

Registered Number: 1728913

ORWIN (NORTH EAST) LIMITED

**ABBREVIATED
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 MAY 1998**



JENNINGS JOHNSON
Chartered Accountants
19 Borough Road
Sunderland
SR1 1LA

ORWIN (NORTH EAST) LIMITED

**ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1998**

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ORWIN (NORTH EAST) LIMITED

COMPANY INFORMATION AS AT 31 MAY 1998

DIRECTORS

P.S. Rudd
A.D. Doran

SECRETARY

D. Rudd

REGISTERED OFFICE

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

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 1998.

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 a profit for the year 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 £108,883.

DIVIDENDS

The directors have paid an interim dividend during the year amounting to £16,900.

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	
		1998	1997
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 £1,743.

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:

A handwritten signature in black ink, appearing to be 'D. Rudd', written over a horizontal line.

D. Rudd
Secretary

Approved by the board: 2 December 1998

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 the company prepared under section 226 of the Companies Act 1985 for the year ended 31 May 1998.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

The directors are responsible for preparing the abbreviated financial statements in accordance with section 246A 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 246A(3) 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 financial statements prepared in accordance with section 246A(3) and 249 of the Companies Act 1985 and the abbreviated financial statements on pages 5 to 18 have been properly prepared in accordance with that provision.



JENNINGS JOHNSON
Chartered Accountants
Registered Auditors

19 Borough Road
Sunderland
SR1 1LA

2 December 1998

ORWIN (NORTH EAST) LIMITED**ABBREVIATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 1998**

	Notes	1998 £	1997 £
GROSS PROFIT		723,579	903,256
Distribution costs		35,054	27,406
Administrative expenses		540,416	586,885
OPERATING PROFIT	2	148,109	288,965
Investment income and interest receivable	3	10,458	17,393
Interest payable and similar charges	4	(24,065)	(6,341)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		134,502	300,017
Tax on profit on ordinary activities	7	(25,619)	(68,642)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		108,883	231,375
Dividends	8	(16,900)	(60,900)
RETAINED PROFIT FOR THE FINANCIAL YEAR	18	91,983	170,475

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.

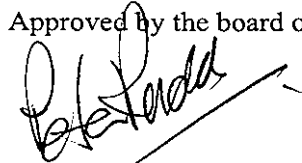
The notes on pages 8 to 18 form part of these financial statements.

ORWIN (NORTH EAST) LIMITED**ABBREVIATED BALANCE SHEET
AT 31 MAY 1998**

	Notes	£	1998 £	£	1997 £
FIXED ASSETS					
Tangible assets	9		1,058,764		310,746
CURRENT ASSETS					
Stocks	10	357,006		399,198	
Debtors	11	1,451,141		1,044,934	
Cash at bank and in hand		33,516		92,854	
		1,841,663		1,536,986	
CREDITORS: amounts falling due within one year	12	(1,461,971)		(1,028,424)	
NET CURRENT ASSETS			379,692		508,562
TOTAL ASSETS LESS CURRENT LIABILITIES			1,438,456		819,308
CREDITORS: amounts falling due after more than one year	13		(560,870)		(53,478)
PROVISIONS FOR LIABILITIES AND CHARGES	16		(44,103)		(24,330)
NET ASSETS			833,483		741,500
CAPITAL AND RESERVES					
Called up share capital	17		4,000		4,000
Profit and loss account	18		829,483		737,500
TOTAL SHAREHOLDERS' FUNDS	19		833,483		741,500

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

Approved by the board of directors on 2 December 1998 and signed on its behalf by:



P.S. Rudd
Director

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

ORWIN (NORTH EAST) LIMITED**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MAY 1998**

	Notes	1998 £	1997 £
Net cash outflow from operating activities	2	(260,425)	(187,789)
Returns on investments and servicing of finance	20	(12,496)	12,345
Taxation	20	(69,753)	(62,681)
Capital expenditure	20	(567,670)	(46,127)
Equity dividends paid		(16,900)	(60,900)
Cash outflow before use of liquid resources and financing		(927,244)	(345,152)
Financing	20	348,488	(8,823)
DECREASE IN CASH IN THE YEAR		(578,756)	(353,975)

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

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DECREASE IN CASH IN THE YEAR	(578,756)	(353,975)
Cash outflow / (inflow) from movement in debt and lease financing	(348,488)	8,823
Change in net debt resulting from cash flows	(927,244)	(345,152)
New hire purchase contracts	(242,326)	(62,250)
Movement in net debt in the year	(1,169,570)	(407,402)
Net (debt) / funds at 1 June 1997	(16,533)	390,869
Net debt at 31 May 1998	(1,186,103)	(16,533)

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 1998

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:

Freehold buildings	2% on cost
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.

Pension costs

The company operates a money purchase (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.

ORWIN (NORTH EAST) LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1998****2. OPERATING PROFIT**

Operating profit	1998	1997
	£	£
After charging:		
Depreciation of fixed assets	61,978	47,344
Loss on disposal of tangible assets	-	1,083
Auditors' remuneration	4,700	4,500

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

	1998	1997
	£	£
Operating profit	148,109	288,964
Depreciation	61,978	47,344
Loss on disposal of fixed assets	-	1,083
Decrease in stocks	42,192	212,283
Increase in debtors	(405,717)	(298,434)
Decrease in creditors	(106,987)	(439,029)
Net cash outflow from operating activities	(260,425)	(187,789)

3. INVESTMENT INCOME AND INTEREST RECEIVABLE

	1998	1997
	£	£
Interest received and receivable		
Bank interest	10,458	17,393

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1998	1997
	£	£
On bank loans and overdrafts	14,085	1,441
On overdue tax	283	-
Lease finance charges and hire purchase interest	9,697	4,900
	24,065	6,341

ORWIN(NORTH EAST) LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1998****5. INFORMATION ON DIRECTORS AND EMPLOYEES**

	1998	1997
	£	£
Staff costs		
Wages and salaries	1,539,886	1,602,380
Social security costs	148,288	178,735
Other pension costs	94,200	60,399
	<u>1,782,374</u>	<u>1,841,514</u>

	1998	1997
	No.	No.
The average number of employees during the year was made up as follows:		
Office and management	4	4
Manufacturing	63	59
	<u>67</u>	<u>63</u>

	1998	1997
	£	£
Directors' emoluments		
Emoluments	136,414	291,701
Pension contributions to money purchase (defined contribution) schemes	41,984	19,984
	<u>178,398</u>	<u>311,685</u>

	1998	1997
	No.	No.
During the year the following number of directors:		
Accrued benefits under money purchase (defined contribution) pension schemes	2	2

ORWIN (NORTH EAST) LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1998****5. INFORMATION ON DIRECTORS AND EMPLOYEES - (continued)**

	1998 £	1997 £
Details of highest paid director's emoluments		
Emoluments	86,033	202,781
Company contributions to money purchase (defined contribution) pension schemes	36,984	14,984
	<u>123,017</u>	<u>217,765</u>

6. PENSION COSTS**Money purchase (defined contribution) pension scheme**

The company operates a money purchase (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 £94,200 (1997: £60,399).

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
The taxation charge comprises:		
UK Corporation tax	5,846	67,656
Transfer to deferred tax	19,773	986
	<u>25,619</u>	<u>68,642</u>

8. DIVIDENDS PAID OR PROPOSED

	1998 £	1997 £
On ordinary shares:		
Interim dividends paid	<u>16,900</u>	<u>60,900</u>

ORWIN (NORTH EAST) LIMITED

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1998**

9. TANGIBLE FIXED ASSETS

	Land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost:				
At 1 June 1997	87,468	366,614	60,695	514,777
Additions	564,270	245,726	-	809,996
At 31 May 1998	651,738	612,340	60,695	1,324,773
Depreciation:				
At 1 June 1997	24,832	151,261	27,938	204,031
Charge for year	7,915	45,874	8,189	61,978
At 31 May 1998	32,747	197,135	36,127	266,009
Net book value:				
At 31 May 1998	618,991	415,205	24,568	1,058,764
At 31 May 1997	62,636	224,169	23,941	310,746

	1998 £	1997 £
Analysis of net book value of land and buildings:		
Freehold	618,991	-
Short leasehold	-	62,636
	618,991	62,636

ORWIN (NORTH EAST) LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1998****9. TANGIBLE FIXED ASSETS - (continued)**

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

	1998 £	1997 £
Net book values:		
Plant and machinery	281,505	110,688
Motor vehicles	19,391	25,855
	<u>300,896</u>	<u>136,543</u>
Depreciation charge for the year:		
Plant and machinery	22,458	16,772
Motor vehicles	6,464	7,225
	<u>28,922</u>	<u>23,997</u>

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

10. STOCKS

	1998 £	1997 £
Short term work in progress	<u>357,006</u>	<u>399,198</u>

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

11. DEBTORS

	1998 £	1997 £
Trade debtors	991,645	655,005
Amounts owed by group undertakings	399,257	379,538
Other debtors	19,211	-
Prepayments and accrued income	41,028	10,391
	<u>1,451,141</u>	<u>1,044,934</u>

ORWIN (NORTH EAST) LIMITED

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1998**

12. CREDITORS: amounts falling due within one year

	1998	1997
	£	£
Bank loans and overdrafts	574,549	19,740
Net obligations under finance leases and hire purchase contracts	84,200	36,169
Payments received on account	565,069	568,750
Trade creditors	139,289	93,985
Corporation tax	1,646	65,553
Other taxes and social security costs	51,043	170,136
Other creditors	481	118
Accruals and deferred income	45,694	73,973
	<u>1,461,971</u>	<u>1,028,424</u>
Secured creditors	<u>658,749</u>	<u>55,909</u>

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

	1998	1997
	£	£
Secured creditors	<u>560,870</u>	<u>53,478</u>

14. BORROWINGS

	1998	1997
	£	£
The company's borrowings are repayable as follows		
Up to one year and on demand	574,549	19,740
Between one and two years	38,046	19,760
Between two and five years	137,878	-
After five years	239,629	-
	<u>990,102</u>	<u>39,500</u>
Instalments not due within five years	<u>239,629</u>	<u>-</u>

ORWIN (NORTH EAST) LIMITED

**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1998**

15. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	1998 £	1997 £
The company's net obligations are repayable as follows:		
Within one year or on demand	98,709	42,248
In one to two years	75,450	31,194
In two to five years	96,965	7,935
	<u>271,124</u>	<u>81,377</u>
Finance charges and interest allocated to future accounting periods	(41,607)	(11,490)
	<u>229,517</u>	<u>69,887</u>
Included in current liabilities	(84,200)	(36,169)
	<u>145,317</u>	<u>33,718</u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

	1998 £	1997 £
Deferred taxation (see below)		
Balance at 1 June 1997	24,330	23,344
Transferred from profit and loss account	19,773	986
Balance at 31 May 1998	<u>44,103</u>	<u>24,330</u>

	Fully provided 1998 £	1997 £
On the excess of capital allowances over depreciation	<u>44,103</u>	<u>24,330</u>

ORWIN (NORTH EAST) LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1998****17. SHARE CAPITAL**

	1998	1997
	£	£
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

	1998	1997
	£	£
Retained profit at 1 June 1997	737,500	567,025
Profit for the year	<u>91,983</u>	<u>170,475</u>
Retained profit at 31 May 1998	<u>829,483</u>	<u>737,500</u>

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998	1997
	£	£
Profit for the financial year	108,883	231,375
Dividends	<u>(16,900)</u>	<u>(60,900)</u>
Net addition to shareholders' funds	91,983	170,475
Opening shareholders' funds	<u>741,500</u>	<u>571,025</u>
Closing shareholders' funds	<u>833,483</u>	<u>741,500</u>
Represented by:-		
Equity interests	<u>833,483</u>	<u>741,500</u>

ORWIN (NORTH EAST) LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1998****20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	1998 £	1997 £
Returns on investments and servicing of finance		
Interest received	9,968	18,411
Interest paid	(12,767)	(1,166)
Interest element of hire purchase contracts	(9,697)	(4,900)
Net cash outflow from returns on investments and servicing of finance	<u>(12,496)</u>	<u>12,345</u>
Taxation		
Corporation tax paid	(69,753)	(60,557)
Corporation tax received	-	(2,124)
Net cash outflow from taxation	<u>(69,753)</u>	<u>(62,681)</u>
Capital expenditure		
Purchase of tangible fixed assets	(567,670)	(53,527)
Receipts from sale of tangible fixed assets	-	7,400
Net cash outflow from capital expenditure	<u>(567,670)</u>	<u>(46,127)</u>
Financing		
New long-term loans	450,000	39,500
Repayments of long term loans	(18,816)	-
Capital element of hire purchase contract payments	(82,696)	(48,323)
Net cash inflow from financing	<u>348,488</u>	<u>(8,823)</u>

ORWIN (NORTH EAST) LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1998****21. ANALYSIS OF CHANGES IN NET DEBT**

	1997 £	Cash flow £	Other movements £	1998 £
Cash at bank and in hand	92,854	(59,338)	-	33,516
Bank overdraft	-	(519,418)	-	(519,418)
		(578,756)		
Debt due within one year	(19,740)	-	(35,391)	(55,131)
Debt due after one year	(19,760)	(431,184)	35,391	(415,553)
Hire purchase contracts and finance lease agreements	(69,887)	82,696	(242,326)	(229,517)
	<u>(16,533)</u>	<u>(927,244)</u>	<u>(242,326)</u>	<u>(1,186,103)</u>

22. REVENUE COMMITMENTS

At 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	
	1998 £	1997 £	1998 £	1997 £
More than five years	-	68,748	-	-

23. ULTIMATE PARENT COMPANY

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

24. CONTROL

The controlling party is Mr. P.S. Rudd who is the majority shareholder in Pentmere Limited.

25. RELATED PARTY DISCLOSURES

The company made an interest free loan to its parent company, Pentmere Limited, during the year. At the balance sheet date it amounted to £399,257.