

# **HW Machinery Limited**

## **Report and Accounts**

31 March 2005

*Registered Number: 3721208*



# HW Machinery Limited

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## DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 31 March 2005.

### PRINCIPAL ACTIVITY

The principal activity of the company for the year under review was that of an intermediate holding company.

### RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £1,892,327 (2003: profit £877,914). A dividend of £2,000,000 was paid during the year (2004: £750,000).

### DIRECTORS

The directors who served during the year are as follows:

J G Harris  
S M Watson


None of the directors had an interest in the shares of the company. J G Harris and S M Watson are directors of the ultimate parent company, Harris Watson Holdings PLC and their shareholdings are disclosed in that company's accounts.

No contract significant to the company's business in which a director had a material interest was entered into during the year.

### AUDITORS

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

By order of the Board

  
Harris Watson Investments Limited  
Secretary  
Dated 12.04.06

## HW Machinery Limited

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### 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; 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 HW MACHINERY LIMITED**

We have audited the company's accounts for the year ended 31 March 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains & Losses, Balance Sheet and the related notes 1 to 14. These accounts 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 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 in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 accounts, 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 accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

### **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 March 2005 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  
Date

20 April 2006.

# HW Machinery Limited

## PROFIT AND LOSS ACCOUNT for the year ended 31 March 2005

	Notes	2005 £	2004 £
<b>TURNOVER</b>		-	13,000
Cost of sales		16,900	13,000
<b>GROSS PROFIT</b>		(16,900)	-
Administration expenses		3,991	177,901
<b>OPERATING LOSS</b>	2	(20,891)	(177,901)
Income from investments		1,925,000	1,068,552
Net interest payable	4	(11,782)	(12,737)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,892,327	877,914
Tax credit on profit on ordinary activities	5	-	-
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	11	1,892,327	877,914
Dividend	11	(2,000,000)	(750,000)
<b>RETAINED (LOSS)/PROFIT TRANSFERRED TO RESERVES</b>		(107,673)	127,914

### STATEMENT OF RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £1,892,327 for the year ended 31 March 2005 and the profit of £877,914 for the year ended 31 March 2004.

# HW Machinery Limited

## BALANCE SHEET at 31 March 2005

	Notes	2005 £	2004 £
<b>FIXED ASSETS</b>			
Investments	6	5,516,000	5,516,000
<b>CURRENT ASSETS</b>			
Stock	7	16,900	33,800
Debtors	8	1,626	1,626
Cash at bank and in hand		2,304	5,172
		20,830	40,598
<b>CREDITORS: amounts falling due within one year</b>	9	4,654,013	4,566,108
<b>NET CURRENT LIABILITIES</b>		(4,633,183)	(4,525,510)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		882,817	990,490
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	1	1
Profit and loss account	11	882,816	990,489
<b>TOTAL SHAREHOLDERS' FUNDS</b>		882,817	990,490

*J. G. Harris*

J G Harris  
Director

Dated 12 APRIL 2006

# HW Machinery Limited

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## NOTES TO THE ACCOUNTS at 31 March 2005

### 1. ACCOUNTING POLICIES

#### ***Basis of preparation***

The accounts are prepared under the historical cost convention and are in accordance with applicable accounting standards. The accounts present information about the company as an individual undertaking and not about its group.

#### ***Fundamental accounting concept***

The accounts have been prepared on a going concern basis as the parent company has indicated that it will continue to support the company to meet its liabilities as and when they fall due. The parent undertaking has agreed not to recall the amounts advanced to the company until all other creditors have been met.

#### ***Investments***

Investments are carried at the lower of cost and net realisable value. The carrying values are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

#### ***Stocks***

Finished stock is stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

#### ***Deferred taxation***

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 receive more, tax. The exception to this is that 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 taxable profits from which the future reversal of the underlying timing differences can be deducted.

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.

### 2. OPERATING LOSS

This is stated after charging:

	2005	2004
	£	£
Auditors' remuneration	1,000	1,000
Impairment charge against value of investment in subsidiaries	-	82,300
	<u>          </u>	<u>          </u>

### 3. STAFF COSTS

There were no employees during the year other than the directors.

# HW Machinery Limited

NOTES TO THE ACCOUNTS  
at 31 March 2005

## 4. NET INTEREST PAYABLE

	2005	2004
	£	£
Bank interest received	(59)	(152)
Other interest payable	11,841	12,889
	<u>11,782</u>	<u>12,737</u>

## 5. TAXATION

(a) The tax credit is made up as follows:

	2005	2004
	£	£
Current tax	-	-
	<u>-</u>	<u>-</u>

The company has received tax losses as group relief for which payment has not been made.

(b) Factors affecting current tax charge:

The tax assessed on the profit on ordinary activities for the year is lower (2004: lower) than the standard rate of corporation tax in the UK of 30%. The differences are reconciled below:

	2005	2004
	£	£
Profit on ordinary activities before taxation	<u>1,892,327</u>	<u>877,914</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	567,698	263,374
Income not chargeable for tax purposes	(577,500)	(320,566)
Expenses not deductible for tax purposes	4,292	56,818
Group relief surrendered for no payment	5,510	374
Total current tax (note 5(a))	<u>-</u>	<u>-</u>



## HW Machinery Limited

### NOTES TO THE ACCOUNTS at 31 March 2005

#### 6. INVESTMENTS

Other investments – unlisted shares

	Cost £	Provision £	Book Value £
As at 31 March 2004 and at 31 March 2005	5,598,300	(82,300)	5,516,000

Other investments include the equity of the following companies:-

<i>Name</i>	<i>Country of Registration</i>	<i>Holding</i>	<i>Proportion held</i>	<i>Nature of services</i>
H K T Limited (formerly HK Technologies Limited)	England & Wales	Ordinary Shares	88%	Machine Tool vendor
Aeronautical & General Instruments Limited	England & Wales	Ordinary Shares	100%	Design, development of aviation and marine equipment
AB Precision (Poole) Limited	England & Wales	Ordinary Shares	100%	Design, development of mechanical and electrical contracts
Horstman Defence Systems Limited	England & Wales	Ordinary Shares	100%	Manufacture of military mobility equipment

In the opinion of the directors the aggregate value of the investments in the subsidiary undertakings is not less than the amount at which they are stated in the accounts.

The company has taken advantage of the dispensation granted under S228 of the Companies Act 1985 not to produce group accounts, being a wholly owned subsidiary undertaking of another body incorporated in Great Britain.

## HW Machinery Limited

### NOTES TO THE ACCOUNTS at 31 March 2005

#### 7. STOCKS

	2005 £	2004 £
Finished goods	16,900	33,800

The stock value is not materially different from replacement cost.

#### 8. DEBTORS

	2005 £	2004 £
Other debtors	1,611	1,611
Amount owed by group undertakings	15	15
	1,626	1,626

#### 9. CREDITORS: amounts falling due within one year

	2005 £	2004 £
Amounts owed to group undertakings	2,797,452	3,635,755
Amount owed to parent undertaking	1,805,561	879,353
Accruals	1,000	1,000
Other creditors	50,000	50,000
	4,654,013	4,566,108

#### 10. CALLED UP SHARE CAPITAL

	2005 £	2004 £
Authorised: 1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid: 1 ordinary share of £1 each	1	1

# HW Machinery Limited

## NOTES TO THE ACCOUNTS at 31 March 2005

### 11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
As at 1 April 2003	1	862,575	862,576
Profit for the year	-	877,914	877,914
Dividend	-	(750,000)	(750,000)
As at 31 March 2004	1	990,489	990,490
Profit for the year	-	1,892,327	1,892,327
Dividend	-	(2,000,000)	(2,000,000)
As at 31 March 2005	1	882,816	882,817

### 12. DEFERRED TAXATION

No provision is required for deferred taxation.

### 13. RELATED PARTY TRANSACTIONS

Other than transactions with other members of the Harris Watson Group which are exempt from disclosure under FRS8 (Related Party Disclosures) there are no other related party transactions.

### 14. PARENT UNDERTAKING AND CONTROLLING PARTY

In the directors' opinion, the company's ultimate parent undertaking and controlling party is Harris Watson Holdings plc, a company registered in England and Wales. Copies of the accounts of Harris Watson Holdings plc can be obtained from 45 Waterlinks House, Richard Street, Birmingham B7 4AA.