

BALS ENGINEERING GROUP LIMITED

DIRECTORS' REPORT AND ACCOUNTS
31 MARCH 1995

REGISTERED NUMBER: 2769705



BALS ENGINEERING GROUP LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report together with the audited accounts of the group and of the company for the year ended 31 March 1995.

REVIEW OF THE BUSINESS

On 15 April 1994 the company acquired the entire share capital of Bals Electrical Engineering Limited, Bals Industrial Accessories Limited, Bals Switchgear Projects Limited and Bals Switchgear Services Limited by way of a share for share exchange.

The group's principal activity is that of electrical component manufacture and electrical engineering.

The directors are satisfied with the performance of the group during the year and believe the group to be well positioned to take advantage of future opportunities.

RESULTS AND DIVIDENDS

The profit for the group before taxation amounted to £511,101. The directors propose to provide £138,469 for preferred share dividends and to transfer £256,302 to reserves.

SHARE CAPITAL

Changes in the share capital of the company are detailed in note 18 to the accounts.

TANGIBLE FIXED ASSETS

The changes in the tangible fixed assets of the group and the company during the period are summarised in Note 9.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the period and their interests in the shares of the company were as follows:

BALS ENGINEERING GROUP LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

		At 31 March 1995 <u>Ordinary 10p shares</u>	At 31 March 1994 <u>Ordinary £1 shares</u>
MJ Kelly		512,387	1
S Jackson		85,831	-
F Duffy		85,831	-
K Murray	(appointed 15 April 1994)	-	-
D Scholey	(appointed 15 April 1994)	85,832	-
G Bals	(appointed 14 July 1994)	-	-
E Metcalf	(appointed 6 June 1994)	85,831	-
JS Ketchin	(resigned 11 April 1994)	-	1

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the group as at the end of the financial period and of the profit or loss for the financial period.

The directors confirm that appropriate accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made, in the preparation of the financial statements for the year ended 31 March 1995. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors 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.

AUDITORS

Price Waterhouse have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board



S Jackson
Secretary

28 September 1995

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF BALS ENGINEERING GROUP LIMITED

We have audited the financial statements on pages 4 to 24 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective Responsibilities of Directors and Auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 circumstances of the company and are 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 affairs of the company and the group at 31 March 1995 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse

Chartered Accountants
and Registered Auditors

28 September 1995

BALS ENGINEERING GROUP LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1995**

	1995 £
TURNOVER (Note 2)	8,565,440
Cost of sales	<u>(6,681,760)</u>
GROSS PROFIT	1,883,680
Distribution costs	(493,119)
Administrative expenses	(1,120,336)
Other operating income (Note 4)	353,974
	<hr/>
OPERATING PROFIT	624,199
Interest payable (Note 5)	<u>(113,098)</u>
	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 3)	511,101
Taxation on profit on ordinary activities (Note 7)	<u>(116,330)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	394,771
Dividends paid and proposed (equity and non-equity) (Note 8)	<u>(138,469)</u>
PROFIT AFTER TAXATION AND DIVIDENDS TRANSFERRED TO RESERVES (Note 19)	<u><u>256,302</u></u>

All results relate entirely to continuing operations acquired during the period.

RECOGNISED GAINS AND LOSSES

The group has no recognised gains or losses, as defined in 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 1995

	<u>Group</u>	<u>Company</u>	
	1995	1995	1994
	£	£	£
TANGIBLE ASSETS			
Fixed assets (Note 9)	1,771,061	-	-
Investments (Note 10)	-	1,310,900	-
CURRENT ASSETS			
Stocks (Note 11)	998,842	-	-
Debtors (Note 12)	2,273,407	1,115,965	-
Cash at bank and in hand	<u>304,834</u>	<u>62,027</u>	<u>265,166</u>
	3,577,083	1,177,992	265,166
CREDITORS (amounts falling due within one year) (Note 13)	<u>(3,114,040)</u>	<u>(193,970)</u>	<u>(265,164)</u>
NET CURRENT ASSETS	<u>463,043</u>	<u>984,022</u>	<u>2</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	2,234,104	2,294,922	2
CREDITORS (amounts falling due after more than one year) (Note 14)	(767,428)	(623,288)	-
PROVISIONS FOR LIABILITIES AND CHARGES (Note 16)	(73,662)	-	-
	<u>1,393,014</u>	<u>1,671,634</u>	<u>2</u>
CAPITAL AND RESERVES			
Called up share capital (Note 18)	1,583,433	1,583,433	2
Profit and loss account (Note 19)	195,483	27,382	-
Capital redemption reserve (Note 19)	60,819	60,819	-
Goodwill reserve (Note 19)	<u>(446,721)</u>	<u>-</u>	<u>-</u>
SHAREHOLDERS' FUNDS (EQUITY AND NON-EQUITY) (Note 20)	<u>1,393,014</u>	<u>1,671,634</u>	<u>2</u>

The financial statements on pages 4 to 24 were approved by the board on 28 September 1995 and are signed on their behalf by:


S Jackson
Director

BALS ENGINEERING GROUP LIMITED**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 1995**

		1995
	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 25)		432,204
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Dividends paid	(50,909)	
Interest paid	(93,707)	
Interest element of finance lease repayments	(19,391)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE	(164,007)	
INVESTING ACTIVITIES		
Purchase of tangible fixed assets	(423,618)	
Proceeds on sale of fixed assets	36,527	
Receipt of government grant	150,000	
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(237,091)</u>
NET CASH INFLOW BEFORE FINANCING		31,106
FINANCING		
Secured loan advances (Note 27)	250,000	
Repayments of loans (Note 27)	(474,505)	
Capital element of finance lease repayments (Note 27)	(161,747)	
Issue of additional share capital (Note 27)	333,350	
Redemption of share capital (Note 27)	(60,819)	
New finance leases (Note 27)	<u>213,987</u>	
NET CASH INFLOW FROM FINANCING		<u>100,266</u>
INCREASE IN CASH AND CASH EQUIVALENTS (Note 26)		<u>131,372</u>

BALS ENGINEERING GROUP LIMITED

NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1995

1 ACCOUNTING POLICIES

(a) Accounting Convention

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

(b) Group consolidation

The group accounts comprise a consolidation of the holding company, Bals Engineering Group Limited, for the year ended 31 March 1995 together with the accounts of its subsidiaries from their date of acquisition to 31 March 1995. The goodwill arising on acquisition of the subsidiaries is written off immediately to a goodwill reserve.

No profit and loss account is presented for the company, as provided by section 230 of the Companies Act 1985.

(c) Turnover

Turnover and profit are derived from the company's principal activity. Turnover comprises amounts invoiced (excluding value added tax) in respect of goods sold together with the value of work done on contracts on a percentage of completion basis during the year.

(d) Tangible assets

Tangible assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of tangible assets by the straight line method over their estimated useful lives as follows:

Freehold land	Not depreciated
Freehold buildings	5% per annum
Plant and equipment	10% per annum
Workshop tools	10% per annum
Machine tools	5% per annum
Motor vehicles	20% per annum
Computer equipment	33% per annum

(e) Leases

Tangible fixed assets subject to finance lease arrangements are capitalised in the balance sheet and the related lease liability is included in creditors. Any such assets are depreciated at rates described above.

Operating lease rentals are charged to the profit and loss account in the period to which the rent relates.

BALS ENGINEERING GROUP LIMITED

NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1995 (continued)

1 ACCOUNTING POLICIES (continued)

(f) Stock and work in progress

Stocks, being finished goods for resale, are stated at the lower of cost and net realisable value.

Work in progress is stated at the lower of cost and estimated net realisable value. The cost of work in progress includes an appropriate proportion of production overheads. Full provision is made for contracting losses as soon as the loss is foreseen.

Where turnover on long term contract work in progress differs from invoiced progress payments, the balance is included in debtors or creditors as appropriate.

(g) Deferred taxation

Provision is made for deferred taxation on the liability method to the extent that a liability is expected to arise in the foreseeable future.

(h) Government grants

Grants of a capital nature have been credited to deferred income and are amortised over the useful lives of the relevant assets. Labour related grants are taken to profit and loss account over the period of the relevant projects.

(i) Pensions

During 1994/95 the company operated an externally administered defined benefit pension scheme for its directors and employees. The pension costs are charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme.

With effect from 1 February 1995 the assets of the defined benefit scheme were transferred to a money purchase scheme to which group companies now contribute.

(j) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. The resulting profits or losses are dealt with in the profit and loss account.

(k) Comparative figures

There are no group comparative figures included in these accounts as this is the first reporting period for the group consolidation.

BALS ENGINEERING GROUP LIMITED

NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1995 (continued)

2 TURNOVER

Turnover and profit are derived from the group's principal activities.

A geographical analysis of turnover is as follows:

	<u>1995</u> £
United Kingdom	8,110,430
Europe	77,499
Rest of World	377,511
	<hr/>
	8,565,440

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting):

	<u>1995</u> £
Wages and salaries	2,506,143
Social security costs	208,324
Other pension costs	63,080
Ex-gratia redundancy payments	22,471
Operating lease rentals - others (Note 24)	7,362
Auditors' remuneration - audit services	21,500
- other services	26,655
Depreciation on owned assets	155,767
Depreciation on assets held under finance leases	108,467
Loss on foreign exchange transactions	8,714
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The average number of persons employed by the group (including directors) during the year was 137 (1994 - Nil).

BALS ENGINEERING GROUP LIMITED

NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1995 (continued)

4 OTHER OPERATING INCOME

Other operating income comprises:	<u>1995</u>
	£
Government grant income	75,000
Exceptional pensions credit	278,974
	<hr/>
	353,974
	<hr/>

With effect from 1 February 1995 the group's pension arrangements were reorganised. The funds in its defined benefit pension scheme were transferred to a money purchase scheme and consequently a pension provision of £278,974, set up in prior years to meet future liabilities of the group in respect of the defined benefit scheme, has been released as exceptional operating income.

A future liability may arise on the group to the extent that the assets realised on the winding up of the defined benefit scheme are not sufficient to meet the funding of the money purchase scheme. Management do not expect that any such liability will arise.

During the year, the group received grant income which could, become repayable if certain targets for job creation and capital expenditure are not met over the life of the relevant project. Although a potential contingent liability exists, a provision has not been made in the accounts as management considers that the likelihood of repayment is remote.

5 INTEREST PAYABLE

	<u>1995</u>
	£
On amounts due within five years	
Interest payable on bank overdraft	50,910
Interest payable on bank loans	25,047
Interest on hire purchase agreements	19,391
	<hr/>
	95,348
On amounts due after five years	
Interest payable on bank loans	17,750
	<hr/>
	113,098
	<hr/>

BALS ENGINEERING GROUP LIMITED

NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1995 (continued)

6 DIRECTORS' EMOLUMENTS

Included in staff costs (Note 3) is an amount of £222,190 (including pension contributions) relating to directors' remuneration. This is analysed as follows (excluding pension contributions):

	<u>1995</u>
Chairman and highest paid director	£48,450

Directors' emoluments were in the following bands:

	<u>1995</u>
	Number
£0 - £5,000	3
£10,001 - £15,000	-
£30,001 - £35,000	1
£35,001 - £40,000	1
£40,001 - £45,000	2
£45,001 - £50,000	1

In addition to the above, fees of £10,856 were paid to the principal employer of a non-executive director in consideration for his services.

7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The taxation on profit for the year comprises:

Current year:

Corporation tax at 33%	94,422
Deferred tax	24,669

Prior year:

Corporation tax at 33%	(19,717)
Deferred tax	16,956

£116,330

The effective tax rate for the year is lower than the standard rate due primarily to losses brought forward in the subsidiary undertakings acquired during the year.

BALS ENGINEERING GROUP LIMITED

NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1995 (continued)

8 DIVIDENDS PAID AND PROPOSED

Non-equity

	1995 £
1995 paid preference dividend	50,909
1995 proposed preference dividend	62,005
	<hr/>
	112,914

Equity

1995 proposed preferred ordinary dividend	25,555
	<hr/>
	138,469

9 TANGIBLE FIXED ASSETS

<u>Group</u>	<u>Plant and machinery</u> £	<u>Freehold land and buildings</u> £	<u>Fixtures fittings and equipment</u> £	<u>Total</u> £
<u>Cost</u>				
At 1 April 1994	-	-	-	-
Acquisitions	911,500	475,000	551,032	1,937,532
Additions	253,987	-	169,631	423,618
Disposals	<u>(102,838)</u>	<u>-</u>	<u>-</u>	<u>(102,838)</u>
At 31 March 1995	<u>1,062,649</u>	<u>475,000</u>	<u>720,663</u>	<u>2,258,312</u>
<u>Depreciation</u>				
At 1 April 1994	-	-	-	-
Acquisitions	106,922	-	176,805	283,727
Charge for period	141,016	17,844	105,374	264,234
Disposals	<u>(60,710)</u>	<u>-</u>	<u>-</u>	<u>(60,710)</u>
At 31 March 1995	<u>187,228</u>	<u>17,844</u>	<u>282,179</u>	<u>487,251</u>
<u>Net book value</u>				
At 31 March 1995	875,421	457,156	438,484	1,771,061
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1994	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

BALS ENGINEERING GROUP LIMITED

NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1995 (continued)

9 TANGIBLE FIXED ASSETS (continued)

Included in the net book value of plant and machinery and fixtures, fittings and equipment is £635,274 in respect of assets held under finance leases. Depreciation of £266,295 has been charged on these assets.

10 INVESTMENTS

1995

Company

Shares in subsidiary companies acquired during the period £1,310,900

Investments in subsidiary companies comprise:

Principal activity

Bals Industrial Accessories Limited	Electrical components manufacture
Bals Switchgear Projects Limited	Project management and engineering
Bals Electrical Engineering Limited	Electrical engineering
Bals Switchgear Services Limited	Refurbishment of electrical switchgear

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

11 STOCK AND WORK IN PROGRESS

Group

1995

£

Raw materials and components	555,471
Work in progress	96,186
Finished goods	347,185

998,842

At the year end the directors are not aware of any significant difference between book value and the replacement cost of stocks.

BALS ENGINEERING GROUP LIMITED

NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1995 (continued)

12 DEBTORS

	<u>Group</u>	<u>Company</u>	
	1995	1995	1994
	£	£	£
Trade debtors	1,581,213	-	-
Amounts recoverable on contracts	592,808	-	-
Other debtors	1,025	182,799	-
Amounts owed by subsidiary companies	-	917,665	-
Prepayments and accrued income	82,860	-	-
ACT recoverable	15,501	15,501	-
	<u>2,273,407</u>	<u>1,115,965</u>	<u>-</u>

13 CREDITORS (amounts falling due within one year)

	<u>Group</u>	<u>Company</u>	
	1995	1995	1994
	£	£	£
Secured loan - British Coal Enterprise (Note 15)	90,909	90,909	-
Obligations under finance leases (Note 15)	166,484	-	-
Payments on account in excess of work in progress	505,137	-	-
Trade creditors	1,381,655	-	-
Bills of exchange payable	126,271	-	-
Accruals and deferred income	311,900	-	-
ACT payable	51,357	15,501	-
Corporation tax	88,881	-	-
Other taxes and social security	294,676	-	-
Dividend proposed	87,560	87,560	-
Other creditors	<u>9,210</u>	<u>-</u>	<u>265,164</u>
	<u>3,114,040</u>	<u>193,970</u>	<u>265,164</u>

The group has a cross guarantee arrangement securing its bank facility by a fixed and floating charge over the group's assets. At 31 March 1995 the company's liability under the cross guarantee amounted to £432,473.

BALS ENGINEERING GROUP LIMITED

NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1995 (continued)

14 CREDITORS (amounts falling due after one year)

	<u>Group</u>	<u>Company</u>	
	1995	1995	1994
	£	£	£
Obligations under finance leases (Note 15)	88,740	-	-
Secured loan - ECSC (Note 15)	494,500	494,500	-
Secured loan - British Coal Enterprise (Note 15)	128,788	128,788	-
Accruals and deferred income	55,400	-	-
	<hr/>	<hr/>	<hr/>
	767,428	623,288	-
	<hr/>	<hr/>	<hr/>

15 FINANCE OBLIGATIONS

Finance obligations are repayable as follows:

Group	<u>Loans</u>	<u>Finance</u>	<u>Total</u>
	£	leases	£
	£	£	£
Due within one year	90,909	166,484	257,393
Due within one and two years	90,909	56,809	147,718
Due within two and five years	285,129	31,931	317,060
Due after five years by instalments	247,250	-	247,250
	<hr/>	<hr/>	<hr/>
	714,197	255,224	969,421
	<hr/>	<hr/>	<hr/>
Company			
Due within one year	90,909	-	90,909
Due within one and two years	90,909	-	90,909
Due within two and five years	285,129	-	285,129
Due after five years by instalments	247,250	-	247,250
	<hr/>	<hr/>	<hr/>
	714,197	-	714,197
	<hr/>	<hr/>	<hr/>

BALS ENGINEERING GROUP LIMITED

NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1995 (continued)

15 FINANCE OBLIGATIONS (continued)

The hire purchase and finance lease creditors are secured on the assets to which they relate.

The ECSC loan is repayable in four annual instalments, the first instalment being due on 24 July 1998, accrues interest at a rate of 8.635% and is secured by a fixed and floating charge over the group's assets.

The British Coal Enterprise loan is repayable in 36 monthly instalments, which commenced on 15 December 1994, accrues interest at a rate of 8% and is secured by a charge over the group's assets.

16 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

The full deferred taxation liability provided in the accounts comprises:

	<u>Group</u>	<u>Company</u>	
	<u>1995</u>	<u>1995</u>	<u>1994</u>
	£	£	£
Tax deferred by capital allowances	111,139	-	-
Short term timing differences	(24,750)	-	-
Advance corporation tax	(12,727)		
	<hr/>	<hr/>	<hr/>
	73,662	-	-
	<hr/>	<hr/>	<hr/>

Movement on the deferred taxation liability for the year is as follows:

At 1 April 1994	-	-	-
Acquisitions	32,037	-	-
Provided during year	41,625	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 1995	73,662	-	-
	<hr/>	<hr/>	<hr/>

BALS ENGINEERING GROUP LIMITED

NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1995 (continued)

17 ACQUISITION OF GROUP UNDERTAKINGS

On 15 April 1994 the company acquired the entire share capital of Bals Industrial Accessories Limited, Bals Switchgear Services Limited, Bals Switchgear Projects Limited and Bals Electrical Engineering Limited. The impact of the acquisitions on the consolidated balance sheet is set out below:

	Balance sheet at <u>acquisition</u>
	£
Tangible fixed assets	1,653,805
Stock	860,178
Debtors	1,387,995
Cash at bank	514,314
Creditors	(1,997,183)
Bank overdrafts	(606,018)
Loans and finance leases	(916,875)
Provisions	<u>(32,037)</u>
	864,179
Consideration	1,310,900
	<u> </u>
Goodwill on acquisition	<u>446,721</u>

The acquisition consideration was satisfied by shares in Bals Engineering Group Limited (Note 18). There was no cash consideration. The directors consider that the book value of assets purchased is equivalent to the fair value.

The analysis of the net outflow of cash and cash equivalents in respect of the purchase of the subsidiary undertakings is as follows:

	£
Cash at bank acquired	514,314
Bank overdrafts of acquired subsidiary undertakings	(606,018)
	<u> </u>
Net outflow of cash and cash equivalents	<u>(91,704)</u>

The operating profit/(loss) for the subsidiary undertakings acquired, for the year ended 31 March 1994, was as follows:

	£
Bals Industrial Accessories Limited	(122,131)
Bals Switchgear Projects Limited	(215,761)
Bals Electrical Engineering Limited	217,103
Bals Switchgear Services Limited	<u>73,788</u>

BALS ENGINEERING GROUP LIMITED

NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1995 (continued)

18 CALLED UP SHARE CAPITAL

Authorised
31 March 1995

£

Equity

5,000,000 ordinary shares 10p	500,000
53,345 5% cumulative convertible participating preferred ordinary shares £1	53,345
	<u>553,345</u>

Non-equity

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% above bank rate third cumulative redeemable preference shares £1	130,582
110,000 8% fourth cumulative redeemable preference shares £1	<u>110,000</u>
	1,339,242
	<u><u>1,892,587</u></u>

31 March 1994

Equity

1,000 ordinary shares £1	<u>1,000</u>
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Allotted, called up and fully paid

31 March 1995

Equity

2,516,651 ordinary shares 10p	251,665
53,345 5% cumulative convertible participating preferred ordinary shares £1	<u>53,345</u>
	305,010

Non-equity

865,114 10% first cumulative redeemable preference shares £1	865,114
172,727 10% second cumulative redeemable preferred shares £1	172,727
130,582 2% above bank rate third cumulative redeemable preferred shares £1	130,582
110,000 8% fourth cumulative redeemable preferred shares £1	<u>110,000</u>
	1,278,423
	<u><u>1,583,433</u></u>

31 March 1994

Equity

2 ordinary shares £1	<u>2</u>
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BALS ENGINEERING GROUP LIMITED

NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1995 (continued)

18 CALLED UP SHARE CAPITAL (continued)

On 14 April 1994 the £1 ordinary shares were split into 10p ordinary shares.

On 15 April 1994 2,393,731 10p ordinary shares, 845,455 £1 first cumulative redeemable preference shares (FCRP), 53,345 £1 cumulative convertible participating preference ordinary shares (CCPPO) and 172,727 £1 second cumulative redeemable preference shares (SCRP) were allotted at par in connection with the funding for the acquisitions detailed in Note 17.

On 15 April 1994 122,900 ordinary shares, 80,478 FCRP shares, 130,582 third cumulative redeemable preference shares (TCRP), and 110,000 fourth cumulative redeemable preference shares (Fourth CRP) were allotted at par for cash to fund expansion of the business.

The CCPPO shares are entitled to a dividend of 5% of net profit. The CCPPO shares may be converted into ordinary shares on a one for one 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.

The FCRP shares are eligible to be redeemed at their par value in four instalments as follows:

15 April 1994	60,819
28 February 1995	281,818
28 February 1996	281,818
28 February 1997	301,478

The instalment of 60,819 shares were redeemed on 15 April 1994.

The SCRП shares are eligible to be redeemed at par upon the company giving written notice to the holders of such shares and providing the whole of the FCRP shares have been redeemed.

The TCRP shares may be redeemed at par at any time on or after 26 July 1997 upon the company giving written notice to the holders of such shares and providing the whole of the FCRP and SCRП shares have been redeemed.

The Fourth CRP shares may be redeemed at par at any time on or after 30 September 1997 upon the company giving written notice to the holders of such shares and providing the whole of the FCRP, SCRП and TCRP shares have been redeemed.

BALS ENGINEERING GROUP LIMITED

NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1995 (continued)

18 CALLED UP SHARE CAPITAL (continued)

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. Holders of the FCRP have no voting rights unless at the date of a general meeting the FCRP dividend is six months in arrears. In such an event holders of FCRP shares are entitled to 10 votes for each share of which they are the registered holder.

Holders of the SCRP, TCRP and Fourth CRP shares do not have voting rights.

In the event of winding up of the company, priority for repayment of capital plus all arrears of dividend ranks firstly with FCRP shares, then CCPPO shares, then SCRP shares, then TCRP shares and then Fourth CRP shares. The CCPPO shares then rank *pari passu* with ordinary shareholders for distribution of any surplus assets after repayment of the ordinary share capital at par.

BALS ENGINEERING GROUP LIMITED

NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1995 (continued)

19 RESERVES

	Capital redemption <u>reserve</u>	Goodwill <u>reserve</u>	Profit and <u>loss account</u>	<u>Total</u>
	£	£	£	£
Group				
<u>Equity</u>				
At 1 April 1994	-	-	-	-
Redemption of first cumulative redeemable preference shares	60,819	-	(60,819)	-
Retained profit for the year	-	-	256,302	256,302
Acquisitions during the year	-	(446,721)	-	(446,721)
	<u>60,819</u>	<u>(446,721)</u>	<u>195,483</u>	<u>(190,419)</u>

Company

	Capital redemption <u>reserve</u>	Profit and <u>loss account</u>	<u>Total</u>
	£	£	£
At 1 April 1994	-	-	-
Redemption of first cumulative redeemable preference shares	60,819	(60,819)	-
Retained profit for year	-	88,201	88,201
	<u>60,819</u>	<u>27,382</u>	<u>88,201</u>

Of the group's profit for the year £226,670 is dealt with the accounts of the holding company.

BALS ENGINEERING GROUP LIMITED

NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1995 (continued)

20 RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS

	Total £
Opening shareholders' funds	2
Profit for the year	394,771
Dividends	(138,469)
New share capital	1,583,431
Goodwill written off	(446,721)
	<hr/>
Closing shareholders' funds	1,393,014
	<hr/>
Equity	114,591
Non-equity	1,278,423
	<hr/>
	1,393,014
	<hr/>

21 CAPITAL COMMITMENTS

There were no capital commitments at 31 March 1995 (1994: £Nil)

22 CONTINGENT LIABILITIES

At 31 March 1995 the group had issued retention bonds of £54,185, a duty deferment bond of £20,000 and performance bonds of £299,954 in the ordinary course of business.

Other contingent liabilities are set out in Note 4.

23 RELATED PARTY TRANSACTIONS

During the year electrical components to the value of £320,136 (1994: £301,133) were purchased by group companies from Bals Elektrotechnik GmbH, a related company.

BALS ENGINEERING GROUP LIMITED

NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1995 (continued)

24 OPERATING LEASES

The minimum annual rentals under operating leases, all of which relate to plant and equipment, are as follows:

Operating leases which expire

	<u>1995</u>
Within one year	267
Within two to five years	7,095
	<hr/>
	£7,362
	<hr/>

25 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<u>1995</u>
	£
Operating profit from continuing activities	624,199
Loss on sale of tangible fixed assets	5,602
Depreciation of tangible fixed assets	264,234
Government grant income	(75,000)
Increase in stocks	(138,664)
Increase in debtors	(909,550)
Increase in creditors and provisions	<u>661,383</u>
Net cash inflow from continuing operating activities	<hr/> 432,204 <hr/>

26 ANALYSIS OF BALANCES AND OF MOVEMENT IN CASH AND CASH EQUIVALENTS

	£
At 1 April 1994	265,166
Net cash outflow on acquisitions (Note 17)	(91,704)
Net cash inflow for the year	<u>131,372</u>
At 31 March 1995	<hr/> 304,834 <hr/>

The balance at 1 April 1994 and 31 March 1995 comprised cash at bank.

BALS ENGINEERING GROUP LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1995 (continued)

27 CHANGES IN FINANCING DURING THE YEAR

	Share <u>capital</u> £	<u>Loans</u> £	Finance <u>leases</u> £
At 1 April 1994	2	244,202	-
Net proceeds from issue of share capital			
-on acquisition	1,310,900	-	-
-cash consideration	333,350		
Acquisition of subsidiary undertakings	-	694,500	222,375
New loans	-	250,000	213,987
Repayment of loans - capital	-	(474,505)	(161,747)
- interest on finance leases	-	-	(19,391)
Redemption of share capital	(60,819)	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 1995	1,583,433	714,197	255,224
	<hr/>	<hr/>	<hr/>