

Benson Environmental Limited

Directors' report and financial statements

For the ten months ended 31 March 1997

Registered number 759625



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the ten months ended 31 March 1997.

Principal activities

The company's principal activity is the manufacture, design and distribution of environmental control products.

Results and business review

The results for the period are shown in the profit and loss account on page 5.

West Molesey has continued to operate at high levels of operational performance and achieved excellent results. It is most pleasing to report that at Knighton, the very heavy losses incurred in the year ended 31 May 1996 have now been eliminated, and in the period to 31 March 1997, Knighton has made a small profit for the first time in many years.

The directors do not recommend the payment of a final dividend (1996: £Nil).

Market value of land and buildings

The freehold land and building at the Knighton site were revalued in 1994, by the previous board of directors. The present board of directors are aware that, because of current conditions in the commercial property market, it is likely the current open market value of the Knighton site is less than the balance sheet carrying value. It is considered that this is not a permanent diminution in value and consequently no revaluation has been made in the accounts.

Directors

The directors who served during the period were as follows:

| | |
|-------------|-----------------------------|
| DM Rhead | (chairman) |
| R Green | (resigned 28 June 1996) |
| D Hawkes | (resigned 28 February 1997) |
| G Parker | (resigned 19 July 1996) |
| PJ Campbell | |
| LA Stimpson | |
| JJ Owens | |
| J Park | (appointed 1 June 1996) |
| RW Barnes | (appointed 1 April 1997) |
| SR McNeice | (appointed 21 October 1996) |

No director had any interest in the shares of the company at any time during the period.

DM Rhead and JJ Owens are directors of the ultimate parent company at 31 March 1997 and their interests are disclosed in the financial statements of that company.

Director's report

(continued)

The interests of the other directors in the ordinary shares of Benson Group plc, together with beneficial interests arising from the Benson Group Executive Share Option Scheme are as follows:

| | Ordinary shares | | 1986 Executive Share Option Scheme | |
|-------------|---|---|---|---|
| | At 31 March 1997 | At 31 May 1996 or later date of appointment | At 31 March 1997 | At 31 May 1996 or later date of appointment |
| J Park | 4,800 | 4,800 | - | - |
| PJ Campbell | - | - | 3,000 | 3,000 |
| D Hawkes | - | 49,020 | - | 19,794 |
| R Green | - | 88,724 | - | 3,053 |
| G Parker | - | - | - | 3,000 |
| SR McNiece | 1,713 | 1,713 | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | 1996 Executive Share Option Scheme (approved) | | 1996 Executive Share Option Scheme (unapproved) | |
| | At 31 March 1997 | At 31 May 1996 or later date of appointment | At 31 March 1997 | At 31 May 1996 or later date of appointment |
| J Park | 6,771 | 6,771 | 53,229 | 53,229 |
| PJ Campbell | 17,000 | 17,000 | - | - |
| L Stimpson | 60,000 | 60,000 | - | - |
| R Green | - | - | - | 60,000 |
| SR McNiece | 20,000 | 20,000 | - | - |
| R Barnes | 10,000 | 10,000 | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

There are 7,500 options (1996: 7,500) outstanding to PJ Campbell under the Benson Group 1987 Sharesave Scheme and 1,500 (1996: 1,500) outstanding to J Park.

Director's report

(continued)

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.

By order of the board



RM Unsworth
Secretary

Bradfield House
Pope's Lane
Oldbury
West Midlands
B69 4QT

29 May 1997



KPMG Audit Plc
2 Cornwall Street
Birmingham B3 2DL

Auditors' report to the members of Benson Environmental Limited

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 at 31 March 1997 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit plc
Chartered Accountants
Registered Auditor

29 May 1997

Profit and loss account

for the ten months ended 31 March 1997

| | Note | Continuing operations | |
|--|------|-------------------------------|-------------------------|
| | | 10 months ended 31 March 1997 | Year ended 31 May 1996 |
| | | £ | £ |
| Turnover | 2 | 13,831,350 | 14,563,765 |
| Cost of sales (including exceptional charges of £nil (1996 : £845,076)) | 4 | (10,601,462) | (12,826,051) |
| Gross profit | | <u>3,229,888</u> | <u>1,737,714</u> |
| Distribution costs | | (1,405,456) | (2,042,812) |
| Administrative expenses (including exceptional charges of £30,571 (1996 : £1,243,657)) | 4 | (1,224,421) | (2,235,349) |
| | | <u>(2,629,877)</u> | <u>(4,278,161)</u> |
| Operating profit/(loss) | 3 | <u>600,011</u> | <u>(2,540,447)</u> |
| Loan waived by parent | | - | 1,800,000 |
| Net interest payable | 7 | (101,853) | (24,877) |
| Profit/(loss) on ordinary activities before and after taxation being profit/(loss) transferred to/(from) reserves | 17 | <u><u>498,158</u></u> | <u><u>(765,324)</u></u> |

The movement on reserves is shown in note 17.

There is no difference between the gain for the financial period and the total recognised gain for the current or previous year.

Balance sheet
at 31 March 1997

| | Note | 31 March 1997 | | 31 May 1996 | |
|--|------|---------------|-----------|-------------|-----------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 10 | | 2,521,534 | | 2,458,340 |
| Current assets | | | | | |
| Stocks | 11 | 1,437,408 | | 1,613,517 | |
| Debtors | 12 | 3,280,345 | | 4,423,554 | |
| Cash at bank and in hand | | 735,722 | | 3,991 | |
| | | | | | |
| | | 5,453,475 | | 6,041,062 | |
| Creditors: amounts falling due within one year | 13 | (4,696,684) | | (5,823,029) | |
| | | | | | |
| Net current assets | | | 756,791 | | 218,033 |
| | | | | | |
| Total assets less current liabilities | | | 3,278,325 | | 2,676,373 |
| | | | | | |
| Creditors: amounts falling due after more than one year | 14 | | (135,753) | | (31,959) |
| | | | | | |
| | | | 3,142,572 | | 2,644,414 |
| | | | | | |
| Capital and reserves | | | | | |
| Called up share capital | 16 | 1,987,002 | | 1,987,002 | |
| Capital contribution reserve | 17 | 323,000 | | 323,000 | |
| Revaluation reserve | 17 | 790,000 | | 801,000 | |
| Profit and loss account | 17 | 42,570 | | (466,588) | |
| | | | | | |
| Shareholders' funds - equity | | | 3,142,572 | | 2,644,414 |

These financial statements were approved by the board of directors on 29 May 1997 and were signed on its behalf by:


JJ Owens

Director

Other primary statements for the period ended 31 March 1997

Reconciliation of movements in shareholders' funds

| | 10 months ended 31 March 1997 £ | Year ended 31 May 1996 £ |
|--|---------------------------------------|--------------------------------|
| Profit/(loss) for the financial period | 498,158 | (765,324) |
| Capital contribution | - | 323,000 |
| | <hr/> | <hr/> |
| Movement in shareholders' funds | 498,158 | (442,324) |
| Shareholders' funds at beginning of period | 2,644,414 | 3,086,738 |
| | <hr/> | <hr/> |
| Shareholders' funds at end of period | 3,142,572 | 2,644,414 |
| | <hr/> <hr/> | <hr/> <hr/> |

Historical cost profits and losses

| | 1997 £ | 1996 £ |
|--|-------------|-------------|
| Profit/(loss) on ordinary activities before taxation | 498,158 | (765,324) |
| Additional depreciation charged on revalued buildings | 11,000 | 11,000 |
| | <hr/> | <hr/> |
| Historic cost profit/(loss) on ordinary activities before taxation | 509,158 | (754,324) |
| | <hr/> | <hr/> |
| Historic cost retained profit/(loss) for the financial period | 509,158 | (754,324) |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes

(forming part of the financial statements)

1 Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable Accounting Standards.

Turnover

Turnover represents the amount receivable in respect of goods delivered to customers during the year, net of value added tax.

Depreciation

Depreciation is provided on the cost or valuation of fixed assets on a straight line basis in order to write them down to estimated realisable value over their estimated useful lives as follows:

| | |
|---------------------|-----------------|
| Freehold buildings | - 2% |
| Plant and equipment | - 20% and 33.3% |
| Motor vehicles | - 25% and 33.3% |

Freehold land is not depreciated.

Research and development

Research and development expenditure is written off as incurred.

Hire purchase and leased assets

Fixed assets acquired under hire purchase and finance lease contracts are recorded in the balance sheet as tangible fixed assets at their equivalent capital value and are depreciated over the useful life of the asset and the corresponding liability is recorded as a creditor.

Interest is charged to the profit and loss account on a straight line basis. Payments under operating leases are charged to the profit and loss account in the year to which payments relate.

Stocks

Stocks have been valued consistently at the lower of cost and net realisable value, with due allowance being made for obsolete and slow moving items. In the case of work in progress and finished stocks, cost consists of direct materials, labour and appropriate overheads.

Deferred taxation

Provision is made for deferred taxation only to the extent that it is probable that an actual liability will crystallise.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the closing rate of exchange, differences being taken to the profit and loss account.

Pensions

The Company was a participating employer up to 31 December 1996 to the Group contributory defined benefit pension scheme covering a number of the company's permanent employees. Contributions to the scheme were charged to the profit and loss account so as to spread the cost of pensions over employees' service lives with the company. From 1 January 1997 onwards, that pension scheme was replaced with a Group Personal Pension Scheme and contributions to the new scheme are charged to profits as incurred.

Notes (continued)

2 Turnover

The analysis of turnover by geographical market is as follows:

| | 1997 | 1996 |
|---------------|------------|------------|
| | £ | £ |
| UK | 12,721,760 | 13,831,370 |
| Europe | 690,505 | 457,163 |
| Asia | 408,930 | 261,956 |
| Africa | - | 92 |
| Australasia | 10,155 | 5,633 |
| South America | - | 7,551 |
| | <hr/> | <hr/> |
| | 13,831,350 | 14,563,765 |
| | <hr/> | <hr/> |

3 Operating profit/(loss)

| 1997 | 1996 |
|------|------|
| £ | £ |

Operating profit/(loss) is stated

after charging

| | | |
|---------------------------------------|---------|---------|
| Depreciation of tangible fixed assets | 180,033 | 398,153 |
| Hire of plant and machinery | 14,544 | 20,729 |
| Operating leases: | | |
| Buildings | 156,177 | 185,000 |
| Plant and vehicles | 106,136 | 131,888 |
| Auditors' remuneration | 15,000 | 16,000 |
| | <hr/> | <hr/> |

Remuneration of the auditors in respect of non-audit services was £2,000 (1996: £2,000).

4 Exceptional charges

| 1997 | 1996 |
|------|------|
| £ | £ |

| | | |
|-------------------------|--------|-----------|
| Goodwill amortisation | - | 1,194,000 |
| Fixed asset write downs | - | 134,381 |
| Stock write downs | - | 610,000 |
| Debtor provisions | - | 100,695 |
| Redundancy | 30,571 | 49,657 |
| | <hr/> | <hr/> |
| | 30,571 | 2,088,733 |
| | <hr/> | <hr/> |

Notes (continued)

4 Exceptional charges (continued)

The exceptional costs relating to stock write downs, debtor provisions and fixed asset write downs reflected the prudent application of the company's existing accounting policies.

5 Employees

The average number of persons employed by the company, by category, was:

| | Number of employees | |
|-------------------|---------------------|-------|
| | 1997 | 1996 |
| Manufacture | 160 | 151 |
| Sales and service | 43 | 46 |
| Administration | 12 | 13 |
| | <hr/> | <hr/> |
| | 215 | 210 |
| | <hr/> | <hr/> |

Employee costs:

| | £ | £ |
|-------------------------|-----------|-----------|
| Wages and salaries | 2,760,862 | 3,458,103 |
| Social security charges | 253,847 | 308,044 |
| Pension contributions | 113,541 | 102,556 |
| | <hr/> | <hr/> |
| | 3,128,250 | 3,868,703 |
| | <hr/> | <hr/> |

6 Directors' emoluments

| | 1997 £ | 1996 £ |
|-----------------------|-----------|-----------|
| Emoluments | 218,779 | 301,157 |
| Pension contributions | 4,286 | 30,116 |
| | <hr/> | <hr/> |
| | 223,065 | 331,273 |
| | <hr/> | <hr/> |

The directors' emoluments for executive services, excluding pension contributions, were:

| | | |
|-----------------------|--------|--------|
| Chairman | - | - |
| Highest paid director | 66,531 | 46,070 |
| | <hr/> | <hr/> |

Notes (continued)

6 Directors' emoluments (continued)

The remuneration of the directors excluding pension contributions fell into the following bands:

| | | | Number of directors | |
|---------|---|---------|---------------------|-------|
| | | | 1997 | 1996 |
| £0 | - | £ 5,000 | 4 | 6 |
| £5,001 | - | £10,000 | 1 | - |
| £15,001 | - | £20,000 | 1 | - |
| £25,001 | - | £30,000 | 1 | 1 |
| £30,001 | - | £35,000 | 1 | 2 |
| £35,001 | - | £40,000 | - | 2 |
| £45,001 | - | £50,000 | - | 1 |
| £60,001 | - | £65,000 | 1 | - |
| £65,001 | - | £70,000 | 1 | - |
| | | | <hr/> | <hr/> |

7 Net interest payable

| | 1997 | 1996 |
|--|-----------|----------|
| | £ | £ |
| <i>Interest payable</i> | | |
| Bank interest | (73,025) | - |
| Hire purchase and finance lease interest | (28,828) | (16,923) |
| Group interest | - | (7,954) |
| | <hr/> | <hr/> |
| Net interest payable | (101,853) | (24,877) |
| | <hr/> | <hr/> |

9 Intangible assets

| | Goodwill |
|----------------------------------|-----------|
| | £ |
| <i>Cost</i> | |
| At 31 May 1996 and 31 March 1997 | 1,431,321 |
| | <hr/> |
| <i>Amortisation</i> | |
| At 31 May 1996 and 31 March 1997 | 1,431,321 |
| | <hr/> |
| <i>Net book value</i> | |
| At 31 May 1996 and 31 March 1997 | - |
| | <hr/> |

Notes (continued)

10 Tangible fixed assets

| | Freehold land and buildings £ | Plant and equipment £ | Motor vehicles £ | Total £ |
|-------------------------|--|-----------------------------|------------------------|------------------|
| Cost/valuation | | | | |
| At beginning of period | 1,721,725 | 2,400,459 | 108,410 | 4,230,594 |
| Additions | - | 191,125 | 94,205 | 285,330 |
| Disposals | - | (27,961) | (46,557) | (74,518) |
| At end of period | 1,721,725 | 2,563,623 | 156,058 | 4,441,406 |
| Depreciation | | | | |
| At beginning of period | 57,270 | 1,642,150 | 72,834 | 1,772,254 |
| Charge for the period | 23,870 | 136,371 | 19,792 | 180,033 |
| Disposals | - | (6,932) | (25,483) | (32,415) |
| At end of period | 81,140 | 1,771,589 | 67,143 | 1,919,872 |
| Net book value | | | | |
| At 31 March 1997 | 1,640,585 | 792,034 | 88,915 | 2,521,534 |
| At 31 May 1996 | 1,664,455 | 758,309 | 35,576 | 2,458,340 |

Freehold land and buildings at Knighton, Powys were revalued on the basis of open market value for existing use as at 31 March 1994. All other fixed assets are stated at cost.

The historical cost and depreciation of freehold land and buildings is:

| | 1997 £ | 1996 £ |
|----------------------------|----------------|----------------|
| Historical cost | 1,039,589 | 1,039,589 |
| Depreciation based on cost | (189,004) | (176,134) |
| Net historical cost | 850,585 | 863,455 |

The gross depreciable value of fixed assets is £4,130,406 (1996: £4,215,958).

Included in the total net book value of tangible fixed assets is £209,000 (1996: £175,047) of assets held under finance leases and hire purchase agreements on which depreciation of £31,000 (1996: £51,239) has been charged in the year.

Notes (continued)

11 Stocks

| | 1997 £ | 1996 £ |
|---|-----------|-----------|
| Raw materials and consumables | 848,988 | 977,970 |
| Work in progress | 112,071 | 184,608 |
| Finished goods and bought in components | 476,349 | 450,939 |
| | <hr/> | <hr/> |
| | 1,437,408 | 1,613,517 |
| | <hr/> | <hr/> |

12 Debtors

| | 1997 £ | 1996 £ |
|------------------------------------|-----------|-----------|
| Trade debtors | 2,806,102 | 2,750,192 |
| Amounts owed by group undertakings | 256,907 | 1,454,547 |
| Corporation tax recoverable | - | 1,242 |
| Other debtors | 10,125 | 21,660 |
| Prepayments and accrued income | 207,211 | 195,913 |
| | <hr/> | <hr/> |
| | 3,280,345 | 4,423,554 |
| | <hr/> | <hr/> |

13 Creditors: Amounts falling due within one year

| | 1997 £ | 1996 £ |
|---|-----------|-----------|
| Bank overdraft | - | 1,405,555 |
| Trade creditors | 2,533,503 | 1,964,247 |
| Amounts owed to parent company | 1,446,883 | 1,967,634 |
| Tax and social security | 374,242 | 265,460 |
| Hire purchase and finance lease liabilities | 74,021 | 46,215 |
| Other creditors and accruals | 268,035 | 173,742 |
| Corporation tax | - | 176 |
| | <hr/> | <hr/> |
| | 4,696,684 | 5,823,029 |
| | <hr/> | <hr/> |

The company, together with its ultimate parent company and certain of its fellow subsidiaries, have provided their bank with cross guarantees and debentures to provide fixed and floating charges on substantially all of the assets of the Group, except trade debtors subject to invoice discounting and fixed assets subject to finance leases or hire purchase agreements, as security for the bank overdraft. At 31 March 1997, the contingent liability for total borrowings of other companies guaranteed by the company amounted to £3,562,000 (1996: £1,365,525).

Hire purchase and leasing liabilities are secured on the related assets.

Notes (continued)

14 Creditors: Amounts falling due after more than one year

| | 1997 £ | 1996 £ |
|--|----------------|---------------|
| Hire purchase and finance lease liabilities due: | | |
| Between one and two years | 67,434 | 19,244 |
| Between two and five years | 68,319 | 12,715 |
| | <hr/> | <hr/> |
| | 135,753 | 31,959 |
| | <hr/> <hr/> | <hr/> <hr/> |

Hire purchase and leasing liabilities are secured on the related assets.

15 Provisions for liabilities and charges

Deferred tax at 33%

| | 1997 | | 1996 | |
|--------------------------------|---------------------|--------------------------------|---------------------|--------------------------------|
| | Amounts provided | Full potential liability | Amounts provided | Full potential liability |
| Accelerated capital allowances | - | 213,000 | - | 234,000 |
| Available tax losses | - | (213,000) | - | (234,000) |
| Revaluation of fixed assets | - | 244,000 | - | 248,000 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | - | 244,000 | - | 248,000 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

In addition to the above, there are tax losses at 33% estimated at £289,000 (1996: £438,000) available to carry forward against future profits subject to agreement with the Inland Revenue.

16 Called up share capital

| | 1997 £ | 1996 £ |
|--|-------------|-------------|
| <i>Authorised, allotted, called up and fully paid:</i> | | |
| 1,987,002 (1996: 1,987,002) ordinary shares of £1 each | 1,987,002 | 1,987,002 |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes (continued)

17 Reserves

| | Capital contribution reserve £ | Revaluation reserve £ | Profit and loss account £ |
|-------------------------|---|-----------------------------|------------------------------------|
| At 31 May 1996 | 323,000 | 801,000 | (466,588) |
| Profit for the period | - | - | 498,158 |
| Transfer on realisation | - | (11,000) | 11,000 |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 1997 | 323,000 | 790,000 | 42,570 |
| | <hr/> | <hr/> | <hr/> |

The capital contribution reserve is distributable.

18 Capital commitments

The company had the following capital commitments:

| | 1997 | 1996 |
|-----------------------------|-------|---------|
| Contracted but not provided | - | 130,000 |
| | <hr/> | <hr/> |

19 Operating lease

The company had future annual commitments for payments under operating leases as follows:

| | Land and building | | Other | |
|--------------------------------|-------------------|-----------|-----------|-----------|
| | 1997 £ | 1996 £ | 1997 £ | 1996 £ |
| Within one year | 2,010 | - | 12,138 | 16,126 |
| In two to five years inclusive | 185,000 | 185,000 | 142,049 | 110,702 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

20 Pensions

The company was a participating employer to the principal pension scheme operated by the Group providing benefits based on final pensionable earnings, contributions being charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the Group. The assets of the scheme are held separately from the Group. The contributions to the scheme have been determined by an independent qualified actuary using the projected unit method.

Details of the most recent actuarial valuation or latest formal review used for this purpose are given in the financial statements of Benson Group plc.

The Group pensions charge is arrived at after an allowance in respect of the amortisation of the SSAP24 surplus that is being recognised over 9 years, being the average expected remaining service lives of the active members of the scheme.

Notes (continued)

21 Cash flow statement

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

22 Ultimate parent company

The ultimate parent company is Benson Group plc, which is incorporated in Great Britain and registered in England and Wales.

Copies of the Benson Group plc consolidated financial statements can be obtained from:

Benson Group plc
Bradfield House
Pope's Lane
Oldbury
West Midlands
B69 4QT