

Company Registration No. 697744 (England and Wales)

DOUGLAS EQUIPMENT LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2003



DOUGLAS EQUIPMENT LIMITED

COMPANY INFORMATION

Directors	L A Brewis	(Appointed 20 September 2002)
	D F Weil	(Appointed 20 September 2002)
	J M Weil	(Appointed 20 September 2002)
Secretary	R S Towill	
Company number	697744	
Registered office	Village Road Arle Cheltenham GL51 0AB	
Auditors	Mazars Clifton Down House Beaufort Buildings Clifton Bristol BS8 4AN	
Bankers	HSBC Bank plc 109 Bath Road Cheltenham Gloucestershire GL53 7RA	
Solicitors	BPE St James's House Cheltenham GL50 3PR	

DOUGLAS EQUIPMENT LIMITED

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DOUGLAS EQUIPMENT LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 2003

The directors present their report and financial statements for the period ended 31 March 2003.

Principal activities and review of the business

The principal activity of the company continued to be the design, manufacture and servicing of airport ground support equipment and handling vehicles.

The business manufactures a wide range of aircraft ground support equipment, which is sold to airport authorities, airlines and defence forces throughout the world. It is the world's leading supplier of towbarless aircraft towing tractors and enjoys a strong reputation for technical excellence.

Along with the rest of the aviation industry the company has suffered a downturn in growth, however the company is confident that following the recent acquisition of the company by Aquarius Group Limited, a Hong Kong based company, the company will start to benefit and improvements in future trade will occur. The sale of the company has resulted in a new management team being put in place.

Results and dividends

The results for the period are set out on page 4.

Research and development

The company is committed to research and development activities. The primary aim of these activities is to ensure that the product that is produced is continually improved thus enabling new products to enter the market.

Directors

The following directors have held office since 1 January 2002:

A M Gardiner	(Resigned 20 September 2002)
F Hicks	(Resigned 20 September 2002)
C J Coleman	(Resigned 12 June 2002)
P M Paul	(Appointed 30 April 2002 and resigned 20 September 2002)
P C Skertchly	(Appointed 28 May 2002 and resigned 20 September 2002)
C J Brewis	(Appointed 20 September 2002 and resigned 7 January 2003)
L A Brewis	(Appointed 20 September 2002)
D F Weil	(Appointed 20 September 2002)
J M Weil	(Appointed 20 September 2002)

Directors' interests

There are no directors' interests requiring disclosure under the Companies Act 1985.

	Ordinary shares of £ 1 each	
	31 March 2003	1 January 2002
L A Brewis	-	-
D F Weil	-	-
J M Weil	-	-

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

On average, trade creditors at the year end represented 26 (2001- 77) days' purchases.

DOUGLAS EQUIPMENT LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2003

Auditors

Mazars were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

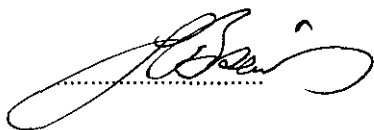
Directors' responsibilities

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 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

On behalf of the board



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DOUGLAS EQUIPMENT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DOUGLAS EQUIPMENT LIMITED

We have audited the financial statements for the period ended 31 March 2003 which comprise the Profit and Loss Account, the Balance sheet and the related notes. These financial statements have been prepared under the historical cost convention and 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 the directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatement in it.

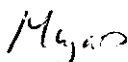
Basis of audit opinion

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 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 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 of the state of the company's affairs as at 31 March 2003 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Mazars

Chartered Accountants
Registered Auditor



Clifton Down House
Beaufort Buildings
Clifton
Bristol BS8 4AN

DOUGLAS EQUIPMENT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2003

		Period ended 31 March 2003 £	Year ended 31 December 2001 £
	Notes		
Turnover	2	11,377,445	15,694,000
Cost of sales		(11,039,041)	(11,378,000)
Gross profit		338,404	4,316,000
Distribution costs		-	(326,000)
Administrative expenses		(1,619,327)	(5,124,000)
Other operating income		(18,505)	-
Operating loss	3	(1,299,428)	(1,134,000)
Impairment of fixed assets reversal	3	398,666	(805,000)
Cost of reorganisation	3	(561,149)	-
Inter company debt cancelled		17,554	-
		17,554	-
Loss on ordinary activities before interest		(1,444,357)	(1,939,000)
Other interest receivable and similar income		3,411	-
Interest payable and similar charges	4	(32,978)	(36,000)
Loss on ordinary activities before taxation		(1,473,924)	(1,975,000)
Tax on loss on ordinary activities	5	-	-
Loss on ordinary activities after taxation	13	(1,473,924)	(1,975,000)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

DOUGLAS EQUIPMENT LIMITED

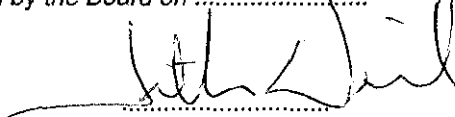
BALANCE SHEET AS AT 31 MARCH 2003

	Notes	2003 £	£	2001 £	£
Fixed assets					
Tangible assets	6		1,675,649		1,499,357
Current assets					
Stocks	7	2,871,793		3,395,387	
Debtors	8	1,060,192		3,257,000	
Cash at bank and in hand		711,476		-	
		4,643,461		6,652,387	
Creditors: amounts falling due within one year	9	(1,724,974)		(3,958,000)	
Net current assets			2,918,487		2,694,387
Total assets less current liabilities			4,594,136		4,193,744
Creditors: amounts falling due after more than one year	10		(1,953,316)		-
Provisions for liabilities and charges			-		(79,000)
			2,640,820		4,114,744
Capital and reserves					
Called up share capital	12	16,162,000		16,162,000	
Share premium account	13	11,200		11,200	
Profit and loss account	13	(13,532,380)		(12,058,456)	
Shareholders' funds - equity interests	14		2,640,820		4,114,744

The financial statements were approved by the Board on 28th November 2003



Director



Director

DOUGLAS EQUIPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2003

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this is based on the continued support of its ultimate parent company, Aquarius Group Limited.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for the provision of goods and services net of VAT and trade discounts to customers.

1.4 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	2.5% per annum
Land and buildings Leasehold	33.3% per annum
Plant and machinery	10-33.3% per annum

During the year the company has amended the accounting policy in relation to new computer assets purchased. The depreciation policy for all new computer assets in the future will be 33.33%, previously this was 20%. The company feel that the new policy is more appropriate considering the life span of the assets. This change does not necessitate a prior year adjustment.

1.6 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

DOUGLAS EQUIPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2003

1 Accounting policies

(continued)

1.7 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value. Costs include materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal.

Provision is made for obsolete, slow moving or defective items where appropriate.

1.8 Long term contracts

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

1.9 Pensions

The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings. Any difference between the charge to the profit and loss account and the contributions paid to the scheme is shown as an asset or liability in the balance sheet.

1.10 Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

The above amounts to a change in accounting policy. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future.

The adoption of the standard has not required a prior period adjustment. If the new policy had been in place in the previous period no asset would have been recognised as the conditions for recognition would not have been satisfied.

1.11 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

Geographical market

	Turnover	
	2003	2001
	£	£
United Kingdom	6,174,428	8,184,000
Rest of Europe	1,616,153	3,635,000
Rest of the World	3,586,865	3,875,000
	<u>11,377,446</u>	<u>15,694,000</u>

DOUGLAS EQUIPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2003

3	Operating loss	2003 £	2001 £
	Operating loss is stated after charging:		
	Depreciation of tangible assets	257,337	291,000
	Loss on foreign exchange transactions	18,505	-
	Research and development	54,068	-
	Operating lease rentals		
	- Plant and machinery	58,131	51,000
	- Other assets	66,026	45,000
	Auditors' remuneration	15,852	17,000
	and after crediting:		
	Profit on disposal of tangible assets	(89,988)	-

The accounts for the period ended 31 March 2003 include a cost of £561,149 in relation to the redundancy costs incurred by the company as a result of a reorganisation undertaken by the company in anticipation of the company being sold.

In 2001 the company performed an impairment review of the fixed assets, this resulted in the carrying value of the land and buildings and plant and machinery being reduced to their estimated net realisable value. This impairment review amounted to £805,000. This impairment was performed in anticipation of the company ceasing trade.

In 2003, following the sale of the company, the land and buildings were revalued to their market value based on current usage. The revaluation was performed by Alder King in September 2002. As a result of this revaluation the company has been able to reverse £340,666 of the previous years impairment review done on the land and buildings. Also, due to the change in the trading patterns of the company it has been considered appropriate to reverse the impairment review performed in the previous year on plant and machinery, this amounted to £58,000.

4	Interest payable	2003 £	2001 £
	On bank loans and overdrafts	32,646	35,000
	Hire purchase interest	332	1,000
		<u>32,978</u>	<u>36,000</u>

DOUGLAS EQUIPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2003

5 Taxation

	2003	2001
Current tax charge	-	-
Factors affecting the tax charge for the period		
Loss on ordinary activities before taxation	(1,473,924)	(1,975,000)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2001: 30.00%)	(442,177)	(592,500)
Effects of:		
Non deductible expenses	9,566	10,019
Depreciation add back	191,840	316,592
Capital allowances	(7,150)	(5,737)
Tax losses utilised	331,831	317,163
Chargeable disposals	(24,517)	-
Other tax adjustments	(59,393)	(45,537)
	442,177	592,500
Current tax charge	-	-

The company has estimated losses of £ 2,909,336 (2001: £ 1,855,213) available for carry forward against future trading profits.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would only become payable if the property were sold without it being possible to claim rollover relief. At present, it is not envisaged that any tax will become payable in the foreseeable future.

The company has brought forward tax losses of £1,855,213 and additional tax losses this year of £1,054,123, this will give a deferred tax asset of £872,801.

The company does not currently claim capital allowances on assets, and will not do so until they commence the payment of corporation tax.

DOUGLAS EQUIPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2003

6 Tangible fixed assets

	Land and buildings Freehold £	Land and buildings Leasehold £	Plant and machinery £	Total £
Cost				
At 1 January 2002	2,059,574	65,116	2,196,107	4,320,797
Additions	-	-	42,154	42,154
Disposals	-	-	(362,987)	(362,987)
At 31 March 2003	2,059,574	65,116	1,875,274	3,999,964
Depreciation				
At 1 January 2002	960,240	46,045	1,815,155	2,821,440
Revaluation	(340,666)	-	(58,000)	(398,666)
On disposals	-	-	(355,796)	(355,796)
Charge for the period	36,355	16,333	204,649	257,337
At 31 March 2003	655,929	62,378	1,606,008	2,324,315
Net book value				
At 31 March 2003	1,403,645	2,738	269,266	1,675,649
At 31 December 2001	1,099,334	19,071	380,952	1,499,357

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery £
Net book values	
At 31 March 2003	-
At 31 December 2001	30,381
Depreciation charge for the period	
31 March 2003	-
31 December 2001	19,140

DOUGLAS EQUIPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2003

7	Stocks and work in progress	2003	2001
		£	£
	Raw materials and consumables	1,341,528	1,256,000
	Work in progress	1,043,261	1,521,000
	Finished goods and goods for resale	487,004	618,387
		<u>2,871,793</u>	<u>3,395,387</u>
8	Debtors	2003	2001
		£	£
	Trade debtors	926,009	2,221,000
	Amounts owed by subsidiary undertakings	-	888,000
	Other debtors	10,962	-
	Prepayments and accrued income	123,221	148,000
		<u>1,060,192</u>	<u>3,257,000</u>
9	Creditors: amounts falling due within one year	2003	2001
		£	£
	Bank loans and overdrafts	-	663,000
	Payments received on account	149,040	18,000
	Net obligations under hire purchase contracts	-	2,000
	Trade creditors	794,587	2,390,000
	Amounts owed to subsidiary undertakings	-	347,000
	Taxes and social security costs	120,780	173,000
	Other creditors	7,359	42,000
	Accruals and deferred income	653,208	323,000
		<u>1,724,974</u>	<u>3,958,000</u>

The bank overdraft is secured by a mortgage charge over the properties held by HSBC Bank Plc. This charge was established on 23 April 2003.

Net obligations under hire purchase contracts

Repayable within one year	-	2,000
Finance charges and interest allocated to future accounting periods	-	-
	<u>-</u>	<u>2,000</u>

DOUGLAS EQUIPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2003

10 Creditors: amounts falling due after more than one year	2003 £	2001 £
Other loans	1,953,316	-
Analysis of loans		
Not wholly repayable within five years by instalments:		
Other loans	1,953,316	-
	1,953,316	-
Instalments not due within five years	1,953,316	-
Loan maturity analysis		
In more than five years	1,953,316	-

The other loans represents monies owed to Trinity Douglas Limited of £1,603,316 and Aquarius Group Limited of £350,000. There are currently no repayment terms in place.

11 Pension costs

Defined contribution

	2003 £	2001 £
Contributions payable by the company for the period	114,091	155,000

12 Share capital

	2003 £	2001 £
Authorised		
16,162,000 Ordinary shares of £1 each	16,162,000	16,162,000
Allotted, called up and fully paid		
16,162,000 Ordinary shares of £1 each	16,162,000	16,162,000

DOUGLAS EQUIPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2003

13 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 January 2002	11,200	(12,058,456)
Retained loss for the period	-	(1,473,924)
Balance at 31 March 2003	11,200	(13,532,380)

14 Reconciliation of movements in shareholders' funds

	2003 £	2001 £
Loss for the financial period	(1,473,924)	(1,975,000)
Opening shareholders' funds	4,114,744	6,089,744
Closing shareholders' funds	2,640,820	4,114,744

15 Financial commitments

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

	Land and buildings		Other	
	2003 £	2001 £	2003 £	2001 £
Expiry date:				
Within one year	-	45,000	23,324	3,000
Between two and five years	70,000	-	38,967	135,000
	70,000	45,000	62,291	138,000

16 Directors' emoluments

	2003 £	2001 £
Emoluments for qualifying services	14,455	83,000
Company pension contributions to money purchase schemes	2,024	9,000
	16,479	92,000

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 0 (2001- 1).

Following the sale of the company, all pension liabilities previously accruing in Douglas Equipment Limited have been retained by the previous owners of the company.

DOUGLAS EQUIPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2003

17 Employees

Number of employees

The average monthly number of employees (including directors) during the period was:

	2003 Number	2001 Number
Sales and marketing	15	37
Production and engineering	103	114
Administration	10	11
	<u>128</u>	<u>162</u>

Employment costs

	£	£
Wages and salaries	2,284,092	2,574,000
Social security costs	214,269	228,000
Other pension costs	114,091	155,000
	<u>2,612,452</u>	<u>2,957,000</u>

18 Control

The company is a wholly owned subsidiary undertaking of Trinity Douglas Limited, a company incorporated in England and Wales, whose ultimate parent and controlling undertaking is Aquarius Group Limited, a company incorporated in Jersey. The results of the company will be consolidated into the accounts of Aquarius Group Limited. These accounts are available to the public.