

FRIDAY



S1BM2SGO

SCT

22/06/2012

#180

COMPANIES HOUSE

KRG INDUSTRIES LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2012
Company Registration Number 83045

KRG INDUSTRIES LIMITED

FINANCIAL STATEMENTS

PERIOD FROM 1 DECEMBER 2010 TO 31 MARCH 2012

CONTENTS	PAGES
Officers and professional advisers	1
The directors' report	2 to 4
Independent auditor's report to the members	5 to 6
Profit and loss account	7
Group statement of total recognised gains and losses	8
Note of historical cost profits and losses	8
Group balance sheet	9
Balance sheet	10
Group cash flow cash flow statement	11
Notes to the financial statements	12 to 26

KRG INDUSTRIES LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
PERIOD ENDED 31 MARCH 2012

The board of directors	K Hughes G Hughes S Sinclair Y Okamoto G Ashe J Frew T Ono
Company secretary	S Sinclair
Business address	Russell Colt Street Coatbridge ML5 2BN
Registered office	Russell Colt Street Coatbridge ML5 2BN
Auditor	RSM Tenon Audit Limited 48 St Vincent Street Glasgow G2 5TS
Accountants	RSM Tenon Limited Accountants and Business Advisers 48 St Vincent Street Glasgow G2 5TS
Bankers	The Royal Bank of Scotland plc 80 Main Street Coatbridge ML5 3DZ

KRG INDUSTRIES LIMITED

THE DIRECTORS' REPORT

PERIOD FROM 1 DECEMBER 2010 TO 31 MARCH 2012

The directors present their report and the financial statements of the group for the period from 1 December 2010 to 31 March 2012.

Principal activities and business review

During the period KRG Industries continued to provide contract manufacturing engineering services including CNC horizontal boring, CNC vertical turning, CNC turning and milling and weld cladding to the major Oil & Gas, Aerospace Original Equipment Manufacturers (OEM's) and Rotating Equipment Manufacturers, all of whom require a reliable, high specification outsourcing capacity to augment their in-house manufacturing resources. KRG seeks to provide high customer added value by providing full turnkey solutions which it delivers through its UK manufacturing facilities complemented with specialist services from its integrated global supply chain.

During the period (16 months), the group significantly increased revenues to £19,845,836 (12 months to November 2010 - £10,615,693). This was achieved by focussing on our key markets which have shown strong growth in contrast with the more general economic conditions. The group's growth is equivalent to a 40% annualised increase on the prior period. The increased trading volumes coupled with cost savings and efficiencies from restructuring the business, resulted in an operating profit of £2,181,975 (12 months to November 2010 - loss of £281,166).

In April 2012 the company fully repaid an existing bank loan amounting to £681,093 using new long term loan funding provided by the parent company.

Business restructuring

In 2012 the group completed the fundamental reorganisation of the business (which commenced in 2009) to reduce its overhead costs by consolidating all of its Scottish manufacturing within the large previously underutilised Coatbridge facility. This single site is more convenient for our customers and creates an inherently more efficient environment which is better able to provide high levels of quality, delivery and value.

Capital investment

In addition to major overhauls on a large percentage of its existing machine tools, the business invested in 3 additional long bed CNC lathes with a fourth delivered just after the period end. The company also invested in robotic welding equipment which provides a cost effective solution for complex profiles. Finally, towards the end of the period, the company invested in an upgrade to the manufacturing computer system, which provides improved control of planning and scheduling with the aim of maximised delivery performance to our customers.

Forward prospects

The directors are confident that the return to profitability can be maintained within the restructured, more efficient operations; particularly with the support of the strong current order book which has held up consistently well over the past year and which we expect to remain robust in the medium term and for our forward planning horizon.

Results and dividends

The profit for the period, after taxation, amounted to £1,385,069 (30 November 2010 - loss of £141,359). The directors have not recommended a dividend.

KRG INDUSTRIES LIMITED

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 1 DECEMBER 2010 TO 31 MARCH 2012

Financial risk management objectives and policies

The group finances its operations through a mixture of retained profits, bank funding and parent company funding for working capital, plant and property. The management's objectives are to:

- maintain sufficient liquid funds to enable it to meet its day to day obligations as they fall due while maximising returns on surplus funds;
- match the repayment schedule of external borrowings or facilities with the future cash flows expected to arise from the group's trading activities;
- limit the group's exposure to fluctuating interest rates through a level of interest rate hedging against scheduled and planned borrowings;
- limit the group's exposure to bad debts through credit insurance; and
- limit the group's exposure to foreign exchange fluctuations through currency hedging when required.

Directors

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

K Hughes
G Hughes
S Sinclair
Y Okamoto
G Clocherty
G Ashe
J Frew
J D MacFarlane

Y Okamoto was appointed as a director on 17 December 2010.

G Clocherty was appointed as a director on 17 December 2010 and resigned as a director on 28 May 2012.

J D MacFarlane resigned as a director on 17 December 2010.

T Ono was appointed as a director on 28 May 2012.

Directors' responsibilities

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group 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; and
 - prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.
-

KRG INDUSTRIES LIMITED

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 1 DECEMBER 2010 TO 31 MARCH 2012

Directors' responsibilities *(continued)*

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are, individually, aware:

- there is no relevant audit information of which the group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

RSM Tenon Audit Limited are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Signed on behalf of the directors



.....
S Sinclair
Director

Approved by the directors on 19 June 2012

KRG INDUSTRIES LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KRG
INDUSTRIES LIMITED

PERIOD FROM 1 DECEMBER 2010 TO 31 MARCH 2012

We have audited the group and parent company financial statements ("the financial statements") of KRG Industries Limited for the period from 1 December 2010 to 31 March 2012 on pages 7 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 to 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2012 and of the group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

KRG INDUSTRIES LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KRG
INDUSTRIES LIMITED (continued)**

PERIOD FROM 1 DECEMBER 2010 TO 31 MARCH 2012

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David Holt, Senior Statutory Auditor
For and on behalf of

RSM Tenon Audit Limited

RSM Tenon Audit Limited
Statutory Auditor
48 St Vincent Street
Glasgow
G2 5TS

Date:- 20/6/12

KRG INDUSTRIES LIMITED
PROFIT AND LOSS ACCOUNT

PERIOD FROM 1 DECEMBER 2010 TO 31 MARCH 2012

	Note	Period from 1 Dec 10 to 31 Mar 12 £	£	Year to 30 Nov 10 £	£
Turnover	2				
Continuing operations		19,847,281		9,327,354	
Discontinued operations		—		1,288,339	
Group turnover			19,847,281		10,615,693
Cost of sales	3		(13,811,798)		(7,969,076)
Gross profit			6,035,483		2,646,617
Net operating expenses	3		(3,851,814)		(2,927,783)
Operating profit/(loss):	4				
Continuing operations		2,183,669		(144,716)	
Discontinued operations		—		(136,450)	
Group operating profit/(loss)			2,183,669		(281,166)
Cost of restructuring the company	7		(660,661)		(292,383)
Profit on disposal of assets	8		204,629		595,141
Interest payable and similar charges	9		(203,085)		(162,951)
Profit/(loss) on ordinary activities before taxation			1,524,552		(141,359)
Tax on profit/(loss) on ordinary activities	10		(139,483)		—
Profit/(loss) for the financial period	11		1,385,069		(141,359)

All of the activities of the group are classed as continuing.

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own Profit and Loss Account.

The notes on pages 12 to 26 form part of these financial statements.

KRG INDUSTRIES LIMITED

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

PERIOD FROM 1 DECEMBER 2010 TO 31 MARCH 2012

	Period from 1 Dec 10 to 31 Mar 12 £	Year to 30 Nov 10 £
Profit/(loss) for the financial period attributable to the shareholders of the parent company	1,385,069	(141,359)
Unrealised profit on revaluation of certain fixed assets	<u>104,833</u>	<u>—</u>
Total gains and losses recognised since the last annual report	<u>1,489,902</u>	<u>(141,359)</u>

Note of historical cost profits and losses

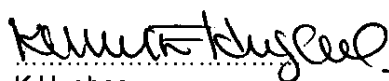
	Period from 1 Dec 10 to 31 Mar 12 £	Year to 30 Nov 10 £
Reported profit/(loss) on ordinary activities before taxation	1,524,552	(141,359)
Realisation of gains recognised in previous periods	2,746	—
Difference between a historical cost depreciation charge and the actual charge calculated on the revalued amount	<u>40,095</u>	<u>31,836</u>
Historical cost profit/(loss) on ordinary activities before taxation	<u>1,567,393</u>	<u>(109,523)</u>
Historical cost profit/(loss) for the period after taxation	<u>1,427,910</u>	<u>(109,523)</u>

The notes on pages 12 to 26 form part of these financial statements.

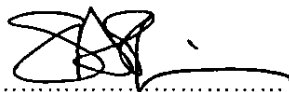
KRG INDUSTRIES LIMITED
GROUP BALANCE SHEET
31 MARCH 2012

	Note	31 Mar 12 £	£	30 Nov 10 £	£
Fixed assets					
Intangible assets	12		—		—
Tangible assets	13		3,905,360		3,804,572
			<u>3,905,360</u>		<u>3,804,572</u>
Current assets					
Stocks	15	1,700,831		1,345,443	
Debtors	16	3,415,159		2,584,750	
Cash at bank and in hand		326,598		34,494	
		<u>5,442,588</u>		<u>3,964,687</u>	
Creditors: Amounts falling due within one year	17	(5,587,167)		(4,913,644)	
Net current liabilities			(144,579)		(948,957)
Total assets less current liabilities			<u>3,760,781</u>		<u>2,855,615</u>
Creditors: Amounts falling due after more than one year	18		(1,372,517)		(2,166,972)
Provisions for liabilities					
Deferred taxation	21		(209,719)		—
			<u>2,178,545</u>		<u>688,643</u>
Capital and reserves					
Called-up share capital	24		58,824		58,824
Share premium account	25		391,176		391,176
Revaluation reserve	25		868,062		806,070
Profit and loss account	25		860,483		(567,427)
Shareholders' funds	26		<u>2,178,545</u>		<u>688,643</u>

These financial statements were approved by the directors and authorised for issue on 19 June 2012, and are signed on their behalf by:



K Hughes
Director



S Sinclair
Director

The notes on pages 12 to 26 form part of these financial statements.

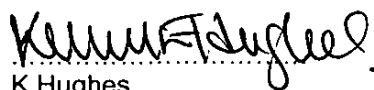
KRG INDUSTRIES LIMITED

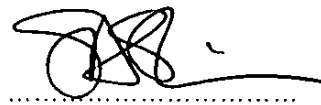
Registered Number 83045

BALANCE SHEET**31 MARCH 2012**

	Note	31 Mar 12 £	£	30 Nov 10 £	£
Fixed assets					
Tangible assets	13		3,905,360		3,804,572
Investments	14		230,434		230,434
			<u>4,135,794</u>		<u>4,035,006</u>
Current assets					
Stocks	15	1,700,831		1,334,316	
Debtors	16	3,390,638		2,406,924	
Cash at bank and in hand		325,635		8,321	
		<u>5,417,104</u>		<u>3,749,561</u>	
Creditors: Amounts falling due within one year	17	(5,790,348)		(4,816,185)	
Net current liabilities			(373,244)		(1,066,624)
Total assets less current liabilities			<u>3,762,550</u>		<u>2,968,382</u>
Creditors: Amounts falling due after more than one year	18		(1,372,517)		(2,276,525)
Provisions for liabilities					
Deferred taxation	21		(209,719)		-
			<u>2,180,314</u>		<u>691,857</u>
Capital and reserves					
Called-up share capital	24		58,824		58,824
Share premium account	25		391,176		391,176
Revaluation reserve	25		868,062		806,070
Profit and loss account	25		862,252		(564,213)
Shareholders' funds			<u>2,180,314</u>		<u>691,857</u>

These financial statements were approved by the directors and authorised for issue on 19 June 2012, and are signed on their behalf by:


K Hughes
Director


S Sinclair
Director

The notes on pages 12 to 26 form part of these financial statements.

KRG INDUSTRIES LIMITED
GROUP CASH FLOW CASH FLOW STATEMENT
PERIOD FROM 1 DECEMBER 2010 TO 31 MARCH 2012

	Note	Period from 1 Dec 10 to 31 Mar 12 £	£	Year to 30 Nov 10 £	£
Net cash inflow from operating activities	27		922,538		623,096
Returns on investments and Servicing of finance					
Interest paid		(196,044)		(159,081)	
Interest element of hire purchase		<u>(7,041)</u>		<u>(3,870)</u>	
Net cash outflow from returns on investments and servicing of finance			(203,085)		(162,951)
Taxation			70,236		—
Capital expenditure					
Payments to acquire tangible fixed assets		(544,172)		(51,326)	
Receipts from sale of fixed assets		<u>397,470</u>		<u>56,428</u>	
Net cash (outflow)/inflow from capital expenditure			(146,702)		5,102
Cash inflow before financing			642,987		465,247
Financing					
(Repayment of)/increase in other loans		(857,453)		21,723	
Repayment of bank loans		(39,638)		(47,818)	
Capital element of hire purchase		<u>(61,844)</u>		<u>(41,915)</u>	
Net cash outflow from financing			(958,935)		(68,010)
(Decrease)/increase in cash	27		<u>(315,948)</u>		<u>397,237</u>

During the period the group entered into hire purchase agreements in respect of assets with a total capital value at the inception of the lease of £171,029 (November 2010 - £96,570).

The notes on pages 12 to 26 form part of these financial statements.

KRG INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 DECEMBER 2010 TO 31 MARCH 2012

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over 3 years from the year of acquisition. The results of companies acquired or disposed are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

Turnover

The turnover shown in the profit and loss account represents the value of all goods sold during the period, less returns received, at selling price exclusive of Value Added Tax. Sales of goods are recognised at the point at which the company has fulfilled its contractual obligations and the risks and rewards attaching to the products have been transferred to the customer. Sales of services are recognised at the point at which the company has fulfilled its contractual obligations to the customer.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the estimated useful economic life of that asset as follows:

Goodwill - 33.3% straight line

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Cost represents purchase price together with any incidental costs of acquisition.

Assets that have been revalued are subject to subsequent revaluations in the third and fifth year following the previous revaluation, or when there are indications of a significant change in the value of the revalued assets. The valuations are performed by a qualified external valuer. The basis of the valuation is open market value.

Revaluation surpluses are taken to the revaluation reserve. Deficits on subsequent revaluations are charged to the profit and loss account if they are considered to arise as a result of the consumption of the economic benefits provided by the asset. Other deficits on revaluation are charged to the revaluation reserve up to the amount of the associated revaluation surplus. Any excess deficits are charged to the profit and loss account.

Where an asset that was previously revalued is disposed of, its book value is eliminated and an appropriate transfer is made from the revaluation reserve to the profit and loss reserve.

KRG INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 1 DECEMBER 2010 TO 31 MARCH 2012

1. Accounting policies (continued)

Depreciation

Depreciation is calculated so as to write off the cost or revaluation of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Heritable property	- 2% straight line
Plant and machinery	- 10 - 33% reducing balance
Motor vehicles	- 25 - 33% reducing balance

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

Stock

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is calculated using the first-in first-out method. Cost consists of material cost only. Net realisable value is the anticipated sales proceeds less any costs of disposal.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised, disclosed under tangible fixed assets at their fair value and are depreciated in accordance with the above depreciation policies. Future instalments payable under such agreements, net of finance charges, are included within creditors. Rentals payable are apportioned between the capital element, which reduces the outstanding obligation included within creditors, and the finance element, which is charged to the profit and loss account on a straight line basis.

Operating lease agreements

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company in an independently administered fund. The group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the group to the fund in respect of the year. The assets of the scheme are held separately from those of the group in an independently administered fund.

KRG INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 1 DECEMBER 2010 TO 31 MARCH 2012

1. Accounting policies *(continued)*

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised only to the extent that the directors consider it more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities recognised have not been discounted.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Non-monetary assets and liabilities and transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit. Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities are translated at year end exchange rates or, where appropriate, at rates of exchange fixed under the terms of the relevant transaction. The resulting exchange rate differences are charged to the profit and loss account.

The group uses forward foreign currency contracts to reduce exposure to foreign exchange rates changes.

Financial instruments

Financial instruments are classified and accounted for as financial assets, financial liabilities or equity instruments, according to the substance of the contractual arrangement.

Financial instruments which are assets are stated at cost less any provision for impairment. Financial liabilities are stated at principal capital amounts outstanding at the period end. Issue costs relating to financial liabilities are deducted from the outstanding balance and are amortised over the period to the due date for repayment of the financial liability.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. A financial liability is any contractual arrangement for an entity to deliver cash to the holder of the associated financial instrument.

Investments

Investments are stated at cost less provision for diminution of value, if such reduction is deemed to be of a permanent nature.

KRG INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 1 DECEMBER 2010 TO 31 MARCH 2012

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the group.

An analysis of turnover is given below:

	Period from 1 Dec 10 to 31 Mar 12 £	Year to 30 Nov 10 £
United Kingdom	10,085,309	8,747,190
Overseas	9,761,972	1,868,503
	<u>19,847,281</u>	<u>10,615,693</u>

3. Analysis of cost of sales and net operating expenses

	Continuing operations £	Discontinued operations £	Total £
Period from 1 December 2010 to 31 March 2012			
Turnover	19,847,281	-	19,847,281
Cost of sales	(13,811,798)	-	(13,811,798)
Gross Profit	<u>6,035,483</u>	<u>-</u>	<u>6,035,483</u>
Administrative expenses	(3,851,814)	-	(3,851,814)
Net operating expenses	<u>(3,851,814)</u>	<u>-</u>	<u>(3,851,814)</u>
Operating profit	<u>2,183,699</u>	<u>-</u>	<u>2,183,699</u>
Year ended 30 November 2010			
Turnover	9,327,354	1,288,339	10,615,693
Cost of sales	(7,134,015)	(835,061)	(7,969,076)
Gross profit	<u>2,193,339</u>	<u>453,278</u>	<u>2,646,617</u>
Administrative expenses	(2,338,055)	(589,728)	(2,927,783)
Net operating expenses	<u>(2,338,055)</u>	<u>(589,728)</u>	<u>(2,927,783)</u>
Operating loss	<u>(144,716)</u>	<u>(136,450)</u>	<u>(281,166)</u>

KRG INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 1 DECEMBER 2010 TO 31 MARCH 2012

4. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	Period from 1 Dec 10 to 31 Mar 12 £	Year to 30 Nov 10 £
Depreciation of owned fixed assets	480,518	382,117
Depreciation of assets held under hire purchase agreements	45,887	27,233
Auditors remuneration	13,500	14,500
Operating lease costs:		
- Land and buildings	120,000	81,257
- Plant and machinery	158,913	74,765
- Vehicles	28,271	24,365
Net (profit)/loss on foreign currency translation	<u>(1,694)</u>	<u>2,621</u>

5. Particulars of employees

The average number of staff employed by the group during the financial period amounted to:

	Period from 1 Dec 10 to 31 Mar 12 No	Year to 30 Nov 10 No
Production	130	113
Administration	19	46
Management	12	12
	<u>161</u>	<u>171</u>

The aggregate payroll costs of the above were:

	Period from 1 Dec 10 to 31 Mar 12 £	Year to 30 Nov 10 £
Wages and salaries	6,591,467	4,557,823
Social security costs	699,090	478,784
Other pension costs	108,793	190,074
	<u>7,399,350</u>	<u>5,226,681</u>

KRG INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 1 DECEMBER 2010 TO 31 MARCH 2012

6. Directors' remuneration

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

	Period from 1 Dec 10 to 31 Mar 12 £	Year to 30 Nov 10 £
Remuneration receivable	326,513	359,863
Value of company pension contributions to defined contribution schemes	<u>2,876</u>	<u>8,996</u>
	<u>329,389</u>	<u>368,859</u>

Remuneration of highest paid director:

	Period from 1 Dec 10 to 31 Mar 12 £	Year to 30 Nov 10 £
Total remuneration (excluding pension contributions)	110,974	72,068
Value of company pension contributions to defined contribution schemes	<u>1,009</u>	<u>2,494</u>
	<u>111,983</u>	<u>74,562</u>

The number of directors on whose behalf the company made pension contributions was as follows:

	Period from 1 Dec 10 to 31 Mar 12 No	Year to 30 Nov 10 No
Defined contribution schemes	<u>3</u>	<u>4</u>

7. Cost of reorganisation or restructuring

	Period from 1 Dec 10 to 31 Mar 12 £	Year to 30 Nov 10 £
Cost of restructuring company	<u>660,661</u>	<u>292,383</u>

The restructuring of the business involved the implementation of a fundamental business plan designed to control costs and streamline business processes. This involved a significant reduction in the labour force and a relocation of the group's manufacturing capability to its main production site.

8. Profit on disposal of assets

During the period the group sold fixed assets with a NBV of £192,841 for a total consideration of £397,470, resulting in a profit on disposal of £204,629.

KRG INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 DECEMBER 2010 TO 31 MARCH 2012

9. Interest payable and similar charges

	Period from 1 Dec 10 to 31 Mar 12 £	Year to 30 Nov 10 £
Interest payable on bank borrowing	115,823	80,435
Finance charges	7,041	3,870
Interest on other loans	80,221	78,646
	<u>203,085</u>	<u>162,951</u>

10. Taxation on ordinary activities

(a) Analysis of charge in the period

	Period from 1 Dec 10 to 31 Mar 12 £	£	Year to 30 Nov 10 £	£
Corporation tax	-	-	-	-
Over provision in prior year	(70,236)	-	-	-
	<u>(70,236)</u>			-
Deferred tax:				
Origination and reversal of timing differences	209,719	-	-	-
Total deferred tax (note 21)	<u>209,719</u>			-
Tax on profit/(loss) on ordinary activities	<u>139,483</u>			-

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 26% (2010 – 28%).

	Period from 1 Dec 10 to 31 Mar 12 £	Year to 30 Nov 10 £
Profit/(loss) on ordinary activities before taxation	<u>1,524,552</u>	<u>(141,359)</u>
Profit/(loss) on ordinary activities by rate of tax	396,384	(39,581)
Effects of:		
Expenses not deductible for tax purposes	10,281	4,208
Capital allowances in excess of depreciation	(57,611)	25,092
Unrelieved tax losses	-	24,631
Over provision in prior year	(70,236)	-
Utilisation of tax losses	(349,054)	(14,350)
Total current tax (note 10(a))	<u>(70,236)</u>	<u>-</u>

KRG INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 1 DECEMBER 2010 TO 31 MARCH 2012

11. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company was £1,383,624 (2010 - £(211,262)).

12. Intangible fixed assets

Group	Goodwill £
Cost	
At 1 December 2010 and 31 March 2012	(59,963)
Amortisation	
At 1 December 2010 and 31 March 2012	(59,963)
Net book value	
At 31 March 2012	—
At 30 November 2010	—

13. Tangible fixed assets

Group and Company	Heritable property £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation				
At 1 December 2010	1,850,000	6,059,815	29,961	7,939,776
Additions	—	684,751	30,450	715,201
Disposals	—	(465,422)	(22,726)	(488,148)
At 31 March 2012	<u>1,850,000</u>	<u>6,279,144</u>	<u>37,685</u>	<u>8,166,829</u>
Depreciation				
At 1 December 2010	55,500	4,057,459	22,245	4,135,204
Charge for the period	49,333	465,717	11,355	526,405
On disposals	—	(279,940)	(15,367)	(295,307)
Revaluation adjustment	(104,833)	—	—	(104,833)
At 31 March 2012	<u>—</u>	<u>4,243,236</u>	<u>18,233</u>	<u>4,261,469</u>
Net book value				
At 31 March 2012	<u>1,850,000</u>	<u>2,035,908</u>	<u>19,452</u>	<u>3,905,360</u>
At 30 November 2010	<u>1,794,500</u>	<u>2,002,356</u>	<u>7,716</u>	<u>3,804,572</u>

The group and company's heritable properties were valued at 23 February 2012 by DM Hall Chartered Surveyors. The properties were valued on an open market basis at a total of £1,850,000.

KRG INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 DECEMBER 2010 TO 31 MARCH 2012

13. Tangible fixed assets (continued)

In respect of certain fixed assets stated at valuations, the comparable historical cost and depreciation values are as follows:

	2012 £	2010 £
Net book value at end of period	<u>2,017,254</u>	<u>2,134,965</u>
Historical cost:		
At 1 December 2010	1,796,122	1,796,122
Disposals in period	(10,029)	-
At 31 March 2012	<u>1,786,093</u>	<u>1,796,122</u>
Depreciation:		
At 1 December 2010	467,227	412,427
On disposals	(5,449)	-
Charge for period	70,290	54,800
At 31 March 2012	<u>532,068</u>	<u>467,227</u>
Net historical cost value:		
At 31 March 2012	<u>1,254,025</u>	<u>1,328,895</u>
At 1 December 2010	<u>1,328,895</u>	<u>1,383,695</u>

Hire purchase agreements

Included within the net book value of £3,905,360 is £254,297 (2010 - £131,932) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £45,887 (2010 - £27,233).

14. Investments

Company	Group companies £
Cost	
At 1 December 2010 and 31 March 2012	<u>230,434</u>
Net book value	
At 31 March 2012 and 30 November 2010	<u>230,434</u>

The company owns 100% of the issued share capital of the following company, incorporated in Scotland:

Company name	Nature of the business
MCE Receivables Limited	Machine tool maintenance

The subsidiary's results are included in the consolidated financial statements, the subsidiary has an accounting reference date of 31 March.

	31 Mar 12 £	30 Nov 10 £
Aggregate capital and reserves	<u>228,665</u>	<u>227,220</u>
Profit for the year	<u>1,445</u>	<u>694,903</u>

KRG INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 DECEMBER 2010 TO 31 MARCH 2012

15. Stocks

	Group		Company	
	31 Mar 12	30 Nov 10	31 Mar 12	30 Nov 10
	£	£	£	£
Raw materials	41,864	64,807	41,864	53,680
Work in progress	1,562,480	1,153,577	1,562,480	1,153,577
Finished goods	96,487	127,059	96,487	127,059
	<u>1,700,831</u>	<u>1,345,443</u>	<u>1,700,831</u>	<u>1,334,316</u>

16. Debtors

	Group		Company	
	31 Mar 12	30 Nov 10	31 Mar 12	30 Nov 10
	£	£	£	£
Trade debtors	3,330,707	2,300,173	3,330,707	2,272,347
Other debtors	—	150,000	—	—
Prepayments and accrued income	84,452	134,577	59,931	134,577
	<u>3,415,159</u>	<u>2,584,750</u>	<u>3,390,638</u>	<u>2,406,924</u>

Group

Factored debts outstanding at 31 March 2012 amounted to £2,271,779 (30 November 2010 - £2,249,357).

Company

Factored debts outstanding at 31 March 2012 amounted to £2,271,779 (30 November 2010 - £2,249,357).

17. Creditors: Amounts falling due within one year

	Group		Company	
	31 Mar 12	30 Nov 10	31 Mar 12	30 Nov 10
	£	£	£	£
Bank loans and overdrafts	1,724,917	1,150,498	1,724,917	1,150,498
Other loans	900,000	895,184	900,000	895,184
Trade creditors	1,487,599	1,473,150	1,458,484	1,457,499
Amounts owed to group undertakings	—	—	261,514	—
Hire purchase agreements	74,763	39,397	74,763	39,397
Taxation and social security	194,221	286,647	194,032	263,943
Accruals and deferred income	1,205,667	1,068,768	1,176,638	1,009,664
	<u>5,587,167</u>	<u>4,913,644</u>	<u>5,790,348</u>	<u>4,816,185</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	Group		Company	
	31 Mar 12	30 Nov 10	31 Mar 12	30 Nov 10
	£	£	£	£
Bank loans and overdrafts	1,724,917	1,150,498	1,724,917	1,150,498
Other loans	900,000	783,344	900,000	783,344
Hire purchase agreements	74,763	39,397	74,763	39,397
	<u>2,699,680</u>	<u>1,973,239</u>	<u>2,699,680</u>	<u>1,973,239</u>

Details of the securities in place are disclosed in note 18 to the financial statements.

KRG INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 DECEMBER 2010 TO 31 MARCH 2012

18. Creditors: Amounts falling due after more than one year

	Group		Company	
	31 Mar 12	30 Nov 10	31 Mar 12	30 Nov 10
	£	£	£	£
Bank loans and overdrafts	679,814	685,819	679,814	685,819
Other loans	541,667	1,403,936	541,667	1,403,936
Amounts owed to group undertakings	—	—	—	109,553
Hire purchase agreements	121,014	47,195	121,014	47,195
Other creditors	30,022	30,022	30,022	30,022
	<u>1,372,517</u>	<u>2,166,972</u>	<u>1,372,517</u>	<u>2,276,525</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	Group		Company	
	31 Mar 12	30 Nov 10	31 Mar 12	30 Nov 10
	£	£	£	£
Bank loans and overdrafts	679,814	685,819	679,814	685,819
Other loans	541,667	1,366,656	541,667	1,366,656
Hire purchase agreements	121,014	47,195	121,014	47,195
	<u>1,342,495</u>	<u>2,099,670</u>	<u>1,342,495</u>	<u>2,099,670</u>

The bank loans are secured over the company's properties, a bond and floating charge over all company assets and life assurance policies in the names of certain directors. The loan included within other loans is secured by way of a bond and floating charge over all property and assets of the company. Hire purchase creditors are secured over the individual assets to which the agreements relate.

19. Creditors - capital instruments borrowings

Creditors include finance capital which is due for repayment as follows:

	Group		Company	
	31 Mar 12	30 Nov 10	31 Mar 12	30 Nov 10
	£	£	£	£
Amounts repayable:				
In one year or less or on demand	2,624,917	2,062,342	2,624,917	2,062,342
In more than one year but not more than two years	634,898	1,523,103	634,898	1,523,103
In more than two years but not more than five years	139,848	549,992	139,848	549,992
In more than five years	446,735	—	446,735	—
	<u>3,846,398</u>	<u>4,135,437</u>	<u>3,846,398</u>	<u>4,135,437</u>

Interest is charged on certain term loans at 3.5% over The Royal Bank of Scotland plc base rate and at 2.5% over 1 month LIBOR.

KRG INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 DECEMBER 2010 TO 31 MARCH 2012

20. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	31 Mar 12 £	30 Nov 10 £
Group and Company		
Amounts payable within 1 year	84,088	42,307
Amounts payable between 2 to 5 years	133,071	51,692
	<u>217,159</u>	<u>93,999</u>
Less interest and finance charges relating to future periods	(21,382)	(7,407)
	<u>195,777</u>	<u>86,592</u>

21. Deferred taxation

The movement in the deferred taxation provision during the period was:

	Group		Company	
	1 Dec 10 to 31 Mar 12 £	Year to 30 Nov 10 £	1 Dec 10 to 31 Mar 12 £	Year to 30 Nov 10 £
Provision for period	209,719	-	209,719	-
Provision carried forward	<u>209,719</u>	<u>-</u>	<u>209,719</u>	<u>-</u>

The group's provision for deferred taxation consists of the tax effect of timing differences in respect of:

Group	31 Mar 12		30 Nov 10	
	Provided £	Unprovided £	Provided £	Unprovided £
Excess of taxation allowances over depreciation on fixed assets	218,781	-	330,291	-
Tax losses available	(6,246)	(15,154)	(327,359)	(57,347)
Other timing differences	(2,816)	-	(2,932)	25,000
	<u>209,719</u>	<u>(15,154)</u>	<u>-</u>	<u>(32,347)</u>

The company's provision for deferred taxation consists of the tax effect of timing differences in respect of:

Company	31 Mar 12		30 Nov 10	
	Provided £	Unprovided £	Provided £	Unprovided £
Excess of taxation allowances over depreciation on fixed assets	218,781	-	330,284	-
Tax losses available	(6,246)	-	(327,352)	(53,815)
Other timing differences	(2,816)	-	(2,932)	25,000
	<u>209,719</u>	<u>-</u>	<u>-</u>	<u>(28,815)</u>

KRG INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 DECEMBER 2010 TO 31 MARCH 2012

22. Commitments under operating leases

At 31 March 2012 the group had annual commitments under non-cancellable operating leases as set out below.

Group and company	31 Mar 12		30 Nov 10	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Operating leases which expire:				
Within 1 year	-	21,228	-	23,907
Within 2 to 5 years	50,000	31,617	90,000	85,120
	<u>50,000</u>	<u>52,845</u>	<u>90,000</u>	<u>109,027</u>

23. Related party transactions

During the period under review, the company made sales of £2,877,315 (November 2010 - £590,630) to Torishima Group companies. The balance due to the company in relation to these sales at the year end was £149,329 (November 2010 - £247,974). This amount is included within trade debtors. Payments on account of £176,022 (2010 - £443,025) were received from Torishima Group companies in relation to outstanding orders at the year end; these amounts are included within deferred income. Included within other loans is £1,441,667 (November 2010 - £2,150,000) due to Torishima Pump Mfg. Co., Ltd. Torishima Pump Mfg. Co., Ltd is the ultimate parent company of the group.

No other transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

24. Share capital

Allotted, called up and fully paid:

	31 Mar 12		30 Nov 10	
	No	£	No	£
Ordinary shares of £1 each	<u>58,824</u>	<u>58,824</u>	<u>58,824</u>	<u>58,824</u>

25. Reserves

Group	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance brought forward	391,176	806,070	(567,427)
Profit for the period	-	-	1,385,069
Transfer to/from revaluation reserve	-	(42,841)	42,841
Other gains and losses			
- Revaluation of fixed assets	-	104,833	-
Balance carried forward	<u>391,176</u>	<u>868,062</u>	<u>860,483</u>

KRG INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 DECEMBER 2010 TO 31 MARCH 2012

25. Reserves (continued)

Company	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance brought forward	391,176	806,070	(564,213)
Profit for the period	—	—	1,383,624
Transfer to/from revaluation reserve	—	(42,841)	42,841
Other gains and losses			
- Revaluation of fixed assets	—	104,833	—
Balance carried forward	<u>391,176</u>	<u>868,062</u>	<u>862,252</u>

26. Reconciliation of movements in shareholders' funds

	31 Mar 12 £	30 Nov 10 £
Profit/(Loss) for the financial period	1,385,069	(141,359)
Other net recognised gains and losses	104,833	—
Net addition/(reduction) to shareholders' funds	1,489,902	(141,359)
Opening shareholders' funds	688,643	830,002
Closing shareholders' funds	<u>2,178,545</u>	<u>688,643</u>

27. Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

	Period from 1 Dec 10 to 31 Mar 12 £	Year to 30 Nov 10 £
Operating profit/(loss)	2,183,669	(281,166)
Depreciation	526,405	409,350
Increase in stocks	(355,388)	(318,456)
(Increase)/decrease in debtors	(830,409)	182,954
Increase in creditors	58,922	327,656
Re-organisation costs	(660,661)	(292,383)
Profit on disposal of assets	—	595,141
Net cash inflow from operating activities	<u>922,538</u>	<u>623,096</u>

KRG INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 DECEMBER 2010 TO 31 MARCH 2012

27. Notes to the cash flow statement (continued)

Reconciliation of net cash flow to movement in net debt

	31 Mar 12		30 Nov 10	
	£	£	£	£
(Decrease)/increase in cash in the period	(315,948)		397,237	
Net cash outflow from/(inflow) from other loans	857,453		(21,723)	
Net cash outflow from bank loans	39,638		47,818	
Cash outflow in respect of hire purchase agreements	61,844		41,915	
Change in net debt resulting from cash flows		642,987		465,247
New hire purchase agreements		(171,029)		(96,570)
Movement in net debt in the period		471,958		368,677
Net debt at 1 December 2010		(4,187,535)		(4,556,212)
Net debt at 31 March 2012		(3,715,577)		(4,187,535)

Analysis of changes in net debt

	At 1 December 2010 £	Cash flows £	Other changes £	At 31 March 2012 £
Net cash:				
Cash in hand and at bank	34,494	292,104	—	326,598
Overdrafts	(1,116,865)	(608,052)	—	(1,724,917)
	(1,082,371)	(315,948)	—	(1,398,319)
Debt:				
Debt due within 1 year	(928,817)	28,817	—	(900,000)
Debt due after 1 year	(2,089,755)	868,274	—	(1,221,481)
Hire purchase agreements	(86,592)	61,844	(171,029)	(195,777)
	(3,105,164)	958,935	(171,029)	(2,317,258)
Net debt	(4,187,535)	642,987	(171,029)	(3,715,577)

Non-cash transactions

During the year, the company entered into hire purchase arrangements in respect of assets with a total capital value at the inception of the lease of £171,029 (2010 - £96,570).

28. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £177,361 (2010 - £Nil).

29. Ultimate controlling party

The ultimate parent company is Torishima Pump Mfg. Co., Ltd with its shareholding of 69.5%. Torishima Pump Mfg. Co., Ltd is a company registered in Japan and listed on the Tokyo Stock Exchange.