

S2 ENGINEERING LTD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST MAY 2005



Prepared By:
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S2 ENGINEERING LTD

Annual Report & Financial Statements
for the Year Ended
31st May 2005

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The following does not represent part of the statutory accounts

7	Detailed Profit & Loss Account
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<u>Directors:</u>	Miss E Robson
<u>Secretary:</u>	C M McHatton
<u>Registered Office:</u>	35 Frederick Street Sunderland SR1 1LN
<u>Co. Reg. No:</u>	3790528
<u>Accountants</u>	Rayner Whiting & Co Ltd 35 Frederick Street Sunderland SR1 1LN

S2 ENGINEERING LTD

Report of the Directors for the Year Ended 31st May 2005

The Directors present their report together with the financial statements for the year ended 31st May 2005.

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 2005 and their interests in the shares of the company were as follows:

	<u>Number of Ordinary Shares of £1 each</u>	
	<u>2005</u>	<u>2004</u>
E Robson	<u>-</u>	<u>-</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 14th October 2005 and signed on its behalf.



C M McHatton
Secretary

S2 ENGINEERING LTD

Profit & Loss Account
for the Year Ended
31st May 2005

	<u>Notes</u>	<u>2005</u> £	<u>2004</u> £
Turnover		249705	172638
Cost of Sales		<u>170143</u>	<u>99048</u>
Gross Profit		79562	73590
Administrative Expenses		<u>68012</u>	<u>67648</u>
Operating Profit / (Loss)		11550	5942
Interest Receivable		16	-
Interest Payable and Similar Charges		<u>1002</u>	<u>1482</u>
Profit / (Loss) on Activities before Taxation	2	10564	4460
Taxation on Profit on Ordinary Activities	3	<u>-</u>	<u>-</u>
Profit / (Loss) on Activities after Taxation		10564	4460
Retained Profit / (Loss) Brought Forward		<u>4960</u>	<u>500</u>
Retained Profit / (Loss) Carried Forward		£ <u>15524</u>	£ <u>4960</u>

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

S2 ENGINEERING LTD

Balance Sheet
as at
31st May 2005

Notes	2005	2004
	£	£
Fixed Assets		
Tangible Assets	28872	23979
Current Assets		
Stock & Work in Progress	12500	12680
Debtors	54615	40286
Cash at Bank & in Hand	317	727
	67432	53693
Creditors: Amounts falling due within 1 year	(80680)	(72612)
Net Current Assets / (Liabilities)	(13248)	(18919)
Net Assets / (Liabilities)	£ 15624	£ 5060
Capital & Reserves		
Called up Share Capital	100	100
Profit & Loss Account	15524	4960
Shareholders' Funds	£ 15624	£ 5060

For the year ended 31st May 2005, 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 14th October 2005 and signed on its behalf.

E Robson
Director

E. Robson

S2 ENGINEERING LTD

Notes forming part of the Financial Statements for the Year Ended 31st May 2005

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 2005

2. Operating Profit

The operating profit is stated after charging:-

	<u>2005</u> £	<u>2004</u> £
Depreciation of Tangible Assets	5427	5244
Directors' remuneration	<u>4807</u>	<u>5738</u>

3. Taxation

United Kingdom corporation tax	<u>-</u>	<u>-</u>
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4. Tangible Fixed Assets

	<u>Improvements to Property</u> £	<u>Motor Vehicles</u> £	<u>Plant & Equipment</u> £	<u>Fixtures & Fittings</u> £	<u>Total</u> £
<u>Cost</u>					
At 1st June 2004	2420	25457	11760	5058	44695
Additions	-	14610	-	874	15484
Disposals	<u>-</u>	<u>(15462)</u>	<u>-</u>	<u>-</u>	<u>(15462)</u>
	<u>2420</u>	<u>24605</u>	<u>11760</u>	<u>5932</u>	<u>44717</u>
<u>Depreciation</u>					
At 1st June 2004	-	11339	7999	1378	20716
Charge for the Year	-	3476	940	1011	5427
Disposals	<u>-</u>	<u>(10298)</u>	<u>-</u>	<u>-</u>	<u>(10298)</u>
	<u>-</u>	<u>4517</u>	<u>8939</u>	<u>2389</u>	<u>15845</u>
<u>Net Book Value</u>					
At 31st May 2005	<u>2420</u>	<u>20088</u>	<u>2821</u>	<u>3543</u>	<u>28872</u>
At 31st May 2005	<u>2420</u>	<u>14118</u>	<u>3761</u>	<u>3680</u>	<u>23979</u>

5. Debtors: amounts falling due within one year

	<u>2005</u> £	<u>2004</u> £
Trade Debtors	50244	35915
Other Debtors	<u>4371</u>	<u>4371</u>
	£ <u>54615</u>	£ <u>40286</u>

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Notes forming part of the Financial Statements (cont.)
for the Year Ended
31st May 2005

<u>6. Creditors: falling due within 1 year</u>	<u>2005</u> £	<u>2004</u> £
Bank Overdraft	6369	5463
Net Obligations Under Hire Purchase Contracts	15412	9425
Trade Creditors	38302	28925
Taxation and Social Security	7355	3773
Loan Account	9315	22315
Other Creditors	3927	2711
	£ 80680	£ 72612

7. Called up Share Capital

Authorised

100 ordinary shares of £1 each	£ 100	£ 100
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Allotted, called up and fully paid

100 ordinary shares of £1 each	£ 100	£ 100
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8. Capital and other Commitments

Capital expenditure authorised and contracted for	£ -	£ -
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Capital expenditure authorised by the directors but not yet contracted for	£ -	£ -
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9. 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 2005

	<u>2005</u>		<u>2004</u>	
<u>Turnover</u>	£	£	£	£
Sales		249705		172638
<u>Cost of Sales</u>				
Opening Stock	12680		375	
Purchase of Materials	146677		75758	
Purchase of Components	23286		35390	
Carriage Inwards & Import Duty	-		69	
Repairs to Plant & Machinery	-		136	
	<u>182643</u>		<u>111728</u>	
Closing Stock of Components	<u>(12500)</u>	<u>170143</u>	<u>(12680)</u>	<u>99048</u>
<u>Gross Profit</u>	31.9%	79562	42.6%	73590
<u>Administrative Expenses</u>				
Accountancy Fees	1300		1796	
Directors Salary & NIC	4807		5738	
Wages & Salaries	28521		25688	
Sales & Administration Wages & NIC	1673		4357	
Rent & Rates	8818		5471	
Light, Heat & Power	558		423	
Insurances	4156		4668	
Telephones & Fax	1713		2620	
Postage, Stationery & Advertising	849		960	
Motor Running Expenses	7239		6477	
Maintenance & Repairs	100		54	
Travelling Expenses	134		1161	
Bank Charges	779		1581	
Licences	330		-	
Management Charges & Consultancy Fees	992		450	
Pension Contributions	322		322	
Sundry Expenses	359		253	
Fines & Penalties	100		450	
Depreciation	<u>5427</u>	<u>68177</u>	<u>5244</u>	<u>67713</u>
		11385		5877
<u>Interest Payable</u>				
Bank Interest Paid	165		397	
Hire Purchase Interest Paid	<u>837</u>	<u>1002</u>	<u>1085</u>	<u>1482</u>
		10383		4395
<u>Other Income</u>				
Bank Interest Receivable	16		-	
Profit on Disposal of Motor Vehicle	<u>165</u>	<u>181</u>	<u>65</u>	<u>65</u>
<u>Net Profit / (Loss) for the Period</u>		<u>£ 10564</u>		<u>£ 4460</u>