

NEI-A.P.E. LIMITEDCOMPANY NO. 1189540DIRECTORS REPORT FOR THE YEAR ENDED 31st DECEMBER 1985

The Directors have pleasure in presenting their report and the balance sheet for the year ended 31st December 1985.

The Company has not traded on its own account during the year, but acted as agent on behalf of its ultimate holding company Northern Engineering Industries plc, whose principal activities are the manufacture and supply of engineering products, equipment and services.

The following held office as Directors throughout the year:-

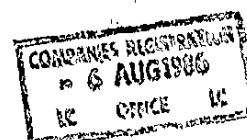
	<u>Appointed</u>	<u>Resigned</u>
J.L. Wyatt		
J.J. Cotterell		30.10.85
T. Murray		
D. Cartledge		
D.H. Evans	15.01.85	
B.D. Williams	15.01.85	

The only interests of Directors in the shares or debentures of the Company or its associated companies requiring disclosure in this report were:-

NEI Employee Sharesave Option Scheme

The interests of the Directors in options granted on 16th June 1981, 21st June 1982, 22nd June 1983, 15th June 1984 and 27th June 1985 to subscribe for Ordinary Shares of the Company's ultimate holding company pursuant to that company's NEI Employee Sharesave Option Scheme and which were held on 31st December 1985 were as follows:-

<u>21st June 1982</u>	J.L. Wyatt	1886 Ordinary Shares
	T. Murray	3773 Ordinary Shares
	D. Cartledge	3773 Ordinary Shares
	D.H. Evans	754 Ordinary Shares
<u>22nd June 1983</u>	J.L. Wyatt	1694 Ordinary Shares
	D.H. Evans	677 Ordinary Shares



NEI-A.P.E. LIMITEDCOMPANY NO. 118940Employees

NEI-A.P.E. Limited has procedures, both formal and informal, for consulting its employees and their Trade Union Representatives and keeping them informed on a regular basis about the business in which they work.

Directors and/or Senior Management meet with representative members of the recognised Trade Unions on a regular basis to review the general business situation as it relates to the Company or where appropriate the Business Unit, under the auspices of the appropriate Committees. The Company and Business Unit, the prospective workloads, current level of orders and employment prospects are among matters of common interest which are reviewed.

Health and Safety Committees within the Company/Business Unit meet at regular intervals to ensure that health and safety at work is given a priority.

The Company and its Business Units contribute to the NEI newspaper (NEI News) providing information on their activities. From time to time a supplement is issued describing in more detail the activities of the Company and its Business Units.

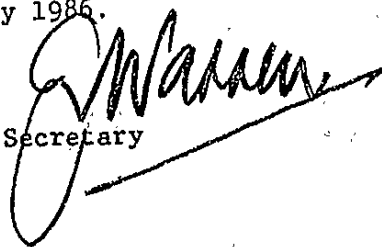
The NEI Group Pension Scheme is open to all eligible U.K. employees and is administered by a Trustee Company which has an equal number of employee and NEI appointed directors with the Chairman being appointed by NEI. Facilities are afforded to employee directors of the Pension Scheme to consult with members. Matters of importance are communicated through regular notices and members of the Scheme are provided with an annual report together with details of their own individual prospective benefits.

The NEI Employee Sharesave Option Scheme was introduced in 1982 when many of the eligible employees took up options with further options being taken up in 1983, 1984 and 1985.

The Company policy for the employment of disabled persons is that full consideration is given to their applications and candidates are offered employment on the basis of their ability and aptitude. In the event of an individual becoming disabled whilst in employment, every effort is made to ensure that such employment is continued and where necessary appropriate re-training is provided. The training, career development and promotion opportunities for disabled persons are in no way different to those of other employees and the Company makes every effort to employ disabled persons.

A resolution for the re-appointment of Peat, Marwick, Mitchell & Co. as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board
1st May 1986.


Secretary

NEI House,
Regent Centre,
Newcastle upon Tyne,
NE3 3SB.

1/5/86.

NEI-A.P.E. LIMITEDReport of the Auditors to the members of NEI-A.P.E. Limited

We have audited the accounts set out on pages 4 & 5 in accordance with approved Auditing Standards. In our opinion the accounts give a true and fair view of the state of the Company's affairs at 31st December 1985 and comply with the Companies Act 1985.

Peat, Marwick, Mitchell & Co.
Peat, Marwick, Mitchell & Co.
Chartered Accountants

27 Grainger Street,
Newcastle upon Tyne.

1st May, 1986.



NEI-A.P.E. LIMITEDCOMPANY NO. 1189540PROFIT AND LOSS ACCOUNT

The Company has not traded on its own account during the year but acted as agent of its ultimate holding company, Northern Engineering Industries plc, and the results of the business form part of the consolidated accounts of that company for the year ended 31st December 1985.

BALANCE SHEET AS AT 31st DECEMBER 1985

			<u>1984</u>
<u>CURRENT ASSETS</u>	<u>NOTE</u>	<u>£</u>	<u>£</u>
DEBTORS (Amounts owed by Group Companies)	1	100	100
		<u>100</u>	<u>100</u>
<u>TOTAL ASSETS</u>			
<u>CAPITAL AND RESERVES</u>			
CALLED UP SHARE CAPITAL	2	100	100
		<u>100</u>	<u>100</u>

W. L. Williams
 Directors
 Approved by the Directors
 at a Board Meeting held on 1st May 1986.

NOTES 1-4 FORM PART OF THESE ACCOUNTS

NOTES:1. DEBTORS

The amount stated represents a loan to the Company's ultimate holding company and is repayable on demand.

2. SHARE CAPITALAuthorised

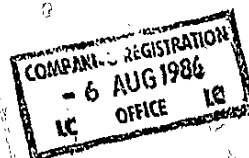
1,000 Ordinary Shares of £1

£
1,000

1,000Issued

100 Ordinary Shares of £1

100

100

NEI-A.F.E. LIMITED

COMPANY NO. 1189540

3. ULTIMATE HOLDING COMPANY

The Company's ultimate holding company is Northern Engineering Industries plc incorporated in England.

4. DIRECTORS' REMUNERATION

None of the Directors received any separate remuneration in respect of their service to the Company.