

Registered Number: 248695

Sterling Fluid Systems Limited
Annual report
for the year ended 30 November 2000



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Directors' report for the year ended 30 November 2000

The Directors submit their report and the financial statements of the Company for the year ended 30 November 2000.

Principal Activities

The Company is involved in the manufacture, design and supply of pumps and fluid handling systems.

Trading Review and Dividends

The Directors are satisfied with the results for the year, the financial position of the Company and its prospects for the future. The Directors do not recommend the payment of a dividend and accordingly the loss after taxation of £2,139,000 (1999: loss £834,000) will be transferred to reserves.

On 1 August 2000 the company transferred a part of the business involved in the production of process pumps to Sterling Fluid Systems (UK) Limited, a sister company. This transfer was at market value as assessed by the directors. No detailed disclosure has been provided within these financial statements as the directors consider that this part of the business and the resultant transfer are both immaterial to the company as a whole.

On 23 June 2000 the company acquired part of the trade and certain assets and liabilities from SPP Projects Limited, a sister company. The consideration paid for this unincorporated business was a market value consideration as assessed by the directors. No detailed disclosure has been provided within these financial statements as the directors consider that the business acquired is immaterial to the company as a whole.

The Euro

The company experienced minimal accounting and currency issues arising from the introduction of EMU. The costs associated with the introduction of the Euro are immaterial and have been expensed as incurred.

Employment of Disabled Persons

The Company gives full and fair consideration to applications for employment from disabled persons. Within the limitation of their aptitudes and abilities, disabled persons are given the same training, career development and promotion as are available to all Company employees. If an employee becomes disabled the Company endeavours to continue his or her employment in the same or similar capacity.

Employee Involvement

It is the Company policy to inform and consult employees concerning the performance and future prospects of the Company by regular meetings with staff consultancy committees.

Directors And Their Interests

The Directors who held office during the year were:

| | |
|---------------|---------------------------|
| C D Johnson | |
| P B O'Kelly | |
| O Shevlin | |
| P Garner | |
| G G Terry | |
| A Lukes | |
| D A Carter | Deceased 29 October 2000 |
| M J Partridge | |
| J B Davies | Appointed 1 December 1999 |
| B Millward | Appointed 7 January 2000 |

No Director had any interest required to be disclosed under Schedule 7 of the Companies Act 1985 during the year ended 30 November 2000 apart from P B O'Kelly who holds 1 share.

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 are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

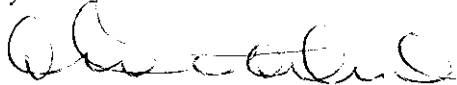
The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 November 2000. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 November 2000 and that applicable accounting standards have been followed

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.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By Order of the Board



C D Johnson
Secretary

23 FEB 2001

**Auditors' report to the members of
Sterling Fluid Systems Limited**

We have audited the financial statements on pages 4 to 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

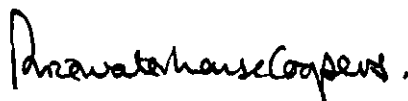
Basis of opinion

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 at 30 November 2000 and of its losses for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Reading

23 February 2001.

Profit and loss account for the year ended 30 November 2000

| | Note | 2000 £'000 | 1999 £'000 |
|--|------|----------------|---------------|
| Turnover | 2 | 32,984 | 36,196 |
| Cost of sales | | (26,339) | (26,857) |
| Gross profit | | 6,645 | 9,339 |
| Distribution costs | | (4,793) | (5,376) |
| Administrative expenses | | (3,111) | (2,991) |
| Other operating charges | | (1,267) | (1,370) |
| Operating loss | 3 | (2,526) | (398) |
| Interest receivable | | 11 | 4 |
| Interest payable | 4 | (617) | (542) |
| Loss on ordinary activities before taxation | | (3,132) | (936) |
| Tax on loss on ordinary activities | 7 | 993 | 102 |
| Loss for the year | 15 | (2,139) | (834) |

The results for the years above are derived entirely from continuing operations.

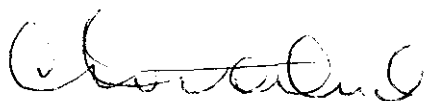
The company has no recognised gains and losses other than the results above and therefore no separate statement of total recognised gains and losses has been presented.

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

Balance sheet as at 30 November 2000

| | Note | 2000 £'000 | 1999 £'000 |
|---|------|-----------------|-----------------|
| Fixed assets | | | |
| Tangible assets | 8 | 6,100 | 7,077 |
| | | 6,100 | 7,077 |
| Current assets | | | |
| Stock | 9 | 4,965 | 4,537 |
| Debtors | 10 | 8,866 | 8,907 |
| Cash at bank and in hand | | 49 | 1,127 |
| | | 13,880 | 14,571 |
| Creditors – amounts falling due within one year | 11 | (14,188) | (11,340) |
| Net current assets | | (308) | 3,231 |
| Total assets less current liabilities | | 5,792 | 10,308 |
| Creditors – amounts falling due after more than one year | 12 | (4,073) | (6,000) |
| Provisions for liabilities and charges | 13 | - | (450) |
| Net assets | | 1,719 | 3,858 |
| Capital and reserves | | | |
| Called up share capital | 14 | 30 | 30 |
| Profit and loss account | 15 | 1,689 | 3,828 |
| Total equity shareholders' funds | 16 | 1,719 | 3,858 |

The financial statements on pages 4 to 13 were approved by the board of directors on **23 FEB 2001** and were signed on its behalf by:



CD Johnson
Director

**Notes to the financial statements
for the year ended 30 November 2000****1 Accounting policies**

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards. The principal accounting policies which the directors have adopted are as follows:

Turnover

Turnover represents amounts invoiced to customers (excluding value added tax) for goods supplied.

With respect to significant long-term contracts, where the outcome can be assessed with reasonable certainty before the conclusion of the contract, an element of attributable turnover and profit is reflected in the profit and loss account in accordance with the percentage of completion of those contracts.

Fixed assets and depreciation

Fixed assets are shown at cost less accumulated depreciation.

Depreciation is provided on all fixed assets other than freehold land in equal annual amounts calculated so as to write off the cost of each asset over its estimated useful life as follows:

| | | |
|--------------------------------|---|----------------------|
| Freehold buildings | - | 2% to 3% |
| Short leasehold buildings | - | 4% |
| Plant, machinery and equipment | - | 5% to 20% |
| Tooling and patterns | - | 16 2/3 % to 33 1/3 % |
| Motor vehicles | - | 25% |

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease period.

Leasing agreements which transfer to the group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Stock and work in progress

Stock and work in progress are stated at the lower of cost, which includes factory overheads, and estimated net realisable value.

Foreign currencies

Assets and liabilities denominated in foreign currencies for which forward exchange contracts are held are translated at the rate of the forward contract.

Other assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies entered into during the year are translated at the rate ruling at the date of the transaction.

All differences in exchange arising from translation of foreign currencies are taken to the profit and loss account.

Deferred taxation

Deferred tax is provided in respect of timing differences only where, in the opinion of the directors, such timing differences are expected to reverse in the foreseeable future.

Pensions

The employees of the Company are eligible to be members of the Sterling Fluid Systems Limited Pension Scheme. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' estimated working lives.

Cash flow statement

Sterling Fluid Systems BV, an intermediate parent company, publishes a consolidated cash flow statement which includes the cash flows of the Company. The Company has therefore taken advantage of the exemption granted by Financial Reporting Standard 1 to not present a cash flow statement.

2 Turnover

The total turnover of the company has been derived from its principal activity for which a geographical analysis is given below:

| | 2000 | 1999 |
|---------------------------------|--------|--------|
| | £'000 | £'000 |
| United Kingdom | 17,504 | 19,287 |
| Other Western Europe | 4,904 | 4,574 |
| North America | 2,948 | 3,038 |
| South America | 5 | 17 |
| South East Asia and Australasia | 1,204 | 1,913 |
| Middle East | 4,718 | 6,679 |
| Eastern Europe | 1,203 | 25 |
| Near East | 170 | 271 |
| Africa | 328 | 392 |
| | 32,984 | 36,196 |

3 Operating loss

Operating loss is stated after (crediting)/charging:

| | 2000 | 1999 |
|---|-------|-------|
| | £'000 | £'000 |
| (Profit)/loss on disposal of fixed assets | (11) | 5 |
| Depreciation – owned tangible fixed assets | 1,055 | 1,178 |
| – tangible fixed assets held under finance leases | 13 | - |
| Operating lease rentals - plant and machinery | 448 | 470 |
| - other | 962 | 851 |
| Amortisation of intangible fixed assets | - | 7 |
| Auditors' remuneration - audit | 38 | 17 |
| - other services | 41 | 24 |

4 Interest payable

| | 2000 | 1999 |
|---------------------------|-------|-------|
| | £'000 | £'000 |
| Loan from parent company | 529 | 506 |
| Bank loans and overdrafts | 83 | 36 |
| Finance leases | 5 | - |
| | 617 | 542 |

5 Directors' emoluments

| | 2000 | 1999 |
|----------------------|-------|-------|
| | £'000 | £'000 |
| Aggregate emoluments | 575 | 350 |

Retirement benefits are accruing to five (1999: five) directors under a defined benefit pension scheme.

The above includes a charge for two directors who are also directors of the immediate parent company. Their emoluments for services to all companies in the Group are paid by that company. The amount shown above includes £192,000 (1999: £111,000) based on the directors' best estimate of the proportion of their time attributable to the Company.

The emoluments of the highest paid director were as follows:

| | 2000 | 1999 |
|---|-------|-------|
| | £'000 | £'000 |
| Aggregate emoluments | 108 | 70 |
| Accrued annual pension benefit at end of year | 35 | 18 |

6 Employees

Staff costs were as follows:

| | 2000 | 1999 |
|-----------------------|-------|-------|
| | £'000 | £'000 |
| Wages and salaries | 7,945 | 8,527 |
| Social security costs | 639 | 672 |
| Other pension costs | 570 | 627 |
| | 9,154 | 9,826 |

The average monthly number of employees during the year was 365 (1999: 426) split as follows:

| | 2000 Number | 1999 Number |
|------------------------|----------------|----------------|
| Manufacturing | 220 | 263 |
| Sales and distribution | 107 | 123 |
| Administration | 38 | 40 |
| | 365 | 426 |

7 Tax on loss on ordinary activities

| | 2000 £'000 | 1999 £'000 |
|---|---------------|---------------|
| Taxation (credit)/charge on the (loss)/profit for the year | | |
| UK corporation tax at 30% (1999: 30%) | - | - |
| Other tax credits/group relief | (543) | |
| Deferred taxation | (450) | (150) |
| Adjustment for under provision in prior year | - | 48 |
| | (993) | (102) |

8 Tangible fixed assets

| | Freehold Land and Buildings £'000 | Short Leasehold £'000 | Plant Machinery & Equipment £'000 | Motor Vehicles £'000 | Tooling & Patterns £'000 | Total £'000 |
|-----------------------------------|--|-----------------------------|---|----------------------------|--------------------------------|----------------|
| Cost | | | | | | |
| At 1 December 1999 | 4,141 | 366 | 10,388 | 262 | 1,591 | 16,748 |
| Additions | 21 | 2 | 238 | 46 | 81 | 388 |
| Transfer to group undertakings | - | - | (191) | (23) | - | (214) |
| Disposals | - | (5) | (4,039) | (41) | (1,007) | (5,092) |
| At 30 November 2000 | 4,162 | 363 | 6,396 | 244 | 665 | 11,830 |
| Depreciation | | | | | | |
| At 1 December 1999 | 804 | 129 | 7,413 | 108 | 1,217 | 9,671 |
| Charge for the period | 81 | 28 | 789 | 62 | 108 | 1,068 |
| Transfer to group undertakings | - | - | (94) | (13) | - | (107) |
| Disposals | - | (3) | (3,853) | (39) | (1,007) | (4,902) |
| At 30 November 2000 | 885 | 154 | 4,255 | 118 | 318 | 5,730 |
| Net book amount | | | | | | |
| At 30 November 2000 | 3,277 | 209 | 2,141 | 126 | 347 | 6,100 |
| At 30 November 1999 | 3,337 | 237 | 2,975 | 154 | 374 | 7,077 |

Included in plant, machinery and equipment are finance leases with a net book value of £101,000 (1999: £nil).

9 Stock

| | 2000 | 1999 |
|-------------------------------|-------|-------|
| | £'000 | £'000 |
| Raw materials and consumables | 3,425 | 3,172 |
| Work in progress | 1,540 | 1,365 |
| | 4,965 | 4,537 |

10 Debtors

| | 2000 | 1999 |
|------------------------------------|-------|-------|
| | £'000 | £'000 |
| UK corporation tax recoverable | 46 | 46 |
| Trade debtors | 5,396 | 8,280 |
| Amounts owed by group undertakings | 3,180 | 315 |
| Prepayments and accrued income | 185 | 247 |
| Other debtors | 59 | 19 |
| | 8,866 | 8,907 |

11 Creditors: Amounts falling due within one year

| | 2000 | 1999 |
|------------------------------------|--------|--------|
| | £'000 | £'000 |
| Bank loans and overdrafts | 237 | - |
| Trade creditors | 3,637 | 5,473 |
| Amounts owed to group undertakings | 8,079 | 3,648 |
| Finance leases | 26 | - |
| Taxation and social security | 496 | 537 |
| Accruals and deferred income | 1,713 | 1,682 |
| | 14,188 | 11,340 |

12 Creditors: Amounts falling due after more than one year

| | 2000 | 1999 |
|--|-------|-------|
| | £'000 | £'000 |
| Amounts owed to immediate parent company | 4,000 | 6,000 |
| Finance leases | 73 | - |
| | 4,073 | 6,000 |

The immediate parent undertaking has indicated that it will not demand repayment of its interest bearing long term loan in the next twelve months.

13 Provisions for liabilities and charges

Deferred taxation, which is fully provided, comprises:

| | 2000 £'000 | 1999 £'000 |
|--------------------------------|---------------|---------------|
| Accelerated capital allowances | - | 450 |

The movement in deferred taxation during the year was as follows:

| | Deferred tax Provision 2000 £'000 | Total 2000 £'000 |
|---|--|------------------------|
| At 1 December 1999 | 450 | 450 |
| Credited to the profit and loss account | (450) | (450) |
| At 30 November 2000 | - | - |

14 Called up share capital

| | 2000 £'000 | 1999 £'000 |
|---|---------------|---------------|
| Authorised, allotted, called up and fully paid 30,000 ordinary shares of £1 each | 30 | 30 |

15 Profit and loss account

| | 2000 £'000 | 1999 £'000 |
|--------------------------------|---------------|---------------|
| Balance brought forward | 3,828 | 4,662 |
| Loss for the financial year | (2,139) | (834) |
| Balance carried forward | 1,689 | 3,828 |

16 Reconciliation of movements in shareholders' funds

| | 2000 £'000 | 1999 £'000 |
|---|---------------|---------------|
| Loss for the financial year | (2,139) | (834) |
| Shareholder's funds as at 1 December 1999 | 3,858 | 4,692 |
| Shareholder's funds as at 30 November 2000 | 1,719 | 3,858 |

17 Pension commitments

The Company participates in the Sterling Fluid Systems Limited defined benefit pension scheme (the "SFS scheme") and SIHI defined benefit pension scheme (the "SIHI scheme") for employees in the UK providing benefits based on final pensionable pay. The assets are held separately from those of the Group in separate trustee administered funds. Pension costs are assessed on the advice of independent qualified actuaries. Actuarial valuations are prepared at least triennially, using the attained age method.

The latest valuation of the SFS scheme was carried out at 6 April 1997. The main assumption is a rate of return on investment of 1½% greater than the rate of increase in salaries. The contribution rate of the Company remains at 10.3% (employee 5%). At 6 April 1997 the SFS scheme assets represented 130% of accrued benefits to members after allowing for expected future increases in earnings.

The assets and the liabilities of the SIHI scheme are now included in the SFS scheme. At 1 December 1995 the SIHI scheme assets represented 116% of accrued benefits to members after allowing for future increases in earnings.

The total pension cost for the Company during the year was £570,000 (1999: £627,000). No contributions (1999: Nil) were due to the schemes at the year end.

18 Operating leases

The annual commitment at 30 November 2000 in respect of operating leases is as follows:

| | 2000 | | 1999 | |
|-------------------------|--------------------------------|------------------------------------|--------------------------------|------------------------------------|
| | Land and buildings £'000 | Other operating leases £'000 | Land and buildings £'000 | Other operating Leases £'000 |
| Leases expiring: | | | | |
| Within one year | - | 102 | - | 82 |
| 1-5 years | 144 | 310 | 129 | 293 |
| After 5 years | 610 | - | 657 | - |
| | 754 | 412 | 786 | 375 |

19 Related party transactions

The company has taken advantage of the exemption granted by Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the TBG Holdings NV group or investees of the group.

20 Contingent liability

In the normal course of business there exist performance bonds and guarantees outstanding at 30 November 2000 of £1,167,000 (1999: £766,000).

21 Capital commitments

At 30 November 2000 future capital expenditure not provided for in the financial statements was as follows:

| | 2000 £'000 | 1999 £'000 |
|-------------------------------|---------------|---------------|
| Authorised and contracted for | 5 | 63 |

22 Ultimate parent company

The ultimate parent undertaking and controlling party is TBG Holdings NV, a company incorporated in Curacao, Netherlands Antilles.

The immediate parent undertaking for which group financial statements are prepared is Sterling Fluid Systems (UK Group) Limited (formerly Sterling Fluid Systems (UK) Limited), a company registered in England and Wales. A copy of the financial statements of the parent can be obtained from Sterling Fluid Systems (UK Group) Limited, Theale Cross, Reading, Berkshire RG31 7SP.