

S2 ENGINEERING LTD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST MAY 2002

Prepared By:
Rayner Whiting & Co Ltd
35 Frederick Street
Sunderland
SR1 1LN
Tel: (0191) 564 1211
Fax: (0191) 564 0363
E-Mail: raynerwhiting@aol.com



S2 ENGINEERING LTD

Annual Report & Financial Statements
for the Year Ended
31st May 2002

<u>Page</u>	<u>Contents</u>
1	Report of the Directors
2	Profit & Loss Account
3	Balance Sheet
4 - 6	Notes forming part of the Financial Statements

The following does not represent part of the statutory accounts

7	Detailed Profit & Loss Account
---	--------------------------------

Directors: S J McHatton

Secretary: C M McHatton

Registered Office: 35 Frederick Street
Sunderland
SR1 1LN

Co. Reg. No: 3790528

Accountants Rayner Whiting & Co Ltd
35 Frederick Street
Sunderland
SR1 1LN

S2 ENGINEERING LTD

Report of the Directors for the Year Ended 31st May 2002

The Directors present their report together with the financial statements for the year ended 31st May 2002.

Principal Activities

The principal activity of the company is that of trade repairs in the manufacturing sector.

Directors' Interests in Shares of the Company

The Directors as at 31st May 2002 and their interests in the shares of the company were as follows:

	<u>Number of Ordinary Shares of £1 each</u>	
	<u>2002</u>	<u>2001</u>
S J McHatton	<u>100</u>	<u>100</u>

Statement of 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 of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and 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.

Accountants

Rayner Whiting & Co have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

Small Company Rules

These accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

This report was approved by the board on 21st July 2003 and signed on its behalf.



C M McHatton
Secretary

S2 ENGINEERING LTD

Profit & Loss Account
for the Year Ended
31st May 2002

	<u>Notes</u>	<u>2002</u> £	<u>2001</u> £
Turnover		129615	134884
Cost of Sales		<u>(64356)</u>	<u>(71261)</u>
Gross Profit		65259	63623
Administrative Expenses		<u>(59676)</u>	<u>(55301)</u>
Operating Profit / (Loss)		5583	8322
Interest Payable and Similar Charges		<u>(2130)</u>	<u>(2326)</u>
Profit / (Loss) on Activities before Taxation	2	3453	5996
Taxation on Profit on Ordinary Activities	3	<u>-</u>	<u>-</u>
Profit / (Loss) on Activities after Taxation		3453	5996
Retained Profit / (Loss) Brought Forward		<u>(9132)</u>	<u>(15128)</u>
Retained Profit / (Loss) Carried Forward		£ <u>(5679)</u>	£ <u>(9132)</u>

The notes on Pages 4 to 6 form part of these Financial Statements

S2 ENGINEERING LTD

Balance Sheet as at 31st May 2002

	<u>Notes</u>	<u>2002</u>	<u>2001</u>
		£	£
<u>Fixed Assets</u>			
Tangible Assets	4	19141	3840
Intangible Assets	5	<u>1920</u>	<u>24871</u>
		21061	28711
<u>Current Assets</u>			
Stock & Work in Progress		450	500
Debtors	6	26319	29334
Cash at Bank & in Hand		<u>400</u>	<u>400</u>
		27169	30234
<u>Creditors: Amounts falling due within 1 year</u>	7	<u>(53809)</u>	<u>(67977)</u>
<u>Net Current Assets / (Liabilities)</u>		<u>(26640)</u>	<u>(37743)</u>
<u>Net Assets / (Liabilities)</u>		£ <u>(5579)</u>	£ <u>(9032)</u>
<u>Capital & Reserves</u>			
Called up Share Capital	8	100	100
Profit & Loss Account		<u>(5679)</u>	<u>(9132)</u>
<u>Shareholders' Funds</u>		£ <u>(5579)</u>	£ <u>(9032)</u>

For the year ended 31st May 2002, the Company was entitled to exemption under section 249A (1) of the Companies Act 1985.

No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 249B(2).

i) The directors acknowledge their responsibility for:

Ensuring the company keeps accounting records which comply with section 221; and

ii) Preparing accounts which give a true and fair view of the state of affairs of the company as at the end of its financial year; and of its profit and loss for the financial year in accordance with section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company.

The accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and were approved by the board on 21st July 2003 and signed on its behalf.


S. J. McHatton
Director

S2 ENGINEERING LTD

Notes forming part of the Financial Statements for the Year Ended 31st May 2002

1. Principal Accounting Policies

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below.

Basis of preparation of accounts

The accounts have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

Tangible Fixed Assets

Tangible fixed assets are stated at cost.

Depreciation is charged on a reducing balance basis at the following rates per annum:

Motor Vehicles	- 25%
Plant and equipment	- 25%
Fixtures and Fittings	- 25%

The above rates are calculated to write off the cost of the fixed assets, less their estimated residual value, over their expected useful lives.

Finance leases, operating leases and hire purchase agreements

Costs in respect of operating leases are charged on a straight line basis over the lease term. Where fixed assets are financed by leasing or hire purchase agreements, which transfer to the company substantially all the benefits and risks of ownership, the assets are treated as if they had been purchased outright and are included in tangible fixed assets. The capital element of the leasing or hire purchase commitments is shown as obligations under finance leases or hire purchase agreements. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases or hire purchase agreements are depreciated over the useful lives of equivalent owned assets.

Turnover

Turnover represents the value of goods and services sold during the year exclusive of value added tax.

Deferred taxation

Deferred taxation is accounted for using the liability method on all material timing differences.

S2 ENGINEERING LTD

Notes forming part of the Financial Statements (cont.) for the Year Ended 31st May 2002

2. <u>Operating Profit</u>	<u>2002</u> £	<u>2001</u> £
The operating profit is stated after charging:-		
Amortisation of Intangible Assets	1920	1920
Depreciation of Tangible Assets	6380	5431
Directors' remuneration	<u>8311</u>	<u>16180</u>

3. Taxation

United Kingdom corporation tax	£ <u>-</u>	£ <u>-</u>
--------------------------------	------------	------------

4. Tangible Fixed Assets

	<u>Motor Vehicles</u> £	<u>Plant & Equipment</u> £	<u>Fixtures & Fittings</u> £	<u>Total</u> £
<u>Cost</u>				
At 1st June 2001	19862	10910	280	31052
Additions	3745	650	-	4395
Disposals	<u>(3745)</u>	<u>-</u>	<u>-</u>	<u>(3745)</u>
	<u>19862</u>	<u>11560</u>	<u>280</u>	<u>31702</u>

Depreciation

At 1st June 2001	3221	2911	49	6181
Charge for the Year	4160	2162	58	6380
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>7381</u>	<u>5073</u>	<u>107</u>	<u>12561</u>

Net Book Value

At 31st May 2002	<u>12481</u>	<u>6487</u>	<u>173</u>	<u>19141</u>
At 31st May 2001	<u>16641</u>	<u>7999</u>	<u>231</u>	<u>24871</u>

5. Tangible Fixed Assets

<u>Cost</u>	<u>Patents</u> £
At 1st June 2001 & 1st June 2002	<u>5760</u>

Amortisation

At 1st June 2001	1920
Charge for the Year	<u>1920</u>
	<u>3840</u>

Net Book Value

At 31st May 2002	<u>1920</u>
At 31st May 2001	<u>3840</u>

S2 ENGINEERING LTD

Notes forming part of the Financial Statements (cont.)
for the Year Ended
31st May 2002

	<u>2002</u>	<u>2001</u>
	<u>£</u>	<u>£</u>
6. Debtors: amounts falling due within one year		
Trade Debtors	21948	23808
Other Debtors	<u>4371</u>	<u>5526</u>
	<u>£ 26319</u>	<u>£ 29334</u>
7. Creditors: falling due within 1 year		
Bank Overdraft	12914	10980
Net Obligations Under Hire Purchase Contracts	11750	16885
Trade Creditors	14226	14876
Taxation and Social Security	14034	12840
Other Creditors	<u>885</u>	<u>12396</u>
	<u>£ 53809</u>	<u>£ 67977</u>
8. Called up Share Capital		
<u>Authorised</u>		
100 ordinary shares of £1 each	<u>£ 100</u>	<u>£ 100</u>
<u>Allotted, called up and fully paid</u>		
100 ordinary shares of £1 each	<u>£ 100</u>	<u>£ 100</u>
9. Capital and other Commitments		
Capital expenditure authorised and contracted for	<u>£ -</u>	<u>£ -</u>
Capital expenditure authorised by the directors but not yet contracted for	<u>£ -</u>	<u>£ -</u>
10. Controlling Parties		
The company is controlled by S J McHatton by virtue of his ownership of 100% of the issued ordinary share capital in the company.		

S2 ENGINEERING LTD

Trading & Profit & Loss Account
for the Year Ended
31st May 2002

	<u>2002</u>		<u>2001</u>	
<u>Turnover</u>	£	£	£	£
Sales		129615		134884
<u>Cost of Sales</u>				
Opening Stock	500		1901	
Purchases	37170		38586	
Wages & Salaries	25240		27046	
Carriage Inwards & Import Duty	13		25	
Repairs to Plant & Machinery	1883		4203	
	<u>64806</u>		<u>71761</u>	
Closing Stock	<u>(450)</u>	<u>64356</u>	<u>(500)</u>	<u>71261</u>
<u>Gross Profit</u>	50.3%	65259	47.2%	63623
<u>Administrative Expenses</u>				
Accountancy Fees	1585		1550	
Directors Salary & NIC	8311		16180	
Administration Wages & NIC	8669		3454	
Employer's NI Contributions (2002 incl. in salaries)	-		4080	
Rent & Rates	8219		544	
Light, Heat & Power	78		83	
Insurances (Building & P/L)	3355		3916	
Telephones & Fax	3280		3650	
Postage, Stationery & Advertising	1443		2495	
Motor Running Expenses	9403		5711	
Maintenance & Repairs	45		994	
Travelling Expenses	2278		3485	
Bank Charges	1231		788	
Management Charges & Consultancy Fees	1036		306	
Computer Running Costs	-		140	
Training Costs	494		-	
Bad Debts Written Off	139		-	
Pension Contributions	161		-	
Hospitality & Refreshments	819		-	
Sundry Expenses (incl Hospitality)	585		574	
Loss on Disposal of Motor Vehicle	245		-	
Depreciation	<u>8300</u>	<u>59676</u>	<u>7351</u>	<u>55301</u>
		5583		8322
<u>Interest Payable</u>				
Bank Interest Paid	529		683	
Hire Purchase Interest Paid	<u>1601</u>	<u>2130</u>	<u>1643</u>	<u>2326</u>
<u>Net Profit / (Loss) for the Period</u>		<u>£ 3453</u>		<u>£ 5996</u>