

Registered Number 2526402

CPL Environmental Limited
Annual Report
for the year ended 31 March 2002



CPL Environmental Limited
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for the year ended 31 March 2002
Contents

| | |
|--|---|
| Directors and advisors | 1 |
| Directors' report..... | 2 |
| Statement of directors' responsibilities | 3 |
| Independent auditors' report..... | 4 |
| Profit and loss account..... | 5 |
| Balance sheet | 6 |
| Accounting policies | 7 |
| Notes to the financial statements | 9 |

CPL Environmental Limited

Directors and advisors for the year ended 31 March 2002

Directors

B A Williams

Secretary and Registered Office

B A Williams

Mill Lane

Wingerworth

Chesterfield

Derbyshire

S42 6NG

Registered Auditors

PricewaterhouseCoopers

1 East Parade

Sheffield

S1 2ET

Solicitors

DLA

Fountain Precinct

Balm Green

Sheffield

S1 1RZ

Bankers

The Royal Bank of Scotland

P O Box 450

5-10 Great Tower Street

London

EC3P 3HX

CPL Environmental Limited

Directors' report for the year ended 31 March 2002

The directors present their report and the audited financial statements for the year ended 31 March 2002.

Principal activities

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

Dividends

The directors do not recommend the payment of a final dividend (2001: £nil).

Review of business and future developments

The profit and loss account for the year is set out on page 5.

The financial result achieved in the year, and the year end position were disappointing, however, with the ongoing support of the parent undertaking, CPL Industries Limited, the present level of activity will be sustained for the foreseeable future.

Directors and directors' interests

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

W F Clarke – (resigned 1 May 2002)

B A Williams

K Broom – (resigned 31 December 2001)

D E Foster – (resigned 16 November 2001)

S Howarth – (resigned 30 November 2001)

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 2002 had no interests in the shares of the Company.

All the directors at 31 March 2002 are also directors of the ultimate holding company and their interests in the shares of the group companies are disclosed in the directors' report of that company.

Auditors

A resolution to reappoint the auditors annually has been passed.

By order of the board



B A Williams

Director

2 July 2002

CPL Environmental Limited

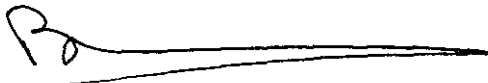
Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising in the adoption of new accounting standards as explained in the Accounting Policies. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2002, that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

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.

By order of the Board

A handwritten signature in black ink, appearing to be 'B A Williams', followed by a long horizontal line extending to the right.

B A Williams
Director
2 July 2002

CPL Environmental Limited

Independent auditors' report to the members of CPL Environmental Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies as set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are 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 United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 is not disclosed.

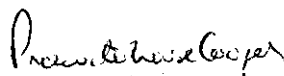
Basis of audit opinion

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 at 31 March 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Sheffield
2 July 2002

CPL Environmental Limited

Profit and loss account for the year ended 31 March 2002

| | Note | 2002 £ | 2001 £ |
|--|------|------------------|-------------|
| Turnover – continuing operations | 1 | 2,872,249 | 2,778,536 |
| Operating expenses | 2 | (3,273,757) | (3,407,261) |
| Operating loss – continuing operations | | (401,508) | (628,725) |
| Net interest payable and similar charges | 5 | (42,822) | (207,462) |
| Amount written off investment | | - | (20,278) |
| Loss on ordinary activities before taxation | | (444,330) | (856,465) |
| Tax on loss on ordinary activities | 7 | - | - |
| Loss sustained for the financial year | 17 | (444,330) | (856,465) |

There is no difference between the loss on ordinary activities before taxation and the loss sustained 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 2002

| | Note | 2002 £ | 2001 £ |
|--|------|-------------|-------------|
| Fixed assets | | | |
| Tangible assets | 8 | 15,256 | 376,536 |
| Investments | 9 | 480,911 | 480,911 |
| | | 496,167 | 857,447 |
| Current assets | | | |
| Stock | 10 | 174,988 | 245,897 |
| Debtors | 11 | 1,664,254 | 1,874,349 |
| Cash at bank and in hand | | 264 | 549 |
| | | 1,839,506 | 2,120,795 |
| Creditors: amounts falling due within one year | 12 | (2,645,541) | (5,354,690) |
| Net current liabilities | | (806,035) | (3,233,895) |
| Total assets less current liabilities | | (309,868) | (2,376,448) |
| Creditors: amounts falling due after more than one year | 13 | (2,480,910) | - |
| Provisions for liabilities and charges | 14 | (30,000) | - |
| Net liabilities | | (2,820,778) | (2,376,448) |
| Capital and reserves | | | |
| Called up share capital | 15 | 3,600,000 | 3,600,000 |
| Profit and loss account | 16 | (6,420,778) | (5,976,448) |
| Deficiency of equity shareholders' funds | 17 | (2,820,778) | (2,376,448) |

The financial statements on pages 5 to 17 were approved by the board of directors on 2 July 2002 and were signed on its behalf by:



Director

CPL Environmental Limited

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 except as explained below, is set out in the following paragraphs.

Fundamental accounting concept

The accounts 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.

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.

CPL Environmental Limited

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

The company has adopted FRS 19 'Deferred tax' from 1 April 2001 and this is reflected in these financial statements. Deferred tax is now 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.

Previously, provision was made for deferred taxation using the liability method on all material timing differences, to the extent that it was probable that a liability or asset would crystallise in the foreseeable future. The adoption of FRS 19 reflects a change in accounting policy. This change in accounting policy has no effect on the results of the prior year and consequently the prior year figures have not been restated. There is also no effect on the current year results.

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 FRS8, "Related Party Transactions" transactions with CPL Industries Limited and fellow subsidiary undertakings are not disclosed.

CPL Environmental Limited

Notes to the financial statements for the year ended 31 March 2002

1 Analysis by geographical area

| Analysis of turnover by geographical location – continuing operations: | 2002 | 2001 |
|--|-----------|-----------|
| | £ | £ |
| United Kingdom | 2,708,189 | 2,527,992 |
| Rest of Europe | 20,911 | 31,891 |
| Middle East | 143,149 | 202,497 |
| Rest of the World | - | 9,550 |
| Group Turnover | - | 6,606 |
| | 2,872,249 | 2,778,536 |

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

2 Net operating expenses

| | 2002 | 2001 |
|-------------------------------|-----------|-----------|
| | £ | £ |
| Change in stocks | - | 14,952 |
| Other operating income | - | 3,164 |
| | - | 18,116 |
| Raw materials and consumables | 1,806,809 | 1,680,352 |
| Staff costs (note 4) | 682,215 | 753,848 |
| Depreciation | 11,280 | 91,710 |
| Other operating charges | 671,091 | 561,210 |
| Exceptional operating charges | 102,362 | 302,025 |
| | 3,273,757 | 3,407,261 |

Exceptional operating charges in 2002 relate to redundancy costs. In the prior year exceptional operating charges related to a write off of irrecoverable amounts on long term contracts.

CPL Environmental Limited

3 Directors' emoluments

None of the directors received any emoluments in respect of their directorship of CPL Environmental Limited during the year.

4 Employee information

| | 2002 Number | 2001 Number |
|--------------------------|----------------|----------------|
| Directors | 4 | 5 |
| Production | 13 | 16 |
| Selling and distribution | 16 | 16 |
| Administration | 8 | 9 |
| | 41 | 46 |

| Staff costs (for the above persons) | 2002 £ | 2001 £ |
|-------------------------------------|-----------|-----------|
| Wages and salaries | 597,857 | 664,246 |
| Social security costs | 51,358 | 51,848 |
| Other pension costs | 33,000 | 37,754 |
| | 682,215 | 753,848 |

5 Interest payable and similar charges

| | 2002 £ | 2001 £ |
|---------------------------|-----------|-----------|
| Bank loans and overdrafts | 42,822 | 207,462 |

CPL Environmental Limited

6 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

| | 2002 | 2001 |
|---|--------|--------|
| | £ | £ |
| Depreciation charge for the period: | | |
| Tangible owned fixed assets | 11,280 | 91,710 |
| Auditors' remuneration | 12,000 | 14,400 |
| Hire of other assets – operating leases | 48,759 | 66,791 |
| Loss on sale of fixed assets | - | 3,164 |

7 Tax on loss on ordinary activities

| | 2002 | 2001 |
|---|------|------|
| | £ | £ |
| United Kingdom corporation tax at 30% (2001: 30%) | | |
| (Credit)/charge for the period | - | - |
| | - | - |

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

| | 2002 | 2001 |
|---|-----------|-----------|
| | £ | £ |
| (Loss) on ordinary activities before tax | (444,330) | (856,465) |
| (Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001: 30%) | (133,299) | (256,939) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 8,540 | 8,450 |
| Accelerated capital allowances and other timing differences | 124,759 | 248,489 |
| Current tax charge for the year | - | - |

CPL Environmental Limited

8 Tangible fixed assets

| | Plant and machinery | Total |
|-------------------------|------------------------|----------------|
| | £ | £ |
| Cost | | |
| At 1 April 2001 | 735,967 | 735,967 |
| Additions | - | - |
| Disposals | (634,768) | (634,768) |
| At 31 March 2002 | 101,199 | 101,199 |
| Depreciation | | |
| At 1 April 2001 | 359,431 | 359,431 |
| Charge for year | 11,280 | 11,280 |
| Disposals | (284,768) | (284,768) |
| At 31 March 2002 | 85,943 | 85,943 |
| Net book value | | |
| At 31 March 2002 | 15,256 | 15,256 |
| At 1 April 2001 | 376,536 | 376,536 |

CPL Environmental Limited

9 Fixed asset investments

| | Interest in group undertakings |
|----------------------------|--------------------------------------|
| | £ |
| Cost | |
| At 31 March 2001 | 1,947,198 |
| Additions | - |
| At 31 March 2002 | 1,947,198 |
| Amounts written off | |
| At 31 March 2001 | 1,466,287 |
| At 31 March 2002 | 1,466,287 |
| Net book amount | |
| At 31 March 2002 | 480,911 |
| Net book amount | |
| At 31 March 2001 | 480,911 |

Subsidiary undertakings

The following companies are wholly owned subsidiary undertakings

| | Country of registration | Class of share capital | Nature of business | Proportion of nominal value of issued shares held |
|---------------------------------------|----------------------------|------------------------------|-----------------------|---|
| Bonded Carbon Filters Limited | England | Ordinary | Air cleaning products | 100% |
| Filtersdirect Limited | England | Ordinary | Air cleaning products | 100% |
| Universal Filters Limited | England | Ordinary | Air cleaning products | 100% |
| CPL Environmental Americas Limited | England | Ordinary | Carbon Sales | 100% |
| Carbon Link (Cayman) Limited | Cayman Islands | Ordinary | Holding Company | 100% |
| Carbon Link Corporation | USA | Ordinary | Carbon Sales | 90% |

On 31 October 2001 CPL Environmental Americas Limited and Carbon Link (Cayman) Limited (which owns 90% of Carbon Link Corporation) were transferred from Carbon Link Holdings Limited to CPL Environmental Limited at £nil net book value.

CPL Environmental Limited

10 Stocks and long term contracts

| | 2002 | 2001 |
|------------------|---------|---------|
| | £ | £ |
| Finished goods | 129,478 | 155,409 |
| Work in progress | 45,510 | 90,488 |
| | 174,988 | 245,897 |

11 Debtors

| Amounts falling due within one year | 2002 | 2001 |
|---|-----------|-----------|
| | £ | £ |
| Amounts recoverable on contracts | 191,248 | 241,034 |
| Trade debtors | 308,507 | 672,483 |
| Group relief receivable | 400,611 | 416,269 |
| Amounts owed from subsidiary undertakings | 746,079 | 249,804 |
| Amounts owed from associated undertakings | - | 4,600 |
| Other debtors | 11,477 | 250,718 |
| Prepayments and accrued income | 6,332 | 39,441 |
| | 1,664,254 | 1,874,349 |

12 Creditors – Amounts falling due within one year

| | 2002 | 2001 |
|------------------------------------|-----------|-----------|
| | £ | £ |
| Bank overdraft | 2,090,084 | 2,004,873 |
| Trade creditors | 244,944 | 324,151 |
| Amounts owed to group undertakings | 87,754 | 2,710,982 |
| Other taxation and social security | 60,509 | 68,571 |
| Accruals and deferred income | 162,250 | 246,113 |
| | 2,645,541 | 5,354,690 |

The bank overdraft is secured by a fixed and floating charge over all assets and liabilities.

CPL Environmental Limited

13 Creditors – Amounts falling due after more than one year

| | 2002 | 2001 |
|------------------------------------|-----------|------|
| | £ | £ |
| Amounts owed to group undertakings | 2,480,910 | - |
| | 2,480,910 | - |

14 Provisions for liabilities and charges

| | Rectification provision |
|---------------------|-------------------------|
| | £ |
| At 1 April 2001 | - |
| Created during year | 30,000 |
| At 31 March 2002 | 30,000 |

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

There is no liability in respect of deferred taxation.

15 Called up share capital

| | 2002 | 2001 |
|---|-----------|-----------|
| | £ | £ |
| 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 |

CPL Environmental Limited

16 Profit and loss account

| | £ |
|--------------------------------|-------------|
| At 31 March 2001 | (5,976,448) |
| Loss sustained during the year | (444,330) |
| At 31 March 2002 | (6,420,778) |

17 Reconciliation of movement in shareholders' funds

| | 2002 £ | 2001 £ |
|-------------------------------|-------------|-------------|
| Loss for the financial period | (444,330) | (856,465) |
| Opening shareholders' funds | (2,376,448) | (1,519,983) |
| Closing shareholders' funds | (2,820,778) | (2,376,448) |

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 transitional disclosures in respect of FRS 17 are given in the accounts of CPL Industries Limited.

The total pension cost for the company was £33,000 (2001: £37,754). Included in creditors is £Nil (2001: £2,652) in respect of contributions to the scheme.

19 Contingent liabilities

| | 2002 £ | 2001 £ |
|---|------------|------------|
| Amount of guarantee in respect of cross-guarantee on bank overdraft of companies within the group | 15,754,950 | 47,010,988 |

CPL Environmental Limited

20 Financial commitments

At 31 March 2002, the companies had annual commitments under non-cancellable operating leases as follows:

| | 2002 | 2001 |
|-----------------------------------|--------|--------|
| | £ | £ |
| Expiring with one year | 22,723 | 18,767 |
| Expiring within two to five years | 18,464 | 37,908 |
| | 41,187 | 56,675 |

21 Ultimate parent undertaking

The directors regard CPL Industries Limited as the ultimate parent company. The holding company is preparing accounts for the year ended 31 March 2002. According to the register kept by the company, CPL Industries Limited has a 100% interest in the equity capital of CPL Environmental Limited at 31 March 2002. Copies of the parents consolidated financial statements may be obtained from The Secretary, CPL Industries Limited, Mill Lane, Wingerworth, Chesterfield, Derbyshire, S42 6NG.