

Registration Copy

Company Registration No. 1825211 (England and Wales)

TREMORFA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2003



TREMORFA LIMITED

COMPANY INFORMATION

Directors	M W Hosken A Mortimore
Secretary	M W Hosken
Company number	1825211
Registered office	Tremorfa House 177 Newport Road CARDIFF CF24 1AH
Auditors	Graham Paul 10-12 Dunraven Place Bridgend CF31 1JD
Bankers	Lloyds TSB Bank Plc 21 Cardiff Road Caerphilly

TREMORFA LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3
Profit and loss account	4
Balance sheet	5
Cash flow statement	6
Notes to the cash flow statement	7
Notes to the financial statements	8 - 16

TREMORFA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2003

The directors present their report and financial statements for the year ended 31 July 2003.

Principal activities and review of the business

The principal activities of the company continued to be that of the installation and maintenance of the following products and services.

Mechanical
Electrical
Fire
Security
Process control
Information technology.

The results for the year and the financial position at the year end reflected a bad debt provision of £1.26 million. The underlying profitability of the business has absorbed most of this provision resulting in a loss far smaller than might otherwise have been the case.

Results and dividends

The results for the year are set out on page 4.

The directors do not recommend payment of an ordinary dividend.

Future developments

2002/03 saw the failure of a major customer resulting in the above bad debt. Despite this however, the directors hope to maintain at least the level of turnover achieved in that year for 2003/04 and to produce the company's best ever profit.

Directors

The following directors have held office since 1 August 2002:

M W Hosken
A Mortimore

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary of £ 1 each	
	31 July 2003	1 August 2002
M W Hosken	50	50
A Mortimore	50	50

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Graham Paul be reappointed as auditors of the company will be put to the Annual General Meeting.

TREMORFA LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2003

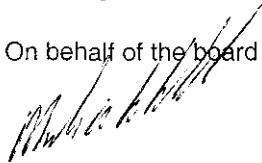
Directors' responsibilities

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.

On behalf of the board



M W Hosken

Director

20 April 2004

TREMORFA LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TREMORFA LIMITED

We have audited the financial statements of Tremorfa Limited on pages 4 to 16 for the year ended 31 July 2003. 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 auditor's 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 the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the 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 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 the company's affairs as at 31 July 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Graham Paul

20 April 2004

Chartered Accountants
Registered Auditor

10-12 Dunraven Place
Bridgend
CF31 1JD

TREMORFA LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JULY 2003

	Notes	2003 £	2002 £
Turnover	2	9,995,420	6,415,442
Cost of sales		(7,183,152)	(4,769,552)
Gross profit		2,812,268	1,645,890
Administrative expenses		(1,862,050)	(1,402,780)
Other operating income		90,000	-
Operating profit	3	1,040,218	243,110
Exceptional Item: Bad debt written off	3	(1,263,501)	-
(Loss)/profit on ordinary activities before interest		(223,283)	243,110
Other interest receivable and similar income		2,279	-
Interest payable and similar charges	4	(30,031)	(27,382)
(Loss)/profit on ordinary activities before taxation		(251,035)	215,728
Tax on (loss)/profit on ordinary activities	5	40,907	(40,907)
(Loss)/profit on ordinary activities after taxation		(210,128)	174,821
Dividends	6	-	(10,000)
Retained (loss)/profit for the year	14	(210,128)	164,821

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

TREMORFA LIMITED

BALANCE SHEET AS AT 31 JULY 2003

	Notes	2003 £	£	2002 £	£
Fixed assets					
Tangible assets	7		266,692		267,731
Current assets					
Stocks	8	473,202		331,079	
Debtors	9	1,657,335		1,535,133	
Cash at bank and in hand		99,358		428,435	
		<u>2,229,895</u>		<u>2,294,647</u>	
Creditors: amounts falling due within one year	10	<u>(2,032,724)</u>		<u>(1,922,463)</u>	
Net current assets			197,171		372,184
Total assets less current liabilities			463,863		639,915
Creditors: amounts falling due after more than one year	11		<u>(250,750)</u>		<u>(216,674)</u>
			<u>213,113</u>		<u>423,241</u>
Capital and reserves					
Called up share capital	13		100		100
Profit and loss account	14		213,013		423,141
Shareholders' funds - equity interests	15		<u>213,113</u>		<u>423,241</u>

The financial statements were approved by the Board on 20 April 2004


M W Hosken
Director


A Mortimore
Director

TREMORFA LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2003

	2003		2002	
	£	£	£	£
Net cash (outflow)/inflow from operating activities		(279,468)		790,523
Returns on investments and servicing of finance				
Interest received	2,279		-	
Interest paid	(30,031)		(27,382)	
Net cash outflow for returns on investments and servicing of finance		(27,752)		(27,382)
Taxation		1,185		(18,057)
Capital expenditure				
Payments to acquire tangible assets	(135,311)		(146,139)	
Receipts from sales of tangible assets	70,000		3,292	
Net cash outflow for capital expenditure		(65,311)		(142,847)
Equity dividends paid		-		(10,000)
Net cash (outflow)/inflow before management of liquid resources and financing		(371,346)		592,237
Financing				
Other new long term loans	78,403		180,000	
Other new short term loans	-		45,000	
Repayment of other long term loans	(45,000)		(15,000)	
Capital element of hire purchase contracts	8,866		52,768	
Net cash (outflow)/inflow from financing		42,269		262,768
(Decrease)/increase in cash in the year		(329,077)		855,005

TREMORFA LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2003

1	Reconciliation of operating profit to net cash (outflow)/inflow from operating activities	2003	2002
		£	£
	Operating profit	1,040,218	243,110
	Exceptional item - bad debt written off	(1,263,501)	-
	Depreciation of tangible assets	89,435	73,335
	(Profit)/loss on disposal of tangible assets	(23,086)	3,378
	(Increase)/decrease in stocks	(142,123)	172,362
	Increase in debtors	(82,480)	(527,900)
	Increase in creditors within one year	102,069	826,238
	Net cash (outflow)/inflow from operating activities	(279,468)	790,523

2	Analysis of net (debt)/funds	1 August 2002	Cash flow	Other non-cash changes	31 July 2003
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	428,435	(329,077)	-	99,358
	Debt:				
	Finance leases	(96,478)	(8,865)	-	(105,343)
	Debts falling due within one year	(45,000)	-	-	(45,000)
	Debts falling due after one year	(165,000)	(33,403)	-	(198,403)
		(306,478)	(42,268)	-	(348,746)
	Net funds/(debt)	121,957	(371,345)	-	(249,388)

3	Reconciliation of net cash flow to movement in net (debt)/funds	2003	2002
		£	£
	(Decrease)/increase in cash in the year	(329,077)	855,005
	Cash inflow from increase in debt and lease financing	(42,268)	(262,768)
	Movement in net (debt)/funds in the year	(371,345)	592,237
	Opening net funds/(debt)	121,957	(470,280)
	Closing net (debt)/funds	(249,388)	121,957

TREMORFA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2003

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Leasehold	over the life of the lease
Plant and machinery	10% p.a. straight line
Fixtures, fittings & equipment	10% p.a. straight line
Motor vehicles	25% p.a. straight line

1.4 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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

1.5 Stock and work in progress

Work in progress is valued at the lower of cost and net realisable value. The cost of work in progress comprises of material, direct labour and an appropriate proportion of installation fixed and variable overheads.

1.6 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

1.7 Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. Deferred tax is provided in full on material timing differences which result in an obligation at the balance sheet date to pay more tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

1.8 Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

TREMORFA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2003

2 Turnover

Geographical market

	Turnover	
	2003	2002
	£	£
United Kingdom	9,939,533	6,220,109
Rest of Europe	55,887	195,333
	<u>9,995,420</u>	<u>6,415,442</u>

3 Operating profit

	2003	2002
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	89,435	73,335
Loss on disposal of tangible assets	-	3,378
Operating lease rentals		
- Plant and machinery	50,318	22,748
- Other assets	3,296	1,481
Auditors' remuneration	5,500	5,500
and after crediting:		
Government grants	90,000	-
Profit on disposal of tangible assets	(23,086)	-
	<u>90,000</u>	<u>-</u>

Exceptional Item

The company incurred a bad debt of £1.26m during the year, resulting from the failure of a major customer. This is disclosed on the face of the profit and loss account in order to give a true and fair view of the results of the company.

4 Interest payable

	2003	2002
	£	£
On bank loans and overdrafts	604	6,549
On other loans wholly repayable within 5 years	3,375	1,687
Hire purchase interest	7,915	8,027
On overdue tax	5,041	-
Other interest	13,096	11,119
	<u>30,031</u>	<u>27,382</u>

TREMORFA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2003

5	Taxation		
	U.K. corporation tax	(40,907)	40,907
		<u> </u>	<u> </u>
	Current tax charge	<u>(40,907)</u>	<u>40,907</u>
	Factors affecting the tax charge for the year		
	(Loss)/profit on ordinary activities before taxation	(251,035)	215,728
		<u> </u>	<u> </u>
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2002 : 20.00%)	(47,697)	43,146
		<u> </u>	<u> </u>
	Effects of:		
	Non deductible expenses	6,466	4,043
	Depreciation add back	16,993	15,086
	Capital allowances	(21,367)	(20,642)
	Other tax adjustments	4,698	(726)
		<u> </u>	<u> </u>
		6,790	(2,239)
		<u> </u>	<u> </u>
	Current tax charge	<u>(40,907)</u>	<u>40,907</u>

The company has estimated losses of £ 32,019 (2002 : £ nil) available for carry forward against future trading profits.

6	Dividends	2003	2002
		£	£
	Dividends on equity shares:		
	Ordinary interim paid	-	10,000
		<u> </u>	<u> </u>
		-	10,000
		<u> </u>	<u> </u>

TREMORFA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2003

7 Tangible fixed assets

	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 August 2002	103,355	55,800	26,659	330,924	516,738
Additions	10,117	33,442	13,573	78,178	135,310
Disposals	(47,141)	-	-	-	(47,141)
At 31 July 2003	66,331	89,242	40,232	409,102	604,907
Depreciation					
At 1 August 2002	34,459	20,507	5,314	188,727	249,007
On disposals	(227)	-	-	-	(227)
Charge for the year	8,454	7,987	3,617	69,377	89,435
At 31 July 2003	42,686	28,494	8,931	258,104	338,215
Net book value					
At 31 July 2003	23,645	60,748	31,301	150,998	266,692
At 31 July 2002	68,896	35,293	21,345	142,197	267,731

Included above are assets held under finance leases or hire purchase contracts as follows:

	Motor vehicles £
Net book values	
At 31 July 2003	125,976
At 31 July 2002	112,776
Depreciation charge for the year	
31 July 2003	40,374
31 July 2002	24,740

8 Work in progress

	2003 £	2002 £
Work in progress	473,202	331,079

TREMORFA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2003

9 Debtors	2003	2002
	£	£
Trade debtors	1,454,109	1,464,451
Corporation tax	40,907	1,185
Other debtors	130,200	27,003
Prepayments and accrued income	32,119	42,494
	<u>1,657,335</u>	<u>1,535,133</u>
10 Creditors: amounts falling due within one year	2003	2002
	£	£
Net obligations under hire purchase contracts	52,996	44,804
Trade creditors	834,404	727,325
Corporation tax	40,907	40,907
Other taxes and social security costs	742,165	275,834
Directors' current accounts	20,000	98,403
Other creditors	45,000	45,000
Accruals and deferred income	297,252	690,190
	<u>2,032,724</u>	<u>1,922,463</u>

The bank overdraft is secured by an unlimited debenture dated 14/1/94 over all of the company's assets.

TREMORFA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2003

11 Creditors: amounts falling due after more than one year	2003	2002
	£	£
Other loans	120,000	165,000
Net obligations under hire purchase contracts	52,347	51,674
Directors loan	78,403	-
	<u>250,750</u>	<u>216,674</u>
Analysis of loans		
Wholly repayable within five years	165,000	210,000
	<u>165,000</u>	<u>210,000</u>
Included in current liabilities	<u>(45,000)</u>	<u>(45,000)</u>
	<u>120,000</u>	<u>165,000</u>
Loan maturity analysis		
In more than one year but not more than two years	90,000	90,000
In more than two years but not more than five years	30,000	75,000
	<u>90,000</u>	<u>75,000</u>
Net obligations under hire purchase contracts		
Repayable within one year	52,996	44,804
Repayable between one and five years	52,347	51,674
	<u>105,343</u>	<u>96,478</u>
Included in liabilities falling due within one year	<u>(52,996)</u>	<u>(44,804)</u>
	<u>52,347</u>	<u>51,674</u>
12 Pension costs		
Defined contribution		
	2003	2002
	£	£
Contributions payable by the company for the year	<u>38,694</u>	<u>31,750</u>

TREMORFA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2003

13	Share capital	2003 £	2002 £
	Authorised		
	100 Ordinary of £ 1 each	100	100
		<u> </u>	<u> </u>
	Allotted, called up and fully paid		
	100 Ordinary of £ 1 each	100	100
		<u> </u>	<u> </u>

14 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 August 2002	423,141
Retained loss for the year	(210,128)
	<u> </u>
Balance at 31 July 2003	213,013
	<u> </u>

15	Reconciliation of movements in shareholders' funds	2003 £	2002 £
	(Loss)/Profit for the financial year	(210,128)	174,821
	Dividends	-	(10,000)
		<u> </u>	<u> </u>
	Net (depletion in)/addition to shareholders' funds	(210,128)	164,821
	Opening shareholders' funds	423,241	258,420
		<u> </u>	<u> </u>
	Closing shareholders' funds	213,113	423,241
		<u> </u>	<u> </u>

16 Financial commitments

At 31 July 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			Other
	2003	2002	2003	2002
	£	£	£	£
Expiry date:				
Within one year	-	-	32,982	8,045
Between two and five years	32,500	32,500	95,674	81,559
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	32,500	32,500	128,656	89,604
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

TREMORFA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2003

17 Directors' emoluments	2003 £	2002 £
Emoluments for qualifying services	100,000	90,000
Company pension contributions to money purchase schemes	27,992	28,053
	<u>127,992</u>	<u>118,053</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2002 - 2).

18 Transactions with directors

One of the directors, M Hosken, loaned £120,000 to the Company in the year to 31st July 2002. The terms of the loan being repayments of £20,000 per annum are to be made each year to the director together with interest of £9,000 per annum. The balance outstanding to M Hosken at the year end was £98,144 (2002 - £98,144).

The other director, A Mortimore, also operates a loan account with the company which is interest free with no determined repayment date. The balance outstanding to A Mortimore at the year end was £259 (2002 - £259). These amounts being shown in creditors falling due after more than one year.

19 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2003 Number	2002 Number
Management	2	2
Administration	19	10
Direct labour	99	76
	<u>120</u>	<u>88</u>

Employment costs

	£	£
Wages and salaries	4,561,929	3,324,027
Other pension costs	38,694	31,750
	<u>4,600,623</u>	<u>3,355,777</u>

20 Control

The ultimate controlling party are the directors by virtue of equal shareholdings.

TREMORFA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) ***FOR THE YEAR ENDED 31 JULY 2003***

21 Related party transactions

Included in accruals is an amount owing to the pension scheme of £83,406 (2002 -£83,406) which relates to outstanding rent.

Included in other debtors is an amount of £1,500 (2002 - £nil) due from the pension scheme relating to accountancy fees paid by the Company during the year.