

MUNTERS LIMITED

Report and Accounts

31 December 2001



Munters Limited

Registered No. 402652

DIRECTORS

L Evrell
C Y Modla
P Roux
R Mitchell

SECRETARY

L E Post (resigned 30 April 2001)
W Davidson (appointed 30 April 2001)

AUDITORS

Ernst & Young LLP
Compass House
80 Newmarket Road
Cambridge
CB5 8DZ

BANKERS

Svenska Handelsbanken
Cumberland House
Park Row
Nottingham
NG1 6EE

REGISTERED OFFICE

Blackstone Road
Huntingdon
Cambridgeshire
PE18 6EF

Munters Limited

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 31 December 2001.

RESULTS AND DIVIDENDS

The operating profit for the year was £762,000 (2000: £781,000). After interest and taxation, a profit of £955,000 remains to be carried to reserves (2000: £628,000).

The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY

The principal activities of the company are spread across four operational divisions covering:

- Property and damage restoration services
- Sale and hire of dehumidification equipment
- Humidification
- Water and gas cleaning equipment

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Munters Limited continues to develop and expand across its four operational divisions.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

C Y Modla
L Evrell
P Roux
R Mitchell (appointed 31 May 2001)
T D Hawkins (resigned 31 July 2001)
T P Marshall (resigned 31 May 2001)

The directors had no beneficial interest in the shares of the company at 31 December 2001 or 31 December 2000.

CREDITOR PAYMENT AND PRACTICE

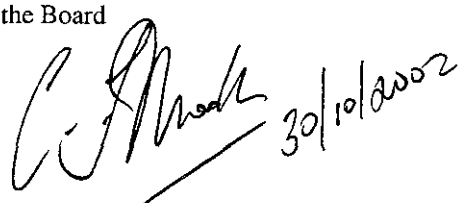
It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with. The company's average credit payment period at 31 December 2001 was 19 days (2000: 20 days).

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the Board

C Y Modla
Director



STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts 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 of the company for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MUTERS LIMITED

We have audited the company's financial statements for the year ended 31 December 2001 which comprise Profit and Loss Account, Balance Sheet and the related notes 1 to 20. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

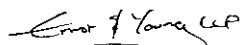
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 affairs of the company as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Cambridge

31 October 2002

Munters Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2001

	<i>Notes</i>	<i>2001 £'000</i>	<i>2000 £'000</i>
TURNOVER	2	14,963	15,728
Cost of sales		(10,180)	(11,010)
GROSS PROFIT		<u>4,783</u>	<u>4,718</u>
Distribution costs		(2,571)	(2,174)
Administrative expenses		(1,450)	(1,763)
		<u>(4,021)</u>	<u>(3,937)</u>
OPERATING PROFIT	3	762	781
Interest receivable	4	<u>110</u>	<u>98</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		872	879
Tax on profit on ordinary activities	5	(83)	251
PROFIT FOR THE FINANCIAL YEAR	15	<u><u>955</u></u>	<u><u>628</u></u>

There are no recognised gains or losses other than the profit of £955,000 in the year ended 31 December 2001 and £628,000 in the year ended 31 December 2000.

Munters Limited

BALANCE SHEET at 31 December 2001

	Notes	2001 £'000	2000 £'000
FIXED ASSETS			
Intangible assets	6	–	41
Tangible assets	7	1,288	2,044
Investments	8	–	–
		<u>1,288</u>	<u>2,085</u>
CURRENT ASSETS			
Stocks	9	586	1,156
Debtors	10	7,585	5,703
Cash at bank and in hand		260	86
		<u>8,431</u>	<u>6,945</u>
CREDITORS: amounts falling due within one year	11	(2,355)	(2,621)
		<u>6,076</u>	<u>4,324</u>
NET CURRENT ASSETS			
		<u>7,364</u>	<u>6,409</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	13	250	250
Capital contribution	14	1,953	1,953
Profit and loss account	15	5,161	4,206
		<u>7,364</u>	<u>6,409</u>
Total shareholders' funds – all equity		<u>7,364</u>	<u>6,409</u>

C Y Modla
Director

C Y Modla
30/10/2002

2002

NOTES TO THE ACCOUNTS
at 31 December 2001

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and comply with applicable accounting standards.

Consolidated financial statements

These financial statements present information about the company as an individual undertaking. Consolidated financial statements have not been prepared as the company is a wholly owned subsidiary of an EC parent undertaking.

Turnover

Turnover represents the amount receivable for goods sold and services provided, excluding VAT.

Depreciation

Depreciation is calculated to write off the cost of the following fixed assets, in equal instalments, over their estimated useful lives:

Leasehold premises (short term)	10%
Rental fleet	15% - 20%
Fixtures and fittings	20% - 25%
Motor vehicles	25%
Computer equipment	20% - 33%

The carrying values of fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Leasing commitments

Assets obtained under finance leases are capitalised and depreciated over their useful lives. The interest element of the payments is charged to profit and loss account over the period of the lease. Rentals paid under operating leases are charged to profit and loss account as incurred.

Stocks

Stocks and work in progress are valued at the lower of cost and estimated net realisable value. Finished goods and work in progress include materials and direct labour.

Deferred taxation

Deferred taxation is provided under the liability method on all material short-term timing differences. Provision is also made for long-term timing differences, except for those which are not expected to reverse in the foreseeable future.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Pensions

The cost of providing pension benefits is charged to the profit and loss account over the period benefiting from employees' services.

NOTES TO THE ACCOUNTS
at 31 December 2001

1. ACCOUNTING POLICIES (continued)

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Long term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs (as defined in Stocks above) as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

2. TURNOVER

The turnover and pre-tax result are attributable to the company's principal activity. An analysis of turnover by geographical market is given below:

	2001 £'000	2000 £'000
United Kingdom	14,159	15,263
Rest of Europe	521	398
Rest of world	283	67
	<u>14,963</u>	<u>15,728</u>

3. OPERATING PROFIT

(a) The operating profit is stated after charging:

	2001 £'000	2000 £'000
Directors' emoluments	304	202
Depreciation	570	462
Goodwill - amortisation	12	12
- write off	29	-
Auditors' remuneration	27	25
Operating lease rentals - plant and machinery	381	346
- land and buildings	439	435
	<u></u>	<u></u>

Munters Limited

NOTES TO THE ACCOUNTS at 31 December 2001

3. OPERATING PROFIT (continued) (b) Directors' emoluments

	2001 £'000	2000 £'000
Emoluments	304	202
Company contributions paid to money purchase pension schemes	17	12
The emoluments of the highest paid director were:		
Emoluments	143	79
Company contributions paid to money purchase pension scheme	9	5

	No.	No.
Members of the money purchase pension scheme	4	4

(c) Staff costs

	2001 £'000	2000 £'000
Wages and salaries	3,429	2,789
Social security costs	365	276
Other pension costs	280	256
	4,074	3,321

The average monthly number of employees during the year were made up as follows:

	2001 No.	2000 No.
Selling	104	106
Production	6	9
Management and administration	60	34
	170	149

Munters Limited

NOTES TO THE ACCOUNTS at 31 December 2001

4. INTEREST RECEIVABLE

	2001 £'000	2000 £'000
Bank interest receivable	45	22
Group interest receivable	65	76
	<u>110</u>	<u>98</u>

5. TAXATION

	2001 £'000	2000 £'000
Based on the result for the year:		
Corporation tax at 30%	351	300
Deferred tax	—	(9)
	<u>351</u>	<u>291</u>
Corporation tax overprovided in previous years	(434)	(40)
	<u>(83)</u>	<u>251</u>

6. INTANGIBLE ASSETS

	Goodwill £'000
Cost:	
At 1 January 2001 and 31 December 2001	59
Amortisation:	
At 1 January 2001	18
Charge for the year	12
Goodwill written off in year	29
At 31 December 2001	<u>59</u>
Net book value:	
At 31 December 2001	—
At 31 December 2000	<u>41</u>

Goodwill arose on the acquisition of Robart Cleaning Services, and is amortised in equal instalments over its useful economic life of 5 years. At year end, the goodwill was completely written off as the Directors are of the opinion that the Goodwill is impaired.

Munters Limited

NOTES TO THE ACCOUNTS at 31 December 2001

7. TANGIBLE FIXED ASSETS

	<i>Leasehold premises (short term) £'000</i>	<i>Rental fleet £'000</i>	<i>Fixtures & fittings £'000</i>	<i>Motor vehicles £'000</i>	<i>Computer equipment £'000</i>	<i>Total £'000</i>
Cost:						
At 1 January 2001	80	3,644	501	155	889	5,269
Additions	–	70	18	55	55	198
Disposals	–	(408)	–	(48)	(3)	(459)
At 31 December 2001	80	3,306	519	162	941	5,008
Depreciation:						
At 1 January 2001	30	2,132	365	72	626	3,225
Charge for the year	6	335	61	28	140	570
Disposals	–	(51)	–	(23)	(1)	(75)
31 December 2001	36	2,416	426	77	765	3,720
Net book value:						
At 31 December 2001	44	890	93	85	176	1,288
At 31 December 2000	50	1,512	136	83	263	2,044

8. INVESTMENTS

	<i>Subsidiary Undertakings £</i>	<i>Other investments £</i>	<i>Total £</i>
Cost:			
At 31 December 2001 and 1 January 2001	102	190,000	190,102
Amounts provided:			
At 31 December 2001 and 1 January 2001	–	190,000	190,000
Net book value:			
At 31 December 2001 and 31 December 2000	102	–	102

Munters Limited

NOTES TO THE ACCOUNTS

at 31 December 2001

8. INVESTMENTS (continued)

Details of the investment in which the company holds more than 10% of the nominal value of any class of share capital are as follows:

<i>Subsidiary undertakings</i>	<i>Country of registration</i>	<i>Holding</i>	<i>Proportion held</i>	<i>Nature of business</i>
Rotaire Limited	England and Wales	Ordinary shares	100%	Dormant
Munters Moisture Control Services Limited	England and Wales	Ordinary shares	100%	Dormant

In the view of the directors the aggregate value of the company's investments in subsidiary undertakings is not less than the amount at which they are stated.

The financial statements of these companies have not been consolidated since the company is a wholly owned subsidiary of a company incorporated in the UK.

Other investments

Munters Pty Limited	Australia	Redeemable preference share	100%
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9. STOCKS

	<i>2001</i>	<i>2000</i>
	<i>£'000</i>	<i>£'000</i>
Raw materials and components	116	57
Work in progress	298	760
Finished goods for sale	172	339
	<u>586</u>	<u>1,156</u>

10. DEBTORS

	<i>2001</i>	<i>2000</i>
	<i>£'000</i>	<i>£'000</i>
Trade debtors	4,462	4,876
Amounts owed by group undertakings	2,506	473
Prepayments and accrued income	617	354
	<u>7,585</u>	<u>5,703</u>

Munters Limited

NOTES TO THE ACCOUNTS at 31 December 2001

11. CREDITORS: amounts falling due within one year

	2001 £'000	2000 £'000
Trade creditors	406	659
Amounts owed to fellow subsidiary undertakings	35	203
Corporation tax	—	235
Other taxes and social security costs	549	519
Accruals and deferred income	1,177	839
Payments in advance	188	166
	<u>2,355</u>	<u>2,621</u>

The company has an overdraft facility which is secured by a cross guarantee with other group companies.

12. DEFERRED TAX

Deferred tax provided and not provided in the accounts is as follows:

	<i>Provided</i>		<i>Unprovided</i>	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Accelerated capital allowances	—	—	(10)	20
Other differences in recognising revenue	—	—	(130)	(78)
	<u>—</u>	<u>—</u>	<u>(140)</u>	<u>(58)</u>

13. CALLED UP SHARE CAPITAL

	<i>Authorised</i>		<i>Alloted, call and fully paid</i>	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Ordinary shares of £1 each	500	500	250	250

14. CAPITAL CONTRIBUTION

	2001 £'000	2000 £'000
Capital contribution received from parent undertaking	1,953	1,953

NOTES TO THE ACCOUNTS
at 31 December 2001

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital £'000</i>	<i>Capital contribution £'000</i>	<i>Profit and loss account £'000</i>	<i>Total shareholders' fund £'000</i>
At 1 January 2000	250	1,953	3,578	5,781
Profit for the year	—	—	628	628
At 31 December 2000	250	1,953	4,206	6,409
Profit for the year	—	—	955	955
At 31 December 2001	250	1,953	5,161	7,364

16. OTHER FINANCIAL COMMITMENTS

At 31 December 2001 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>2001 Land and Buildings £'000</i>	<i>2001 Other £'000</i>	<i>2000 Land and buildings £'000</i>	<i>2000 Other £'000</i>
Operating leases which expire:				
Within one year	17	381	—	323
In the second to fifth year inclusive	67	391	81	230
In over five years	355	—	354	—
	439	772	435	553

17. PENSION COMMITMENTS

During 1990 the company changed its pension scheme for the employees from a defined benefit scheme to a hybrid scheme. Contributions to the defined contribution element of the scheme are made with regard to target benefits based on final salaries. Ongoing contributions to the scheme are funded by the payment of contributions to independently administered trust funds.

Contributions to the scheme are determined with the advice of independent qualified actuaries. The most recent valuation was conducted at 1 April 1997 using the Minimum Funding Requirement basis and the following main assumptions:

- the effective rate of return on the fund's assets will be between 8% and 9% p.a.
- pensionable salaries will increase by 6% p.a.
- benefits subject to Limited Price Indexation will increase by 3.5% p.a.
- Guaranteed Minimum Pensions accrued after 6 April 1999 will increase by at least 2.75% p.a.
- an allowance is made for withdrawals

The valuation showed that the value of the past service benefits, under the defined benefit element of the scheme exceeds the market value of the relevant assets of £389,900. The market value was sufficient to cover 77.3% of the benefits that had accrued to members, on a Minimum Funding Requirement basis.

The contribution rate required to fund the target benefits and the past service deficit over the remaining expected service lifetimes of employees is 12.8% (not including employee contributions) and the company has made contributions during the year at a level to enable these funding requirements to be met.

NOTES TO THE ACCOUNTS

at 31 December 2001

17. PENSION COMMITMENTS (continued)

Prepaid contributions at the balance sheet date amounted to £nil (2000: £nil).

FRS17

A full actuarial valuation was carried out as at 1 April 2000 and updated by a qualified independent actuary to take account of the requirements of FRS17 in order to assess the liabilities of the scheme at 31 December 2001. The major assumptions by the actuary for the 31 December 2001 FRS17 valuation were:

	%
Inflation assumption	2.5
Rate of salary increases	4.5
Rate of increase of pensions in payment	2.5
Discount rate for scheme liabilities	5.8

The assets and liabilities of the group scheme, and the expected rates of return at 31 December 2001 were:

	<i>Long-term rate of return expected %</i>	<i>Value £'000</i>
Equities	8.0	586
Bonds	4.9	114
Cash	4.0	37
Total market value of assets		737
Present value of scheme liabilities		1,160
(Deficit) in the scheme		(423)
Related deferred tax asset		127
Net Pension Liability		(296)
Reconciliation of Net Assets and Reserves under FRS17		2001
		£000
Reserves:		
Profit and Loss reserve as stated in the balance sheet		5,161
Discretionary Pension Scheme		(246)
Profit and Loss Reserve including Discretionary Pension Scheme		4,915
Net Assets:		
Net Assets as stated in the balance sheet		7,364
Discretionary Pension Scheme		(246)
Net Assets including Discretionary Pension Scheme		7,118

NOTES TO THE ACCOUNTS
at 31 December 2001

18. CONTINGENT LIABILITIES

At the year end the company had performance bonds and guarantees outstanding amounting to £43,911 (2000: £56,975).

19. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £nil (2000: £nil).

20. ULTIMATE PARENT UNDERTAKING

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is Munters AB, a company incorporated in Sweden and considered to be the ultimate parent undertaking and controlling party.

The parent undertaking of the smallest such group is Munters Group Limited, a company registered in England and Wales.

Copies of the accounts of Munters AB may be obtained from Munters AB, P O Box 430, SE-191 24, Sollentuna, Stockholm, Sweden.

Transactions with group companies have not been disclosed as permitted by FRS8.