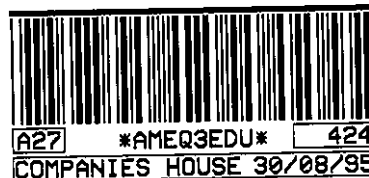


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KCC PROCESS EQUIPMENT LIMITED
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 1995

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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 Dresdner Bank AG Postfach 100862 Lindenallee 4 45008 Essen Germany Cater Allen Limited 20 Birchin Lane London EC3V 9DJ
AUDITORS	MacIntyre Hudson 18/20 George Street Richmond Surrey TW9 1HD
REGISTERED OFFICE	Windmill Business Village Windmill Road Sunbury on Thames Middlesex
REGISTERED NUMBER	1862795

KCC PROCESS EQUIPMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1995

The directors submit their report and the audited financial statements for the year ended 31 March 1995.

ACTIVITIES

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

REVIEW OF BUSINESS AND FUTURE DEVELOPMENT

As anticipated, the financial year 1994/95 was the Company's busiest ever trading period. This allowed our planned expansion to proceed, with considerable investment being made in staff training and development, as well as product research and design. This increased level of investment will be sustained during the next financial year.

Also during 1995 we shall be promoting the benefits of KCC's products and capabilities to a wider market and shall continue to lead the way with customer and supplier alliance partnerships, which are the key to successful new generation projects.

The pre-tax profit of £170,076 and the turnover of £7,789,069 demonstrate our growth characteristics as explained previously, and are considered satisfactory by the Directors, who are again recommending a dividend of 4.35 pence per share which, in line with our long term policy, ensures the majority of our earnings are retained within the Company for the future.

DIVIDENDS

The directors recommend the payment of a final dividend for the year of £11,000 (1994: £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 1995	31 March 1994
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 8 to the financial statements.

KCC PROCESS EQUIPMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1995

(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

Windmill Business
Windmill Road
Sunbury on Thames
Middlesex

30 June 1995

AUDITORS' REPORT TO THE SHAREHOLDERS
OF KCC PROCESS EQUIPMENT LIMITED

We have audited the financial statements on pages 5 to 13.

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.

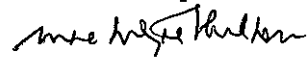
BASIS OF OPINION

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 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Chartered Accountants
Registered Auditor

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

30 June 1995

KCC PROCESS EQUIPMENT LIMITED
 PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED 31 MARCH 1995

	Notes	1995		1994	
		£	£	£	£
TURNOVER	2		7,789,069		4,392,123
Cost of sales			7,073,498		3,981,868
GROSS PROFIT			715,571		410,255
Selling and distribution costs		219,053		107,308	
Administrative expenses		360,874		296,275	
			579,927		403,583
OPERATING PROFIT	3		135,644		6,672
Interest receivable			34,504		36,297
			170,148		42,969
Interest payable			72		96
PROFIT on ordinary activities before taxation			170,076		42,873
TAXATION on ordinary activities	6		48,562		11,310
PROFIT on ordinary activities after taxation			121,514		31,563
DIVIDENDS	7		11,000		11,000
RETAINED PROFIT for the financial year			£ 110,514		£ 20,563

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

A statement of the movement on reserves appears as note 13 to the financial statements.

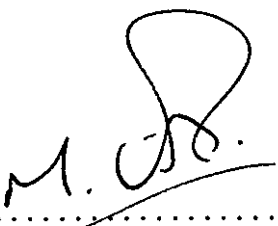

The company has no recognised gains or losses other than the profit for the year.

The notes on pages 8 to 13 form part of these financial statements

KGC PROCESS EQUIPMENT LIMITED

BALANCE SHEET - 31 MARCH 1995

	Notes	1995		1994	
		£	£	£	£
FIXED ASSETS					
Tangible assets	8		86,809		104,170
CURRENT ASSETS					
Work in progress	9	417,340		105,588	
Debtors	10	2,370,911		1,234,046	
Cash at bank and in hand		315,560		673,111	
		<u>3,103,811</u>		<u>2,012,745</u>	
CREDITORS: amounts falling due within one year	11	<u>2,524,248</u>		<u>1,561,057</u>	
NET CURRENT ASSETS			579,563		451,688
			<u>£ 666,372</u>		<u>£ 555,858</u>
CAPITAL AND RESERVES					
Called up share capital	12		253,000		253,000
Share premium account	13		4,070		4,070
Profit and loss account	13		409,302		298,788
			<u>£ 666,372</u>		<u>£ 555,858</u>


.....)
.....)

.....)

Directors

30 June 1995

The notes on pages 8 to 13 form part of these financial statements

KCC PROCESS EQUIPMENT LIMITED

CASH FLOW STATEMENT FOR THE
YEAR ENDED 31 MARCH 1995

	Notes	1995		1994	
		£	£	£	£
Net cash outflow from operating activities	17		(333,525)		(143,727)
Return on investments and servicing of finance					
- Dividends paid		(11,000)		(11,000)	
- Interest received		34,504		36,297	
- Interest paid		(72)		(96)	
Net cash inflow from returns on investments and servicing of finance			23,432		25,201
Taxation					
- UK corporation tax		9,368		69,643	
- Advance corporation tax		3,194		-	
Net cash outflows from taxation			(12,562)		(69,643)
Investing activities					
- Purchase of fixed assets		(36,296)		(108,897)	
- Sale of fixed assets		1,400		6,654	
Net cash outflow from investing activities			(34,896)		(102,243)
Decrease in cash and cash equivalents	18		<u>£(357,551)</u>		<u>£(290,412)</u>

The notes on pages 8 to 13 form part of these financial statements

KCC PROCESS EQUIPMENT LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1995

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 accumulated 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) Tangible fixed assets
Depreciation is provided to write off the cost of the fixed assets in equal annual instalments at the following rates:

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

Computer software is written off to the profit and loss account in the year of purchase.
- (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 ACCOUNTS - 31 MARCH 1995

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:

	1995	1994
	£	£
Staff costs (note 4)	757,784	520,325
Depreciation	53,657	51,261
Adjustment on disposal of fixed assets	(1,400)	(6,052)
Auditors' remuneration	5,500	5,500

4 STAFF COSTS

Staff costs, including directors' remuneration were as follows:

	1995	1994
	£	£
Wages and salaries	662,879	454,481
Social security costs	67,476	43,006
Other pension costs	27,429	22,838
	<u>£ 757,784</u>	<u>£ 520,325</u>

The average weekly number of employees during the year was 22 (1994: 15).

5 DIRECTORS' REMUNERATION

	1995	1994
	£	£
Emoluments for services as directors including benefits in kind	<u>£ 123,666</u>	<u>£ 124,452</u>
Emoluments excluding pension contributions:		
Chairman (highest paid director)	<u>£ 59,632</u>	<u>£ 57,526</u>

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

	1995 No.	1994 No.
£50,000 - £54,999	1	-
£55,000 - £59,999	-	1

KCC PROCESS EQUIPMENT LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1995

6 TAXATION

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

	1995	1994
	£	£
Corporation tax at current rates	49,000	13,000
Overprovision in prior years	(438)	(1,690)
	<u>£ 48,562</u>	<u>£ 11,310</u>

7 DIVIDENDS

	1995	1994
	£	£
Final proposed @ 4.35p per share (1994: 4.35p per share)	<u>£ 11,000</u>	<u>£ 11,000</u>

8 TANGIBLE FIXED ASSETS

	Leasehold acquisition costs	Computer equipment	Office equipment and furniture	Motor vehicles	Total
	£	£	£	£	£
<u>Cost</u>					
At 1 April 1994	7,137	84,136	48,297	89,677	229,247
Additions	-	14,455	4,201	17,640	36,296
Disposals	-	-	-	(6,750)	(6,750)
At 31 March 1995	<u>7,137</u>	<u>98,591</u>	<u>52,498</u>	<u>100,567</u>	<u>258,793</u>
<u>Depreciation</u>					
At 1 April 1994	835	53,712	28,415	42,115	125,077
Charge for the year	285	20,375	7,855	25,142	53,657
Released on disposal	-	-	-	(6,750)	(6,750)
At 31 March 1995	<u>1,120</u>	<u>74,087</u>	<u>36,270</u>	<u>60,507</u>	<u>171,984</u>
<u>Net book value</u>					
At 31 March 1995	<u>£ 6,017</u>	<u>£ 24,504</u>	<u>£ 16,228</u>	<u>£ 40,060</u>	<u>£ 86,809</u>
At 31 March 1994	<u>£ 6,302</u>	<u>£ 30,424</u>	<u>£ 19,882</u>	<u>£ 47,562</u>	<u>£ 104,170</u>

KCC PROCESS EQUIPMENT LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1995

9 WORK IN PROGRESS

	1995	1994
	<u>£</u>	<u>£</u>
Work in progress on uncompleted contracts	1,005,386	1,371,594
Less: costs relating to invoiced sales	(588,046)	(1,266,006)
	<u>£ 417,340</u>	<u>£ 105,588</u>

10 DEBTORS

	1995	1994
	<u>£</u>	<u>£</u>
Trade debtors	2,281,902	1,165,665
Other debtors	40,949	45,719
Prepaid expenses	48,060	22,662
	<u>£2,370,911</u>	<u>£1,234,046</u>

11 CREDITORS: amounts falling due within one year

	1995	1994
	<u>£</u>	<u>£</u>
Trade creditors	1,647,795	849,141
Corporation tax	46,250	9,806
ACT payable	5,500	8,694
Social security and other taxes	63,816	32,070
Other creditors	1,000	24,000
Accrued expenses	10,918	19,733
Deferred income	737,969	606,613
Dividends payable	11,000	11,000
	<u>£2,524,248</u>	<u>£1,561,057</u>

12 CALLED UP SHARE CAPITAL

	1995	1994
	<u>£</u>	<u>£</u>
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>

KCC PROCESS EQUIPMENT LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1995

13 RESERVES

	Profit and loss account	Share premium account
	£	£
Balance at 1 April 1994	298,788	4,070
Retained profit for the year	110,514	-
Balance at 31 March 1995	<u>£ 409,302</u>	<u>£ 4,070</u>

14 RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS

	1995	1994
	£	£
Profit for the financial year	110,514	20,563
Shareholders' funds at 1 April	555,858	535,295
Shareholders' funds at 31 March	<u>£ 666,372</u>	<u>£ 555,858</u>

15 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.

16 CONTINGENT LIABILITIES

The company's bankers have provided performance bonds on four contracts entered into by the company, up to a total value of £1,331,747 (1994: £528,254). 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.

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

	1995	1994
	£	£
Operating profit	135,644	6,672
Depreciation and amortisation charges	53,657	51,261
Adjustment on sale of fixed assets	(1,400)	(6,052)
(Increase)/Decrease in work in progress	(311,752)	197,061
Increase in debtors	(1,139,615)	(927,917)
Increase in creditors	929,941	535,248
Net cash outflow from operating activities	<u>£ (333,525)</u>	<u>£ (143,727)</u>

KCC PROCESS EQUIPMENT LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1995

18 ANALYSIS OF CHANGES IN CASH

	1995	1994
	<u>£</u>	<u>£</u>
Balance at 1 April	673,111	963,523
Balance at 31 March	315,560	673,111
	<u>£ (357,551)</u>	<u>£ (290,412)</u>

19 OPERATING LEASE COMMITMENTS

At 31 March 1995 the company had the following annual commitments under operating leases.

	1995	1994
	<u>£</u>	<u>£</u>
Leases relating to the hire of buildings which expire:		
Between two and five years	£ 18,500	£ 18,500
After five years	£ 42,500	£ 42,500
	<u>£ 61,000</u>	<u>£ 61,000</u>
Other leases:		
Between two and five years	£ 720	£ 720
	<u>£ 720</u>	<u>£ 720</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.

The other leases are non-cancellable.