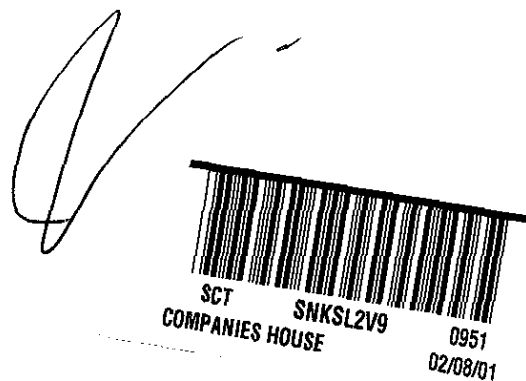


NORTHERN ENGINEERING WORKS LIMITED

Directors' report and financial statements

31 December 2000

Registered number: 170721



Barbara Cresswell
Chartered Accountant

Northern Engineering Works Limited

Directors' report and financial statements

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Northern Engineering Works Limited

Directors' report

The directors present their annual report and the financial statements for the year ended 31 December 2000.

Principal activity

The principal activity of the company during the year was the provision of engineering services to the fishing and oil industries.

Directors and directors' interests

The directors who held office during the year were as follows:

Mr. G Smith
Mr. WH Smith

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company as recorded in the register of directors' share interests.

	Class of share	Interest at beginning and at end of year
Mr. G Smith	Ordinary shares of £1 each	372,401
Mr. WH Smith	Ordinary shares of £1 each	387,601

Auditors

Barbara Cresswell, Chartered Accountant have indicated their willingness to continue in office and in accordance with section 385 of the Companies Act. A resolution concerning the re-appointment and remuneration of Barbara Cresswell, Chartered Accountant as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Directors' report

The directors' report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board



WH Smith
Director

8 Albyn Terrace
Aberdeen
AB10 1YP

1 August 2001

Northern Engineering Works Limited

Directors' responsibilities

Statement of 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 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 apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Financial Reporting Standard for Smaller Entities has been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which 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.

**Report of Auditors to the Shareholders of Northern Engineering Works Limited for
year ended 31 December 2000**

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 to 7.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

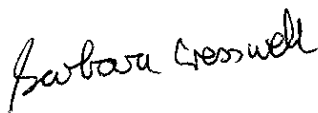
Basis of opinion

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 mis-statement, 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 as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Barbara Cresswell
Chartered Accountant
Registered Auditors

Aberdeen
1 August 2001

Northern Engineering Works Limited

Profit and loss account

for the year ended 31 December 2000

	<i>Note</i>	2000 £	1999 £
Turnover	2	1,249,191	1,153,394
Cost of sales		867,905	1,141,850
Gross profit		381,286	11,544
Administrative expenses		365,898	157,669
Other operating income		(96,000)	(91,000)
Operating profit / (loss)		111,388	(55,125)
Interest payable and similar charges		50,153	51,749
Profit / (loss) on ordinary activities before taxation	3	61,235	(106,874)
Tax on profit / (loss) on ordinary activities		-	-
Retained profit / (loss) for the financial year		61,235	(106,874)
Balance brought forward		(593,345)	(486,471)
Balance carried forward		(532,110)	(593,345)

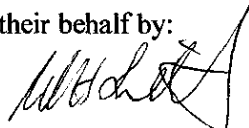
Northern Engineering Works Limited

Balance sheet at 31 December 2000

	Note	2000	1999
		£	£
Fixed assets			
Tangible fixed assets	5	381,099	352,794
Current assets			
Stock and work in progress		589,324	372,137
Debtors	6	154,598	417,147
Cash at bank and in hand		1,299	1,328
		<u>745,221</u>	<u>790,612</u>
Creditors: amounts falling due within one year	7	<u>(852,323)</u>	<u>(805,650)</u>
Net current assets / (liabilities)		<u>(107,102)</u>	<u>(15,038)</u>
Total assets less current liabilities		<u>273,997</u>	<u>337,756</u>
Creditors: amounts falling due after more than one year	8	<u>(46,105)</u>	<u>(171,099)</u>
Net assets		<u>227,892</u>	<u>166,657</u>
Capital and reserves			
Called up share capital	10	760,002	760,002
Profit and loss account		<u>(532,110)</u>	<u>(593,345)</u>
		<u>227,892</u>	<u>166,657</u>

The financial statements were prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the board of directors on 1 August 2001 and were signed on their behalf by:



WH Smith
Director

Northern Engineering Works Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost accounting rules and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is entitled to the filing exemptions as a small company under sections 246 to 249 of the Companies Act 1985 when filing accounts with the Registrar of Companies.

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 and work in progress have been valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

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 on a straight line basis.

Pension scheme

The company operates a defined contribution 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 (continued)

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 Analysis of turnover

The turnover is attributable to the company's main activity and represents the amounts (excluding value added tax) derived from sales to customers during the period.

Turnover attributable to geographical markets outside the United Kingdom amounted to 0% for the year.

3 Profit on ordinary activities before taxation

	2000 £	1999 £
<i>The profit on ordinary activities before taxation is stated after charging:</i>		
Depreciation	22,832	20,711
Profit on disposal of fixed assets	-	(3,421)
Staff Pension contributions	13,636	7,569
Auditor's remuneration	2,000	5,000

4 Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2000 £	1999 £
Aggregate emoluments	50,929	78,831

Northern Engineering Works Limited

Notes (continued)

5 Fixed assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Equipment £	Total £
<i>Cost</i>					
At 1 January 2000	300,000	24,769	47,763	29,356	401,888
Additions	30,000	8,615	-	12,522	51,137
Disposals	-	-	-	-	-
At 31 December 2000	<u>330,000</u>	<u>33,384</u>	<u>47,763</u>	<u>41,878</u>	<u>453,025</u>
<i>Depreciation</i>					
At 1 January 2000	15,000	12,459	16,105	5,530	49,094
Charge for period	600	5,231	7,914	9,087	22,832
Disposals	-	-	-	-	-
At 31 December 2000	<u>15,600</u>	<u>17,690</u>	<u>24,019</u>	<u>14,617</u>	<u>71,926</u>
<i>Net book value</i>					
At 31 December 2000	<u>314,400</u>	<u>15,694</u>	<u>23,744</u>	<u>27,261</u>	<u>381,099</u>
At 31 December 1999	<u>285,000</u>	<u>12,310</u>	<u>31,658</u>	<u>23,826</u>	<u>352,794</u>

Included within the net book value of £381,099 is £13,913 (1999 - £42,897) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £4,637 (1999 - £9,164).

6 Debtors

	2000 £	1999 £
Trade debtors	154,598	233,574
Due from related parties	-	180,573
Prepayments and accrued income	-	3,000
	<u>154,598</u>	<u>417,147</u>

Northern Engineering Works Limited

Notes (continued)

7 Creditors: amounts falling due within one year

	2000		1999	
	£	£	£	£
Bank loans and overdrafts		357,300		542,162
Trade creditors		94,463		103,273
Other creditors comprise:				
PAYE and social security	14,313		23,883	
VAT	2,194		7,393	
Hire purchase agreements	2,208		5,736	
Due to related parties	65,425		46,108	
Directors' current accounts	311,158		66,966	
		395,298		150,086
Accruals and deferred income		5,262		10,129
		852,323		805,650

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

	2000	1999
	£	£
Bank loans and overdrafts	357,300	542,162

8 Creditors: amounts falling due after more than one year

	2000	1999
	£	£
Bank loans and overdrafts	46,105	168,891
Other creditors comprise:		
Hire purchase agreements	-	2,208
	46,105	171,099

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

	2000	1999
	£	£
Bank loans and overdrafts	46,105	168,891

Northern Engineering Works Limited

Notes (continued)

9 Related party transactions

The company was under the control of Mr. WH Smith throughout the current year and previous period. Mr. Smith is a director and majority shareholder.

Shore Hydraulics Limited and Arthur Buchan Limited are companies under common control. During the year the following transactions were made with these parties.

	2000 £	1999 £
Shore Hydraulics Limited		
Purchases	36,196	20,446
Sales	139,531	175,605
Management charges receivable	72,000	76,000
Arthur Buchan Limited		
Purchases	18,084	1,773
Sales	37,298	34,735
Management charges receivable	24,000	15,000
Loan	65,000	-

Amounts due from these parties were as follows:

Shore Hydraulics Limited	-	136,803
Arthur Buchan Limited	-	43,771

Amounts due to these parties were as follows:

Shore Hydraulics Limited	425	733
Arthur Buchan Limited	65,000	45,375

The bank has an unlimited inter company guarantee on the facility provided to the company, Shore Hydraulics Limited and Arthur Buchan Limited.

10 Called up share capital

	2000 £	1999 £
<i>Authorised</i>		
Ordinary shares of £1 each	1,000,000	1,000,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	760,002	760,002