

**Berendsen PMC Limited**

**Directors' report and financial statements**

For the year ended 31 December 1998

Registered number 926679



## **Directors' report and financial statements**

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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

### **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 year are shown on page 4 of the financial statements.

The directors consider the state of affairs of the company to be satisfactory.

### **Change of name**

On 1 January 1999 the company changed its name by special resolution from Berendsen Fluid Power Limited to Berendsen PMC Limited.

### **Dividends**

The directors do not recommend the payment of a dividend (1997: £Nil).

### **Directors and directors' interests**

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

O Balle  
R Knott  
H Neumann (resigned 20 August 1998)  
L Bray (appointed 13 August 1998, resigned 20 August 1998)

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

### **Year 2000**

In response to the predicted inability of certain computer programs and data files to distinguish the appropriate year at the start of the Year 2000, the company has performed a review of its computer systems and other equipment and processes controlled by computer technology. Where necessary our systems are in the process of being upgraded or modified to meet this challenge. While it is not possible for any organisation to guarantee that it has resolved all of the possible problems linked to the Year 2000, the board believes that it has a programme in place to address the critical areas of risk. Compliance costs incurred to date, which are not material, have been dealt with in accordance with the company's accounting policies.

## **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 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

27 April 1999



2 Cornwall Street  
Birmingham  
B3 2DL

## **Auditors' report to the members of Berendsen PMC Limited**

We have audited the financial statements on pages 4 to 15.

### ***Respective responsibilities of directors and auditors***

As described on page 2 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 as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

27 April 1999

KPMG  
Chartered Accountants  
Registered Auditors

**Profit and loss account**  
*for the year ended 31 December 1998*

	<i>Note</i>	<b>1998</b> <b>£000</b>	<b>1997</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>22,035</b>	<b>23,512</b>
Cost of sales		<b>(15,776)</b>	<b>(16,776)</b>
		<hr/>	<hr/>
<b>Gross profit</b>		<b>6,259</b>	<b>6,736</b>
Administrative expenses (including exceptional credit of £101,000 (1997: £106,000))	<b>4</b>	<b>(4,773)</b>	<b>(3,984)</b>
Other operating charges		<b>(990)</b>	<b>(893)</b>
		<hr/>	<hr/>
<b>Operating profit</b>		<b>496</b>	<b>1,859</b>
Interest receivable and similar income	<b>7</b>	<b>28</b>	<b>28</b>
Interest payable and similar charges	<b>8</b>	<b>(65)</b>	<b>(155)</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	<b>3</b>	<b>459</b>	<b>1,732</b>
Tax on profit on ordinary activities	<b>9</b>	<b>(142)</b>	<b>(555)</b>
		<hr/>	<hr/>
<b>Profit for the financial year</b>		<b>317</b>	<b>1,177</b>
		<hr/>	<hr/>

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

There were no recognised gains or losses during the current or preceeding year apart from the profit for the financial year shown above.

Movements in reserves are set out in note 20 to the financial statements.

**Balance sheet**  
*at 31 December 1998*

	<i>Note</i>	<b>1998</b>		<b>1997</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Intangible assets	10	375		-	
Tangible assets	11	2,496		2,296	
<b>Current assets</b>			2,871		2,296
Stocks	12	3,874		3,779	
Debtors	13	5,335		5,058	
Cash at bank and in hand		816		327	
<b>Creditors: amounts falling due within one year</b>	14	10,025 (6,762)		9,164 (5,291)	
<b>Net current assets</b>			3,263		3,873
<b>Total assets less current liabilities</b>			6,134		6,169
<b>Creditors: amounts falling due after more than one year</b>	15		-		(250)
<b>Provisions for liabilities and charges</b>	16		(299)		(401)
<b>Net assets</b>			5,835		5,518
<b>Capital and reserves</b>					
Called up share capital	19		7,800		7,800
Profit and loss account	20		(1,965)		(2,282)
<b>Equity shareholders' funds</b>			5,835		5,518

These financial statements were approved by the board of directors on 27 April 1999 and were signed on its behalf by:

  
**R Knott**  
*Director*

## **Notes**

*(forming part of the financial statements)*

### **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 residual value) on a straight line basis over their estimated useful economic lives as follows:

Freehold buildings	-	2% per annum
Plant and machinery	-	15% per annum
Office equipment	-	15% 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 profit.

#### ***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.



## Notes (continued)

### Accounting policies (continued)

#### *Taxation*

The charge for taxation is based on the profit for the year 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.

#### *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.

#### *Turnover*

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

Analysis of turnover by geographical market is as follows:

	1998 £000	1997 £000
United Kingdom	21,201	22,097
Rest of Europe	141	512
Rest of world	693	903
	<hr/> 22,035 <hr/>	<hr/> 23,512 <hr/>

#### **Profit on ordinary activities before taxation**

	1998 £000	1997 £000
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#### *Profit on ordinary activities before taxation is stated after charging*

Depreciation	329	353
Amortisation	30	-
Vehicle contract hire payable under operating leases	211	143
Property rental payable under operating leases	44	41
Hire of office equipment	4	6
Auditors' remuneration	30	23
- audit fees	13	13
- non audit fees	<hr/>	<hr/>

## Notes (continued)

### Exceptional items

	1998 £000	1997 £000
Included in administration expenses:		
Release of surplus provisions set up on acquisition of the Lucas Fluid Power Division (see note 16)	(101)	(106)
	<u>          </u>	<u>          </u>

### Remuneration of directors

	1998 £000	1997 £000
Salary and benefits	85	76
Pension contributions to money purchase schemes	13	13
	<u>          </u>	<u>          </u>
	98	89
	<u>          </u>	<u>          </u>

One director was a member of a money purchase scheme operated by the company (1997: 1).

### Staff numbers and costs

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

	Number of employees 1998	1997
Administration	9	8
Sales and service	177	163
Warehouse	17	14
	<u>          </u>	<u>          </u>
	203	185
	<u>          </u>	<u>          </u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	3,899	3,376
Social security costs	402	371
Other pension costs (see note 22)	176	166
	<u>          </u>	<u>          </u>
	4,477	3,913
	<u>          </u>	<u>          </u>

**Notes (continued)**

**Interest receivable and similar income**

	1998 £000	1997 £000
Bank interest	28	28
	<u>28</u>	<u>28</u>

**Interest payable and similar charges**

	1998 £000	1997 £000
On bank loans, overdrafts and other loans	64	152
Finance charges payable in respect of hire purchase contracts	1	3
	<u>65</u>	<u>155</u>
	<u>65</u>	<u>155</u>

**Taxation**

	1998 £000	1997 £000
UK corporation tax at 31% (1997: 31.5%)	142	555
	<u>142</u>	<u>555</u>

**Intangible assets**

	£000
Goodwill arising in year	405
Amortisation during year	(30)
	<u>375</u>
Net book value at 31 December 1998	<u>375</u>

## Notes (continued)

### 11 Tangible fixed assets

	Freehold property £000	Plant and machinery £000	Motor vehicles £000	Office equipment £000	Total £000
<b>Cost</b>					
At beginning of year	1,879	304	368	887	3,438
Additions	205	97	46	198	546
Disposals	-	(2)	(161)	(210)	(373)
<b>At end of year</b>	<b>2,084</b>	<b>399</b>	<b>253</b>	<b>875</b>	<b>3,611</b>
<b>Depreciation</b>					
At beginning of year	149	189	242	562	1,142
Charge for year	35	55	67	172	329
On disposals	-	(2)	(148)	(206)	(356)
<b>At end of year</b>	<b>184</b>	<b>242</b>	<b>161</b>	<b>528</b>	<b>1,115</b>
<b>Net book value</b>					
At 31 December 1998	1,900	157	92	347	2,496
At 31 December 1997	1,730	115	126	325	2,296

Included in the total net book value of motor vehicles is £30,000 (1997: £12,000) in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £11,000 (1997: £9,000).

Land of £217,500 (1997: £217,500) included in freehold property is not depreciated.

### 2 Stocks

	1998 £000	1997 £000
Finished goods and goods for resale	3,527	3,241
Work in progress	632	538
Payments receivable against work in progress	(285)	-
	<b>3,874</b>	<b>3,779</b>

**Notes (continued)**

**3 Debtors**

	1998 £000	1997 £000
Trade debtors	4,761	4,346
Amounts owed by group undertakings	416	558
Other debtors	10	52
Prepayments and accrued income	148	102
	<u>5,335</u>	<u>5,058</u>

**4 Creditors: amounts falling due within one year**

	1998 £000	1997 £000
Bank loans and overdrafts	2,762	534
Obligations under hire purchase contracts (see note 15)	16	5
Trade creditors	2,442	2,801
Amounts owed to group undertakings	413	815
Other creditors including taxation and social security:		
Corporation tax	175	550
Other taxes and social security	281	282
Other creditors	456	99
	<u>912</u>	<u>931</u>
Accruals and deferred income	217	205
	<u>6,762</u>	<u>5,291</u>

The amounts due under hire purchase contracts are secured on the assets to which they relate.

## Notes (continued)

### 15 Creditors: amounts falling due after more than one year

	1998 £000	1997 £000
Other loans	-	250
	<u>          </u>	<u>          </u>

Borrowings, excluding bank overdrafts, outstanding at 31 December 1998 are repayable as follows:

	Other loans		Obligations under hire purchase contracts	
	1998 £000	1997 £000	1998 £000	1997 £000
Within one year	250	19	16	5
Between two and five years	-	250	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	250	269	16	5
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Interest on other loans is charged at LIBOR plus 1.345 per cent.

### 6 Provisions for liabilities and charges

#### Rationalisation and other provisions

	1998 £000	1997 £000
At beginning of year	401	510
Utilised during the year	(1)	(3)
Surplus provisions released to profit and loss account	(101)	(106)
	<u>          </u>	<u>          </u>
At end of year	299	401
	<u>          </u>	<u>          </u>

The surplus provision released in the year of £101,000 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 year comprises provisions for future costs of vacant leased property.

#### Deferred taxation

The provided and unprovided amounts for deferred taxation at 30% (1997: 30%) are as follows:

	1998		1997	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Accelerated capital allowances	-	33	-	25
Short term timing differences	-	(98)	-	(121)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	-	(65)	-	(96)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## Notes (continued)

### 17 Commitments

#### (a) Capital expenditure

	1998 £000	1997 £000
Capital expenditure contracted for but not provided	-	50
	<u>          </u>	<u>          </u>

#### (b) Operating leases

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

	1998		1997	
	Vehicle contract hire £000	Property rent £000	Vehicle contract hire £000	Property rent £000
Operating leases which expire:				
Within one year	50	-	33	17
In the second to fifth years inclusive	171	44	103	25
	<u>221</u>	<u>44</u>	<u>136</u>	<u>42</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 18 Acquisition

On 17 August 1998, the company acquired the trade and certain assets from Powerflow Hydraulics Limited for a total consideration of £857,000 as follows:

	£000
Book and fair value of assets acquired:	
Tangible fixed assets	335
Stocks	140
Other creditors falling due within one year	(23)
	<u>452</u>
Consideration:	
Cash	631
Deferred consideration	200
Legal costs in connection with acquisition	26
	<u>857</u>
Goodwill on acquisition	<u>405</u>

The goodwill has been capitalised and will be amortised over 5 years.

## Notes (continued)

### 19 Called up share capital

	1998 £000	1997 £000
<i>Authorised</i>		
7,850,000 ordinary shares of £1 each	7,850	7,850
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
7,800,100 ordinary shares of £1 each	7,800	7,800
	<hr/>	<hr/>

### 20 Reserves

	1998 £000	1997 £000
At beginning of year	(2,282)	(3,459)
Profit for the year	317	1,177
	<hr/>	<hr/>
At end of year	(1,965)	(2,282)
	<hr/>	<hr/>

The cumulative amount of goodwill written off against reserves is £5,680,000 (1997: £5,650,000).

### 21 Reconciliation of movements in shareholders' funds

	1998 £000	1997 £000
Profit for the financial year being the net addition to shareholders' funds	317	1,177
Opening shareholders' funds	5,518	4,341
	<hr/>	<hr/>
Closing shareholders' funds	5,835	5,518
	<hr/>	<hr/>

### 2 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 £176,000 (1997: £166,000).

### 3 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)**

**24 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 Sophus Berendsen A/S., incorporated in Denmark.

Copies of the financial statements can be obtained from:

Sophus Berendsen A/S.  
Berendsen Allé 1  
2860 Soborg  
Denmark