

BALS ENGINEERING GROUP LIMITED
DIRECTORS' REPORT AND ACCOUNTS
YEAR ENDED 31 MARCH 1999
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 company for the year ended 31 March 1999.

REVIEW OF THE BUSINESS

The company's principal activity is that of a holding company.

The directors are satisfied with the performance of the company during the year.

RESULTS AND DIVIDENDS

The profit for the company before taxation amounted to £376,888 (1998: £543,477). The directors propose to provide £40,532 for preference share dividends (1998: £67,646) and £39,788 for equity dividends (1998: £39,334) and to transfer £443,294 (1998: £439,459) to reserves.

DIRECTORS AND THEIR INTERESTS

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

	At 31 March 1999 <u>Ordinary 10p shares</u>	At 31 March 1998 <u>Ordinary 10p shares</u>
MJ Kelly	-	574,543
S Jackson	-	96,243
D Scholey	-	96,244
G Bals	457,520	457,520
R Begbie (resigned 25 August 1998)	-	-
R Powell	-	96,244
J Gibson	-	96,244

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

DIRECTORS' REPORT (continued)

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 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 1999. 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

The directors are to propose a resolution that PricewaterhouseCoopers be reappointed auditors of the Company (having previously been appointed by the Board to fill the casual vacancy arising by reason of the resignation of Price Waterhouse), to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the directors.

By Order of the Board



S Jackson
Secretary

5 July 1999

AUDITORS' REPORT TO THE MEMBERS OF BALS ENGINEERING GROUP LIMITED

PricewaterhouseCoopers
89 Sandyford Road
Newcastle upon Tyne NE99 1PL
Telephone +44 (0) 191 232 8493
Facsimile +44 (0) 191 261 9490

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, including as described on page 2 the financial statements. Our responsibilities, as independent auditors, are established 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 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 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 1999 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

5 July 1999

BALS ENGINEERING GROUP LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1999**

	<u>1999</u>	<u>1998</u>
Income from group undertakings	856,420	543,477
Administrative expenses	(350,060)	-
	<hr/>	<hr/>
OPERATING PROFIT	506,360	543,477
Interest payable (Note 3)	(130,227)	-
Interest receivable (Note 3)	755	-
	<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	376,888	543,477
Taxation on profit on ordinary activities (Note 5)	146,727	2,962
	<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	523,615	546,439
Dividends paid and proposed (equity and non-equity) (Note 6)	(80,320)	(106,980)
	<hr/>	<hr/>
RETAINED PROFIT TRANSFERRED TO RESERVES (Note 13)	<u>£443,295</u>	<u>£439,459</u>

All results relate entirely to continuing operations.

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

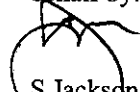
There is no material difference between the reported profits and the historical cost profits for the year.

BALS ENGINEERING GROUP LIMITED

BALANCE SHEET AS AT 31 MARCH 1999

	1999	1998
FIXED ASSETS		
Investments (Note 7)	2,085,900	1,310,900
	<hr/>	<hr/>
CURRENT ASSETS		
Debtors (Note 8)	1,483,990	1,965,886
CREDITORS (amounts falling due within one year) (Note 9)	(1,418,417)	(1,033,505)
	<hr/>	<hr/>
NET CURRENT ASSETS	65,573	932,381
	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	2,151,473	2,243,281
CREDITORS (amounts falling due after more than one year) (Note 10)	(247,250)	(370,875)
	<hr/>	<hr/>
	£1,904,223	£1,872,406
	<hr/>	<hr/>
CAPITAL AND RESERVES		
Called up share capital (Note 12)	608,319	1,019,797
Capital redemption reserve (Note 13)	1,035,933	624,455
Profit and loss account (Note 13)	259,971	228,154
	<hr/>	<hr/>
SHAREHOLDERS' FUNDS (EQUITY AND NON-EQUITY (Note 14))	£1,904,223	£1,872,406
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The financial statements on pages 4 to 13 were approved by the board on 5 July 1999 and are signed on their behalf by:


S Jackson
Director

BALS ENGINEERING GROUP LIMITED

NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1999

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

Consolidated financial statements have not been prepared as the company is a subsidiary of Bals Engineering Limited.

(c) Investments

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

(d) 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 subsidiary of Bals Engineering Limited.

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	<u>1999</u>	<u>1998</u>
	£	£
Management charge payable to parent undertaking	350,000	-
	<u> </u>	<u> </u>

BALS ENGINEERING GROUP LIMITED

NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1999 (continued)

3 INTEREST

	<u>1999</u>	<u>1998</u>
On amounts due within five years		
Interest payable on bank overdraft	64,566	-
Interest payable on bank loans	59,541	-
Other interest	6,120	-
	<hr/>	<hr/>
	£130,227	£-
	<hr/>	<hr/>
Interest receivable	£755	£-
	<hr/>	<hr/>

4 DIRECTORS' EMOLUMENTS

Directors emoluments were £nil (1998: £nil) during the year.

5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>1999</u>	<u>1998</u>
Current year:		
Group relief	(146,727)	-
Prior year:		
Corporation tax at 31%	-	(2,962)
	<hr/>	<hr/>
	£(146,727)	£(2,962)
	<hr/>	<hr/>

6 DIVIDENDS PAID AND PROPOSED

<u>Non-equity</u>	<u>1999</u>	<u>1998</u>
Preference dividends - paid	7,434	-
- proposed	33,098	67,646
	<hr/>	<hr/>
	40,532	67,646
<u>Equity</u>		
Proposed preferred ordinary dividend	39,788	39,334
	<hr/>	<hr/>
	£80,320	£106,980
	<hr/>	<hr/>

BALS ENGINEERING GROUP LIMITED

NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1999 (continued)

7 INVESTMENTS

Shares in subsidiary undertakings:

At 1 April 1998	1,310,900
Additions in the year	775,000
	<hr/>
At 31 March 1999	£2,085,900
	<hr/> <hr/>

On 31 March 1999, Bals Industrial Accessories Limited issued 775,000 £1 ordinary shares to Bals Engineering Group Limited at par value.

Investments in subsidiary companies comprise:

Principal activity

Bals Industrial Accessories Limited	Electrical components manufacture
Bals Electrical Engineering Limited	Project management and engineering
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.

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

BALS ENGINEERING GROUP LIMITED**NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1999 (continued)****8 DEBTORS**

	<u>1999</u>	<u>1998</u>
Other debtors	-	3,914
Amounts owed by subsidiary undertakings	1,310,149	1,961,972
Group relief receivable	173,841	-
	<hr/>	<hr/>
	£1,483,990	£1,965,886
	<hr/>	<hr/>

9 CREDITORS (amounts falling due within one year)

	<u>1999</u>	<u>1998</u>
Bank overdraft	819,988	761,130
Secured loan - ECSC (Note 11)	123,625	123,625
Amounts due to parent undertaking	350,000	-
ACT payable	27,114	10,230
Dividend proposed	97,185	138,520
Other creditors	505	-
	<hr/>	<hr/>
	£1,418,417	£1,033,505
	<hr/>	<hr/>

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 1999 the company's liability under the cross guarantee amounted to £Nil (1998: £Nil).

10 CREDITORS (amounts falling due after more than one year)

	<u>1999</u>	<u>1998</u>
Secured loan - ECSC (Note 11)	£247,250	£370,875
	<hr/>	<hr/>

BALS ENGINEERING GROUP LIMITED**NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1999 (continued)****11 FINANCE OBLIGATIONS**

The secured loan is repayable as follows:

	<u>1999</u>	<u>1998</u>
Due within one year	123,625	123,625
Between one and two years	123,625	123,625
Between two and five years	123,625	247,250
	<hr/>	<hr/>
	£370,875	£494,500
	<hr/>	<hr/>

The secured loan is repayable in four annual instalments, the second instalment being due on 24 July 1999, accrues interest at a rate of 8.635% and is secured by a fixed and floating charge over the group's assets.

12 CALLED UP SHARE CAPITAL**Authorised**

At 31 March 1999 and 31 March 1998

<u>Equity</u>	£
5,000,000 ordinary shares 10p	500,000
53,345 5% cumulative convertible participating preferred ordinary shares £1	53,345
	<hr/>
	553,345
	<hr/>
<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% above bank rate third cumulative redeemable preference shares £1	130,582
110,000 8% fourth cumulative redeemable preference shares £1	110,000
	<hr/>
-	1,339,242
	<hr/>
	£1,892,587
	<hr/>

BALS ENGINEERING GROUP LIMITED

NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1999 (continued)

12 CALLED UP SHARE CAPITAL (continued)

Allotted, called up and fully paid

	<u>1999</u>	<u>1998</u>
<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
	<hr/>	<hr/>
	305,010	305,010
	<hr/>	<hr/>
<u>Non-equity</u>		
Nil 10% first cumulative redeemable preference shares £1	-	301,478
172,727 10% second cumulative redeemable preference shares £1	172,727	172,727
130,582 2% above bank rate third cumulative redeemable preference shares £1	130,582	130,582
Nil 8% fourth cumulative redeemable preference shares £1	-	110,000
	<hr/>	<hr/>
	303,309	714,787
	<hr/>	<hr/>
	£608,319	£1,019,797
	<hr/> <hr/>	<hr/> <hr/>

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.

The £1 first cumulative redeemable preference shares (FCRP) shares have now been fully redeemed at their par value.

The £1 second cumulative redeemable preference shares (SCRIP) shares are eligible to be redeemed at par upon the company giving written notice to the holders of such shares.

BALS ENGINEERING GROUP LIMITED

NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1999 (continued)

12 CALLED UP SHARE CAPITAL (continued)

The £1 third cumulative redeemable preference shares (TCRP) 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 SCRP shares have been redeemed.

The £1 fourth cumulative redeemable preference shares (Fourth CRP) shares have now been fully redeemed at their par value.

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 SCRP and the TCRP 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 CCPPO shares, then SCRP shares and then TCRP 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.

13 RESERVES

	<u>Capital redemption reserve</u>	<u>Profit and loss account</u>	<u>Total</u>
At 1 April 1998	624,455	228,154	852,610
Retained profit for the year	-	443,295	443,294
Redemption of first cumulative redeemable preference shares	301,478	(301,478)	-
Redemption of fourth cumulative redeemable Preference shares	110,000	(110,000)	-
	<hr/>	<hr/>	<hr/>
At 31 March 1999	£1,035,933	£259,971	£1,295,904
	<hr/>	<hr/>	<hr/>

BALS ENGINEERING GROUP LIMITED

NOTES TO THE ACCOUNTS - AS AT 31 MARCH 1999 (continued)

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

At 1 April 1998	1,872,406
Profit for the year	523,624
Dividends	(80,320)
Redemption of shares	(411,477)
	<hr/>
At 31 March 1999	£1,904,223
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Equity	1,600,914
Non-equity	303,309
	<hr/>
	£1,904,223
	<hr/>

15 CAPITAL COMMITMENTS

There were no capital commitments at 31 March 1999 (1998 £Nil)

16 CONTINGENT LIABILITIES

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

17 ULTIMATE CONTROLLING PARTY

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

The accounts of Bals Engineering Group Limited are consolidated into the group accounts of Bals Engineering Limited. Copies of the accounts of Bals Engineering Limited can be obtained from Bals Engineering Limited, Jubilee Estate, Ashington, Northumberland.

18 RELATED PARTY TRANSACTIONS

Transactions with other companies within the Bals Engineering Group are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard No 8 "Related Party Transactions."