

**GD First (UK) Limited**

**Directors' report and financial  
statements**

**Registered number 04955958**

**31 December 2005**



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## Directors' report

The directors present their annual report and the audited financial statements for the period ended 31 December 2005.

### Principal activities

GD First (UK) Limited is an intermediate holding company within the Gardner Denver Inc group (see note 13).

### Business review

The profit for the financial period was £1,388,363 (2004: loss £1,724,997).

On 28 October 2005, Gardner Denver OY and subsidiaries, a fellow group company was transferred from Gardner Denver International Inc. for a total consideration of £29,717,100.

On 28 October 2005, Gardner Denver Ltd and subsidiaries, a fellow group company was transferred from Gardner Denver International Inc. for a total consideration of £18,671,310. On 29 November 2005, the company subscribed for one additional ordinary share of £1 each nominal value in the capital of Gardner Denver Ltd for £3,000,000.

On 6 December 2005, TIWR U.K. Limited and subsidiaries, a fellow group company was transferred from TIWR Netherlands Holdings CV for a total consideration of £14,451,632.

Between 5 and 13 December 2005, a number of companies were transferred from Thomas Industries Inc., a fellow group company to Gardner Denver Industries Limited (an indirectly wholly owned subsidiary) for a total consideration of £12,918,778. The consideration was satisfied by issue of nine ordinary shares of £1 each in Gardner Denver Industries Limited to GD First (UK) Limited.

Details of changes in other investments indirectly owned by the company are disclosed in the financial statements of Gardner Denver Industries Limited.

### Dividends

No dividends were paid during the period (2004: *£nil*) and the directors do not recommend the payment of a final dividend (2004: *£nil*).

### Directors

The directors who held office during the period and up to the date of signing were as follows:

R Centanni (USA) (resigned 7 September 2006)  
H Cornell (USA)  
T Pagliara (USA)  
J P Warr (appointed 7 September 2006)

All directors retire by rotation and, being eligible, offer themselves for re-appointment.

### Directors' interests

No director has any interest in any shares of the company or any of its subsidiary companies. Any shareholdings in the ultimate parent company are disclosed in that company's accounts.

## **Directors' report** *(continued)*

### **Share capital**

During the period two new ordinary shares of £1 each were issued to Gardner Denver International Inc. for an aggregate consideration of USD 86,300,000 (£48,388,410) as consideration for the entire issued share capital of Gardner Denver Ltd and the entire share capital of Gardner Denver O.Y.

There have been no changes in the authorised share capital. Note 9 on page 12 gives details of the authorised and issued share capital in tabular form.

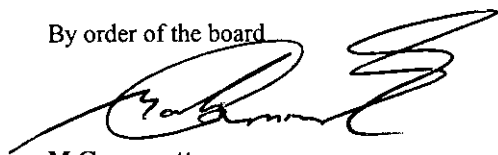
### **Political and charitable contributions**

The company made no political or charitable contributions during the period (2004: *£nil*).

### **Auditors**

Pursuant to section 385 Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors to the company will be proposed at the forthcoming Annual General Meeting.

By order of the board



**M Grummett**  
*Secretary*

27 October 2006  
Springmill Street  
Bradford  
West Yorkshire  
BD5 7YH

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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 its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsible for preparing a Directors' report that complies with that law.



KPMG Audit Plc

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## **Independent auditors' report to the members of GD First (UK) Limited**

We have audited the financial statements of GD First (UK) Limited for the year ended 31 December 2005 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.

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 auditor's 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 in the Statement of Directors' responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK 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).

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 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.

## Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

27 October 2006

**Profit and loss account**  
*For the year ended 31 December 2005*

	<i>Notes</i>	<b>Year ended 31 December 2005 £</b>	<b>6 November 2003 to 31 December 2004 £</b>
Other external charges		(82)	(22)
Exchange profit/(loss)		106,946	(235,423)
<b>Operating profit / (loss)</b>	<b>2</b>	<b>106,864</b>	<b>(235,445)</b>
Income from shares in group undertakings		3,325,442	-
Interest receivable		-	423,755
Interest payable	3	(2,916,389)	(2,559,827)
<b>Profit / (loss) on ordinary activities before taxation</b>		<b>515,917</b>	<b>(2,371,517)</b>
Taxation on profit / (loss) on ordinary activities	4	872,446	646,520
<b>Profit / (loss) for the financial period</b>	<b>10</b>	<b>1,388,363</b>	<b>(1,724,997)</b>

A reconciliation of movements in shareholders' funds is given in note 11.

The financial statements are prepared on an unmodified historical cost basis and there were no recognised gains or losses in either period other than those reflected in the profit and loss account above.

All operating income and expenditure arises from continuing operations.



## Balance sheet

As at 31 December 2005

	Note	2005	2004
		£	£
<b>Fixed assets</b>			
Investments	5	130,258,820	51,500,000
<b>Current assets</b>			
Debtors	6	24,463,095	2,311,884
Cash at bank and in hand		1,247,858	166,229
		<u>25,710,953</u>	<u>2,478,113</u>
<b>Creditors: amounts falling due within one year</b>	7	<u>(56,386,332)</u>	<u>(21,307,188)</u>
<b>Net current liabilities</b>		<u>(30,675,379)</u>	<u>(18,829,075)</u>
<b>Total assets less current liabilities</b>		<u>99,583,441</u>	<u>32,670,925</u>
<b>Creditors: amounts falling due after more than one year</b>	8	<u>(51,519,165)</u>	<u>(34,383,422)</u>
<b>Net assets / (liabilities)</b>		<u>48,064,276</u>	<u>(1,712,497)</u>
<b>Capital and reserves</b>			
Called up equity share capital	9	12,502	12,500
Share premium account	10	48,388,408	-
Profit and loss account	10	(336,634)	(1,724,997)
<b>Equity shareholders' funds / (deficit)</b>		<u>48,064,276</u>	<u>(1,712,497)</u>

These financial statements were approved by the board of directors on 27 October 2006 and were signed on its behalf by:



**JP Warr**  
Director

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date';
- The presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

There has been no impact on the prior years figures upon adoption of the new standards noted above.

#### ***Basis of preparation***

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

By virtue of s228A of the Companies Act 1985, the company is exempt from the requirement to prepare group financial statements as it is a wholly owned subsidiary of Gardner Denver Inc, a company incorporated in the USA. These financial statements present information about the company as an individual undertaking and not about it as a Group.

#### ***Cash flow statement***

Under FRS 1, the company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Gardner Denver Inc. (see note 13).

#### ***Related party transactions***

Under FRS 8, the company is exempt from the requirement to disclose related party transactions with other group companies, on the grounds that it is a wholly owned subsidiary undertaking of Gardner Denver Inc (see note 13).

#### ***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### ***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract.

Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### ***Dividends on shares presented within shareholders' funds***

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

## Notes (continued)

### 2 Profit and loss account

None of the directors received any remuneration, in respect of services to the company. Auditors' remuneration has been borne by a fellow group undertaking.

### 3 Interest payable

	Year ended 31 December 2005 £	6 November 2003 to 31 December 2004 £
On bank loans and overdrafts	194,711	204,375
On loans from group companies	2,721,678	2,355,452
	<hr/>	<hr/>
Interest payable	2,916,389	2,559,827
	<hr/>	<hr/>

### 4 Taxation on profit/(loss) on ordinary activities

	Year ended 31 December 2005 £	6 November 2003 to 31 December 2004 £
<i>UK corporation tax</i>		
Current tax credit on income for the period	(872,446)	(646,520)
	<hr/>	<hr/>
Total current tax	(872,446)	(646,520)
	<hr/>	<hr/>

The current tax credit (2004: credit) for the period is higher (2004: lower) than the standard rate of corporation tax in the UK (30%, 2004: 30%). The differences are explained below:

	Year ended 31 December 2005 £	6 November 2003 to 31 December 2004 £
<i>Current tax reconciliation</i>		
Profit/ (loss) on ordinary activities before tax	515,917	(2,371,517)
	<hr/>	<hr/>
Current tax at 30% (2004: 30%)	154,775	(711,455)
<i>Effects of:</i>		
Unrealised foreign exchange gains and losses not subject to tax	(29,588)	64,935
Income not taxable (UK dividends)	(997,633)	-
	<hr/>	<hr/>
Total current tax credit (see above)	(872,446)	(646,520)
	<hr/>	<hr/>

## Notes (continued)

### 5 Fixed asset investments

	Shares in subsidiary undertakings £
<i>Cost and net book value</i>	
At beginning of period	51,500,000
Additions	78,758,820
	<hr/>
At end of period	130,258,820
	<hr/>

In the opinion of the directors the investments in and amounts due from the company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

Details of additions to investments during the period are contained in the business review section of the Directors' report.

By virtue of s228A of the Companies Act 1985, the company is exempt from the requirement to prepare group financial statements as it is a wholly owned subsidiary of Gardner Denver Inc, a company incorporated in the USA. These financial statements present information about the company as an individual undertaking and not about it as a Group.

Details of the principal (directly) owned subsidiary undertakings are set out below:

	Incorporated and trading in	Effective interest %
Gardner Denver OY	Finland	100
Gardner Denver International Limited	UK	100
Gardner Denver Ltd	UK	100
TIWR U.K. Limited	UK	100

All holdings are of ordinary shares.

Each company operates in its country of incorporation.

The company also owns indirectly all the share capital of Gardner Denver Industries Limited, an intermediate holding company incorporated and operating in the UK. Details of subsidiaries held by this company are disclosed in its financial statements, available from Companies House.

The subsidiary undertakings named above are part of the Gardner Denver group of companies, a global producer of blowers, compressors, petroleum and water jetting pumps and accessories serving a diverse group of industries and applications.

## Notes (continued)

### 6 Debtors

	2005 £	2004 £
Taxation recoverable	913,358	646,520
Amounts owed by group undertakings	23,549,737	1,665,364
	<u>24,463,095</u>	<u>2,311,884</u>

### 7 Creditors: amounts falling due within one year

	2005 £	2004 £
Loan notes (unsecured)	-	461,282
Accruals	151,971	388,920
Amounts owed to group undertakings	56,234,361	20,456,986
	<u>56,386,332</u>	<u>21,307,188</u>

### 8 Creditors: amounts falling after more than one year

	2005 £	2004 £
Bank loans	24,257,200	-
Amounts owed to group undertakings	27,261,965	34,383,422
	<u>51,519,165</u>	<u>34,383,422</u>

All amounts owed to group undertakings bear interest at a rate of 7% with no fixed repayment terms. However, the companies concerned have given an undertaking not to demand repayment of £27,261,965 for a period of more than one year from the balance sheet date. Bank loans are denominated in Euros and Sterling for which interest is charged at floating rates. The rates as at 31 December 2005 were 6.3125% for sterling and 4.0625% for Euros. These loans can be repaid at anytime at the option of the borrower with the final maturity of 1 September 2009.

### 9 Called up share capital

			At 31 December 2005 £	At 31 December 2004 £
<b>Number</b>	<b>Authorised</b>			
32,000,000	Ordinary shares of £1 each		32,000,000	32,000,000
<b>Issued Number</b>	<b>Fully paid Number</b>	<b>Allotted, called up and fully paid</b>		
50,000	12,500	At start of year	12,500	-
2	2	Issued in the year	2	12,500
<u>50,002</u>	<u>12,502</u>	At end of year	<u>12,502</u>	<u>12,500</u>

## Notes (continued)

### 10 Reserves

	Profit and loss account £	Share Premium account £
At beginning of period	(1,724,997)	-
Profit for the financial period	1,388,363	-
Arising on issue of shares	-	48,388,408
	<hr/>	<hr/>
At end of year	<b>(336,634)</b>	<b>48,388,408</b>
	<hr/>	<hr/>

During the period two new ordinary shares of £1 each were issued to Gardner Denver International Inc. for an aggregate consideration of USD 86,300,000 (£48,388,410) as consideration for the entire issued share capital of Gardner Denver Ltd and the entire share capital of Gardner Denver O.Y.

### 11 Reconciliation of movements in shareholders' funds/(deficit)

	Year ended 31 December 2005 £	6 November 2003 to 31 December 2004 £
Retained profit / (loss) for the financial period	1,388,363	(1,724,997)
Issue of share capital	48,388,410	12,500
Opening shareholders' funds – deficit	(1,712,497)	-
	<hr/>	<hr/>
Closing shareholders' funds/(deficit)	<b>48,064,276</b>	<b>(1,712,497)</b>
	<hr/>	<hr/>

### 12 Contingent liabilities

There are no guarantees or contingent liabilities as at 31 December 2005 (2004: nil).

### 13 Ultimate parent company

The company's ultimate parent undertaking and controlling related party is Gardner Denver Inc. incorporated in the USA and its results are included in the consolidated financial statements of that company. The consolidated financial statements of Gardner Denver Inc are available to the public and may be obtained from: Gardner Denver Inc, 1800 Gardner Expressway, Quincy, USA, IL62301.