

Mech-Tool Engineering Limited

Annual Report

Year ended 31 March 2002



BIR
COMPANIES HOUSE

38U6CJLZ

0218
27/03/03

MECH-TOOL ENGINEERING LIMITED

CONTENTS OF THE ANNUAL REPORT

	Page
Company information	1
Report of the directors	2-3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7-15

MECH-TOOL ENGINEERING LIMITED

COMPANY INFORMATION

Directors	M K Garner P Bullock R W Davison P Hayman D Hughf J H Swain
Secretary	J H Swain
Registered office	Mech-Tool House Whessoe Road Darlington DL3 0QT
Registered number	4087377
Auditors	RSM Robson Rhodes Chartered Accountants Centre City Tower 7 Hill Street Birmingham B5 4UU
Bankers	National Westminster Bank PLC 33 Park Street Walsall West Midlands WS1 1ER

MECH-TOOL ENGINEERING LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2002.

Principal activities

The company carries on the business of manufacturing fire and blast related products, industrial noise control and the provision of project management and engineering services.

Business review and future developments

The period to March 2002 was a difficult one with the loss of the business from the telecommunications sector, which accounted for a significant proportion of the sales and profit in the previous year.

The company had to re-focus on its core offshore market and to accelerate the development of its Industrial Noise Control activities, whilst at the same time reducing the overheads, which had been built up to support the telecommunications related business.

This resulted in heavy losses for the first quarter of the year, which adversely affected the result for the year overall.

The company is expecting to return to profit in the coming year and is continuing to expand its sales of acoustic packages.

Dividends

The directors do not propose a dividend on the ordinary shares for the year (2001: £Nil). The holder of the preference shares, Woodside Holdings Limited, has formally waived its entitlement to dividends due on the 17.7% cumulative redeemable shares for the period from 1 October 2000 to 31 March 2002. As a result dividends of £89,000, previously provided in the financial statements have been reversed.

Supplier payment policy

The company's policy is to settle the terms of payment with suppliers when entering into each new transaction, ensuring that suppliers are made aware of the agreed terms of payment and to abide by those agreed terms of payment. Company trade creditors at 31 March 2002 amounted to 75 days of average supplies for the year (2001: 75 days).

Directors

The directors who served during the period are set out on page 1. The interests of the directors serving at the end of the period in the shares of the company are set out below:

	Ordinary shares of £1 each		Cumulative redeemable preference shares of £1 each	
	2002	2001	2002	2001
M K Garner	*	*	*	*
P Bullock	1,875	1,875	-	-
R W Davison	1,875	1,875	-	-
P Hayman	5,000	5,000	-	-
D Hughf	1,875	1,875	-	-
J H Swain	1,875	1,875	-	-

* M K Garner is a director of the intermediate parent undertaking, Woodside Holdings Limited, and accordingly his interests in shares of that company are disclosed in its financial statements.

None of the other directors had any interest in shares of the intermediate or ultimate parent Company.

REPORT OF THE DIRECTORS

(Continued)

Statement of directors' responsibilities for the Annual Report

Company law in the United Kingdom 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 these financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom accounting standards; and
- prepared the financial statements on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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.

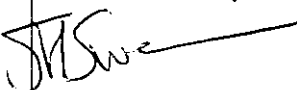
The directors are responsible for ensuring that the directors' report and information included in the Annual Report are prepared in accordance with company law in the United Kingdom.

Auditors

The auditors, RSM Robson Rhodes, are willing to continue in office and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approval

The report of the directors was approved by the Board on 21 March 2003 and signed on its behalf by:



J H SWAIN
Secretary

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MECH-TOOL ENGINEERING LIMITED

We have audited the financial statements on pages 5 to 15.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 law and United Kingdom Accounting Standards 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 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 information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the Annual Report.

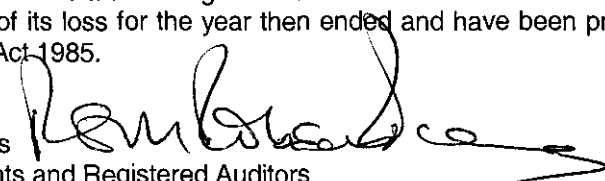
Basis of audit opinion

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 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 affairs of the company as at 31 March 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


RSM Robson Rhodes
Chartered Accountants and Registered Auditors
Birmingham, England
21 March 2003

MECH-TOOL ENGINEERING LIMITED**PROFIT AND LOSS ACCOUNT**
for the year ended 31 March 2002

	Note	Year ended 31 March 2002 £'000	6 months ended 31 March 2001 £'000
Turnover	1	5,973	3,230
Cost of sales		(5,282)	(2,761)
		<hr/>	<hr/>
Gross profit		691	469
Distribution costs		(234)	(138)
Administrative expenses		(554)	(346)
		<hr/>	<hr/>
Operating loss	2	(97)	(15)
Interest payable and similar charges	3	(114)	(27)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(211)	(42)
Tax on loss on ordinary activities	6	-	-
		<hr/>	<hr/>
Loss on ordinary activities after taxation		(211)	(42)
Dividends	7	89	(89)
Other finance charges in respect of non-equity shares	8	(186)	(93)
		<hr/>	<hr/>
Loss for the financial period	16	(308)	(224)
		<hr/>	<hr/>

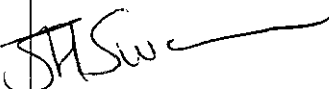
There are no recognised gains or losses in either year other than the loss for the period.

MECH-TOOL ENGINEERING LIMITED**BALANCE SHEET**

at 31 March 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	9	536	592
Current assets			
Stocks	10	99	69
Debtors	11	3,661	3,954
Cash at bank at in hand		-	12
Creditors: Amounts falling due within one year	12	3,760 (3,451)	4,035 (3,556)
Net current assets		309	479
Total assets less current liabilities		845	1,071
Creditors: Amounts falling due after more than one year	13	(48)	(63)
Net assets		797	1,008
Capital and reserves			
Called up share capital	15	1,050	1,050
Profit and loss account	16	(532)	(224)
Dividend appropriate reserve	16	-	89
Reserve for redemption premium	16	279	93
Shareholders' funds	18	797	1,008

The financial statements were approved by the Board on 21 March 2003 and signed on its behalf by:



J.H. SWAIN
Director

NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

New accounting standards

FRS 18 "Accounting Policies" has been adopted for the first time in these accounts. It did not cause any changes in accounting policies, as after careful review, the directors are satisfied that the current accounting policies are most appropriate for the group.

FRS 19 "Deferred Tax" has been adopted for the first time in these financial statements. However, this did not give rise to a change in comparative figures. FRS 17 "Retirement Benefits" will not have an impact on the company's financial statements. Such contributions to the group's defined contribution scheme will continue to be expensed as incurred under both FRS17 and SSAP24.

Foreign currencies

Assets and liabilities denominated in foreign currency are translated into sterling at the rates of exchange ruling at the year end. Exchange differences are taken to the profit and loss account.

Turnover

Turnover consists of the invoiced value (excluding VAT) for goods and services supplied in the year, derived wholly from the principal activity within the United Kingdom.

Investments

Investments are stated at cost less provision for permanent diminution in value. Cost is purchase price including acquisition expenses, but excluding any payment for accrued interest or fixed dividend entitlement.

Tangible fixed assets and depreciation

Depreciation is provided evenly on the cost (or valuation where appropriate) of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Plant and machinery	10% - 20%	per annum
Motor vehicles	20%	per annum

Leased assets

Where assets are financed by leasing agreements ('finance leases') the assets are included in the balance sheet at cost less depreciation in accordance with the company's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding.

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

Government grants

Grants in respect of fixed assets are credited to the profit and loss account in equal annual instalments over the useful lives of the assets concerned.

Other grants are credited to the profit and loss account in the same period as the expenditure to which they contribute.

NOTES TO THE FINANCIAL STATEMENTS**31 March 2002****1. ACCOUNTING POLICIES (Continued)****Capital Instruments**

Capital Instruments are accounted for and classified as equity or non-equity share capital and debt according to their form. Provision is made for the accrued premium payable on redemption of redeemable debts or non-equity interests.

Dividends appropriation reserve

Dividends due on the 17.7% cumulative redeemable preference shares are accrued on a time basis. The amount provided is credited to a dividend appropriation received until such time as the company has sufficient distributable reserves to enable the dividends due to be paid.

Stocks

Stocks and work in progress are valued at the lower of cost and estimated net realisable value.

Long term contracts

Long term contracts are those extending in excess of 12 months and any of a shorter duration which are material to the activity of 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 percentage complete method. Immediate provision is made for all foreseeable losses if a contract is assessed as unprofitable.

Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Pensions

The company contributes agreed percentages to certain private pension arrangements in accordance with the individuals conditions of employment. The cost of these contributions is charged to the Profit and Loss account as incurred.

Cash flow statement

No cash flow statements provided as the ultimate parent company has provided a consolidated cash flow statement in accordance with FRS1.

2. OPERATING LOSS

Operating loss is arrived at after charging:

	Year ended 31 March 2002 £'000	6 months ended 31 March 2001 £'000
Loss on disposal of fixed assets	-	27
Auditors' remuneration	7	5
Depreciation of tangible fixed assets	101	55
Hire of plant and machinery	18	11
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

3. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 March 2002 £'000	6 months ended 31 March 2001 £'000
Interest on hire purchase and finance leases	6	3
Interest on bank overdraft	108	24
	<u>114</u>	<u>27</u>

4. EMPLOYEES

Average monthly number of employees, including directors:

	Year ended 31 March 2002 No	6 months ended 31 March 2001 No
Production and engineering services	90	104
Administration and selling	10	14
	<u>100</u>	<u>118</u>

Staff costs, including directors:

	Year ended 31 March 2002 £'000	6 months ended 31 March 2001 £'000
Wages and salaries	2332	1,038
Social security costs	193	99
Other pension costs	44	15
	<u>2569</u>	<u>1,152</u>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

5. DIRECTORS

	Year ended 31 March 2002 £'000	6 months ended 31 March 2001 £'000
Aggregate emoluments	286	192
Contributions to money purchase pension schemes for 5 directors	24	10
Highest paid director aggregate emoluments	76	50
Highest paid director contributions to money purchase pension scheme	6	3

6. TAXATION

There is no taxation charge for the year as a result of losses (see note 15).

7. DIVIDENDS

	Year ended 31 March 2002 £'000	6 months ended 31 March 2001 £'000
17.7% cumulative preference dividend on non-equity shares	(89)	89

The holder of the preference shares, Woodside Holdings Limited, has formally waived its entitlement to dividends due on the 17.7% cumulative redeemable shares for the period from 1 October 2000 to 31 March 2002. As a result dividends of £89,000, previously provided in the financial statements have been reversed.

8. OTHER FINANCE CHARGES – NON EQUITY

	Year ended 31 March 2002 £'000	6 months ended 31 March 2001 £'000
Provision for premium due on redemption of preference shares	186	93

MECH-TOOL ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

9. TANGIBLE ASSETS

	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost			
As at 1 April 2001	1,660	11	1,671
Additions	45	-	45
	<hr/>	<hr/>	<hr/>
At 31 March 2002	1,705	11	1,716
	<hr/>	<hr/>	<hr/>
Depreciation			
As at 1 April 2001	(1,079)	-	(1,079)
Charged in year	(99)	(2)	(101)
	<hr/>	<hr/>	<hr/>
At 31 March 2002	(1,178)	(2)	(1,180)
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2002	527	9	536
	<hr/>	<hr/>	<hr/>
At 31 March 2001	581	11	592
	<hr/>	<hr/>	<hr/>

The net book value of the tangible fixed assets includes £92,419 (2001: £6,650) in respect of assets held under finance leases. Depreciation charged in the period on those assets amounted to £9,981 (2001: £2,500).

10. STOCKS

	2002 £'000	2001 £'000
Raw materials	99	69
	<hr/>	<hr/>

The replacement cost of the above stocks would not be significantly different from the values stated.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

11. DEBTORS

	2002 £'000	2001 £'000
Trade debtors	1,200	969
Amounts recoverable on contracts	395	539
Amounts owed by intermediate parent company	678	1,057
Amounts owed by group undertakings	1,280	1,280
Other debtors	7	2
Prepayments and accrued income	101	107
	<u>3,661</u>	<u>3,954</u>

In September 2002, the amounts owed by the intermediate parent company and group undertakings totalling £1,825,000 were repaid, as a result of which the bank overdraft was cleared.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £'000	2001 £'000
Bank overdraft	1,652	1,668
Trade creditors	1,009	777
Payments on account	473	249
Amounts owed to group undertakings	24	24
Corporation Tax	22	22
Other taxation and social security	107	184
Other creditors	2	1
Accruals and deferred income	162	631
	<u>3,451</u>	<u>3,556</u>

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

	2002 £'000	2001 £'000
Obligations under finance leases		
- due within one to two years	48	63
	<u>48</u>	<u>63</u>

MECH-TOOL ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

14. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation comprises:

	Amounts provided		Amounts not provided	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Capital allowances	36	-	-	38
Losses	(36)	-	(58)	-
	<u>-</u>	<u>-</u>	<u>(58)</u>	<u>-</u>
	-	-	(58)	38

15. SHARE CAPITAL

	31 March 2002 £'000	31 March 2001 £'000
Authorised, allotted and fully paid		
50,000 ordinary shares of £1 each	50	50
1,000,000 17.7% cumulative preference shares of £1 each	1,000	1,000
	<u>1,050</u>	<u>1,050</u>

The 17.7% cumulative redeemable preference shares of £1 each entitle the holder 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 17.7% cumulative redeemable preference shares are redeemable at a premium of 130% to their par value, on the following dates and tranches:

Date	Tranche of shares redeemable No.
29 September 2001	142,857
29 September 2002	142,857
29 September 2003	142,857
29 September 2004	142,857
29 September 2005	142,857
29 September 2006	142,858
29 September 2007	142,857
Total	<u>1,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

16. RESERVES

	Profit and loss account £'000	Dividend appropriation reserve £'000	Reserve for redemption premium £'000
At 1 April 2001	(224)	89	93
Loss for the year	(308)	-	-
Transfer for the year	-	(89)	186
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2002	(532)	-	279
	<u> </u>	<u> </u>	<u> </u>

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Year ended 31 March 2002 £'000	6 months ended 31 March 2001 £'000
Loss for the financial period	(211)	(42)
Shares issued in period	-	1,050
	<u> </u>	<u> </u>
(Decrease)/increase in the period	(211)	1,008
Opening shareholders funds	1,008	-
	<u> </u>	<u> </u>
Closing shareholders' funds	797	1,008
	<u> </u>	<u> </u>
Attributable to:		
Equity shareholders	(482)	(174)
Non-equity shareholders	1,279	1,182
	<u> </u>	<u> </u>
	797	1,008
	<u> </u>	<u> </u>

18. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption granted within FRS8, which does not require disclosure of transactions between a subsidiary undertakings, as more than 90% of the company's voting rights are controlled within the group.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

19. OPERATING LEASE COMMITMENTS

The payments which the company is committed to make in the next year under operating leases are as follows:

Plant and machinery leases expiring:

	2002	2001
	£'000	£'000
One to five years	55	55
	<u>55</u>	<u>55</u>

20. CONTINGENT LIABILITIES

There is a legal mortgage over all the ultimate parent undertaking's land and buildings. There is also a mortgage debenture incorporating a first fixed charge and floating charge from the ultimate parent undertaking, and all its current and future subsidiaries. Composite Cross Guarantee arrangements exist between the ultimate parent undertaking and all its current and future subsidiaries.

21. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Socknersh Investments Limited, a company registered in England and Wales.

The company's intermediate parent undertaking is Woodside Holdings Limited, a company registered in England and Wales.

There are no bank or other forms of cross guarantees between Socknersh Investments Limited and Woodside Holdings Limited

The consolidated accounts of Socknarsh Investments Limited are available to the public on payment of the appropriate fee, from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.