Plenty Limited

Report and Accounts

31 December 1997

ERNST & YOUNG

Registered No. 32872

DIRECTORS
S C M Hunt
D L Maynard
S G Garrett
B C Rogers
J J Hobbs
P J K Haslehurst

SECRETARY
S G Garrett

AUDITORS
Ernst & Young
Apex Plaza
Reading
RG1 1YE

REGISTERED OFFICE
Hambridge Road
Newbury
Berkshire
RG14 5TR

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 31 December 1997.

RESULTS AND DIVIDENDS

The profit on ordinary activities for the year, after taxation was £2,094k (1996: £2,210k).

The directors have recommended and paid a dividend of £2,000k and therefore £94k (1996: £2,210k) is to be transferred to reserves.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the company for the year was the manufacture of pumps, filters, mixers, steam traps and pipe de-scaling equipment.

During the year no acquisitions or disposals took place. It is anticipated that the current activities of the company will continue for the foreseeable future.

FIXED ASSETS

Changes in fixed assets are shown in note 7 to the accounts.

EMPLOYEES

The average weekly number of persons employed in the United Kingdom during the year was 454 (1996: 471) and their aggregate remuneration was £9,773k (1996: £9,449k).

It is the company's policy to give full and fair consideration to applications for employment by disabled persons, having regard to their particular experience, aptitudes and abilities. Wherever possible arrangements are made for the continued employment of persons who have become disabled during service and for appropriate training, career development and promotion of disabled persons.

It is also the company's policy that all the employees are made aware of all financial and economic matters of concern to them as employees and that their views are taken into account before decisions are made which are likely to affect their interests.

DIRECTORS AND THEIR INTERESTS

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

S C M Hunt (Chairman)
D L Maynard
S G Garrett
B C Rogers
J J Hobbs
P J K Haslehurst

DIRECTORS' AND THEIR INTERESTS

The interests of the directors in the shares of parent company, EIS Group Plc were as follows:

	31 December 1997		*31 December 1996*	
	Option No.	*Beneficial No.*	*Option No.*	*Beneficial No.*
S C M Hunt	25,324	-	25,324	-
S G Garrett	15,324	2,000	15,324	-

The interests of J J Hobbs and P J K Haslehurst are contained within the accounts of EIS Group Plc.

The company has maintained insurance for the directors against liability arising from negligence in relation to the company, as permitted under Section 310 of the Companies Act 1985.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office and a resolution for their re-appointment and a resolution authorising the directors to fix their remuneration will be proposed at the annual general meeting.

By order of the Board

Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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.

ERNST & YOUNG

REPORT OF THE AUDITORS
to the members of Plenty Limited

We have audited the accounts on pages 6 to 17, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those 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 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 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.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Chartered Accountants
Registered Auditor
Reading
29 May 1998

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1997

	Notes	*1997* *£'000*	*1996* *£'000*
TURNOVER	2	31,738	34,691
Cost of sales		23,171	25,922
		8,567	8,769
Distribution costs		2,649	2,504
Administrative expenses		2,469	2,353
		5,118	4,857
OPERATING PROFIT	3	3,449	3,912
Interest	5	(341)	(411)
Amounts written off investments		-	(64)
Profit on disposal of fixed assets		41	21
Royalty income		35	44
		(265)	(410)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,184	3,502
Taxation on profit on ordinary activities	6	1,090	1,292
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR		2,094	2,210
Dividend paid		2,000	-
RETAINED PROFIT FOR THE YEAR	17	94	2,210

RECOGNISED GAINS AND LOSSES
There were no recognised gains or losses except for the profit for the year ended 31 December 1997 of £2,094k and the profit for the year ended 31 December 1996 of £2,210k.

BALANCE SHEET
as at 31 December 1997

	Notes	1997 £'000	1996 £'000
FIXED ASSETS			
Tangible assets	7	7,303	6,718
Investments	8	50	50
		7,353	6,768
CURRENT ASSETS			
Stock and work in progress	9	6,465	5,878
Debtors	10	10,723	12,394
Cash at bank and in hand		632	451
		17,820	18,723
CREDITORS: amounts falling due within one year	11	10,991	10,102
NET CURRENT ASSETS		6,829	8,621
TOTAL ASSETS LESS CURRENT LIABILITIES		14,182	15,389
CREDITORS: amounts falling due after more than one year	12	2,458	3,723
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	15	145	181
		11,579	11,485
CAPITAL AND RESERVES			
Called up share capital	16	2,300	2,300
Revaluation reserve		2,950	2,950
Profit and loss account	17	6,329	6,235
		11,579	11,485

Approved by the Board on: 27 May 1998

) Directors

NOTES TO THE ACCOUNTS
as at 31 December 1997

1. ACCOUNTING POLICIES

Accounting convention
These accounts have been prepared under the historical cost convention modified to include the revaluation of land and buildings, and in accordance with applicable accounting standards.

Group accounts
Consolidated accounts are not prepared as the company is itself a wholly owned subsidiary of another company producing consolidated accounts within the EC.

Depreciation
Depreciation is provided on all fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life at the following annual rates:

Freehold permanent buildings	2%
Freehold temporary buildings	10%
Long leasehold	2%
Short leasehold	over life of lease
Plant, machinery and equipment	7.5%-12.5%
Furniture and fixtures	7.5%-33%
Motor vehicles	25%
Pilot units and welding sets	33%
Office equipment	20%

Stock
Stock and work-in-progress are stated at the lower of cost and net realisable value.

Cost is defined to include all costs incurred in bringing each product to its present location and condition:

Raw materials	-	purchase cost on a first-in, first-out basis
Work-in-progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on the normal level of activity.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

1. **ACCOUNTING POLICIES** (continued)

Long-term contracts
Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reject the proportion of work carried out at the year end, by recording turnover and related costs as contract activity progresses. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Pension costs
The regular cost of pensions of the group's defined benefit scheme (PFSS) is charged to the profit and loss account over the service lives of employees in the scheme. The cost of payments to the defined contribution scheme (PMPP) is charged to the profit and loss account as they fall due.

Research and development
Research and development expenditure is written off as incurred.

Deferred taxation
Deferred taxation is fully provided on all timing differences in respect of which it is anticipated that taxation will be payable or recoverable in the foreseeable future.

Foreign currencies
Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

All differences are accounted for in the profit and loss account.

Leasing and hire purchase commitments
Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Associated undertakings
All material associated undertakings of the company are shown as fixed asset investments at cost less amounts that are not considered recoverable.

NOTES TO THE ACCOUNTS
as at 31 December 1997

2. TURNOVER

Turnover represents the value of goods sold and services rendered to third parties during the year less returns, excluding value added tax and includes a proportion of the estimated revenue on long term contracts calculated on a percentage of completion basis. Turnover, net assets and operating profit derive solely from the company's principal activity.

The geographical analysis of turnover net assets and operating profit has not been shown due to the directors' belief that this may be prejudicial to the interest of the company.

3. OPERATING PROFIT

This is stated after charging:

		1997 *£'000*	*1996* *£'000*
a)	Auditors' remuneration	34	32
	Depreciation of owned assets	675	674
	Depreciation of assets held under finance leases	152	156
	Development expenditure written off	306	283
	Loss on exchange generated on long term loans to foreign subsidiary undertakings	27	3
	Operating lease rentals		
	- land and buildings	118	118
	- plant and machinery	190	-
b)	Directors' emoluments		
	Emoluments	342	307
	Company contributions paid to pension scheme	26	23
	Directors contributions to pension scheme		

The amounts due in respect of the highest paid director are as follows:

	1997 £'000	1996 £'000
Emoluments	135	121
Company contributions paid to pension scheme	13	12

NOTES TO THE ACCOUNTS
as at 31 December 1997

4. STAFF COSTS

	1997 £'000	1996 £'000
Wages and salaries	8,620	8,332
Social security costs	847	828
Other pension costs (note 20)	306	289
	9,773	9,449

The average weekly number of employees during the year was made up as follows:

	1997 No.	1996 No.
Office management	212	219
Manufacturing	242	252
	454	471

5. INTEREST

	1997 £'000	1996 £'000
On bank loans repayable within 5 years	160	235
On bank loans repayable after 5 years	161	169
On finance leases	36	43
	357	447
Less:		
Interest received from third parties	9	21
Interest received from group companies	7	15
	341	411

6. TAXATION

	1997 £'000	1996 £'000
Based on the results for the year at 31.5% (1995: 33%):		
United Kingdom corporation tax	913	1,353
Deferred tax	(36)	(67)
	877	1,286
Underprovided in prior years:		
Corporation tax	213	6
	1,090	1,292

NOTES TO THE ACCOUNTS
as at 31 December 1997

7. FIXED ASSETS

	Land and Buildings		Machinery and Equipment		
	Freehold £'000	Long Leasehold £'000	Owned £'000	Leased £'000	Total £'000
Cost or valuation:					
At 1 January 1997	4,335	160	9,054	1,190	14,739
Additions	147		1,305		1,452
Disposal			(365)		(365)
At 31 December 1997	4,482	160	9,994	1,190	15,826
Depreciation:					
At 1 January 1997	431	6	7,038	546	8,021
Charge for year	53	1	622	151	827
Disposals			(325)		(325)
At 31 December 1997	484	7	7,335	697	8,523
Net book value:					
At 31 December 1997	3,998	153	2,659	493	7,303
At 31 December 1996	3,904	154	2,016	644	6,718

The historical cost of freehold land and buildings is as follows:

	£'000
At 31 December 1997	1959
Cumulative depreciation based on cost:	
At 1 January 1997	380
At 31 December 1997	434

8. INVESTMENTS

		1997 £'000	1996 £'000
(a)	Shares in subsidiary undertakings at cost	50	50
	Shares in associated company at cost	257	257
	Adjustment re exchange movements and valuation	(257)	(257)
		50	50

(b) The company has the following holdings in the shares of its subsidiary undertakings and associated company:

Name of company	*Country of registration or incorporation*	*Holding*	*Proportion held*	*Nature of business*
Plenty Uniquip Pty Limited	Australia	100,000 ordinary shares of A$1 each	100%	Marketing and distributing Plenty products
Plenty France SARL	France	100 ordinary shares of FF200 each	100%	Dormant
Triveni Plenty Engineering Limited	India	799,986 ordinary shares of Rs10 each	40%	Process engineering contractors
Plenty New-Mar Limited	Scotland	2 ordinary shares of £1 each	100%	Dormant

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NOTES TO THE ACCOUNTS
as at 31 December 1996

9. STOCK AND WORK-IN-PROGRESS

	1997 *£'000*	*1996* *£'000*
Raw materials and consumables	3,638	3,273
Work-in-progress	2,636	2,433
Finished goods and goods for resale	191	172
	6,465	5,878

10. DEBTORS

	1997 *£'000*	*1996* *£'000*
Amounts receivable within one year:		
Trade debtors	5,675	7,547
Other debtors	122	215
Amounts due from fellow subsidiaries & subsidiary undertakings	1,082	741
Amount due from parent company	3,668	3,798
VAT	176	93
	10,723	12,394

11. CREDITORS: amounts falling due within one year

	1997 *£'000*	*1996* *£'000*
Bank loans (see note 13)	1,106	1,018
Finance lease	159	149
Trade creditors	2,969	2,317
Accrued expenses and deferred income	2,150	1,851
Payments received on account	178	216
Corporation tax	909	1,345
Other taxes and social security costs	441	406
Other creditors	3,045	2,747
Amounts owed to fellow subsidiary undertakings	34	53
	10,991	10,102

Accrued expenses and deferred income include amounts of £24,951 payable to two pension schemes.

12. CREDITORS: amounts falling due after one year

	1997 £'000	1996 £'000
Finance lease	283	441
Bank loans (see note 13)	2,175	3,282
	2,458	3,723

13. LOANS

	1997 £'000	1996 £'000
Amounts falling due:		
Within one year	1,106	1,018
Between one and two years	643	1,106
Between two and five years	372	879
In five years or more	1,160	1,297
	3,281	4,300

The loans are secured by a debenture over the company's freehold property. The rate of interest payable on the loans for the first 5 years ranges between a fixed rate of 8.33% and 9.13%.

14. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

Commitments under non-cancellable hire purchase contracts are as follows:

	1997 £'000	1996 £'000
Amount falling due:		
Within one year	159	149
Between one and two years	136	158
Between two and five years	135	223
In five years or more	12	60
	442	590

15. DEFERRED TAXATION

	Provided		Unprovided	
	1997	*1996*	*1997*	*1996*
	£'000	*£'000*	*£'000*	*£'000*
Accelerated capital allowances	156	251	-	-
Finance leased assets	16	17	-	-
Short term timing differences	(27)	(87)	(170)	(153)
	145	181	(170)	(153)

16. SHARE CAPITAL

	Authorised		Allotted, issued and fully paid	
	1997	*1996*	*1997*	*1996*
	No.	*No.*	*No.*	*No.*
Ordinary shares of £1 each	3,000	3,000	2,300	2,300

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1997	*1996*
	£'000	*£'000*
Profit for the year attributable to shareholders	2,094	2,210
Dividend paid	2,000	-
	94	2,210
Opening shareholders' funds	6,235	4,025
	8,329	6,235

18. CONTINGENT LIABILITIES

The company has given trade guarantees and performance bonds of £2,395,745 (1996: £3,541,976).

The company provides Lac Rps 200,000 of support against Triveni Plenty Engineering Limited's total facilities with Standard Chartered Bank. This approximates to 40% of the total facilities.

19. CAPITAL COMMITMENTS

	1997	*1996*
	£'000	*£'000*
Contracts placed but not provided for in the financial statements	121	569
Authorised by the directors but not contracted for	32	178

NOTES TO THE ACCOUNTS
as at 31 December 1997

20. PENSION COSTS

The Company contributes to a group pension scheme providing benefits on final pensionable pay. The assets of the scheme are held separately from those of the company being invested with an insurance company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 5 April 1997 and showed that the market value of the scheme's assets were £66.7m and that the actuarial value of those assets represented 120% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The valuation, assumed that the investment return would be 2.5% higher than the rate of annual salary increase and that present and future pensions would increase at a rate of 3% per annum until 5th April 1997and 5% per annum thereafter.

The pension charge for the period was £306,529 (1996: £288,691) and has been determined over the average remaining service lives of the employees.

21. CASH FLOW STATEMENT

Under FRS1, Plenty Limited is exempt from preparing a cash flow statement because it is a 100% owned subsidiary of a UK company producing a group cash flow statement.

22. OBLIGATIONS UNDER OPERATING LEASES

Annual commitments under non-cancellable operating leases in connection with property as follows:

	1997 *£'000*	*1996* *£'000*
Operating leases which expire within:		
In the second to fifth years inclusive	8	8
over five years	110	110
	118	118

Annual commitments under non-cancellable operating leases in connection with Motor Vehicles as follows

	1997 *£'000*	*1996* *£'000*
Operating leases which expire within:		
One year	34	-
In the second to fifth years inclusive	151	-
over five years		
	185	-

23. ULTIMATE PARENT COMPANY

The company's parent company is EIS Group Plc, which is registered in England. EIS Group Plc is the highest and lowest group member in which Plenty Limited is consolidated. Accounts for EIS Group Plc can be obtained from:

6 Sloane Square
London
SW1W 8EE