

COMPANY NO: 885335

Haswell Engineers Limited

Annual Report

Year ended 30 September 2005



Contents

	Page
Company Information	1
Report of the Directors	2
Independent Auditors' Report	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Financial Statements	7

Company Information

Directors	Peter G Pollock Stephen K Brett Gary C Newman
Secretary	Gary C Newman
Registered office	Tudor Works Debden Road Saffron Walden Essex CB11 4AN
Registered number	885335
Auditors	RSM Robson Rhodes LLP Chartered Accountants Daedalus House Station Road Cambridge CB1 2RE
Bankers	Bank of Scotland 123 St Vincent Street Glasgow G2 5EA

Report of the Directors

The directors present their report and the audited financial statements for the year ended 30 September 2005.

Results and dividends

The Company made a loss for the year, after taxation of £35,053 (2004: £67,868). The directors do not recommend the payment of a dividend (2004: Nil).

Principle activities

The principal activities of the Company are unchanged since last year and consist of the manufacture of light engineering sheet metal components.

Business review and future developments

Although the Company's performance in the year to September 2005 was behind expectation significant progress has again been made. Year on year turnover increased by 6%, which resulted in a much reduced loss. The directors expect the Company to return to profitability in the forthcoming year.

Directors and their interests

The directors who served during the year are shown on page 1.

The directors had no interest in the share capital of the Company, which is a wholly owned subsidiary of LPA Group plc. The interests of Peter Pollock and Stephen Brett in the share capital of LPA Group plc are disclosed in the financial statements of that company. Gary Newman held no interest in the share capital of LPA Group plc.

Donations

The Company made charitable donations in the year of £Nil (2004: £Nil).

Statement of directors' responsibilities for the financial statements

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 are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and 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 taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Report of the Directors (continued)

Auditors

RSM Robson Rhodes LLP are willing to continue in office. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approval

The report of the directors was approved by the Board on 20 January 2006 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'G. Newman', written over a horizontal line.

Gary Newman
Secretary

Independent Auditors' Report to the Shareholders of Haswell Engineers Limited

We have audited the financial statements on pages 5 to 13.

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 auditor's 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 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 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 affairs of the Company as at 30 September 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditor
Cambridge
20 January 2006

Profit and Loss Account

for the year ended 30 September 2005

	Note	2005 £	2004 £
Turnover	2	2,604,266	2,449,424
Cost of sales		(1,872,629)	(1,777,183)
Gross profit		731,637	672,241
Sales and distribution costs		(174,327)	(116,092)
Administrative expenses		(580,305)	(641,783)
Other operating income		574	812
Operating loss	3	(22,421)	(84,822)
Interest payable and similar charges	5	(17,868)	(13,832)
Loss on ordinary activities before taxation		(40,289)	(98,654)
Tax on loss on ordinary activities	6	5,236	30,786
Loss on ordinary activities after taxation		(35,053)	(67,868)
Retained profit brought forward		205,553	273,421
Retained profit carried forward	15	170,500	205,553

All activities are continuing.

There were no gains or losses in either year other than those recognised in the profit and loss account and as a result no statement of total recognised gains and losses is presented.

The only movement in shareholders' funds is the profit for the financial year.

Balance Sheet

at 30 September 2005

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	7	784,052	810,369
Current assets			
Stocks	8	541,185	427,637
Debtors	9	613,482	545,174
Cash at bank and in hand		58	118
		1,154,725	972,929
Creditors: Amounts falling due within one year	10	(681,751)	(466,713)
Net current assets		472,974	506,216
Total assets less current liabilities		1,257,026	1,316,585
Creditors: Amounts falling due after more than one year	11	(1,000,000)	(1,030,257)
Provisions for liabilities and charges	13	(66,526)	(60,775)
Net assets		190,500	225,553
Capital and reserves			
Called up share capital	14	20,000	20,000
Profit and loss account	15	170,500	205,553
		190,500	225,553

The financial statements were approved by the Board on 20 January 2006 and signed on its behalf by:



S K Brett
Director

Notes to the Financial Statements

for the year ended 30 September 2005

1. Accounting Policies

Basis of accounting

The accounts are prepared in accordance with applicable accounting standards under the historical cost convention.

Turnover

Turnover represents amounts invoiced for products sold (excluding VAT) in the normal course of business.

Tangible fixed assets and depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly to its residual value over its expected useful life. Where there is evidence of impairment, fixed assets are written down to recoverable amounts. Any such write down would be charged to operating profit. In the year straight line annual depreciation rates were adopted for all asset classes. The principal annual rates are as follows:

Plant and machinery	7% straight line (formerly 15% reducing balance)
Motor vehicles	25% straight line (formerly 25% reducing balance)
Fixtures and fittings	10% straight line (formerly 15% reducing balance)
Office equipment	20% straight line

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and estimated net realisable value. Cost is determined on a first-in-first-out basis. The cost of work in progress and finished goods comprises materials, direct labour and attributable production overheads. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

Deferred taxation

Deferred tax is recognised, except as noted below, on timing differences that have originated but not reversed at the balance sheet date, where they result in an obligation to pay more tax, or a right to pay less tax in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

LPA Group plc and its subsidiary undertakings are able to relieve their taxable losses by surrendering them to other group companies where capacity to utilise those losses exists. There is an agreement between members of this Group that such losses will be paid for by the recipient company. Where there is reasonable certainty that taxable losses can be relieved the group relief receivable or payable is included in the taxation charge or credit for the period.

Leased assets

Assets obtained under finance leases and hire purchase agreements are capitalised in the balance sheet and are depreciated over their useful lives. The corresponding liability is recorded as a creditor and the interest element of rental obligations is charged to the profit and loss account over the period of the lease. Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Pensions contributions

The Company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Notes to the Financial Statements

for the year ended 30 September 2005

1. Accounting Policies (continued)

Cash flow statement

The Company is exempt from publishing a cash flow statement as it is a wholly owned subsidiary of LPA Group plc which publishes a consolidated cash flow statement.

2. Turnover

The analysis of turnover by geographical market is as follows:

	2005 £	2004 £
United Kingdom	2,409,173	2,449,424
Rest of Europe	195,093	-
	<hr/>	<hr/>
	2,604,266	2,449,424
	<hr/>	<hr/>

3. Operating Loss

The operating loss is arrived at after charging / (crediting):

	2005 £	2004 £
Depreciation on owned assets	124,608	109,865
Depreciation on assets held under hire purchase agreements	20,341	40,492
(Profit) / loss on disposal of fixed assets	(1,907)	5,571
Operating lease rentals - plant and machinery	-	6,313
Operating lease rentals - land and buildings	173,510	173,610
Auditors' remuneration	5,750	5,285
Other services provided by auditors	2,000	2,000
	<hr/>	<hr/>

4. Employees

Average monthly number of employees, excluding directors:

	2005 No	2004 No
Production	42	42
Sales and distribution	2	2
Administration	3	3
	<hr/>	<hr/>
	47	47
	<hr/>	<hr/>

Staff costs:

	2005 £	2004 £
Wages and salaries	831,487	803,082
Social security costs	81,467	77,192
Other pension costs	8,656	8,951
	<hr/>	<hr/>
	921,610	889,225
	<hr/>	<hr/>

The directors received no remuneration from the Company.

Notes to the Financial Statements

for the year ended 30 September 2005

5. Interest Payable

	2005 £	2004 £
Bank overdraft	11,825	1,953
Hire purchase contracts and finance leases	6,043	11,879
	<hr/>	<hr/>
Net interest payable	17,868	13,832
	<hr/>	<hr/>

There is no interest charged on the inter-group loan.

6. Taxation

	2005 £	2004 £
United Kingdom corporation tax		
Group relief receivable	(16,967)	(32,218)
Adjustments in respect of prior years	5,980	(5,584)
	<hr/>	<hr/>
Current taxation	(10,987)	(37,802)
Deferred taxation		
Net reversal of timing differences	5,751	7,016
	<hr/>	<hr/>
Tax on loss on ordinary activities	(5,236)	(30,786)
	<hr/>	<hr/>
Current tax reconciliation		
	2005 £	2004 £
Loss on ordinary activities before taxation	(40,289)	(98,654)
	<hr/>	<hr/>
Theoretical tax at UK corporation tax rate of 30% (2004: 30%)	(12,087)	(29,596)
Effects of:		
- Accelerated capital allowances	(5,480)	(4,916)
- Other expenditure that is not tax deductible	-	1,769
- Other timing differences	600	525
- Adjustments in respect of prior years	5,980	(5,584)
	<hr/>	<hr/>
Actual current taxation charge	(10,987)	(37,802)
	<hr/>	<hr/>

At 30 September 2005 the Company had tax losses to carry forward against profits chargeable to corporation tax amounting to £155,000 (2004: £155,000) subject to agreement with the Inland Revenue.

Notes to the Financial Statements

for the year ended 30 September 2005

7. Tangible Fixed Assets

	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Office Equipment £	Total £
Cost					
At 1 October 2004	2,264,079	72,102	97,642	100,490	2,534,313
Additions	30,009	27,105	71,284	-	128,398
Disposals	(40,000)	(45,625)	-	-	(85,625)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2005	2,254,088	53,582	168,926	100,490	2,577,086
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 October 2004	1,525,497	60,087	59,101	79,259	1,723,944
Charged in year	109,104	11,851	14,541	9,453	144,949
Disposals	(35,668)	(40,191)	-	-	(75,859)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2005	1,598,933	31,747	73,642	88,712	1,793,034
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 30 September 2005	655,155	21,835	95,284	11,778	784,052
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 October 2004	738,582	12,015	38,541	21,231	810,369
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of tangible fixed assets includes £209,113 (2004: £229,454) in respect of assets held under hire purchase contracts.

8. Stocks

	2005 £	2004 £
Raw materials	165,861	142,885
Work in progress	199,034	125,830
Finished goods	176,290	158,922
	<hr/>	<hr/>
	541,185	427,637
	<hr/>	<hr/>

There is no material difference between the balance sheet value of stocks and their replacement cost.

Notes to the Financial Statements

for the year ended 30 September 2005

9. Debtors

	2005 £	2004 £
Trade debtors	454,388	363,762
Amounts due from group undertakings	73,678	96,681
Other debtors	25	-
Prepayments and accrued income	85,391	84,731
	<u>613,482</u>	<u>545,174</u>

10. Creditors: Amounts Falling Due Within One Year

	2005 £	2004 £
Bank overdraft	270,770	65,070
Obligations under hire purchase contracts	30,257	84,030
	<u>301,027</u>	<u>149,100</u>
Debt due within one year		
Trade creditors	305,852	224,748
Amounts owed to group undertakings	3,759	8,896
Other taxation and social security	35,538	36,681
Other creditors	12,400	12,333
Accruals and other deferred income	23,175	34,955
	<u>681,751</u>	<u>466,713</u>

11. Creditors: Amounts Falling Due After More Than One Year

	2005 £	2004 £
Obligations under hire purchase contracts	-	30,257
Amounts owed to group undertakings	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,030,257</u>

Notes to the Financial Statements

for the year ended 30 September 2005

15. Reserves

	Profit and loss account £
At 1 October 2004	205,553
Retained loss for the period	(35,053)
	<hr/>
At 30 September 2005	170,500
	<hr/>

16. Financial Commitments

Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Plant and machinery	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	-	-	-	-
Within two to five years	-	-	-	6,313
After more than five years	173,610	173,610	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	173,610	173,610	-	6,313
	<hr/>	<hr/>	<hr/>	<hr/>

Capital commitments

Contracted for but not provided in the accounts amounted to £Nil (2004: £Nil).

17. Pension Commitments

The Company operates a defined contribution pension scheme for its executives and employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

18. Contingent Liabilities

The below security is provided to the Bank of Scotland in respect of LPA Group plc's £1.5m loan facility:

- (i) First and only legal charge over each freehold and leasehold property owned by the Company.
- (ii) First debenture from the Company.
- (iii) A composite guarantee by the Company (as guarantor) in favour of the Bank of Scotland.

19. Ultimate Parent Undertaking

The Company's ultimate parent undertaking and controlling party is LPA Group plc, a company incorporated in England and Wales. Copies of LPA Group plc group accounts, which include the Company, are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

The Company has taken advantage of the exemption conferred by FRS8 and has not disclosed related party transactions with group undertakings during the period.