

918800

**MOTIVAIR COMPRESSORS LIMITED**

**Report of the Directors and**

**Financial Statements**

**for the year ended 31st March 2005**



# **MOTIVAIR COMPRESSORS LIMITED**

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**MOTIVAIR COMPRESSORS LIMITED**

**Company Information  
for the year ended 31st March 2005**

**DIRECTORS:**

H Dry-Parker  
N H Leach  
J A V Sopher  
J P Leach  
C J Rhodes

**SECRETARY:**

M J Brown

**REGISTERED OFFICE:**

Victoria House  
Britannia Road  
Waltham Cross  
Herts EN8 7NU

**REGISTERED NUMBER:**

918800 (England and Wales)

**AUDITORS:**

Trevor Jones  
Chartered Accountants  
and Registered Auditor  
Springfield House  
99/101 Crossbrook Street  
Waltham Cross  
Herts EN8 8JR

## **MOTIVAIR COMPRESSORS LIMITED**

### **Report of the Directors for the year ended 31st March 2005**

The directors present their report with the financial statements of the company for the year ended 31st March 2005.

#### **PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of manufacture, sale, servicing and hire of compressed air and product finishing equipment in a wide variety of industrial sectors, both in the United Kingdom and overseas.

#### **REVIEW OF BUSINESS**

The results for the year and financial position of the company are as shown in the annexed financial statements.

#### **DIVIDENDS**

No dividends will be distributed for the year ended 31st March 2005.

#### **DIRECTORS**

The directors during the year under review were:

G J Jordan	- resigned 31.10.04
H Dry-Parker	
N H Leach	
J A V Sopher	
J P Leach	
C J Rhodes	- appointed 1.12.04

The directors holding office at 31st March 2005 did not hold any beneficial interest in the issued share capital of the company at 1st April 2004 (or date of appointment if later) or 31st March 2005.

#### **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 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;
- 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.

#### **AUDITORS**

The auditors, Trevor Jones, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

#### **ON BEHALF OF THE BOARD:**



J P Leach - Director

6th September 2005

**Report of the Independent Auditors to the Shareholders of  
Motivair Compressors Limited**

We have audited the financial statements of Motivair Compressors Limited for the year ended 31st March 2005 on pages four to eleven. These financial statements have been prepared under the historical cost convention and 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**

As described on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom 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 Report of the Directors 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 Report of the Directors 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 the company's affairs as at 31st March 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Trevor Jones*

Trevor Jones  
Chartered Accountants  
and Registered Auditor  
Springfield House  
99/101 Crossbrook Street  
Waltham Cross  
Herts EN8 8JR

6th September 2005

# MOTIVAIR COMPRESSORS LIMITED

## Profit and Loss Account for the year ended 31st March 2005

	Notes	2005 £	2004 £
<b>TURNOVER</b>	2	5,256,019	6,692,784
Cost of sales		<u>2,545,890</u>	<u>3,033,409</u>
<b>GROSS PROFIT</b>		2,710,129	3,659,375
Distribution costs		218,761	188,179
Administrative expenses		<u>2,757,817</u>	<u>3,943,047</u>
		<u>2,976,578</u>	<u>4,131,226</u>
<b>OPERATING LOSS</b>	4	(266,449)	(471,851)
loss on sale of investment		<u>8,670</u>	<u>-</u>
		(275,119)	(471,851)
Interest payable and similar charges	5	<u>29,723</u>	<u>25,793</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(304,842)	(497,644)
Tax on loss on ordinary activities	6	<u>-</u>	<u>-</u>
<b>LOSS FOR THE FINANCIAL YEAR AFTER TAXATION</b>		<u>(304,842)</u>	<u>(497,644)</u>
<b>DEFICIT FOR THE YEAR</b>		<u>(304,842)</u>	<u>(497,644)</u>

### CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

### TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the losses for the current and previous years.

# MOTIVAIR COMPRESSORS LIMITED

## Balance Sheet 31st March 2005

	Notes	2005 £	2004 £
<b>FIXED ASSETS</b>			
Tangible assets	7	250,329	273,520
Investments	8	-	8,670
		250,329	282,190
<b>CURRENT ASSETS</b>			
Stocks	9	246,979	275,662
Debtors	10	1,760,090	1,317,348
Cash at bank		1,241	81,999
		2,008,310	1,675,009
<b>CREDITORS</b>			
Amounts falling due within one year	11	2,217,582	2,111,300
<b>NET CURRENT LIABILITIES</b>		(209,272)	(436,291)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		41,057	(154,101)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	500,501	501
Profit and loss account	15	(459,444)	(154,602)
<b>SHAREHOLDERS' FUNDS</b>	19	41,057	(154,101)

### ON BEHALF OF THE BOARD:



J P Leach - Director

Approved by the Board on 6th September 2005

## MOTIVAIR COMPRESSORS LIMITED

### Notes to the Financial Statements for the year ended 31st March 2005

#### 1. ACCOUNTING POLICIES

##### Accounting convention

The financial statements have been prepared under the historical cost convention.

##### Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

##### Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Leasehold property	- in accordance with the property
Plant and equipment	- 20% on cost
Office equipment	- 20% on cost
Hire fleet	- 20% - 50% on cost

##### Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

##### Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

##### Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

##### Group accounts

Group accounts are not prepared for the company and its subsidiary company as the company is the subsidiary of Leach-Lewis Limited, which consolidates the company's results.

##### Leased assets

All leases for the hire of premises or assets are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

#### 2. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2005	2004
	£	£
Home sales	4,672,819	5,778,679
Export sales	<u>583,200</u>	<u>914,105</u>
	<u>5,256,019</u>	<u>6,692,784</u>



# MOTIVAIR COMPRESSORS LIMITED

## Notes to the Financial Statements - continued for the year ended 31st March 2005

### 3. STAFF COSTS

	2005	2004
	£	£
Wages and salaries	1,704,391	2,080,546
Social security costs	171,015	184,849
Other pension costs	<u>76,815</u>	<u>125,791</u>
	<u>1,952,221</u>	<u>2,391,186</u>

The average monthly number of employees during the year was as follows:

	2005	2004
Office management	7	8
Trading and distribution	<u>60</u>	<u>73</u>
	<u>67</u>	<u>81</u>

### 4. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	2005	2004
	£	£
Other operating leases	64,931	119,850
Depreciation - owned assets	94,640	105,803
Profit on disposal of fixed assets	(1,295)	(4,094)
Auditors remuneration	<u>10,750</u>	<u>12,500</u>
Directors' emoluments	163,196	182,000
Directors' pension contributions to money purchase schemes	15,904	8,364
Compensation to director for loss of office	<u>30,000</u>	<u>-</u>

The number of directors to whom retirement benefits were accruing was as follows:

	2005	2004
Money purchase schemes	3	3
Defined benefit schemes	<u>3</u>	<u>3</u>

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	£	£
Bank and other interest	<u>29,723</u>	<u>25,793</u>

### 6. TAXATION

#### Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31st March 2005 nor for the year ended 31st March 2004.

# **MOTIVAIR COMPRESSORS LIMITED**

## **Notes to the Financial Statements - continued for the year ended 31st March 2005**

### **7. TANGIBLE FIXED ASSETS**

	Leasehold property £	Plant and equipment £	Office equipment £	Hire fleet £	Totals £
<b>COST</b>					
At 1st April 2004	60,500	188,225	73,951	516,981	839,657
Additions	-	12,504	7,709	54,442	74,655
Disposals	-	-	-	(4,274)	(4,274)
At 31st March 2005	<u>60,500</u>	<u>200,729</u>	<u>81,660</u>	<u>567,149</u>	<u>910,038</u>
<b>DEPRECIATION</b>					
At 1st April 2004	60,499	184,408	63,448	257,783	566,138
Charge for year	-	3,406	8,112	83,122	94,640
Eliminated on disposal	-	-	-	(1,069)	(1,069)
At 31st March 2005	<u>60,499</u>	<u>187,814</u>	<u>71,560</u>	<u>339,836</u>	<u>659,709</u>
<b>NET BOOK VALUE</b>					
At 31st March 2005	<u>1</u>	<u>12,915</u>	<u>10,100</u>	<u>227,313</u>	<u>250,329</u>
At 31st March 2004	<u>1</u>	<u>3,817</u>	<u>10,503</u>	<u>259,198</u>	<u>273,519</u>

### **8. FIXED ASSET INVESTMENTS**

	Unlisted investments £
<b>COST</b>	
At 1st April 2004	8,670
Disposals	(8,670)
At 31st March 2005	-
<b>NET BOOK VALUE</b>	
At 31st March 2005	-
At 31st March 2004	<u>8,670</u>

Motivair Compressors Limited owned all of the ordinary share capital of HMT Compressed Air Services Ltd a company which was dissolved on 4 May 2004.

### **9. STOCKS**

	2005 £	2004 £
Stocks	<u>246,979</u>	<u>275,662</u>

### **10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2005 £	2004 £
Trade debtors	1,244,167	1,206,860
Amounts owed by group undertakings	461,095	-
Other debtors	9,217	26,987
Prepayments	<u>45,611</u>	<u>83,501</u>
	<u>1,760,090</u>	<u>1,317,348</u>

# **MOTIVAIR COMPRESSORS LIMITED**

## **Notes to the Financial Statements - continued for the year ended 31st March 2005**

### **11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2005	2004
	£	£
Bank loans and overdrafts (see note 12)	801,530	866,775
Trade creditors	1,054,422	806,837
Amounts owed to group undertakings	-	76,641
Social security and other taxes	89,438	72,663
Other creditors	184,662	130,197
Accrued expenses	87,530	158,187
	<u>2,217,582</u>	<u>2,111,300</u>

### **12. LOANS**

An analysis of the maturity of loans is given below:

	2005	2004
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>801,530</u>	<u>866,775</u>

### **13. OPERATING LEASE COMMITMENTS**

The following operating lease payments are committed to be paid within one year:

		Land and buildings
	2005	2004
	£	£
Expiring:		
Within one year	20,375	-
Between one and five years	54,500	40,750
In more than five years	<u>27,725</u>	<u>74,725</u>
	<u>102,600</u>	<u>115,475</u>

### **14. CALLED UP SHARE CAPITAL**

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	2005	2004
			£	£
500	Ordinary	£1	500	500
500,001	Preference	£1	500,001	1
(2004 - 1)			<u>500,501</u>	<u>501</u>

The following shares were allotted and fully paid for cash at par during the year:

500,000 Preference shares of £1 each

# MOTIVAIR COMPRESSORS LIMITED

## Notes to the Financial Statements - continued for the year ended 31st March 2005

### 15. RESERVES

	Profit and loss account £
At 1st April 2004	(154,602)
Deficit for the year	<u>(304,842)</u>
At 31st March 2005	<u>(459,444)</u>

### 16. ULTIMATE PARENT COMPANY

The company's ultimate parent company is Leach-Lewis Limited, a company registered in England and is therefore the ultimate controlling party.

### 17. OTHER FINANCIAL COMMITMENTS

There is a cross guarantee and debenture arrangement with the company's bankers in respect of the balances of the accounts of the parent company, Leach-Lewis Limited and certain fellow subsidiaries charging all the undertakings and assets of the company.

### 18. RELATED PARTY DISCLOSURES

The company has no related party transactions other than with other group members and its ultimate parent company Leach-Lewis Limited which are in the ordinary course of business on an arms length basis.

### 19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Loss for the financial year	(304,842)	(497,644)
Issue of share capital	<u>500,000</u>	-
<b>Net addition/(reduction) to shareholders' funds</b>	195,158	(497,644)
Opening shareholders' funds	<u>(154,101)</u>	<u>343,543</u>
<b>Closing shareholders' funds</b>	<u>41,057</u>	<u>(154,101)</u>
Equity interests	<u>41,057</u>	<u>(154,101)</u>

## **MOTIVAIR COMPRESSORS LIMITED**

### **Notes to the Financial Statements - continued for the year ended 31st March 2005**

#### **20. PENSION ARRANGEMENTS**

With effect from 1 July 2003 the existing defined benefit scheme was closed to new accrual. All employees are now invited to participate in a defined contribution Group Personal Pension Scheme, operated by Scottish Equitable. Individual Defined Contributions, Occupational Pension Schemes have been established for the directors.

The previous funded defined benefits scheme, The Leach Pension Scheme, was contracted out of the state scheme. The assets of the scheme continue to be held in a separate trustee administered fund. Contributions to that scheme were charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The company will continue to make contributions necessary to maintain the benefits accrued to 30th June 2003.

The valuation method adopted for the defined benefit scheme was the projected unit method. The main actuarial assumptions were:- valuation rate of interest 6.5% per annum, post retirement pension increases 2.75% per annum, increases to deferred pension 2.25% per annum, long term rate of price inflation 2.75% per annum.

The market value of the assets of the scheme to fund the main scheme benefits was £13.9 million at 31 December 2003 there is a past service deficit of £2 million (2000 - £2.9 million) as at the valuation date. This is equivalent to a funding level of 88%.

The Leach Pension Scheme is a scheme for the benefit of employees of four companies of which one is Motivair Compressors Limited. The actuaries have recommended contributions are paid at the rate of £275,000 per annum split between these four companies and the four companies have agreed to make total contributions of £100,000 per annum plus meeting the expenses associated with the scheme and the premiums for the death in service benefits. It is not possible to quantify how much Motivair Compressors Limited share of the above £100,000 per annum plus expenses and premiums will be.

#### **21. GOING CONCERN**

The company has suffered a significant downturn in business since 31 March 2002, as can be seen in these accounts for the year under review. The directors still have in place plans to improve the long term prospects of the company and believe that the company is a going concern for at least the next 12 months from the date of approval of these accounts