

REGISTERED NUMBER: 4087377 (England and Wales)

12 NOV 2008

**Abbreviated Accounts**  
**for the Year Ended 31 March 2008**  
**for**  
**Mech-Tool Engineering Limited**



**Contents of the Abbreviated Accounts  
for the Year Ended 31 March 2008**

	<b>Page</b>
<b>Company Information</b>	<b>1</b>
<b>Report of the Directors</b>	<b>2</b>
<b>Report of the Independent Auditors on the Abbreviated Accounts</b>	<b>4</b>
<b>Abbreviated Profit and Loss Account</b>	<b>5</b>
<b>Abbreviated Balance Sheet</b>	<b>6</b>
<b>Cash Flow Statement</b>	<b>7</b>
<b>Notes to the Cash Flow Statement</b>	<b>8</b>
<b>Notes to the Abbreviated Accounts</b>	<b>10</b>

**Mech-Tool Engineering Limited**  
**Company Information**  
**for the Year Ended 31 March 2008**

**DIRECTORS:**

M K Garner  
P Bullock  
R W Davison  
J H Swain  
K J Bell

**SECRETARY:**

J H Swain

**REGISTERED OFFICE:**

Mech-Tool House  
Whessoe Road  
DARLINGTON  
Co Durham  
DL3 0QT

**REGISTERED NUMBER:**

4087377 (England and Wales)

**AUDITORS:**

Clive Owen & Co LLP  
Chartered Accountants  
Registered Auditors  
140 Coniscliffe Road  
DARLINGTON  
Co. Durham  
DL3 7RT

## **Mech-Tool Engineering Limited**

### **Report of the Directors for the Year Ended 31 March 2008**

The directors present their report with the accounts of the company for the year ended 31 March 2008.

#### **PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of manufacturing fire and blast related products, including modules and enclosures, industrial noise control and the provision of project management and engineering services.

#### **REVIEW OF BUSINESS**

The results for the year and financial position of the company are as shown in the annexed accounts.

The aim is to present a balanced and comprehensive review of the development and performance of the business during the year and its position at the year end. This review is consistent with the size and nature of the business and is written in the context of the risks and uncertainties faced.

The company continues to provide cost effective engineered solutions for the protection of personnel and equipment from the hazards of fire, explosion and noise, for the petrochemical, oil & gas and power distribution industries.

The key financial performance indicators are those that communicate the financial performance and strength of the company as a whole; these being turnover, operating profit and return on capital employed.

Turnover of £9,887,972 was marginally up on the previous year and was impacted by the delayed start of a large living quarters contract, Sea Dragon 1, for which manufacturing capacity was reserved, manning levels increased and costs incurred. It has been envisaged that activity on Sea Dragon 1 would commence around September 2007 and that this project would have a significant impact on the results during this financial period

Operating profit has reduced to £34,826. As well as the impact of the delay on Sea Dragon as stated above the company experienced a very poor performance in the year on a €5M acoustic contract. This resulted in a major reorganisation of the business into three distinct business units. The costs for this reorganisation and associated factory improvements have been expensed in the year.

Return on capital employed has fallen to 3.54%.

The outlook for the current year is very promising with all three business units opening the year with full order books. Rising steel costs and a shortage of skilled engineers and tradesmen continue to be issues but the Board is projecting a substantial increase in turnover and associated operating profit in the period ending 31st March 2009.

#### **DIVIDENDS**

No dividends will be distributed for the year ended 31 March 2008.

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 April 2007 to the date of this report.

M K Garner  
P Bullock  
R W Davison  
J H Swain

Other changes in directors holding office are as follows:

K J Bell - appointed 1 September 2007

#### **POLITICAL AND CHARITABLE CONTRIBUTIONS**

During the year the company made charitable donations of £260 (2007: £670).

**Mech-Tool Engineering Limited**

**Report of the Directors  
for the Year Ended 31 March 2008**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

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 these 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.

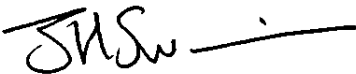
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, Clive Owen & Co LLP, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

**ON BEHALF OF THE BOARD:**



J H Swain - Secretary

14 August 2008

**Report of the Independent Auditors to  
Mech-Tool Engineering Limited  
Under Section 247B of the Companies Act 1985**

We have examined the abbreviated accounts set out on pages five to sixteen, together with the financial statements of Mech-Tool Engineering Limited for the year ended 31 March 2008 prepared under Section 226 of the Companies Act 1985.

This report is made solely to the company, in accordance with Section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special 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, for our work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the abbreviated accounts in accordance with Section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Act to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with that provision and to report our opinion to you.

**Basis of opinion**

We conducted our work in accordance with Bulletin 2006/3 "The Special Auditor's Report on Abbreviated Accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

**Opinion**

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Companies Act 1985, and the abbreviated accounts have been properly prepared in accordance with that provision.

*Clive Owen & Co LLP*

Clive Owen & Co LLP  
Chartered Accountants  
Registered Auditors  
140 Coniscliffe Road  
DARLINGTON  
Co. Durham  
DL3 7RT

14 August 2008

# Mech-Tool Engineering Limited

## Abbreviated Profit and Loss Account for the Year Ended 31 March 2008

	Notes	2008 £	£	2007 £	£
<b>GROSS PROFIT</b>			869,564		1,184,434
Distribution costs		267,544		272,775	
Administrative expenses		<u>567,194</u>		<u>600,951</u>	
			<u>834,738</u>		<u>873,726</u>
<b>OPERATING PROFIT</b>	3		34,826		310,708
Income from fixed asset investments		-		1,500	
Interest receivable and similar income		<u>4,360</u>		<u>4,319</u>	
			<u>4,360</u>		<u>5,819</u>
			39,186		316,527
Interest payable and similar charges	4		<u>23,457</u>		<u>7,687</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			15,729		308,840
Tax on profit on ordinary activities	5		<u>(11,966)</u>		<u>67,481</u>
<b>PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION</b>			<u>27,695</u>		<u>241,359</u>

### CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year.

### TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current year or previous year.

The notes form part of these abbreviated accounts

# Mech-Tool Engineering Limited

## Abbreviated Balance Sheet 31 March 2008

	Notes	2008 £	£	2007 £	£
<b>FIXED ASSETS</b>					
Tangible assets	6		483,784		464,850
<b>CURRENT ASSETS</b>					
Stocks	7	371,631		268,247	
Debtors: amounts falling due within one year	8	3,094,280		2,703,638	
Debtors: amounts falling due after more than one year	8	-		3,047	
Cash at bank		<u>343,744</u>		<u>355,863</u>	
		3,809,655		3,330,795	
<b>CREDITORS</b>					
Amounts falling due within one year	9	<u>3,145,500</u>		<u>2,629,260</u>	
<b>NET CURRENT ASSETS</b>			<u>664,155</u>		<u>701,535</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			1,147,939		1,166,385
<b>CREDITORS</b>					
Amounts falling due after more than one year	10		<u>13,992</u>		<u>60,133</u>
<b>NET ASSETS</b>			<u>1,133,947</u>		<u>1,106,252</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	13		1,050,000		1,050,000
Profit and loss account	14		<u>83,947</u>		<u>56,252</u>
<b>SHAREHOLDERS' FUNDS</b>	17		<u>1,133,947</u>		<u>1,106,252</u>

These abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

The financial statements were approved by the Board of Directors on 14 August 2008 and were signed on its behalf by:



J H Swain - Director

The notes form part of these abbreviated accounts



**Mech-Tool Engineering Limited**

**Cash Flow Statement  
for the Year Ended 31 March 2008**

	Notes	2008 £	2007 £
<b>Net cash (outflow)/inflow from operating activities</b>	1	(127,355)	290,206
<b>Returns on investments and servicing of finance</b>	2	(19,097)	(1,868)
<b>Taxation</b>	2	(38,617)	(11,144)
<b>Capital expenditure and financial investment</b>	2	(123,917)	(196,822)
		(308,986)	80,372
<b>Financing</b>	2	296,867	106,652
<b>(Decrease)/Increase in cash in the period</b>		<u>(12,119)</u>	<u>187,024</u>
<hr/>			
<b>Reconciliation of net cash flow to movement in net funds</b>	3		
(Decrease)/Increase in cash in the period		(12,119)	187,024
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing		<u>53,133</u>	<u>(106,652)</u>
Change in net funds resulting from cash flows		<u>41,014</u>	<u>80,372</u>
<b>Movement in net funds in the period</b>		41,014	80,372
<b>Net funds at 1 April</b>		<u>217,282</u>	<u>136,910</u>
<b>Net funds at 31 March</b>		<u>258,296</u>	<u>217,282</u>

The notes form part of these abbreviated accounts

# Mech-Tool Engineering Limited

## Notes to the Cash Flow Statement for the Year Ended 31 March 2008

### 1. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2008	2007
	£	£
Operating profit	34,826	310,708
Depreciation charges	101,617	100,023
Loss on disposal of fixed assets	3,366	578
Increase in stocks	(103,384)	(193,331)
Increase in debtors	(930,921)	(822,259)
Increase in creditors	<u>767,141</u>	<u>894,487</u>
<b>Net cash (outflow)/inflow from operating activities</b>	<b><u>(127,355)</u></b>	<b><u>290,206</u></b>

### 2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2008	2007
	£	£
<b>Returns on investments and servicing of finance</b>		
Interest received	4,360	4,319
Interest paid	(13,227)	(2,319)
Interest element of hire purchase payments	(10,230)	(5,368)
Dividends received	<u>-</u>	<u>1,500</u>
<b>Net cash outflow for returns on investments and servicing of finance</b>	<b><u>(19,097)</u></b>	<b><u>(1,868)</u></b>
<b>Taxation</b>		
Taxation paid	(38,617)	(16,627)
Taxation refund	<u>-</u>	<u>5,483</u>
<b>Net cash outflow for taxation</b>	<b><u>(38,617)</u></b>	<b><u>(11,144)</u></b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(127,417)	(205,346)
Sale of tangible fixed assets	3,500	3,524
Sale of fixed asset investments	<u>-</u>	<u>5,000</u>
<b>Net cash outflow for capital expenditure and financial investment</b>	<b><u>(123,917)</u></b>	<b><u>(196,822)</u></b>
<b>Financing</b>		
Capital repayments in year	(53,133)	106,652
Amount introduced by directors	<u>350,000</u>	<u>-</u>
<b>Net cash inflow from financing</b>	<b><u>296,867</u></b>	<b><u>106,652</u></b>

The notes form part of these abbreviated accounts

**Mech-Tool Engineering Limited**

**Notes to the Cash Flow Statement  
for the Year Ended 31 March 2008**

**3. ANALYSIS OF CHANGES IN NET FUNDS**

	At 1.4.07 £	Cash flow £	At 31.3.08 £
Net cash:			
Cash at bank	<u>355,863</u>	<u>(12,119)</u>	<u>343,744</u>
	<u>355,863</u>	<u>(12,119)</u>	<u>343,744</u>
Debt:			
Hire purchase	<u>(138,581)</u>	<u>53,133</u>	<u>(85,448)</u>
	<u>(138,581)</u>	<u>53,133</u>	<u>(85,448)</u>
Total	<u>217,282</u>	<u>41,014</u>	<u>258,296</u>

The notes form part of these abbreviated accounts

## **Mech-Tool Engineering Limited**

### **Notes to the Abbreviated Accounts for the Year Ended 31 March 2008**

#### **1. ACCOUNTING POLICIES**

##### **Accounting convention**

The financial statements have been prepared under the historical cost convention.

##### **Turnover**

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

##### **Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Improvements to property	- 5% on cost
Plant and machinery	- 10% - 33% on cost
Motor vehicles	- 20% on cost

Grants towards fixed assets are offset against the asset to which they relate and released against the depreciation charge of the asset over its expected useful life.

##### **Stocks and long term contracts**

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Long term contracts are those extending in excess of 12 months and any of a shorter duration which are material to the activity for the period. Attributable profit is recognised once the outcome of a long term contract can be assessed with reasonable certainty. Attributable profit is recognised on the cost complete method. Immediate provision is made for all foreseeable losses if a contract is assessed as unprofitable.

##### **Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

##### **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.

##### **Hire purchase and leasing commitments**

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

##### **Pension costs and other post-retirement benefits**

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

##### **Capital instruments**

Capital instruments are accounted for and classified as equity or non-equity share capital and debt according to their form.

# Mech-Tool Engineering Limited

## Notes to the Abbreviated Accounts - continued for the Year Ended 31 March 2008

### 2. STAFF COSTS

	2008	2007
	£	£
Wages and salaries	3,180,320	2,899,591
Social security costs	326,919	279,445
Other pension costs	41,577	42,873
	<u>3,548,816</u>	<u>3,221,909</u>

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

	2008	2007
Production and engineering services	98	88
Administration and selling	<u>13</u>	<u>15</u>
	<u>111</u>	<u>103</u>

### 3. OPERATING PROFIT

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

	2008	2007
	£	£
Other operating leases	4,229	4,013
Depreciation - owned assets	75,316	85,089
Depreciation - assets on hire purchase contracts	26,301	14,934
Loss on disposal of fixed assets	3,366	578
Admin auditors' remuneration	6,690	9,790
Foreign exchange differences	<u>(84,237)</u>	<u>12,744</u>
Directors' emoluments	248,787	178,524
Directors' pension contributions to money purchase schemes	<u>9,210</u>	<u>15,776</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>4</u>	<u>4</u>
------------------------	----------	----------

Information regarding the highest paid director for the year ended 31 March 2008 is as follows:

	2008
	£
Emoluments etc	72,914
Pension contributions to money purchase schemes	<u>5,752</u>

### 4. INTEREST PAYABLE AND SIMILAR CHARGES

	2008	2007
	£	£
Bank interest	3,721	2,319
Other interest	9,506	-
Hire purchase	<u>10,230</u>	<u>5,368</u>
	<u>23,457</u>	<u>7,687</u>

# Mech-Tool Engineering Limited

## Notes to the Abbreviated Accounts - continued for the Year Ended 31 March 2008

### 5. TAXATION

#### Analysis of the tax (credit)/charge

The tax (credit)/charge on the profit on ordinary activities for the year was as follows:

	2008 £	2007 £
Current tax:		
UK corporation tax	(11,966)	73,265
Overprovision in prior year	<u>-</u>	<u>(5,784)</u>
 Tax on profit on ordinary activities	 <u>(11,966)</u>	 <u>67,481</u>

### 6. TANGIBLE FIXED ASSETS

	Improvements to property £	Plant and machinery £	Motor vehicles £	Totals £
<b>COST</b>				
At 1 April 2007	127,902	1,368,278	32,500	1,528,680
Additions	3,749	109,223	14,445	127,417
Disposals	<u>-</u>	<u>(56,961)</u>	<u>-</u>	<u>(56,961)</u>
 At 31 March 2008	 <u>131,651</u>	 <u>1,420,540</u>	 <u>46,945</u>	 <u>1,599,136</u>
<b>DEPRECIATION</b>				
At 1 April 2007	29,596	1,017,834	16,400	1,063,830
Charge for year	8,300	89,807	3,510	101,617
Eliminated on disposal	<u>-</u>	<u>(50,095)</u>	<u>-</u>	<u>(50,095)</u>
 At 31 March 2008	 <u>37,896</u>	 <u>1,057,546</u>	 <u>19,910</u>	 <u>1,115,352</u>
<b>NET BOOK VALUE</b>				
At 31 March 2008	<u>93,755</u>	<u>362,994</u>	<u>27,035</u>	<u>483,784</u>
 At 31 March 2007	 <u>98,306</u>	 <u>350,444</u>	 <u>16,100</u>	 <u>464,850</u>

# Mech-Tool Engineering Limited

## Notes to the Abbreviated Accounts - continued for the Year Ended 31 March 2008

### 6. TANGIBLE FIXED ASSETS - continued

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery £	Motor vehicles £	Totals £
<b>COST</b>			
At 1 April 2007	132,183	21,000	153,183
Additions	<u>31,260</u>	<u>-</u>	<u>31,260</u>
At 31 March 2008	<u>163,443</u>	<u>21,000</u>	<u>184,443</u>
<b>DEPRECIATION</b>			
At 1 April 2007	18,784	9,560	28,344
Charge for year	<u>24,161</u>	<u>2,140</u>	<u>26,301</u>
At 31 March 2008	<u>42,945</u>	<u>11,700</u>	<u>54,645</u>
<b>NET BOOK VALUE</b>			
At 31 March 2008	<u>120,498</u>	<u>9,300</u>	<u>129,798</u>
At 31 March 2007	<u>113,399</u>	<u>11,440</u>	<u>124,839</u>

### 7. STOCKS

	2008 £	2007 £
Raw materials	348,857	268,032
Work-in-progress	<u>22,774</u>	<u>215</u>
	<u>371,631</u>	<u>268,247</u>

### 8. DEBTORS

	2008 £	2007 £
Amounts falling due within one year:		
Trade debtors	1,902,564	993,487
Amounts recoverable on contract	1,030,178	1,560,158
Other debtors	15,336	5,902
VAT	-	25,312
Corporation tax	11,966	-
Prepayments and accrued income	<u>134,236</u>	<u>118,779</u>
	<u>3,094,280</u>	<u>2,703,638</u>
Amounts falling due after more than one year:		
Other debtors	<u>-</u>	<u>3,047</u>
Aggregate amounts	<u>3,094,280</u>	<u>2,706,685</u>

**Mech-Tool Engineering Limited**

**Notes to the Abbreviated Accounts - continued  
for the Year Ended 31 March 2008**

**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2008	2007
	£	£
Hire purchase contracts (see note 11)	71,456	82,262
Payments on account	1,087,452	270,908
Trade creditors	1,116,138	1,503,564
Corporation tax	-	63,929
Taxation and social security	274,637	97,057
Other creditors	5,057	7,836
Directors' loan accounts	350,000	-
Accruals and deferred income	240,760	603,704
	<u>3,145,500</u>	<u>2,629,260</u>

**10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2008	2007
	£	£
Hire purchase contracts (see note 11)	13,992	56,319
Other creditors	-	3,814
	<u>13,992</u>	<u>60,133</u>

**11. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES**

	2008	2007
	£	£
Net obligations repayable:		
Within one year	71,456	82,262
Between one and five years	13,992	56,319
	<u>85,448</u>	<u>138,581</u>

The following operating lease payments are committed to be paid within one year:

	2008	2007
	£	£
Expiring:		
Within one year	5,261	1,639
Between one and five years	29,896	35,086
In more than five years	5,069	-
	<u>40,226</u>	<u>36,725</u>



# Mech-Tool Engineering Limited

## Notes to the Abbreviated Accounts - continued for the Year Ended 31 March 2008

### 12. SECURED DEBTS

The following secured debts are included within creditors:

	2008	2007
	£	£
Hire purchase contracts	<u>85,448</u>	<u>138,581</u>

The finance lease creditors are secured over the assets to which they relate.

### 13. CALLED UP SHARE CAPITAL

Authorised: Number:	Class:	Nominal value:	2008 £	2007 £
500,000	Ordinary	£1	500,000	500,000
1,000,000	17.7% cumulative preference	£1	<u>1,000,000</u>	<u>1,000,000</u>
			<u>1,500,000</u>	<u>1,500,000</u>

Allotted, issued and fully paid: Number:	Class:	Nominal value:	2008 £	2007 £
50,000	Ordinary	£1	50,000	50,000
1,000,000	17.7% cumulative preference	£1	<u>1,000,000</u>	<u>1,000,000</u>
			<u>1,050,000</u>	<u>1,050,000</u>

The 17.7% cumulative redeemable preference shares of £1 each entitle the holder, subject to a resolution of the directors, to receive a fixed cumulative preferential dividend at the rate of 17.7% on the paid up capital and the right to a return of capital at either a winding up or a repayment of capital. The preference shares do not entitle the holders to any further rights or other participation in the profits or assets of the company nor do they carry any voting rights.

The company shall have the option exercisable by a resolution of the directors to redeem the 17.7% cumulative redeemable preference shares at a premium of 130% to their par value.

The owners of these preference shares have agreed to waive rights attaching to both dividends and redemption premiums.

### 14. RESERVES

	Profit and loss account £
At 1 April 2007	56,252
Profit for the year	<u>27,695</u>
At 31 March 2008	<u>83,947</u>

**Mech-Tool Engineering Limited**

**Notes to the Abbreviated Accounts - continued  
for the Year Ended 31 March 2008**

**15. CONTINGENT LIABILITIES**

At 31 March 2008 the company had granted a charge over an amount of £157,500 (2007: £72,000) to the bank in connection with agreed borrowing facilities which had not been utilised at 31 March 2008 or 31 March 2007.

**16. TRANSACTIONS WITH DIRECTORS**

During the year Mech Tool Engineering Limited paid M Garner £182,616 (2007: £142,000) in respect of rent of the premises at Whessoe Road, Darlington, County Durham.

**17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2008 £	2007 £
Profit for the financial year	27,695	241,359
Transfer from redemption reserve		
<b>Net addition to shareholders' funds</b>	27,695	241,359
Opening shareholders' funds	<u>1,106,252</u>	<u>864,893</u>
<b>Closing shareholders' funds</b>	<u>1,133,947</u>	<u>1,106,252</u>

**18. ULTIMATE CONTROLLING PARTY**

The company is controlled by M K Garner, a director, by virtue of his majority shareholding.