

PROCLAD INDUCTION BENDING LIMITED

FINANCIAL STATEMENTS

FOR

31 DECEMBER 2004

Company Registration Number 01949932



PROCLAD INDUCTION BENDING LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

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PROCLAD INDUCTION BENDING LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Mr A M Rodger
Mr D Arbon
Mr Y M J M Mohsen
Mr J E D Gordon

Company secretary

Ms T Gray

Registered office

The Meridian
4 Copthall House
Station Square
Coventry
CV1 2FL 0NN

Auditors

KPMG LLP
Chartered Accountants
& Registered Auditor
20 Castle Terrace
Edinburgh
EH1 2EG

PROCLAD INDUCTION BENDING LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2004

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was the bending of pipes using the induction bending process.

The company traded satisfactorily during the year. The directors consider that the company is soundly based both operationally and financially.

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 company has not paid or proposed a dividend during the year (2003: £Nil).

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

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

Mr S H Hayes	(resigned 10 th March 2004)
Mr S G Wain	(resigned 31 st March 2004)
Mr D C N MacPherson	(resigned 13 th September 2004)
Mr A M Rodger	
Mr Y M J M Mohsen	(appointed 20 December 2004)
Mr D Arbon	
Mr J E D Gordon	(appointed 22 April 2005)

None of the directors held any interest in the company or any other group companies at 31 December 2004.

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 INDUCTION BENDING LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2004

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 7 to 8, 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; 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 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. The directors are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

7 October 2005

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
PROCLAD INDUCTION BENDING LIMITED**

YEAR ENDED 31 DECEMBER 2004

We have audited the financial statements on page 5 to 14.

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 THE DIRECTORS AND THE 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 1985. 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.

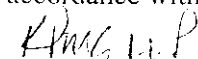
BASIS OF AUDIT OPINION

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.

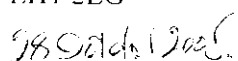
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG LLP
Chartered Accountants
& Registered Auditor
20 Castle Terrace
Edinburgh
EH1 2EG



PROCLAD INDUCTION BENDING LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2004

	Note	2004 £	2003 £
TURNOVER	2	2,518,720	2,749,166
Cost of sales		(1,811,271)	(2,086,729)
GROSS PROFIT		707,449	662,437
Distribution costs		(39,237)	(73,837)
Administrative expenses		(313,018)	(448,923)
OPERATING PROFIT	3	355,194	139,677
Interest receivable	6	3,964	3,217
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		359,158	142,894
Tax on profit on ordinary activities	7	23,328	(44,413)
RETAINED PROFIT FOR THE FINANCIAL YEAR		382,486	98,481
Balance brought forward		891,894	793,413
Balance carried forward		<u>1,274,380</u>	<u>891,894</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 INDUCTION BENDING LIMITED

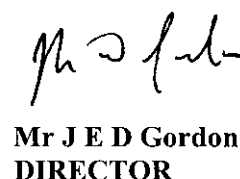
BALANCE SHEET

31 DECEMBER 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Tangible assets	8	481,237	125,607
CURRENT ASSETS			
Stocks	9	35,756	42,698
Debtors	10	1,296,305	1,122,950
Cash at bank and in hand		221,755	59,491
		<u>1,553,816</u>	<u>1,225,139</u>
CREDITORS: Amounts falling due within one year	11	<u>(679,287)</u>	<u>(354,138)</u>
NET CURRENT ASSETS		<u>874,529</u>	<u>871,001</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,355,766</u>	<u>996,608</u>
CREDITORS: Amounts falling due after more than one year	12	<u>(22,461)</u>	<u>(22,461)</u>
		<u>1,333,305</u>	<u>974,147</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	14	<u>(24,971)</u>	<u>(48,299)</u>
NET ASSETS		<u>1,308,334</u>	<u>925,848</u>
CAPITAL AND RESERVES			
Called-up equity share capital	16	33,954	33,954
Profit and Loss Account		<u>1,274,380</u>	<u>891,894</u>
SHAREHOLDERS' FUNDS	17	<u>1,308,334</u>	<u>925,848</u>

These financial statements were approved by the directors on 7 October 2005 and are signed on their behalf by:


MR A M Rodger
DIRECTOR


Mr J E D Gordon
DIRECTOR

PROCLAD INDUCTION BENDING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

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.

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.

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:

Plant & Machinery	- From 5 to 7 years
Motor Vehicles	- 4 years

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.

Leasing

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.

PROCLAD INDUCTION BENDING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

1. ACCOUNTING POLICIES *(continued)*

Pension costs

The company contributes to the money purchase Proclad Induction Bending 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.

2. TURNOVER

The turnover and profit 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:

	2004	2003
	£	£
United Kingdom	2,402,929	2,354,223
Europe	115,791	167,052
Middle East	-	38,364
Rest of the World	-	189,527
	<u>2,518,720</u>	<u>2,749,166</u>

PROCLAD INDUCTION BENDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

3. OPERATING PROFIT/(LOSS)

Operating profit is stated after charging/(crediting):

	2004	2003
	£	£
Depreciation of tangible fixed assets	57,646	64,308
Profit on disposal of fixed assets	-	(4,813)
Auditors' remuneration		
- as auditors	1,000	4,200
Operating lease costs:		
- Land and buildings	138,040	138,040
Group management charge payable	24,000	225,000

4. PARTICULARS OF EMPLOYEES

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

	2004	2003
	No	No
Production staff	22	23
Administrative staff	3	3
	<u>25</u>	<u>26</u>

The aggregate payroll costs of the above were:

	2004	2003
	£	£
Wages and salaries	713,320	693,993
Social security costs	74,646	67,801
Other pension costs	32,315	45,127
	<u>820,281</u>	<u>806,921</u>

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2004	2003
	£	£
Emoluments receivable	67,542	147,152
Company contributions to private pension schemes	13,422	27,795
	<u>80,964</u>	<u>174,947</u>

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

	2004	2003
	No	No
Private pension schemes	<u>1</u>	<u>2</u>

PROCLAD INDUCTION BENDING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

6. INTEREST RECEIVABLE

	2004 £	2003 £
Bank interest receivable	<u>3,964</u>	<u>3,217</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

In respect of the year:	2004 £	2003 £
<i>UK corporation tax</i>		
Current tax on income for the year	-	46,947
Adjustments in respect of prior periods	-	(7,953)
Total current tax	<u>-</u>	<u>38,994</u>
<i>Deferred tax (note 14)</i>		
Origination/reversal of timing differences	(24,228)	(3,390)
Adjustments in respect of prior periods	900	8,809
	<u>(23,328)</u>	<u>5,419</u>
Tax charge on profit on ordinary activities	<u>(23,328)</u>	<u>44,413</u>

Factors affecting the tax charge for the current period

UK taxation for the year is lower (2003 : lower) than the standard rate of corporation tax in the UK (30%; 2003 : 30%). The differences are explained below:

	2004 £	2003 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	<u>359,158</u>	<u>142,894</u>
Current tax at 30% (2003 : 30%)	107,747	42,868
<i>Effects of:</i>		
Expenses not deductible for tax purposes	797	689
Capital allowances for period in excess of depreciation and other timing differences	(24,228)	3,390
Group relief received	(84,316)	-
Adjustments to tax charge in respect of previous periods	-	(7,953)
Total current tax charge (see above)	<u>-</u>	<u>38,994</u>

PROCLAD INDUCTION BENDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

8. TANGIBLE FIXED ASSETS

	Plant & Machinery £	Motor Vehicles £	Total £
COST			
At 1 January 2004	859,505	34,926	894,431
Additions	413,276	-	413,276
At 31 December 2004	1,272,781	34,926	1,307,707
DEPRECIATION			
At 1 January 2004	735,200	33,624	768,824
Charge for the year	56,344	1,302	57,646
At 31 December 2004	791,544	34,926	826,470
NET BOOK VALUE			
At 31 December 2004	481,237	-	481,237
At 31 December 2003	124,305	1,302	125,607

Hire purchase agreements

Included within the net book value of £481,237 is £ Nil (2003: £1,302) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £1,302 (2003: £7,728).

9. STOCKS

	2004 £	2003 £
Work in progress	35,756	42,698

PROCLAD INDUCTION BENDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

10. DEBTORS

	2004	2003
	£	£
Trade debtors	342,841	434,098
Other debtors	22,755	5,218
Prepayments and accrued income	11,074	34,023
Amounts owed by group undertakings	919,635	649,611
	<u>1,296,305</u>	<u>1,122,950</u>

The debtors above include the following amounts falling due after more than one year:

	2004	2003
	£	£
Amounts owed by group undertakings	<u>800,099</u>	<u>397,000</u>

11. CREDITORS: Amounts falling due within one year

	2004	2003
	£	£
Trade creditors	513,638	213,276
Amounts owed to group undertakings	129,982	111,253
Other taxation and social security	1,085	25,224
Accruals and deferred income	34,582	4,385
	<u>679,287</u>	<u>354,138</u>

12. CREDITORS: Amounts falling due after more than one year

	2004	2003
	£	£
Amounts owed to group undertakings	<u>22,461</u>	<u>22,461</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.

13. PENSIONS

The company contributes to the money purchase Proclad Induction Bending Limited Group Personal pension scheme. The pension cost for the year in respect of company contributions was £32,315 (2003: £45,127). There were no pension accruals or prepayments outstanding at 31 December 2004 or 31 December 2003.

PROCLAD INDUCTION BENDING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

14. DEFERRED TAXATION

The movement in deferred taxation during the year was:

	£
Balance brought forward	48,299
Movement in the year	<u>(23,328)</u>
Balance carried forward	<u>24,971</u>

The elements of deferred taxation are as follows:

	2004 £	2003 £
Difference between accumulated depreciation and capital allowances	24,971	2,252
Other timing differences	-	(900)
Group relief	-	46,947
Deferred tax liability	<u>24,971</u>	<u>48,299</u>

15. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings 2004 £	2003 £
Operating leases which expire:		
Within 1 year	69,020	-
Within 2 to 5 years	<u>-</u>	<u>138,040</u>

16. SHARE CAPITAL**Authorised share capital:**

	2004 £	2003 £
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

Allotted, called up and fully paid:

	2004 £	2003 £
33,954 Ordinary shares of £1 each	<u>33,954</u>	<u>33,954</u>

PROCLAD INDUCTION BENDING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004	2003
	£	£
Profit for the financial year	249,714	98,481
Opening shareholders' equity funds	<u>925,848</u>	<u>827,367</u>
Closing shareholders' equity funds	<u>1,175,562</u>	<u>925,848</u>

18. RELATED PARTIES

The company has taken advantage of the exemption given in Financial Reporting Standard No 8 Related Party Disclosures with respect to inter group disclosures as the group controls at least 90% of the company's voting share capital and the group accounts are publicly available.

19. ULTIMATE PARENT COMPANY

The ultimate parent company is 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.