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MUNTERS LIMITED

Report and Financial Statements

31 December 2005

ERNST & YOUNG

FRIDAY



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COMPANIES HOUSE

# Munters Limited

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Registered No. 402652

## **DIRECTORS**

A Phillips  
P Roux

## **SECRETARY**

A Ericson

## **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  
PE29 6EE

 **ERNST & YOUNG**

DIRECTORS' REPORT (CONTINUED)

The directors submit their report and financial statements for the year ended 31 December 2005.

**RESULTS AND DIVIDENDS**

The operating profit for the year was £1,449,000 (2004: £785,000). After interest and taxation, a profit of £1,107,000 remains to be carried to reserves (2004: £772,000). The directors do not recommend the payment of a dividend.

**PRINCIPAL ACTIVITY**

The principal activity of the company is humidity control, which is 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 continued to develop and expand within its Moisture Control Services division and consolidated across the other three operational divisions. Expansion in the other divisions should return with product development and the entering of new markets.

Subsequent to the year end, in April 2006, the company sold the trade and assets of its water division at net book value to a third party.

**DIRECTORS AND THEIR INTERESTS**

The directors who served during the year were follows:

P Roux  
A Phillips

The directors had no beneficial interest in the shares of the company at 31 December 2005 or 31 December 2005.

The company has effected Directors' and Officers' insurance in respect of the directors of the company.

**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 2005 was 18 days (2004: 18 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

A Phillips  
Director

*Alasdair Phillips*

12<sup>th</sup> June 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
FINANCIAL STATEMENTS

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 of the company 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; and
- 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 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 2005 which comprise Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
Cambridge

*12 June* 2006

# Munters Limited

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 2005

			<i>As restated</i>
		2005	2004
	Notes	£'000	£'000
<b>TURNOVER</b>	2	23,697	19,063
Cost of sales		(17,283)	(14,247)
<b>GROSS PROFIT</b>		6,414	4,816
Distribution costs		(2,791)	(2,180)
Administrative expenses		(2,174)	(1,851)
		(4,965)	(4,031)
<b>OPERATING PROFIT</b>	3	1,449	785
Interest receivable	4	165	155
Other finance income	5	47	55
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,661	995
Tax on profit on ordinary activities	6	554	223
<b>PROFIT FOR THE FINANCIAL YEAR</b>	14	1,107	772

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2005

		<i>As restated</i>
	2005	2004
	£'000	£'000
Profit for the financial year	1,107	772
Actuarial loss recognised in the pension scheme	(153)	(160)
Deferred tax arising thereon	31	32
	985	644
Prior year adjustment	120	-
<b>TOTAL RECOGNISED GAINS AND LOSSES SINCE LAST ANNUAL REPORT</b>	1,105	644

# Munters Limited

## BALANCE SHEET at 31 December 2005

	Notes	2005 £'000	2004 £'000
<b>FIXED ASSETS</b>			
Intangible assets	7	92	114
Tangible assets	8	2,114	1,604
		<u>2,206</u>	<u>1,718</u>
<b>CURRENT ASSETS</b>			
Stocks	9	958	863
Debtors	10	10,687	9,309
Cash at bank and in hand		767	269
		<u>12,412</u>	<u>10,441</u>
<b>CREDITORS:</b> amounts falling due within one year	11	(3,454)	(2,055)
<b>NET CURRENT ASSETS</b>		<u>8,958</u>	<u>8,386</u>
<b>NET ASSETS EXCLUDING PENSION ASSET</b>		<u>11,164</u>	<u>10,104</u>
Pension asset		45	120
<b>NET ASSETS</b>		<u>11,209</u>	<u>10,224</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	250	250
Capital contribution	13	1,953	1,953
Profit and loss account	14	9,006	8,021
		<u>11,209</u>	<u>10,224</u>
Total shareholders' funds – all equity		<u>11,209</u>	<u>10,224</u>

ERNST & YOUNG

A Phillips  
Director

*Alasdair Phillips*

12<sup>th</sup> June 2006



# Munters Limited

## BALANCE SHEET at 31 December 2005

### 1. ACCOUNTING POLICIES

#### *Accounting convention*

The financial statements 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.

#### *Cash flow statement*

In accordance with FRS 1, no cash flow statement is included in these financial statements, as the company is a wholly owned subsidiary. A consolidated cash flow statement is prepared by the parent company.

#### *Turnover*

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

#### *Fixed assets*

All fixed assets are initially recorded at cost.

#### *Depreciation*

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

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

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.

# Munters Limited

## BALANCE SHEET at 31 December 2005

### 1. ACCOUNTING POLICIES (continued)

#### *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### *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 company operates a pension scheme which provides benefits for employees based on final pensionable salary. During the year the company has implemented FRS 17 'Retirements Benefits'.

Amounts charged to operating profit in respect of pension consist of the current service costs and any costs are charged to operating profit immediately if the benefits have vested. If the benefits have not vested immediately, the costs are recognised by equal annual instalments over the period until vesting occurs. The interest cost and the expected return on assets are included on other finance costs. Actuarial gains net of deferred tax are recognised immediately in the Statement of Total Recognised Gains and Losses.

The defined benefit scheme is funded in a separate trustee administered fund with assets of the scheme held separately from those of the company. Pension scheme assets are measured at fair value, and liabilities are measured on an actuarial basis using projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities.

Full actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

The resulting defined benefit liability, net of related deferred tax, is included below creditors on the balance sheet.

### 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:

	2005 £'000	2004 £'000
United Kingdom	23,453	18,966
Rest of Europe	50	27
Rest of world	194	70
	<u>23,697</u>	<u>19,063</u>

# Munters Limited

## BALANCE SHEET at 31 December 2005

### 3. OPERATING PROFIT

(a) The operating profit is stated after charging:

	2005 £'000	2004 £'000
Directors' emoluments	166	195
Depreciation	613	516
Amortisation	54	26
Auditors' remuneration	35	50
Operating lease rentals - plant and machinery	813	737
- land and buildings	679	638

(b) Directors' emoluments

	2005 £'000	2004 £'000
Emoluments	166	196

Company contributions paid to money purchase pension schemes

9 29

The emoluments of the highest paid director were:

Emoluments	166	132
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Company contributions paid to money purchase pension scheme

9 17

No. No.

Members of the money purchase pension scheme

1 3

(c) Staff costs

	2005 £'000	2004 £'000
Wages and salaries	6,328	4,666
Social security costs	757	758
Other pension costs	301	225
	7,386	5,649

# Munters Limited

## BALANCE SHEET at 31 December 2005

### 3. OPERATING PROFIT (continued)

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

	2005 No.	2004 No.
Selling	172	149
Production	5	6
Management and administration	60	55
	<u>237</u>	<u>210</u>

### 4. INTEREST RECEIVABLE

	2005 £'000	2004 £'000
Bank interest receivable	21	12
Group interest receivable	144	143
	<u>165</u>	<u>155</u>

### 5. OTHER FINANCE INCOME

	2005 £'000	2004 £'000
Expected return on pension scheme assets	172	158
Interest on pension scheme liabilities	(125)	(103)
	<u>47</u>	<u>55</u>

### 6. TAXATION

- (a) Tax on profit on ordinary activities  
The tax charge/(benefit) is made up as follows:

<i>Current tax:</i>		
UK corporation tax	498	335
Tax overprovided in previous years	(81)	(103)
Total current tax	<u>417</u>	<u>232</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	137	(9)
Total deferred tax	<u>137</u>	<u>(9)</u>
Tax on profit on ordinary activities	<u>554</u>	<u>223</u>

# Munters Limited

## BALANCE SHEET at 31 December 2005

### 6. TAXATION (continued)

#### (b) Factors affecting current tax credit

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2004 – 30%). The differences are reconciled below:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	1,661	940
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004 – 30%)	498	282
Expenses not deductible for tax purposes	19	44
Decelerated capital allowances	(30)	(22)
Short term timing differences	11	31
Tax un-provided in previous years	(81)	(103)
Total current tax	417	232

#### (c) Deferred Tax

The movement in the deferred tax asset recognised in the financial statements within debtors (note 10) is as follows:

	£'000
At 1 January 2005	203
Deferred tax debit in the profit and loss account (note 6(a))	(137)
At 31 December 2005	66

The deferred taxation asset recognised in the financial statements comprises the following:

	2005 £'000	2004 £'000
Decelerated capital allowances	15	43
Other timing differences	51	160
Provision for deferred tax	66	203

There was no unrecognised deferred tax in the current or preceding year.

# Munters Limited

## BALANCE SHEET at 31 December 2005

### 7. INTANGIBLE FIXED ASSETS

	<i>Computer development (external) £'000</i>
Cost:	
At 1 January 2005	140
Additions	32
At 31 December 2005	172
Amortisation:	
At 1 January 2005	26
Charge for the year	54
At 31 December 2005	80
Net book value:	
At 31 December 2005	92
At 31 December 2004	114

### 8. TANGIBLE FIXED ASSETS

	<i>Leasehold premises (short term) £'000</i>	<i>Rental fleet £'000</i>	<i>Fixtures &amp; fittings £'000</i>	<i>Motor vehicles £'000</i>	<i>Computer equipment £'000</i>	<i>Total £'000</i>
Cost:						
At 1 January 2005	230	4,819	372	132	1,293	6,846
Additions	101	743	47	—	231	1,122
Disposals	(15)	—	—	(2)	—	(17)
Transfer	—	2	1	(2)	(1)	—
At 31 December 2005	316	5,564	420	128	1,523	7,951
Depreciation:						
At 1 January 2004	74	3,708	302	84	1,074	5,242
Charge for the year	22	396	29	22	144	613
Disposals	(2)	—	—	(16)	—	(18)
Transfer	—	(11)	3	3	5	—
At 31 December 2005	94	4,093	334	93	1,223	5,837
Net book value:						
At 31 December 2005	222	1,471	86	35	300	2,114
At 31 December 2004	156	1,111	70	48	219	1,604

# Munters Limited

## BALANCE SHEET at 31 December 2005

### 9. STOCKS

	2005 £'000	2004 £'000
Raw materials and components	251	318
Work in progress	669	486
Finished goods for sale	38	59
	<u>958</u>	<u>863</u>

### 10. DEBTORS

	2005 £'000	2004 £'000
Trade debtors	6,136	5,670
Amounts owed by group undertakings	3,485	2,532
Prepayments and accrued income	1,000	904
Deferred taxation (Note 6(c))	66	203
	<u>10,687</u>	<u>9,309</u>

### 11. CREDITORS: amounts falling due within one year

	2004 £'000	2003 £'000
Trade creditors	1,235	1,176
Amounts owed to fellow subsidiary undertakings	287	283
Corporation tax	207	73
Other taxes and social security costs	832	86
Accruals and deferred income	893	437
	<u>3,454</u>	<u>2,055</u>

The company has an overdraft facility of £500,000, which is secured by a cross guarantee with other group companies.

### 12. CALLED UP SHARE CAPITAL

	Authorised		Allotted, call and fully paid	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Ordinary shares of £1 each	<u>500</u>	<u>500</u>	<u>250</u>	<u>250</u>

### 13. CAPITAL CONTRIBUTION

	2005 £'000	2004 £'000
Capital contribution received from parent undertaking	<u>1,953</u>	<u>1,953</u>

# Munters Limited

## BALANCE SHEET at 31 December 2005

### 14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £'000	Capital contribution £'000	Profit and loss account £'000	Total shareholders' fund £'000
At 1 January 2004	250	1,953	7,184	9,387
Prior year adjustment re FRS 17	—	—	193	193
At 1 January 2004 (as restated)	250	1,953	7,377	9,580
Profit for the year (as previously stated)	—	—	717	717
Prior year adjustment through P&L re FRS 17	—	—	55	55
Prior year adjustment re actuarial loss on pension scheme	—	—	(160)	(160)
Prior year adjustment re deferred tax on pension scheme	—	—	32	32
At 1 January 2005	250	1,953	8,021	10,224
Profit for the year	—	—	1,107	1,107
Actuarial loss on pension scheme	—	—	(153)	(153)
Deferred tax on pension scheme	—	—	31	31
At 31 December 2005	250	1,953	9,006	11,209

### 15. OTHER FINANCIAL COMMITMENTS

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as set out below:

	2005 Land and buildings £'000	2005 Other £'000	2004 Land and buildings £'000	2005 Other £'000
Operating leases which expire:				
Within one year	15	305	27	382
In the second to fifth year inclusive	185	592	13	355
In over five years	488	—	558	—
	688	897	598	737

### 16. PENSION COMMITMENTS

The company operates a defined contribution Group Personal Pension (GPP) Scheme. Employer contributions into the GPP during 2005 totalled £301,000 (2004: £225,000). The unpaid contributions outstanding at the year end amounted to £nil (2004: £nil).

This scheme replaced a defined benefit pension scheme, the Munters Retirement Benefits Scheme (MRB). The MRB scheme offered a defined benefit pension in respect of service prior to May 1991. The benefit structure was changed in May 1991 to a defined contribution basis with contributions being designed to provide a target benefit similar to the previous defined benefit formula. For service between May 1991 and March 1997, the Scheme was required to provide members with pensions that are not less than the "Guaranteed Minimum Pensions" that must be provided by a Scheme that had contracted out of the State Earnings Related Pension Scheme. The Scheme was closed to new members and closed to further accrual of benefits with effect from 31 December 2002. The figures below relate to the MRB Scheme as a whole and not just the Scheme's defined benefit elements.



# Munters Limited

## BALANCE SHEET at 31 December 2005

### 16. PENSION COMMITMENTS (continued)

The employer currently pays no pension contributions, but does pay insurance premiums in respect of death in service benefits. Contribution rates will be reviewed once the results of the next triennial valuation, due as at 31 March 2006 are known.

The last full actuarial valuation, carried out as at 30 September 2003, was updated to 31 December 2005 by a qualified independent actuary. The major assumptions used by the actuary were:

	31 December 2005	31 December 2004	31 December 2003
Discount rate	5.0% pa	5.5% pa	5.3% pa
Retail price inflation	2.5% pa	2.1% pa	2.5% pa
Rate of increase in salaries	n/a	n/a	n/a
Rate of increase in pensions (LPI)	2.5% pa	2.1% pa	2.5% pa

The assets in the scheme and the expected rates of return were:

	Long-term rate of return expected at 31 December 31 December 2005	Value at 2005 £'000	Long-term rate of return expected at 31 December 31 December 2004	Value at 2004 £'000	Long-term rate of return expected at 31 December 31 December 2003	Value at 2003 £'000
Equities	7.25% pa	2,397	7.50% pa	2,080	7.50% pa	1,935
Government bonds	4.25% pa	279	4.50% pa	255	4.50% pa	241
Cash	4.25% pa	139	4.50% pa	120	4.50% pa	38
Total market value of assets		2,815		2,455		2,214

Scheme funding position and net pension asset:

	Value at 31 December 2005 £'000	Value at 31 December 2004 £'000	Value at 31 December 2003 £'000
Total market value of scheme assets	2,815	2,455	2,214
Present value of scheme liabilities	2,751	2,284	1,938
Surplus in the scheme	65	171	276
Related deferred tax liability	(20)	(51)	(83)
Net pension asset	45	120	193

# Munters Limited

## BALANCE SHEET at 31 December 2005

### 16. PENSION COMMITMENTS (continued)

Analysis of the amount charged to operating profit

	2005 £'000	2004 £'000
Current service cost	-	-
Past service cost	-	-
Total operating charge	-	-

Analysis of the amount credited to other finance income

	2005 £'000	2004 £'000
Expected return on pension scheme assets	172	158
Interest on pension scheme liabilities	(125)	(103)
Net return	47	55

History of experience gains and losses

	2005	2004	2003
Difference between the expected and actual return on scheme assets:			
Amount (£'000)	203	83	137
Percentage of scheme assets at end of year	7.2%	3.4%	6.2%
Experience gains and losses on scheme liabilities:			
Amount (£'000)	(11)	(427)	(60)
Percentage of scheme assets at end of year	(0.4%)	(18.7%)	(3.1%)
Total amount recognised in statement of total recognised gains and losses:			
Amount (£'000)	(153)	(160)	(52)
Percentage of scheme assets at end of year	(5.6%)	(7.0%)	(2.7%)

### 17. CONTINGENT LIABILITIES

At the year-end the company had performance bonds and guarantees outstanding amounting to £20,000 (2004: £23,000).

### 18. ULTIMATE PARENT UNDERTAKING

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

Copies of the financial statements 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.