

INKA SYSTEMS (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1994

The directors present their report together with the audited financial statements of the company for the year ended 31 December 1994.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is the design, process and construction of equipment for the treatment of sewage and trade effluents. The company also carries out the process, design and project management of industrial effluent contracts.

On 15 December 1994 the directors took the decision to cease trading during 1995. Provision for costs of closure has been made in these financial statements.

RESULTS, DIVIDENDS AND RETAINED PROFITS

The loss for the year after taxation amounted to £879,000 (1993 - £190,000). The directors do not propose the payment of a dividend (1993 - £NIL). The loss retained for the year amounted to £879,000 (1993 - loss of £190,000).

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were as follows:

W W Laird	- Retired 11 April 1994
R T Smyllie	- Resigned 30 June 1995
A Peake	- Chairman
J P Cleland	- Appointed 11 April 1994, Resigned 30 June 1994
T M Young	- Appointed 11 April 1994, Resigned 30 June 1995

Messrs Smyllie and Young did not hold any beneficial interests in the company, or any other company within the group, either at the beginning or end of the year.

Mr A Peake's interests in Harrisons & Crosfield plc, the ultimate parent undertaking, at the beginning and end of the year were as follows:

25p Ordinary shares	31.12.94	1.1.94
25p Ordinary shares - Beneficial	242	173
Options under Executive Scheme	165,703	127,365
Options under Savings Scheme	15,345	15,345



INKA SYSTEMS (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1994 (CONTINUED)

DIRECTORS AND THEIR INTERESTS (CONTINUED)

The beneficial holding includes shares appropriated under the Harrisons & Crosfield Share Participation Scheme 1987.

The options granted under the Executive Scheme, The Harrisons & Crosfield Group Share Option Scheme 1987, are exercisable between three and ten years from the date of grant, at prices in the range of 121.0p to 187.8p.

The options granted under the Savings Scheme, The Harrisons & Crosfield Group Savings-Related Share Option Scheme 1989 are exercisable after five or seven years from the date of grant, at prices in the range of 114.7p to 165.2p.

No options to subscribe for Ordinary shares were exercised by any director during the year.

FIXED ASSETS

Movements in the tangible fixed assets of the company are set out in Note 9 to the financial statements.

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 to 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.

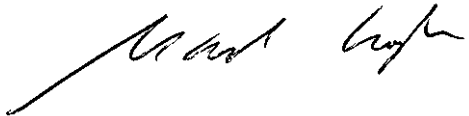
INKA SYSTEMS (UK) LIMITED

**DIRECTORS' REPORT FOR THE YEAR ENDED
31 DECEMBER 1994 (CONTINUED)**

AUDITORS

Price Waterhouse have indicated their willingness to continue in office and a resolution concerning their appointment will be proposed at the Annual General Meeting.

By Order of the Board

A handwritten signature in black ink, appearing to read 'Mark Hughes', is written over the printed name 'Mark Hughes'.

Secretary

7 December 1995

Price Waterhouse



**AUDITORS' REPORT TO THE MEMBERS OF
INKA SYSTEMS (UK) LIMITED**

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

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 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 December 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditor

21 December 1995

INKA SYSTEMS (UK) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 1994

	<u>1994</u> £'000	<u>1993</u> £'000
TURNOVER (Note 2)	2,311	3,779
Cost of sales	<u>(1,967)</u>	<u>(3,153)</u>
GROSS PROFIT	344	626
Administrative expenses	(883)	(931)
Other operating income	-	21
Provision for closure costs	<u>(650)</u>	<u>-</u>
OPERATING (LOSS) (Note 3)	(1,189)	(284)
Interest receivable and similar income	6	11
Interest payable (Note 6)	<u>-</u>	<u>(4)</u>
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	(1,183)	(277)
Tax credit on loss on ordinary activities (Note 7)	<u>304</u>	<u>87</u>
(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	<u>(879)</u>	<u>(190)</u>
(LOSS) FOR THE FINANCIAL YEAR RETAINED (Note 15)	<u>(879)</u>	<u>(190)</u>

The notes on pages 6 to 14 form part of these financial statements.

The company has no profits or losses other than the historical cost items recorded above and no recognised gains or losses other than its loss or profit for the financial years presented above.


INKA SYSTEMS (UK) LIMITED

BALANCE SHEET - 31 DECEMBER 1994

	1994	1993
	£'000	£'000
FIXED ASSETS		
Intangible assets (Note 8)	-	21
Tangible assets (Note 9)	-	120
	-	141
CURRENT ASSETS		
Stocks (Note 10)	252	221
Debtors (Note 11)	1,340	896
Cash at bank and in hand	-	200
	1,592	1,317
CREDITORS - Amounts falling due within one year (Note 12)	<u>(1,876)</u>	<u>(858)</u>
NET CURRENT (LIABILITIES)/ASSETS	<u>(284)</u>	<u>459</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	(284)	600
PROVISIONS FOR LIABILITIES AND CHARGES (Note 13)	-	(5)
	<u>(284)</u>	<u>595</u>
CAPITAL AND RESERVES		
Called up share capital (Note 14)	30	30
Capital reserve (Note 15)	248	248
Profit and loss account (Note 15)	<u>(562)</u>	<u>317</u>
SHAREHOLDERS (DEFICIT)/FUNDS (Note 16)	<u>(284)</u>	<u>595</u>

APPROVED BY THE BOARD ON

7 December 1995


DIRECTOR

The notes on pages 6 to 14 form part of these financial statements.

INKA SYSTEMS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994

1 ACCOUNTING POLICIES

(1) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. As the company is a member of a group of companies for which a consolidated cash flow statement is published, no cash flow statement is presented by the company.

Particulars of the significant accounting policies of the company are given below.

(2) Tangible assets and depreciation

Tangible assets are shown at cost less aggregate depreciation. Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful life and the following straight line depreciation rates apply:

Leasehold improvements	5 years
Plant and machinery	4-5 years
Fixtures, fittings, tools and equipment	3-7 years

(3) Intangible assets

Other than research and development, the company does not recognise intangible assets and expenditure on patents and trade marks is written off through the profit and loss account in the year in which it is incurred. Capitalised development costs are amortised over the future economic benefits of the project.

(4) Stocks

Stocks of finished goods and goods for resale are stated at the lower of cost and net realisable value.

Work in progress represents long term contracts and is stated at cost plus attributable profits less provisions for any known or anticipated losses and payments on account received or receivable.

INKA SYSTEMS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(5) Long term contracts

Turnover recorded on long term contracts is the value of work done to date and this is calculated to be cost together with a proportion of the profit appropriate to the stage of completion of each contract. Provision is made for all foreseeable losses. The amount by which recorded turnover is in excess of payments on account is separately disclosed as amounts recoverable on contracts within debtors. To the extent that payments on account exceed recorded turnover the balance is disclosed as payments received on account within creditors.

(6) Deferred taxation

It is the company's policy to provide for taxation deferred by virtue of timing differences in relation to the treatment of certain items of income and expenditure and tax reliefs only, where such differences are short term and will generally reverse in the next accounting period, or where the trend of recurring timing differences is such that a liability is likely to emerge in the foreseeable future.

(7) Leased assets

Tangible fixed assets owned by third parties and leased to the company under terms which transfer substantially all the risks and rewards of ownership are recorded in the balance sheet as assets. Obligations for future lease payments are included in creditors. Depreciation is provided to write off these assets over their estimated useful lives at the same rates as for tangible fixed assets outlined by the company.

Expenses of assets held under operating leases are charged to the profit and loss account as incurred.

(8) Overseas currencies

All foreign currency balances are expressed in sterling at the rates ruling at the balance sheet date and gains or losses arising on translation are taken to the profit and loss account.

(9) Research and development

Development expenditure on clearly defined projects, the viability of which have been assessed with reasonable certainty, is capitalised and amortised over the life of the project.

(10) Pensions

The cost of providing pensions and related benefits is charged to the profit and loss account over employees' working lives with the company.

INKA SYSTEMS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (CONTINUED)

2 TURNOVER

Turnover represents the invoiced value of work done exclusive of Value Added Tax and is calculated to be the cost together with a proportion of profit appropriate to the stage of completion of each contract, adjusted for work in progress.

The company has only one class of business, the design, process and project management for the construction of equipment for the treatment of sewage and trade effluents. All turnover originated in the United Kingdom. The geographical analysis of the destination of the company's turnover is as follows:

	<u>1994</u>	<u>1993</u>
	£'000	£'000
United Kingdom	2,311	3,691
Europe	-	69
Far East	-	19
	<u>2,311</u>	<u>3,779</u>

3 OPERATING (LOSS)

	<u>1994</u>	<u>1993</u>
	£'000	£'000
This is stated after charging:		
Directors' emoluments (Note 5)	130	128
Operating leases - plant and machinery	68	82
- other	19	8
Hire of plant and equipment	-	15
Auditors' remuneration	9	8
Depreciation - own assets	40	47
- leased assets	10	4
Loss on disposal of tangible fixed assets	<u>2</u>	<u>2</u>

INKA SYSTEMS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (CONTINUED)

4 STAFF COSTS

	<u>1994</u> £'000	<u>1993</u> £'000
Wages and salaries	511	724
Social Security costs	53	79
Other pension costs	<u>22</u>	<u>19</u>
	<u>586</u>	<u>822</u>

The average weekly number of employees during the year was 26 employees (1993 - 35 employees).

5 DIRECTORS' EMOLUMENTS

Directors' remuneration, including pension contributions, consisted solely of emoluments and amounted to £129,996 (1993 - £128,646).

	<u>1994</u> £'000	<u>1993</u> £'000
Emoluments of the Chairman (excluding pension contributions)	<u>-</u>	<u>-</u>
Emoluments of highest paid director (excluding pension contributions)	<u>64</u>	<u>67</u>

The emoluments of the directors, excluding pension contributions, fell within the following ranges:

£0 - £5,000	1	1
£15,001 - £20,000	1	-
£20,001 - £25,000	1	-
£25,001 - £30,000	1	-
£50,001 - £55,000	-	1
£60,001 - £65,000	1	-
£65,001 - £70,000	-	1
	<u>-</u>	<u>-</u>

INKA SYSTEMS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (CONTINUED)

6 INTEREST PAYABLE

	<u>1994</u>	<u>1993</u>
	£'000	£'000
Bank loans and overdrafts wholly repayable within five years	<u>-</u>	<u>4</u>

7 TAX ON LOSS ON ORDINARY ACTIVITIES

	<u>1994</u>	<u>1993</u>
	£'000	£'000
The taxation (credit) comprises:		
Corporation tax credit on loss for the period at 33% (1993 - 33%)	(282)	(84)
Adjustment in respect of prior years	(17)	-
Deferred tax	<u>(5)</u>	<u>(3)</u>
	<u>(304)</u>	<u>(87)</u>

8 INTANGIBLE ASSETS

Intangible assets represent capitalised research and development expenditure:

	<u>1994</u>	<u>1993</u>
	£'000	£'000
Cost:		
As at 1 January 1994	21	25
Additions	23	-
Amortisation in period	(17)	(4)
Transfer to assets held for disposal	<u>(27)</u>	<u>-</u>
As at 31 December 1994	<u>-</u>	<u>21</u>

INKA SYSTEMS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (CONTINUED)

9

TANGIBLE ASSETS

	Leasehold improvements £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost:				
As at 1 January 1994	34	69	179	282
Additions	-	6	2	8
Disposals	-	(5)	-	(5)
Transfer to assets held for disposal	<u>(34)</u>	<u>(70)</u>	<u>(181)</u>	<u>(285)</u>
As at 31 December 1994	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation:				
As at 1 January 1994	21	28	113	162
Disposals	-	(1)	-	(1)
Charge for period	5	15	30	50
Transfer to assets held for disposal	<u>(26)</u>	<u>(42)</u>	<u>(143)</u>	<u>(211)</u>
As at 31 December 1994	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value:				
As at 31 December 1994	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
As at 31 December 1993	<u>13</u>	<u>41</u>	<u>66</u>	<u>120</u>

Included within tangible assets held for disposal are the following amounts held under finance lease or hire purchase arrangements:

	1994 £'000	1993 £'000
Cost	48	48
Accumulated depreciation	<u>(41)</u>	<u>(31)</u>
Net book amount	<u>7</u>	<u>17</u>

There are no capital commitments outstanding at the year end (1993 - £nil).

INKA SYSTEMS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (CONTINUED)

10 STOCKS

	<u>1994</u>	<u>1993</u>
	£'000	£'000
Work in progress	<u>252</u>	<u>221</u>

11 DEBTORS

	<u>1994</u>	<u>1993</u>
	£'000	£'000
Trade debtors - payments receivable on account of long term contracts	945	768
Amounts owed by group undertakings	-	9
Prepayments and accrued income	14	35
Assets held for disposal	101	-
Other debtors	<u>280</u>	<u>84</u>
	<u>1,340</u>	<u>896</u>

12 CREDITORS - Amounts falling due within one year

	<u>1994</u>	<u>1993</u>
	£'000	£'000
Bank overdraft	3	-
Trade creditors	543	233
Taxation and social security	32	46
Accruals and deferred income	102	112
Hire purchase creditor	-	1
Other creditors	-	2
Dividends	92	92
Amounts owed to group undertakings	454	372
Provision for closure costs	<u>650</u>	<u>-</u>
	<u>1,876</u>	<u>858</u>

INKA SYSTEMS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (CONTINUED)

13 PROVISIONS FOR LIABILITIES AND CHARGES

The provision for deferred taxation, which represents the total potential liability, was calculated at a rate of 33% (1993 - 33%) and may be analysed as follows:

	<u>1994</u> £'000	<u>1993</u> £'000
Accelerated capital allowances	-	5
Other timing differences	-	-
	<u>-</u>	<u>5</u>

14 CALLED UP SHARE CAPITAL

	<u>1994</u> £'000	<u>1993</u> £'000
Authorised, allotted and fully paid: 30,000 ordinary shares of £1 each	<u>30</u>	<u>30</u>

15 RESERVES

Movements on reserves during the period were as follows:

	<u>Capital reserve</u> £'000	<u>Profit and loss account</u> £'000
Balance at 1 January 1994	248	317
Loss for the year retained	-	(879)
Balance at 31 December 1994	<u>248</u>	<u>(562)</u>

16 SHAREHOLDERS' (DEFICIT)/FUNDS

	<u>1994</u> £'000	<u>1993</u> £'000
(Loss) for the year	(879)	(190)
Opening shareholders' funds	<u>595</u>	<u>785</u>
Closing shareholders' funds	<u>(284)</u>	<u>595</u>

INKA SYSTEMS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (CONTINUED)

17 PENSION COMMITMENTS

The company provides pension benefits to all its employees, under arrangements of a defined benefit nature. The scheme assets are held separately from the company's assets.

Following the acquisition of the company by Harrisons and Crosfield PLC in 1992, the pension arrangements were transferred to The Harrisons & Crosfield Group Pensions Scheme. Particulars of this Scheme are contained in the financial statements of Harrisons and Crosfield PLC.

The pension cost during the year amounted to £22,000 (1993 - £19,020). There were no contributions outstanding at the year end (1993 - £nil).

18 OPERATING LEASES

The annual commitment under non-cancellable operating leases is detailed below:

	<u>Land and buildings</u>		<u>Other</u>	
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Leases which expire:				
Within one year	10	9	30	14
Between two and five years	—	<u>10</u>	—	<u>56</u>
	<u>10</u>	<u>19</u>	<u>30</u>	<u>70</u>

19 CONTINGENT LIABILITIES

The company had no contingent liabilities at 31 December 1994.

20 ULTIMATE PARENT UNDERTAKING

Harrisons and Crosfield PLC, a company registered in England and Wales, is the ultimate parent undertaking and the only company to prepare group financial statements for the group of which the company is a member.

Copies of the group financial statements of Harrisons and Crosfield PLC may be obtained from Harrisons and Crosfield PLC, 1 Great Tower Street, London EC3R 5AH.

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