General Industries plc

Directors' Report and Financial Statements

31 March 2004

Registered number 03929567

Contents

Chairman's Statement

Dear Shareholder

General Industries was floated on AIM in October 2003 to provide the opportunity of financing one or more growing unquoted companies wishing to seek capital for the expansion of their business and a public market for their shares.

A number of potential acquisitions have been examined but to date the companies and business plans considered have not met your directors' criteria.

Financial

As at 31 March 2004 the company's cash deposits amounting to just under £1m were placed on bank deposit with interest linked to base rate.

Turnover for the period under review was nil and will remain so until an acquisition is completed. The profit before tax was £2,400 relating entirely to interest received from cash on deposit less the expenses of running a quoted company of £14,560 less certain costs relating to the setting up and original issue of shares. The amount of £47,996 relating to the flotation in October 2003 has been charged to share premium account. Earnings per share were 0.07p. Annual running costs will continue to remain minimal until such time as an acquisition is identified. No director received any remuneration during the period.

Dividend

As stated in the company's prospectus the directors do not intend to declare a dividend in the short term.

Outlook

Equity markets and business confidence have improved since the beginning of the year and your board continues to seek a suitable acquisition based on the strategy outlined in the company's prospectus.

J Richard Wollenberg

4 June 2004

Directors and Advisers

Directors
J Richard Wollenberg, *Chairman*
Anthony J Shakesby, *Finance Director*
Derek M Joseph, *Non-Executive Director*
Ian T Reynolds, *Non-Executive Director*

Company Secretary
Anthony J Shakesby

Head and Registered Office
56 Station Road
Egham
TW20 9LF
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Web: www.general-industries.co.uk

Registered Number
03929567

Auditor
KPMG Audit Plc
Chartered Accountants
Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff
CF24 0TE

Stockbrokers and Financial Advisers
KBC Peel Hunt Ltd
111 Old Broad Street
London
EC2N 1PH

Bankers
Bank of Scotland
St James' Gate
14-16 Cockspur Street
London
SW1Y 7NH

Registrars and Transfer Office
Computershare Investor Services plc
PO Box 82
The Pavilions
Bridgewater Road
Bristol
BS99 7NH
Telephone: 0870 702 0001

Report of the Directors

The directors submit their annual report and the audited financial statements for the thirteen month period ended 31 March 2004.

Change of Name
In August 2003 the name of the company was changed from General Industries III Limited to General Industries Limited.

Re-registration as a Public Limited Company
In September 2003 the Company was then re-registered as a Public Limited Company.

Change of Accounting Reference Date
In September 2003 the accounting reference date was changed from 28 February to 31 March. Accordingly, the financial statements cover the 13 month period from 1 March 2003 to 31 March 2004.

Principal Activity and Review of the Business
The principal activity of the company during the period was that of an investment company seeking potential acquisitions.

Results
The results of the company for the period are set out in the audited financial statements on pages 7 to 14.

Dividends
The directors do not recommend payment of a dividend for the period *(12 months to 28 February 2003: £Nil).*

Directors
The directors of the company are listed on page 2. All served throughout the financial period.

In accordance with the company's articles of association, Mr JR Wollenberg, Mr IT Reynolds and Mr DM Joseph will retire by rotation at the annual general meeting and, being eligible, will offer themselves for re-election.

Directors' Interests
Directors' and their families' interests in the ordinary shares of the company were as follows:

	At 31 March 2004 Beneficial	At 28 February 2003 Beneficial
J Richard Wollenberg	700,000	-
Anthony J Shakesby	60,000	-
Derek M Joseph	120,000	-
Ian T Reynolds	600,000	-

There were no changes in the directors' shareholdings as stated above between 31 March 2004 and 28 May 2004.

Directors' Options
Details of the options to subscribe for ordinary shares of 10 pence each are as follows. By option certificates dated 10 October 2003, each of the directors was granted an option to subscribe at a price of 25 pence per share for a number of shares representing the following percentage of ordinary shares then in issue at the time:

	Percentage of Ordinary Shares
J Richard Wollenberg	5%
Anthony J Shakesby	1%
Derek M Joseph	2%
Ian T Reynolds	2%

The options are exercisable at any time during a five year period from 10 October 2003. Other than those noted above no options were granted or exercised and none lapsed during the period.

Report of the Directors *(continued)*

The mid-market price of the company's shares on 31 March 2004 was 36.5 pence per share, the highest and lowest mid-market prices of the company's shares during the period were 36.5 pence and 32.5 pence respectively.

Share Capital
Movements in share capital are set out in Note 10.

Substantial Shareholdings
The company has been notified of the following holdings of 3% or more in the share capital of the company at 28 May 2004 (other than the Directors' Shareholdings noted above).

	Holdings	Percentage
The Cardiff Property plc	400,000	9.52

Allotment of Shares
As special business at the annual general meeting a resolution will be proposed to renew the power of your directors to allot equity securities, pursuant to section 80 of the Companies Act 1985, such power being limited to one-third of the issued share capital of the company. This authority may be renewed for five years but, in common with modern corporate governance practice, it is your directors' intention that the resolution be limited to one year and that its renewal be proposed at each annual general meeting.

Pre-emption Rights
As special business at the annual general meeting a resolution will be proposed to renew for a further year the power of your directors to allot equity securities for cash without first offering such securities to existing shareholders. The aggregate nominal amount of equity securities which may be allotted in this way shall not exceed £21,000, representing 5% of the present issued ordinary share capital of the company.

Supplier Payment Policy
Whilst the company does not follow any standard code, it is its policy to negotiate terms with all its suppliers and to ensure that they know the terms on which payment will take place when the business is agreed. It is our policy to abide by these terms. In most instances this requires payment within 30 days of the date of invoice.

Auditor
During the period KPMG Audit Plc was appointed as auditor to the company. A resolution for the reappointment of KPMG Audit Plc is to be proposed at the forthcoming annual general meeting.

Corporate Governance
In July 2003, the Stock Exchange published the Combined Code on Corporate Governance which combines the work of the Cadbury, Greenbury and Hempel committees and is mandatory for fully listed companies.

Whilst there is no obligation for AIM listed companies to comply with this code, the directors endorse the principles of effective corporate governance and are committed to maintaining the highest standards of ethics, integrity and professional competence. The directors do not consider full compliance with the code is appropriate for the company at this stage of its development but will keep the matter under review and continue to develop procedures as the company develops.

Registered office:
56 Station Road
Egham
TW20 9LF

By order of the board

Anthony J Shakesby
Secretary

4 June 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 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; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper 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

KPMG Audit Plc
Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff
CF24 0TE

Independent auditors' report to the members of General Industries plc

We have audited the financial statements on pages 7 to 14.

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 auditor

The directors are responsible for preparing the annual report. As described on page 5, this includes responsibility for preparing 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, the Listing Rules of the Financial Services Authority, 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 whether the financial statements have been 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 other 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.

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 to be audited. 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 to be audited.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2004 and of the profit of the company for the period then ended.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

4 June 2004

Profit and Loss Account
for the period ended 31 March 2004

	Notes	**13 months ended 31 March 2004**	12 months ended 28 February 2003
		£	£
Administrative expenses being loss on ordinary activities before interest		**(14,560)**	-
Interest receivable and similar income	*2*	**16,960**	-
Profit on ordinary activities before taxation	*3-4*	**2,400**	-
Tax on profit on ordinary activities	*5*	**(1,023)**	-
Profit on ordinary activities after taxation being profit for the financial period		**1,377**	-

Earnings per share		**13 months ended 31 March 2004**	12 months ended 28 February 2003
		Pence per Share	Pence per share
On profit for the financial period			
Basic	*6*	**0.07**	-
Diluted	*6*	**0.07**	-

The above results relate entirely to continuing activities. There were no acquisitions or disposals of businesses in the period. The profit for the financial period represents the total gains and losses and the total historical cost profit recognised for the period.

Balance Sheet
at 31 March 2004

	Notes	At 31 March 2004 £	At 28 February 2003 £
Current assets			
Debtors	*8*	**1,718**	-
Cash at bank and in hand		**978,202**	1
		979,920	1
Creditors: amounts falling due within one year	*9*	**(1,540)**	-
Net current and net assets		**978,380**	1
Capital and reserves			
Called up share capital	*10*	**420,000**	1
Share premium account	*11*	**557,003**	-
Profit and loss account	*12*	**1,377**	-
Shareholders' funds - equity	*13*	**978,380**	1
Net assets per share	*7*	**23.3p**	*100.0p*

These financial statements were approved by the board of directors on 4 June 2004 and were signed on its behalf by:

J Richard Wollenberg
Director

Cash Flow Statement
for the period ended 31 March 2004

	Notes	13 months ended 31 March 2004 £	12 months ended 28 February 2003 £
Cash outflow from operating activities		(15,761)	-
Returns on investment and servicing of finance	15	16,960	-
Cash inflow before financing		1,199	-
Financing	15	977,002	-
Increase in cash in the period		978,201	-

Reconciliation of Net Cash Flow to Movement in Net Funds

		At 31 March 2004 £	At 28 February 2003 £
Increase in cash and movement in net funds in the period resulting from cash flows	16	978,201	-
Net funds at beginning of period	16	1	1
Net funds at end of period	16	978,202	1

Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities

	13 months ended 31 March 2004 £	12 months ended 28 February 2003 £
Operating loss	(14,560)	-
Increase in debtors	(1,718)	-
Increase in creditors	517	-
Net cash outflow from operating activities	(15,761)	-

Notes

(forming part of the financial statements)

1 Accounting Policies

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements. The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and with the Companies Act 1985.

Taxation

Provision is made for corporation tax payable at current rates on profits as adjusted for tax purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2 Interest Receivable and Similar Income

	13 months ended 31 March 2004	12 months ended 28 February 2003
	£	£
On bank deposits	**16,960**	-

3 Staff Numbers and Costs

The average number of persons employed by the company (including executive directors) during the period was:

	Number of employees	
	13 months ended 31 March 2004	12 months ended 28 February 2003
Management	**2**	-

All employees listed are directors, none of whom received any remuneration during the period (*12 months to 28 February 2003: £Nil)*

Information on directors' share options is shown in the report of the directors on page 3.

4 Profit on Ordinary Activities Before Taxation

	13 months ended 31 March 2004	12 months ended 28 February 2003
	£	£
This is stated after charging the following:		
Auditors' remuneration:		
Audit fees paid to the company's auditors and its associates	**700**	-
Tax compliance and other fees paid to the company's auditors and its associates	**4,000**	-

Notes *(continued)*

5 Tax on Profit on Ordinary Activities

	13 months ended 31 March 2004 £	12 months ended 28 February 2003 £
UK corporation tax at 19% on profits for the period	**1,023**	-

Factors affecting the current tax charge for the period

The current tax charge for the period is higher than the small company rate of corporation tax in the UK of 19% *(12 months to 28 February 2003: 19%).*

	13 months ended 31 March 2004 £	12 months ended 28 February 2003 £
Current tax reconciliation		
Profit on ordinary activities before tax	**2,400**	-
Profit on ordinary activities multiplied by the lower rate of corporation tax in the UK of 19 % *(12 months to 28 February 2003: 19%)*	**456**	-
Effects of		
Expenses not allowed for tax purposes	**567**	-
Current tax charge	**1,023**	-

6 Earnings Per Share

Earnings per share has been calculated in accordance with Financial Reporting Standard 14 - *Earnings Per Share* using the profit after tax for the financial period of £1,377 *(12 months to 28 February 2003: £Nil)* and the weighted average number of shares in issue during the period as follows:

	Weighted average number of shares	
	13 months ended 31 March 2004	12 months ended 28 February 2003
Basic	**1,976,928**	10
Adjustment to basic for element of shares to be issued on exercise of options	**18,609**	-
Diluted basis	**1,995,537**	10

Notes *(continued)*

7 Net Assets per Share

	At 31 March 2004	At 28 February 2003
	Pence per share	Pence per share
Based on shares in issue at 31 March 2004 of 4,200,000 *(At 28 February 2003: 1)*	**23.3p**	100.0p

8 Debtors

	At 31 March 2004	At 28 February 2003
	£	£
Prepayments and accrued income	**1,718**	-

9 Creditors: amounts falling due within one year

	At 31 March 2004	At 28 February 2003
	£	£
Corporation tax	**1,023**	-
Accruals and deferred income	**517**	-
	1,540	-

Notes *(continued)*

10 Share Capital

	At 31 March 2004	At 28 February 2003
	£	£
Authorised		
20,000,000 *(2003:Nil)* ordinary shares of 10 pence each	**2,000,000**	-
Nil *(2003: 100)* ordinary shares of £1 each	-	100
Allotted, called up and fully paid		
4,200,000 (2003: Nil) ordinary shares of 10 pence each	**420,000**	-
Nil *(2003:1)* ordinary shares of £1 each	-	1

In September 2003, the authorised share capital of the company was increased from £100 to £2,000,000 by the conversion of 100 £1 ordinary shares into 1,000 ordinary shares of 10 pence each and the creation of a further 19,999,000 shares of 10 pence each.

In September 2003, 499,990 of these shares were issued at 20 pence each for total cash consideration of £99,998 and the resultant share premium of £49,999 was credited to the share premium account.

In October 2003, a further 3,700,000 of these shares were issued at 25 pence each for total cash consideration of £925,000 and the resultant share premium of £555,000 was credited to the share premium account.

Details of share options held by the directors are set out in the report of the directors on page 3. At 31 March 2004, by an option Agreement dated 10 October 2003, KBC Peel Hunt had been granted an option to subscribe at a price of 25p each per share for 84,000 ordinary shares, which is exercisable within the period 10 October 2004 and 10 October 2008.

11 Share Premium Account

	£
At 1 March 2003	-
On shares issued during the period	**604,999**
Less: Expenses of share issue	**(47,996)**
At 31 March 2004	**557,003**

12 Profit and Loss Account

	£
At 1 March 2003	-
Retained profit for the financial period	**1,377**
At 31 March 2004	**1,377**

Notes *(continued)*

13 Reconciliation of Movements in Shareholders' Funds

	At 31 March 2004	At 28 February 2003
	£	£
At 1 March 2003	1	1
Profit for the financial period	1,377	-
Share premium on shares issued in period (net of expenses)	557,003	-
Shares issued in period	419,999	-
At 31 March 2004	**978,380**	1

14 Commitments

There were no commitments under contract at 31 March 2004 *(2003: £Nil).*

15 Gross Cash Flows

	13 months ended 31 March 2004	12 months ended 28 February 2003
	£	£
Returns on investment and servicing of finance		
Interest received	16,960	-
Financing		
Shares issued in the period	1,024,998	-
Expenses of share issue	(47,996)	-
	977,002	-

16 Analysis of Net Funds

	At 1 March 2003	Cash flow	At 31 March 2004
	£	£	£
Cash at bank	1	978,201	**978,202**

17 Related Party Transactions

During the period the company did not enter into any material transactions with related parties.

The issues of new shares to directors are disclosed in the report of the directors.

Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of General Industries Public Limited Company will be held at 56 Station Road, Egham, Surrey TW20 9LF on 29 July 2004 at 12 noon, for the following purposes:

Ordinary business

1. To receive the reports of the directors and auditors and the financial statements for the period ended 31 March 2004.
2. To re-elect JR Wollenberg as a director.
3. To re-elect IT Reynolds as a director.
4. To re-elect DM Joseph as a director.
5. To re-appoint KPMG Audit Plc as auditor of the company and to authorise the directors to agree its remuneration.

Special business

To consider, and if thought fit, to pass resolution 6 as an ordinary resolution and resolution 7 as a special resolution.

6\. That the directors be generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 to exercise all the powers of the company to allot, grant options over or otherwise deal with or dispose of the unissued share capital of the company provided that the authority hereby given:

(a) shall be limited to unissued shares in the share capital of the company having an aggregate nominal value of £1,580,000; and

(b) shall expire at the end of the next annual general meeting of the company to be held in 2005 unless previously renewed or varied save that the directors may, notwithstanding such expiry, allot, grant options over or otherwise deal with or dispose of any shares under this authority in pursuance of an offer or agreement so to do made by the company before the expiry of this authority.

Special resolution

7\. That the directors be and they are hereby empowered pursuant to section 95(1) of the Companies Act 1985 to allot equity securities (as defined in section 94(2) of that Act) for cash pursuant to the authority conferred in that behalf by the preceding ordinary resolution, as if section 89(1) of that Act did not apply to any such allotment, provided that this power shall be limited:

(a) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them subject only to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements; and

(b) to the allotment (otherwise than pursuant to subparagraph (a) above) of equity securities up to an aggregate nominal amount of £21,000 representing 5% of the present issued share capital of the company;

and shall expire on the date of the next annual general meeting of the company or 15 months from the passing of this resolution, whichever is the earlier, save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

Registered office:
56 Station Road
Egham
TW20 9LF

By order of the board

Anthony J Shakesby
Secretary

4 June 2004

Notes

1. Copies of the directors' service contracts will be available for inspection at the registered office of the company during usual business hours from the date of this notice until the date of the annual general meeting, and also during and at least fifteen minutes before the beginning of the annual general meeting.
2. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not also be a member of the company.

Form of Proxy

I/We being (an) ordinary shareholder(s) of **General Industries plc** hereby appoint the chairman of the meeting or______________________________(see note 1 below) as my/our proxy to vote for me/us on my/our behalf at the annual general meeting to be held on 29 July 2004 and at any adjournment thereof, as indicated below:

Resolutions		**For**	**Against**
1.	To receive the reports of the directors and auditors and the financial statements for the period ended 31 March 2004.		
2.	To re-elect Mr JR Wollenberg as a director.		
3.	To re-elect IT Reynolds as a director.		
4.	To re-elect DM Joseph as a director.		
5.	To re-appoint KPMG Audit Plc as auditor of the company and to authorise the directors to agree its remuneration.		
6.	To authorise the directors to allot and issue shares pursuant to section 80 of the Companies Act 1985.		
7.	To authorise the allotment of equity securities for cash pursuant to section 95(1) of the Companies Act 1985.		

Signed___________________________________Date___________________

Name(s)____

Notes

1. Should a member wish to nominate any other person, strike out "the chairman of the meeting or" and insert the name of the alternative proxy who need not be a member of the company.
2. Please indicate with an X in the boxes above how you wish your votes to be cast. In the absence of any specific direction, the proxy will vote or abstain as he/she thinks fit.
3. An appointment by a corporation must be under the common seal (if any) or, if none, under the hand of a duly authorised officer.
4. Any one of the joint holders may attend or appoint a proxy to attend at the meeting but the vote of the senior present, in person or by proxy, will be accepted to the exclusion of the other. Seniority shall be determined by the order in which the names stand in the register of shareholders in respect of the joint holding.
5. To be valid this proxy must be deposited at the head office of the company at least 48 hours before the time appointed for holding the meeting or adjourned meeting (as the case may be).