

POWELL DUFFRYN (INTERNATIONAL) LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 1999

Company Registration No: 1235617



POWELL DUFFRYN (INTERNATIONAL) LIMITED

DIRECTORS' REPORT

Directors: Mr B S Hartiss
Mr A E Darling
Mr R G Lee

Registered Office: Powell Duffryn House
London Road
Bracknell
Berkshire RG12 2AQ

The directors present their report for the year ended 31 March 1999.

1 **BUSINESS AND REVIEW OF ACTIVITIES**

The business of the company continues to be that of an investment holding company, empowered to acquire and hold shares, stock and other securities and other forms of property.

2 **RESULTS AND DIVIDEND**

The directors submit the audited financial statements for the year ended 31 March 1999. The profit for the financial year after taxation amounted to £1,864,000 (1997/98 £45,000). The directors do not recommend the payment of a dividend (1997/98 nil).

3 **PAYMENT OF CREDITORS**

The Company has no trade creditors.

4 **DIRECTORS**

The directors during the year are those listed above.

Mr B S Hartiss and Mr A E Darling are directors of Powell Duffryn plc, the company's holding company. Their remuneration and their interests in the shares and debentures of Powell Duffryn plc and its subsidiaries are not required to be recorded in the Register of Directors' interests of this company. The interest of the other director in the ordinary shares of Powell Duffryn plc was as follows:

	Owned		Option Rights		
	1999	1998	1.4.98	Granted	Exercised
R G Lee	3,795	3,795	2,524	903	-
					31.3.99
					3,427

POWELL DUFFRYN (INTERNATIONAL) LIMITED

DIRECTORS' REPORT

(CONTINUED)

The interest of Mr R G Lee in contingent share awards under the Powell Duffryn Restricted Share Plan was as follows:

	<u>Maximum No of Shares</u>	<u>Earliest Vesting Date</u>
At 1 April 1998	13,100	19.9.99
Awarded during year	<u>12,700</u>	19.9.01
At 31 March 1999	25,800	

Mr R G Lee had no other interest in the ordinary shares, preference shares or debentures of Powell Duffryn plc or its subsidiaries.

5 **DIRECTORS' RESPONSIBILITIES**

The directors are required by UK company law to prepare financial statements for each financial year that 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.

It is the directors' responsibility to ensure that, in the preparation of the financial statements for the year ended 31 March 1999, suitable accounting policies have been used and applied consistently, that reasonable and prudent judgements and estimates have been made, that applicable accounting standards have been followed, and that the financial statements have been prepared on the going concern basis.

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 accounts 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.

6 **YEAR 2000**

An assessment of the potential impact of the Year 2000 issue on the business and operations of the company has been undertaken at a group level. Further detail regarding this assessment is contained within the financial statements of the ultimate parent undertaking, Powell Duffryn plc.

7 **AUDITORS**

A resolution to re-appoint the auditors Arthur Andersen will be proposed at the Annual General Meeting.

Powell Duffryn House
London Road, Bracknell
Berkshire RG12 2AQ.

BY ORDER OF THE BOARD

Date

1 July 1999



R G LEE
Secretary

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
POWELL DUFFRYN (INTERNATIONAL) LIMITED

To the Shareholders

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention, as modified by certain revaluations, and the accounting policies set out on page 6.

Respective Responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of 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 circumstances of the company, 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 misstatement, 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 affairs of the company at 31 March 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A.H. Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors
1 Surrey Street
London
WC2R 2PS

Date 1 July 1999

POWELL DUFFRYN (INTERNATIONAL) LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 1999

	Notes	1999 £000	1998 £000
Other income		1	-
Amounts written back to fixed asset investments	4	1,820	188
Exceptional loss on sale of investments		-	(253)
Profit/(loss) on ordinary activities before taxation	2	1,821	(65)
Taxation	3	43	110
Retained profit for the financial year	10	1,864	45

There were no items of a material nature which are to be treated as discontinued activities within the financial statements.

STATEMENT OF RECOGNISED GAINS AND LOSSES

	1999 £000	1998 £000
Retained profit for the year	1,864	45
Unrealised surplus on revaluation of investment in subsidiaries	2,043	3,219
Exchange movements on investment in subsidiaries	1,516	(1,589)
Exchange movements on currency loans	(927)	884
Total gains and losses recognised during the year	4,496	2,559

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	1999 £000	1998 £000
Reported profit/(loss) on ordinary activities before tax	1,821	(65)
Realised surplus on disposal of investments	-	1,622
Provision against historical cost of investments for diminution in value	(1,820)	(188)
Historical cost profit on ordinary activities before taxation	1	1,369

The accompanying notes are an integral part of these statements.

POWELL DUFFRYN (INTERNATIONAL) LIMITED

BALANCE SHEET

AS AT 31 MARCH 1999

	<u>Notes</u>	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
FIXED ASSETS			
Investments	4	41,861	35,534
CURRENT ASSETS			
Investments	5	32,208	-
Debtors	6	1,783	930
Cash at bank		-	38
		33,991	968
CREDITORS - amounts falling due within one year	7	(420)	(878)
NET CURRENT ASSETS		33,571	90
TOTAL ASSETS LESS CURRENT LIABILITIES		75,432	35,624
CREDITORS - amounts falling due after more than one year	8	(91,549)	(56,237)
NET ASSETS		(16,117)	(20,613)
CAPITAL AND RESERVES			
Called up share capital	9	263	263
Revaluation reserve	10	11,020	8,461
Profit and loss account	10	(27,400)	(29,337)
Equity shareholders' funds	11	(16,117)	(20,613)

The accompanying notes are an integral part of this balance sheet.

ON BEHALF OF THE BOARD


A E DARLING (DIRECTOR)


DATE

POWELL DUFFRYN (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR TO 31 MARCH 1999

1 ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of fixed asset investments. The financial statements comply with all relevant accounting standards, and have been consistently applied for both years.

Group Financial Statements

Group financial statements are not prepared as the company is a wholly owned subsidiary undertaking of another company incorporated in Great Britain.

Investments

Investments in subsidiary undertakings are valued at net asset value. Investments in associated undertakings, other investments and current asset investments are valued at cost, less any permanent diminution in value.

Equity accounting for associated undertakings

Associated undertakings are those companies which are not subsidiary undertakings but in which the interest of the company is substantial for the long term and over which the company is able to exercise a significant influence having regard to the disposition of the other shareholdings.

The company does not account for its associated undertakings on the equity accounting basis because it is a wholly owned subsidiary of another company incorporated in Great Britain.

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the year-end. All exchange differences are dealt with as movements in reserves.

Dividend Income

Dividend income is dealt with in the profit and loss account in the year of receipt and is inclusive of withholding tax, where appropriate.

Taxation

Corporation tax payable is provided on taxable profit at the current rate. Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

Cash Flow Statement

Under the provisions of FRS1 (revised) no cash flow statement has been prepared since Powell Duffryn (International) Limited is a wholly owned subsidiary undertaking, and the parent undertaking, Powell Duffryn plc, includes a consolidated group cash flow statement in its financial statements for the year ended 31 March 1999.

POWELL DUFFRYN (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR TO 31 MARCH 1999

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The directors of Powell Duffryn (International) Limited are employed by the holding company Powell Duffryn plc. Directors' and Auditors' remuneration has been borne by the holding company in both the current and prior year.

The company employs no staff (1998 nil).

3 TAXATION

Based on the profit for the year:

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
United Kingdom taxation at 31% (1998 31%)	37	-
Group relief receivable	-	(110)
Prior year adjustment	(80)	-
	<u>(43)</u>	<u>(110)</u>

4 INVESTMENTS

All investments are unlisted and are as follows:

	Subsidiary Under- takings £000	Other Investments £000	Total 1999 £000	Total 1998 £000
Valuation or cost at 1 April 1998	35,533	1	35,534	36,060
Cost adjustments	(48)	-	(48)	-
Revaluations	2,043	-	2,043	3,219
Exchange adjustments	1,516	-	1,516	(1,589)
Acquisitions	996	-	996	9
	40,040	1	40,041	37,699
Disposals	-	-	-	(2,353)
	40,040	1	40,041	35,346
Decrease in provision for reduction in value of investments	1,820	-	1,820	188
	<u>41,860</u>	<u>1</u>	<u>41,861</u>	<u>35,534</u>

The provision for the reduction in value of investments in subsidiary undertakings is to adjust the cost of the investments to net asset value.

POWELL DUFFRYN (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR TO 31 MARCH 1999

The directors are of the opinion that the aggregate value of the investments in subsidiary undertakings is not less than the amount at which these subsidiary undertakings are stated in the balance sheet.

Details of all the investments held are given in notes 13 and 14.

5 CURRENT ASSET INVESTMENTS

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Kvaerner Ships Equipment AS – Norway	17,326	-
Kvaerner Ships Equipment AB – Sweden	10,847	-
Kvaerner Ships Equipment GmbH – Germany	2,655	-
Kvaerner Ships Equipment Inc – USA	1,380	-
	<u>32,208</u>	<u>-</u>

The above assets are being held as Current Asset Investments prior to their transfer to another Group company within the next 12 months.

6 DEBTORS

Amounts falling due within one year:	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Amounts owed by fellow subsidiaries	383	820
Sundry debtors	1,400	-
Taxation	-	110
	<u>1,783</u>	<u>930</u>

7 CREDITORS

Amounts falling due within one year:	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Accruals	-	10
Taxation	37	-
Amount due to fellow subsidiary	-	48
Amount due to holding company	383	820
	<u>420</u>	<u>878</u>

POWELL DUFFRYN (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR TO 31 MARCH 1999

8 CREDITORS

Amounts falling due after more than one year:	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Loans from holding company	<u>91,549</u>	<u>56,237</u>

The loans from the holding company, Powell Duffryn plc, are denominated in US dollars, French francs, Dutch guilders, Danish krone, Norwegian krone and sterling are currently interest-free and have no fixed repayment terms.

9 CALLED UP SHARE CAPITAL

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Authorised: 5,000,000 Ordinary Shares of £1 each	<u>5,000</u>	<u>5,000</u>
Allotted, called up and fully paid: 262,930 shares of £1 each	<u>263</u>	<u>263</u>

10 RESERVES

	<u>Revaluation</u> <u>£000</u>	<u>Profit & Loss</u> <u>£000</u>
Balance at 1 April 1998	8,461	(29,337)
Retained profit for the financial year	-	1,864
Revaluation of investments	2,043	-
Exchange movements on investments	516	1,000
Exchange movements on currency loans	-	(927)
Balance at 31 March 1999	<u>11,020</u>	<u>(27,400)</u>

No deferred tax has been provided by the company in respect of the revaluation reserve since the directors consider that no liability to taxation will arise in the foreseeable future.

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Opening shareholders' funds	(20,613)	(23,172)
Retained profit for the financial year	1,864	45
Revaluation reserve movements	2,043	3,219
Currency exchange movements	589	(705)
Closing shareholders' funds	<u>(16,117)</u>	<u>(20,613)</u>

12 HOLDING COMPANY

The company's ultimate holding company is Powell Duffryn plc incorporated in Great Britain, registered in England. A copy of the ultimate holding company's consolidated financial statements may be obtained from the Company Secretary, Powell Duffryn plc, Powell Duffryn House, London Road, Bracknell, Berkshire RG12 2AQ.

POWELL DUFFRYN (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR TO 31 MARCH 1999

13 SUBSIDIARY UNDERTAKINGS

Listed below are the subsidiary undertakings directly held by Powell Duffryn (International) Limited at 31 March 1999. The companies operated principally in their country of incorporation and unless otherwise stated are 100% owned and have share capitals consisting solely of ordinary shares.

<u>COMPANY</u>	<u>COUNTRY OF INCORPORATION</u>
Airoil-Flaregas SA	France
Airoil-Flaregas SRL	Italy
Airoil-Flaregas SA	Spain
HCE Deutschland GmbH	Germany
Hamworthy Combustion Engineering BV	Holland
Powell Duffryn Holdings BV	Holland
Compagnie Francaise Powell Duffryn SA	France
Powell Duffryn Wagon SA	France
Metalair-Filliat SA	France
Powell Duffryn (USA) Limited	USA
Hamworthy Canada Limited	Canada
Hamworthy Engineering (Africa) (Pty) Limited	S Africa
Hamworthy Engineering (FE) PTE Limited	Singapore
Svanehoj International A/S	Denmark
Hamworthy Marine A/S	Norway

Acquisitions made during the year:

Hamworthy Belliss & Morcom Brasil Ltda	Brazil
HCE Australasia Pty Limited	Australia

14 OTHER INVESTMENTS

<u>COMPANY</u>	<u>HOLDING</u>	<u>TOTAL ISSUED SHARE CAPITAL</u>	<u>COUNTRY OF INCORPORATION</u>
Japan Hamworthy Company Limited	5%	Yen 12,000,000	Japan

The valuation of investments, which are all unlisted, is not materially different to original cost.

15 RELATED PARTY TRANSACTIONS

The financial statements of Powell Duffryn plc, which directly owns at least 90% of the voting share capital of the company, are publicly available.

Accordingly no disclosure of related party transactions between the company and Powell Duffryn plc or any related parties of Powell Duffryn plc is made in this Report and Financial Statements.

16 NEGATIVE EQUITY SHAREHOLDERS' FUNDS

The negative equity shareholders' funds have arisen due to the company's policy of valuing investments at their tangible net asset value. This policy does not take account of the income generating capabilities of these companies on the basis of which the directors consider that the company does not require support from its parent company.