in the above, which are held under finance leases are as follows:

	Plant and machinery
	£
COST:	
At 1 May 1999 and 30 April 2000	<u>13,173</u>
DEPRECIATION:	
At 1 May 1999	3,074
Charge for year	<u>2,635</u>
At 30 April 2000	<u>5,709</u>
NET BOOK VALUE:	
At 30 April 2000	<u>7,464</u>
At 30 April 1999	<u>10,099</u>

HEATON HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2000

9. INTANGIBLE FIXED ASSETS

	Patents and licences
	£
COST:	
At 1 May 1999	
and 30 April 2000	<u>120,984</u>
AMORTISATION:	
At 1 May 1999	40,984
Charge for year	<u>20,000</u>
At 30 April 2000	<u>60,984</u>
NET BOOK VALUE:	
At 30 April 2000	<u>60,000</u>
At 30 April 1999	<u>80,000</u>

10. FIXED ASSET INVESTMENTS

	£
COST:	
At 1 May 1999	121,520
Disposals	<u>(63,545)</u>
At 30 April 2000	<u>57,975</u>
NET BOOK VALUE:	
At 30 April 2000	<u>57,975</u>
At 30 April 1999	<u>121,520</u>
	2000 1999
	£ £
Unlisted investments	<u>57,975</u> <u>121,520</u>

The company's investments at the balance sheet date in the share capital of unlisted companies include the following:

Gatcombe House Properties Limited

Nature of business: Land and property development

	%
Class of shares:	holding
Ordinary	100.00

Heaton Property Investments Limited

Nature of business: Property investment

	%
Class of shares:	holding
Ordinary	100.00

HEATON HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2000

10. FIXED ASSET INVESTMENTS (CONTINUED)

Sanipor (UK) Limited

Nature of business: Sewer renovation franchisor

Class of shares:	%
Ordinary	holding 100.00

Strand Harbour Securities Limited

Nature of business: Land and property development

Class of shares:	%
'A' Ordinary	holding 94.29

All the above subsidiaries have been included in the consolidated accounts.

11. STOCKS AND WORK IN PROGRESS

	2000		1999	
	Group £	Company £	Group £	Company £
Work in progress	<u>6,366,548</u>	<u>-</u>	<u>5,624,069</u>	<u>-</u>

Work in progress includes interest of £395,787 (1999: £395,787).

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000		1999	
	Group £	Company £	Group £	Company £
Amounts recoverable on contracts	2,710,000	-	-	-
Trade debtors	5,000	-	7,500	-
Other debtors	7,891	97	6,270	-
Prepayments and accrued income	26,626	1,953,591	97,596	1,967,161
Group undertakings	-	8,154,249	-	5,918,876
Dividend receivable	-	-	-	50,000
Tax recoverable	<u>21,891</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,771,408</u>	<u>10,107,937</u>	<u>111,366</u>	<u>7,936,037</u>

HEATON HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2000**

**13. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	2000		1999	
	Group	Company	Group	Company
	£	£	£	£
Bank loans and overdrafts (see note 15)	-	-	2,000,000	-
Hire purchase contracts and finance leases (see note 16)	2,738	2,738	2,738	2,738
Trade creditors	747,418	-	-	-
Advance payments on contracts	550,000	-	-	-
Other creditors	123,924	29,998	61,840	19,618
Social security costs and other taxes	22,758	22,758	144,274	144,274
Corporation tax	348,879	12,000	102,739	-
Accruals and deferred income	257,440	18,960	423,379	99,467
Group undertakings	-	-	-	159,134
	<u>2,053,157</u>	<u>86,454</u>	<u>2,734,970</u>	<u>425,231</u>

**14. CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR**

	2000		1999	
	Group	Company	Group	Company
	£	£	£	£
Hire purchase contracts and finance leases (see note 16)	<u>3,940</u>	<u>3,940</u>	<u>6,679</u>	<u>6,679</u>

15. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	2000	1999
	Group	Group
	£	£
Medium term bank loan	<u>-</u>	<u>2,000,000</u>

The bank loans were secured against certain development properties.

HEATON HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2000

16. OBLIGATIONS UNDER LEASING AGREEMENTS

	Finance leases	
	2000 £	1999 £
Gross obligations repayable:		
Within one year	3,458	3,458
Between one and five years	<u>4,428</u>	<u>7,887</u>
	<u>7,886</u>	<u>11,345</u>
Finance charges repayable:		
Within one year	720	720
Between one and five years	<u>488</u>	<u>1,208</u>
	<u>1,208</u>	<u>1,928</u>
Net obligations repayable:		
Within one year	2,738	2,738
Between one and five years	<u>3,940</u>	<u>6,679</u>
	<u>6,678</u>	<u>9,417</u>

17. PROVISIONS FOR LIABILITIES AND CHARGES

GROUP

The amount for which no provision has been made in respect of deferred taxation, is as follows:

	2000 £	1999 £
Revaluation of investment properties	<u>60,500</u>	<u>57,000</u>
	<u>60,500</u>	<u>57,000</u>

No provision has been made for the potential tax liability as it relates to properties which the directors intend retaining.

COMPANY

	2000 £	1999 £
Short term timing differences	<u>281,786</u>	<u>281,786</u>
	Deferred taxation £	
Balance at 1 May 1999	<u>281,786</u>	
Balance at 30 April 2000	<u>281,786</u>	

HEATON HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2000

18. CALLED UP SHARE CAPITAL

Authorised:		Nominal value:	2000	1999
Number:	Class:		£	£
156,602	Ordinary	£1	<u>156,602</u>	<u>156,602</u>

Allotted, issued and fully paid:		Nominal value:	2000	1999
Number:	Class:		£	£
139,711	Ordinary	£1	<u>139,711</u>	<u>139,711</u>

19. OTHER RESERVES

GROUP

	Revaluation reserve	Capital redemption reserve	Total
At 1 May 1999	1,862,585	16,891	1,879,476
Surplus on revaluation in the year	195,756	-	195,756
Realised profit transferred to profit and loss account	<u>(890,463)</u>	<u>-</u>	<u>(890,463)</u>
	<u>1,167,878</u>	<u>16,891</u>	<u>1,184,769</u>

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

GROUP

	2000 £	1999 £
Profit for the financial year	1,408,820	817,886
Dividends	(500,165)	(139,711)
Surplus on revaluation of investment properties	195,756	643,150
Reduction on disposal of subsidiaries	3,753	7,422
Profits realised on disposal of property	<u>29,490</u>	<u>-</u>
NET ADDITION TO SHAREHOLDERS' FUNDS	1,137,654	1,328,747
Opening shareholders' funds	<u>13,538,949</u>	<u>12,210,202</u>
CLOSING SHAREHOLDERS' FUNDS	<u>14,676,603</u>	<u>13,538,949</u>
Equity interests	<u>14,676,603</u>	<u>13,538,949</u>

HEATON HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2000

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS (CONTINUED)

COMPANY

	2000 £	1999 £
Loss for the financial year	(188,293)	(27,643)
Dividends	<u>(500,165)</u>	<u>(139,711)</u>
NET REDUCTION OF SHAREHOLDERS' FUNDS	(688,458)	(167,354)
Opening shareholders' funds	<u>11,390,959</u>	<u>11,558,313</u>
CLOSING SHAREHOLDERS' FUNDS	<u>10,702,501</u>	<u>11,390,959</u>
Equity interests	<u>10,702,501</u>	<u>11,390,959</u>

21. CONTROLLING PARTY

The company is controlled by and wholly owned subsidiary of Heaton Consolidated Property Holdings Limited, a company registered in England and Wales. Accounts for that company are available from Heaton House, Cams Estate, Fareham, Hampshire.

22. PROFIT AND LOSS ACCOUNT

In accordance with the exemption allowed by Section 230 of the Companies Act 1985, the holding company has not presented its own profit and loss account. The loss for the year ended 30 April 2000 was £188,293 (1999: £27,643).