

KCC PROCESS EQUIPMENT LIMITED
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 1996

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KCC PROCESS EQUIPMENT LIMITED

Company information

DIRECTORS	M E Kirk S R Cordon
SECRETARY	S R Cordon
BANKERS	National Westminster Bank plc 44 Sunbury Cross Centre Sunbury on Thames Middlesex TW16 7AZ National Bank of Bahrain BSC PO Box 106 Manama State of Bahrain
AUDITORS	MacIntyre Hudson 18/20 George Street Richmond Surrey TW9 1HD
REGISTERED OFFICE	91-93 Windmill Road Sunbury on Thames Middlesex TW16 7EF
REGISTERED NUMBER	1862795

KCC PROCESS EQUIPMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1996

The directors submit their report and the audited financial statements for the year ended 31 March 1996.

ACTIVITIES

The principal activities of the company throughout the year continued to be those of providing process engineering services and supplies for oil and gas plant installations.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENT

Throughout 1995, KCC has maintained its policy of planning for future growth, and three major strategic goals were achieved during the year.

Our reorganisation into more customer-focused, business groups and a major investment in Information Technology systems was initiated to provide the foundations for expansion, and ensure our communications with clients, suppliers and group operating divisions are significantly more advanced than our competitors, allowing better control of our operations to be achieved.

Secondly, our acquisition in December of the business of RJB Engineering Ltd, the specialist heating and fuel gas treatment systems company, enabled us to launch a new division - KCC Thermal - offering more focused products and services to the gas distribution and power generation industries.

Thirdly, the establishment of our Middle East branch office in Abu Dhabi in January 1996, and its pioneering Alliance with the local fabrication company Deutsche Babcock, underlines our commitment to the region and marks the start of the localisation of our services, worldwide.

The pre-tax profit of £53,648 on a turnover of £6,457,690 reflects a subdued performance during the year, but is considered satisfactory by the Directors, who are again recommending a dividend of 4.35 pence per share to ensure the majority of our earnings are retained within the Company for the future.

KCC starts 1996 poised for a move to our new, larger headquarters and able to accommodate the greater demands anticipated from our customers in terms of value engineering, speed of delivery and quality.

DIVIDENDS

The directors recommend the payment of a final dividend for the year of £11,000 (1995: £11,000)

DIRECTORS

The directors who held office during the year and their beneficial interests in the issued share capital were as follows:

	31 March 1996	31 March 1995
M E Kirk	134,090	134,090
S R Cordon	51,497	51,497

FIXED ASSETS

The movements in the fixed assets of the company are disclosed in note 10 to the financial statements.

KCC PROCESS EQUIPMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1996

(continued)

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 the company 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;
- prepare the financial statements on a going concern basis unless it is inappropriate to assume 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 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.

AUDITORS

The auditors, MacIntyre Hudson, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

By order of the Board



S R CORDON
Secretary

91-93 Windmill Road
Sunbury on Thames
Middlesex
TW16 7EF

12/8 1996

AUDITORS' REPORT TO THE SHAREHOLDERS
OF KCC PROCESS EQUIPMENT LIMITED

We have audited the financial statements on pages 5 to 14.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3 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 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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Wise & Partners
Chartered Accountants
Registered Auditor

Ashley House
18/20 George Street
Richmond, Surrey
TW9 1HD

12 August 1996

KCC PROCESS EQUIPMENT LIMITED
 PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED 31 MARCH 1996

	Notes	1996		1995	
		£	£	£	£
TURNOVER	2		6,457,690		7,789,069
Cost of sales			5,763,253		7,073,498
GROSS PROFIT			694,437		715,571
Selling and distribution costs		273,892		229,045	
Administrative expenses		404,000		350,882	
			677,892		579,927
OPERATING PROFIT	3		16,545		135,644
Interest receivable and similar income			40,579		34,504
Interest payable	6		(3,476)		(72)
PROFIT on ordinary activities before taxation			53,648		170,076
TAXATION on ordinary activities	7		17,620		48,562
PROFIT on ordinary activities after taxation			36,028		121,514
DIVIDENDS	8		11,000		11,000
RETAINED PROFIT for the financial year	16		£ 25,028		£ 110,514

All of the company's operations are classed as continuing.

The company has no recognised gains or losses other than the profit for the year.

The notes on pages 8 to 14 form part of these financial statements

KCC PROCESS EQUIPMENT LIMITED

BALANCE SHEET - 31 MARCH 1996

	Notes	1996		1995	
		£	£	£	£
FIXED ASSETS					
Intangible assets	9		9,800		-
Tangible assets	10		82,771		86,809
Investments	11		2		-
			<u>92,573</u>		<u>86,809</u>
CURRENT ASSETS					
Work in progress	12	1,687,435		417,340	
Debtors	13	2,131,293		2,370,911	
Cash at bank and in hand		463,116		315,560	
		<u>4,281,844</u>		<u>3,103,811</u>	
CREDITORS: amounts falling due within one year	14	3,683,017		2,524,248	
NET CURRENT ASSETS			598,827		579,563
			<u>£ 691,400</u>		<u>£ 666,372</u>
CAPITAL AND RESERVES					
Called up share capital	15		253,000		253,000
Share premium account	16		4,070		4,070
Profit and loss account	16		434,330		409,302
			<u>£ 691,400</u>		<u>£ 666,372</u>

Directors

12 August 1996

The notes on pages 8 to 14 form part of these financial statements

KCC PROCESS EQUIPMENT LIMITED

CASH FLOW STATEMENT FOR THE
YEAR ENDED 31 MARCH 1996

	Notes	1996		1995	
		£	£	£	£
Net cash outflow from operating activities	20		227,058		(333,525)
Return on investments and servicing of finance					
- Dividends paid		(11,000)		(11,000)	
- Interest received		40,579		34,504	
- Interest paid		(3,476)		(72)	
Net cash inflow from returns on investments and servicing of finance			26,103		23,432
Taxation					
- UK corporation tax		48,620		9,368	
- Advance corporation tax		2,750		3,194	
Net cash outflows from taxation			(51,370)		(12,562)
Investing activities					
- Purchase of tangible fixed assets		(46,485)		(36,296)	
- Sale of fixed assets		2,750		1,400	
- Purchase of intangible fixed assets		(10,500)		-	
Net cash outflow from investing activities			(54,235)		(34,896)
Increase/(Decrease) in cash and cash equivalents	21		£ 147,556		£(357,551)

The notes on pages 8 to 14 form part of these financial statements

KCC PROCESS EQUIPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1996

1 ACCOUNTING POLICIES

The principal accounting policies which are adopted in the preparation of the financial statements are set out below.

- (a) Basis of accounting
The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.
- (b) Turnover
Turnover comprises invoiced sales, adjusted for deferred income. Deferred income represents the excess of sales on uncompleted contracts over costs.
- (c) Contracts
The company's work is carried out entirely on long term contracts for the design and supply of process engineering equipment.

Profit is recognised when the delivery of equipment has been effected. Where contracts also involve the processes of installation and/or commissioning, profit on those stages is recognised on completion.

- (d) Fixed assets
Depreciation and amortisation is provided to write off the cost of the tangible and intangible fixed assets in equal annual instalments at the following rates:

Goodwill	20%
Leasehold acquisition costs	4%
Office equipment and furniture	20%
Computer equipment	33 1/3%
Motor vehicles	25%

- (e) Work in progress
Work in progress comprises the cost of uncompleted stages of long term contracts, less provisions for foreseeable losses. Cost for this purpose includes materials, labour and other direct costs of individual contracts.
- (f) Research and development
Research and development expenditure is written off in the year in which it is incurred.
- (g) Deferred taxation
Provision is made, under the liability method, for taxation deferred in respect of all material timing differences, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or an asset will crystallise in the foreseeable future.
- (h) Foreign currencies
Assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Completed transactions in foreign currencies are converted into Sterling at the rate of exchange prevailing on average over the year. Where forward exchange contracts have been entered into to cover particular contracts then the same forward exchange rates have been used for translation of those contracts. Exchange differences on translation and conversion are taken into account in arriving at the operating profit.
- (i) Pension scheme
The company's pension plan is a defined contributions scheme. Consequently, the annual instalments charged to the profit and loss account are fixed under the terms of the scheme and the company has no potential liability other than for the payment of those instalments.

KCC PROCESS EQUIPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1996

2 TURNOVER

Turnover represents sales net of VAT made by the company during the year.

3 OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	1996	1995
	£	£
Staff costs (note 4)	711,541	757,784
Depreciation	50,523	53,657
Adjustment on disposal of fixed assets	(2,750)	(1,400)
Auditors' remuneration	5,500	5,500
Amortisation of goodwill	700	-
	<u>711,541</u>	<u>757,784</u>

4 STAFF COSTS

Staff costs, including directors' remuneration were as follows:

	1996	1995
	£	£
Wages and salaries	617,991	662,879
Social security costs	62,534	67,476
Other pension costs	31,016	27,429
	<u>£ 711,541</u>	<u>£ 757,784</u>

The average weekly number of employees during the year was 24 (1995: 22).

5 DIRECTORS' REMUNERATION

	1996	1995
	£	£
Emoluments for services as directors including benefits in kind	<u>£ 107,146</u>	<u>£ 123,666</u>
Emoluments excluding pension contributions:		
Chairman (highest paid director)	<u>£ 50,985</u>	<u>£ 59,632</u>

Numbers of other directors whose total emoluments, excluding pension contributions, were within the range:

	1996 No.	1995 No.
£50,000 - £54,999	-	1
£40,000 - £44,999	<u>1</u>	<u>-</u>

KCC PROCESS EQUIPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1996

6 INTEREST PAYABLE

	1996	1995
	<u>£</u>	<u>£</u>
Bank interest	2,239	72
Interest on VAT penalty	1,237	-
	<u>£ 3,476</u>	<u>£ 72</u>

7 TAXATION

The taxation charge on the profit on ordinary activities for the year was as follows:

	1996	1995
	<u>£</u>	<u>£</u>
Corporation tax at current rates	18,000	49,000
Overprovision in prior years	(380)	(438)
	<u>£ 17,620</u>	<u>£ 48,562</u>

8 DIVIDENDS

	1996	1995
	<u>£</u>	<u>£</u>
Final proposed @ 4.35p (1995: 4.35p) per share	<u>£ 11,000</u>	<u>£ 11,000</u>

9 INTANGIBLE FIXED ASSETS

	Goodwill
	<u>£</u>
Cost	-
At 1 April 1995	10,500
Additions	10,500
	<u>10,500</u>
Amortisation	-
At 1 April 1995	700
Charge for the year	700
	<u>700</u>
Net book value	£ 9,800
At 31 March 1996	<u>£ -</u>
At 31 March 1995	<u>£ -</u>

Goodwill arose on the purchase of the business and assets of RJB Engineering Limited which has since changed its name to Nisharm Ltd.

KCC PROCESS EQUIPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1996

10 TANGIBLE FIXED ASSETS

	Leasehold acquisition costs	Computer equipment	Office equipment and furniture	Motor vehicles	Total
	£	£	£	£	£
<u>Cost</u>					
At 1 April 1995	7,137	98,591	52,497	100,568	258,793
Additions	-	41,517	4,968	-	46,485
Disposals	-	(8,919)	-	(7,436)	(16,355)
At 31 March 1996	7,137	131,189	57,465	93,132	288,923
<u>Depreciation</u>					
At 1 April 1995	1,120	74,088	36,269	60,507	171,984
Charge for the year	301	23,719	7,748	18,755	50,523
Released on disposal	-	(8,919)	-	(7,436)	(16,355)
At 31 March 1996	1,421	88,888	44,017	71,826	206,152
<u>Net book value</u>					
At 31 March 1996	£ 5,716	£ 42,301	£ 13,448	£ 21,306	£ 82,771
At 31 March 1995	£ 6,017	£ 24,503	£ 16,228	£ 40,061	£ 86,809

11 INVESTMENTS

	1996	1995
	£	£
Unlisted investments		
At cost (detailed below)	£ 2	£ -

	Country of Registration	Class of Business	Net Assets
RJB Engineering Ltd (incorporated 23 August 1995)	England	Dormant	£ 2

12 WORK IN PROGRESS

	1996	1995
	£	£
Work in progress on uncompleted contracts	1,695,110	1,005,386
Less: costs relating to invoiced sales	(7,675)	(588,046)
	£1,687,435	£ 417,340

KCC PROCESS EQUIPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1996

13 DEBTORS

	1996	1995
	£	£
Trade debtors	2,059,425	2,281,902
Other debtors	11,425	40,949
Prepaid expenses	60,443	48,060
	<u>£2,131,293</u>	<u>£2,370,911</u>

14 CREDITORS: amounts falling due within one year

	1996	1995
	£	£
Trade creditors	3,265,839	1,647,795
Corporation tax	15,250	46,250
ACT payable	2,750	5,500
Social security and other taxes	69,009	63,816
Other creditors	-	1,000
Accrued expenses	56,988	10,918
Deferred income	262,181	737,969
Dividends payable	11,000	11,000
	<u>£3,683,017</u>	<u>£2,524,248</u>

15 CALLED UP SHARE CAPITAL

	1996	1995
	£	£
Authorised ordinary shares of £1 each	<u>£1,000,000</u>	<u>£ 100,000</u>
Allotted, and fully paid 253,000 ordinary shares of £1 each	<u>£ 253,000</u>	<u>£ 253,000</u>

16 RESERVES

	Profit and loss account	Share premium account
	£	£
Balance at 1 April 1995	409,302	4,070
Retained profit for the year	25,028	-
Balance at 31 March 1996	<u>£ 434,330</u>	<u>£ 4,070</u>

KCC PROCESS EQUIPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1996

17 RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS

	1996	1995
	<u>£</u>	<u>£</u>
Profit for the financial year	25,028	110,514
Shareholders' funds at 1 April	666,372	555,858
Shareholders' funds at 31 March	<u>£ 691,400</u>	<u>£ 666,372</u>

18 CHARGES

The overdraft and bonding facilities are secured by way of a fixed and floating charge over the assets of the company, in favour of National Westminster Bank Plc.

19 CONTINGENT LIABILITIES

The company's bankers have provided performance bonds on four contracts entered into by the company, up to a total value of £736,596 (1995: £1,331,747). In the event of the company's inability to meet its obligations under these contracts, it would be liable up to the value of these bonds.

20 RECONCILIATION OF OPERATING PROFIT
TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996	1995
	<u>£</u>	<u>£</u>
Operating profit	16,545	135,644
Depreciation and amortisation charges	51,223	53,657
Adjustment on sale of fixed assets	(2,750)	(1,400)
(Increase)/Decrease in work in progress	(1,250,095)	(311,752)
Decrease in debtors	219,617	(1,139,615)
Increase in creditors	1,192,518	929,941
Net cash outflow from operating activities	<u>£ 227,058</u>	<u>£ (333,525)</u>

21 ANALYSIS OF CHANGES IN CASH

	1996	1995
	<u>£</u>	<u>£</u>
Balance at 1 April	315,560	673,111
Balance at 31 March	463,116	315,560
Movement in year	<u>£ 147,556</u>	<u>£ (357,511)</u>

KCC PROCESS EQUIPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1996

22 OPERATING LEASE COMMITMENTS

At 31 March 1996 the company had the following annual commitments under operating leases.

	1996	1995
	<u>£</u>	<u>£</u>
Leases relating to the hire of buildings which expire:		
Between two and five years	£ —	£ 18,500
After five years	£ —	£ 42,500
	<u> </u>	<u> </u>
Other leases:		
Within one year	£ 360	£ —
Between two and five years	£ —	£ 720
	<u> </u>	<u> </u>

The land and building lease expiring between two and five years has a provision for early termination after the first year upon the provision of six months notice.

The lease expiring after five years has a provision for termination at five yearly intervals from inception.

Notice was given on both these leases on 23 June 1995.

The other leases are non-cancellable.