

Quality Engineering Supplies and Tools Limited

Report and Accounts

31 December 2002

Registered Number: 1105580



Quality Engineering Supplies and Tools Limited

Registered no: 1105580

DIRECTORS

G S G MacArthur
D Cottam

SECRETARY

G W Secretaries Limited
G S G MacArthur

AUDITORS

Ernst & Young LLP
One Colmore Row
Birmingham
B3 2DB

BANKERS

Barclays Bank plc
P O Box 34
Colmore Row
Birmingham
B3 2BY

SOLICITORS

Gateley Wareing
Windsor House
3 Temple Row
Birmingham
B2 5JR

REGISTERED OFFICE

Windsor House
3 Temple Row
Birmingham
B2 5JR

Quality Engineering Supplies and Tools Limited

DIRECTORS' REPORT

The directors present their report together with audited accounts for the year ended 31 December 2002.

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 5.

The directors do not recommend the payment of a dividend (2001: £Nil).

PRINCIPAL ACTIVITIES

The company's principal activity is the supply and distribution of workshop consumables and tools to nationwide distributors.

REVIEW OF THE BUSINESS

The company provides a procurement and logistics service to fellow subsidiary undertakings of Firstserve Group Limited.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

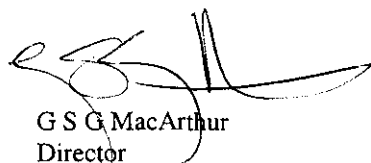
G S G MacArthur
B J W Lewis (resigned 27 September 2002)
D Cottam (appointed 27 September 2002)

G S G MacArthur and D Cottam are directors of Firstserve Group Limited, the ultimate parent undertaking, and their interests in the shares of Firstserve Group Limited are shown in the directors' report of that company.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board



G S G MacArthur
Director

28 January 2004

Quality Engineering Supplies and Tools 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QUALITY ENGINEERING SUPPLIES AND TOOLS LIMITED

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 18. These financial statements have been prepared on the basis of 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 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 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 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP

Registered Auditor

Birmingham

28 January 2004

Quality Engineering Supplies and Tools Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2002

			<i>As restated</i>
		2002	2001
	<i>Notes</i>	£	£
TURNOVER	2	10,261,198	10,043,900
Cost of sales		(7,488,790)	(7,530,081)
GROSS PROFIT		2,772,408	2,513,819
Distribution costs		(1,738,622)	(1,748,340)
Administrative expenses		(1,014,844)	(758,772)
OPERATING PROFIT	3	18,942	6,707
Interest payable and similar charges	6	-	(978)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		18,942	5,729
Tax on profit on ordinary activities	7	5,260	23,593
RETAINED PROFIT FOR THE YEAR	13	24,202	29,322

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2002

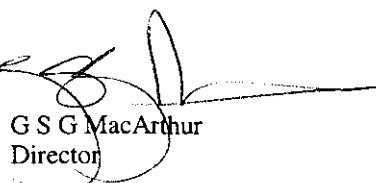
	<i>As restated</i>	
	2002	2001
	£	£
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	24,202	29,322
Prior year adjustment	2,172	
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ACCOUNTS	<u>26,374</u>	

Quality Engineering Supplies and Tools Limited

BALANCE SHEET

at 31 December 2002

	Notes	2002 £	As restated 2001 £
FIXED ASSETS			
Tangible assets	8	258,665	358,609
CURRENT ASSETS			
Stocks	9	1,465,262	1,849,603
Debtors	10	1,498,244	2,293,105
Cash at bank and in hand		957,411	236,838
		3,920,917	4,379,546
CREDITORS: amounts falling due within one year	11	(4,126,253)	(4,709,028)
NET CURRENT LIABILITIES		(205,336)	(329,482)
TOTAL ASSETS LESS CURRENT LIABILITIES		53,329	29,127
CAPITAL AND RESERVES			
Called up share capital	12	305,742	305,742
Profit and loss account - deficit	13	(252,413)	(276,615)
TOTAL EQUITY SHAREHOLDERS' FUNDS	13	53,329	29,127


G S G MacArthur
Director

Dated 28 January 2004

Quality Engineering Supplies and Tools Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

1. ACCOUNTING POLICIES

Accounting convention and change in accounting policy

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

In preparing the financial statements for the current year, the group has adopted FRS 17 'Deferred Tax'. This has resulted in a change in accounting policy for deferred tax. Deferred tax is recognised on a full provision basis in accordance with the accounting policy described below. Previously, deferred tax was provided for on a partial provision basis, whereby provision was made on all timing differences to the extent that they were expected to reverse in the future without replacement.

This change in accounting policy has resulted in a prior year adjustment for the company. Shareholders' funds at 31 December 2001 have been increased by £7,224; the tax credit for the year ended 31 December 2002 has been increased by £5,260 (Year ended 31 December 2001 credit increased by £5,052).

Going concern

The company is dependant on the continued financial support of its parent undertaking to enable it to continue in business for the foreseeable future. Its parent undertaking has confirmed their support is available and it is therefore appropriate to prepare the accounts on a going concern basis.

Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balances sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimate residual value based on prices prevailing at the date of acquisition of each asset over its expected useful life, as follows:

Leasehold improvements	-	over the balance of the lease period
Motor vehicles	-	25% on a straight line basis
Fixtures and fittings	-	10% on a straight line basis
Plant and equipment	-	20% on a straight line basis
Computer hardware	-	20% on a straight line basis
Computer software	-	33 $\frac{1}{3}$ % on a straight line basis for items costing over £5,000

Leasing and hire purchase commitments

Assets held under hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the hire and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Stocks

Stocks are valued at the lower of cost and net realisable value, taking into account an apportionment of overheads and labour costs.

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxation profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on the tax rates and laws enacted or substantively enacted at the balance sheet date.

Quality Engineering Supplies and Tools Limited

NOTES TO THE ACCOUNTS at 31 December 2002

1. ACCOUNTING POLICIES *(continued)*

Pensions

Contributions to defined benefit schemes are based on the advice of actuaries. Contributions are charged to the profit and loss account so as to spread the expected cost of pensions over the service lives of employees in the schemes.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and group companies.

Turnover is attributable to one activity, the supply and distribution of workshop consumables and tools to nationwide distributors, in the UK.

3. OPERATING PROFIT

The operating profit is arrived at after charging/(crediting):

	2002 £	2001 £
Auditors' remuneration	13,200	13,200
Operating lease rentals - plant and machinery	4,831	7,958
- land and buildings	117,000	117,000
- other	34,842	40,013
Depreciation of owned assets	104,310	85,253
Depreciation of assets held under finance leases and hire purchase contracts	-	2,013
Profit on disposal of fixed assets	(1,186)	(1,665)
	<u> </u>	<u> </u>

4. STAFF COSTS

	2002 £	2001 £
Wages and salaries	1,434,524	1,414,961
Social security costs	93,614	97,217
Other pension costs	10,789	13,131
	<u>1,538,927</u>	<u>1,525,309</u>

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

	2002 No	2001 No
Distribution	103	115
Administration	30	29
	<u>133</u>	<u>144</u>

Quality Engineering Supplies and Tools Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

5. DIRECTORS' EMOLUMENTS

G S G MacArthur and D Cottam are directors of Firstserve Group Limited, the ultimate parent undertaking, and their emoluments are disclosed within the accounts of Firstserve Group Limited.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
Bank loans and overdrafts	-	978

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) UK Current Tax

	2002 £	As restated 2001 £
Analysis of the tax charge in the period		
Adjustments in respect of prior periods	-	(46)
Total current tax charge	-	(46)

UK Deferred Tax

Deferred tax originating and reversal of timing differences	(5,260)	(23,547)
Tax on profit on ordinary activities	(5,260)	(23,593)

b) Factors affecting the tax charge for the period

The tax charge in the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:-

	2002 £	2001 £
Profit on ordinary activities before tax	18,942	5,729
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001:30%)	5,683	1,719
Effects of:		
Expenses not deductible for tax purposes	428	7,436
Depreciation for the period in excess of capital allowances	4,441	23,547
Other short term timing differences	819	-
Group relief not paid for	(11,371)	(32,702)
Current tax charge for period (note a)	-	-

Quality Engineering Supplies and Tools Limited

NOTES TO THE ACCOUNTS at 31 December 2002

8. TANGIBLE FIXED ASSETS

	<i>Fixtures fittings and equipment</i> £	<i>Plant and machinery</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
Cost:				
At 1 January 2002	577,246	20,104	9,700	607,050
Additions	6,914	6,959	-	13,873
Disposals	(4,400)	(1,502)	(9,700)	(15,602)
At 31 December 2002	<u>579,760</u>	<u>25,561</u>	<u>-</u>	<u>605,321</u>
Depreciation:				
At 1 January 2002	233,652	12,201	2,588	248,441
Charge for the year	99,194	2,804	2,312	104,310
Disposals	(733)	(462)	(4,900)	(6,095)
At 31 December 2002	<u>332,113</u>	<u>14,543</u>	<u>-</u>	<u>346,656</u>
Net book amounts:				
At 31 December 2002	<u>247,647</u>	<u>11,018</u>	<u>-</u>	<u>258,665</u>
At 31 December 2001	<u>343,594</u>	<u>7,903</u>	<u>7,112</u>	<u>358,609</u>

9. STOCKS

	2002 £	2001 £
Finished goods for resale	<u>1,465,262</u>	<u>1,849,603</u>

The difference between purchase price of stocks and their replacement cost is not material.

10. DEBTORS

	2002 £	<i>As restated</i> 2001 £
Trade debtors	468,464	505,384
Amounts due from parent and fellow subsidiary undertakings	785,311	1,540,798
Other debtors	151,502	155,759
Prepayments	80,483	83,940
Deferred taxation	12,484	7,224
	<u>1,498,244</u>	<u>2,293,105</u>

Deferred taxation of £12,484 (2001: £7,224) is due after more than one year.

Deferred tax related to timing differences as follows:

	2002 £	<i>As restated</i> <i>provided</i> 2001 £
Accelerated capital allowances	(11,665)	(7,224)
Other timing differences	(819)	-
	<u>(12,484)</u>	<u>(7,224)</u>

Quality Engineering Supplies and Tools Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

	£
Provision at 1 Jan 2002 (as restated)	(7,224)
Deferred tax credit in the profit and loss account for the year	(5,260)
Provision at 31 December 2002	<u>(12,484)</u>

11. CREDITORS: amounts falling due within one year

	2002 £	2001 £
Trade creditors	1,324,952	1,722,102
Amounts owed to parent undertaking	2,603,249	2,579,345
Amounts owed to fellow subsidiary undertakings	72,192	240,411
Other taxation and social security	30,869	40,235
Other creditors	35,784	17,336
Accruals	59,207	109,599
	<u>4,126,253</u>	<u>4,709,028</u>

12. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised:		
Ordinary shares of £1 each	450,000	450,000
Preference shares of £1 each	50,000	50,000
	<u>500,000</u>	<u>500,000</u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	255,742	255,742
Preference shares of £1 each	50,000	50,000
	<u>305,742</u>	<u>305,742</u>

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £	Profit and loss account £	Total share- holders' funds £
At 1 January 2001	305,742	(308,109)	(2,367)
Profit for the year (adjusted)	-	29,322	29,322
Prior year adjustment	-	2,172	2,172
At 31 December 2001 (as restated)	<u>305,742</u>	<u>(276,615)</u>	<u>29,127</u>
Profit for the year	-	24,202	24,202
At 31 December 2002	<u>305,742</u>	<u>(252,413)</u>	<u>53,329</u>

Quality Engineering Supplies and Tools Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

14. COMMITMENTS UNDER OPERATING LEASES

At 31 December the company had annual commitments under non-cancellable operating leases, as set out below:

	2002	Land and buildings 2001	2002	Other 2001
	£	£	£	£
Operating leases which expire:				
In two to five years	117,00	117,000	5,140	36,195

15. PENSION COMMITMENTS

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the fund and amounted to £10,789 (2001: £13,131). At 31 December 2002 there were no contributions outstanding.

16. CONTINGENT LIABILITY AND DEBENTURE

The ultimate parent company's bankers hold a debenture by way of a fixed charge over all of the undertakings and assets of the group.

Group borrowings of £8,293,000 (2001: £9,143,000) are subject to a cross guarantee across all subsidiary undertakings.

17. RELATED PARTY DISCLOSURE

The company has taken advantage of the exemption in Financial Reporting Standard 8, Related Party Disclosures, as a wholly owned subsidiary not to disclose details of related party transactions with group entities.

18. PARENT UNDERTAKING AND CONTROLLING ENTITY

The company's immediate parent undertaking and controlling party is Firstserve Group Limited. It has included the company in its group accounts, copies of which are available from the Registrar of Companies, Companies House, Cown Way, Maindy, Cardiff CF4 3UZ.