

Registered Number: 1728913

ORWIN (NORTH EAST) LIMITED

**ABBREVIATED
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 MAY 1997**

JENNINGS JOHNSON
Chartered Accountants
19 Borough Road
Sunderland
SR1 1LA



ORWIN (NORTH EAST) LIMITED

**ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1997**

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ORWIN (NORTH EAST) LIMITED

COMPANY INFORMATION AS AT 31 MAY 1997

DIRECTORS

P.S. Rudd
A.D. Doran

SECRETARY

D. Rudd

REGISTERED OFFICE

3 Brockwell Road
Crowther Industrial Estate
Washington
Tyne and Wear
NE38 0AB

REGISTERED NUMBER

1728913

BUSINESS ADDRESS

3 Brockwell Road
Crowther Industrial Estate
Washington
Tyne and Wear
NE38 0AB

AUDITORS

Jennings Johnson
Chartered Accountants
19 Borough Road
Sunderland
SR1 1LA

PRINCIPAL BANKERS

Lloyds Bank plc
15 West Street
Gateshead
Tyne and Wear
NE8 1DP

ORWIN (NORTH EAST) LIMITED

DIRECTORS' REPORT

The directors present their annual report with the financial statements of the company for the year ended 31 May 1997.

PRINCIPAL ACTIVITIES

The principal activities of the company continue to be the design and construction of special purpose machinery and the manufacture of precision components for the engineering industry.

The directors are pleased to report an improvement in company turnover levels, and view the future with optimism.

No significant change in the nature of these activities occurred during the year.

REVIEW OF THE BUSINESS

The net profit after providing for taxation amounted to £231,375.

DIVIDENDS

The directors have paid an interim dividend during the year amounting to £60,900.

DIRECTORS AND THEIR INTERESTS

The directors in office in the year and their beneficial interests in the ultimate parent company at the balance sheet date and the beginning of the year (or on appointment if later) were as follows:

		Number of Shares	
		1997	1996
P.S. Rudd	Ordinary shares	1,200	1,200
A.D. Doran	Ordinary shares	400	400

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 as at the end of the financial year and of the profit or loss of the company 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting 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 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.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the company made charitable contributions totalling £1,005.

ORWIN (NORTH EAST) LIMITED

DIRECTORS' REPORT

AUDITORS

The auditors, Jennings Johnson, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

By order of the board:



D. Rudd
Secretary

Approved by the board: 24 November 1997

ORWIN (NORTH EAST) LIMITED

AUDITORS REPORT TO ORWIN (NORTH EAST) LIMITED UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated financial statements on pages 5 to 18 together with the full financial statements of Orwin (North East) Limited prepared under section 226 of the Companies Act 1985 for the year ended 31 May 1997.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

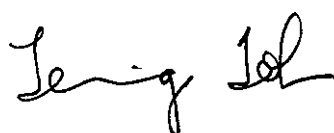
The directors are responsible for preparing the abbreviated financial statements in accordance with section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to the company's entitlement to deliver abbreviated financial statements prepared in accordance with section 246(5) and (6) of the Companies Act 1985 to the Registrar of Companies and whether the financial statements to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

BASIS OF OPINION

We have carried out the procedures we considered necessary to confirm, by reference to the audited financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the full financial statements.

OPINION

In our opinion, the company is entitled to deliver abbreviated financial statements prepared in accordance with sections 246(5) and (6) of the Companies Act 1985 and the abbreviated financial statements on pages 5 to 18 have been properly prepared in accordance with those provisions.



JENNINGS JOHNSON
Chartered Accountants
Registered Auditors

19 Borough Road
Sunderland
SR1 1LA

25 November 1997

ORWIN (NORTH EAST) LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 1997**

	Notes	1997 £	1996 £
GROSS PROFIT		903,256	691,481
Distribution costs		27,406	16,574
Administrative expenses		586,885	419,536
		<u>288,965</u>	<u>255,371</u>
Other operating income		-	2,560
OPERATING PROFIT	2	288,965	257,931
Investment income and interest receivable	3	17,393	17,979
Interest payable and similar charges	4	(6,341)	(6,305)
		<u> </u>	<u> </u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		300,017	269,605
Tax on profit on ordinary activities	7	(68,642)	(67,170)
		<u> </u>	<u> </u>
PROFIT FOR THE FINANCIAL YEAR		231,375	202,435
Dividends	8	(60,900)	-
		<u> </u>	<u> </u>
RETAINED PROFIT FOR THE FINANCIAL YEAR	18	<u>170,475</u>	<u>202,435</u>

Continuing operations

None of the company's activities were acquired or discontinued during the above two financial years.

Total recognised gains and losses

The company has no recognised gains or losses other than the profit or loss for the above two financial years.

Historical cost

The difference between the results as disclosed in the profit and loss account before tax, and retained profit for the year, on an unmodified historical cost basis is not material.

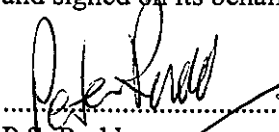
ORWIN (NORTH EAST) LIMITED

**ABBREVIATED BALANCE SHEET
AT 31 MAY 1997**

	Notes	£	1997 £	£	1996 £
FIXED ASSETS					
Tangible assets	9		310,746		250,796
CURRENT ASSETS					
Stocks	10	399,198		611,481	
Debtors	11	1,044,934		747,518	
Cash at bank and in hand		92,854		446,829	
		<u>1,536,986</u>		<u>1,805,828</u>	
CREDITORS: amounts falling due within one year	12	<u>(1,028,424)</u>		<u>(1,431,719)</u>	
NET CURRENT ASSETS			<u>508,562</u>		<u>374,109</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			819,308		624,905
CREDITORS: amounts falling due after more than one year	13		(53,478)		(30,536)
PROVISIONS FOR LIABILITIES AND CHARGES	16		<u>(24,330)</u>		<u>(23,344)</u>
NET ASSETS			<u>741,500</u>		<u>571,025</u>
CAPITAL AND RESERVES					
Called up share capital	17		4,000		4,000
Profit and loss account	18		<u>737,500</u>		<u>567,025</u>
TOTAL SHAREHOLDERS' FUNDS	19		<u>741,500</u>		<u>571,025</u>

These abbreviated financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

The financial statements were approved by the board of directors on 24 November 1997 and signed on its behalf by:


.....
P.S. Rudd
Director

ORWIN (NORTH EAST) LIMITED**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MAY 1997**

	Notes	1997 £	1996 £
CASH FLOW FROM OPERATING ACTIVITIES	2	(187,214)	380,210
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	20	11,770	11,099
TAXATION	20	(62,681)	(36,051)
CAPITAL EXPENDITURE	20	(46,127)	(37,634)
EQUITY DIVIDENDS PAID		(60,900)	-
Cash outflow before use of liquid resources and financing		(345,152)	317,624
FINANCING	20	(8,823)	(47,511)
DECREASE IN CASH IN THE YEAR		<u>(353,975)</u>	<u>270,113</u>

**RECONCILIATION OF NET CASH FLOW TO
MOVEMENT IN NET DEBT**

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DECREASE IN CASH IN THE YEAR	(353,975)	270,113
Cash outflow from decrease in debt and lease financing	8,823	47,511
Change in net debt resulting from cash flows	(345,152)	317,624
New finance leases	(62,250)	(31,750)
Movement in net debt in the year	(407,402)	285,874
Net funds at 1 June 1996	390,869	104,995
Net debt at 31 May 1997	<u>(16,533)</u>	<u>390,869</u>

The notes on pages 8 to 18 form part of these financial statements.

ORWIN (NORTH EAST) LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 1997

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

Consolidation

The company forms part of a medium-sized group. The ultimate parent company has therefore taken advantage of the exemption provided by section 248 of the Companies Act 1985 not to prepare group accounts.

Turnover

Turnover represents the total invoice value, excluding value added tax, of goods sold and services rendered during the year.

Depreciation of tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its useful life:

Leasehold properties	Straight line over the life of the lease
Plant and machinery	15% Reducing balance
Motor vehicles	25% Reducing balance

Stocks

Stocks are stated at the lower of cost and net realisable value.

Net realisable value is based on estimated selling price less further costs to completion and disposal.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their estimated useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

ORWIN (NORTH EAST) LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1997****1. STATEMENT OF ACCOUNTING POLICIES - (continued)****Pension costs**

The company operates a defined contribution pension scheme. Contributions payable to this scheme are charged to the profit and loss account in the period to which they relate. These contributions are invested separately from the company's assets.

2. OPERATING PROFIT**Operating profit is stated:**

	1997	1996
	£	£
After charging:		
Depreciation of fixed assets	47,344	38,687
Auditors' remuneration	4,500	2,800

**Reconciliation of operating profit to net
cash outflow from operating activities**

	1997	1996
	£	£
Operating profit	288,965	257,931
Depreciation	47,344	38,687
Loss on disposal of fixed assets	1,083	-
Decrease in stocks	212,283	(476,697)
Increase in debtors	(297,639)	(361,509)
Decrease in creditors	(439,250)	921,798
Net cash outflow from operating activities	(187,214)	380,210

3. INVESTMENT INCOME AND INTEREST RECEIVABLE

	1997	1996
	£	£
Interest received and receivable		
Bank interest	17,393	17,979

ORWIN (NORTH EAST) LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1997****4. INTEREST PAYABLE AND SIMILAR CHARGES**

	1997 £	1996 £
On bank loans and overdrafts	1,441	829
Lease finance charges and hire purchase interest	4,900	5,476
	<u>6,341</u>	<u>6,305</u>

5. INFORMATION ON DIRECTORS AND EMPLOYEES

	1997 £	1996 £
Staff costs		
Wages and salaries	1,602,380	1,191,435
Social security costs	178,735	123,458
Other pension costs	60,399	56,295
	<u>1,841,514</u>	<u>1,371,188</u>

	1997 No.	1996 No.
The average number of employees during the year was made up as follows:		
Office and management	4	4
Manufacturing	59	48
	<u>63</u>	<u>52</u>

	1997 £	1996 £
Directors' emoluments		
Remuneration for management services	291,701	174,247
Pension contributions to money purchase schemes	19,984	20,673
	<u>311,685</u>	<u>194,920</u>

ORWIN (NORTH EAST) LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1997****5. INFORMATION ON DIRECTORS AND EMPLOYEES - (continued)**

	1997 No.	1996 No.
Money purchase	<u>2</u>	<u>2</u>
	1997 £	1996 £
Details of highest paid director's emoluments		
Emoluments (excluding pension contributions)	202,781	116,452
Company contributions to money purchase pension schemes	14,984	15,248
	<u>217,765</u>	<u>131,700</u>

6. PENSION COSTS**Defined contribution scheme**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £60,399 (1996: £56,295).

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £	1996 £
The taxation charge comprises:		
UK Corporation tax	67,656	64,578
Transfer to deferred tax	986	2,592
	<u>68,642</u>	<u>67,170</u>

8. DIVIDENDS PAID OR PROPOSED

	1997 £	1996 £
On ordinary shares:		
Interim dividends paid	<u>60,900</u>	<u>-</u>

ORWIN (NORTH EAST) LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 1997

9. TANGIBLE FIXED ASSETS

	Land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost:				
At 1 June 1996	64,376	311,009	42,415	417,800
Additions	23,092	59,605	33,080	115,777
Disposals	-	(4,000)	(14,800)	(18,800)
At 31 May 1997	87,468	366,614	60,695	514,777
Depreciation:				
At 1 June 1996	16,917	122,859	27,228	167,004
Charge for year	7,915	29,903	9,526	47,344
On disposals	-	(10,317)	-	(10,317)
At 31 May 1997	24,832	142,445	36,754	204,031
Net book value:				
At 31 May 1997	62,636	224,169	23,941	310,746
At 31 May 1996	47,459	188,150	15,187	250,796
			1997 £	1996 £
Analysis of net book value of land and buildings:				
Short leasehold			62,636	47,459

ORWIN (NORTH EAST) LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1997****9. TANGIBLE FIXED ASSETS - (continued)**

Included above are assets held under finance leases or hire purchase contracts as follows:-

	1997 £	1996 £
Net book values:		
Plant and machinery	110,688	100,611
Motor vehicles	25,855	-
	<u>136,543</u>	<u>100,611</u>
Depreciation charge for the year:		
Plant and machinery	16,772	14,488
Motor vehicles	7,225	-
	<u>23,997</u>	<u>14,488</u>

Net obligations under finance leases and hire purchase contracts are secured on the assets acquired.

10. STOCKS

	1997 £	1996 £
Short term work in progress	<u>399,198</u>	<u>611,481</u>

There is no material difference between the replacement cost of stocks and their balance sheet amounts.

11. DEBTORS

	1997 £	1996 £
Trade debtors	655,005	399,209
Amounts owed by group undertakings	379,538	342,729
Prepayments and accrued income	10,391	5,580
	<u>1,044,934</u>	<u>747,518</u>

ORWIN (NORTH EAST) LIMITED

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1997**

12. CREDITORS: amounts falling due within one year

	1997 £	1996 £
Secured creditors	<u>19,740</u>	<u>-</u>

13. CREDITORS: amounts falling due after more than one year

	1997 £	1996 £
Loans	19,760	-
Net obligations under finance leases and hire purchase contracts	<u>33,718</u>	<u>30,536</u>
	<u>53,478</u>	<u>30,536</u>
Secured creditors	<u>19,760</u>	<u>-</u>

14. BORROWINGS

	1997 £	1996 £
The company's borrowings are repayable as follows		
Up to one year and on demand	19,740	-
Between one and two years	<u>19,760</u>	<u>-</u>
	<u>39,500</u>	<u>-</u>
Wholly repayable within five years	<u>39,500</u>	<u>-</u>
Included in current liabilities	<u>19,740</u>	<u>-</u>

ORWIN (NORTH EAST) LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 1997

15. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	1997 £	1996 £
The company's net obligations under finance leases and hire purchase contracts are repayable as follows:		
Within one year or on demand	42,248	29,997
Between one and two years	31,194	23,757
Between two and five years	7,935	12,706
	<u>81,377</u>	<u>66,460</u>
Finance charges and interest allocated to future accounting periods	(11,490)	(10,499)
	<u>69,887</u>	<u>55,961</u>
Included in current liabilities	(36,169)	(25,424)
	<u>33,718</u>	<u>30,537</u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

	1997 £	Fully provided 1996 £
Deferred tax is calculated at 24% (1996 - 25%) analysed over the following timing differences:		
On the excess of capital allowances over depreciation	24,330	23,032
On other timing differences	-	312
	<u>24,330</u>	<u>23,344</u>
		1997 £
The movements in deferred taxation are as follows:		
At 1 June 1996		23,344
Transferred from profit and loss account		986
At 31 May 1997		<u>24,330</u>

ORWIN (NORTH EAST) LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1997****17. SHARE CAPITAL**

	1997 £	1996 £
Authorised:		
Equity interests:		
4000 Ordinary shares of £1 each	<u>4,000</u>	<u>4,000</u>
Allotted, called up and fully paid:		
Equity interests:		
4000 Ordinary shares of £1 each	<u>4,000</u>	<u>4,000</u>

18. PROFIT AND LOSS ACCOUNT

	1997 £	1996 £
Retained profit at 1 June 1996	567,025	364,590
Profit for the year	<u>170,475</u>	<u>202,435</u>
Retained profit at 31 May 1997	<u>737,500</u>	<u>567,025</u>

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Profit for the financial year	231,375	202,435
Dividends	<u>(60,900)</u>	<u>-</u>
Net addition to shareholders' funds	170,475	202,435
Opening shareholders' funds	<u>571,025</u>	<u>368,590</u>
Closing shareholders' funds	<u>741,500</u>	<u>571,025</u>
Represented by:-		
Equity interests	<u>741,500</u>	<u>571,025</u>

ORWIN (NORTH EAST) LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1997****20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	1997 £	1996 £
Returns on investments and servicing of finance		
Interest received	17,615	17,183
Interest paid	(945)	(608)
Interest element of hire purchase contracts	(4,900)	(5,476)
Net cash inflow from returns on investments and servicing of finance	<u>11,770</u>	<u>11,099</u>
Taxation		
Corporation tax paid	(60,557)	(36,051)
Corporation tax received	(2,124)	-
Net cash outflow from taxation	<u>(62,681)</u>	<u>(36,051)</u>
Capital expenditure		
Purchase of tangible fixed assets	(53,527)	(41,284)
Receipts from sale of tangible fixed assets	7,400	3,650
Net cash outflow from capital expenditure	<u>(46,127)</u>	<u>(37,634)</u>
Financing		
New long-term loans	39,500	-
Repayments of capital element of hire purchase contracts	(48,323)	(47,511)
Net cash outflow from financing	<u>(8,823)</u>	<u>(47,511)</u>

ORWIN (NORTH EAST) LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1997****21. ANALYSIS OF NET DEBT**

	1996 £	Cash flow £	Other movements £	1997 £
Cash at bank and in hand	446,829	(353,975)	-	92,854
Debt due within one year	-	(19,740)	-	(19,740)
Debt due after one year	-	(19,760)	-	(19,760)
Finance leases	(55,960)	48,323	(62,250)	(69,887)
	<u>390,869</u>	<u>(345,152)</u>	<u>(62,250)</u>	<u>(16,533)</u>

22. REVENUE COMMITMENTS

At the year end the company was committed to making the following payments during the next year in respect of operating leases with expiry dates as follows:

	Land and buildings		Other	
	1997 £	1996 £	1997 £	1996 £
Within one year	-	-	-	1,049
More than five years	68,748	60,640	-	-
	<u>68,748</u>	<u>60,640</u>	<u>-</u>	<u>1,049</u>

23. ULTIMATE PARENT COMPANY

The ultimate parent company is Pentmere Limited a company registered in England and Wales.