

PROCLAD INTERNATIONAL LIMITED

FINANCIAL STATEMENTS

FOR

31 DECEMBER 2006

Company Registration Number 01213179

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PROCLAD INTERNATIONAL LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

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PROCLAD INTERNATIONAL LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	Mr YMJM Mohsen
	Mr A M Rodger
	Mr D Neill
	Mr D D McDougall
	Mr R Irving
	Mr J E D Gordon
Company secretary	Ms T L Gray
Registered office	The Meridian
	4 Copthall House
	Station Square
	Coventry
	CV1 2FL
Auditors	KPMG LLP
	Chartered Accountants
	& Registered Auditor
	Saltire Court
	20 Castle Terrace
	Edinburgh
	EH1 2EG

PROCLAD INTERNATIONAL LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2006

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2006

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was the provision of specialist engineering services to the marine and offshore sector

The Company experienced improved trading conditions during the year with significant advances being made in terms of the development of production facilities, products and trading relationships. The achievement of improved gross margins and better cost control have resulted in a modest trading profit. The directors consider that the Company is soundly based both operationally and financially. Further advances are anticipated in the forthcoming year. Segmental information is presented in note 2.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend (2005 £Nil)

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year were as follows:

Mr YMJM Mohsen	
Mr A M Rodger	
Mr D Neill	
Mr S Beveridge	(resigned 31 March 2006)
Mr D D McDougall	
Mr J E D Gordon	(appointed 09 June 2006)
Mr R Irving	(appointed 01 June 2006)
Mr G S Duhie	(resigned 26 April 2006)

None of the directors held any interest in the company or any other group companies in the year.

EMPLOYEE INVOLVEMENT

The company recognises the need to ensure effective communication with employees. All senior management are regularly informed of developments in strategic, financial, commercial and personnel matters to enable them to inform and discuss these issues with employees as appropriate.

EMPLOYMENT OF DISABLED PERSONS

The company's policy is to give full and fair consideration to applications for employment by disabled persons, having regard to the nature of their employment. Suitable opportunities are offered to disabled persons in order to promote their career development.

PROCLAD INTERNATIONAL LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2006

STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

Pursuant to Section 386 of the Companies Act 1985, a resolution has been passed which results in the Company not being required to annually re-appoint KPMG LLP as its auditors

Signed by order of the directors



Ms T Gray
Company Secretary
24 May 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROCLAD INTERNATIONAL LIMITED

We have audited the financial statements of Proclad International Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.


KPMG LLP

*Chartered Accountants
Registered Auditor*

Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

28 May 2007

PROCLAD INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2006

	Note	2006 £	2005 £
TURNOVER	2	7,203,960	6,250,524
Cost of sales		<u>(6,525,000)</u>	<u>(6,302,992)</u>
GROSS PROFIT / (LOSS)		678,960	(52,468)
Distribution costs		<u>(256,611)</u>	<u>(290,050)</u>
Administrative expenses		<u>(394,793)</u>	<u>(690,859)</u>
OPERATING PROFIT / (LOSS)		27,556	(1,033,377)
Interest receivable	6	-	1,251
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	27,556	(1,032,126)
Tax on profit / (loss) on ordinary activities	7	<u>(100,240)</u>	<u>(367,000)</u>
LOSS FOR THE FINANCIAL YEAR		(72,684)	(1,399,126)
Balance brought forward		<u>(8,763,295)</u>	<u>(7,364,169)</u>
Balance carried forward		<u>(8,835,979)</u>	<u>(8,763,295)</u>

The company has no recognised gains or losses other than the results for the year as set out above

All of the activities of the company are classed as continuing

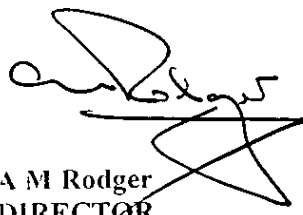
PROCLAD INTERNATIONAL LIMITED

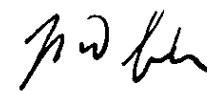
BALANCE SHEET

31 DECEMBER 2006

	Note	2006	2005
FIXED ASSETS			
Intangible assets	8	-	18,460
Tangible assets	9	4,006,107	3,758,462
		<u>4,006,107</u>	<u>3,776,922</u>
CURRENT ASSETS			
Stocks	10	370,173	809,015
Debtors due within one year	11	5,318,641	4,665,888
Debtors due after one year	12	5,343,418	100,240
		<u>11,032,232</u>	<u>5,575,143</u>
Cash at bank and in hand		350,976	397,479
		<u>11,383,208</u>	<u>5,972,622</u>
CREDITORS: Amounts falling due within one year	13	(2,783,292)	(2,596,834)
NET CURRENT ASSETS		<u>8,599,916</u>	<u>3,375,788</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>12,606,023</u>	<u>7,152,710</u>
 CREDITORS: Amounts falling due after more than one year			
	14	(9,228,106)	(3,702,109)
NET ASSETS		<u>3,377,917</u>	<u>3,450,601</u>
 CAPITAL AND RESERVES			
Called-up share capital	17	10,500,000	10,500,000
Share premium account	18	1,713,896	1,713,896
Profit and Loss Account		(8,835,979)	(8,763,295)
SHAREHOLDERS' FUNDS	19	<u>3,377,917</u>	<u>3,450,601</u>

These financial statements were approved by the directors on 24 May 2007 and are signed on their behalf by


A M Rodger
DIRECTOR


J E D Gordon
DIRECTOR

PROCLAD INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards

Group accounts

The company is exempt by virtue of S228(1) of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No. 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of National Industries Group S A K and its cash flows are included within the consolidated cash flow statement in the financial statements of that company, which are publicly available.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax, plus, where appropriate, work completed in respect of long term contracts.

Intangible assets

Development costs on the Wex process are capitalised and carried forward. The costs are amortised over 5 years from 2002.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Property	- Lower of 50 years or remaining useful life
Plant & Machinery	- From 5 to 15 years
Motor Vehicles	- 4 years

PROCLAD INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

1 ACCOUNTING POLICIES *(continued)*

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

In respect of work in progress cost includes all direct costs of production and the appropriate proportion of production overheads

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term

Pension costs

The company contributes to the money purchase Proclad International Limited Group Personal Pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the scheme represents amounts payable to the scheme in respect of the accounting period.

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

The Company recognises a deferred tax asset in respect of past trading losses to the extent that the directors believe future taxable profits will arise.

Foreign currencies

Foreign currency transactions are translated at the rates ruling when they occurred or at rates specified in related forward foreign currency contracts. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date or, if appropriate, at rates specified in related forward exchange contracts and exchange differences arising are dealt with in the profit and loss account.

PROCLAD INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

2 TURNOVER

The turnover and loss on ordinary activities before tax are attributable to the one principal activity of the company

An analysis of turnover by geographical destination is given below

	2006	2005
	£	£
United Kingdom	3,281,689	1,399,898
Europe	1,347,687	3,395,135
America	1,288,313	118,479
Far East (incl Australasia)	39,276	1,337,012
Rest of World	1,246,995	-
	<u>7,203,960</u>	<u>6,250,524</u>

3 PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(Loss) on ordinary activities before taxation is stated after charging/(crediting)

	2006	2005
	£	£
Depreciation of tangible fixed assets	400,535	378,060
Amortisation of intangible assets	18,460	22,152
Gain on disposal of fixed assets	-	278
Auditors' remuneration		
- as auditors	9,000	10,650
Operating lease costs		
- Land and buildings	55,008	55,260
- Plant and equipment	21,112	41,094
Group management charge payable	74,519	26,000
Divisional management charge receivable	-	(30,000)
	<u>-</u>	<u>(30,000)</u>

PROCLAD INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

4 PARTICULARS OF EMPLOYEES

The average number of staff employed by the company (including executive directors) during the financial year amounted to

	2006	2005
	No	No
Production staff	63	64
Administrative staff	8	8
	<u>71</u>	<u>72</u>

The aggregate payroll costs of the above were

	2006	2005
	£	£
Wages and salaries	2,082,730	2,100,301
Social security costs	229,404	215,926
Other pension costs	108,002	90,618
	<u>2,420,136</u>	<u>2,406,845</u>

5 DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were

	2006	2005
	£	£
Emoluments receivable	318,854	305,475
Company contributions to private pension plans	33,817	30,708
	<u>352,671</u>	<u>336,183</u>

The number of directors who are accruing benefits under pension schemes were as follows

	2006	2005
	No	No
Private pension plans	<u>4</u>	<u>4</u>

Emoluments of highest paid director

	2006	2005
	£	£
Total emoluments (excluding pension contributions)	<u>107,708</u>	<u>101,652</u>

Company pension contributions paid to the private scheme on behalf of this director during the year amounted to £14,625 (2005 £12,000)

PROCLAD INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

6 INTEREST RECEIVABLE

	2006 £	2005 £
Bank interest received	-	1,251

7 TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES

	2006 £	2005 £
In respect of the year		
<i>UK corporation tax</i>		
Current tax on deficit for the year	-	-
Adjustments in respect of prior periods	-	-
Total current tax	-	-
<i>Deferred tax (note 15)</i>		
Origination/reversal of timing differences	100,240	(28,000)
Adjustments in respect of prior periods	-	395,000
Tax on profit/(loss) on ordinary activities	100,240	367,000

Factors affecting the tax charge for the current period

The current tax for the period is lower (2005 higher) than the standard rate of corporation tax in the UK 30%, (2005 30%) The differences are explained below

	2006 £	2005 £
<i>Current tax reconciliation</i>		
Profit / (Loss) on ordinary activities before tax	27,556	(1,032,126)
Current tax at 30% (2005 30%)	8,267	(309,638)
<i>Effects of</i>		
Items disallowable for tax purposes	2,400	15,000
Differences between capital allowances and depreciation	(12,161)	28,000
Group relief received	(136,366)	-
Differences between capital allowances and amortisation	5,538	-
Tax losses not recognised on a deferred tax asset	-	266,638
Total current tax credit (see above)	-	-

Factors affecting future tax charges

The company has tax losses totalling £4.1 million (2005 £4.1 million) available to offset taxable profits of future years

PROCLAD INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

8 INTANGIBLE FIXED ASSETS

	Development Costs £
COST	
At 1 January 2006 and 31 December 2006	<u>110,760</u>
AMORTISATION	
At 1 January 2006	92,300
Charge for the year	<u>18,460</u>
At 31 December 2006	<u>110,760</u>
NET BOOK VALUE	
At 31 December 2006	<u>-</u>
At 31 December 2005	<u>18,460</u>

9 TANGIBLE FIXED ASSETS

	Freehold Property £	Plant Machinery and Motor Vehicles £	Total £
COST			
At 1 January 2006	1,363,410	4,255,537	5,618,947
Additions	-	648,180	648,180
At 31 December 2006	<u>1,363,410</u>	<u>4,903,717</u>	<u>6,267,127</u>
DEPRECIATION			
At 1 January 2006	88,295	1,772,190	1,860,485
Charge for the year	42,505	358,030	400,535
At 31 December 2006	<u>130,800</u>	<u>2,130,220</u>	<u>2,261,020</u>
NET BOOK VALUE			
At 31 December 2006	<u>1,232,610</u>	<u>2,773,497</u>	<u>4,006,107</u>
At 31 December 2005	<u>1,275,115</u>	<u>2,483,347</u>	<u>3,758,462</u>

Included within land and buildings is £100,000 (2005 £100,000) in respect of land which is not depreciated

PROCLAD INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

9 TANGIBLE FIXED ASSETS *(continued)*

Finance lease agreements

Included within the net book value of £4,006,107 is £Nil (2005 £3,450) relating to assets held under finance lease agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £3,450 (2005 £4,577)

10. STOCKS

	2006 £	2005 £
Raw materials	133,010	48,029
Work in progress	237,163	760,986
	<u>370,173</u>	<u>809,015</u>

11 DEBTORS: Amounts falling due within one year

	2006 £	2005 £
Trade debtors	1,236,036	1,456,828
Amounts receivable under long term contracts	-	206,668
Amounts owed by group undertakings	3,221,772	2,568,438
Other debtors	848,940	290,999
Prepayments and accrued income	11,893	142,955
	<u>5,318,641</u>	<u>4,665,888</u>

12 DEBTORS: Amounts falling due after more than one year

	2006 £	2005 £
Amounts owed by group undertakings	5,343,418	-
Deferred Tax (Note 15)	-	100,240
	<u>5,343,418</u>	<u>100,240</u>

There are no predetermined receivable dates or interest payment arrangements applying to amounts owed by group undertakings. However repayment will not be requested within one year.

PROCLAD INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

13 CREDITORS: Amounts falling due within one year

	2006 £	2005 £
Trade creditors	813,890	919,247
Amounts owed to group undertakings	704,994	964,857
Other taxation and social security	154,720	220,019
Other creditors	1,077,285	24,837
Accruals and deferred income	32,403	467,874
	<u>2,783,292</u>	<u>2,596,834</u>

14 CREDITORS: Amounts falling due after more than one year

	2006 £	2005 £
Amounts owed to group undertakings	<u>9,228,106</u>	<u>3,702,109</u>

There are no predetermined repayment dates or interest payment arrangements applying to amounts owed to group undertakings. However repayment will not be requested within one year.

15 DEFERRED TAXATION

The movement in deferred taxation during the year was

	2006 £
Balance brought forward	(100,240)
Charged to profit and loss account	<u>100,240</u>
Balance carried forward	<u>-</u>

The elements of deferred taxation are as follows

	2006 £	2005 £
Difference between accumulated depreciation and capital allowances	626,407	562,350
UK tax losses	(626,407)	(662,590)
Deferred tax asset	<u>-</u>	<u>(100,240)</u>

Amounts falling due after more than one year totalled £nil (2005 £100,240)

PROCLAD INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

16 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as set out below

	2006		2005	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire				
Within 1 year	-	7,734	-	10,596
Within 2 to 5 years	55,008	-	55,260	-

17 SHARE CAPITAL**Authorised share capital:**

	2006 £	2005 £
12,000,000 Ordinary shares of £1 each	<u>12,000,000</u>	<u>12,000,000</u>

Allotted, called up and fully paid:

	2006 £	2005 £
10,500,000 Ordinary shares of £1 each	<u>10,500,000</u>	<u>10,500,000</u>

18 SHARE PREMIUM ACCOUNT

	2006 £	2005 £
Share premium account	<u>1,713,896</u>	<u>1,713,896</u>

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Loss for the financial year	(72,684)	(1,399,126)
Opening shareholders' equity funds	<u>3,450,601</u>	<u>4,849,727</u>
Closing shareholders' equity funds	<u>3,377,917</u>	<u>3,450,601</u>

20 PENSIONS

The Company contributes to the money purchase Proclad International Limited Group Personal pension scheme. The pension cost represents contributions payable by the Company to the scheme and amounted to £74,185 (2005 £90,618). There was £Nil (2005 £Nil) outstanding at the balance sheet date.

PROCLAD INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

21 RELATED PARTIES

The company is a wholly owned subsidiary of National Industries Group S A K. In accordance with paragraph 3(c) of FRS 8 'Related Party Transactions' the company is exempt from disclosing details of arrangements with other group companies.

22 ULTIMATE PARENT COMPANY

The company is a subsidiary of National Industries Group S A K, incorporated in Kuwait. Copies of the financial statements of National Industries Group S A K are available from PO Box 417, 13005 Safat, Kuwait.