

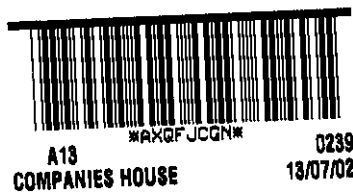
POWELL DUFFRYN (INTERNATIONAL) LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2002

Company Registration No: 1235617



POWELL DUFFRYN (INTERNATIONAL) LIMITED

DIRECTORS' REPORT

Directors: Mr B S Hartiss (resigned 13 September 2001)
Mr A E Darling
Mr R G Lee

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

The Directors present their annual report together with the accounts and auditors' report for the year ended 31 March 2002.

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. During the year the Company sold Hamworthy KSE GmbH, Hamworthy KSE AB, Norba AB, Hamworthy Belliss & Morcom Canada Limited and Hamworthy Belliss & Morcom Brasil Limitada.

During the year the Company allotted 2,737,070 ordinary shares with a nominal value of £1 each and at a premium of £39 per share for cash to Powell Duffryn Limited.

2 RESULTS AND DIVIDEND

The retained profit for the year amounted to £3,717,000 (2001 - £15,394,000) which has been added to reserves. The Directors do not recommend the payment of a dividend.

3 PAYMENT OF CREDITORS

The Company has no trade creditors.

4 DIRECTORS

The Directors during the year are those listed above.

5 DIRECTORS' INTERESTS

The Directors have no details that are required to be disclosed under Schedule 7 of the Companies Act 1985.

The Directors have no interests in the share capital of the Company or its ultimate parent, Prestige (No. 1) Limited, required to be disclosed under Schedule 7 of the Companies Act 1985.

POWELL DUFFRYN (INTERNATIONAL) LIMITED

DIRECTORS' REPORT

(CONTINUED)

6 STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare accounts 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 accounts the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the 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 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.

7 AUDITORS

The Company has a resolution in place which dispenses with the requirement to reappoint auditors on an annual basis. Arthur Andersen will remain as auditors for the ensuing year.

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

By order of the Board



R G Lee
Secretary

Date 1 July 2002

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Powell Duffryn (International) Limited

We have audited the accounts of Powell Duffryn (International) Limited for the year ended 31 March 2002 which comprise the Profit and Loss Account, Balance Sheet, Statement of Recognised Gains and Losses, Note of Historical Cost Profits and Losses and the related notes numbered 1 to 13. These accounts have been prepared under the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report and the accounts in accordance with applicable law and United Kingdom Accounting Standards are set out in the Directors' Report. Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

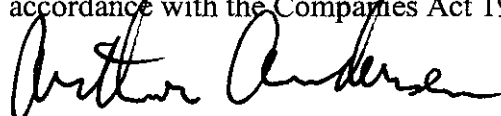
Basis of Opinion

We conducted our audit in accordance with United Kingdom 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 accounts. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the accounts 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ARTHUR ANDERSEN

Chartered Accountants and Registered Auditors

180 Strand
London
WC2R 1BL

Date:

1 July 2002

POWELL DUFFRYN (INTERNATIONAL) LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2002

	Notes	2002 £000	2001 £000
Administrative expenses		-	(10)
Income from shares in subsidiary undertakings		7,104	505
Amounts written (off)/back to fixed asset investments	4	(5,501)	2,672
Profit on sale of investments		4,261	19,325
Interest receivable		1	2
Interest payable on group loans		-	(10,043)
Profit on ordinary activities before taxation	2	5,865	12,451
Taxation	3	(2,148)	2,943
Retained profit for the financial year	9	3,717	15,394

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

STATEMENT OF RECOGNISED GAINS AND LOSSES

	2002 £000	2001 £000
Retained profit for the year	3,717	15,394
Unrealised surplus on revaluation of investment in subsidiaries	55,544	6,235
Exchange movements on investment in subsidiaries	(544)	806
Exchange movements on currency loans	57	(806)
Total gains and losses recognised during the year	58,774	21,629

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2002 £000	2001 £000
Reported profit on ordinary activities before taxation	5,865	12,451
Difference between the historical cost profit on disposal of investments and the actual profit on disposal	1,886	-
Historical cost profit on ordinary activities before taxation	7,751	12,451

The accompanying notes are an integral part of these statements.

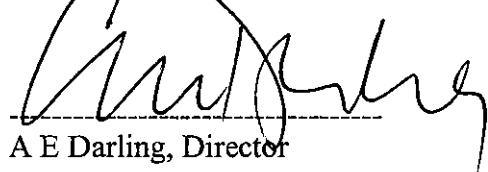
POWELL DUFFRYN (INTERNATIONAL) LIMITED

BALANCE SHEET

AS AT 31 MARCH 2002

	<u>Notes</u>	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>
FIXED ASSETS			
Investments	4	93,941	29,486
CURRENT ASSETS			
Investments	5	-	35,212
Debtors	6	109,404	55,899
		109,404	91,111
CREDITORS - amounts falling due within one year	7	(2,196)	(87,705)
NET CURRENT ASSETS		107,208	3,406
NET ASSETS		201,149	32,892
CAPITAL AND RESERVES			
Called up share capital	8	5,300	2,563
Share premium	8	127,446	20,700
Revaluation reserve	9	73,592	20,420
Profit and loss account	9	(5,189)	(10,791)
EQUITY SHAREHOLDER'S FUNDS	10	201,149	32,892

On behalf of the Board


A E Darling, Director

1.7.02
Date

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

POWELL DUFFRYN (INTERNATIONAL) LIMITED

NOTES TO THE ACCOUNTS

YEAR TO 31 MARCH 2002

1 ACCOUNTING POLICIES

Basis of Accounting

The accounts are prepared in accordance with the historical cost convention modified by the revaluation of fixed asset investments, and in accordance with all applicable accounting standards, and have been consistently applied for both years except in relation to deferred taxation, following the adoption of FRS 19 in the year. This has had no effect on the prior year comparatives.

The Company has taken advantage of the exemption from preparing consolidated accounts afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Prestige (No. 1) Limited which prepares consolidated accounts which are publicly available. The Company is also on this basis, exempt from the requirement of FRS 1 to present a cash flow statement.

Investments

Investments in subsidiary undertakings are valued at net asset value. Investments in other investments are valued at cost, less any provision for impairment.

Foreign currencies

Exchange differences arising on the re-translation of the opening net investment in subsidiary undertakings and related foreign currency debt are dealt with through reserves. Other differences are dealt with in the operating profit for the year.

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

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rate and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the accounts.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

POWELL DUFFRYN (INTERNATIONAL) LIMITED

NOTES TO THE ACCOUNTS

(CONTINUED)

YEAR TO 31 MARCH 2002

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The Directors are all employed by Powell Duffryn Limited (the holding company), and do not receive any remuneration in respect of services to the Company. Auditors' remuneration has been borne by the holding company in both the current and prior year.

The Company had no employees during the year. (2001 : nil).

3 TAXATION

Analysis of tax charge/(credit)

	2002	2001
	£000	£000
UK corporation tax on profits for the year		
- group relief payable	2,148	214
Double taxation relief	-	(214)
	<u>2,148</u>	<u>-</u>
Group relief receivable	-	(2,953)
Prior year adjustment	-	10
	<u>2,148</u>	<u>(2,943)</u>

Factors affecting the tax charge in the year.

The tax assessed for the year is different from the standard rate of UK corporation tax (30%)

The differences are explained below:

	2002	2001
	£000	£000
Profit on ordinary activities before tax	5,865	12,451
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001 - 30%)	1,759	3,735
Effects of:		
Income from shares	-	(151)
Estimate of expenses disallowed	17	62
Amounts written off/(back) to fixed asset investments	1,650	(802)
Profit on sale of investments	(1,278)	(5,797)
Current tax charge/(credit) for year	<u>2,148</u>	<u>(2,953)</u>

4 INVESTMENTS

All investments are unlisted and are as follows:

	Subsidiary under- takings £000	Other investments £000	Total 2002 £000	Total 2001 £000
Valuation or cost at 1 April	29,485	1	29,486	49,161
Transfer from current asset investments	17,284	-	17,284	-
Revaluations	55,544	-	55,544	6,235
Exchange adjustments	(544)	-	(544)	806
	101,769	1	101,770	56,202
Disposals	(2,328)	-	(2,328)	(29,388)
	99,441	1	99,442	26,814
(Increase)/decrease in provision for reduction in value of investments	(5,501)	-	(5,501)	2,672
Valuation or cost at 31 March	93,940	1	93,941	29,486

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

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 the investments held are given in note 12.

POWELL DUFFRYN (INTERNATIONAL) LIMITED

NOTES TO THE ACCOUNTS

(CONTINUED)

YEAR TO 31 MARCH 2002

5 CURRENT ASSET INVESTMENTS

	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>
Hamworthy KSE AS – Norway	-	17,284
Hamworthy KSE AB – Sweden	-	10,821
Hamworthy KSE GmbH – Germany	-	2,648
Norba AB – Sweden	-	4,459
	-	<u>35,212</u>

At 31 March 2002 Hamworthy KSE AS – Norway has been transferred to fixed asset investments as it is expected to be held for longer than twelve months from the balance sheet date. The other current asset investments at 31 March 2001 were sold during the year.

6 DEBTORS

Amounts falling due within one year:	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>
Loans due from holding company	46,313	-
Amounts owed by fellow subsidiaries	62,591	52,946
Taxation	-	2,953
Other debtors	500	-
	<u>109,404</u>	<u>55,899</u>

The loans from a holding company, Powell Duffryn Limited, are denominated in US dollars, euros and sterling, are interest free and have no fixed repayment terms.

7 CREDITORS

Amounts falling due within one year:	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>
Loans from holding company	48	87,695
Amount due to fellow subsidiary	-	10
Taxation	2,148	-
	<u>2,196</u>	<u>87,705</u>

The loans from a holding company, Powell Duffryn Limited, are denominated in euros, are interest free and have no fixed repayment terms.

POWELL DUFFRYN (INTERNATIONAL) LIMITED

NOTES TO THE ACCOUNTS

(CONTINUED)

YEAR TO 31 MARCH 2002

8 SHARE CAPITAL AND SHARE PREMIUM

	<u>Authorised</u>		<u>Issued and fully paid</u>		
	<u>No. of shares 000</u>	<u>£000</u>	<u>No. of shares 000</u>	<u>£000</u>	<u>Share premium £000</u>
Equity Share Capital					
Ordinary shares of £1 each					
At 1 April 2001	5,000	5,000	2,563	2,563	20,700
Issue of ordinary shares	3,000	3,000	2,737	2,737	106,746
At 31 March 2002	<u>8,000</u>	<u>8,000</u>	<u>5,300</u>	<u>5,300</u>	<u>127,446</u>

During the year the Company allotted 2,737,070 ordinary shares with a nominal value of £1 each and at a premium of £39 per share for cash to Powell Duffryn Limited.

9 RESERVES

	<u>Revaluation £000</u>	<u>Profit & Loss £000</u>
Balance at 1 April 2001	20,420	(10,791)
Retained profit for the financial year	-	3,717
Revaluation of investments	55,544	-
Revaluation realised	(1,886)	1,886
Exchange movements on investments	(486)	(58)
Exchange movements on currency loans	-	57
Balance at 31 March 2002	<u>73,592</u>	<u>(5,189)</u>

10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	<u>2002 £000</u>	<u>2001 £000</u>
Opening shareholder's funds	32,892	(11,737)
Retained profit for the financial year	3,717	15,394
New share capital subscribed	109,483	23,000
Revaluation reserve movements	55,544	6,235
Currency exchange movements	(487)	-
Closing shareholder's funds	<u>201,149</u>	<u>32,892</u>

POWELL DUFFRYN (INTERNATIONAL) LIMITED

NOTES TO THE ACCOUNTS

(CONTINUED)

YEAR TO 31 MARCH 2002

11 ULTIMATE PARENT COMPANY

The directors regard Prestige (No. 1) Limited, a company incorporated in Great Britain, as the ultimate controlling party and ultimate parent company. Copies of the accounts of Prestige (No. 1) Limited are available from 78 Cannon Street, London EC4P 5LN. Nikko Principal Investments Limited has certain investment and financing arrangements with certain subsidiaries of Prestige (No. 1) Limited which, subsequent to the year end, may deem it to be a 'controlling party' of those subsidiaries, as defined by FRS 8, 'Related Party Disclosures'.

12 SUBSIDIARY UNDERTAKINGS

Listed below are the subsidiary undertakings directly held by Powell Duffryn (International) Limited at 31 March 2002. 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. The principal activities of the following entities are the manufacture and sale of engineering equipment.

<u>COMPANY</u>	<u>COUNTRY OF INCORPORATION</u>
Airoil-Flaregas SA	France
Hamworthy Combustion Engineering SRL	Italy
Airoil-Flaregas SA	Spain
Hamworthy Combustion Engineering Deutschland GmbH	Germany
Powell Duffryn Holdings BV	Holland
Hamworthy Combustion SA	France
Hamworthy KSE a.s.	Norway
Hamworthy Engineering (Africa) (Pty) Limited	South Africa
Hamworthy Engineering (FE) PTE Limited	Singapore
Hamworthy KSE Svanehoj A/S	Denmark
Hamworthy Combustion Engineering Australasia Pty Limited	Australia

13 RELATED PARTY TRANSACTIONS

As a subsidiary undertaking of Prestige (No. 1) Limited the Company has taken advantage of the exemption in FRS 8 'Related Party Disclosures' from disclosing transactions with other members of the Group headed by Prestige (No. 1) Limited.