

REGISTERED NUMBER: 2815367

LEICESTER ENGINEERING SERVICES LIMITED

**Report of the Directors and
Financial Statements
for the year ended 31 August 2005**



ASHGATES

Registered Auditors

LEICESTER ENGINEERING SERVICES LIMITED

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for the year ended 31 August 2005**

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LEICESTER ENGINEERING SERVICES LIMITED

**Company Information
for the year ended 31 August 2005**

DIRECTORS:

J H Hill
M D Hill
P J Hill
G I Hill

SECRETARY:

G I Hill

REGISTERED OFFICE:

Christopher House
94b London Road
Leicester

REGISTERED NUMBER:

2815367

AUDITORS:

Ashgates
Registered Auditors
Christopher House
94b London Road
Leicester

BANKERS:

Barclays Bank plc
Town Hall Square
Leicester

LEICESTER ENGINEERING SERVICES LIMITED

Report of the Directors for the year ended 31 August 2005

The directors present their report with the financial statements of the company for the year ended 31 August 2005.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the manufacturing of metal pressings and engineering components.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

The company's balance sheet as detailed on page 7 shows a satisfactory position, shareholder's funds amounting to £440,118.

DIVIDENDS

No dividends will be distributed for the year ended 31 August 2005.

FUTURE DEVELOPMENTS

Work is continuing on the development and modification of existing products to meet customer requirements and through a continuing programme of research and development, to take advantage of new technology as it becomes available.

DIRECTORS

The directors during the year under review were:

J H Hill
M D Hill
P J Hill
G I Hill

The directors holding office at 31 August 2005 did not hold any beneficial interest in the issued share capital of the company at 1 September 2004 or 31 August 2005.

All of the directors are also directors of Finco Holdings Limited, the ultimate parent undertaking, and their interests in the share capital of that company were as follows:

	Ordinary shares	
	2005	2004
J H Hill	10	10
M D Hill	-	-
P J Hill	3004	3004
G I Hill	3004	3004

LEICESTER ENGINEERING SERVICES LIMITED

**Report of the Directors - continued
for the year ended 31 August 2005**

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 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;
- 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Ashgates, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



G I Hill
Secretary

24 May 2006

LEICESTER ENGINEERING SERVICES LIMITED

Report of the Independent Auditors to the Shareholders of Leicester Engineering Services Limited

We have audited the financial statements of Leicester Engineering Services Limited for the year ended 31 August 2005 on pages six to fifteen. 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 directors and auditors

As described on page three the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within 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.

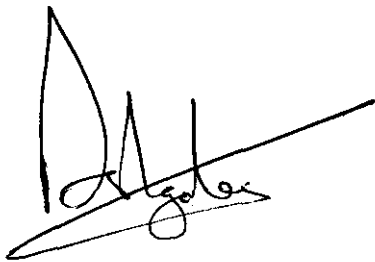
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

LEICESTER ENGINEERING SERVICES LIMITED

**Report of the Independent Auditors to the Shareholders of
Leicester Engineering Services Limited**

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 August 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ASHGATES

**Registered Auditors
Christopher House
94b London Road
Leicester**

24 May 2006

LEICESTER ENGINEERING SERVICES LIMITED

**Profit and Loss Account
for the year ended 31 August 2005**

		2005		2004	
	Notes	£	£	£	£
TURNOVER	2		7,353,987		6,094,021
Cost of sales			<u>6,686,152</u>		<u>5,267,113</u>
GROSS PROFIT			667,835		826,908
Distribution costs		227,181		235,165	
Administrative expenses		<u>423,597</u>		<u>550,010</u>	
			<u>650,778</u>		<u>785,175</u>
OPERATING PROFIT	4		17,057		41,733
Interest receivable and similar income			<u>216</u>		<u>-</u>
			17,273		41,733
Interest payable and similar charges	5		<u>5,073</u>		<u>3,785</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			12,200		37,948
Tax on profit on ordinary activities	6		<u>9,266</u>		<u>11,773</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			2,934		26,175
Dividends	7		<u>-</u>		<u>26,000</u>
RETAINED PROFIT FOR THE YEAR			<u><u>2,934</u></u>		<u><u>175</u></u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current year or previous year.

The notes form part of these financial statements

LEICESTER ENGINEERING SERVICES LIMITED

**Balance Sheet
31 August 2005**

		2005	2004
	Notes	£	£
CURRENT ASSETS			
Stocks	8	1,195,419	1,093,763
Debtors	9	2,171,974	2,162,523
Cash at bank and in hand		<u>211,144</u>	<u>212,509</u>
		3,578,537	3,468,795
CREDITORS			
Amounts falling due within one year	10	<u>3,138,419</u>	<u>3,031,611</u>
NET CURRENT ASSETS		<u>440,118</u>	<u>437,184</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>440,118</u>	<u>437,184</u>
CAPITAL AND RESERVES			
Called up share capital	13	100	100
Profit and loss account	14	<u>440,018</u>	<u>437,084</u>
SHAREHOLDERS' FUNDS	18	<u>440,118</u>	<u>437,184</u>

ON BEHALF OF THE BOARD:



**P.J Hill
Director**

Approved by the Board on 24 May 2006

The notes form part of these financial statements

LEICESTER ENGINEERING SERVICES LIMITED

**Cash Flow Statement
for the year ended 31 August 2005**

	Notes	2005 £	2004 £
Net cash outflow from operating activities	1	(26,845)	(176,191)
Returns on investments and servicing of finance	2	(4,857)	(3,785)
Taxation		(11,835)	(28,884)
Equity dividends paid		-	(26,000)
		<hr/>	<hr/>
Decrease in cash in the year		(43,537)	(234,860)
		<hr/> <hr/>	<hr/> <hr/>

**Reconciliation of net cash flow
to movement in net debt**

	3		
Decrease in cash in the year		(<u>43,537</u>)	(<u>234,860</u>)
Change in net debt resulting from cash flows		(<u>43,537</u>)	(<u>50,982</u>)
Movement in net debt in the year		(43,537)	(50,982)
Net debt at 1 September 2004		(<u>50,982</u>)	<hr/> -
Net debt at 31 August 2005		(<u>94,519</u>)	(<u>50,982</u>)

The notes form part of these financial statements

LEICESTER ENGINEERING SERVICES LIMITED

**Notes to the Cash Flow Statement
for the year ended 31 August 2005**

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2005	2004
	£	£
Operating profit	17,057	41,733
Increase in stocks	(101,656)	(369,502)
Increase in debtors	(9,413)	(166,689)
Increase in creditors	<u>67,167</u>	<u>318,267</u>
Net cash outflow from operating activities	<u><u>(26,845)</u></u>	<u><u>(176,191)</u></u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2005	2004
	£	£
Returns on investments and servicing of finance		
Interest received	216	-
Interest paid	<u>(5,073)</u>	<u>(3,785)</u>
Net cash outflow for returns on investments and servicing of finance	<u><u>(4,857)</u></u>	<u><u>(3,785)</u></u>

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.9.04	Cash flow	At 31.8.05
	£	£	£
Net cash:			
Cash at bank and in hand	212,509	(1,365)	211,144
Bank overdraft	<u>(263,491)</u>	<u>(42,172)</u>	<u>(305,663)</u>
	<u>(50,982)</u>	<u>(43,537)</u>	<u>(94,519)</u>
Total	<u><u>(50,982)</u></u>	<u><u>(43,537)</u></u>	<u><u>(94,519)</u></u>

LEICESTER ENGINEERING SERVICES LIMITED

Notes to the Financial Statements for the year ended 31 August 2005

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Stocks

Stock and work in progress are valued at the lower of cost and net realisable value.

Cost is computed on a first in first out basis. The cost of work in progress and finished goods includes all production overheads and depreciation and the attributable proportion of indirect overheads based on the normal level of activity. Net realisable value is based on estimated selling price less estimated cost of disposal. Tool and tool spares are valued at the cost of direct materials and labour plus attributable overheads, the tools are written off in equal instalments over three years.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2005 £	2004 £
UK	4,409,110	3,606,585
Other EU countries	2,889,495	2,430,997
Non EU countries	<u>55,382</u>	<u>56,439</u>
	<u>7,353,987</u>	<u>6,094,021</u>

LEICESTER ENGINEERING SERVICES LIMITED

**Notes to the Financial Statements
for the year ended 31 August 2005**

3. STAFF COSTS

	2005 £	2004 £
Wages and salaries	1,577,703	1,487,576
Social security costs	132,600	129,425
Other pension costs	<u>8,085</u>	<u>16,367</u>
	<u><u>1,718,388</u></u>	<u><u>1,633,368</u></u>

The average monthly number of employees during the year was as follows:

	2005	2004
Production staff	106	96
Office and management	4	4
Administration staff	<u>6</u>	<u>6</u>
	<u><u>116</u></u>	<u><u>106</u></u>

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2005 £	2004 £
Hire of plant and machinery	441,000	441,000
Other operating leases - plant and machinery	54,812	55,094
Auditors' remuneration	8,000	8,000
Foreign exchange differences	<u>(12,867)</u>	<u>45,698</u>
Directors' emoluments	<u><u>2,666</u></u>	<u><u>3,651</u></u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
Bank interest	4,984	3,785
Corporation tax interest	<u>89</u>	<u>-</u>
	<u><u>5,073</u></u>	<u><u>3,785</u></u>

LEICESTER ENGINEERING SERVICES LIMITED

**Notes to the Financial Statements
for the year ended 31 August 2005**

6. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2005 £	2004 £
Current tax:		
UK corporation tax	<u>9,266</u>	<u>11,773</u>
Tax on profit on ordinary activities	<u>9,266</u>	<u>11,773</u>

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2005 £	2004 £
Profit on ordinary activities before tax	<u>12,200</u>	<u>37,948</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2004 - 19%)	2,318	7,210
Effects of:		
Expenses not deductible for tax purposes	6,069	4,387
Movement in deferred taxation asset not recognised	<u>879</u>	<u>176</u>
Current tax charge	<u>9,266</u>	<u>11,773</u>

7. DIVIDENDS

	2005 £	2004 £
Equity shares:		
Ordinary shares - interim	<u>-</u>	<u>26,000</u>

8. STOCKS

	2005 £	2004 £
Raw materials	524,341	454,212
Work-in-progress	612,275	568,813
Finished goods	<u>58,803</u>	<u>70,738</u>
	<u>1,195,419</u>	<u>1,093,763</u>

LEICESTER ENGINEERING SERVICES LIMITED

**Notes to the Financial Statements
for the year ended 31 August 2005**

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£	£
Trade debtors	2,073,897	2,116,121
Other debtors	65,526	10,371
Prepayments	<u>32,551</u>	<u>36,031</u>
	<u>2,171,974</u>	<u>2,162,523</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£	£
Bank loans and overdrafts (see note 11)	305,663	263,491
Trade creditors	658,279	823,321
Amounts owed to group undertakings	2,007,464	1,822,805
Corporation tax	9,266	11,797
Social security and other taxes	68,301	33,910
Accrued expenses	<u>89,446</u>	<u>76,287</u>
	<u>3,138,419</u>	<u>3,031,611</u>

11. LOANS

An analysis of the maturity of loans is given below:

	2005	2004
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>305,663</u>	<u>263,491</u>

Bank overdraft is secured by a first fixed and floating charge on all the undertakings and assets of the company.

Amounts owed to group undertakings are secured by a second fixed and floating charge on all the undertakings and assets of the company.

LEICESTER ENGINEERING SERVICES LIMITED

**Notes to the Financial Statements
for the year ended 31 August 2005**

12. OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year:

	Other operating leases	
	2005	2004
	£	£
Expiring:		
Between one and five years	53,323	53,323

13. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	2005	2004
			£	£
1,000,000	Ordinary	£1	1,000,000	1,000,000

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2005	2004
			£	£
100	Ordinary	£1	100	100

14. RESERVES

	Profit and loss account £
At 1 September 2004	437,084
Retained profit for the year	2,934
At 31 August 2005	440,018

15. ULTIMATE PARENT COMPANY

The ultimate parent company is Finco Holdings Limited, a company which is incorporated in England.

16. CONTINGENT LIABILITIES

The company has given a cross guarantee to bankers in respect of the overdraft and loan balances of its parent company, Finco Holdings Limited, totalling £nil at the balance sheet date (2004 - £35,974). The company has also given a cross guarantee to Lloyds Bowmaker in respect of the hire purchase liabilities of its parent company, Finco Holdings Limited, totalling £94,380 at the balance sheet date (2004 - £133,060).

LEICESTER ENGINEERING SERVICES LIMITED

Notes to the Financial Statements for the year ended 31 August 2005

17. RELATED PARTY DISCLOSURES

During the year the company incurred charges from its parent company, Finco Holdings Limited, in respect of hire of plant and machinery and equipment and management services totalling £541,000 (2004 - £621,000). At the balance sheet date the company owed £2,007,464 (2004 - £1,822,805) to Finco Holdings Limited.

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Profit for the financial year	2,934	26,175
Dividends	<u>-</u>	<u>(26,000)</u>
Net addition to shareholders' funds	2,934	175
Opening shareholders' funds	<u>437,184</u>	<u>437,009</u>
Closing shareholders' funds	<u>440,118</u>	<u>437,184</u>
Equity interests	<u>440,118</u>	<u>437,184</u>