

Report of the Directors and
Unaudited Financial Statements for the Year Ended 31 March 2005
for
Coventry Toolholders Ltd



Fraser Gordon Ltd
28 Lornas Field
Hampton Hargate
Peterborough
Cambridgeshire
PE7 8AY

Coventry Toolholders Ltd

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Coventry Toolholders Ltd

Company Information **for the Year Ended 31 March 2005**

DIRECTORS:	R M Gordon P J Devlin
SECRETARY:	R M Smith (Appointed 20.9.05)
REGISTERED OFFICE:	Grovelands Estate Longford Road Exhall Coventry CV7 9ND
REGISTERED NUMBER:	3668462 (England and Wales)
ACCOUNTANT:	Fraser Gordon Ltd 28 Lornas Field Hampton Hargate Peterborough Cambridgeshire PE7 8AY
BANKERS:	Barclays Bank plc 15 Colemore Row Birmingham B3 3AP
SOLICITORS:	Hammonds Rutland House 148 Edmund Street Birmingham B3 2JR

Coventry Toolholders Ltd

Report of the Directors **for the Year Ended 31 March 2005**

The directors present their report with the financial statements of the company for the year ended 31 March 2005.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of manufacturers of precision engineered toolholders and other machine tool accessories.

REVIEW OF OPERATIONS & OUTLOOK

The year to 31 March 2005 marked the first full year of operation under the Coventry Engineering Group, since the Management Buy Out (MBO) in September 2003.

In the relatively short time since that point, the business has already undergone major transition, reversing the decline of previous years and many of the core objectives set out by the Board have already been, or are in process of being, realised. Most significantly, toolholder sales have risen from less than £1.5m to almost £1.9m and the previous heavy operating losses have now been overturned and a modest profit generated. Despite continuing uncertainty in market conditions, Coventry Toolholders has increased its market share through the addition of new product lines, a tightly focussed approach to customer service and a far more pro-active approach to finding new routes to market. Investment in stock, to provide a more immediate response to customers needs, and also in new manufacturing plant, to improve product flow, have also played key roles in rebuilding the business.

In addition to expanding traditional toolholding activities, and as an integral part of its strategic agenda for growth, the Board set out, at the time of the MBO, a programme for carefully identifying and pursuing acquisition opportunities, with the intention of building critical mass and broadening the Company's product and applications base in the Machine Tooling/Accessories market place worldwide. As a first and important step towards this objective, in August 2004, the Group rescued the Centreline Machine Tool business from Receivership. Centreline, with its 33 year history, and experience in the design and manufacture of Angle-head, Multi-head and Speeder tooling, had built up an enviable reputation and strong market presence worldwide in the provision of tooling solutions, before the crippling cost of relocation forced its closure. Around a core team of engineering, manufacturing and sales expertise, and merged now with the activities of Coventry Toolholders, the integration of the new CTL Centreline Division has been very successful. Centreline activity, supported and supplemented by the Coventry Toolholding team and facilities, has been steadily ramping up since its acquisition and is expected to become a very strong contributor to turnover and earnings in the years ahead. Further acquisition opportunities continue to be examined and other add-ons may be expected in due course.

Looking ahead, into the current year, although UK market conditions continue to show some volatility, we expect to continue to improve market share, leveraged on our specials capability. Overseas, we have secured a foothold in Canada with the sign up of a major tooling distribution chain and delivered a first off order. The Centreline product has, and will continue to, grow as a percentage of the overall business, as momentum is restored and pro active marketing is re-established. With new opportunities for the traditional toolholding and Centreline products emerging overseas, Eastern Europe and Asia in particular, we are confident that overall growth will continue. Further major capital investment, in the form of a new Mazak 5 axis Mill Turn Machining Centre, currently being commissioned, will play a vital role in supporting this continuing growth in demand and, at the same time, substantially improve efficiency and flexibility of manufacture, leading both to even further opportunity and improved margin performance.

Coventry Toolholders Ltd

Report of the Directors (Continued) **for the Year Ended 31 March 2005**

DIRECTORS

The directors during the year under review were:

R M Gordon
P J Devlin


The directors holding office at 31 March 2005 did not hold any beneficial interest in the issued share capital of the company at any stage during the year ended on that date.

ACCOUNTANTS & AUDITORS

The Company is no longer required to have a statutory Audit, and the Directors have decided to dispense with the Audit. The Directors have retained Fraser Gordon Ltd to assist them to fulfil their statutory obligations in respect of the financial statements.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD:



.....
R M Gordon - Chairman

Date: 21st November 2005

Coventry Toolholders Ltd

Report of the Accountant to the Directors of Coventry Toolholders Ltd

As described on the balance sheet you are responsible for the preparation of the financial statements for the year ended 31 March 2005 set out on pages four to ten and you consider that the company is exempt from an audit.

In accordance with your instructions, I have compiled these unaudited financial statements in order to assist you to fulfil your statutory responsibilities, from the accounting records and information and explanations supplied to me.

Fraser Gordon Ltd

Fraser Gordon Ltd
28 Lornas Field
Hampton Hargate
Peterborough
Cambridgeshire
PE7 8AY

Date: 28/10/2005

Coventry Toolholders Ltd

Profit and Loss Account for the Year Ended 31 March 2005

	Notes	31.3.05	31.3.04
		£	£
TURNOVER		1,883,132	1,676,325
Cost of sales		1,114,333	1,088,461
CONTRIBUTION		768,799	587,864
Staff costs		370,225	332,959
Depreciation		79,933	91,606
Property costs		123,288	105,422
Other costs		140,187	194,041
OPERATING PROFIT / (LOSS)	2	55,166	(136,164)
Interest payable and similar charges		48,815	26,314
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		6,351	(162,478)
Tax on loss on ordinary activities	3	-	-
Profit on sale of discontinued operations		-	353,126
SURPLUS FOR THE YEAR TAKEN TO RESERVES		6,351	190,648

The notes form part of these financial statements

Coventry Toolholders Ltd

Balance Sheet As at 31 March 2005

		31.3.05		31.3.04	
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	4		249,073		269,604
CURRENT ASSETS					
Stocks	5	700,593		457,863	
Debtors	6	993,027		871,339	
Cash at bank and in hand		<u>1,223</u>		<u>1,008</u>	
		1,694,843		1,330,210	
CREDITORS					
Amounts falling due within one year	7	<u>(774,890)</u>		<u>(424,868)</u>	
NET CURRENT ASSETS			<u>919,953</u>		<u>905,342</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			1,169,026		1,174,946
CREDITORS					
Amounts falling due after more than one year	8		<u>(67,344)</u>		<u>(79,615)</u>
NET ASSETS			<u><u>1,101,682</u></u>		<u><u>1,095,331</u></u>
CAPITAL AND RESERVES					
Called up share capital	9		2,000,002		2,000,002
Share premium	10		483,000		483,000
Profit and loss account	10		<u>(1,381,320)</u>		<u>(1,387,671)</u>
SHAREHOLDERS' FUNDS			<u><u>1,101,682</u></u>		<u><u>1,095,331</u></u>

The notes form part of these financial statements

Coventry Toolholders Ltd

Balance Sheet – (Continued) **As at 31 March 2005**

The Company is entitled to exemption from audit under Section 249A(1) of the Companies Act 1985 for the year ended 31 March 2005.



The members have not required the company to obtain an audit of its financial statements for the year ended 31 March 2005 in accordance with Section 249B(2) of the Companies Act 1985.

The Directors acknowledge their responsibilities for:

- (a) ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985 and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Section 226 and which otherwise comply with the requirements of the Companies Act 1985 relating to financial statements, so far as applicable to the company.

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

ON BEHALF OF THE BOARD:


.....
R M Gordon - Director
.....
P J Devlin - Director

Approved by the Board on 21st November 2005

The notes form part of these financial statements

Coventry Toolholders Ltd

Notes to the Financial Statements **for the Year Ended 31 March 2005**

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Turnover

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

Tangible fixed assets

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

Plant	10% or the project life if shorter
Fixture & fittings	20% to 33.3%
Tools	33.3% or the project life if shorter
Computer hardware & software	20% to 33.3%
Motor vehicles	25% to 33.3%

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows:

Raw materials, consumables and goods for resale	- purchase cost on a first-in, first-out basis.
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Deferred tax

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less tax or to receive more tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted; and

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

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Coventry Toolholders Ltd

Notes to the Financial Statements – (Continued) for the Year Ended 31 March 2005

1. ACCOUNTING POLICIES - continued

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

2. OPERATING LOSS

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

	31.3.05 £	31.3.04 £
Depreciation - owned assets	79,933	91,606
Foreign exchange differences	4,098	3,369
Pension costs	<u>28,813</u>	<u>32,157</u>
Directors' emoluments and other benefits etc	<u>117,177</u>	<u>29,262</u>

3. TAXATION

No taxation is provided in these Accounts as earnings are fully covered by brought forward trading losses.

4. TANGIBLE FIXED ASSETS

	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Totals £
COST				
At 1 April 2004	34,455	1,743,451	450,819	2,228,725
Additions	-	53,590	5,812	59,402
Disposals	-	-	-	-
At 31 March 2005	<u>34,455</u>	<u>1,797,041</u>	<u>456,631</u>	<u>2,288,127</u>
DEPRECIATION				
At 1 April 2004	32,810	1,478,313	447,998	1,959,121
Charge for year	740	77,277	1,916	79,933
Eliminated on disposal	-	-	-	-
At 31 March 2005	<u>33,550</u>	<u>1,555,590</u>	<u>449,914</u>	<u>2,039,054</u>
NET BOOK VALUE				
At 31 March 2005	<u>905</u>	<u>241,451</u>	<u>6,717</u>	<u>249,073</u>
At 31 March 2004	<u>1,645</u>	<u>265,138</u>	<u>2,821</u>	<u>269,604</u>

Coventry Toolholders Ltd

Notes to the Financial Statements – (Continued) for the Year Ended 31 March 2005

5. STOCKS

	31.3.05 £	31.3.04 £
Raw materials	36,727	22,449
Work-in-progress	113,407	46,979
Finished goods	<u>550,459</u>	<u>388,435</u>
	<u>700,593</u>	<u>457,863</u>

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.05 £	31.3.04 £
Trade debtors	416,184	314,742
Amounts owed by group undertakings	532,484	534,529
Other debtors	<u>44,359</u>	<u>22,068</u>
	<u>993,027</u>	<u>871,339</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.05 £	31.3.04 £
Trade creditors	232,084	120,866
Taxation and social security	33,135	44,107
Amounts advanced under invoice financing facility	345,787	127,178
Cash Flow Loan – GE Commercial Finance	30,000	41,666
Amounts due under asset lease finance facility	61,871	44,925
Other creditors	<u>72,013</u>	<u>46,126</u>
	<u>774,890</u>	<u>424,868</u>

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31.3.05 £	31.3.04 £
Amounts due under Asset Lease Finance facility	<u>67,344</u>	<u>79,615</u>

9. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	31.3.05 £	31.3.04 £
2,000,002	Ordinary	£1	<u>2,000,002</u>	<u>2,000,002</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.3.05 £	31.3.04 £
2,000,002	Ordinary	£1	<u>2,000,002</u>	<u>2,000,002</u>

Coventry Toolholders Ltd

Notes to the Financial Statements – (Continued) for the Year Ended 31 March 2005

10. RESERVES

	Profit and loss account £	Share premium £	Totals £
At 1 April 2004	(1,387,671)	483,000	(904,671)
Retained profit for the year	<u>6,351</u>	<u>-</u>	<u>6,351</u>
At 31 March 2005	<u>(1,381,320)</u>	<u>483,000</u>	<u>(898,320)</u>

11. ULTIMATE PARENT COMPANY

The Company is a wholly owned subsidiary of
Coventry Engineering Ltd.