

Bals Engineering Group Limited
Annual report and accounts
for the year ended 31 March 2000

Registered Number 2769705



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for the year ended 31 March 2000
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Bals Engineering Group Limited

Directors' report for the year ended 31 March 2000

The directors present their report and the audited financial statements of the company for the year ended 31 March 2000.

Principal activities

The company operates as a holding company.

Review of the business

The company performed satisfactorily during the year.

Results and dividend

The results for the year are set out on page 4. The directors have proposed a dividend of £327,883 (1999: £39,788) on ordinary shares.

Directors and their interests

The directors who served during the year are as follows:

MJ Kelly

S Jackson

D Scholey

G Bals (resigned 15 July 1999)

R Begbie (resigned 1 September 1999)

R Powell

A Hodgson (appointed 1 September 1999)

J Gibson

None of the directors held an interest in the shares of the company at 31 March 2000.

Directors' interest in the share capital of the ultimate parent undertaking, Bals Engineering Limited, are given in the accounts of that company.

Bals Engineering Group Limited

Year 2000

Our year 2000 compliance programme was completed on time, all cost necessary was expensed in year. All software and hardware of a material nature to the efficient running of the business post year 2000 exhibited no significant issues.

We believe that as a result of the steps we have taken or plan to take, the year 2000 will not pose a material risk to our business.

The costs of this process are considered to be immaterial.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2000 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



S. Jackson
Secretary

14 June 2000

Bals Engineering Group Limited

Auditors' report to the members of Bals Engineering Group Limited

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

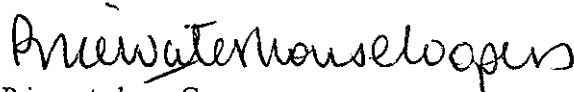
Basis of audit opinion

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. 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 at 31 March 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

14 June 2000

Bals Engineering Group Limited

Profit and loss account for the year ended 31 March 2000

	Note	2000 £	1999 £
Administrative expenses		(446)	(350,060)
Operating loss		(446)	(350,060)
Interest payable	2	(41,742)	(130,227)
Interest receivable	2	-	754
Income from group undertakings		1,004,493	856,420
Profit on sale of investment	6	5,595,348	-
Profit on ordinary activities before taxation	1	6,557,653	376,887
Tax on profit on ordinary activities	4	12,687	146,727
Profit on ordinary activities after taxation		6,570,340	523,614
Dividends – including non-equity	5	(327,883)	(80,320)
Retained profit for the financial year	12	6,242,457	443,294

Recognised Gains and Losses

The company has no recognised gains or losses, as defined by Financial Reporting Standard 3 ("FRS3"), Reporting Financial Performance, which are not included in the above profit and loss account.

Historical Cost Profits and Losses

There is no material difference between the reported profits and the historical cost profits for the year.

Bals Engineering Group Limited

Balance sheet as at 31 March 2000

	Note	2000 £	1999 £
Fixed assets			
Investments	6	2,081,248	2,085,900
Current assets			
Debtors	7	6,617,180	1,483,990
Creditors: amounts falling due within one year	8	(855,057)	(1,418,417)
Net current assets		5,762,123	65,573
Total assets less current liabilities		7,843,371	2,151,473
Creditors : amounts falling due after more than one year	9	-	(247,250)
Net assets		7,843,371	1,904,223
Capital and reserves			
Called up equity share capital	11	305,010	608,319
Capital redemption reserve	12	1,339,242	1,035,933
Profit and loss account	12	6,199,119	259,971
Total shareholders' funds	13	7,843,371	1,904,223

The financial statements on pages 4 to 13 were approved by the board of directors on 14 June 2000 and were signed on its behalf by:


S Jackson
Director

Bals Engineering Group Limited

Accounting policies

Accounting convention

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

Group consolidation

Consolidated accounts have not been prepared as the company's results are consolidated into the results of Bals Engineering Limited, the company's immediate parent company and ultimate controlling party.

Investments

Investments are carried at cost less any provision for permanent diminution in value.

Cash flow statement

The company has taken advantage of the exemption offered by Financial Reporting Standard 1 not to publish a cash flow statement as the company is a wholly owned subsidiary of, and its results and cash flows are consolidated into the financial statements of Bals Engineering Limited.

Bals Engineering Group Limited

Notes to the financial statements for the year ended 31 March 2000

1 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2000	1999
	£	£
Management charge	-	350,000

2 Interest

	2000	1999
	£	£
On amounts due within five years:		
Interest payable on bank overdraft	41,742	64,566
Interest payable on bank loans	-	59,541
Other interest	-	6,120
	41,742	130,227
Interest receivable	-	754

3 Directors' emoluments

Directors' emoluments were £Nil (1999: £Nil) during the year.

Bals Engineering Group Limited

4 Tax on profit on ordinary activities

The taxation on profit for the year comprises:

	2000	1999
	£	£
Current year		
Group relief	(12,656)	(146,727)
Prior year		
Group relief	(31)	-
	(12,687)	(146,727)

The profit arising on the sale of the company's investment in Bals Electrical Engineering Limited (note 6) does not give rise to a capital gain chargeable to corporation tax as the sale was to a company within the Bals group.

5 Dividends paid and proposed

	2000	1999
	£	£
<u>Non-equity</u>		
Preference dividends - paid	-	7,434
- proposed	-	33,098
	-	40,532
<u>Equity</u>		
Proposed £6.15 (1999: £0.75) per £1 cumulative participating preferred ordinary share	327,883	39,788
	327,883	80,320

Bals Engineering Group Limited

6 Investments

Company

	£
Shares in subsidiary companies at 31 March 1999	2,085,900
Disposal	(4,652)
At 31 March 2000	2,081,248

	<u>Principal activity</u>
Bals Industrial Accessories Limited	Electrical components manufacture
Bals Switchgear Projects Limited	Non trading
Bals Switchgear Services Limited	Non trading

The above subsidiaries are wholly owned by the company and are incorporated and operate in the United Kingdom.

During the year the company sold its investment in Bals Electrical Engineering Limited to Bals Engineering Limited for £5,600,000.

The directors are of the opinion that the value of the interest in subsidiaries is not less than the amount at which they are stated in the balance sheet.

7 Debtors

	2000	1999
	£	£
Amounts owed by group undertakings	6,604,524	1,310,149
Group relief recoverable	12,656	173,841
	6,617,180	1,483,990

Bals Engineering Group Limited

8 Creditors – Amounts falling due within one year

	2000	1999
	£	£
Bank overdraft	500,060	189,183
Secured loan – ECSC	-	123,625
Amounts due to group undertakings	-	350,000
ACT payable	27,114	27,114
Dividend proposed	327,883	97,185
Other creditors	-	505
	855,057	1,418,417

The group has a cross guarantee arrangement securing its bank overdraft facility by a fixed and floating charge over the group's assets. At 31 March 2000 the company's liability under the cross guarantee amounted to £Nil (1999: £Nil).

9 Creditors – Amounts falling due after more than one year

	2000	1999
	£	£
Secured loan – ECSC	-	247,250

10 Finance obligations

Finance obligations are repayable as follows:

	2000	1999
	£	£
Secured loan - ECSC		
Due within one year	-	123,625
Due within one and two years	-	123,625
Due within two and five years	-	123,625
	-	370,875

Bals Engineering Group Limited

11 Called up share capital

Authorised

At 31 March 1999 and 31 March 2000

	£
<u>Equity</u>	
5,000,000 ordinary shares 10p	500,000
53,345 5% cumulative convertible participating preferred ordinary shares £1	53,345
	553,345
<u>Non-equity</u>	
925,933 10% first cumulative redeemable preference shares £1	925,933
172,727 10% second cumulative redeemable preference shares £1	172,727
130,582 2% bank rate third cumulative redeemable preference shares £1	130,582
110,000 8% fourth cumulative redeemable preference shares £1	110,000
	1,339,242
	1,892,587

Allotted, called up and fully paid

	2000	1999
<u>Equity</u>		
2,516,651 ordinary shares 10p	251,665	251,665
53,345 5% cumulative convertible participating preferred ordinary shares £1	53,345	53,345
	305,010	305,010
<u>Non-equity</u>		
172,727 10% second cumulative redeemable preference shares £1	-	172,727
130,582 2% bank rate third cumulative redeemable preference shares £1	-	130,582
	-	303,309
	305,010	608,319

During the year the second and third cumulative redeemable preference shares were redeemed at their par value

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The £1 cumulative convertible participating preferred ordinary (CCPPO) shares are entitled to a dividend of 5% of net profit before taxation. They may be converted into ordinary shares on a one for ten basis if, upon the occurrence of a Conversion Event as defined in the Articles of Association, a holder or holders of a majority in CCPPO shares gives notice in writing to the company. The ordinary shares resulting from such a conversion shall rank pari passu in all respects with the other ordinary shares in the issue at the date of conversion.

Ordinary shareholders have one vote for each share of which they are the registered holder. Holders of the CCPPO shares are entitled to 10 votes for each share of which they are the registered holder.

12 Reserves

	Capital redemption reserve £	Profit and loss account £	Total £
At 31 March 1999	1,035,933	259,971	1,295,904
Retained profit for the year	-	6,242,457	6,242,457
Redemption of second cumulative redeemable preference shares	172,727	(172,727)	-
Redemption of third cumulative redeemable preference shares	130,582	(130,582)	-
At 31 March 2000	1,339,242	6,199,119	7,538,361

13 Reconciliation of movements in shareholders' funds

	2000 £
At 1 April 1999	1,904,223
Profit for the year	6,570,340
Dividends	(327,883)
Redemption of shares	(303,309)
Closing shareholders' funds	7,843,371
Equity	7,843,371
Non-equity	-
	7,843,371

Bals Engineering Group Limited

14 Capital commitments

There are no capital commitments at 31 March 2000 (1999 - £Nil).

15 Contingent liabilities

The company has undertaken to guarantee a loan to the Bank of Scotland held by Bals Engineering Limited. At 31 March 2000 the balance of the loan was £670,000 (1999: £730,000).

16 Related party transactions

Transactions with other companies within the group have not been disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard No 8 "Related Party Disclosures".

17 Ultimate controlling party

The company's parent company and ultimate controlling party is Bals Engineering Limited, a company incorporated in England.

Copies of the accounts of Bals Engineering Limited can be obtained by writing to Bals Engineering Limited, Jubilee Industrial Estate, Ashington, Northumberland.