

109057-

PEABODY ENGINEERING LIMITED

Accounts - 31st March 1995



COMPANY REGISTRATION NUMBER 109057 (ENGLAND)

PEABODY ENGINEERING LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 1995

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

Review of Activities

- 2 The company's business, assets and liabilities were transferred to Hamworthy Engineering Limited at net book value with effect from 1 April 1994 and the company has acted as an agency company on behalf of its holding company, Hamworthy Engineering Limited, from that date.

Dividend and Transfer to Reserves

- 3 The directors recommend that no dividend be paid in respect of the year ended 31 March 1995.

Changes in Fixed Assets

- 4 The movements in fixed assets during the year ended 31 March 1995 are set out in note 6 to the financial statements.

PEABODY ENGINEERING LIMITEDREPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 1995 (Continued)Directors

5 The following directors held office during the year:

Mr R Burke		
Mr G Richardson	- resigned	31.3.95
Mr C F Gibb		
Mr A E Butler	- appointed	31.3.95
Mr R S Lanary	- appointed	31.3.95

Directors' interests in shares of the company

6 The interests of the directors of the company in shares of Powell Duffryn plc, according to the register required to be kept by Section 325 of the Companies Act 1985, were as follows:

	<u>Ordinary Shares of 50p each</u>					
	<u>31 March 1995</u>			<u>31 March 1994</u>		
	<u>Owned</u>	<u>Options</u>		<u>Owned</u>	<u>Options</u>	
		<u>Executive</u>	<u>SAYE</u>		<u>Executive</u>	<u>SAYE</u>
Mr R Burke	Nil	Nil	9,623	Nil	Nil	6,734
Mr C F Gibb	Nil	25,000	Nil	Nil	25,000	Nil
Mr R S Lanary	3,626	Nil	6,500	800	7,000	6,260

During the year options granted and exercised under the Executive and Savings-related sharesave (SAYE) share option schemes were:-

	<u>Granted</u>		<u>Exercised</u>	
	<u>Executive</u>	<u>SAYE</u>	<u>Executive</u>	<u>SAYE</u>
Mr R Burke	Nil	2,889	Nil	Nil
Mr R S Lanary	Nil	240	7,000	Nil

None of the directors had interests, other than those stated above, in the ordinary shares, preference shares or debentures of Powell Duffryn plc or its subsidiaries.

PEABODY ENGINEERING LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 1995 (Continued)

Directors' responsibilities

- 7 The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

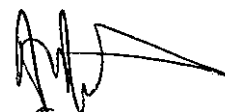
The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 1995. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

- 8 A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

BY ORDER OF THE BOARD



A E BUTLER
Secretary

24 May 1995
Fleets Corner
POOLE

REPORT OF THE AUDITORS TO THE MEMBERS OF PEABODY
ENGINEERING LIMITED

We have audited the financial statements on pages 5 to 17.

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.

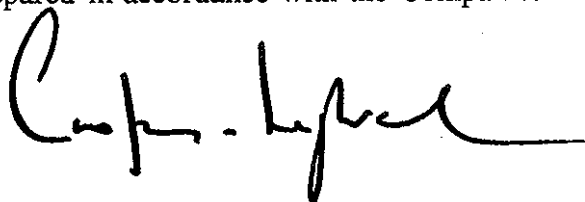
Basis of opinion

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 presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 March 1995, and of the result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
Bournemouth

24 May 1995

PEABODY ENGINEERING LIMITED

ACCOUNTING POLICIES

1 Basis of accounting

The financial statements are prepared under the historical cost basis of accounting, as modified by the revaluation of certain fixed assets, and in accordance with applicable Accounting Standards. A summary of the more important accounting policies, which have been applied consistently, is set out below.

2 Turnover

Turnover is based on sales of goods and services at invoice value, excluding value added tax and trade discounts. In the case of long term contracts, turnover includes amounts relevant to the stage of completion of the contract. Profit attributable to that part of the work performed at the accounting date is recognised in the profit and loss account for the year.

3 Foreign currencies

Rates of exchange ruling at the year end are used for the translation of foreign currencies into sterling. Differences arising from exchange fluctuations in the normal course of trading are dealt with in the operating profit for the year.

4 Research and development expenditure

Revenue expenditure on research and development is written off against trading profits for the year in which it is incurred.

5 Depreciation

Depreciation is provided on a straight line basis on the cost or valuation of fixed assets, other than land. The rates used are considered to be adequate in relation to the estimated operating lives of the assets concerned.

The principal rates used for this purpose are:

Freehold buildings	3 1/2%
Plant & equipment	5% - 20%
Vehicles	25% - 33 1/3%
Furniture, fixtures and fittings	10%

PEABODY ENGINEERING LIMITEDACCOUNTING POLICIES (Continued)6 Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

7 Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value on bases which are consistent from one year to another. In general, cost is determined on a first in first out basis; in the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made where necessary for obsolescent, slow moving and defective stocks.

Work in progress on long term contracts is stated at net cost, less foreseeable losses and payments on account.

8 Plant hire

All lease, rental and hire charges are written off against trading profits in the year in which they are incurred.

9 Pension scheme arrangements

The pension schemes are privately invested and managed by trustee committees of management appointees and employee representatives. The rules of the schemes provide for an independent actuarial valuation at intervals not greater than three years.

10 Cash flow statement

The company is a wholly owned subsidiary of Hamworthy Engineering Limited which is in turn a wholly owned subsidiary of Powell Duffryn plc. The cash flows of the company are included in the consolidated cash flow statement of Powell Duffryn plc. Consequently the company is exempt under the terms of Financial Reporting Standard 1 from preparing a cash flow statement.

PEABODY ENGINEERING LIMITEDPROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1995

	Note	<u>1995</u> Discontinued £'000	<u>1994</u> Discontinued £'000
Turnover	1	-	5,423
Cost of sales		-	3,430
		<hr/>	<hr/>
Gross profit		-	1,993
Administration expenses		-	1,345
Other operating income		-	59
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2	-	707
Tax on profit on ordinary activities	5	-	251
		<hr/>	<hr/>
Retained profit for the year	13	-	456
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The notes on pages 10 to 17 form part of these accounts
Auditors' report page 4

PEABODY ENGINEERING LIMITEDSTATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 1995

The company has no recognised gains or losses for 1995 or 1994 other than those dealt with in arriving at the retained profit for the year.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	<u>1995</u> £'000	<u>1994</u> £'000
Profit on ordinary activities before taxation	-	707
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	-	31
Historical cost profit on ordinary activities before taxation	-	738
Historical cost profit for the year retained after taxation	-	487

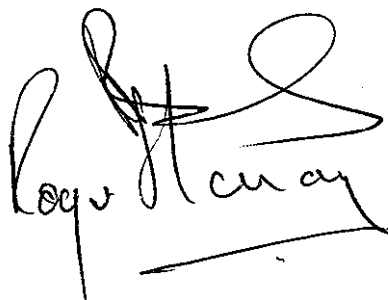
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Auditors' report page 4

PEABODY ENGINEERING LIMITEDBALANCE SHEET - 31 MARCH 1995

	Note	<u>1995</u>		<u>1994</u>	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	6		-		1,247
CURRENT ASSETS					
Stocks	7	-		716	
Debtors	8	2,483		3,771	
Cash at bank and in hand		-		287	
		<u>2,483</u>		<u>4,774</u>	
CREDITORS - amounts falling due within one year	9	-		3,538	
				<u> </u>	
NET CURRENT ASSETS			2,483		1,236
NET ASSETS			<u>2,483</u>		<u>2,483</u>
CAPITAL AND RESERVES					
Called up share capital	11		103		103
Profit and loss account	12		1,355		1,355
Revaluation reserve	12		1,025		1,025
EQUITY SHAREHOLDERS' FUNDS	13		<u>2,483</u>		<u>2,483</u>

The accounts were approved by the board on 24 May 1995

R BURKE)
) Directors
R S LANARY)



The notes on pages 10 to 17 form part of these accounts
Auditors' report page 4

PEABODY ENGINEERING LIMITEDNOTES TO THE ACCOUNTS - 31 MARCH 19951 **TURNOVER**

A geographical analysis of turnover by destination is as follows:

	<u>1995</u>	<u>1994</u>
	£'000	£'000
United Kingdom	-	1,738
Europe - EC	-	1,148
Europe - Other	-	1,070
North and South America	-	81
Australia and Far East	-	411
Africa and Middle East	-	975
	<hr/>	<hr/>
	-	5,423
	<hr/>	<hr/>

The directors consider that the whole of the company's business relates to the design and manufacture of combustion equipment and therefore, no further analysis is given. Turnover and profit on ordinary activities before taxation are entirely derived from the United Kingdom.

2 **PROFIT ON ORDINARY ACTIVITIES
BEFORE TAXATION**

	<u>1995</u>	<u>1994</u>
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation on tangible fixed assets	-	73
Auditors' remuneration for audit	-	10
Auditors' remuneration for other services	-	1
Directors' emoluments including pension contributions (note 3)	-	69
Operating lease rental for plant & machinery	-	4
Operating lease rental for other assets	-	23

PEABODY ENGINEERING LIMITEDNOTES TO THE ACCOUNTS - 31 MARCH 1995 (Continued)

3 DIRECTORS' EMOLUMENTS

- (a) Emoluments of directors including pension contributions:

	<u>1995</u> £'000	<u>1994</u> £'000
For management services	Nil	69

- (b) Directors' emoluments disclosed in accordance with Part V of Schedule 5 of the Companies Act 1985, excluding pension contributions, are as follows:

	<u>1995</u> £'000	<u>1994</u> £'000
The chairman	Nil	10
The highest paid director	Nil	56

Number of directors (including those above) whose emoluments (excluding pension contributions) were within the ranges:

	<u>Number</u>	<u>Number</u>
£Nil - £5,000	5	1
£5,001 - £10,000	-	1
£55,001 - £60,000	-	1

4 EMPLOYEE INFORMATION

- (a) The average number of persons employed by the company, including executive directors, during the year was:

	<u>1995</u> Number	<u>1994</u> Number
Production	-	62
Distribution	-	13
Administration	-	12
	—	87

PEABODY ENGINEERING LIMITEDNOTES TO THE ACCOUNTS - 31 MARCH 1995 (Continued)

4 EMPLOYEE INFORMATION (Continued)

(b) The costs incurred in respect of these employees were:

	<u>1995</u> £'000	<u>1994</u> £'000
Wages and salaries	-	1,287
Social security costs	-	130
	<hr/> -	<hr/> 1,417

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is based on the result for the year and is made up as follows:

	<u>1995</u> £'000	<u>1994</u> £'000
United Kingdom corporation tax at 33 % (1994 - 33 %)	-	251
	<hr/>	<hr/>

PEABODY ENGINEERING LIMITEDNOTES TO THE ACCOUNTS - 31 MARCH 1995 (Continued)

6 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and machinery & equipment £'000	Total £'000
<u>Cost or valuation</u>			
At 1 April 1994	1,322	358	1,680
Disposals	(1,322)	(358)	(1,680)
At 31 March 1995	-	-	-
<u>Depreciation</u>			
At 1 April 1994	181	252	433
Disposals	(181)	(252)	(433)
At 31 March 1995	-	-	-
<u>Net book value at 31 March 1995</u>	-	-	-
<u>Net book value at 31 March 1994</u>	1,141	106	1,247

7 STOCKS

	<u>1995</u> £'000	<u>1994</u> £'000
Raw materials and consumables	-	234
Work in progress	-	482
	-	716

PEABODY ENGINEERING LIMITEDNOTES TO THE ACCOUNTS - 31 MARCH 1995 (Continued)

8 DEBTORS

Amounts falling due within one year

	<u>1995</u>	<u>1994</u>
	£'000	£'000
Trade debtors	-	1,759
Amounts owed by group companies:		
parent company & fellow subsidiaries	2,483	1,763
Other debtors	-	154
Prepayments and accrued income	-	95
	<u>2,483</u>	<u>3,771</u>

9 CREDITORS - Amounts falling due within one year

	<u>1995</u>	<u>1994</u>
	£'000	£'000
Trade creditors	-	469
Amounts owed to group companies:		
immediate parent company	-	1,416
fellow subsidiaries	-	178
Dividends payable	-	60
Other creditors including taxation		
and social security (see note (a) below)	-	599
Accruals and deferred income	-	816
	<u>-</u>	<u>3,538</u>

(a) "Other creditors including taxation and social security"
is made up as follows:

	<u>1995</u>	<u>1994</u>
	£'000	£'000
United Kingdom corporation tax	-	368
Social security	-	38
Other creditors	-	193
	<u>-</u>	<u>599</u>

PEABODY ENGINEERING LIMITEDNOTES TO THE ACCOUNTS - 31 MARCH 1995 (Continued)

10 DEFERRED TAXATION

The analysis of deferred taxation and the full potential liability calculated using the liability method is as follows:

	<u>1995</u>		<u>1994</u>	
	Full potential liability	Provision made	Full potential liability	Provision made
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Accelerated capital allowances	-	-	36	-
Other	-	-	(6)	-
	<u>-</u>	<u>-</u>	<u>30</u>	<u>-</u>

No provision was made in 1994 in respect of the potential liability to tax which might arise because no disposal was expected to occur in the foreseeable future. The maximum liability which could arise is £Nil (1994 - £227,000) before allowing for rollover and other tax reliefs which may be available.

11 CALLED UP SHARE CAPITAL

	<u>1995 and 1994</u>	
	<u>Number</u>	<u>Value</u>
		<u>£'000</u>
Authorised ordinary shares of £1 each	120,000	120
Authorised, issued, called up and fully paid ordinary shares of £1 each	102,480	103
	<u> </u>	<u> </u>

12 RESERVES

	<u>Profit and Loss account</u>	<u>Revaluation reserve</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
1 April 1994 and 31 March 1995	1,355	1,025	2,380
	<u> </u>	<u> </u>	<u> </u>

PEABODY ENGINEERING LIMITEDNOTES TO THE ACCOUNTS - 31 MARCH 1995 (Continued)

13 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	<u>1995</u>	<u>1994</u>
	£'000	£'000
Retained profit for the year	-	456
Opening equity shareholders' funds	2,483	2,027
Closing equity shareholders' funds	<u>2,483</u>	<u>2,483</u>

14 CONTINGENT LIABILITIES

As at 31 March 1995 guarantees totalled £Nil (1994 £651,000)

15 FINANCIAL COMMITMENTS

At 31 March 1995 the company had annual commitments under operating leases as follows:

	<u>1995</u>		<u>1994</u>	
	<u>Land and</u>	<u>Other</u>	<u>Land and</u>	<u>Other</u>
	<u>Buildings</u>		<u>Buildings</u>	
	£'000	£'000	£'000	£'000
Expiring within:				
Two to five years	-	-	-	47
More than five years	-	-	149	-
	<u>-</u>	<u>-</u>	<u>149</u>	<u>47</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

PEABODY ENGINEERING LIMITEDNOTES TO THE ACCOUNTS - 31 MARCH 1995 (Continued)

16 PENSION COSTS

The Company is a participant in the Powell Duffryn Pension Plan and the Powell Duffryn Retirement Benefits Scheme, which are funded, defined benefit schemes of the Powell Duffryn plc Group. Contributions to those schemes are based on pension costs across the Group as a whole. There are surpluses in the Group schemes which have resulted in advice from the consulting actuaries that no company contributions should be paid until at least April 1998.

In these accounts, the Company's cost of participation in the schemes is recognised on the basis of contributions payable, and the net cost for the period ended 31 March 1995 is therefore £nil. This policy is consistent with UK Statement of Standard Accounting Practice No 24.

Full particulars of the actuarial valuations of the Powell Duffryn Group Schemes are contained in the accounts of Powell Duffryn plc.

17 ULTIMATE PARENT COMPANY

The directors regard Powell Duffryn plc, a company registered in England, as being the company's ultimate parent company.

Powell Duffryn plc prepares group accounts and copies are available from the Group Secretary at Powell Duffryn House, London Road, Bracknell, Berkshire, RG12 2AQ.