

Kane International Limited

**Directors' report and financial
statements**

Registered number 1555423

30 September 1999



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Company information

Directors

D Kane (Chairman) (Deceased 14 July 2000)
BGJ Kane
AE Cleeton
DJ Fairhurst
JSHA Kane
MJPC Kane

Secretary

TJ Rabjohn

Registered Office

Kane House
Swallowfield
Welwyn Garden City
Hertfordshire
AL7 1JG

Auditors

KPMG
Aquis Court
31 Fishpool Street
St Albans
Hertfordshire
AL3 4RF

Bankers

Bank of Scotland
28 King Street
Luton
LU1 2HH

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 1999.

Principal activities

The principal activities of the company during the year were the manufacture and distribution of gas analysis, environmental monitoring, electrical test and electrical energy measurement equipment.

Business review

The group focused its efforts and resources on the continued development of its world-wide gas analysis and environmental monitoring business.

Research and development

The amortisation charge for the year on development expenditure carried forward was £nil (1998: £2,000).

Dividend

An interim dividend was not paid during the year (1998: *interim dividend amounting to £144,000*).

No final dividend is proposed (1998: *£nil*).

Directors and directors' interests

The directors who held office during the year were as follows:

D Kane	(Chairman)	(Deceased 14 July 2000)
BGJ Kane		
AE Cleeton		
DJ Fairhurst		
JSHA Kane		
MJPC Kane		

The interests of JSHA Kane and MJPC Kane are disclosed in the directors' report of Kane Group Limited, the parent company.

None of the other directors who held office at the end of the financial year had any disclosable interest in the company.

Directors' report *(continued)*

Political and charitable contributions

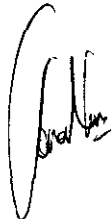
The company made no political contributions during the year (1998: *£nil*). Donations to UK charities amounted to £553 (1998: £125).

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

JSHA Kane
Director



Kane House
Swallowfield
Welwyn Garden City
Hertfordshire
AL7 1JG

20 October 2000

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 for that period. In preparing those financial statements, 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 financial statements;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to 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.



Aquis Court
31 Fishpool Street
St Albans
Hertfordshire, AL3 4RF

Report of the auditors to the members of Kane International Limited

We have audited the financial statements on pages 5 to 19.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

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 30 September 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

30 OCT 2000

Profit and loss account
for the year ended 30 September 1999

	<i>Note</i>	1999 £000	1998 £000
Turnover	2		
Continuing operations		4,717	5,808
Acquisitions		492	-
		<hr/>	<hr/>
Cost of sales		5,209 (3,287)	5,808 (3,738)
		<hr/>	<hr/>
Gross profit		1,922	2,070
Distribution costs		(1,048)	(998)
Administrative expenses		(1,001)	(809)
		<hr/>	<hr/>
Operating (loss)/profit			
Continuing operations		(56)	263
Acquisitions		(71)	-
		<hr/>	<hr/>
		(127)	263
Interest payable and similar charges	6	(39)	(40)
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation	2-3	(166)	223
Tax on (loss)/profit on ordinary activities	7	-	(11)
		<hr/>	<hr/>
(Loss)/profit for the financial year		(166)	212
Dividend on equity shares	8	-	(144)
		<hr/>	<hr/>
Retained (loss)/profit for the year		(166)	68
		<hr/>	<hr/>

The company had no recognised gains or losses in either year other than those passing through the profit and loss account.

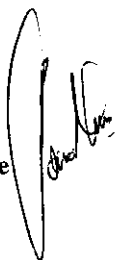
The notes on pages 7 to 19 form part of these financial statements.

Balance sheet
at 30 September 1999

	<i>Note</i>	1999 £000	1998 £000
Fixed assets			
Intangible assets			
Goodwill	9	107	117
Negative goodwill	9	(1)	-
		<hr/>	<hr/>
Net goodwill		106	117
Other intangible assets		-	2
Tangible assets	10	381	474
Investments	11	5	-
		<hr/>	<hr/>
		492	593
Current assets			
Stocks	14	827	853
Debtors	15	1,211	1,261
Cash at bank and in hand		29	-
		<hr/>	<hr/>
		2,067	2,114
Creditors: amounts falling due within one year	16	(1,081)	(1,044)
		<hr/>	<hr/>
Net current assets		986	1,070
		<hr/>	<hr/>
Total assets less current liabilities		1,478	1,663
Creditors: amounts falling due after more than one year	17	(17)	(36)
		<hr/>	<hr/>
Net assets		1,461	1,627
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	19	1,439	1,439
Share premium account	20	120	120
Profit and loss account	20	(98)	68
		<hr/>	<hr/>
Equity shareholders' funds	21	1,461	1,627
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 20 October 2000 and were signed on its behalf by:

JSHA Kane
Director



Notes

(forming part of the financial statements)

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 preparation

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

The company is dependant on group financing provided by the Kane family. The accounts have been prepared on a going concern basis as the family have confirmed that they will continue to support the company for the foreseeable future.

The company is a wholly owned subsidiary of Kane Group Limited which is incorporated in England, and is therefore exempt from the requirement to prepare consolidated accounts under section 228 of the Company's Act 1985.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives as follows:

Plant and machinery	
(including computer equipment) -	15% per annum on net book value or 20 % and 33% per annum on cost
Motor vehicles -	23% or 30% per annum on cost
Short leasehold premises -	over length of the lease

The costs of trademarks registered by the group are amortised at a rate of 20% per annum.

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at their cost.

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably.

Concessions, patents, licences and trademarks purchased by the company are amortised to nil by equal annual instalments over their useful economic lives, generally their respective unexpired periods are nil.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of twenty years.

Negative goodwill arising on business combinations in respect of acquisitions is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

Notes *(continued)*

Accounting policies *(continued)*

Development expenditure

Development expenditure is carried forward where it can be demonstrated that the expenditure directly relates to projects which are expected to generate income in future periods. Such development costs are amortised over a period of 5 years. Otherwise it is expensed in the profit and loss account during the period incurred.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction (or, if hedged forward, at the rate of exchange under the related forward currency contract). Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

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 period of the lease.

Post retirement benefits

The company operates a defined contribution pension scheme covering all eligible employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contribution payable to the scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of new materials, consumables and goods purchased for resale, the FIFO method is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that is probable that an actual liability will crystallise.

Transactions with related parties

As 100% of the company's voting rights are controlled within the group headed by Kane Group Limited, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Kane Group Limited within which this company is included can be obtained from the address given in note 25.

Cash flow statement

Under the provisions of Financial Reporting Standard No 1 Revised, the company has not prepared a cash flow statement because its parent company Kane Group Limited has prepared consolidated financial statements which include the results of the company for the year and which contain a consolidated cash flow statement.

Notes (continued)

Accounting policies (continued)

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

2 Analysis of turnover by geographical market

	1999 £000	1998 £000
<i>By geographical market</i>		
United Kingdom	2,938	2,846
North America	1,076	1,677
Europe	662	762
Rest of World	533	523
	<hr/>	<hr/>
	5,209	5,808
	<hr/>	<hr/>

Turnover is derived from the manufacture and distribution of gas analysis, environmental monitoring, electrical test and electrical energy measuring equipment.

3 (Loss)/profit on ordinary activities before taxation

	1999 £000	1998 £000
<i>(Loss)/profit on ordinary activities before taxation is stated</i>		
<i>after charging/(crediting)</i>		
Auditors' remuneration: as auditors	18	15
other	9	6
Depreciation and other amounts written off tangible fixed assets (note 10):		
Owned	93	108
Leased	62	60
Goodwill and trade marks amortised	10	8
Hire of plant and machinery - rentals payable under operating leases	8	9
Hire of other assets - operating leases	109	112
Loss on disposal of fixed assets	38	31
Profit on sale of Di-Log licence	-	(23)
Loss on sale of part of Maester business	13	-
Development expenditure amortised	-	2
	<hr/>	<hr/>

Notes (continued)

4 Remuneration of directors

	1999	1998
	£000	£000
Directors' emoluments	113	138
Company contributions to money purchase pension schemes	8	16
	121	154

	Number of directors	
	1999	1998
Retirement benefits are accruing to the following number of directors under money purchase schemes	2	2

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1999	1998
Office and management	15	12
Selling and distribution	21	20
Production	14	10
Technical support	15	13
	65	55

The aggregate payroll costs of these persons were as follows:

	1999	1998
	£000	£000
Wages and salaries	1,284	1,159
Social security costs	118	101
Other pension costs	47	47
	1,449	1,307

Notes (continued)

6 Interest payable and similar charges

	1999 £000	1998 £000
On bank loans and overdrafts	31	14
On all other loans	-	1
Finance charges payable in respect of finance leases and hire purchase contracts	8	9
Exchange losses	-	16
	<u>39</u>	<u>40</u>

7 Taxation

	1999 £000	1998 £000
UK corporation tax at 30% (1998: 31%)	-	11
	<u>-</u>	<u>11</u>

8 Dividends and other appropriations

	1999 £000	1998 £000
Equity shares: interim dividends paid	-	144
	<u>-</u>	<u>144</u>

Notes *(continued)*

9 Intangible fixed assets

	Trademark rights	Product development costs	Goodwill	Negative Goodwill	Total
	£000	£000	£000	£000	£000
Cost					
At beginning of year	6	57	178	-	241
Additions	-	-	-	(5)	(5)
Disposals	-	(57)	-	1	(56)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	6	-	178	(4)	180
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation					
At beginning of year	6	55	61	-	122
Charged in year	-	-	10	-	10
Credited in the year	-	-	-	(3)	(3)
On disposals	-	(55)	-	-	(55)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	6	-	71	(3)	74
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 30 September 1999	-	-	107	(1)	106
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 1998	-	2	117	-	119
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes *(continued)*

10 Tangible fixed assets

	Short leasehold premises £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost				
At beginning of year	45	831	160	1,036
Additions	1	102	-	103
Disposals	-	(214)	(13)	(227)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	46	719	147	912
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of year	40	438	84	562
Charge for year	4	113	38	155
On disposals	-	(176)	(10)	(186)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	44	375	112	531
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 September 1999	2	344	35	381
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 1998	5	393	76	474
	<hr/>	<hr/>	<hr/>	<hr/>

Included in the total cost of motor vehicles is £140,000 (1998: £153,000) in respect of assets held under finance leases and similar hire purchase contracts. Accumulated depreciation on those assets is £103,000 (1998: £76,000).

Included in the total cost of plant and machinery is £142,000 (1998: £114,000) in respect of assets held under finance leases and similar hire purchase contracts. Accumulated depreciation on those assets is £96,000 (1998: £70,000).

Notes (continued)

11 Fixed asset investments

	1999 £000	1998 £000
Investment in subsidiaries		
At beginning of year	-	-
Additions	5	-
	<hr/>	<hr/>
At end of year	5	-
	<hr/>	<hr/>

During the year the company set up a subsidiary, Kane Sarl, which is incorporated in France. It's principal activity is the sale and distribution of gas analysis, environmental monitoring, electrical test and electrical energy measurement equipment. Kane International Limited holds 100% of the ordinary share capital of Kane Sarl.

12 Acquisitions

On 24 December 1998 the company acquired the trade and assets of Maester, a division of Alpha Electronics Plc. The resulting negative goodwill of £4,741 was capitalised and will be released in line with the sale and usage of the assets acquired.

	Book value £000	Re- valuation £000	Fair value £000
Fixed assets			
Tangible	11	-	11
Current assets			
Stock	37	61	98
	<hr/>	<hr/>	<hr/>
Net assets	48	61	109
	<hr/>	<hr/>	<hr/>
Negative goodwill			(5)
			<hr/>
Purchase consideration and costs of acquisition			104
			<hr/>

The revaluation of stock was made to reflect the value of the stock to the business.

It is not possible to disclose any profit or loss details of prior periods for the division as Maester's results were included in company accounts and the division's results cannot be separately identified.

13 Disposal of part of business

Immediately following the acquisition of Maester the company then sold a small element of the Maester business. The sale proceeds amounted to £8,262 and the loss on the sale amounted to £12,670. The loss is stated after releasing £1,060 of negative goodwill, the proportion attributable to the stock sold.

Notes (continued)

14 Stocks

	1999 £000	1998 £000
Raw materials and consumables	339	279
Work in progress	160	102
Finished goods and goods for resale	328	472
	<u>827</u>	<u>853</u>

15 Debtors

	1999 £000	1998 £000
Amounts falling due within one year		
Trade debtors	858	966
Amounts owed by group undertakings	229	154
Other debtors	41	62
Prepayments and accrued income	83	79
	<u>1,211</u>	<u>1,261</u>

16 Creditors: amounts falling due within one year

	1999 £000	1998 £000
Bank loans and overdrafts (see below)	174	233
Obligations under finance leases and hire purchase contracts (see note 16)	39	40
Trade creditors	465	457
Amounts owed to group undertakings	21	10
Other creditors including taxation and social security	39	32
Accruals and deferred income	343	272
	<u>1,081</u>	<u>1,044</u>

Bank loans and overdrafts are repayable on demand and are secured by a fixed and floating charge on the assets of the company.

Notes *(continued)*

17 Creditors: amounts falling due after more than one year

	1999 £000	1998 £000
Obligations under finance leases and hire purchase contracts	17	36

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	1999 £000	1998 £000
Within one year	45	45
In second to fifth years	16	41
Over five years	4	-
	65	86
Less: future financing charges	(9)	(10)
	56	76

18 Deferred tax

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1999		1998	
	Provided asset £000	Unprovided asset £000	Provided asset £000	Unprovided asset £000
Difference between accumulated depreciation and capital allowances	-	134	-	105
Trading losses	-	25	-	-
Other timing differences	-	5	-	10
	-	164	-	115

Notes (*continued*)

19 Called up share capital

	1999 £000	1998 £000
<i>Authorised</i>		
20,000,000 ordinary shares of 10p each	2,000	2,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
14,385,455 ordinary shares of 10p each	1,439	1,439
	<hr/>	<hr/>

20 Reserves

	Profit and Loss Account £000	Share Premium Account £000
At beginning of year	68	120
Retained profit for the year	(166)	-
	<hr/>	<hr/>
At end of year	(98)	120
	<hr/>	<hr/>

21 Reconciliation of movement in shareholders' funds

	1999 £000	1998 £000
(Loss)/profit for the financial year	(166)	68
Opening shareholders' funds	1,627	1,559
	<hr/>	<hr/>
Closing shareholders' funds	1,461	1,627
	<hr/>	<hr/>

Notes (continued)

22 Contingent liabilities

(a) Bank loans and overdrafts

Kane International Limited has entered into a multilateral guarantee to the Bank of Scotland for the overdrafts of Kane Group Limited and Kane Holdings Limited. At 30 September 1999 the overdraft amounted to £152,000.

(b) Guarantees in the course of trade

Kane International Limited has given certain guarantees in the course of trade including at 30 September 1999 £60,000 (1998: £60,000) to HM Customs and Excise in respect of the duty deferment scheme.

23 Commitments

(a) Annual commitments under non-cancellable operating leases:

	1999		1998	
	Land and buildings £000	Plant & machinery £000	Land and buildings £000	Plant & machinery £000
Operating leases which expire:				
Within one year	1	3	61	1
In the second to fifth years inclusive	88	6	33	1
	<u>89</u>	<u>9</u>	<u>94</u>	<u>2</u>

(b) Capital commitments at the end of the financial year for which no provision has been made:

	1999 £000	1998 £000
Contracted	<u>30</u>	<u>-</u>

24 Pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the fund and amounted to £47,000 (1998: £47,000).

There were no outstanding or prepaid contributions at either the beginning or end of the year.

Notes *(continued)*

25 Ultimate parent company

The company's parent company and ultimate controlling party is Kane Group Limited, registered in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by Kane Group Limited registered in England and Wales. The consolidated accounts of this group can be obtained from Companies House, Crown Way, Cardiff, CF4 3UZ.