

DHD ENGINEERING SERVICES LIMITED
ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2003

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McALEAVY & CO
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
RIVERSIDE HOUSE
RIVER LANE
SALTNEY
CHESTER CH4 8RQ

DHD ENGINEERING SERVICES LIMITED

THE DIRECTORS' REPORT

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year continued to be that of mechanical engineering. The company's trading remained buoyant and the year end financial position was satisfactory. The directors do not anticipate any material change in the future.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	<u>2003</u>
Dividends paid on ordinary shares of £0.56 per share paid on 30 September 2002	<u>28,000</u>

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	<u>Ordinary Shares of £1 each</u>	
	<u>31 March 2003</u>	<u>1 April 2002</u>
D.H. Deering	50,000	50,000
T.D. Tedman	-	-
P.J. Cuff	-	-

M.D. Roberts was appointed as a director on 1 May 2003.

DIRECTORS' RESPONSIBILITIES

Company law 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 at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

- select suitable accounting policies, as described on page 6, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; 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. The directors 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.

DONATIONS

During the year the company made the following contributions:

	<u>2003</u>	<u>2002</u>
Charitable	<u>795</u>	<u>495</u>

AUDITORS

A resolution to reappoint McAleavy & Co as auditors for the ensuing year will be proposed at the annual general meeting in accordance with Section 385 of the Companies Act 1985.

Signed by order of the Directors



D.S. SPEAKMAN
COMPANY SECRETARY

Approved by the Directors 12 August 2003

DHD ENGINEERING SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE COMPANY
PURSUANT TO SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts set out on pages 3 to 13, together with the financial statements of the company for the year ended 31 March 2003 prepared under Section 226 of the Companies Act 1985.

This report is made solely to the company's shareholders, as a body, in accordance with Section 247B 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 THE DIRECTORS AND THE AUDITORS

The directors are responsible for preparing 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 accounts to be delivered are properly prepared in accordance with those provisions and report our opinion to you.

BASIS OF OPINION

We have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to delivery abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the financial statements.

OPINION

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246A(3) of the Act, and the abbreviated accounts on pages 3 to 13 are properly prepared in accordance with those provisions.



McALEAVY & CO
CHARTERED ACCOUNTANTS AND
REGISTERED AUDITORS

RIVERSIDE HOUSE
RIVER LANE
SALTNEY
CHESTER CH4 8RQ

12 AUGUST 2003

DHD ENGINEERING SERVICES LIMITED
ABBREVIATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2003

	<u>NOTES</u>	<u>2003</u>	<u>2002</u>
GROSS PROFIT		1,201,591	863,171
Establishment expenses		184,178	123,553
Administrative expenses		<u>892,054</u>	<u>618,764</u>
		<u>1,076,232</u>	<u>742,317</u>
OPERATING PROFIT	2	125,359	120,854
Interest receivable		<u>58</u>	<u>-</u>
		125,417	120,854
Interest payable and similar charges	5	<u>26,493</u>	<u>29,192</u>
PROFIT on ordinary activities before taxation		98,924	91,662
TAX on profit on ordinary activities	6	<u>23,626</u>	<u>25,022</u>
PROFIT on ordinary activities after taxation		75,298	66,640
DIVIDENDS	7	<u>28,000</u>	<u>20,000</u>
RETAINED PROFIT for the financial year		47,298	46,640
Balance brought forward		<u>203,068</u>	<u>156,428</u>
Balance carried forward		<u>250,366</u>	<u>203,068</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 6 to 13 form part of these abbreviated accounts


DHD ENGINEERING SERVICES LIMITED

ABBREVIATED BALANCE SHEET AT 31 MARCH 2003

	<u>NOTES</u>	<u>2003</u>	<u>2002</u> <u>(Restated)</u>
FIXED ASSETS			
Tangible assets	8	232,613	206,784
CURRENT ASSETS			
Stocks	9	67,481	13,944
Debtors	10	1,074,669	774,463
Cash in hand		<u>497</u>	<u>207</u>
		1,142,647	788,614
CREDITORS: amounts falling due within one year	11	<u>985,905</u>	<u>664,224</u>
NET CURRENT ASSETS		<u>156,742</u>	<u>124,390</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		389,355	331,174
CREDITORS: amounts falling due after more than one year	12	<u>76,843</u>	<u>72,248</u>
		312,512	258,926
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	14	<u>12,146</u>	<u>5,858</u>
		<u>300,366</u>	<u>253,068</u>
CAPITAL AND RESERVES			
Called up equity share capital	16	50,000	50,000
Profit and loss account		<u>250,366</u>	<u>203,068</u>
SHAREHOLDERS' FUNDS	17	<u>300,366</u>	<u>253,068</u>

These abbreviated financial statements have been prepared in accordance with the special provisions for medium-sized companies under Part VII of the Companies Act 1985.

These abbreviated accounts were approved by the directors on 12 August 2003 and are signed on their behalf by:



 D.H. DEERING
 DIRECTOR

The notes on pages 6 to 13 form part of these abbreviated accounts

DHD ENGINEERING SERVICES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2003

	<u>NOTES</u>	<u>2003</u>	<u>2002</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	18	182,331	114,768
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	19	(26,435)	(29,192)
TAXATION	20	(19,163)	(37,836)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	21	(85,700)	(146,025)
EQUITY DIVIDENDS PAID		<u>(28,000)</u>	<u>(20,000)</u>
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		23,033	(118,285)
FINANCING	22	<u>(13,377)</u>	<u>61,562</u>
INCREASE/(DECREASE) IN CASH	23	<u>9,656</u>	<u>(56,723)</u>

The notes on pages 6 to 13 form part of these abbreviated accounts

DHD ENGINEERING SERVICES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2003

1. ACCOUNTING POLICIES

Basis of accounting

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

Turnover

Turnover shown in the profit and loss account represents the sales value of work completed during the year.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that assets as follows:

Leasehold property	:	25% straight line
Plant and machinery	:	15% reducing balance
Fixtures and fittings	:	25% reducing balance
Motor vehicles	:	25% reducing balance

Stocks

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

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

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.

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.

DHD ENGINEERING SERVICES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2003 (Cont)

2. OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	<u>2003</u>	<u>2002</u>
Depreciation of owned fixed assets	32,486	13,366
Depreciation of assets held under hire purchase agreements	19,865	24,385
Loss on disposal of fixed assets	7,520	909
Auditors' remuneration		
- as auditors	7,250	6,500
- for other services	1,210	1,150
Operating lease costs:		
Land and buildings	47,543	46,525
Plant and equipment	<u>25,950</u>	<u>17,990</u>

3. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	<u>2003</u>	<u>2002</u>
Number of production staff	54	47
Number of administrative staff	<u>13</u>	<u>8</u>
	<u>67</u>	<u>55</u>

The aggregate payroll costs of the above were:

	<u>2003</u>	<u>2002</u>
Wages and salaries	1,881,373	1,722,433
Social security costs	<u>183,270</u>	<u>165,713</u>
	<u>2,064,643</u>	<u>1,888,146</u>

4. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	<u>2003</u>	<u>2002</u>
Emoluments receivable	<u>98,671</u>	<u>127,558</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>2003</u>	<u>2002</u>
Interest payable on bank borrowings	572	2,638
Finance charges	14,970	12,016
Interest on other loans	350	213
Invoice discounting interest	<u>10,601</u>	<u>14,325</u>
	<u>26,493</u>	<u>29,192</u>

DHD ENGINEERING SERVICES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2003 (Cont)

6. **TAX on profit on ordinary activities**

(a) **Analysis of charge in the year**

	<u>2003</u>	<u>2002</u>
Current tax:		
In respect of the year:		
U.K. corporation tax based on the results for the year @ 19% (2002 - 20%)	<u>17,338</u>	<u>19,163</u>
Total current tax	17,338	19,163
Deferred tax:		
Increase in deferred tax provision	<u>6,288</u>	<u>5,859</u>
Tax on profit on ordinary activities	<u>23,626</u>	<u>25,022</u>

(b) **Factors affecting current tax charge**

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the U.K. of 19% (2002 - 20%)

	<u>2003</u>	<u>2002</u>
Profit on ordinary activities before taxation	<u>98,924</u>	<u>91,662</u>
Profit on ordinary activities by rate of tax	18,795	18,332
Expenses not deductible for tax purposes	4,569	3,699
Capital allowances for period in excess of depreciation	<u>(6,026)</u>	<u>(2,868)</u>
Total current tax (note 7(a))	<u>17,338</u>	<u>19,163</u>

7. **DIVIDENDS**

The following dividends have been paid in respect of the year:

	<u>2003</u>	<u>2002</u>
Dividend paid on ordinary shares	<u>28,000</u>	<u>20,000</u>

DHD ENGINEERING SERVICES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2003 (Cont)

8. TANGIBLE FIXED ASSETS

	<u>Leasehold Property</u>	<u>Plant and Machinery</u>	<u>Fixtures and Fittings</u>	<u>Motor Vehicles</u>	<u>Total</u>
COST					
1 April 2002	-	49,992	14,140	193,921	258,053
Additions	15,565	51,028	19,208	96,785	182,586
Disposals	<u>(5,250)</u>	<u>(3,300)</u>	<u>-</u>	<u>(146,363)</u>	<u>(154,913)</u>
31 March 2003	<u>10,315</u>	<u>97,720</u>	<u>33,348</u>	<u>144,343</u>	<u>285,726</u>
DEPRECIATION					
1 April 2002	-	10,783	3,657	36,829	51,269
Charge for the year	3,563	7,564	4,407	36,817	52,351
On disposals	<u>(984)</u>	<u>(702)</u>	<u>-</u>	<u>(48,821)</u>	<u>(50,507)</u>
31 March 2003	<u>2,579</u>	<u>17,645</u>	<u>8,064</u>	<u>24,825</u>	<u>53,113</u>
NET BOOK VALUE					
31 March 2003	<u>7,736</u>	<u>80,075</u>	<u>25,284</u>	<u>119,518</u>	<u>232,613</u>
31 March 2002	<u>-</u>	<u>39,209</u>	<u>10,483</u>	<u>157,092</u>	<u>206,784</u>

Hire purchase and finance lease agreements

Included within the net book value of £232,613 is £153,714 (2002 - £159,529) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £19,865 (2002 - £25,385).

9. STOCKS

	<u>2003</u>	<u>2002</u> (Restated)
Raw materials	1,000	1,000
Work in progress	170,609	53,050
Payments on account	<u>(104,128)</u>	<u>(40,106)</u>
	<u>67,481</u>	<u>13,944</u>

10. DEBTORS

	<u>2003</u>	<u>2002</u> (Restated)
Trade debtors	751,919	529,687
Amounts recoverable on contracts	280,976	112,508
Related parties	-	123,518
Other debtors	7,500	952
Prepayments and accrued income	<u>34,274</u>	<u>7,798</u>
	<u>1,074,669</u>	<u>774,463</u>

DHD ENGINEERING SERVICES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2003 (Cont)

11. CREDITORS: amounts falling due within one year	<u>2003</u>	<u>2002</u>
Bank loans and overdrafts	88,990	98,356
Trade creditors	311,723	127,677
Related companies	22,800	29,075
Corporation tax	17,338	19,163
Other taxation	110,516	86,035
Hire purchase agreements	41,046	59,018
Invoice discounting	251,438	149,756
Directors' current accounts	241	378
Accruals and deferred income	141,813	93,294
Other creditors	<u>-</u>	<u>1,472</u>
	<u>985,905</u>	<u>664,224</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	<u>2003</u>	<u>2002</u>
Bank loans and overdrafts	88,890	98,356
Invoice discounting	<u>251,438</u>	<u>149,756</u>
	<u>340,328</u>	<u>248,112</u>

12. CREDITORS: amounts falling due after more than one year	<u>2003</u>	<u>2002</u>
Hire purchase agreements	<u>76,843</u>	<u>72,248</u>

13. **COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS**

Future commitments under hire purchase agreements are as follows:

	<u>2003</u>	<u>2002</u>
Amounts payable within one year	46,582	69,284
Amounts payable between one and two years	37,738	48,871
Amounts payable between three and five years	<u>47,849</u>	<u>35,106</u>
	132,169	153,261
Less interest and finance charges relating to future periods	<u>(14,280)</u>	<u>(21,995)</u>
	<u>117,889</u>	<u>131,266</u>
Hire purchase agreements are analysed as follows:		
Current obligations	41,046	59,018
Non-current obligations	<u>76,843</u>	<u>72,248</u>
	<u>117,889</u>	<u>131,266</u>

DHD ENGINEERING SERVICES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2003 (Cont)

14. **DEFERRED TAXATION**

The movement in the deferred taxation provision during the year was:

	<u>2003</u>	<u>2002</u>
Provision brought forward	5,858	-
Profit and loss account movements arising during the year	<u>6,288</u>	<u>5,858</u>
Provision carried forward	<u>12,146</u>	<u>5,858</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	<u>2003</u>	<u>2002</u>
Excess of taxation allowances over depreciation on fixed assets	<u>12,146</u>	<u>5,858</u>
	<u>12,146</u>	<u>5,858</u>

15. **COMMITMENTS UNDER OPERATING LEASES**

At 31 March 2003 the company had annual commitments under non-cancellable operating leases as set out below:

	<u>2003</u>		<u>2002</u>	
	<u>Land and Buildings</u>	<u>Other Items</u>	<u>Land and Buildings</u>	<u>Other Items</u>
Operating leases which expire:				
Within one year	-	477	-	-
Within two to five years	<u>47,197</u>	<u>39,172</u>	<u>-</u>	<u>-</u>
	<u>47,197</u>	<u>39,649</u>	<u>-</u>	<u>-</u>

16. **SHARE CAPITAL**

	<u>2003</u>	<u>2002</u>
Authorised share capital:		
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

	<u>2003</u>	<u>2002</u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

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

	<u>2003</u>	<u>2002</u>
Profit for the financial year	75,298	66,640
Dividends	<u>(28,000)</u>	<u>(20,000)</u>
	47,298	46,640
Opening shareholders' equity funds	<u>253,068</u>	<u>206,428</u>
Closing shareholders' equity funds	<u>300,366</u>	<u>253,068</u>

DHD ENGINEERING SERVICES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2003 (Cont)

18.	RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>2003</u>	<u>2002</u> (Restated)
	Operating profit	125,359	120,854
	Depreciation	52,351	38,751
	Loss on disposal of fixed assets	7,520	909
	(Increase)/decrease in stocks	(53,537)	94,565
	Increase in debtors	(300,206)	(29,106)
	Increase/(decrease) in creditors	<u>350,844</u>	<u>(111,205)</u>
	Net cash inflow from operating activities	<u>182,331</u>	<u>114,768</u>
19.	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	<u>2003</u>	<u>2002</u>
	Interest received	58	-
	Interest paid	(11,523)	(17,176)
	Interest element of hire purchase	<u>(14,970)</u>	<u>(12,016)</u>
	Net cash outflow from returns on investments and servicing of finance	<u>(26,435)</u>	<u>(29,192)</u>
20.	TAXATION	<u>2003</u>	<u>2002</u>
	Taxation	<u>(19,163)</u>	<u>(37,836)</u>
21.	CAPITAL EXPENDITURE	<u>2003</u>	<u>2002</u>
	Payments to acquire tangible fixed assets	(182,586)	(161,225)
	Receipts from sale of fixed assets	<u>96,886</u>	<u>15,200</u>
	Net cash outflow from capital expenditure	<u>(85,700)</u>	<u>(146,025)</u>
22.	FINANCING	<u>2003</u>	<u>2002</u>
	Capital element of hire purchase	<u>(13,377)</u>	<u>61,562</u>
	Net cash (outflow)/inflow from financing	<u>(13,377)</u>	<u>61,562</u>

DHD ENGINEERING SERVICES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2003 (Cont)

23. **RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	<u>2003</u>	<u>2002</u>
Increase/(decrease) in cash in the period	9,656	(56,723)
Cash outflow/(inflow) in respect of hire purchase	<u>13,377</u>	<u>(61,562)</u>
Change in net debt	23,033	(118,285)
Net debt at 1 April 2002	<u>(229,415)</u>	<u>(111,130)</u>
Net debt at 31 March 2003	<u>(206,382)</u>	<u>(229,415)</u>

24. **ANALYSIS OF CHANGES IN NET DEBT**

	<u>1 April 2002</u>	<u>Cash flows</u>	<u>31 March 2003</u>
Net cash:			
Cash in hand and at bank	207	290	497
Overdrafts	<u>(98,356)</u>	<u>9,366</u>	<u>(88,990)</u>
	<u>(98,149)</u>	<u>9,656</u>	<u>(88,493)</u>
Debt:			
Hire purchase agreements	<u>(131,266)</u>	<u>13,377</u>	<u>(117,889)</u>
Net debt	<u>(229,415)</u>	<u>23,033</u>	<u>(206,382)</u>