

HW Machinery Limited

Report and Financial Statements

31 March 2008

Registered Number 3721208

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COMPANIES HOUSE

HW Machinery Limited

Registered No 3721208

DIRECTORS

J G Harris
S M Watson

SECRETARY

Waterlinks Investments Limited

AUDITORS

Ernst & Young
No 1 Colmore Square
Birmingham
B4 6HQ

BANKERS

Allied Irish Bank (GB)
61 Temple Row
Birmingham
B2 5LT

REGISTERED OFFICE

Unit 3 Ashted Lock
Dartmouth Middleway
Aston Science Park
Birmingham
B7 4AZ

HW Machinery Limited

DIRECTORS' REPORT

The directors submit their report and financial statements for the year ended 31 March 2008

PRINCIPAL ACTIVITY

The principal activity of the company for the year under review was that of an intermediate holding company. No change in the business activity is expected to occur in the foreseeable future.

On 11 July 2007, the company acquired the entire issued share capital of Froude Hofmann Limited for a cash consideration of £1. On 30 July 2007, Froude Hofmann Limited acquired the assets of the Froude Hofmann division of the FKI group for a cash consideration of £1,081,000.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £936,170 (2007 £853,173). A dividend of £1,000,000 was paid during the year (2007 £1,400,000).

FINANCIAL RISK MANAGEMENT POLICY

Financial risk management is not material for the assessment of the assets, liabilities, financial position and profit or loss of the company.

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.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Having made enquiries of fellow directors and of the company's auditors, each of the directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

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

Approved by the Board of Directors and signed by order of the Board


Waterlinks Investments Limited
Secretary

1 August 2008

HW Machinery Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the annual report and financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The financial statements are required by law to 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF H W MACHINERY LIMITED

We have audited the company's financial statements for the year ended 31 March 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 13. These financial statements have been prepared under 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP

Registered Auditor

Birmingham

6 August 2008

HW Machinery Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2008

	<i>Notes</i>	<i>2008</i> £	<i>2007</i> £
TURNOVER		-	-
Cost of sales		-	-
		<hr/>	<hr/>
GROSS PROFIT		-	-
Administration expenses		(147,163)	(533,393)
Other operating income		46,327	-
		<hr/>	<hr/>
OPERATING LOSS	2	(100,836)	(533,393)
Income from investments	6	1,040,000	1,400,000
Net interest payable	4	-	(13,434)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		939,164	853,173
Tax on profit on ordinary activities	5	(2,994)	-
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			
TRANSFERRED TO RESERVES	10	936,170	853,173
		<hr/> <hr/>	<hr/> <hr/>

All activities derive from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

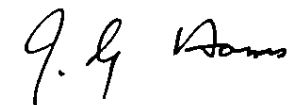
There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £936,170 for the year ended 31 March 2008 and the profit of £853,173 for the year ended 31 March 2007

HW Machinery Limited

BALANCE SHEET at 31 March 2008

	<i>Notes</i>	<i>2008</i> £	<i>2007</i> £
FIXED ASSETS			
Investments	6	5,224,040	5,224,039
CURRENT ASSETS			
Debtors	7	129,660	200,000
Cash at bank and in hand		10,921	700
		<u>140,581</u>	<u>200,700</u>
CREDITORS amounts falling due within one year	8	5,117,091	5,113,379
NET CURRENT LIABILITIES		<u>(4,976,510)</u>	<u>(4,912,679)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>247,530</u>	<u>311,360</u>
CAPITAL AND RESERVES			
Called up share capital	9	1	1
Profit and loss account	10	247,529	311,359
TOTAL SHAREHOLDERS' FUNDS		<u>247,530</u>	<u>311,360</u>

These financial statements were approved by the Board of Directors and issued to the shareholders on 1 August 2008



J G Harris
Director

HW Machinery Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2008

1. ACCOUNTING POLICIES

Basis of preparation

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

Fundamental accounting concept

The financial statements 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.

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 pay less or to receive more, tax, with the following exception:

- 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, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Turnover

Turnover represents the provision of services at invoiced value, excluding value added tax and arises wholly in the United Kingdom.

2. OPERATING LOSS

This is stated after charging

	2008 £	2007 £
Auditors' remuneration	4,200	4,000
Loss on disposal of subsidiary	-	563,804
	<hr/>	<hr/>

3. STAFF COSTS

There were no employees during the year other than the directors. The directors received no emoluments for their services to the company (2007: £nil).

HW Machinery Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2008

4. NET INTEREST PAYABLE

	2008 £	2007 £
Other interest payable	-	13,434
	<u>-</u>	<u>13,434</u>

5. TAXATION

(a) Tax is made up as follows

	2008 £	2007 £
Current taxation		
UK Corporation tax	4,380	-
Adjustment in respect of prior years	(1,386)	-
	<u>2,994</u>	<u>-</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2007 lower) than the standard rate of corporation tax in the UK of 30%. The differences are reconciled below:

	2008 £	2007 £
Profit on ordinary activities before taxation	<u>939,164</u>	<u>853,173</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2007 30%)	281,749	255,952
Income not chargeable for tax purposes	(312,000)	(420,000)
Expenses not deductible for tax purposes	34,631	169,171
Utilisation of tax losses brought forward	-	(5,123)
Adjustment in respect of prior years	(1,386)	-
Total current tax (note 5(a))	<u>2,994</u>	<u>-</u>

(c) Factors affecting future tax charge

The UK corporation tax rate will decrease from 30% to 28% from 1 April 2008. This rate change will affect the amount of future cash tax payments to be made by the company.

HW Machinery Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2008

6. INVESTMENTS

Other investments – unlisted shares

	Cost £	Provision £	Book Value £
As at 31 March 2007	5,224,039	-	5,224,039
Additions	1	-	1
As at 31 March 2008	<u>5,224,040</u>	<u>-</u>	<u>5,224,040</u>

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>
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
Dartex Coatings Limited	England & Wales	Ordinary Shares	100%	Coating and lamination of fabrics
Froude Hofmann Limited	England & Wales	Ordinary Shares	100%	Design, development of test equipment solutions

The company received dividend income from its investments amounting to £1,040,000 in the year (2007 £1,400,000)

On 11 July 2007, the company acquired the entire issued share capital of Froude Hofmann Limited for a cash consideration of £1. On 30 July 2007, Froude Hofmann Limited acquired the assets of the Froude Hofmann division of the FKI group for a cash consideration of £1,081,000

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 Harris Watson Holdings plc, a company incorporated in Great Britain

HW Machinery Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2008

7. DEBTORS

	2008	2007
	£	£
Other debtors	37,325	-
Amount owed by group undertakings	92,335	200,000
	<u>129,660</u>	<u>200,000</u>

8. CREDITORS: amounts falling due within one year

	2008	2007
	£	£
Amounts owed to group undertakings	-	735,575
Amount owed to parent undertaking	5,105,592	3,395,829
Trade Creditors	3,968	-
Corporation tax	2,994	-
Accruals	4,537	4,000
Other creditors	-	977,975
	<u>5,117,091</u>	<u>5,113,379</u>

9. CALLED UP SHARE CAPITAL

	2008	2007
	£	£
Authorised 1,000 ordinary shares of £1 each	1,000	1,000
	<u>1</u>	<u>1</u>
Allotted, called up and fully paid 1 ordinary share of £1 each	1	1
	<u>1</u>	<u>1</u>

HW Machinery Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2008

10. 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 2006	1	858,186	858,187
Profit for the year	-	853,173	853,173
Dividend	-	(1,400,000)	(1,400,000)
As at 31 March 2007	1	311,359	311,360
Profit for the year	-	936,170	936,170
Dividend	-	(1,000,000)	(1,000,000)
As at 31 March 2008	1	247,529	247,530

11. DEFERRED TAXATION

No provision is required for deferred taxation

12. 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

Included in 'Other Creditors' is £Nil (2007 £977,975) due to Waterlinks Investments Limited, a company owned by the directors

13. 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 Unit 3 Ashted Lock, Dartmouth Middleway, Aston Science Park, Birmingham B7 4AZ