

**Benson Environmental Limited**

Directors' report and financial  
statements

Registered number 759625

For the year ended 31 March 2001



BIR

\*35XFM7CX\*

0251

## Contents

Directors' report	1
Independent auditors' report to the members of Benson Environmental Limited	4
Profit and loss account	5
Balance sheet	6
Reconciliation of movements in shareholders' funds	7
Notes	8

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2001.

### Principal activities

The company's principal activity is the manufacture, design and distribution of air conditioning and warm air heating products for use in industrial and commercial applications.

### Results and business review

The company's loss-making activity, Benson Heating, was disposed of to its management on 14 June 2001, together with the capping at £50,000 of the long-term liability under the Knighton property lease. The company now comprises Diffusion's air conditioning and commercial heating activity, based at West Molesey and Basingstoke.

For the first time since its acquisition in 1994, Diffusion no longer has to support other loss-making activities and can now invest its operational cash flows into improving production facilities and new product development, in particular on higher margin products. The investment consortium in the parent company, Energy Technique plc, believes it can bring new introductions and business opportunities to expand Diffusion.

Diffusion achieved a much stronger financial performance in the year ended 31 March 2001, with sales increasing by 21% to £11.31 million, operating profit increasing by 54% to £682,000 and operating profit margins improving from 4.7% to 6.0%. Diffusion's sales were at historically high levels, but the market place remains competitive. Diffusion has experienced downward margin pressure on its core fan coil product range and lower than expected sales of higher margin products. Increased sales of core fan coil products and improved manufacturing efficiencies have helped to mitigate the impact of the reduced fan coil margins and the weaker sales mix of higher margin products.

Diffusion has been a consistently strong profit and cash generator in recent years, but it has been starved of capital expenditure and product development expenditure, because of the continued drain on its financial resources in supporting other loss-making group activities. Diffusion is now free from all previous loss-making group activities, and the directors look forward to growing Diffusion's business by investing in new plant and equipment, and new product development expenditure, particularly of higher margin products.

The directors do not recommend the payment of a final dividend (2000: £Nil).

### Directors

The directors who served during the period were as follows:

LA Stimpson	
PJ Campbell	
SR McNiece	
J Tufo	
RM Unsworth	
PA Brompton	(resigned 14 June 2001)
HJ Wilkinson	(resigned 14 June 2001)
MM Reid	
PR Grimmer	
A Broadbridge	(appointed 6 September 2000)
J Lewis	(appointed 4 May 2000; resigned 14 June 2001)
IP Gould	(appointed 4 May 2000; resigned 14 June 2001)

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

LA Stimpson and RM Unsworth are directors of the ultimate parent company at 31 March 2001 and their interests are disclosed in the financial statements of that company.

## Director's report (continued)

### Directors (continued)

The interests of the other directors in the ordinary shares of Energy Technique plc, together with beneficial interests arising from the parent company's Executive Share Option Scheme are as follows:

	Ordinary shares		1986 Executive Share Option Scheme	
	At 31 March 2001	At 31 March 2000	At 31 March 2001	At 31 March 2000
PJ Campbell	-	-	-	3,000
SR McNiece	-	5,619	-	-
PA Brompton	3,182	3,182	-	-
J Tufo	8,380	2,500	-	-
HJ Wilkinson	-	-	-	-
MM Reid	-	-	-	-
PR Gimmer	-	-	-	-
A Broadbridge	-	-	-	-
J Lewis	-	-	-	-
IP Gould	80,000	-	-	-

	1996 Executive Share Option Scheme (approved)	
	At 31 March 2001	At 31 March 2000
PJ Campbell	30,000	30,000
SR McNiece	30,000	30,000
PA Brompton	20,000	20,000
HJ Wilkinson	20,000	20,000
MM Reid	30,000	30,000
J Tufo	40,000	40,000
PR Grimmer	25,000	25,000
A Broadbridge	30,000	30,000
J Lewis	10,000	10,000
IP Gould	-	-

Share options for resigning directors lapsed on their respective resignation dates.

## Director's report *(continued)*

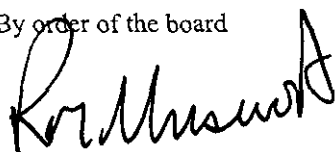
### Directors' responsibilities

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*

47 Central Avenue  
West Molesey  
Surrey  
KT8 2QZ

23 July 2001



KPMG Audit Plc

2 Cornwall Street  
Birmingham B3 2DL

## **Independent auditors' report to the members of Benson Environmental Limited**

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

### **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 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 at 31 March 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit plc  
Chartered Accountants  
Registered Auditor

23 July 2001

**Profit and loss account**  
*for the year ended 31 March 2001*

	Note	Continuing operations £	Discontinued operations £	Total 2001 £	Continuing operations £	Discontinued operations £	Total 2000 £
Turnover	2	11,312,771	3,333,612	14,646,383	9,369,268	3,252,559	12,621,827
Cost of sales (including exceptional charges of £Nil (2000: £51,623))	4	(8,302,655)	(2,559,197)	(10,861,852)	6,826,136	(2,779,002)	(9,605,138)
<b>Gross profit</b>		<b>3,010,116</b>	<b>774,415</b>	<b>3,784,531</b>	<b>2,543,132</b>	<b>473,557</b>	<b>3,016,689</b>
Distribution costs		(1,659,995)	(643,806)	(2,303,801)	(1,558,684)	(505,412)	(2,064,096)
Administrative expenses		(668,614)	(371,172)	(1,039,786)	(540,955)	(337,989)	(878,864)
<b>Operating profit/(loss)</b>	3	<b>681,507</b>	<b>(240,563)</b>	<b>440,944</b>	<b>443,493</b>	<b>(369,764)</b>	<b>73,729</b>
Interest payable	7	(134,563)	(37,776)	(172,339)	(38,163)	(21,467)	(59,630)
<b>Profit/(loss) on ordinary activities before and after taxation being profit transferred to reserves</b>	16	<b>546,944</b>	<b>(278,339)</b>	<b>268,605</b>	<b>405,330</b>	<b>(391,231)</b>	<b>14,099</b>

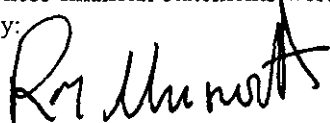
The movement on reserves is shown in note 16.

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

**Balance sheet**  
*at 31 March 2001*

	Note	2001 £	£	2000 £	£
<b>Fixed assets</b>					
Tangible assets	9		733,422		658,550
<b>Current assets</b>					
Stocks	10	1,583,932		1,478,567	
Debtors	11	7,017,770		6,270,399	
Cash at bank and in hand		67,150		12,230	
		<u>8,668,852</u>		<u>7,761,196</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(6,088,094)</u>		<u>(5,427,413)</u>	
<b>Net current assets</b>			2,580,758		2,333,783
<b>Total assets less current liabilities</b>			<u>3,314,180</u>		<u>2,992,333</u>
<b>Creditors: amounts falling due after more than one year</b>	13		(58,139)		(4,897)
<b>Provisions for liabilities and charges</b>	14		-		-
			<u>3,256,041</u>		<u>2,987,436</u>
<b>Capital and reserves</b>					
Called up share capital	15	1,987,002		1,987,002	
Capital contribution reserve	16	323,000		323,000	
Profit and loss account	16	946,039		677,434	
<b>Shareholders' funds - equity</b>			<u>3,256,041</u>		<u>2,987,436</u>

These financial statements were approved by the board of directors on 23 July 2001 and were signed on its behalf by:



RM Unsworth  
Director



## Other primary statements for the period ended 31 March 2001

### Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Profit for the financial year	268,605	14,099
Movement in shareholders' funds	268,605	14,099
Shareholders' funds at beginning of year	2,987,436	2,973,337
Shareholders' funds at end of year	3,256,041	2,987,436

## 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 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 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:

Plant and equipment	- 10% and 33.3%
Motor vehicles	- 25% and 33.3%

#### *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*

From 1 January 1997 onwards, a number of the Company's permanent employees are members of Energy Technique's Group Personal Pension Scheme and contributions to this scheme are charged to profits as incurred.

## Notes (continued)

### 2 Turnover

The analysis of turnover by geographical market is as follows:

	2001 £	2000 £
UK	13,629,216	11,622,145
Europe	1,014,793	994,424
Asia	-	5,210
Australasia	-	48
Africa	2,374	-
	<hr/>	<hr/>
	14,646,383	12,621,827
	<hr/>	<hr/>

### 3 Operating profit

	2001 £	2000 £
--	-----------	-----------

*Operating profit is stated  
 after charging*

Depreciation of tangible fixed assets	232,295	212,044
Hire of plant and machinery	24,203	18,610
Operating leases:		
Buildings	380,395	430,848
Plant and vehicles	184,107	153,274
Auditors' remuneration	16,800	17,000
	<hr/>	<hr/>

Remuneration of the auditors in respect of non-audit services was £2,200 (2000: £2,000).

### 4 Exceptional charges

	2001 £	2000 £
Operating items - cost of sales		
Redundancy	-	51,623
	<hr/>	<hr/>

### 5 Employees

The average number of persons (including directors) employed by the company, by category, was:

	Number of employees	
	2001	2000
Manufacture	100	102
Sales and service	46	47
Administration	9	10
	<hr/>	<hr/>
	155	159
	<hr/>	<hr/>

## Notes (continued)

### 5 Employees (continued)

Employee costs:

	£	£
Wages and salaries	3,112,078	2,997,261
Social security charges	307,884	291,277
Pension contributions	86,284	101,838
	<u>3,506,246</u>	<u>3,390,376</u>

### 6 Directors' emoluments

	2001 £	2000 £
Emoluments	503,485	334,622
Pension contributions	28,212	20,880
Compensation for loss of office	-	24,000
	<u>531,697</u>	<u>379,502</u>

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

Highest paid director	62,786	61,042
Number of directors who were members of money purchase schemes	10	7

### 7 Interest payable

	2001 £	2000 £
Bank interest	-	(131)
Hire purchase and finance lease interest	16,598	9,727
Invoice discounting interest	155,741	50,034
	<u>172,339</u>	<u>59,630</u>

## Notes (continued)

### 8 Intangible assets

	Goodwill £
<i>Cost</i>	
At 31 March 2000 and 31 March 2001	1,431,321
<i>Amortisation</i>	
At 31 March 2000 and 31 March 2001	1,431,321
<i>Net book value</i>	
At 31 March 2000 and 31 March 2001	-

### 9 Tangible fixed assets

	Plant and equipment £	Motor vehicles £	Total £
<i>Cost</i>			
At beginning of year	2,817,283	70,471	2,887,754
Additions	318,023	-	318,023
Disposals	(278,136)	(36,297)	(314,433)
Intra-group transfers	-	9,072	9,072
<b>At end of year</b>	<b>2,857,170</b>	<b>43,246</b>	<b>2,900,416</b>
<i>Depreciation</i>			
At beginning of year	2,196,976	32,228	2,229,204
Charge for the year	208,224	24,071	232,295
Disposals	(268,136)	(31,441)	(299,577)
Intra-group transfers	-	5,072	5,072
<b>At end of year</b>	<b>2,137,064</b>	<b>29,930</b>	<b>2,166,994</b>
<i>Net book value</i>			
At 31 March 2001	720,106	13,316	733,422
At 31 March 2000	620,307	38,243	658,550

Included in the total net book value of tangible fixed assets is £130,890 (2000: £133,760) of assets held under finance leases and hire purchase agreements on which depreciation of £57,369 (2000: £43,458) has been charged in the year.

## Notes (continued)

### 10 Stocks

	2001 £	2000 £
Raw materials and consumables	916,725	912,127
Work in progress	39,903	101,504
Finished goods and bought in components	627,304	464,936
	<u>1,583,932</u>	<u>1,478,567</u>

### 11 Debtors

	2001 £	2000 £
Trade debtors	3,286,555	2,858,763
Amounts owed by group undertakings	3,488,218	3,112,570
Other debtors	2,819	15,210
Prepayments and accrued income	240,178	283,856
	<u>7,017,770</u>	<u>6,270,399</u>

### 12 Creditors: Amounts falling due within one year

	2001 £	2000 £
Invoice discounting	1,537,429	1,370,734
Trade creditors	2,300,685	2,147,262
Amounts owed to group undertakings	1,422,817	1,434,992
Tax and social security	347,408	201,403
Hire purchase and finance lease liabilities	57,241	50,451
Other creditors and accruals	422,514	222,387
Corporation tax	-	184
	<u>6,088,094</u>	<u>5,427,413</u>

The company, together with its ultimate parent company has provided NatWest Bank plc and the Royal Bank of Scotland Commercial Services Limited with fixed and floating charges over all of the Company's assets, as security for the bank and invoice discounting facilities provided. Invoice discounting has been advanced on trade debtors of £3.287 million. At 31 March 2001, the contingent liability for total borrowings of other companies guaranteed by the company amounted to £209,000 (2000: £209,000).

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

**Notes (continued)**

**13 Creditors: Amounts falling due after more than one year**

	2001 £	2000 £
Hire purchase and finance lease liabilities due:		
Between one and two years	58,139	4,897
Between two and five years	-	-
	<u>58,139</u>	<u>4,897</u>

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

**14 Provisions for liabilities and charges**

Deferred tax at 30%

	2001 Amounts provided	Full potential liability	2000 Amounts provided	Full potential liability
Accelerated capital allowances	55,000	55,000	59,000	59,000
Available tax losses	(55,000)	(55,000)	(59,000)	(59,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

In addition to the above, there are tax losses at 30% estimated at £145,000 (2000: £250,000) available to carry forward against future profits subject to agreement with the Inland Revenue.

**15 Called up share capital**

	2001 £	2000 £
<i>Authorised, allotted, called up and fully paid:</i>		
1,987,002 (2000: 1,987,002) ordinary shares of £1 each	1,987,002	1,987,002

**16 Reserves**

	Capital contribution reserve £	Profit and loss account £
At 31 March 2000	323,000	677,434
Profit for the period	-	268,605
At 31 March 2001	<u>323,000</u>	<u>946,039</u>

The capital contribution reserve is distributable.

## Notes (continued)

### 17 Operating leases

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

	Land and building		Other	
	2001	2000	2001	2000
	£	£	£	£
Within one year	-	-	59,454	8,240
In two to five years inclusive	-	-	117,733	146,605
Over five years	412,800	412,500	-	-
	<u>412,800</u>	<u>412,500</u>	<u>-</u>	<u>-</u>

### 18 Pensions

All the assets of the discontinued Benson Pension Plan have been distributed to members and the plan was fully wound up on 2 March 2000, with no debt on the employer. The total pension charge of £86,284 (2000: £101,838) shown in note 5 comprises contributions to money purchase schemes only.

### 19 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.

### 20 Ultimate parent company

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

Copies of the Energy Technique plc consolidated financial statements can be obtained from:

Energy Technique plc  
 47 Central Avenue  
 West Molesey  
 Surrey  
 KT8 2QZ