

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2002
FOR
HEWLAND ENGINEERING LIMITED 584792**



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for the Year Ended 30 November 2002

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HEWLAND ENGINEERING LIMITED

COMPANY INFORMATION
for the Year Ended 30 November 2002

DIRECTORS:

M P Hewland
W Hewland

SECRETARY:

S Deane

REGISTERED OFFICE:

Waltham Road
White Waltham
Maidenhead
Berkshire
SL6 3LR

REGISTERED NUMBER:

584792 (England and Wales)

AUDITORS:

Jackson & Green
Registered Auditors
173 London Road
North End
Portsmouth
Hampshire
PO2 9AE

HEWLAND ENGINEERING LIMITED

REPORT OF THE DIRECTORS for the Year Ended 30 November 2002

The directors present their report with the financial statements of the company for the year ended 30 November 2002.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of engineering, in particular the manufacture and marketing of gear boxes and their component parts to the motor racing and rallying industry, which remain unchanged from the previous year.

REVIEW OF BUSINESS

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

After taking account of overheads the net profit before taxation is in the sum of £506,933 (2001: £125,925). The directors consider the financial position at the year end to be satisfactory and are optimistic in regard to future results.

DIVIDENDS

No dividends will be distributed for the year ended 30 November 2002.

FIXED ASSETS

Details of any changes in Tangible Fixed Assets are set out in note 7 to the Financial Statements.

DIRECTORS

The directors during the year under review were:

M P Hewland
W Hewland

The beneficial interests of the directors holding office on 30 November 2002 in the issued share capital of the company were as follows:

	30.11.02	1.12.01
Ordinary £1 shares		
M P Hewland	-	1,000
W Hewland	8,500	7,500
Preference Shares £1 shares		
M P Hewland	500,000	500,000
W Hewland	-	-

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.

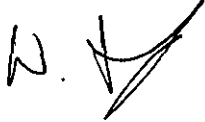
HEWLAND ENGINEERING LIMITED

**REPORT OF THE DIRECTORS
for the Year Ended 30 November 2002**

AUDITORS

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

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to be 'W. Hewland', with a large, sweeping flourish extending from the end of the signature.

W Hewland - Director

11 July 2003

HEWLAND ENGINEERING LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF HEWLAND ENGINEERING LIMITED

We have audited the financial statements of Hewland Engineering Limited for the year ended 30 November 2002 on pages five to eighteen. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom 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 Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

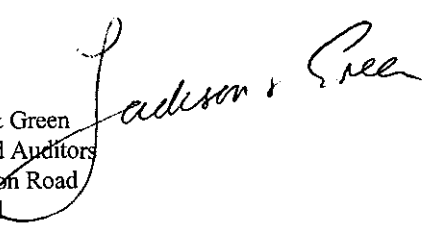
Basis of audit opinion

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 the company's affairs as at 30 November 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Jackson & Green
Registered Auditors
173 London Road
North End
Portsmouth
Hampshire
PO2 9AE

11 July 2003

HEWLAND ENGINEERING LIMITED

PROFIT AND LOSS ACCOUNT
for the Year Ended 30 November 2002

		30.11.02		30.11.01	
	Notes	£	£	£	£
TURNOVER	2		11,915,191		11,354,504
Cost of sales			8,212,403		8,198,529
GROSS PROFIT			3,702,788		3,155,975
Distribution costs		246,047		291,915	
Administrative expenses		2,835,951		2,636,553	
			3,081,998		2,928,468
			620,790		227,507
Other operating income			16,582		14,000
OPERATING PROFIT	4		637,372		241,507
Interest receivable and similar income			387		8,013
			637,759		249,520
Interest payable and similar charges	5		130,826		123,595
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			506,933		125,925
Tax on profit on ordinary activities	6		98,556		(69,655)
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			408,377		195,580
Retained profit brought forward			9,806,379		9,610,799
RETAINED PROFIT CARRIED FORWARD			£10,214,756		£9,806,379

CONTINUING OPERATIONS

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

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current and previous years.

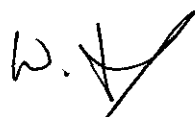
The notes form part of these financial statements

HEWLAND ENGINEERING LIMITED

BALANCE SHEET
30 November 2002

		30.11.02		30.11.01	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	7		6,562,212		6,714,964
CURRENT ASSETS:					
Stocks	8	6,399,412		5,776,666	
Debtors	9	2,198,329		2,431,673	
Cash at bank and in hand		250		504	
		8,597,991		8,208,843	
CREDITORS: Amounts falling due within one year	10	4,055,059		4,267,600	
NET CURRENT ASSETS:			4,542,932		3,941,243
TOTAL ASSETS LESS CURRENT LIABILITIES:			11,105,144		10,656,207
PROVISIONS FOR LIABILITIES AND CHARGES:	12		380,388		339,828
			<u>£10,724,756</u>		<u>£10,316,379</u>
CAPITAL AND RESERVES:					
Called up share capital	13		510,000		510,000
Profit and loss account	14		10,214,756		9,806,379
SHAREHOLDERS' FUNDS (including non-equity interests):	18		<u>£10,724,756</u>		<u>£10,316,379</u>

ON BEHALF OF THE BOARD:



W Hewland - Director

Approved by the Board on 11 July 2003

The notes form part of these financial statements

HEWLAND ENGINEERING LIMITED

CASH FLOW STATEMENT
for the Year Ended 30 November 2002

		30.11.02	30.11.01
	Notes	£	£
Net cash inflow/(outflow) from operating activities	1	1,471,515	(1,312,117)
Returns on investments and servicing of finance	2	(130,439)	(115,582)
Taxation		(60,000)	(57,159)
Capital expenditure	2	(578,048)	(387,952)
		<u>703,028</u>	<u>(1,872,810)</u>
Financing	2	(539,574)	(317,328)
Increase/(Decrease) in cash in the period		<u><u>£163,454</u></u>	<u><u>£(2,190,138)</u></u>
Reconciliation of net cash flow to movement in net debt	3		
Increase/(Decrease) in cash in the period		<u>163,454</u>	<u>(2,190,138)</u>
Change in net debt resulting from cash flows		<u>163,454</u>	<u>(2,190,138)</u>
Movement in net debt in the period		<u>163,454</u>	<u>(2,190,138)</u>
Net debt at 1 December		<u>(2,475,018)</u>	<u>(284,880)</u>
Net debt at 30 November		<u><u>£(2,311,564)</u></u>	<u><u>£(2,475,018)</u></u>

The notes form part of these financial statements

HEWLAND ENGINEERING LIMITED**NOTES TO THE CASH FLOW STATEMENT
for the Year Ended 30 November 2002****1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

	30.11.02 £	30.11.01 £
Operating profit	637,372	241,507
Depreciation charges	732,448	734,089
Loss on sale of fixed assets	8,706	11,222
Profit on sale of fixed assets	(10,353)	-
Increase in stocks	(622,746)	(876,940)
Decrease/(Increase) in debtors	233,344	(40,257)
Increase/(Decrease) in creditors	492,744	(1,381,738)
Net cash inflow/(outflow) from operating activities	<u>1,471,515</u>	<u>(1,312,117)</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	30.11.02 £	30.11.01 £
Returns on investments and servicing of finance		
Interest received	387	8,013
Interest paid	(130,826)	(123,595)
Net cash outflow for returns on investments and servicing of finance	<u>(130,439)</u>	<u>(115,582)</u>
Capital expenditure		
Purchase of tangible fixed assets	(613,370)	(409,528)
Sale of tangible fixed assets	35,322	21,576
Net cash outflow for capital expenditure	<u>(578,048)</u>	<u>(387,952)</u>
Financing		
Amount withdrawn by directors	(539,574)	(317,328)
Net cash outflow from financing	<u>(539,574)</u>	<u>(317,328)</u>

The notes form part of these financial statements

HEWLAND ENGINEERING LIMITED**NOTES TO THE CASH FLOW STATEMENT
for the Year Ended 30 November 2002****3. ANALYSIS OF CHANGES IN NET DEBT**

	At 1.12.01 £	Cash flow £	At 30.11.02 £
Net cash:			
Cash at bank and in hand	504	(254)	250
Bank overdraft	(2,475,522)	163,708	(2,311,814)
	<u>(2,475,018)</u>	<u>163,454</u>	<u>(2,311,564)</u>
 Total	 <u>(2,475,018)</u>	 <u>163,454</u>	 <u>(2,311,564)</u>
 Analysed in Balance Sheet			
 Cash at bank and in hand	 504		 250
Bank overdraft	(2,475,522)		(2,311,814)
	<u>(2,475,018)</u>		<u>(2,311,564)</u>

The notes form part of these financial statements

HEWLAND ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 30 November 2002

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life, allowing for its estimated residual value.

Freehold land and costs	- not provided
Leasehold property	- over period of the lease
Buildings	- 1% on cost
Plant and machinery	- 10% on cost
Fixtures and fittings	- 10% on cost
Motor vehicles	- 20% on reducing balance
Office equipment	- 20% on cost

Stocks

Stock and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Pensions

The company operates a defined benefit pension scheme for the benefit of its employees and directors. The regular pension cost is charged to profit and loss account and is based on the expected pension costs over the service lives of the employees and directors. Contributions to the pension plan are paid according to the advice of actuaries. Additional retirement benefits are provided for directors by money purchased executive benefit schemes. The premiums are charged to the profit and loss account.

Research & development costs

It is the company's policy to write off research and development costs in the year in which they are expended.

2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	30.11.02	30.11.01
	£	£
U.K.Sales	4,857,618	4,927,785
Sales - Exports non E.E.C.	3,770,622	4,039,879
Sales - Exports E.E.C.	3,286,951	2,386,840
	<u>11,915,191</u>	<u>11,354,504</u>

HEWLAND ENGINEERING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 November 2002****3. STAFF COSTS**

	30.11.02	30.11.01
	£	£
Wages and salaries	4,683,741	4,762,296
Social security costs	366,214	401,949
Other pension costs	357,360	317,447
	<u>5,407,315</u>	<u>5,481,692</u>

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

	30.11.02	30.11.01
Production	115	119
Distribution	5	6
Sales & marketing	1	1
Administration & design	38	37
	<u>159</u>	<u>163</u>

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	30.11.02	30.11.01
	£	£
Hire of plant and machinery	3,701	10,712
Depreciation - owned assets	732,448	734,089
(Profit)/Loss on disposal of fixed assets	(1,647)	11,222
Auditors' remuneration	10,163	9,560
	<u>750,665</u>	<u>765,593</u>
Directors' emoluments	<u>250,104</u>	<u>260,717</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	1	1
Defined benefit schemes	1	1
	<u>2</u>	<u>2</u>

Information regarding the highest paid director is as follows:

	30.11.02	30.11.01
	£	£
Emoluments etc	250,104	234,014
Pension contributions to money purchase schemes	15,000	20,000
Accrued pension at 30 November 2002	23,387	21,941
Accrued lump sum at 30 November 2002	<u>70,162</u>	<u>65,822</u>

HEWLAND ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 30 November 2002

5. INTEREST PAYABLE AND SIMILAR CHARGES

	30.11.02	30.11.01
	£	£
Bank interest	110,972	80,005
Loan interest	19,854	43,534
Interest on late payment	-	56
	<u>130,826</u>	<u>123,595</u>

6. TAXATION

Analysis of the tax charge/(credit)

The tax charge/(credit) on the profit on ordinary activities for the year was as follows:

	30.11.02	30.11.01
	£	£
Current tax:		
UK corporation tax	57,995	60,000
Corp tax prior year refundable	-	(2,841)
Total current tax	<u>57,995</u>	<u>57,159</u>
Deferred taxation	<u>40,561</u>	<u>(126,814)</u>
Tax on profit on ordinary activities	<u>98,556</u>	<u>(69,655)</u>

UK corporation tax was charged at 20% in 2001.

Factors affecting the tax charge/(credit)

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	30.11.02	30.11.01
	£	£
Profit on ordinary activities before tax	<u>506,933</u>	<u>125,925</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001 - 30%)	152,080	37,778
Effects of:		
Depreciation	219,734	220,227
Profits/Losses on disposals	(494)	3,367
Capital allowances	(194,066)	(111,741)
Industrial buildings allowance	(19,937)	(19,937)
Research & Development enhanced deduction	(67,317)	(39,694)
Marginal Relief	(32,005)	(30,000)
Adjustment in respect of prior year	-	(2,841)
Current tax charge/(credit)	<u>57,995</u>	<u>57,159</u>

HEWLAND ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 November 2002**

7. TANGIBLE FIXED ASSETS

	Freehold land & costs	Leasehold property	Buildings	Plant & machinery
	£	£	£	£
COST:				
At 1 December 2001	1,235,757	2,192	1,661,431	7,472,090
Additions	-	-	-	484,494
Disposals	-	-	-	(233,936)
At 30 November 2002	1,235,757	2,192	1,661,431	7,722,648
DEPRECIATION:				
At 1 December 2001	-	2,192	82,905	4,146,004
Charge for year	-	-	16,614	575,667
Eliminated on disposals	-	-	-	(222,239)
At 30 November 2002	-	2,192	99,519	4,499,432
NET BOOK VALUE:				
At 30 November 2002	1,235,757	-	1,561,912	3,223,216
At 30 November 2001	1,235,757	-	1,578,526	3,326,085
	Fixtures & fittings	Motor vehicles	Office equipment	Totals
	£	£	£	£
COST:				
At 1 December 2001	864,349	140,400	665,576	12,041,795
Additions	6,514	28,600	93,762	613,370
Disposals	-	(34,340)	-	(268,276)
At 30 November 2002	870,863	134,660	759,338	12,386,889
DEPRECIATION:				
At 1 December 2001	451,245	70,939	573,545	5,326,830
Charge for year	81,079	14,977	44,111	732,448
Eliminated on disposals	-	(12,362)	-	(234,601)
At 30 November 2002	532,324	73,554	617,656	5,824,677
NET BOOK VALUE:				
At 30 November 2002	338,539	61,106	141,682	6,562,212
At 30 November 2001	413,105	69,460	92,031	6,714,964

HEWLAND ENGINEERING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 November 2002****8. STOCKS**

	30.11.02	30.11.01
	£	£
Stock	407,537	503,919
Work in progress	1,436,280	1,414,840
Finished goods	4,555,595	3,857,907
	<u>6,399,412</u>	<u>5,776,666</u>

**9. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	30.11.02	30.11.01
	£	£
V.A.T.	117,745	46,985
Trade debtors	1,915,670	2,246,516
Other debtors	162,822	137,547
Loans - employees	2,092	625
	<u>2,198,329</u>	<u>2,431,673</u>

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

	30.11.02	30.11.01
	£	£
Bank loans and overdrafts (see note 11)	2,311,814	2,475,522
Trade creditors	1,382,749	975,426
Directors current accounts	-	539,572
Social security & other taxes	97,188	92,338
Taxation	57,995	60,000
Accrued expenses	205,313	124,742
	<u>4,055,059</u>	<u>4,267,600</u>

11. LOANS AND OVERDRAFTS

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

	30.11.02	30.11.01
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>2,311,814</u>	<u>2,475,522</u>

An overdraft facility of £3,000,000 is available, renewable in 2004 but payable on demand. Also engagements £10,000, forward exchange contracts £1,000,000, business card £27,000 and merchant services facility of £31,000.

Securities for the facilities are as follows. Debenture, including a fixed equitable charge over present and future freehold and leasehold property; first fixed charge over book and other debts, chattels, goodwill and uncalled capital both present and future; and floating charge over all assets and undertakings both present and future dated 21 May 1997. First mortgage over the freehold land at Waltham Road, White Waltham dated 8 January 1997.

HEWLAND ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 30 November 2002

12. PROVISIONS FOR LIABILITIES AND CHARGES

	30.11.02	30.11.01
	£	£
Deferred taxation	380,388	339,828
	<u> </u>	<u> </u>
	Deferred tax	
	£	
Balance at 1 December 2001	339,828	
Increase in provision	40,560	
	<u> </u>	
Balance at 30 November 2002	380,388	
	<u> </u>	

The deferred taxation is in respect of accelerated capital allowances.

13. CALLED UP SHARE CAPITAL

Authorised:			30.11.02	30.11.01
Number:	Class:	Nominal value:	£	£
10,000	Ordinary	£1	10,000	10,000
1,000,000	Preference Shares	£1	1,000,000	1,000,000
			<u> </u>	<u> </u>
			1,010,000	1,010,000
			<u> </u>	<u> </u>

Allotted, issued and fully paid:			30.11.02	30.11.01
Number:	Class:	Nominal value:	£	£
10,000	Ordinary	£1	10,000	10,000
500,000	Preference Shares	£1	500,000	500,000
			<u> </u>	<u> </u>
			510,000	510,000
			<u> </u>	<u> </u>

The preference shares have no voting rights and rank before ordinary shares in the event of the company winding-up. Dividends for preference shareholders are determined by the board.

14. PROFIT AND LOSS ACCOUNT

	30.11.02	30.11.01
	£	£
Profit and loss account excluding pension asset	10,214,756	9,806,379
Pension reserve	(1,012,000)	517,000
	<u> </u>	<u> </u>
Profit and loss account	9,202,756	10,323,379
	<u> </u>	<u> </u>

HEWLAND ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 30 November 2002

15. PENSION COMMITMENTS

The company operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 1 October 2000 and updated to 30 November 2002 by a qualified independent actuary. The major assumptions used by the actuary were:

	30.11.02	30.11.01
Rate of increase in salaries	3.7%	4%
Rate of increase in pensions in payment	2.2%	2.2%
Rate of increase in deferred pensions	2.5%	2.5%
Discount rate for scheme liabilities	5.5%	6%
Inflation assumption	2.5%	2.5%

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 30.11.02	Value at 30.11.02 £	Long-term rate of return expected at 30.11.01	Value at 30.11.01 £
Equities	7%	3,746,000	7%	4,607,000
Bonds	5%	569,000	5%	563,000
Property	7%	282,000	7%	294,000
Cash	5%	183,000	5%	385,000
Total market value of assets		4,780,000		5,849,000
Present value of scheme liabilities		(6,226,000)		(5,332,000)
Deficit in scheme		(1,446,000)		517,000
Related deferred tax liability		434,000		-
Net pension liability		<u>(1,012,000)</u>		<u>517,000</u>

Analysis of the amount that will be included within operating profit under FRS 17

	30.11.02 £
Current service cost	353,000
Total operating charge	<u>353,000</u>

Analysis of the amount that will be included as other finance income under FRS 17

	30.11.02 £
Expected return on pension scheme assets	389,000
Interest on pension scheme liabilities	(320,000)
Net return	<u>69,000</u>

HEWLAND ENGINEERING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 November 2002****15. PENSION COMMITMENTS - continued**

Analysis of amount that will be included within the statement of total recognised gains and losses under FRS 17

	30.11.02
	£
Actual return less expected return on pension scheme assets	(1,412,000)
Changes in assumptions underlying the present value of the scheme liabilities	(557,000)
Actuarial loss	(1,969,000)

Movement in deficit during the year

	30.11.02
	£
Surplus in scheme at start of year	517,000
Movement in year:	
Current service cost	(353,000)
Contributions	290,000
Other finance income	69,000
Actuarial loss	(1,969,000)
Deficit in scheme at end of year	(1,446,000)

Following the full actuarial valuation at 1st October 2000, employer contributions have been agreed at the rate of 7 per cent of pensionable pay. Active members pay at the rate of 3 per cent of pensionable pay.

History of experience gains and losses

	30.11.02
Difference between the expected and actual return on scheme assets:	
amount (£)	(1,412,000)
percentage of scheme assets	(30)%
Experience gains and losses on scheme liabilities:	
amount (£)	0
percentage of the present value of the scheme liabilities	-
Total actuarial gain or loss:	
amount (£)	(1,969,000)
percentage of the present value of the scheme liabilities	(32)%

16. CONTINGENT LIABILITIES

H M Customs and Excise Duty Deferment Bond of £5,000.

17. OTHER FINANCIAL COMMITMENTS

The leasehold property is subject to a 15 year lease at a rental of £84,000 per annum, which expires on 24 June 2006.

HEWLAND ENGINEERING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 November 2002****18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	30.11.02	30.11.01
	£	£
Profit for the financial year	408,377	195,580
Net addition to shareholders' funds	408,377	195,580
Opening shareholders' funds	10,316,379	10,120,799
Closing shareholders' funds	<u>10,724,756</u>	<u>10,316,379</u>
Equity interests	10,224,756	9,816,379
Non-equity interests	500,000	500,000
	<u>10,724,756</u>	<u>10,316,379</u>