

Redman Fisher Engineering Limited

**Directors' report and financial
statements**

Registered number 169316

For the year ended 31 December 2003



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Directors' report

The directors present their annual report and financial statements for the year ended 31 December 2003.

Principal activity

The company manufactures and distributes a range of industrial flooring and handrailing products.

Business review and future developments

Continuing competitive pressures, higher insurance premiums and increased social security costs all contributed to the disappointing operating loss in 2003.

Reorganisation costs of £307,000 following management and staff changes and the closure of our Welsh plant adversely affected the results. The directors anticipate that these changes will lead to a much improved financial performance in 2004, with early indicators looking promising.

On 1 January 2003, the company acquired the trade and assets of Eurogrid Limited, a fellow group subsidiary and merged the trade and assets into its existing business.

Dividends

The directors recommend that no final dividend be paid for the year ended 31 December 2003 (2002: £Nil).

Creditor payment terms

It is the company's normal practice to agree terms of transactions, including payment terms, with suppliers. Provided suppliers perform in accordance with the agreed terms, it is the company's policy that payment is made accordingly. Creditor days at the end of the year were 72 days (2002: 63 days).

Directors and their interests

The directors serving during the year were as follows:

DL Grove	
M Harris	(resigned 31 July 2003)
W Farnell	(resigned 31 July 2003)
CJ Burr	
HC Everett	(resigned 31 December 2003)
S Mottershead	(resigned 16 July 2003)
P Copp	(appointed 1 January 2003)
P Giles	(appointed 20 January 2004)
P Griffiths	(appointed 20 January 2004)
P Lombardi	(appointed 20 January 2004)

None of the directors has any beneficial interest in the shares of the company.

Mr DL Grove and Mr CJ Burr are directors of the ultimate holding company, Hill & Smith Holdings PLC. Mr HC Everett was also a director of Hill & Smith Holdings PLC until he resigned on 31 December 2003. All three of these directors' interests in the shares and share options of that company are shown in its financial statements.

None of the remaining directors own any shares in the ultimate holding company. No share options were granted to or exercised by the other directors in the year.

Political contributions and charitable donations

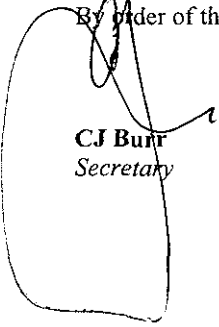
The company made charitable donations during the year of £2,000 (2002: £Nil). There were no political contributions

Directors' report *(continued)*

Auditor

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the company is to be proposed at the forthcoming annual general meeting.

By order of the board



CJ Burr
Secretary

2 Highlands Court
Cranmore Avenue
Shirley
Solihull
West Midlands
B90 4LE

16 March 2004

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;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Independent auditor's report to the members of Redman Fisher Engineering Ltd

We have audited the financial statements on pages 5 to 15.

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 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of audit opinion

We conducted our audit in accordance with 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 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

16 March 2004

Profit and loss account
for the year ended 31 December 2003

	<i>Note</i>	2003 £000	2002 £000
Turnover	2	18,592	11,865
Cost of sales		(15,416)	(9,301)
		<hr/>	<hr/>
Gross profit		3,176	2,564
Distribution costs		(1,172)	(556)
Administrative expenses		(2,764)	(1,654)
Other operating income		647	39
		<hr/>	<hr/>
Operating (loss)/profit		(113)	393
Bank interest payable		(24)	(12)
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation	3	(137)	381
Tax on (loss)/profit on ordinary activities	6	620	(134)
		<hr/>	<hr/>
Retained profit	14	483	247
		<hr/>	<hr/>

All results relate to continuing operations other than the business acquired from Eurogrid Limited as discussed in note 18.

There were no recognised gains or losses during the current or preceding year apart from the loss for the financial year shown above.

Balance sheet
as at 31 December 2003

	Note	2003 £000	2002 £000
Fixed assets			
Tangible assets	7	1,761	1,457
Investments	8	717	194
		<u>2,478</u>	<u>1,651</u>
Current assets			
Stocks	9	1,338	884
Debtors	10	6,113	2,790
Cash at bank and in hand		6	528
		<u>7,457</u>	<u>4,202</u>
Creditors: Amounts falling due within one year	11	<u>(5,430)</u>	<u>(2,274)</u>
Net current assets		<u>2,027</u>	<u>1,928</u>
Total assets less current liabilities		<u>4,505</u>	<u>3,579</u>
Provision for liabilities and charges	12	<u>(163)</u>	<u>(158)</u>
Net assets		<u>4,342</u>	<u>3,421</u>
Capital and reserves			
Called up share capital	13	3,438	3,000
Profit and loss account	14	904	421
Equity shareholder's funds		<u>4,342</u>	<u>3,421</u>

These financial statements were approved by the board of directors on 16 March 2004 and signed on their behalf by:

P Lombardi
Director

P Giles
Director

Reconciliation of movements in shareholder's funds
for the year ended 31 December 2003

	2003 £000	2002 £000
Profit for the financial year	483	247
New share capital subscribed	438	-
	<hr/>	<hr/>
Net increase in shareholder's funds	921	247
Opening shareholder's funds	3,421	3,174
	<hr/>	<hr/>
Closing shareholder's funds	4,342	3,421
	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

Basis of accounting

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

Consolidation

In accordance with Section 228 of the Companies Act 1985, consolidated accounts have not been prepared as the company is a wholly owned subsidiary of Hill & Smith Holdings PLC, a company incorporated in England, which has prepared consolidated financial statements to include the results of the company.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Stocks

The valuation is at cost or net realisable value whichever is lower. Cost is represented by cost of materials plus applicable factory overhead. Net realisable value is the actual or estimated selling price less all further costs to complete and less selling and distribution expenses.

Depreciation

Depreciation on fixed assets is provided so as to write off the cost less estimated residual value by the straight-line method over their estimated useful lives, as follows:

Plant and Equipment	-	4 to 10 years
Motor Vehicles	-	4 years

No depreciation is provided on assets in course of construction.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

All exchange differences are dealt with through the profit and loss account.

Pensions

The pension cost charged to the profit and loss account is calculated by the actuary so as to spread the cost of pensions over the employees' working lives.

The company has adopted the transitional disclosure requirements of FRS 17.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Leased assets

Assets held under leases which confer rights and obligations similar to those attaching to owned assets are capitalised as tangible fixed assets and the corresponding liability to pay rentals is shown net of interest in the accounts as obligations under finance leases. Interest is calculated on the reducing balance basis and is charged over the period of the lease.

All other leases are regarded as operating leases and the total payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

2 Turnover

The turnover is the total amount receivable by the Company (excluding VAT) in the ordinary course of business for goods sold to third parties.

The directors believe it would be seriously prejudicial to the interests of the company to disclose an analysis of turnover by destination.

3 (Loss)/profit on ordinary activities before taxation

	2003 £000	2002 £000
<i>(Loss)/profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditor's remuneration	14	13
Depreciation - owned fixed assets	409	241
Operating lease rentals - buildings	558	354
Operating lease rentals - plant and machinery	191	40
Disposal of fixed assets	-	1
Foreign exchange loss	104	-
Reorganisation costs	307	-
<i>after crediting</i>		
Rents receivable	40	-

4 Remuneration of directors

Aggregate directors' remuneration for the year was as follows:

	2003 £000	2002 £000
Emoluments	198	218
Company contributions to money purchase pension scheme	6	-
Compensation for loss of office	77	-
	<u>281</u>	<u>218</u>
Number of directors who are members of defined benefit pension scheme	5	3
Number of directors who are members of money purchase scheme	1	-

Directors' interests and options in the ultimate parent company are disclosed in the directors' report.

The remuneration of the highest paid director, excluding pension contributions, was £60,000 (2002: £85,000). His accrued pension entitlement per annum at the year end was £12,912 (2002: £10,999).

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) all of whom were involved in the principal activity was:

	2003 Number	2002 Number
Production	179	66
Sales and distribution	46	40
Administration	19	12
	<u>244</u>	<u>118</u>

The aggregate payroll costs of these persons were:

	£000	£000
Wages and salaries	5,718	2,572
Social security costs	488	253
Other pension costs	155	95
	<u>6,361</u>	<u>2,920</u>

6 Tax on (loss)/profit on ordinary activities

Analysis of (credit)/charge in year

	2003 £000	2002 £000
<i>UK corporation tax</i>		
Current tax on income for the year	(600)	114
Total current tax	<u>(600)</u>	<u>114</u>
<i>Deferred tax (see note 12)</i>		
Origination/reversal of timing differences	(12)	27
Relating to the prior year	(8)	(7)
Tax on (loss)/profit on ordinary activities	<u>(620)</u>	<u>134</u>

Notes (continued)

6 Tax on (loss)/profit on ordinary activities (continued)

Factors affecting tax (credit)/charge for the year

The effective current tax (credit)/charge for the year is higher than (2002: the same as) the standard rate of corporation tax in the UK. The differences are explained below:

	2003 £000	2002 £000
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before taxation	(137)	381
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(41)	114
<i>Effects of:</i>		
Expenses not deductible for tax purposes	25	27
Difference between capital allowances for year and depreciation	8	(19)
Income and expenditure timing differences	4	(8)
Amount receivable in excess of 30% for loss surrenders	(420)	-
Non-taxable dividend income	(176)	-
Current tax (credit)/charge	(600)	114

7 Tangible fixed assets

	Plant, equipment and vehicles £000
<i>Cost</i>	
At beginning of year	5,204
Additions	87
Transfers	1,930
At end of year	7,221
<i>Depreciation</i>	
At beginning of year	3,747
Charge for year	409
Transfers	1,304
At end of year	5,460
<i>Net book value</i>	
At 31 December 2003	1,761
At 31 December 2002	1,457

Notes (continued)

8 Investments

	Investment in subsidiaries £000
<i>Cost and net book value</i>	
At beginning of year	194
Additions	523
	<hr/>
At end of year	717
	<hr/>

The company owns the whole of the issued share capital of Bettles and Company Limited which is dormant and incorporated in Great Britain.

The company also owns 100% of the share capital of Redman Fisher (Ireland) Limited, incorporated in the Republic of Ireland.

Additions in year relate to investments in Eurogrid Limited and Access Design and Engineering Limited transferred from fellow subsidiary companies on 1 January 2003.

9 Stocks

	2003 £000	2002 £000
Raw materials	112	141
Work in progress	681	416
Finished goods	545	327
	<hr/>	<hr/>
	1,338	884
	<hr/>	<hr/>

10 Debtors

	2003 £000	2002 £000
Trade debtors	4,648	2,402
Amounts owed by group undertakings	1,213	66
Prepayments and accrued income	252	322
	<hr/>	<hr/>
	6,113	2,790
	<hr/>	<hr/>

11 Creditors: amounts falling due within one year

	2003 £000	2002 £000
Trade creditors	3,042	1,264
Amounts owed to group undertakings	1,737	370
Other creditors	54	307
Taxation and social security	153	49
Corporation tax	44	128
Accruals and deferred income	385	156
Hire purchase and finance leases	15	-
	<hr/>	<hr/>
	5,430	2,274
	<hr/>	<hr/>

Notes (continued)

12 Provision for liabilities and charges

Details of amounts provided for deferred taxation and movements in the year are set out below:

	£000
At beginning of year	158
Acquisitions	25
Profit and loss account	(20)
	<hr/>
At end of year	163
	<hr/>

	2003	2002
	£000	£000
Difference between accumulated depreciation, amortisation and capital allowances	174	158
Other timing differences	(11)	-
	<hr/>	<hr/>
	163	158

13 Share capital

	2003	2002
	£000	£000
<i>Authorised</i>		
Ordinary shares of 50p each	3,500	3,000
<i>Issued and fully paid</i>		
Ordinary shares of 50p each	3,438	3,000

On 1 January 2003, the authorised share capital of the company was increased to £3,500,000 by the authorisation of a further 1,000,000 shares of 50p each. On the same date, 875,376 shares were issued to the company's immediate parent, Ash & Lacy Manufacturing Limited, in exchange for the whole of the issued share capital of Eurogrid Limited.

14 Profit and loss account

	£000
At beginning of year	421
Retained profit for the year	483
At end of year	904

15 Contingent liabilities

The company is a party to cross-guarantees given for bank loans and overdrafts of the parent company and certain fellow subsidiaries of £61,153,000 (2002: £64,480,000).

The company has a guarantee in respect of performance bonds for £10,905 (2002: £11,000).

Notes (continued)

16 Financial commitments

The company's annual commitments under non-cancellable operating leases was as follows:

	2003 Land and buildings £000	Other £000	2002 Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	16	29	-	13
In second to fifth years	-	162	-	99
Over five years	542	-	282	-
	<u>558</u>	<u>191</u>	<u>282</u>	<u>112</u>

17 Pension scheme

The company contributes to two Group pension schemes; one providing benefits accruing in the future on a defined benefit basis and a second scheme providing benefits that are on a defined contribution basis. Details of the scheme and their most recent actuarial valuation are contained in the financial statements of Hill & Smith Holdings PLC.

The pension cost for the year was £155,000 (2002: £95,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The company is a member of the Group pension scheme which provides benefits on final pensionable pay. As the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17: *Retirement benefits*, the scheme will be accounted for by the company when the accounting standard is fully adopted by the company as if they were defined contribution schemes.

18 Acquisition of business

On 1 January 2003, the trade and certain assets and liabilities of Eurogrid Limited, a fellow group subsidiary, were transferred to Redman Fisher Engineering Limited at net book values, being the directors' estimate of their fair value. Details of the transfer are included below:

	£000
Tangible assets	626
Investments	85
Stocks	250
Cash at bank and in hand	2
Creditors:	
Amounts falling due within one year	(2,327)
Amounts falling due after one year	(16)
Provision for liabilities and charges	(25)
	<u>(1,405)</u>

Consideration for the transfer was settled by way of intra-group current accounts. The net liabilities were transferred at book value and, therefore, no goodwill arose.

The results of the business transferred to the company from Eurogrid Limited on 1 January 2003 have not been separately disclosed, since the directors manage the businesses as one and their results are not separately identifiable.

Notes (continued)

19 Related party transactions

The company has taken advantage of the exemption available under FRS 8: *Related party transactions* not to disclose transactions that have been made between the company and other fellow subsidiaries of Hill & Smith Holdings PLC.

Peter Giles, a director of Redman Fisher Engineering Limited, is also a director of Telford Group Limited. Telford Group Limited also acts as agents for Kingsland Engineering Limited. During the year, Redman Fisher Engineering Limited made the following transactions with these companies:

	2003 £000	2002 £000
Purchases of goods and services from Telford Group Limited	18	-
Purchases of goods and services from Kingsland Engineering Limited	1	-

At the year end, the following creditors were included in the balance sheet of Redman Fisher Engineering Limited:

	2003 £000	2002 £000
Telford Group Limited	1	-

Redman Fisher Engineering Limited also sub-leases part of its Telford site to Menk UK Limited, a company of which Peter Giles' partner is a director. The company also sub-leases part of its site to Menk UK Limited. The following transactions took place during the year:

	2003 £000	2002 £000
Rent received from Menk UK Limited	42	-

20 Ultimate parent company

The company is a wholly owned subsidiary of Hill & Smith Holdings PLC, a company registered in England. Copies of the Group financial statements may be obtained from group headquarters:

2 Highlands Court
 Cranmore Avenue
 Shirley, Solihull
 B90 4LE