

Registered Number 2526402

CPL Environmental Limited
Annual Report
for the year ended 31 March 2006



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CPL Environmental Limited

Directors and advisers for the year ended 31 March 2006

Directors

D J Kerr

J F Tate

Secretary and Registered Office

S Armitage

Mill Lane

Wingerworth

Chesterfield

Derbyshire

S42 6NG

Registered Auditors

PricewaterhouseCoopers LLP

1 East Parade

Sheffield

S1 2ET

Solicitors

DLA Piper Rudnick Gray Cary UK LLP

1 St Paul's Place

Sheffield

S1 2JX

Bankers

The Royal Bank of Scotland plc

135 Bishopsgate

London

EC2M 3UR

CPL Environmental Limited

Directors' report for the year ended 31 March 2006

The directors present their report and the audited financial statements for the year ended 31 March 2006.

Principal activities

The principal activity of the company is the sale of environmental engineering equipment.

Review of business and future developments

The profit and loss account for the year is set out on page 4.

In the prior year the trade of the environmental division were sold to a third party. The company has retained contracts which commenced prior to this sale and these are being completed by the company. All other contracts were transferred to the purchaser.

The company has ceased taking new contracts and is continuing to trade whilst finalising contracts entered into prior to the sale.

The directors of CPL Industries Limited manage the group's risks at a group level and operations on a divisional basis, rather than at an individual business unit level. For this reason, the company's directors believe that discussion of the group's risks and analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the company's business. The principal risks and uncertainties of the group, which include those of the company, and the development, performance and position of the company are discussed in the Directors' report in the group's report and accounts which does not form part of this report.

Dividends

The directors do not recommend the payment of a final dividend (2005: £nil).

Directors and directors' interests

The directors of the company who served during the year are listed below:

D J Kerr

J F Tate (appointed 1 April 2005)

There is no requirement for directors to retire by rotation.

According to the register kept in accordance with the Companies Act 1985 the directors at 31 March 2006 had no interest in the shares of the Company.

D J Kerr is also a director of the ultimate parent company and holds no interest in the shares of other group companies.

Auditors

PricewaterhouseCoopers LLP has been elected as auditor to the company until further notice.

By order of the board



D J Kerr

Director

23 June 2006

CPL Environmental Limited

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, 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; 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 confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Relevant information is defined as information needed by the company's auditors in connection with preparing their report. Each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Board



D J Kerr
Director
23 June 2006

CPL Environmental Limited

Independent auditors' report to the members of CPL Environmental Limited

We have audited the financial statements of CPL Environmental Limited for the year ended 31 March 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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.

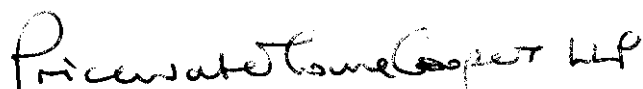
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

CPL Environmental Limited

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 March 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Sheffield
23 June 2006

CPL Environmental Limited

Profit and loss account for the year ended 31 March 2006

	Note	2006 £	2005 £
Turnover – discontinued operations	1	-	198,931
Operating expenses	3	-	(228,795)
Operating loss – discontinued operations		-	(29,864)
Exceptional items	4	(461,911)	60,732
Net interest received and similar charges	7	-	1,299
Dividends received from subsidiary companies		461,911	-
(Loss)/profit on ordinary activities before taxation		(461,911)	32,167
Tax on profit on ordinary activities	9	-	7,091
Profit retained for the financial year	16	-	39,258

There is no difference between the loss on ordinary activities before taxation and the loss retained for the period stated above, and their historical cost equivalents.

The company has no recognised gains and losses other than the losses above and therefore no separate statement of total recognised gains and losses has been prepared.

CPL Environmental Limited

Balance sheet as at 31 March 2006

	Note	2006 £	2005 £
Fixed assets			
Investments	10	19,000	480,911
		19,000	480,911
Current assets			
Debtors	11	68,700	107,875
Cash at bank and in hand		47,335	-
		116,035	107,875
Creditors: amounts falling due within one year	12	(387,500)	(364,812)
Net current liabilities		(271,465)	(256,937)
Total assets less current liabilities		(252,465)	223,974
Creditors: amounts falling due after more than one year	13	(3,215,704)	(3,677,615)
Provisions for liabilities and charges	14	-	(14,528)
Net liabilities		(3,468,169)	(3,468,169)
Capital and reserves			
Called up share capital	15	3,600,000	3,600,000
Profit and loss account	16	(7,068,169)	(7,068,169)
Shareholders' deficit	17	(3,468,169)	(3,468,169)

The financial statements on pages 6 to 15 were approved by the board of directors on 23 June 2006 and were signed on its behalf by:



D J Kerr
Director

CPL Environmental Limited

Notes to the financial statements for the year ended 31 March 2006

1 Statement of accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important policies, which have been applied consistently, is set out in the following paragraphs.

Going concern

The financial statements have been prepared under the going concern concept which assumes the continued financial support of CPL Industries Limited. CPL Industries Limited has confirmed that support will be forthcoming for the foreseeable future.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Exemption from preparing consolidated financial statements

The financial statements contain information about CPL Environmental Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, CPL Industries Limited, a company registered in England.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values. The principal annual rates used for this purpose are:

Land and buildings	10 years straight line basis
Plant and machinery	5 to 10 years straight line basis

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Turnover

Turnover excludes value added tax. Long term contracts are included in turnover on the basis of the sales value of work performed during the year by reference to the total sales value and stage of completion of these contracts.

CPL Environmental Limited

Stocks and long term contracts

Stocks and work in progress are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Long term contract balances included in stocks comprise costs incurred on long term contracts, net of amounts transferred to cost of sales, after deducting foreseeable losses and related payments on account. Costs include all direct material and labour costs incurred in bringing a contract to its stage of completion at the year end, including an appropriate proportion of indirect expenses. Provisions for estimated losses on contracts are made in the period in which such losses are foreseen.

Amounts recoverable on contracts, being the amount by which recorded turnover is in excess of payments on account, is classified under debtors.

Pensions

The CPL Industries Limited group operates pension schemes, both final salary and a defined contribution, which require contributions to be made to separately administered funds. The group has taken the transitional approach as prescribed by FRS 17 'Retirement Benefits' for this year. Contributions to the final salary scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the company. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet. As the company is unable to identify its share of the underlying assets and liabilities of the group scheme, the scheme will be accounted for by the company as a defined contribution scheme under FRS 17. The transitional disclosures in respect of FRS 17 are given in the accounts of CPL Industries Limited.

Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax is not provided on timing differences arising from revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Cashflow statement

The company is a wholly owned subsidiary of CPL Industries Limited and the cashflows of the company are included in the consolidated group cash flow statement of CPL Industries Limited. Consequently the company is exempt under the terms of FRS 1 "Cash Flow Statements" from publishing a cash flow statement.

Related party transactions

In accordance with the exemption allowed by FRS 8, "Related Party Transactions", transactions with CPL Industries Limited and fellow subsidiary undertakings are not disclosed.

Foreign currencies

Transactions in overseas currencies are translated at the spot rate on the date of the transaction, with gains or losses arising on settlement of the transaction being taken to the profit and loss account. Assets and liabilities are translated at the rates ruling at the balance sheet date or at a contracted rate if applicable

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2 Turnover

Analysis of turnover by geographical location – discontinued operations:	2006 £	2005 £
United Kingdom	-	185,371
Middle East	-	13,560
	-	198,931

Turnover and loss before taxation consists entirely of sales originated within the United Kingdom. Net liabilities are entirely attributable to the United Kingdom.

3 Operating expenses

	2006 £	2005 £
Raw materials and consumables	-	152,620
Staff costs (note 6)	-	43,728
Depreciation	-	500
Other operating charges	-	31,947
	-	228,795

4 Exceptional items

Exceptional items in 2006 are made up as follows:

	2006 £	2005 £
Engineering division – profit on sale of business	-	60,732
Impairment of investment in subsidiaries	(461,911)	-
	(461,911)	60,732

On 24 February 2006 the Company received dividends from three of its subsidiaries whereby its investment in those subsidiaries became impaired.

5 Directors' emoluments

Neither of the directors received any emoluments from the company for their services.

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6 Employee information

	2006 Number	2005 Number
Administration	-	1

Staff costs (for the above persons)	2006 £	2005 £
Wages and salaries	-	37,672
Social security costs	-	3,066
Other pension costs	-	2,990
	-	43,728

7 Net interest receivable and similar charges

	2006 £	2005 £
Bank interest receivable	-	1,299

8 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2006 £	2005 £
Depreciation charge for the period:		
Tangible owned fixed assets	-	500
Auditors' remuneration	-	3,000
Operating lease charges:		
- plant and machinery	-	5,441

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9 Tax on (loss)/profit on ordinary activities

	2006	2005
	£	£
United Kingdom corporation tax at 30% (2005: 30%)		
Credit for the period	-	(7,091)

The tax assessed for the year differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2006	2005
	£	£
(Loss)/profit on ordinary activities before tax	(461,911)	32,167
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005: 30%)	(138,573)	9,650
Effects of:		
Expenses/(income) not (taxable)/deductible for tax purposes	138,573	(16,013)
Accelerated capital allowances and other timing differences	-	(728)
Current tax credit for the year	-	(7,091)

10 Fixed asset investments

	Interest in group undertakings
	£
Cost	
At 31 March 2005 and 31 March 2006	480,911
Amounts written off	
At 31 March 2005	-
Amounts written off	(461,911)
31 March 2006	(461,911)
Net book value	
At 31 March 2006	19,000
At 31 March 2005	480,911

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Subsidiary undertakings

The following companies are subsidiary undertakings

	Country of registration	Class of share capital held	Nature of business	Proportion of nominal value of issued shares held
Bonded Carbon Filters Limited	England	Ordinary	Dormant	100%
CPL Environmental Americas Limited	England	Ordinary	Dormant	100%
FiltersDirect Limited	England	Ordinary	Dormant	100%
Universal Filters Limited	England	Ordinary	Dormant	100%

11 Debtors

Amounts falling due within one year	2006 £	2005 £
Trade debtors	68,700	99,551
Group relief receivable	-	7,091
Other debtors	-	1,233
	68,700	107,875

12 Creditors – amounts falling due within one year

	2006 £	2005 £
Bank overdraft	-	39,345
Amounts owed to group undertakings	350,000	300,000
Other taxation and social security	-	660
Accruals and deferred income	37,500	24,807
	387,500	364,812

13 Creditors – amounts falling due after more than one year

	2006 £	2005 £
Amounts owed to group undertakings	3,215,704	3,677,615

CPL Environmental Limited

14 Provisions for liabilities and charges

	Rectification provision £
At 1 April 2005	14,528
Amounts applied in the period	(14,528)
At 31 March 2006	-

The rectification provision has been assessed by management. The provision represented the estimated cost to the company of performing remedial and rectification work on contracts still in the warranty period.

The company has an unprovided deferred tax asset of £875,109 (2005: £875,109) in respect of losses brought forward. This has not been recognised in the financial statements as the asset is not considered recoverable in the foreseeable future.

15 Called up share capital

	2006 £	2005 £
Authorised		
4,000,000 Ordinary shares of £1 each	4,000,000	4,000,000
Allotted, called up and fully paid		
3,600,000 Ordinary shares of £1 each	3,600,000	3,600,000

16 Profit and loss account

	£
At 1 April 2005	(7,068,169)
Profit for the year	-
At 31 March 2006	(7,068,169)

CPL Environmental Limited

17 Reconciliation of movement in shareholders' funds

	2006	2005
	£	£
Profit for the financial year	-	39,258
Opening shareholders' funds deficit	(3,468,169)	(3,507,427)
Closing shareholders' funds deficit	(3,468,169)	(3,468,169)

18 Pension obligations

The company participates in a group pension scheme operated by CPL Industries Limited.

As the company is unable to identify its share of the underlying assets and liabilities of the group scheme, the scheme will be accounted for by the company as a defined contribution scheme under FRS 17. The disclosures in respect of FRS 17 are given in the accounts of CPL Industries Limited.

The total pension cost for the company was £nil (2005: £2,990). Included in creditors is £nil (2005: £nil) in respect of outstanding contributions to the scheme.

19 Contingent liabilities

The amount of guarantee in respect of cross-guarantee on bank overdraft of companies within the group was £nil (2005: £11,992,200).

20 Ultimate parent undertaking

The directors regard CPL Industries Limited as the ultimate parent undertaking. The parent undertaking is preparing accounts for the year ended 31 March 2006. According to the register kept by the company, CPL Industries Limited has a 100% interest in the equity capital of Broomco (1850) which in turn holds 100% of the equity capital of CPL Environmental Limited at 31 March 2006. Copies of the parent company's consolidated financial statements may be obtained from The Secretary, CPL Industries Limited, Mill Lane, Wingerworth, Chesterfield, Derbyshire, S42 6NG.