

KHS KLOCKNER HOLSTEIN SEITZ LIMITED

(Registered Number 1131717)

REPORT AND ACCOUNTS

31 DECEMBER 1996

BURGIS & BULLOCK
Chartered Accountants
2 Chapel Court
Holly Walk
Leamington Spa
CV32 4YS



KHS KLOCKNER HOLSTEIN SEITZ LIMITED

CONTENTS

31 DECEMBER 1996

Pages

| | |
|---------------|--|
| 1 | Report of the Directors |
| 2 - 3 | Report of the Auditors |
| 4 | Profit and Loss Account |
| 5 | Balance Sheet |
| 6 | Cashflow Statement |
| 7 | Notes to the Cashflow Statement |
| 8 - 13 | Notes to the Accounts |

KHS KLOCKNER HOLSTEIN SEITZ LIMITED**REPORT OF THE DIRECTORS**

The Directors submit their Report and audited Accounts for the year ended 31 December 1996.

Principal Activity and Review of Business Developments

The Company's principal activity during the year comprised the selling and servicing of Machinery and Spares for the beverage, chemical and pharmaceutical industries. The Directors consider the results for the year to be satisfactory and expect 1997 to continue at similar levels.

Results for the Year

The profit for the year amounted to £70738 this has been taken to reserves. No dividend is proposed in respect of the year ended 31 December 1996.

Fixed Assets

Movements in fixed assets are shown in note 7 to the Accounts.

Directors

The following have served as directors during the year and their interests in the number of ordinary shares of the Company were as shown below:-

| | 1996 | 1995 |
|---|------|------|
| P Asbach (As nominee for KHS Maschinen Und Anlagenbau AG) | 1 | - |
| B Sibley | - | - |
| H Kleine | - | - |
| | --- | --- |

B Sibley resigned as a Director on 30 November 1996, and P Asbach resigned on 31 January 1997. H Kleine was appointed as a Director of the Company on 1 December 1996 and will retire by rotation at the first Annual General Meeting following his appointment and being eligible offers himself for re-election. Dr F Ruhl was appointed as a Director on 1 February 1997 and on the same day became the nominee shareholder for KHS Maschinen Und Anlagenbau Ag. On 15 September 1997, H Wenzel was appointed as a Director following the resignation of Dr F Ruhl on the same day. H Wenzel will retire at the first Annual General Meeting following his appointment and being eligible offer himself for re-election.

Auditors

Messrs Burgis & Bullock, Chartered Accountants, have signified their willingness to stand for re-appointment as Auditors in accordance with Section 384 of the Companies At 1985.

Donations

During the year the company made various contributions to charitable organisations amounting to £305.

By Order of the Board

Secretary

(S J PRIEST)

Unit 6

Monksparth Business Park

Highlands Road

SOLIHULL

24/10/97.

REPORT OF THE AUDITORS
TO THE MEMBERS OF
KHS KLOCKNER HOLSTEIN SEITZ LIMITED

We have audited the accounts on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective Responsibilities of Directors and Auditors

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. The Directors are responsible for the preparation of accounts and in preparing those accounts the Directors are required to:

- i) Select suitable accounting policies and then apply them consistently.
- ii) Make judgements and estimates that are reasonable and prudent.
- iii) 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 will also be responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

It is our responsibility as auditors to form an independent opinion based upon our audit on the accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and 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 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.

REPORT OF THE AUDITORS
TO THE MEMBERS OF
KHS KLOCKNER HOLSTEIN SEITZ LIMITED
(Continued)

Opinion

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Burgin & Bullock

Registered Auditor
Chartered Accountants

2 Chapel Court
Holly Walk
Leamington Spa

24 October 1997

KHS KLOCKNER HOLSTEIN SEITZ LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 1996**

| | Notes | 1996 £ | 1995 £ |
|---|-------|-----------|-----------|
| Turnover from Continuing Activities | 2 | 3953173 | 3833871 |
| Cost of Sales | | (3182428) | (2994405) |
| Gross Profit | | 770745 | 839466 |
| Administration Expenses | | (891155) | (864554) |
| Other Operating Income | | 234626 | 59777 |
| Operating Profit from Continuing Activities | 3 | 114216 | 34689 |
| Interest Receivable | | 36659 | 15467 |
| Interest Payable | | (28077) | (157) |
| Profit on Ordinary Activities before Taxation | | 122798 | 49999 |
| Tax on Profit on Ordinary Activities | 6 | (52060) | (12886) |
| Profit on Ordinary Activities after Taxation | | 70738 | 37113 |
| Retained Profit brought forward | | 105144 | 68031 |
| Retained Profit carried forward | | £175882 | £105144 |

Statement of Total Recognised Gains and Losses

There are no recognised gains or losses other than the profit for the year.

KHS KLOCKNER HOLSTEIN SEITZ LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1996

| | Notes | 1996 | | 1995 | |
|--|-------|----------------|----------------|----------------|----------------|
| | | £ | £ | £ | £ |
| Fixed Assets | | | | | |
| Tangible Assets | 7 | | 64845 | | 69137 |
| Investments | 8 | | 104 | | 104 |
| | | | <u>64949</u> | | <u>69241</u> |
| Current Assets | | | | | |
| Stock | 9 | 136135 | | 176481 | |
| Debtors Due Within One Year | 10 | 3043682 | | 2223485 | |
| Debtors Due After More Than One Year | 10 | 7814 | | 39365 | |
| Cash at Bank and in Hand | | 350615 | | 499737 | |
| | | <u>3538246</u> | | <u>2939068</u> | |
| Creditors: Amounts Falling Due Within One Year | | | | | |
| Bank Overdraft | | 855 | | 459295 | |
| Amount Due to Associated Undertakings | | 1309 | | 78711 | |
| Amount Due to Parent Undertaking | | 2860483 | | 997330 | |
| Trade Creditors | | 329926 | | 1153525 | |
| Corporation Tax | | 20509 | | 6650 | |
| Other Taxes and Social Security Costs | | 54573 | | 106758 | |
| Other Creditors and Accruals | | 102991 | | 35563 | |
| Lease Purchase Creditor | | 6667 | | 8000 | |
| | | <u>3377313</u> | | <u>2845832</u> | |
| Net Current Assets | | | 160933 | | 93236 |
| | | | <u>225882</u> | | <u>162477</u> |
| Creditors: Amounts Falling Due After More Than One Year | | | | | |
| Lease Purchase Creditor | | | - | | 7333 |
| | | | | | <u>7333</u> |
| | | | <u>£225882</u> | | <u>£155144</u> |
| Capital and Reserves | | | | | |
| Called Up Share Capital | 11 | | 50000 | | 50000 |
| Profit and Loss Account Reserves | | | 175882 | | 105144 |
| | | | <u>225882</u> | | <u>155144</u> |
| Equity Shareholders' Funds | 12 | | <u>£225882</u> | | <u>£155144</u> |

On Behalf of the Board



Director

24 October 1997

Date

(H. KLEIN)

KHS KLOCKNER HOLSTEIN SEITZ LIMITED

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1996

| | Notes | 1996 | | 1995 | |
|---|-------|---------|---------|---------|---------|
| | | £ | £ | £ | £ |
| Net Cash Inflow from Operating Activities | A | | 344260 | | 239800 |
| Returns on Investments and Servicing of Finance | | | | | |
| Interest received | | 36659 | | 15467 | |
| Interest paid | | (28077) | | (157) | |
| | | _____ | | _____ | |
| Net Cash Inflow from Returns on Investments and Servicing of Finance | | | 8582 | | 15310 |
| Taxation Paid | | | (6650) | | (759) |
| Investing Activities | | | | | |
| Payments to acquire tangible fixed assets | | (30208) | | (52335) | |
| Receipts from sales of tangible fixed assets | | 2000 | | 5358 | |
| | | _____ | | _____ | |
| Net Cash Outflow from Investing Activities | | | (28208) | | (46977) |
| | | | _____ | | _____ |
| Net Cash Inflow Before Financing | | | 317984 | | 207374 |
| Financing | | | | | |
| Loans Received | | - | | 16000 | |
| Loans Repaid | | (8666) | | (667) | |
| | | _____ | | _____ | |
| Net Cash Inflow from Financing | | | (8666) | | 15333 |
| | | | _____ | | _____ |
| Increase in Cash and Cash Equivalents | | | £309318 | | £222707 |
| | | | ===== | | ===== |

KHS KLOCKNER HOLSTEIN SEITZ LIMITED

NOTES TO THE CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1996

| A | Reconciliation of Operating Profit to Net Cash Inflow From Operating Activities | 1996 £ | 1995 £ |
|----------|--|-------------------|-------------------|
| | Operating Profit | 114216 | 346689 |
| | Depreciation | 29913 | 20566 |
| | Loss on Sale of Tangible Fixed Assets | 2587 | 2464 |
| | Decrease in Stocks | 40346 | 79457 |
| | Increase/Decrease in Debtors | (820197) | 1258829 |
| | Increase/Decrease in Creditors | 977395 | (1156205) |
| | | <hr/> | <hr/> |
| | Net Cash Inflow from Operating Activities | £344260 | £239800 |
| | | <hr/> | <hr/> |

B Analysis of Changes in Cash and Cash Equivalents

| | 1996 £ | 1995 £ | Charge in Year £ |
|--------------------------|-------------------|-------------------|---------------------------------|
| Cash at Bank and in Hand | 350615 | 499737 | (149122) |
| Bank Overdrafts | (855) | (459295) | 458440 |
| | <hr/> | <hr/> | <hr/> |
| | £349760 | £40442 | £309318 |
| | <hr/> | <hr/> | <hr/> |

KHS KLOCKNER HOLSTEIN SEITZ LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 1996

1 Accounting Policies

(a) Accounting Convention

The Accounts have been prepared under the historical cost convention.

(b) Group Accounts

The Directors have relied upon the exemption conferred by Section 248 of the Companies Act 1985 from the requirement to prepare group accounts.

(c) Depreciation

Depreciation is provided on all Tangible Fixed Assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

| | | |
|------------------------------|---------|------------------|
| Leasehold Improvements | 25% | Straight Line |
| Motor Vehicles | 33 1/3% | Reducing Balance |
| Office Fixtures and Fittings | 25% | Straight Line |

(d) Stock

Stock is stated at the lower of cost and net realisable value.

Cost comprises the actual Sterling cost calculated on a 'first-in, first-out' basis.

Net Realisable Value is the estimated selling price less any further costs expected to be incurred to disposal.

(e) Deferred Taxation

Deferred Taxation is provided on the liability method on all short term timing differences. Provision is also made for long term timing differences, except for those which are expected to reverse in the future. In accordance with this policy no provision is considered necessary in these Accounts. There is also no potential liability to deferred taxation.

(f) Foreign Currency Translation

Transactions occurring in foreign currencies are converted into Sterling at the rate of exchange ruling at the date of the transaction.

KHS KLOCKNER HOLSTEIN SEITZ LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 DECEMBER 1996

1 Accounting Policies (Cont)

- (f) Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the Balance Sheet date.

All exchange differences are dealt with through the Profit and Loss Account.

(g) **Leases and Hire Purchase Agreements**

Fixed assets acquired under finance leases or purchased under hire purchase agreements are capitalised and depreciated over their expected useful lives or lease period, if shorter. The finance charges are allocated on a straight line basis over the primary period of the lease or hire purchase agreement.

The cost of operating leases are charged to the Profit and Loss Account as they are incurred.

(h) **Major Plant Installations**

Turnover is recognised at the time delivery of the machinery is made.

2 Turnover

Turnover represents the invoiced amount of goods sold and services provided stated net of Value Added Tax.

Turnover analysed by geographical market is as follows:-

| | 1996 | 1995 |
|-----------------|----------|----------|
| | £ | £ |
| UK | 3672893 | 2762752 |
| Rest of Europe | 267068 | 626883 |
| Central America | 13212 | 18195 |
| West Africa | - | 426041 |
| | <hr/> | <hr/> |
| | £3953173 | £3833871 |
| | <hr/> | <hr/> |

KHS KLOCKNER HOLSTEIN SEITZ LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

YEAR ENDED 31 DECEMBER 1996

| | | | |
|----------|--|-------------------|-------------------|
| 3 | Operating Profit | 1996 | 1995 |
| | | £ | £ |
| | This is stated after charging:- | | |
| | Depreciation of Tangible Fixed Assets Financed by Lease Purchase | 6506 | 1148 |
| | Depreciation of Tangible Fixed Assets Owned by the Company | 23407 | 19418 |
| | Loss on Disposal of Tangible Fixed Assets | 2587 | 2464 |
| | Auditors' Remuneration | 6500 | 6000 |
| | Directors Remuneration | 74201 | 85619 |
| | Ex-Gratia Payment to former Director | 20000 | - |
| | Foreign Currency (Gain)/Loss | (148383) | 126419 |
| | Hire of Vehicles - Operating Leases | 21130 | 21374 |
| | | <u> </u> | <u> </u> |
| 4 | Staff Costs | | |
| | The average number of employees was 14 (1995 : 15) and their staff costs are made up as follows:- | 1996 | 1995 |
| | | £ | £ |
| | Salaries | 393195 | 420903 |
| | Social Security Costs | 38329 | 44502 |
| | Pension Costs | 32697 | 5018 |
| | | <u>£464221</u> | <u>£470423</u> |
| | | <u> </u> | <u> </u> |
| 5 | Directors Emoluments | 1996 | 1995 |
| | Highest Paid Director | £74201 | £74295 |
| | | <u> </u> | <u> </u> |
| | Other Directors | £Nil | £11324 |
| | | <u> </u> | <u> </u> |

KHS KLOCKNER HOLSTEIN SETZ LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

YEAR ENDED 31 DECEMBER 1996

| 6 | Taxation | 1996 £ | 1995 £ |
|---|---|---------------|---------------|
| | The Charge based on the Profit for the Year comprises:- | | |
| | Corporation Tax at 33% (1995 33%) | 52060 | 13739 |
| | Taxation over provided in previous years | - | (853) |
| | | <u>£52060</u> | <u>£12886</u> |

| 7 | Tangible Fixed Assets | Leasehold Improvements | Fixtures and Fittings | Motor Vehicles | Total |
|---|-----------------------|---------------------------|--------------------------|-------------------|---------------|
| | Cost | £ | £ | £ | £ |
| | At 1 January 1996 | 3574 | 77293 | 73505 | 154372 |
| | Additions | - | 30208 | - | 30208 |
| | Disposals | - | (2767) | (18530) | (21297) |
| | At 31 December 1996 | <u>3574</u> | <u>104734</u> | <u>54975</u> | <u>163283</u> |
| | Depreciation | | | | |
| | At 1 January 1996 | 3574 | 53563 | 28098 | 85235 |
| | Charge for the Year | - | 16000 | 13913 | 29913 |
| | On Disposal | - | (1844) | (14866) | (16710) |
| | At 31 December 1996 | <u>3574</u> | <u>67719</u> | <u>27145</u> | <u>98438</u> |
| | Net Book Value | | | | |
| | At 31 December 1996 | £ - | 37015 | 27830 | 64845 |
| | | <u>£ -</u> | <u>37015</u> | <u>27830</u> | <u>64845</u> |
| | At 31 December 1995 | £ - | 23730 | 45407 | 69137 |
| | | <u>£ -</u> | <u>23730</u> | <u>45407</u> | <u>69137</u> |

Motor Vehicles with a net book value of £13014 (1995 £19520) are being acquired under Hire Purchase and Finance Lease agreements.

| 8 | Fixed Asset Investments | 1996 £ | 1995 £ |
|---|------------------------------|--------------|--------------|
| | Cost of Unlisted Investments | £ 104 | £ 104 |
| | | <u>£ 104</u> | <u>£ 104</u> |

KHS KLOCKNER HOLSTEIN SEITZ LIMITED**NOTES TO THE ACCOUNTS (CONTINUED)****YEAR ENDED 31 DECEMBER 1996****8 Fixed Asset Investments / continued**

The Company owns more than 10% of the equity of the following companies:-

| Name | Nature of business | Country of Incorporation (or Registration) | Description of Holding | Proportion Held % |
|------------------------|---------------------------|---|-------------------------------|--------------------------|
| Seitz Enzinger Noll | Dormant | England | 2 £1 Ordinary Shares | 100 |
| Enzinger (GB) Ltd | Dormant | England | 99 £1 Ordinary Shares | 99 |
| Holstein & Kappert Ltd | Dormant | England | 2 £1 Ordinary Shares | 100 |

9 Stocks

| | 1996 | 1995 |
|-------------------|-------------|-------------|
| Spares for Resale | £136135 | £176481 |
| | <hr/> | <hr/> |

10 Debtors

| | 1996 | 1995 |
|---|-------------|-------------|
| | £ | £ |
| Due within one year: | | |
| Amount Due from Associated undertakings | - | 42801 |
| Amount Due from Parent undertaking | 327242 | 234869 |
| Trade Debtors | 2689365 | 1915326 |
| Prepayments | 27075 | 29789 |
| Other Debtors | - | 700 |
| | <hr/> | <hr/> |
| | 3043682 | 2223485 |
| Due after more than one year: | | |
| Other Debtors - ACT Recoverable | 7814 | 39365 |
| | <hr/> | <hr/> |
| | £3051496 | £2262850 |
| | <hr/> | <hr/> |

KHS KLOCKNER HOLSTEIN SEITZ LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

YEAR ENDED 31 DECEMBER 1996

| 11 Share Capital | 1996 | 1995 |
|---|-------------------|-------------------|
| Authorised, Issued and Fully Paid | | |
| 50000 Ordinary Shares of £1 each | £50000 | £50000 |
| | <u> </u> | <u> </u> |
| 12 Reconciliation of Movements in Shareholders Funds | 1996 | 1995 |
| | £ | £ |
| Opening Shareholders Funds | 155144 | 118031 |
| Retained Profit for the year | 70738 | 37113 |
| | <u> </u> | <u> </u> |
| Closing Shareholders Funds | £225882 | £155144 |
| | <u> </u> | <u> </u> |

13 Financial Commitments

At 31 December 1996 the Company had commitments under operating leases repayable as follows:-

| | Land and Buildings | Other |
|----------------------|-------------------------------|-------------------|
| | £ | £ |
| Within One Year | 55000 | 21288 |
| In Two to Five Years | 220000 | 24211 |
| Over Five Years | 247500 | - |
| | <u> </u> | <u> </u> |
| | £522500 | £45499 |
| | <u> </u> | <u> </u> |

14 Contingent Liabilities

There is a contingent liability in respect of a guarantee given by National Westminster Bank plc to HM Customs and Excise for £60000 with recourse to the Company under counter indemnity for £120000.

15 Pension Costs

The Company operates various defined contribution schemes. The assets of these schemes are held separately from those of the Company in independently administered funds. The pension cost charge for the year amounts to £32697 (1995 £5018) and this represents contributions payable by the Company to the funds.

16 Ultimate Parent Company

The ultimate parent Company is Klockner-Werke Ag, a Company incorporated in Germany.