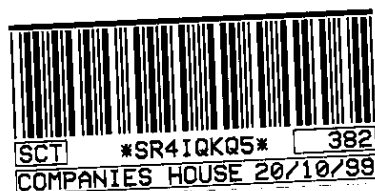


**NORTHERN ENGINEERING WORKS LIMITED**

**ABBREVIATED ACCOUNTS**

**31 DECEMBER 1998**



**RITSON SMITH**

Chartered Accountants & Registered Auditors  
16 Carden Place  
Aberdeen  
AB10 1FX

# **NORTHERN ENGINEERING WORKS LIMITED**

## **AUDITORS' REPORT TO THE COMPANY**

**PURSUANT TO SECTION 247B OF THE COMPANIES ACT 1985**

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We have examined the abbreviated accounts on pages 2 to 5, together with the accounts of the company for the year ended 31 December 1998 prepared under Section 226 of the Companies Act 1985.

### **RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS**

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

### **BASIS OF OPINION**

We have carried out the procedures we consider necessary to confirm, by reference to the accounts, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts 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 accounts.

### **OPINION**

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246(5) and (6) of the Act, and the abbreviated accounts on pages 2 to 5 are properly prepared in accordance with those provisions.

### **OTHER INFORMATION**

On .....23/9/1999 we reported as auditors to the members of the company on the accounts prepared under Section 226 of the Companies Act 1985 and our report included the following paragraph:

#### **Going Concern**

In forming our opinion, we have considered the adequacy of the disclosures made in the accounts concerning the company's ability to continue trading. Details of the circumstances relating to this fundamental uncertainty are described in note 1. In view of the significance of this uncertainty we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.



16 Carden Place  
Aberdeen  
AB10 1FX

RITSON SMITH  
Chartered Accountants  
& Registered Auditors

.....23/9/1999

# NORTHERN ENGINEERING WORKS LIMITED

## ABBREVIATED BALANCE SHEET

AS AT 31 DECEMBER 1998

|                                                                |          | 1998           |                | 1997           |                  |
|----------------------------------------------------------------|----------|----------------|----------------|----------------|------------------|
|                                                                | Note     | £              | £              | £              | £                |
| <b>FIXED ASSETS</b>                                            | <b>2</b> |                |                |                |                  |
| Intangible assets                                              |          |                | -              |                | 409,137          |
| Tangible assets                                                |          |                | 336,671        |                | 354,256          |
|                                                                |          |                | <u>336,671</u> |                | <u>763,393</u>   |
| <b>CURRENT ASSETS</b>                                          |          |                |                |                |                  |
| Stocks                                                         |          | 302,969        |                | 271,798        |                  |
| Debtors                                                        |          | 678,476        |                | 351,247        |                  |
| Cash at bank and in hand                                       |          | 1,929          |                | 2,007          |                  |
|                                                                |          | <u>983,374</u> |                | <u>625,052</u> |                  |
| <b>CREDITORS: Amounts falling due within one year</b>          | <b>3</b> | (791,221)      |                | (352,087)      |                  |
| <b>NET CURRENT ASSETS</b>                                      |          |                | 192,153        |                | 272,965          |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |          |                | <u>528,824</u> |                | <u>1,036,358</u> |
| <b>CREDITORS: Amounts falling due after more than one year</b> | <b>4</b> |                | (255,293)      |                | (326,813)        |
|                                                                |          |                | <u>273,531</u> |                | <u>709,545</u>   |
| <b>CAPITAL AND RESERVES</b>                                    |          |                |                |                |                  |
| Called-up equity share capital                                 | <b>5</b> |                | 760,002        |                | 760,002          |
| Profit and loss account                                        |          |                | (486,471)      |                | (50,457)         |
| <b>SHAREHOLDERS' FUNDS</b>                                     |          |                | <u>273,531</u> |                | <u>709,545</u>   |

These accounts have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

These accounts were approved by the directors on the 23<sup>rd</sup> of 19<sup>99</sup> and are signed on their behalf by:



G SMITH  
DIRECTOR



W H SMITH  
DIRECTOR

The notes on pages 3 to 5 form part of these accounts.

# NORTHERN ENGINEERING WORKS LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 1998

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### 1. ACCOUNTING POLICIES

#### **Basis of accounting**

The accounts have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities.

These accounts have been prepared on the going concern basis. The validity of this assumption is dependant on the continued support of the bank. The bank have agreed to support the company until January 2000. Thereafter the banks continued support is dependant on the company, Arthur Buchan Limited and Shore Hydraulics Limited meeting group targets. The directors see no reason why the targets should not be achieved.

#### **Turnover**

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

#### **Goodwill**

Purchased goodwill is eliminated by amortisation through the profit and loss account over its useful economic life of 10 years.

An impairment review has been performed on the goodwill as per Financial Reporting Standards 10 and 11. This has resulted in the goodwill being written off to the profit and loss account due to pre-incorporation targets not being met.

#### **Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

|                     |                        |
|---------------------|------------------------|
| Freehold property   | - 2% straight line     |
| Plant and machinery | - 25% reducing balance |
| Motor vehicles      | - 25% reducing balance |
| Equipment           | - 25% reducing balance |

#### **Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

#### **Hire purchase agreements**

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account.

#### **Pension costs**

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account

# NORTHERN ENGINEERING WORKS LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 1998

### 1. ACCOUNTING POLICIES *(continued)*

#### Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

### 2. FIXED ASSETS

|                       | Intangible<br>Assets<br>£ | Tangible<br>Fixed<br>Assets<br>£ | Total<br>£     |
|-----------------------|---------------------------|----------------------------------|----------------|
| <b>COST</b>           |                           |                                  |                |
| At 1 January 1998     | 430,671                   | 366,083                          | 796,754        |
| Additions             | -                         | 6,849                            | 6,849          |
| Disposals             | -                         | (3,666)                          | (3,666)        |
| At 31 December 1998   | <u>430,671</u>            | <u>369,266</u>                   | <u>799,937</u> |
| <b>DEPRECIATION</b>   |                           |                                  |                |
| At 1 January 1998     | 21,534                    | 11,827                           | 33,361         |
| Charge for year       | 409,137                   | 21,226                           | 430,363        |
| On disposals          | -                         | (458)                            | (458)          |
| At 31 December 1998   | <u>430,671</u>            | <u>32,595</u>                    | <u>463,266</u> |
| <b>NET BOOK VALUE</b> |                           |                                  |                |
| At 31 December 1998   | -                         | <u>336,671</u>                   | <u>336,671</u> |
| At 31 December 1997   | <u>409,137</u>            | <u>354,256</u>                   | <u>763,393</u> |

### 3. CREDITORS: Amounts falling due within one year

The following liabilities disclosed under creditors falling due within one year are secured by the company:

|                           | 1998<br>£      | 1997<br>£      |
|---------------------------|----------------|----------------|
| Bank loans and overdrafts | <u>490,149</u> | <u>150,871</u> |

# NORTHERN ENGINEERING WORKS LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 1998

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**4. CREDITORS: Amounts falling due after more than one year**

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

|                           | <b>1998</b>    | <b>1997</b>    |
|---------------------------|----------------|----------------|
|                           | <b>£</b>       | <b>£</b>       |
| Bank loans and overdrafts | <u>255,293</u> | <u>321,798</u> |

**5. SHARE CAPITAL**

**Authorised share capital:**

|                                      | <b>1998</b>      | <b>1997</b>      |
|--------------------------------------|------------------|------------------|
|                                      | <b>£</b>         | <b>£</b>         |
| 1,000,000 Ordinary shares of £1 each | <u>1,000,000</u> | <u>1,000,000</u> |

**Allotted, called up and fully paid:**

|                                        | <b>1998</b>    | <b>1997</b>    |
|----------------------------------------|----------------|----------------|
|                                        | <b>£</b>       | <b>£</b>       |
| Ordinary share capital brought forward | 760,002        | -              |
| Issue of ordinary shares               | -              | 760,002        |
|                                        | <u>760,002</u> | <u>760,002</u> |