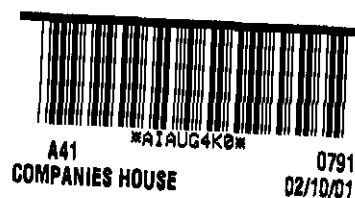


Bals Engineering Group Limited
Annual report and accounts
for the year ended 31 March 2001

Registered Number 2769705



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for the year ended 31 March 2001
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Bals Engineering Group Limited

Directors' report for the year ended 31 March 2001

The directors present their report and the audited financial statements of the company for the year ended 31 March 2001.

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 £5,600,000 (2000: £327,883) on ordinary shares.

Directors and their interests

The directors who served during the year are as follows:

MJ Kelly

S Jackson

D Scholey

R Powell

A Hodgson

J Gibson

None of the directors held an interest in the shares of the company at 31 March 2001.

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

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 2001 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

27 September 2001

Bals Engineering Group Limited

Auditors' report to the members of Bals Engineering Group Limited

We have audited the financial statements on pages 4 to 11 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 2001 and of its result 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

27 September 2001

Bals Engineering Group Limited

Profit and loss account for the year ended 31 March 2001

	Note	2001 £	2000 £
Administrative expenses		-	(446)
Operating loss		-	(446)
Interest payable	1	-	(41,742)
Income from group undertakings		-	1,004,493
Profit on sale of investment		-	5,595,348
Profit on ordinary activities before taxation	2	-	6,557,653
Tax on profit on ordinary activities	3	-	12,687
Profit on ordinary activities after taxation		-	6,570,340
Dividends – including non-equity	4	(5,600,000)	(327,883)
(Loss withdrawn)/retained profit for the financial year	9	(5,600,000)	6,242,457

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 2001

	Note	2001 £	2000 £
Fixed assets			
Investments	5	2,074,119	2,081,248
Current assets			
Debtors	6	169,252	6,617,180
Creditors: amounts falling due within one year	7	-	(855,057)
Net current assets		169,252	5,762,123
Total assets less current liabilities		2,243,371	7,843,371
Capital and reserves			
Called up equity share capital	8	305,010	305,010
Capital redemption reserve	9	1,339,242	1,339,242
Profit and loss account	9	599,119	6,199,119
Total equity shareholders' funds	10	2,243,371	7,843,371

The financial statements on pages 4 to 11 were approved by the board of directors on 27 September 2001 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 2001

1 Interest

	2001	2000
	£	£
On amounts due within five years:		
Interest payable on bank overdraft	-	41,742

2 Profit on ordinary activities

	2001	2000
	£	£
Profit on ordinary activities is stated after charging/(crediting)		
Auditors' remuneration	-	-
Directors' remuneration	-	-

3 Tax on profit on ordinary activities

The taxation on profit for the year comprises:

	2001	2000
	£	£
Current year		
Group relief	-	(12,656)
Prior year		
Group relief	-	(31)
	-	(12,687)

Bals Engineering Group Limited

4 Dividends paid and proposed

	2001	2000
	£	£
<u>Equity</u>		
Paid £2.23 (2000: £nil) per ordinary 10 pence share	5,600,000	-
Proposed £6.15 (2000: £6.15) per £1 cumulative participating preferred ordinary share	-	327,883
	5,600,000	327,883

5 Investments

	£
Shares in subsidiary companies at 31 March 2000	2,081,248
Disposals	(7,129)
At 31 March 2001	2,074,119

Principal activity

Bals Industrial Accessories Limited

Non trading

The above subsidiary is wholly owned by the company and is incorporated and operates in the United Kingdom.

During the year Bals Switchgear Services Limited and Bals Switchgear Projects Limited were struck off the register of companies.

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

6 Debtors

	2001	2000
	£	£
Amounts owed by group undertakings	169,252	6,604,524
Group relief recoverable	-	12,656
	169,252	6,617,180

Bals Engineering Group Limited

7 Creditors – Amounts falling due within one year

	2001	2000
	£	£
Bank overdraft	-	500,060
ACT payable	-	27,114
Dividend proposed	-	327,883
	-	855,057

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 2001 the company's liability under the cross guarantee amounted to £1,122,076 (2000: £Nil).

8 Called up share capital

Authorised

At 31 March 2000 and 31 March 2001

	£
<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

Allotted, called up and fully paid

	2001	2000
	£	£
<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

Bals Engineering Group Limited

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.

9 Reserves

	Capital redemption reserve £	Profit and loss account £	Total £
At 31 March 2000	1,339,242	6,199,119	7,538,361
Loss withdrawn for the year	-	(5,600,000)	(5,600,000)
At 31 March 2001	1,339,242	599,119	1,938,361

10 Reconciliation of movements in equity shareholders' funds

	2001 £
At 1 April 2000	7,843,371
Dividends	(5,600,000)
Closing shareholders' funds	2,243,371

11 Capital commitments

There are no capital commitments at 31 March 2001 (2000 - £Nil).

Bals Engineering Group Limited

12 Contingent liabilities

The company has undertaken to guarantee a loan to the Bank of Scotland held by Bals Engineering Limited. At 31 March 2001 the balance of the loan was £590,000 (2000: £670,000).

13 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".

14 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, NE63 8UG.

15 Subsequent events

On 30 June 2001 Bals Electrical Engineering Limited, a fellow group company, transferred the trade and assets of the "Low Voltage" business to the company at net book amount of £625,963.