

AIR PLANTS HEATING LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
30 SEPTEMBER 1999**



AIR PLANTS HEATING LIMITED

COMPANY INFORMATION

Directors

M Dixon
P C Fletcher
J G Smith
J T Wilkinson

Secretary

J T Wilkinson

Company number

3292599

Registered office

295 Aylestone Road
Leicester
LE2 7PB

Auditors

Thomas May & Co
Allen House
Newarke Street
Leicester LE1 5SG

Business address

295 Aylestone Road
Leicester
LE2 7PB

Bankers

National Westminster Bank Plc
1 Granby Street
Leicester
LE1 9GT

AIR PLANTS HEATING LIMITED

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AIR PLANTS HEATING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1999

The directors present their report and financial statements for the year ended 30 September 1999.

Principal activities and review of the business

The principal activity of the company continued to be that of the supply and installation of warm air heating installations.

The profit for the year is considered satisfactory and the order intake for the current year is reasonable.

Results and dividends

The results for the year are set out on page 4.

Directors

The following directors have held office since 1 October 1998:

M Dixon
P C Fletcher
J G Smith
J T Wilkinson

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	30 September 1999	1 October 1998
M Dixon	-	-
P C Fletcher	-	-
J G Smith	-	-
J T Wilkinson	-	-

Mr Smith, Mr Fletcher and Mr Wilkinson are also directors of the ultimate parent company. Their interests in that company are shown in the financial statements of that company.

Auditors

Thomas May & Co were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

AIR PLANTS HEATING LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 1999

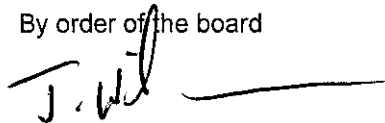
Directors' responsibilities

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.

By order of the board



J T Wilkinson

Director

13 July 2000

AIR PLANTS HEATING LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF AIR PLANTS HEATING LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

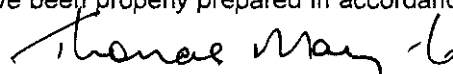
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 as at 30 September 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Allen House
Newarke Street
Leicester LE1 5SG



Thomas May & Co

**Chartered Accountants
Registered Auditors**

13 July 2000

AIR PLANTS HEATING LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 1999

	Notes	1999 £	1998 £
Turnover	2	1,372,283	1,475,490
Cost of sales		(942,710)	(1,023,968)
Gross profit		429,573	451,522
Administrative expenses		(363,729)	(384,180)
Operating profit	3	65,844	67,342
Other interest receivable and similar income	4	98	-
Interest payable and similar charges	5	(11)	-
Profit on ordinary activities before taxation		65,931	67,342
Tax on profit on ordinary activities	6	(17,169)	(17,775)
Profit on ordinary activities after taxation	13	48,762	49,567

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

AIR PLANTS HEATING LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER 1999

	Notes	1999 £	£	1998 £	£
Fixed assets					
Tangible assets	7		2,747		3,231
Current assets					
Stocks	8	16,496		35,924	
Debtors	9	279,777		220,742	
Cash at bank and in hand		16,410		16,305	
		<u>312,683</u>		<u>272,971</u>	
Creditors: amounts falling due within one year	10	<u>(198,557)</u>		<u>(207,982)</u>	
Net current assets			114,126		64,989
Total assets less current liabilities			116,873		68,220
Provisions for liabilities and charges	11		(641)		(750)
			<u>116,232</u>		<u>67,470</u>
Capital and reserves					
Called up share capital	12		1,000		1,000
Profit and loss account	13		115,232		66,470
Shareholders' funds - equity interests	14		<u>116,232</u>		<u>67,470</u>

The financial statements were approved by the Board on 13 July 2000



J G Smith
Director

AIR PLANTS HEATING LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1999

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Turnover

Turnover represents sales to third parties and other subsidiary companies within the group, excluding value added tax. It all arises from one class of business.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	15% per annum on reducing balance
--------------------------------	-----------------------------------

1.4 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5 Stock and work in progress

Work in progress is valued at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs. Provision is made for all the full amounts of foreseeable losses on contracts.

1.6 Long term contracts

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

1.7 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.8 Change of format

The format of the accounts has been changed since this is believed to give a better presentation.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit

	1999	1998
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	484	569
Operating lease rentals	43,543	42,554
Auditors' remuneration	3,692	3,260

AIR PLANTS HEATING LIMITED

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 1999

4	Other interest receivable and similar income	1999	1998
		£	£
	Other interest	98	-
		<u> </u>	<u> </u>
5	Interest payable	1999	1998
		£	£
	On amounts payable to group companies	11	-
		<u> </u>	<u> </u>
6	Taxation	1999	1998
		£	£
	U.K. current year taxation		
	U.K. corporation tax at 30% (1998 - 31%)	17,278	17,914
	Deferred taxation	(109)	(19)
		<u> </u>	<u> </u>
		17,169	17,895
	Prior years		
	U.K. corporation tax	-	(120)
		<u> </u>	<u> </u>
		17,169	17,775
		<u> </u>	<u> </u>
7	Tangible fixed assets		
			Fixtures, fittings & equipment £
	Cost		
	At 1 October 1998 & at 30 September 1999		10,437
			<u> </u>
	Depreciation		
	At 1 October 1998		7,206
	Charge for the year		484
			<u> </u>
	At 30 September 1999		7,690
			<u> </u>
	Net book value		
	At 30 September 1999		2,747
			<u> </u>
	At 30 September 1998		3,231
			<u> </u>

AIR PLANTS HEATING LIMITED

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 1999

8	Stocks and work in progress	1999	1998
		£	£
	Work in progress	42,987	78,595
	Payments on account	(26,491)	(42,671)
		<u>16,496</u>	<u>35,924</u>
9	Debtors	1999	1998
		£	£
	Trade debtors	188,158	216,333
	Amounts owed by parent company	87,570	-
	Prepayments and accrued income	4,049	4,409
		<u>279,777</u>	<u>220,742</u>
10	Creditors: amounts falling due within one year	1999	1998
		£	£
	Trade creditors	101,531	102,570
	Amounts owed to parent company	-	26,712
	Taxation and social security	60,262	51,770
	Payments received on account	15,252	2,647
	Other creditors	21,512	24,283
		<u>198,557</u>	<u>207,982</u>

The company has granted a fixed and floating charge over all of its assets to Smith Brothers (Leicester) Limited to secure all current and future amounts owed to the company.

AIR PLANTS HEATING LIMITED

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 1999

11 Provisions for liabilities and charges

	Deferred taxation £
Balance at 1 October 1998	750
Profit and loss account	(109)
	<hr/>
Balance at 30 September 1999	641
	<hr/>

Deferred tax is provided at 30% (1998 - 31%) analysed over the following timing differences:

	Fully provided 1999 £	1998 £
Accelerated capital allowances	641	750
	<hr/>	<hr/>

12 Share capital

	1999 £	1998 £
Authorised		
1,000 Ordinary shares of £ 1 each	1,000	1,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
1,000 Ordinary shares of £ 1 each	1,000	1,000
	<hr/>	<hr/>

13 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 October 1998	66,470
Retained profit for the year	48,762
	<hr/>
Balance at 30 September 1999	115,232
	<hr/>

AIR PLANTS HEATING LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1999

14 Reconciliation of movements in shareholders' funds	1999	1998
	£	£
Profit for the financial year	48,762	49,567
Opening shareholders' funds	67,470	17,903
	<hr/>	<hr/>
Closing shareholders' funds	116,232	67,470
	<hr/>	<hr/>

15 Financial commitments

At 30 September 1999 the company had annual commitments under non-cancellable operating leases as follows:

	1999	1998
	£	£
Expiry date:		
Within one year	21,215	10,614
Between two and five years	13,766	23,277
	<hr/>	<hr/>
	34,981	33,891
	<hr/>	<hr/>

There are no operating lease commitments (other than at peppercorn rents) relating to land and buildings but under a licence agreement the company occupies properties owned by its parent company.

16 Directors' emoluments	1999	1998
	£	£
Emoluments for qualifying services	31,616	33,754
	<hr/>	<hr/>

AIR PLANTS HEATING LIMITED

NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 1999

17 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	1999 Number	1998 Number
Management	4	4
Other staff	20	23
	<u>24</u>	<u>27</u>

Employment costs

	£	£
Wages and salaries	393,902	429,224
Social security costs	40,576	43,504
	<u>434,478</u>	<u>472,728</u>

18 Ultimate parent company

The ultimate parent company is Smith Brothers (Leicester) Limited, a company registered in England and Wales.

Smith Brothers (Leicester) Limited prepares group financial statements and copies can be obtained from Companies House, Crown Way, Maindy, Cardiff.

19 Related party transactions

During the period ending 30 September 1999 the company purchased £148 of repair services from Charles Bass (Carriers) Limited and was charged £26,722 for rental of vehicles from Brightside Securities Limited.

The company was also charged £69 as commission/rebate on the sale of leased equipment from Brightside Securities Limited during the period, and made sales of £34,434 to Brightside Securities Limited for equipment and repair services.

Both Charles Bass (Carriers) Limited and Brightside Securities Limited are companies in which Mr J G Smith and Mr P C Fletcher are directors. In addition, they are both shareholders of Charles Bass (Carriers) Limited and Mr J G Smith and Mr J T Wilkinson have non-beneficial shareholdings in Brightside Securities Limited. Mr J G Smith, Mr P C Fletcher and Mr J T Wilkinson are also directors and shareholders of Smith Brothers (Leicester) Limited, although certain shareholdings are non-beneficial.

Transactions between the group and these two companies have been undertaken at normal trade prices.

The company has taken advantage of the exemptions conferred by Financial Reporting Standard 8 - Related Party Transactions and not separately disclosed transactions with group companies.