

Berendsen PMC Limited

**Directors' report and financial
statements**

Registered number 926679

For the period ended 4 January 2001



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Directors' report

The directors present their annual report and the audited financial statements for the period ended 4 January 2001.

Principal activity

The company's principal activity is the supply of hydraulic and pneumatic components to the engineering industry.

Business review

The results for the period are shown on page 4 of the financial statements.

The poor trading experienced in 1999 continued throughout 2000 and every effort continued to be made to reduce costs wherever possible, including a redundancy programme in the early months of the year.

On 1 December 2000, the ownership of the parent company changed when Sophus Berendsen A/S sold their 100% holding in S. Berendsen Limited to the Dutch company, Sito Financial Services BV.

Following a review of operations, a restructuring plan was announced on 2 and 3 January 2001 which included further redundancies and sales office closures. In view of this announcement, the company's financial statements are made up to 4 January 2001 so that the financial effect of the restructuring can be fully reflected in the figures.

Dividends

The directors do not recommend the payment of a dividend (1999: £Nil).

Directors and directors' interests

The directors who held office during the period were as follows:

R Knott
E Dorhout Mees (appointed 1 December 2000)
G Meijerink (appointed 1 December 2000)
O Balle (resigned 1 December 2000)
S Merrie (appointed 4 July 2001)

The directors have no beneficial interests in the ordinary shares of the company or any notifiable interests in the shares of group companies.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board



IR Moon
Secretary

Sandy Way
Amington Industrial Estate
Tamworth
B77 4DS

31 August 2001

Statement of 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.



2 Cornwall Street
Birmingham
B3 2DL

Report of the auditors to the members of Berendsen PMC Limited

We have audited the financial statements on pages 4 to 14.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, 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. 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 opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 4 January 2001 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

31 August 2001

Profit and loss account
for the period ended 4 January 2001

	Note	Period ended 4 January 2001 £000	Year ended 31 December 1999 £000
Turnover	2	14,311	17,183
Cost of sales		(10,806)	(13,082)
		<hr/>	<hr/>
Gross profit		3,505	4,101
Administrative expenses		(3,718)	(4,749)
Other operating charges		(1,011)	(1,178)
		<hr/>	<hr/>
Operating loss			
Before exceptional items		(1,224)	(1,826)
Exceptional items	4	(1,097)	(333)
		<hr/>	<hr/>
		(2,321)	(2,159)
Profit on sale of fixed assets		-	176
Interest receivable and similar income	7	20	18
Interest payable and similar charges	8	(250)	(185)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	3	(2,551)	(2,150)
Tax on loss on ordinary activities	9	-	175
		<hr/>	<hr/>
Loss for the financial period		(2,551)	(1,975)
		<hr/>	<hr/>

Turnover and operating loss arise from the company's continuing operations.

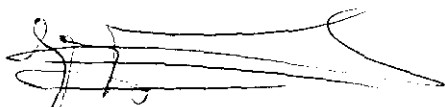
There were no recognised gains or losses during the current or preceding period apart from the loss for the financial period shown above.

Movements in reserves are set out in note 19 to the financial statements.

Balance sheet
at 4 January 2001

	<i>Note</i>	4 January 2001		31 December 1999	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	10	-			294
Tangible assets	11	1,910			2,207
			<hr/>		<hr/>
			1,910		2,501
Current assets					
Stocks	12	3,335		3,672	
Debtors	13	3,032		4,274	
Cash at bank and in hand		-		494	
			<hr/>		<hr/>
			6,367		8,440
Creditors: Amounts falling due within one year	14	(5,833)		(6,931)	
			<hr/>		<hr/>
Net current assets			534		1,509
			<hr/>		<hr/>
Total assets less current liabilities			2,444		4,010
Creditors: Amounts falling due after more than one year	15	(968)		-	
Provisions for liabilities and charges	16	(167)		(150)	
			<hr/>		<hr/>
Net assets			1,309		3,860
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	18	7,800		7,800	
Profit and loss account	19	(6,491)		(3,940)	
			<hr/>		<hr/>
Equity shareholders' funds			1,309		3,860
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 31 August 2001 and were signed on its behalf by:



G Meijerink
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost accounting rules.

Fixed assets and depreciation

Depreciation is provided by the company on the cost of fixed assets (less their residual value) on a straight line basis over their estimated useful economic lives as follows:

Freehold buildings	-	2% per annum
Plant and machinery	-	20% per annum
Office equipment	-	20% per annum
Motor vehicles	-	25% per annum

No depreciation is provided on freehold land.

Hire purchase and leases

Assets held under hire purchase contracts are integrated with owned tangible fixed assets and the obligations relating thereto, excluding finance charges, are included in creditors. Costs in respect of operating leases are charged in arriving at the operating result.

Pension costs

The company operates three defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The amounts charged against profits represents the contributions payable to the schemes in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and estimated net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the value is on an average cost basis. For work in progress and finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Notes (continued)

1 Accounting policies (continued)

Goodwill

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired.

Goodwill arising on acquisitions before 1 January 1998 was eliminated against reserves on acquisition. In accordance with the transitional rules of FRS10, this treatment has continued to be applied to such acquisitions. On a subsequent disposal or termination of a previously acquired business, the profit or loss on disposal or termination is calculated after charging the amount of any related goodwill not written off through the profit and loss account, including any previously taken direct to reserves.

Goodwill arising on acquisitions since 1 January 1998 will be capitalised and amortised to nil by equal annual instalments over its estimated useful life of 5 years.

2 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period.

Analysis of turnover by geographical market is as follows:

	Period ended 4 January 2001 £000	Year ended 31 December 1999 £000
United Kingdom	13,722	16,583
Rest of Europe	414	524
Rest of world	175	76
	<hr/> 14,311 <hr/>	<hr/> 17,183 <hr/>

3 Loss on ordinary activities before taxation

	Period ended 4 January 2001 £000	Year ended 31 December 1999 £000
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Loss on ordinary activities before taxation is stated

after charging

Depreciation	332	363
Amortisation	294	81
Vehicle contract hire payable under operating leases	230	276
Property rental payable under operating leases	85	45
Hire of office equipment	7	5
Auditors' remuneration - audit fees	21	34
- non audit fees	4	16
	<hr/>	<hr/>

Notes (continued)

4 Exceptional items

	Period ended 4 January 2001 £000	Year ended 31 December 1999 £000
Release of surplus provisions set up on acquisition of the Lucas Fluid Power Division (see note 16)	-	(147)
Restructuring costs	884	480
Write down of Powerflow goodwill (see note 10)	213	-
	<u>1,097</u>	<u>333</u>

5 Remuneration of directors

	Period ended 4 January 2001 £000	Year ended 31 December 1999 £000
Salary and benefits	78	83
Pension contributions to money purchase schemes	13	13
	<u>91</u>	<u>96</u>

One director was a member of a money purchase scheme operated by the company (year ended 31 December 1999: 1).

6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees Period ended 4 January 2001	Year ended 31 December 1999
Administration	19	10
Sales and service	107	160
Warehouse	21	21
	<u>147</u>	<u>191</u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	2,775	3,709
Social security costs	359	436
Other pension costs (see note 21)	144	165
	<u>3,278</u>	<u>4,310</u>

Notes (continued)

7 Interest receivable and similar income

	Period ended 4 January 2001 £000	Year ended 31 December 1999 £000
Bank interest	20	18

8 Interest payable and similar charges

	Period ended 4 January 2001 £000	Year ended 31 December 1999 £000
On bank loans, overdrafts and other loans	250	184
Finance charges payable in respect of hire purchase contracts	-	1
	250	185

9 Taxation

	Period ended 4 January 2001 £000	Year ended 31 December 1999 £000
UK corporation tax (credit)/charge at 30% (<i>year ended 31 December 1999: 30.25%</i>)	-	(175)

The taxation credit for the period is lower than the standard rate for UK corporation tax due to deferred tax assets arising from unutilised losses carried forward not recognised at 31 December 1999.

10 Intangible assets

	£000
Cost	
At 31 December 1999 and 4 January 2001	405
Amortisation	
At beginning of period	111
Charge for period	81
Write down	213
At end of period	405
Net book value	
At 4 January 2001	-
At 31 December 1999	294

Notes (continued)

11 Tangible fixed assets

	Freehold property £000	Leasehold property £000	Plant and machinery £000	Motor vehicles £000	Office equipment £000	Total £000
Cost						
At beginning of period	1,550	201	338	167	1,116	3,372
Additions	7	-	45	-	33	85
Disposals	-	-	-	(9)	(4)	(13)
At end of period	1,557	201	383	158	1,145	3,444
Depreciation						
At beginning of period	162	6	244	120	633	1,165
Charge for period	26	4	50	32	270	382
On disposals	-	-	-	(9)	(4)	(13)
At end of period	188	10	294	143	899	1,534
Net book value						
At 4 January 2001	1,369	191	89	15	246	1,910
At 31 December 1999	1,388	195	94	47	483	2,207

Included in the total net book value of motor vehicles is £1,000 (31 December 1999: £4,000) in respect of assets held under hire purchase contracts. Depreciation for the period on these assets was £3,000 (31 December 1999: £16,000).

Land of £217,500 (31 December 1999: £217,500) included in freehold property is not depreciated.

12 Stocks

	4 January 2001 £000	31 December 1999 £000
Finished goods and goods for resale	3,170	3,516
Work in progress	165	156
	3,335	3,672

13 Debtors

	4 January 2001 £000	31 December 1999 £000
Trade debtors	2,860	3,896
Amounts owed by group undertakings	26	214
Prepayments and accrued income	146	164
	3,032	4,274

Notes (continued)

14 Creditors: amounts falling due within one year

	4 January 2001		31 December 1999	
	£000	£000	£000	£000
Bank loans and overdrafts		2,075		3,911
Obligations under hire purchase contracts		-		4
Trade creditors		1,847		2,014
Amounts owed to group undertakings		953		414
Other creditors including taxation and social security:				
Other taxes and social security	252		326	
Other creditors	42		22	
		294		348
Accruals and deferred income		664		240
		5,833		6,931

15 Creditors: amounts falling due after more than one year

	4 January 2001	31 December 1999
	£000	£000
Amounts owed to group undertakings	968	-

Borrowings, excluding bank overdrafts, outstanding at 4 January 2001 are repayable as follows:

	Other loans		Obligations under hire purchase contracts	
	4 January 2001	31 December 1999	4 January 2001	31 December 1999
	£000	£000	£000	£000
Debts can be analysed as falling due:				
Between one and two years	66	-	-	-
Between two and five years	281	-	-	-
In five years or more	621	-	-	-
	968	-	-	-

Notes (continued)

16 Provisions for liabilities and charges

(a) Rationalisation and other provisions

	4 January 2001 £000	31 December 1999 £000
At beginning of period	150	299
Utilised during the period	(63)	(2)
Additional amounts provided	80	-
Surplus provisions released to profit and loss account	-	(147)
At end of year	167	150

The surplus provision released in 1999 of £147,000 relates to provisions set up in respect of the acquisition of part of the Lucas Fluid Power Division in 1993. The balance at the end of the period comprises provisions for future costs of vacant leased property.

(b) Deferred taxation

The provided and unprovided amounts for deferred taxation at 30% (31 December 1999: 30%) are as follows:

	4 January 2001		31 December 1999	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Accelerated capital allowances	-	48	-	63
Short term timing differences	-	(124)	-	(45)
Losses	-	(900)	-	(450)
	-	(976)	-	(432)

17 Commitments

(a) Capital expenditure

There were no capital commitments at 4 January 2001 (31 December 1999: £Nil).

(b) Operating leases

Annual commitments under non-cancellable operating leases are as follows:

	4 January 2001		31 December 1999	
	Vehicle contract hire £000	Property rent £000	Vehicle contract hire £000	Property rent £000
Operating leases which expire:				
Within one year	35	-	34	-
In the second to fifth years inclusive	156	51	171	139
After more than five years	-	56	-	56
	191	107	205	195

Included within the annual commitment for property rent are amounts of £36,000 (31 December 1999: £100,000) which are charged to third parties under sub-lease arrangements.

Notes (continued)

18 Called up share capital

	4 January 2001 £000	31 December 1999 £000
<i>Authorised</i>		
7,850,000 ordinary shares of £1 each	7,850	7,850
<i>Allotted, called up and fully paid</i>		
7,800,100 ordinary shares of £1 each	7,800	7,800

19 Reserves

	4 January 2001 £000	31 December 1999 £000
At beginning of period	(3,940)	(1,965)
Loss for the period	(2,551)	(1,975)
At end of period	(6,491)	(3,940)

The cumulative amount of goodwill written off against reserves is £5,650,000 (31 December 1999: £5,650,000).

20 Reconciliation of movements in shareholders' funds

	4 January 2001 £000	31 December 1999 £000
Loss for the financial period being the net reduction in shareholders' funds	(2,551)	(1,975)
Opening shareholders' funds	3,860	5,835
Closing shareholders' funds	1,309	3,860

21 Pension scheme

The company operates three defined contribution schemes; one for the directors and two for other eligible employees. The cost for the year amounted to £144,000 (31 December 1999: £165,000).

22 Cash flow statement

Under Financial Reporting Standard 1 the company is exempt from the requirements to prepare a cash flow statement as it is a wholly owned subsidiary of a parent undertaking which has produced a group cash flow statement in accordance with the provisions of the standard.

Notes *(continued)*

23 Ultimate holding company

By virtue of the company being a wholly owned subsidiary included in the consolidated financial statements of a larger EU group, the company is exempt under Financial Reporting Standard 8 from disclosing transactions or balances with entities which are part of the group that qualify as related parties.

The company's immediate holding company is S Berendsen Limited.

Copies of the financial statements can be obtained from:

S Berendsen Limited
Sandy Way
Amington Industrial Estate
Tamworth
B77 4DS

The largest group in which the results of the company are consolidated is that headed by Sito Financial Services BV, incorporated in the Netherlands.

Copies of the financial statements can be obtained from:

Sito Financial Services BV
Driebergseweg 17
NL-3708 JA Zeist
Netherlands