

KCC Process Equipment Limited

Directors' report
and financial statements
for the year ended 31 March 2001
Registered Number 1862795



KCC Process Equipment Limited
Directors' report and financial statements
for the year ended 31 March 2001

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2001.

Principal activities

The company's principal activity is the supply of custom built process plant and services for oil and gas production and treatment to the worldwide energy industry.

Business review

The directors consider the results for the year to March 2001 to be satisfactory and will continue to develop the business so as to maintain the strong competitive position KCC currently holds in the market.

Dividend

The directors are not recommending a dividend, choosing to retain profits earned to date for further development in the year ahead. (2000 : £1,100,000)

Directors and directors' interests

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

M E Kirk
S R Cordon
P J Shuttleworth

The above directors had the following interests in the ordinary shares of group companies as recorded in the register of directors' share and debenture interests:

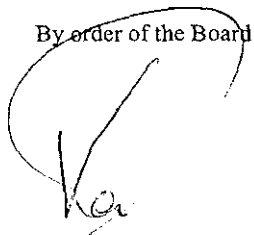
	Company	Class of share	Interest at beginning and end of year
M E Kirk	KCC Group Ltd	£1 ordinary	134,090
S R Cordon	KCC Group Ltd	£1 ordinary	51,497
P J Shuttleworth	KCC Group Ltd	£1 ordinary	12,650

Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



K B Rowland
Secretary

111 Windmill Road
Sunbury on Thames
Middlesex
TW16 7EF

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 for that period. In preparing those financial statements, 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 financial statements;
- prepare the financial statements 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Arlington Business Park
Theale
Reading, RG7 4SD
United Kingdom

Report of the auditors to the members of KCC Process Equipment Limited

We have audited the financial statements on pages 5 to 20.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, 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.

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 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 the company's affairs as at 31 March 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG 12/9/01

*Chartered Accountants
Registered Auditors*

KCC Process Equipment Limited
Directors' report and financial statements
for the year ended 31 March 2001

Profit and loss account
for the year ended 31 March 2001

	<i>Note</i>	2001 £	2000 £
Turnover	2	10,998,802	6,025,340
Cost of sales		(9,938,125)	(4,751,670)
		<hr/>	<hr/>
Gross profit		1,060,677	1,273,670
Administrative expenses		(1,010,418)	(1,007,538)
		<hr/>	<hr/>
Operating profit		50,259	266,132
Interest receivable and similar income		133,351	169,968
Interest payable and similar charges	6	(32,938)	(10,536)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3-6	150,672	425,564
Tax on profit on ordinary activities	7	(52,492)	(139,239)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		98,180	286,325
Dividends on equity shares	8	-	(1,100,000)
		<hr/>	<hr/>
Profit/(Loss) for the financial year		98,180	(813,675)
		<hr/> <hr/>	<hr/> <hr/>

There were no recognised gains or losses in the period other than those shown above

KCC Process Equipment Limited
Directors' report and financial statements
for the year ended 31 March 2001

Balance sheet
as at 31 March 2001

	Note	2001		2000	
		£	£	£	£
Fixed assets					
Intangible assets	9	-		1,400	
Tangible assets	10	54,117		81,048	
Investments	11	2		2	
			54,119		82,450
Current assets					
Work in progress	12	105,594		115,354	
Debtors	13	3,100,310		2,375,572	
Cash at bank and in hand		1,144,390		10,223	
Cash charged against performance bonds		925,147		1,564,942	
		5,275,441		4,066,091	
Creditors:					
Amounts falling due within one year	14	(3,818,855)		(2,554,733)	
Net current assets			1,456,586		1,511,358
Total assets less current liabilities			1,510,705		1,593,808
Creditors:					
Amounts falling due after more than one year	15	-		(8,254)	
Provision for liabilities and charges	16	(263,430)		(436,459)	
Net assets			1,247,275		1,149,095
Capital and reserves					
Called up share capital	17	253,000		253,000	
Share premium account		4,070		4,070	
Profit and loss account	18	990,205		892,025	
Shareholders' funds (equity interests)			1,247,275		1,149,095

These financial statements were approved by the board of directors on 3 June 2001 and were signed on its behalf by:



M E Kirk
Director

KCC Process Equipment Limited
Directors' report and financial statements
for the year ended 31 March 2001

Cash flow statement

for the year ended 31 March 2001

	<i>Note</i>	2001 £	2000 £
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit		50,259	266,132
Depreciation and amortisation		50,412	62,630
Profit on asset disposal		(205)	(11)
Decrease/(Increase) in stocks		9,760	(108,822)
Increase in debtors		(724,738)	(529,307)
Increase/(Decrease) in creditors		1,779,896	(536,465)
Decrease in warranty provision		(173,029)	(300,442)
Net cash inflow/(outflow) from operating activities		992,355	(1,146,285)
Cash flow statement			
Cash flow from operating activities		992,355	(1,146,285)
Returns on investment & servicing of finance	22	100,412	159,432
Taxation		(87,669)	(267,514)
Capital expenditure	22	(21,875)	(25,661)
Equity dividends paid		-	(1,550,000)
Cash inflow/(outflow) before management of liquid resources and financing		983,223	(2,830,028)
Management of liquid resources	22	639,795	(291,072)
Financing	22	(17,109)	(21,276)
Increase/(Decrease) in cash in the period		1,605,909	(3,142,376)
Reconciliation of net cash flow to movement in net debt			
Increase/(Decrease) in cash in the period	23	1,605,909	(3,142,376)
Cash inflow from increase in debt and lease financing		17,109	21,276
Cash used to (increase)/decrease liquid resources		(639,795)	291,072
Movement in net funds in the period		983,223	(2,830,028)
Net funds at the start of the period		1,078,060	3,908,088
Net funds at the end of the period	23	2,061,283	1,078,060

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 in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

As the company is a wholly owned subsidiary of KCC Group Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of KCC Group Limited, within which this company is included, can be obtained from the address given in note 24

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Office equipment and furniture	-	5 years
Computer equipment	-	3 years

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction, or at the contracted rate of the transaction if covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Goodwill

Amortisation is provided against purchased goodwill on a straight line basis over 5 years.

Notes (continued)

Accounting policies (continued)

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits less amounts recognised in previous years. Provision is made for any losses which are foreseen. Contract work in progress is stated at cost incurred, less that element transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account. Where payments to account exceed turnover, the difference is taken to creditors.

Stocks

Stocks and work in progress on short term contracts are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price reduced by all costs of marketing, selling and distribution.

Pension scheme

The company pays pension contributions into executive and personal pension schemes held by employees. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Provision for expenditure under warranty

The company provides for costs which may be incurred on completed contracts whilst under warranty.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

Notes (Continued)

2 Analysis of turnover

By geographical area:	2001 £	2000 £
United Kingdom	177,191	915,400
Middle East	482,962	2,723,194
Europe	1,590,266	1,147,615
Other	8,748,383	1,239,131
	<u>10,998,802</u>	<u>6,025,340</u>

3 Profit on ordinary activities before taxation

	2001 £	2000 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	8,700	12,785
Other services	4,217	3,867
Depreciation and other amounts written off tangible fixed assets:		
Owned	33,684	39,706
Leased	15,328	20,823
Goodwill amortised	1,400	2,100
Hire of plant and machinery - rentals payable under operating leases	30,306	24,596
Hire of other assets - rentals payable under operating leases	94,633	66,338
Exchange losses	858	2,880
	<u>205</u>	<u>11</u>
<i>after crediting</i>		
Profit on disposal of fixed assets	<u>205</u>	<u>11</u>

Notes (Continued)

4 Remuneration of directors

	2001 £	2000 £
Directors' emoluments	75,085	-
Contributions to money purchase pension schemes	6,150	-
	<hr/> 81,235 <hr/>	<hr/> - <hr/>

Directors' remuneration paid last year amounting to £151,423 was charged to the parent company, KCC Group Limited

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2001	2000
Management and administration	3	4
Direct work on contracts and sales	18	23
	<hr/> 21 <hr/>	<hr/> 27 <hr/>

The aggregate payroll costs for these persons were as follows:

	2001 £	2000 £
Wages and salaries	695,422	1,121,051
Social security costs	76,163	126,182
Other pension costs	30,141	53,566
	<hr/> 801,726 <hr/>	<hr/> 1,300,799 <hr/>

Notes (Continued)

6 Interest payable and other charges

	2001 £	2000 £
On bank loans and overdrafts	22,551	3,825
Finance charges payable in respect of finance leases and hire purchase contracts	5,704	6,135
Interest on late payment of tax	4,683	576
	<hr/> 32,938	<hr/> 10,536
	<hr/> <hr/>	<hr/> <hr/>

7 Taxation

	2001 £	2000 £
UK corporation tax	52,923	136,100
Adjustment relating to previous years	(431)	3,139
	<hr/> 52,492	<hr/> 139,239
	<hr/> <hr/>	<hr/> <hr/>

8 Dividends

	2001 £	2000 £
Equity shares:		
Interim dividend paid	-	1,100,000
Final dividend proposed	-	-
	<hr/> -	<hr/> 1,100,000
	<hr/> <hr/>	<hr/> <hr/>

Notes (Continued)

9 Intangible fixed assets

	Goodwill
	£
<i>Cost</i>	
At beginning of year	10,500
	<hr/>
At year end	10,500
	<hr/>
<i>Amortisation</i>	
At beginning of year	9,100
Charge for year	1,400
	<hr/>
At year end	10,500
	<hr/>
<i>Net book value</i>	
At 31 March 2001	-
	<hr/> <hr/>
At 31 March 2000	1,400
	<hr/> <hr/>

Goodwill arose out of the purchase of the business and assets of RJB Engineering (UK) Limited, this company is dormant.

Notes (Continued)

10 Tangible fixed assets

	Computer equipment £	Office equipment and furniture £	Total £
<i>Cost</i>			
At beginning of year	174,436	133,683	308,119
Additions	18,923	10,340	29,263
Disposals	(62,611)	(67,406)	(130,017)
	<hr/>	<hr/>	<hr/>
At year end	130,748	76,617	207,365
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	134,099	92,972	227,071
Charge for year	24,870	24,142	49,012
On disposals	(63,874)	(58,961)	(122,835)
	<hr/>	<hr/>	<hr/>
At year end	95,095	58,153	153,248
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2001	35,653	18,464	54,117
	<hr/>	<hr/>	<hr/>
At 31 March 2000	40,337	40,711	81,048
	<hr/>	<hr/>	<hr/>

Assets held under finance and hire purchase contracts

	31 March 2001 £	31 March 2000 £
Included in the total net book value is	4,155	23,971
	<hr/>	<hr/>
Depreciation for the year in respect of these assets was	15,328	20,823
	<hr/>	<hr/>

Notes (Continued)

11 Fixed asset investments

<i>Cost</i>	Shares in group undertakings £
At beginning and end of year	2

12 Stocks

	2001 £	2000 £
Work in progress on minor contracts	105,594	115,354

13 Debtors

	2001 £	2000 £
Trade debtors	1,785,751	893,091
Amounts recoverable on contracts	891,142	1,345,603
Amounts due from group undertakings	289,152	-
Taxation recoverable	65,591	103,829
Other debtors	8,655	8,819
Prepayments and accrued income	60,019	24,230
	<u>3,100,310</u>	<u>2,375,572</u>

Notes (Continued)

14 Creditors : amounts falling due within one year

	2001 £	2000 £
Trade creditors	3,551,308	1,687,864
Obligations under finance leases and hire purchase contracts (see note 15)	8,254	17,109
Bank overdrafts	-	471,742
Payments received on account	133,394	4,248
Amounts due to group undertakings	-	89,868
Corporation tax	52,923	88,100
PAYE taxation and social security	31,566	5,489
Other creditors	16,606	501
Accruals and deferred income	24,804	189,812
	<hr/> 3,818,855 <hr/>	<hr/> 2,554,733 <hr/>

15 Amounts falling due after more than one year

	2001 £	2000 £
Obligations under finance lease and hire purchase contracts	-	8,254
	<hr/>	<hr/>

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2001 £	2000 £
Within one year	8,254	17,109
In the second to fifth years	-	8,254
	<hr/> 8,254 <hr/>	<hr/> 25,363 <hr/>

16 Provision for liabilities and charges

	2001 £	2000 £
Warranty provision		
At beginning of year	436,459	736,901
Transferred to profit and loss account	(173,029)	(300,442)
	<hr/> 263,430 <hr/>	<hr/> 436,459 <hr/>
At end of year		

Notes (Continued)

17 Called up share capital

	2001 £	2000 £
<i>Authorised</i>		
Equity : Ordinary shares of £1 each	1,000,000	1,000,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity : Ordinary shares of £1 each	253,000	253,000
	<hr/>	<hr/>

18 Reconciliation of movements in shareholders' funds

	Share Capital £	Share premium account £	Profit and loss account £	Total £
At beginning of year	253,000	4,070	892,025	1,149,095
Retained profit for the year	-	-	98,180	98,180
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	253,000	4,070	990,205	1,247,275
	<hr/>	<hr/>	<hr/>	<hr/>

19 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2001 Land and buildings £	Other £	2000 Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	17,449	60,000	-
In the second to fifth years inclusive	155,000	17,736	-	40,857
	<hr/>	<hr/>	<hr/>	<hr/>
	155,000	35,185	60,000	40,857
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (Continued)

20 Charges

Bonding and overdraft facilities are secured by way of a charge over all fixed and floating assets of the company and a specific charge over £925,147 (2000: £1,564,942) cash held by the bank as cover against performance bonds in favour of National Westminster Bank plc.

21 Contingent liabilities

The company's bankers have provided performance bonds on contracts entered into by the company up to a total value of £1,460,917 (2000: £2,506,580). In the event of the company's failure to meet its obligations under these contracts it would be liable to its bankers up to the value of these bonds.

Notes (Continued)

22 Analysis of cash flows

	2001 £	2001 £	2000 £	2000 £
Returns on investment and servicing of finance				
Interest received	133,351		169,968	
Interest paid	(27,235)		(4,401)	
Interest element of hire purchase repayments	(5,704)		(6,135)	
	<hr/>		<hr/>	
		100,412		159,432
		<hr/> <hr/>		<hr/> <hr/>
Capital expenditure and financial investments				
Purchase of tangible fixed assets	(29,263)		(26,138)	
Sale of tangible assets	7,388		477	
	<hr/>		<hr/>	
		(21,875)		(25,661)
		<hr/> <hr/>		<hr/> <hr/>
Cash placed on deposit and charged against performance bonds		639,795		(291,072)
		<hr/> <hr/>		<hr/> <hr/>
Financing				
Capital element of hire purchase repayments	(17,109)		(21,276)	
	<hr/>		<hr/>	
		(17,109)		(21,276)
		<hr/> <hr/>		<hr/> <hr/>

Notes (Continued)

23 Analysis of net debt

	At beginning of year £	Cash flow £	Other non cash changes £	At end of year £
Cash at bank and in hand	10,223	1,134,167	-	1,144,390
Overdrafts	(471,742)	471,742	-	-
	(461,519)	1,605,909	-	1,144,390
Debt due within 1 year	(17,109)	17,109	(8,254)	(8,254)
Debt due after 1 year	(8,254)	-	8,254	-
Current asset investments	1,564,942	(639,795)	-	925,147
Total	1,078,060	983,223	-	2,061,283

24 Ultimate parent company

The company is a subsidiary undertaking of KCC Group Limited, incorporated in England and Wales. The financial statements of KCC Group Limited can be obtained at 111 Windmill Road, Sunbury on Thames, Middlesex, TW16 7EF.