

**Benson Environmental Limited
(formerly Benson Heating Limited)**

Directors' report and financial statements

for the year ended 31 May 1994

Registered number 759625



Benson Environmental Limited (formerly Benson Heating Limited)

Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Reconciliation of movement in shareholders' funds	7
Historical cost profits and losses	7
Notes	8-19

Benson Environmental Limited (formerly Benson Heating Limited)

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 May 1994.

Principal activities

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

Change of name

By a special resolution passed on 31 May 1994, the company changed its name from Benson Heating Limited to Benson Environmental Limited.

Results

The results for the year are shown in the profit and loss account on page 5, including exceptional items relating to the integration of the Environmental Control Division as described below.

An interim dividend of £Nil (1993: £100,770) was paid during the year. The directors do not recommend the payment of a final dividend (1993: £Nil). £410,017 has been transferred from reserves (1993: £148,707).

Future developments

On 31 May 1994, the company acquired the trade, assets and liabilities of Diffusion Environmental Systems Limited and of Energy Technique Limited.

Following this acquisition all the heating and air conditioning interests of the Benson Group plc Environmental Control Division are now combined in the company, under one management structure in two locations. In this way, the company is able to focus its management and financial resources with shared marketing service and product development.

Tangible fixed assets

The movements in tangible fixed assets are set out in note 11 to the financial statements.

Benson Environmental Limited (formerly Benson Heating Limited)

Directors' report (continued)

Directors

The directors who served during the year were as follows:

JRM Phillips
 R Green
 NR Johnson (resigned 31 May 1994)
 JF Watkins
 D Hawkes
 G Parker (appointed 10 September 1993)
 C Muircroft (appointed 10 September 1993)
 JND Pritchard (appointed 31 May 1994)
 G Jolliffe (appointed 10 September 1993, resigned 18 April 1994)

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

JRM Phillips, R Green and JND Pritchard are directors of the ultimate parent company and their interests are disclosed in the financial statements of that company.

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		Executive Share Option Scheme	
	At 31 May 1994	At 31 May 1993 or later date of appointment	At 31 May 1994	At 31 May 1993 or later date of appointment
JF Watkins	-	-	200,000	200,000
D Hawkes	490,200	490,200	197,939	197,939
G Parker	-	-	30,000	-
C Muircroft	-	-	30,000	-

There are no options outstanding to these directors under the Benson Group 1987 Sharesave Scheme.

Benson Environmental Limited (formerly Benson Heating Limited)

Directors' 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.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Peat Marwick as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board



D Wilkes
Secretary

Ludlow Road
Knighton
Powys

19 August 1994

Report of the auditors to the members of Benson Environmental Limited

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

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 mis-statement, 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 May 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Peat Marwick
Chartered Accountants
Registered Auditors

19 August 1994

Benson Environmental Limited (formerly Benson Heating Limited)

Profit and loss account for the year ended 31 May 1994

	Note	Continuing operations			
		1994		1993	
		£	£	£	£
Turnover	2	4,334,171		2,560,971	
Cost of sales (including exceptional items of £147,000)	4	(3,098,766)		(2,036,761)	
		<hr/>		<hr/>	
Gross profit		1,235,405		524,210	
Distribution costs		(533,540)		(302,260)	
Administrative expenses (including exceptional items of £141,934)	4	(806,184)		(212,935)	
		<hr/>		<hr/>	
		(1,339,724)		(515,195)	
Operating (loss)/profit	3	(104,319)		9,015	
Interest receivable	7	708		2,003	
Interest payable	8	(306,406)		(128,273)	
		<hr/>		<hr/>	
Loss on ordinary activities before taxation		(410,017)		(117,255)	
Tax on loss on ordinary activities	9	-		69,318	
		<hr/>		<hr/>	
Loss on ordinary activities after taxation being loss for the financial year		(410,017)		(47,937)	
Dividend		-		(100,770)	
		<hr/>		<hr/>	
Loss transferred from reserves	19	(410,017)		(148,707)	
		<hr/>		<hr/>	

The movement on reserves is shown in note 19.

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

Benson Environmental Limited (formerly Benson Heating Limited)

Balance sheet at 31 May 1994

	Note	1994		1993	
		£	£	£	£
Fixed assets					
Intangible assets	10	1,337,154		-	
Tangible assets	11	2,951,556		2,493,767	
Investments	12	577,002		-	
		4,865,712		2,493,767	
Current assets					
Stocks	13	1,889,105		1,570,947	
Debtors	14	3,044,836		1,244,270	
Cash at bank and in hand		382,946		589,322	
		5,316,887		3,404,539	
Creditors: amounts falling due within one year	15	(5,065,025)		(3,130,634)	
Net current assets		251,862		273,905	
Total assets less current liabilities		5,117,574		2,767,672	
Creditors: amounts falling due after more than one year	16	(2,588,226)		(1,557,309)	
Provisions for liabilities and charges	17	(17,000)		-	
		2,512,348		1,210,363	
Capital and reserves					
Called up share capital	18	1,000,000		275,000	
Share premium account	19	987,002		-	
Revaluation reserve	19	823,000		841,205	
Profit and loss account	19	(297,654)		94,158	
		2,512,348		1,210,363	

These financial statements were approved by the board of directors on 19 August 1994 and were signed on its behalf by:

JND Pritchard
Director



Benson Environmental Limited (formerly Benson Heating Limited)

Reconciliation of movements in shareholders' funds for the year ended 31 May 1994

	1994 £	1993 £
Shares issued including premium	1,712,002	-
Loss for the financial year	(410,017)	(47,937)
Dividends	-	(100,770)
	<hr/>	<hr/>
	1,301,985	(148,707)
Shareholders' funds at beginning of year	1,210,363	1,359,070
	<hr/>	<hr/>
Shareholders' funds at end of year	2,512,348	1,210,363
	<hr/>	<hr/>

Historical cost profits and losses

	1994 £	1993 £
Loss on ordinary activities before taxation	(410,017)	(117,255)
Less additional depreciation charged on revalued buildings	16,824	15,148
	<hr/>	<hr/>
Historic cost loss on ordinary activities before taxation	(393,193)	(102,107)
	<hr/>	<hr/>
Historic cost retained loss for the financial year	(393,193)	(133,559)
	<hr/>	<hr/>

Benson Environmental Limited (formerly Benson Heating Limited)

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 in accordance with applicable Accounting Standards.

The ultimate parent company has undertaken to provide sufficient finance to enable the company to meet its liabilities to third parties.

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:

Freehold buildings	- 2%
Plant and equipment	- 20% 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 works overheads.

Deferred taxation

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

Benson Environmental Limited (formerly Benson Heating Limited)

Notes (continued)

1 Principal accounting policies (continued)

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 group operates contributory defined benefit pension schemes covering the majority of the company's permanent employees. Contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' service lives with the company.

Goodwill

Goodwill, representing the excess of the fair value of the consideration given over the fair value of the separable net asset of the businesses acquired, is included as an intangible fixed asset and is being amortised over 10 years, the estimated useful economic life.

2 Turnover

The analysis of turnover by geographical market is as follows:

	1994 £	1993 £
UK		
- Group undertakings	415,081	368,872
- External	3,509,858	1,953,617
Europe	305,808	195,222
Asia	101,065	38,712
Africa	248	852
Australasia	2,111	3,696
	<u>4,334,171</u>	<u>2,560,971</u>

3 Operating profit

	1994	1993 £
<i>Operating profit is stated</i>		
<i>after charging/(crediting)</i>		
Depreciation of tangible fixed assets	180,927	116,217
Hire of plant and machinery	10,317	4,098
Auditors' remuneration	11,900	12,000
Profit on sale of tangible fixed assets	(12,002)	(3,197)

Remuneration of the auditors in respect of non audit services was £Nil (1993: £1,800).

Benson Environmental Limited (formerly Benson Heating Limited)

Notes (continued)

4 Exceptional charges

Exceptional charges relating to the integration of the Environmental Control Division of Benson Group plc within Benson Environmental Limited have been charged to the profit and loss account under the following headings:

	1994 £	1993 £
Cost of sales	147,000	-
Administration expenses	141,934	-
	<u>288,934</u>	<u>-</u>

5 Employees

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

	Number of employees	
	1994	1993
Manufacture	64	49
Sales and service	8	7
Development	6	3
Administration	7	3
	<u>85</u>	<u>62</u>

Employee costs:

	1994 £	1993 £
Wages and salaries	1,128,222	721,471
Social security charges	106,459	62,366
Pension contributions	48,245	28,766
	<u>1,282,926</u>	<u>812,603</u>

Benson Environmental Limited (formerly Benson Heating Limited)

Notes (continued)

6 Directors' emoluments

	1994 £	1993 £
Emoluments	195,987	63,501
Pension contributions	8,819	4,160
	<u>204,806</u>	<u>67,661</u>

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

Chairman	-	-
Highest paid director	<u>78,684</u>	<u>35,725</u>

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

	Number of directors	
	1994	1993
£0 - £ 5,000	4	6
£25,001 - £30,000	3	1
£35,001 - £40,000	1	1
£75,001 - £80,000	<u>1</u>	<u>1</u>

7 Interest receivable

	1994 £	1993 £
Other interest	<u>708</u>	<u>2,003</u>

Benson Environmental Limited (formerly Benson Heating Limited)

Notes (continued)

8 Interest payable

	1994 £	1993 £
Bank interest	290,463	95,757
Hire purchase and finance lease interest	15,404	32,516
Other interest	539	-
	<u>306,406</u>	<u>128,273</u>

9 Corporation tax

The tax credit is made up as follows:

	1994 £	1993 £
UK corporation tax	-	-
Over provision in respect of prior years	-	69,318
	<u>-</u>	<u>69,318</u>

No charge is to be made for the surrender of losses to other group undertakings.

Benson Environmental Limited (formerly Benson Heating Limited)

Notes (continued)

10 Intangible assets

	Goodwill	
	1994	1993
	£	£
Cost		
At 31 May 1993	-	-
Transferred from fellow subsidiary undertaking	578,321	-
Amount arising by invoking the true and fair override relating to the issue of shares including share premium to acquire companies from the ultimate parent company	853,000	
	<u>1,431,321</u>	<u>-</u>
At 31 May 1994		
	1994	1993
	£	£
Amortisation		
At 31 May 1993	-	-
Transferred from fellow subsidiary undertaking	(94,167)	-
	<u>(94,167)</u>	<u>-</u>
At 31 May 1994		
	(94,167)	-
Net book value		
At 31 May 1994	1,337,154	-
	<u>1,337,154</u>	<u>-</u>
At 31 May 1993	-	-
	<u>-</u>	<u>-</u>

At 31 May 1994 the trade and net assets of subsidiary undertakings were transferred to the company at their book value which was less than their fair value. The costs of the company's investments in those subsidiary undertakings reflected the underlying fair value of their net assets and goodwill at the time of acquisition. As a result of this transfer, the value of the company's investment in those subsidiary undertakings fell below the amount at which it was stated in the company's accounting records. Schedule 4 to the Companies Act 1985 requires that the investments be written down accordingly and that the amount be charged as a loss in the company's profit and loss account. However, the directors consider that, as there has been no overall loss to the company, it would fail to give a true and fair view to charge that diminution to the company's profit and loss account for the year and it should instead be re-allocated to goodwill and the identifiable net assets transferred, so as to recognise in the company's individual balance sheet the effective costs to the company of those net assets and goodwill. The effect of this departure is to increase the company's profit for the financial year by £853,000, to increase goodwill included as an intangible asset by £853,000 and to decrease the value of fixed asset investments by £1,135,000 to increase the value of fixed assets by £202,000 and to increase the value of prepayments by £80,000 in the company's balance sheet.

Benson Environmental Limited (formerly Benson Heating Limited)

Notes (continued)

11 Tangible fixed assets

	Freehold land and buildings £	Plant and equipment £	Motor vehicles £	Total £
Cost/valuation				
At beginning of year	1,934,488	1,372,364	132,795	3,439,647
Revaluation	(212,763)	-	-	(212,763)
Additions	-	106,472	60,497	166,969
Transfers to fellow subsidiary undertakings	-	(90,690)	-	(90,690)
Transfers from fellow subsidiary undertakings	-	682,155	86,322	768,477
Fair value adjustment	-	202,000	-	202,000
Disposals and adjustments	-	16,280	(51,227)	(34,947)
At end of year	1,721,725	2,288,581	228,387	4,238,693
Depreciation				
At beginning of year	180,733	700,968	64,179	945,880
Revaluation	(212,763)	-	-	(212,763)
Charge for the year	32,030	109,574	39,323	180,927
Transfers to fellow subsidiary undertakings	-	(13,645)	-	(13,645)
Transfers from fellow subsidiary undertakings	-	399,130	27,656	426,786
Disposals	-	4,055	(44,103)	(40,048)
At end of year	-	1,200,082	87,055	1,287,137
Net book value				
At 31 May 1994	1,721,725	1,088,499	141,332	2,951,556
At 31 May 1993	1,753,755	671,396	68,616	2,493,767

Benson Environmental Limited (formerly Benson Heating Limited)

Notes (continued)

11 Tangible fixed assets (continued)

Freehold land and buildings at Knighton, Powys were revalued on the basis of existing use by the directors as at 31 May 1994. DTZ Dehenham Thorpe advised the directors on an appropriate property value to be used in these accounts. The historical cost and depreciation of freehold land and buildings is:

	1994 £	1993 £
Historical cost	1,039,589	1,039,589
Depreciation based on cost	(127,095)	(111,891)
Net historical cost	<u>912,494</u>	<u>927,698</u>

The gross depreciable value of fixed assets is £3,948,693 (1993: £3,149,647).

Included in the total net book value of tangible fixed assets is £289,131 (1993: £84,816) of assets held under finance leases and hire purchase agreements on which depreciation of £68,477 (1993: £24,859) has been charged in the year.

12 Fixed asset investments

Investments in group undertakings:	£
Shares at cost	
At beginning of year	10,500
Transfer from parent company	1,712,002
Transfer to intangible assets	(853,000)
Transfer to fixed assets	(202,000)
Transfer to prepayments	(80,000)
	<u>587,502</u>
Provisions	
At beginning of year	10,500
	<u>10,500</u>
Net book value	
At 31 May 1994	<u>577,002</u>
At 31 May 1993	<u>-</u>

Benson Environmental Limited (formerly Benson Heating Limited)

Notes (continued)

12 Tangible fixed assets (continued)

At 31 May 1994, the company has five subsidiary undertakings, which are incorporated in Great Britain and registered in England and Wales:

	Principal activity	Class of shares held	% holding
Diffusion Environmental Systems Limited	Agency for the company	Ordinary	100.00
Energy Technique Limited	Agency for the company and investment property	Ordinary	100.00
Jetaire Company Limited	Dormant	Ordinary	100.00
Benson Heating Limited (formerly Winfold Limited)	Dormant	Ordinary	100.00
Pakaway Perrymatics Limited	Dormant	Ordinary	100.00
Diffusion Sales Limited	Dormant	Ordinary	100.00

Diffusion Environmental Systems Limited, Energy Technique Limited and Pakaway Perrymatics Limited were acquired from Benson Group plc on 31 May 1994. Diffusion Sales Limited was acquired from Diffusion Environmental Systems Limited on 31 May 1994.

The company itself is a wholly owned subsidiary undertaking of Benson Group plc which is incorporated in Great Britain and registered in England and Wales. Accordingly, consolidated financial statements have not been prepared for the company and its subsidiary undertaking.

13 Stocks

	1994 £	1993 £
Raw materials and consumables	1,132,071	1,000,012
Work in progress	180,505	67,009
Finished goods and bought in components	576,529	503,926
	<u>1,889,105</u>	<u>1,570,947</u>

14 Debtors

	1994 £	1993 £
Trade debtors	1,943,160	807,389
Amounts owed by fellow subsidiary undertakings	413,656	254,475
Corporation tax	33,590	33,590
Other debtors	441,390	9,387
Prepayments and accrued income	213,040	139,429
	<u>3,044,836</u>	<u>1,244,270</u>

Benson Environmental Limited (formerly Benson Heating Limited)

Notes (continued)

15 Creditors: Amounts falling due within one year

	1994 £	1993 £
Bank overdraft	1,134,082	-
Trade creditors	1,925,968	790,850
Amounts owed to parent company	1,276,489	2,124,580
Tax and social security	244,026	82,839
Hire purchase and finance lease liabilities	89,099	36,363
Other creditors and accruals	275,988	96,002
Corporation tax	119,373	-
	<u>5,065,025</u>	<u>3,130,634</u>

The company, together with its ultimate parent company and certain of its fellow subsidiaries, have provided their bankers with cross guarantees and debentures to provide fixed and floating charges on substantially all of the assets of the group as security for the bank overdraft. At 31 May 1994, the total borrowings of other companies guaranteed amounted to £3,224,080 (1993: £3,169,912).

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

16 Creditors: Amounts falling due after more than one year

	1994 £	1993 £
Amounts due to subsidiary undertakings	1,423,440	
Amounts due to parent company	1,050,000	1,500,000
Hire purchase and finance lease liabilities due:		
Between one and two years	78,698	28,475
Between two and five years	36,088	28,834
	<u>2,588,226</u>	<u>1,557,309</u>

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

The loan from the parent company is interest free and is not due for repayment until after 31 May 1995. The date of repayment has not yet been determined.

The loan from the subsidiary undertakings are interest free and are not due for repayment until after 31 May 1995. The date of repayment has not yet been determined.

Benson Environmental Limited (formerly Benson Heating Limited)

Notes (continued)

17 Provisions for liabilities and charges

Deferred tax

	1994		1993	
	Amounts provided	Full potential liability	Amounts provided	Full potential liability
Accelerated capital allowances	179,000	179,000	73,604	73,604
Available tax losses	(162,000)	(290,000)	(73,604)	(321,604)
Revaluation of fixed assets	-	235,000	-	248,000
	<u>17,000</u>	<u>124,000</u>	<u>-</u>	<u>-</u>

Tax losses estimated at £880,000 (1993: £510,000) are available to carry forward against future profits.

18 Called up share capital

	1994 £	1993 £
<i>Authorised, allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	<u>1,000,000</u>	<u>275,000</u>

On 31 May 1994 the company allotted 725,000 ordinary shares of £1 each to Benson Group plc for a total consideration of £1,712,002 to acquire the entire issued share capital of Diffusion Environmental Systems Limited, Energy Technique Limited and Pakaway Perryamics Limited.

19 Reserves

	Share premium account £	Revaluation reserve £	Profit and loss account £
At 31 May 1993	-	841,205	94,158
Loss for the year	-	-	(410,017)
Transfer	-	(18,205)	18,205
Arising during the year	<u>987,002</u>	<u>-</u>	<u>-</u>
At 31 May 1994	<u>987,002</u>	<u>823,000</u>	<u>(297,654)</u>

Benson Environmental Limited (formerly Benson Heating Limited)

Notes (continued)

20 Capital commitments

Amounts contracted for but not provided for at 31 May 1994 amounted to £40,147 (1993: £Nil).

21 Operating lease

The company had future annual commitments for payments under operating leases on land and buildings as follows:

	1994 £	1993 £
Expiring in more than 5 years	<u>185,000</u>	<u>-</u>

22 Pensions

The company is 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 surpluses that are recognised over 11 years, being the average remaining service lives of the employees within the group.

23 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.

24 Ultimate parent company

The ultimate parent company is Benson Group plc, which is incorporated in Great Britain and registered in England and Wales. By virtue of S228 of the Companies Act 1985 the company is not required to prepare group accounts or deliver them to the Registrar of Companies.

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

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