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Shalibane Engineering Limited

Abbreviated Financial Statements

Year Ended

30 November 2002



BDO

BDO Stoy Hayward

Chartered Accountants

Shalibane Engineering Limited

Annual report and financial statements for the year ended 30 November 2002

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Directors

H McKenzie
P A Gooding
D J Griffiths
R Sweeney
A Rochelle-White

Secretary and registered office

R Sweeney, Lawrence Way, Yorktown Industrial Estate, Camberley, Surrey, GU15 3DL

Company number

4195421

Auditors

BDO Stoy Hayward, Tameway Tower, PO Box 30
Bridge Street, Walsall
West Midlands, WS1 1QX

Shalibane Engineering Limited

Report of the directors for the year ended 30 November 2002

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

Results and dividends

The profit and loss account is set out on page 4 and shows the profit for the year.

Principal activities, review of business and future developments

The company's principal activity is the manufacture of tubular components for the engineering and automotive industries.

It has been a good year of progress in meeting customer requirements together with solid financial performance.

The outlook for 2003 is positive and we expect to develop all key aspects of our business.

Directors

The directors of the company during the year and their interests in the ordinary share capital of the company were:

		'A' ordinary shares of £1 each	
		30.11.02	30.11.01
H McKenzie		100,000	100,000
P A Gooding		-	-
D J Griffiths		-	-
R Sweeney	(Appointed 2 August 2002)	-	-
A Rochelle-White	(Appointed 2 August 2002)	-	-

None of the directors held any of the "B" ordinary shares of the company during the period.

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 year. 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; and
- 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

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board

R Sweeney

Secretary

Date: 14/2/03

Independent auditors' report to Shalibane Engineering Limited under section 247B of the Companies Act 1985

We have examined the abbreviated financial statements on pages 4 to 20 together with the financial statements of the company for the year ended 30 November 2002 prepared under section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated financial statements in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Act to the registrar of companies and whether the financial statements to be delivered are properly prepared in accordance with that provision and to report our opinion to you.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of opinion

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Companies Act 1985 and the abbreviated financial statements on pages 4 to 20 are properly prepared in accordance with that provision.

BDO Stoy Hayward

BDO STOY HAYWARD
Chartered Accountants
and Registered Auditors
Walsall

Date: 20 February 2003

Profit and loss account for the year ended 30 November 2002

	Note	Year ended 30 November 2002 £	Six months ended 30 November 2001 £
Gross profit		**1,300,536**	704,697
Distribution costs		**89,251**	60,307
Administrative expenses		**925,287**	437,773
Operating profit	2	**285,998**	206,617
Interest payable and similar charges	5	**(63,013)**	(30,587)
Profit on ordinary activities before taxation		**222,985**	176,030
Taxation on profit on ordinary activities	6	**31,600**	28,450
Profit on ordinary activities after taxation		**191,385**	147,580
Retained profit brought forward		**147,580**	-
Retained profit carried forward		**338,965**	147,580

All amounts relate to continuing activities.
All recognised gains and losses in the current year and prior period are included in the profit and loss account.

The notes on pages 7 to 20 form part of these financial statements.

Shalibane Engineering Limited

Balance sheet at 30 November 2002

	Note	30 November 2002 £	30 November 2002 £	30 November 2001 £	30 November 2001 £
Fixed assets					
Tangible assets	7		766,068		845,315
Current assets					
Stocks	8	392,285		290,699	
Debtors	9	1,176,451		1,100,807	
Cash at bank and in hand		375		23,912	
		1,569,111		1,415,418	
Creditors: amounts falling due within one year	10	1,344,313		1,241,547	
Net current assets			224,798		173,871
Total assets less current liabilities			990,866		1,019,186
Creditors: amounts falling due after more than one year	11	287,138		498,143	
Provision for liabilities and charges	12	221,906		230,606	
			509,044		728,749
			481,822		290,437
Capital and reserves					
Called up share capital	13		142,857		142,857
Profit and loss account			338,965		147,580
Equity shareholders' funds			481,822		290,437

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

The financial statements were approved by the Board on 14/02/03

H McKenzie
Director

The notes on pages 7 to 20 form part of these financial statements.

Shalibane Engineering Limited

Cash flow statement for the year ended 30 November 2002

	Note	Year ended 30 November 2002 £	Six months ended 30 November 2001 £
Net cash inflow from operating activities	18	**139,688**	231,335
Returns on investments and servicing of finance	19	**(63,013)**	(30,587)
Capital expenditure and financial investment	19	**15,951**	-
Acquisitions and disposals	19	**-**	(964,836)
Cash inflow/(outflow) before financing		**92,626**	(764,088)
Financing	19	**(202,830)**	788,000
(Decrease)/increase in cash	20	**(110,204)**	23,912

The notes on pages 7 to 20 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

The accounts for the compartive period are based on a six month period from 4 June 2001.

The following principal accounting policies have been applied:

Goodwill

Goodwill arising on an acquisition of a trade is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired.

Goodwill arising from an acquisition was written off in the prior period on the basis that it was immaterial.

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

Depreciation

Depreciation is provided to write off the cost of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Plant and machinery etc	-	15% straight line
Motor vehicles	-	25% and 50% straight line
Office equipment	-	15% straight line

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

1 Accounting policies *(continued)*

Deferred taxation

Following the introduction of FRS 19 the company has changed its accounting policy in respect of deferred tax. Previously deferred tax was only provided to the extent that it was probable a liability would crystallise.

Deferred tax balances are now recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

The effect of this change in accounting policy is not material on either the current or previous period's results. Comparative figures have therefore not been restated.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

2 Operating profit

	Year ended 30 November 2002 £	Six months ended 30 November 2001 £
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	142,721	69,485
Amortisation of positive goodwill	-	6,036
Profit on disposal of tangible fixed assets	(19,446)	-
Hire of other assets - operating leases	272,817	124,015
Auditors' remuneration	7,000	7,000

3 Employees

Staff costs (including directors) consist of:

	Year ended 30 November 2002 £	Six months ended 30 November 2001 £
Wages and salaries	2,173,091	1,132,107
Social security costs	182,958	93,318
Other pension costs	67,601	16,128
	2,423,650	1,241,553

The average number of employees (including directors) during the year was 118 (2001 - 124).

4 Directors' remuneration

	Year ended 30 November 2002 £	Six months ended 30 November 2001 £
Directors' emoluments	126,329	40,920
Company contributions to money purchase pension schemes	24,184	2,625

4 Directors' remuneration *(continued)*

There were 3 directors in the company's defined contribution pension scheme during the year (2001 - 1).

5 Interest payable and similar charges

	Year ended 30 November 2002 £	Six months ended 30 November 2001 £
Finance leases and hire purchase contracts	1,603	-
Invoice discounting interest	50,170	25,162
Interest on related party loan	11,240	5,425
	63,013	30,587

6 Taxation on profit on ordinary activities

	Year ended 30 November 2002 £	Year ended 30 November 2002 £	Six months ended 30 November 2001 £	Six months ended 30 November 2001 £
UK Corporation tax				
Current tax on profits of the year		18,300		-
Deferred tax				
Charge for the year	23,000		28,450	
Adjustment in respect of previous periods	(9,700)		-	
Movement in deferred tax provision		13,300		28,450
Taxation on profit on ordinary activities		31,600		28,450

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 30 November 2002 £	Six months ended 30 November 2001 £
Profit on ordinary activities before tax	222,985	176,030
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2001 - 20%)	42,367	35,206
Effect of:		
Expenses not deductible for tax purposes	1,929	768
Capital allowances for period in excess of depreciation	2,411	(41,092)
Non-trading deficits on loan relationships	-	1,002
Trading losses to carry forward	-	26,233
Adjustment in respect of change in rate of small companies corporation tax rate	392	-
Deductions allowed	(4,404)	(22,439)
Net increase in pension contributions not paid	526	322
Losses brought foward offset	(24,921)	-
Current tax charge for period	18,300	-

7 Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Office equipment £	Total £
Cost				
At 1 December 2001	900,092	5,000	9,708	914,800
Additions	54,808	38,470	-	93,278
Disposals	(33,728)	-	-	(33,728)
At 30 November 2002	**921,172**	**43,470**	**9,708**	**974,350**
Depreciation				
At 1 December 2001	67,507	1,250	728	69,485
Provided for the year	135,683	5,582	1,456	142,721
Disposals	(3,924)	-	-	(3,924)
At 30 November 2002	**199,266**	**6,832**	**2,184**	**208,282**
Net book value				
At 30 November 2002	**721,906**	**36,638**	**7,524**	**766,068**
At 30 November 2001	832,585	3,750	8,980	845,315

7 Tangible fixed assets *(Continued)*

The net book value of, and depreciation charge for the year on, tangible fixed assets includes assets held under finance leases and hire purchase contracts as follows:

	30 November 2002 £	30 November 2001 £
Net book value		
Plant and machinery	29,531	-
Motor vehicles	32,494	-
	62,025	-
Depreciation charged		
Plant and machinery	1,969	-
Motor vehicles	4,007	-
	5,976	-

8 Stocks

	30 November 2002 £	30 November 2001 £
Raw materials and consumables	141,044	117,470
Work in progress	209,016	73,426
Finished goods and goods for resale	42,225	99,803
	392,285	290,699

9 Debtors

	30 November 2002 £	30 November 2001 £
Trade debtors	895,169	920,476
Other debtors	185,163	131,171
Prepayments and accrued income	96,119	49,160
	1,176,451	1,100,807

All amounts shown under debtors fall due for payment within one year.

10 Creditors: amounts falling due within one year

	30 November 2002 £	30 November 2001 £
Bank loans and overdrafts (secured)	86,667	-
Other loans (secured - see note 12)	192,000	192,000
Trade creditors	597,942	511,162
Amounts owed to associated undertakings	7,200	40,815
Taxation and social security	78,200	55,874
Obligations under finance lease and hire purchase contracts	23,154	-
Other creditors	253,409	283,592
Accruals and deferred income	105,741	158,104
	1,344,313	1,241,547

11 Creditors: amounts falling due after more than one year

	30 November 2002 £	30 November 2001 £
Other loans (secured)	104,000	296,000
Amounts owed to associated undertakings (secured)	157,143	157,143
Obligations under finance lease and hire purchase contracts	25,995	-
Other creditors	-	45,000
	287,138	498,143

Maturity of debt:

	Loans and overdrafts 30 November 2002 £	Loans and overdrafts 30 November 2001 £	Finance leases 30 November 2002 £	Finance leases 30 November 2001 £
In one year or less, or on demand	278,667	192,000	23,154	-
In more than one year but not more than two years	104,000	192,000	16,852	-
In more than two years but not more than five years	157,143	261,143	9,143	-
	261,143	453,143	25,995	-

The above includes an amount of £296,000 (2001 - £488,000) secured by a first fixed and floating charge over the assets of the company.

Also included is a loan from the related undertaking for £157,143 (2001 - £157,143) secured by a second fixed and floating charge over the assets of the company.

12 Provision for liabilities and charges

	Deferred taxation £	Provision for payroll obligations £	Provision for dilapidations £	Total £
At 1 December 2001	9,700	127,156	93,750	230,606
Charged to profit and loss account	23,000	-	-	23,000
Utilised in year	-	(22,000)	-	(22,000)
Adjustment in respect of previous periods	(9,700)	-	-	(9,700)
At 30 November 2002	**23,000**	**105,156**	**93,750**	**221,906**

Deferred taxation

	30 November 2002 £	30 November 2001 £
Accelerated capital allowances	**42,700**	39,360
Sundry timing differences	**(19,700)**	(19,000)
	23,000	20,360
Unutilised tax losses	**-**	(10,660)
	23,000	9,700

13 Share capital

	Authorised 30 November 2002 £	Authorised 30 November 2001 £	Allotted, called up and fully paid 30 November 2002 £	Allotted, called up and fully paid 30 November 2001 £
Equity share capital				
'A' ordinary shares shares of £1 each	**100,000**	100,000	**100,000**	100,000
'B' ordinary shares shares of £1 each	**42,857**	42,857	**42,857**	42,857
	142,857	142,857	**142,857**	142,857

Both classes of shares have equal voting rights.

14 Reconciliation of movements in shareholders' funds

	Year ended 30 November 2002 £	Six months ended 30 November 2001 £
Profit for the year	**191,385**	147,580
Issue of shares	**-**	142,857
Net additions to shareholders' funds	**191,385**	290,437
Opening shareholders' funds	**290,437**	-
Closing shareholders' funds	**481,822**	290,437

15 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the company to the fund and amounted to £67,601 (2001 - £16,128). Contributions amounting to £4,382 (2001 - £2,747) were payable to the fund and are included in creditors.

16 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

	2002 Land and buildings £	2002 Other £	2001 Land and buildings £	2001 Other £
Operating leases which expire:				
Within one year	**-**	**3,132**	-	12,676
In two to five years	**169,280**	**6,900**	169,280	16,296
After five years	**78,750**	**-**	78,750	-
	248,030	**10,032**	248,030	28,972

17 Related party disclosures

Related party transactions and balances

During the period Synchemicals Limited, who own all of the "B" ordinary shares, provided certain management services to the company totalling £7,200 (2001 - £9,140), and accommodation services whereby Synchemicals Limited charged £78,750 (2001 - £26,650) for the rental of a property leased to the company. P A Gooding and D J Griffiths are both Directors of Synchemicals Limited.

Interest of £11,239 (2001 - £5,425) was also charged on a loan of £157,143 from the related undertaking.

At the period end £7,200 (2001 - £41,215) was owed to Synchemicals Limited.

18 Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 30 November 2002 £	Six months ended 30 November 2001 £
Operating profit	**285,998**	206,617
Amortisation of intangible fixed assets	**-**	6,036
Depreciation of tangible fixed assets	**142,721**	69,485
Profit on sale of tangible fixed assets	**(19,446)**	-
Increase in stocks	**(101,586)**	(36,699)
Increase in debtors	**(75,644)**	(1,100,807)
(Decrease)/increase in creditors	**(70,355)**	1,094,547
Decrease in provisions	**(22,000)**	(7,844)
Net cash inflow from operating activities	**139,688**	231,335

19 Analysis of cash flows for headings netted in the cash flow statement

	Year ended 30 November 2002 £	Six months ended 30 November 2001 £
Returns on investment and servicing of finance		
Interest paid: other	(61,410)	(30,587)
Interest paid: hire purchase	(1,603)	-
	(63,013)	(30,587)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(33,299)	-
Receipts from sale of tangible fixed assets	49,250	-
	15,951	-
Acquisitions and disposals		
Purchase of business operations	-	(964,836)
Financing		
Share capital issued	-	142,857
New loans	-	661,143
Loans repaid	(192,000)	(16,000)
Capital element of finance leases repaid	(10,830)	-
	(202,830)	788,000

20 Reconciliation of net cash flow to movement in net debt

	Year ended 30 November 2002 £	Six months ended 30 November 2001 £
(Decrease)/increase in cash	**(110,204)**	23,912
Cash outflow/(inflow) from changes in debt	**359,973**	(645,143)
Movement in net debt resulting from cash flows	**249,769**	(621,231)
Inception of finance leases	**(59,979)**	-
Movement in net debt	**189,790**	(621,231)
Opening net (debt)/funds	**(621,231)**	-
Closing net debt	**(431,441)**	(621,231)

21 Analysis of net debt

	At 1 December 2001 £	Cash flow £	Other non-cash items £	At 30 November 2002 £
Cash at bank and in hand	23,912	(23,537)	-	**375**
Bank overdrafts	-	(86,667)	-	**(86,667)**
		(110,204)		
Debt due within one year	(192,000)	192,000	(192,000)	**(192,000)**
Debt due after one year	(453,143)	157,143	192,000	**(104,000)**
Finance leases	-	10,830	(59,979)	**(49,149)**
		359,973		
Total	(621,231)	249,769	(59,979)	**(431,441)**