CompAir UK Limited

Directors' report and financial statements

Registered number 938719

For the year ended 31 December 2010

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Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2010

Principal activity and business review

The company's principal activity until 1 April 2009 was the manufacture and marketing of industrial air and gas compressors

Since 1 April 2009 the company has earned income on a loan to Gardner Denver Limited

Results and dividends

The results for the company for the year to 31 December 2010 are set out in the profit and loss account on page 5

No dividends have been declared or paid *(period ended 31 December 2009 £nil)*

Directors and directors' interests

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

HW Cornell (resigned 1 November 2010)
B Walters
M Larsen (appointed 1 November 2010)

The directors had no interest in the shares of the company

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware there is no relevant audit information of which the company's auditors are unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

By order of the board

M Grummett
Company Secretary

Springmill Street
Bradford
West Yorkshire
BD5 7HW

15 March 2011

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The dırectors are responsıble for preparıng the Dırectors' Report and the financıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare financıal statements for each financıal year Under that law they have elected to prepare the financıal statements ın accordance wıth UK Accountıng Standards and applıcable law (UK Generally Accepted Accountıng Practıce)

Under company law the dırectors must not approve the financıal statements unless they are satısfied that they gıve a true and faır vıew of the state of affaırs of the company and of the profit or loss of the company for that perıod In preparıng these financıal statements, the dırectors are requıred to

- select suıtable accountıng polıcıes and then apply them consıstently,
- make judgments and estımates that are reasonable and prudent,
- state whether applıcable UK Accountıng Standards have been followed subject to any materıal departures dısclosed and explaıned ın the financıal statements, and
- prepare the financıal statements on the goıng concern basıs unless ıt ıs ınappropriate to presume that the company wıll contınue ın busıness

The dırectors are responsıble for keepıng adequate accountıng records that are suffıcıent to show and explaın the company's transactıons and dısclose wıth reasonable accuracy at any tıme the financıal posıtıon of the company and enable them to ensure that the financıal statements comply wıth the Companıes Act 2006 They have general responsıbılıty for takıng such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other ırregularıtıes

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditors' report to the members of CompAir UK Limited

We have audited the financial statements of CompAir UK Limited for the year ended 31 December 2010 set out on pages 5 to 17 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditors' 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 explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of the company's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report to the members of CompAir UK Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Jeremy Gledhill (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW

15 March 2011

Profit and loss account
for the year ended 31 December 2010

	Note	2010 Trading £000	2010 Exceptional items £000	2010 Total £000	2009 Trading £000	2009 Exceptional items £000	2009 Total £000
Turnover	2	-	-	-	15 930	-	15,930
Cost of sales		-	-	-	(11,746)	-	(11,746)
Gross profit		-	-	-	4,184	-	4,184
Distribution costs		-	-	-	(2,983)	-	(2,983)
Administrative expenses		-	-	-	(408)	(199)	(607)
Operating profit/(loss)	3	-	-	-	793	(199)	594
Profit on disposal of assets	15			-			40,194
Interest receivable and similar income	8			3,357			2 559
Interest payable and similar charges	9			-			(361)
Profit on ordinary activities before taxation				3,357			42,986
Tax on profit on ordinary activities	10			(940)			(466)
Profit for the financial year	14			2,417			42,520

There were no acquisitions in either the current or preceding year The operations became discontinued following the sale of the trade and assets of the company to another group company on 1 April 2009

There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis

There are no recognised gains or losses other than the profit for the financial year

The notes on pages 8 to 17 form a part of these financial statements

Balance sheet
at 31 December 2010

	Note	2010 £000	2010 £000	2009 £000	2009 £000
Current assets					
Debtors amounts falling due within one year	*11*	50,912		47,555	
Creditors amounts falling due within one year	*12*	(940)		-	
Net assets			49,972		47,555
Capital and reserves					
Called up share capital	*13*		6,493		6,493
Share premium account	*14*		35,477		35,477
Profit and loss account	*14*		8,002		5,585
Shareholders' funds - equity			49,972		47,555

The notes on pages 8 to 17 form part of these financial statements

These financial statements were approved by the board of directors on 15 March 2011 and were signed on its behalf by

B Walters
Director

Company registered number 938719

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2010

	2010 £000	2009 £000
Profit for the financial year	**2,417**	42,520
Opening shareholders' funds	**47,555**	5,035
Closing shareholders' funds	**49,972**	47,555

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 company's financial statements

Accounting convention

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

Basis of preparation

The Company is exempt by virtue of the Companies Act 2006 from the requirement to prepare group financial statements These financial statements present information about the Company as an individual undertaking and not about its group

Under Financial Reporting Standard No 1 ' Cash Flow Statements' (revised 1996), the company is exempt from the requirement to prepare a cash flow statement, on the grounds that, at 31 December 2010 it was a wholly owned subsidiary undertaking of Gardner Denver, Inc , incorporated in the USA which prepares a consolidated cash flow statement in its own published consolidated financial statements

Retirement benefits

During the year the company operated a defined contribution pension scheme for employees The assets of the scheme are held separately from those of the company The annual contributions payable in respect of the scheme were charged to the profit and loss account as incurred

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction All monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the period end Exchange differences arising from the re-translation of foreign currency denominated assets and liabilities together with other exchange differences arising in the period are included in the profit and loss account

Turnover

Turnover represents the invoiced value of goods and services supplied by the company, to third parties, excluding value added tax Turnover relating to long term contracts represents the value of work performed during the year

Research and development

The company follows the requirements of SSAP 13 and FRS 5, modified to reflect the more stringent requirements of the Department of Trade and Industry defining Research and Development expenditure for tax credit purposes in the UK

Research expenditure is written off in the period in which it is incurred

Internally generated intangible assets arising from the company's development activities are recognised only if all of the following conditions are met

(a) There is a clearly defined project,
(b) The related expenditure is separately identifiable,
(c) The project is technically feasible,
(d) The project is commercially viable
(e) The development costs will be exceeded by related revenues, and
(f) Adequate resources exist for the project to be completed

Notes *(continued)*

1 Accounting policies *(continued)*

Related party transactions

The company is exempt from the requirements of FRS 8 'Related party disclosures' to disclose transactions with other group undertakings as it is a wholly owned subsidiary of Gardner Denver, Inc and the consolidated financial statements of Gardner Denver Inc , in which the company is included, are publicly available Further details are provided in note 18

Fixed assets and depreciation

Tangible fixed assets are depreciated to their residual values on a straight line basis over their estimated useful lives at the following rates applied to original cost

Leasehold land and buildings	-	life of lease
Plant and machinery	-	4 to 15 years
Computer equipment and software	-	3 to 5 years
Vehicles, equipment, fixtures and fittings	-	4 to 10 years

Intangible fixed assets are amortised on a straight line basis over five years The directors believe this to be a prudent period of time

Impairment of fixed assets

Impairment reviews are undertaken if there are indications that the carrying values may not be recoverable

Leased assets

Rentals under operating leases are charged to profit and loss account on a straight line basis

Stock

Stocks and work in progress are valued at the lower of cost and estimated net realisable value Cost comprises the cost of raw materials and an appropriate proportion of labour and overheads Provision is made for obsolete and slow moving items

The net realisable value of long term contracts has been arrived at having regard to estimated costs to completion A prudent level of profit attributable to the contract activity is taken up if the final outcome of such contracts can be readily assessed On all contracts, full provision is made for any losses in the year in which they are first foreseen

Cash and borrowings

Cash and short term deposits at the balance sheet date are only deducted from bank loans and overdrafts where formal rights of set off exist

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to recover more tax with the following exceptions

- Provision is made for tax on gains arising from fixed assets, or gains on disposal of fixed assets, that have been rolled over into replacement assets, only to the extent that at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable, and
- Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax and laws enacted or substantively enacted at the balance sheet date

2 Turnover

Turnover is all attributable to the same class of business the manufacture and marketing of industrial air compressors

An analysis of turnover by geographical destination is as follows

	Turnover	
	2010	2009
	£000	£000
Europe	-	9,337
The Americas	-	1,661
Asia	-	2,615
Rest of world	-	2,317
	-	15,930

Notes *(continued)*

3 Operating profit/ (loss)

Operating profit/(loss) is stated after charging	**2010 £000**	2009 £000
Auditors remuneration		
Audit fees	-	12
Taxation	-	17
Depreciation of owned fixed assets	-	175
Amortisation of capitalised development expenditure	-	117
Research expenditure		
Current year	-	334
Operating lease rentals		
Land and buildings	-	267
Other	-	194
Exceptional items (see note 7)	-	199

4 Remuneration of directors

The company ceased to employ any individuals in its own right on 1April 2009 Contracts of employment and the liability for employee costs were transferred to Gardner Denver Group Services Ltd as at this date Both the aggregate emoluments for the directors and the remuneration for the highest paid director disclosed below for 2009 relate to the period 1 January 2009 to 31 March 2009

The directors earned the following remuneration from the company during the year

	2010 £000	2009 £000
Remuneration	-	53
Bonus	-	30
Pension contributions	-	7
	-	90

Amounts in respect of the highest paid director were as follows

Remuneration	-	27
Bonus	-	26
Pension contributions	-	5
	-	58

Retirement benefits accrued to the following number of directors during the period as follows

	Number of directors	
Defined contribution schemes	-	2

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period was as follows

	Number of employees	
	2010	2009
Marketing and distribution	-	116
Production	-	160
Technical	-	33
Finance and administration	-	35
	-	344

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	-	2,625
Social security costs	-	353
Pension costs	-	158
	-	3,136

The company ceased to employ any individuals in its own right on 1 April 2009 Contracts of employment and the liability for employee costs were transferred to Gardner Denver Group Services Ltd as at this date Both the average number of employees and payroll costs disclosed above for 2009 relate to the period 1 January 2009 to 31 March 2009

6 Pensions

The company ceased to employ any individuals in its own right on 1 April 2009 Contracts of employment were transferred to Gardner Denver Group Services Ltd as at this date As a result, the cost of the defined contribution schemes (CompAir UK Limited Group Stakeholder Plan, International Plan and Executive Plan) transferred as at 1 April 2009 Pension costs for the period 1 January 2009 to 31 March 2009 amounted to £157,885 (9 month period ended 2008 £447,000) No contributions remained unpaid by the company at 31 December 2010 (2009 £nil)

Notes *(continued)*

7 Operating exceptional items

Included in operating profit are operating exceptional items of

	2010 £000	2009 £000
Restructuring costs	-	(199)

Restructuring costs relate to additional staff and commercial re-organisation costs following the change in control of the company

8 Interest receivable and similar income

	2010 £000	2009 £000
Interest receivable from parent and fellow subsidiary undertakings	3,357	2,558
Other interest receivable	-	1
	3,357	2,559

9 Interest payable and similar charges

	2010 £000	2009 £000
Interest payable on bank and other loans and overdrafts	-	3
Interest payable to parent and fellow subsidiary undertakings	-	358
	-	361

Notes *(continued)*

10 Taxation

Analysis of tax charge in period

	2010 £000	2009 £000
UK corporation tax		
Current tax on income for the year	940	616
Adjustments in respect of prior periods	-	(150)
Tax on profit on ordinary activities	940	466

Factors affecting the tax charge for the current period

The current tax charge for the period is equal to *(2009 lower than)* the standard rate of corporation tax in the UK of 28% *(2009 28%)* The differences for 2009 are explained below

	2010 £000	2009 £000
Current tax reconciliation		
Profit on ordinary activities before tax	3,357	42,986
Current tax at 28% *(2009 28%)*	940	12,036
Effects of		
Non-taxable charges	-	16
Other timing differences	-	(25)
Fixed asset timing differences	-	40
Adjustments in respect of prior periods	-	(150)
Non-taxable income	-	(9,092)
Unrelieved tax losses	-	(2,359)
Total current tax charge	940	466

The company is eligible to surrender UK group relief to, or claim UK group relief from, other group companies These claims and/or surrenders may be made with or without charge

Notes (continued)

11 Debtors

	2010 £000	2009 £000
Debtors falling due within one year		
Amounts owed by parent and fellow subsidiary undertakings	50 912	47,555

12 Creditors. Amounts falling due within one year

	2010 £000	2009 £000
Corporation tax	940	-

13 Called up share capital

	2010 £000	2009 £000
Authorised		
Ordinary shares of £1 each	6.493	6,493
Allotted, called up and fully paid		
Ordinary shares of £1 each	6,493	6,493

Notes *(continued)*

14 Reserves

	Share premium account £000	Profit and loss account £000
At beginning of period	35,477	5,585
Profit for the financial period	-	2,417
At end of period	**35,477**	**8,002**

15 Profit on disposal of assets

Discontinued operations	2010 £000	2009 £000
Gain on disposal of trade and assets	-	32,471
Gain on sale of intellectual property rights	-	7,723
	-	40,194

On 1 April 2009, the trade and assets of CompAir UK Limited were sold to Gardner Denver Limited a fellow group company, for a consideration of £45,766,044 The consideration was satisfied by the creation of an intercompany loan note

On 31 March 2009, the company sold its intellectual property rights in its Quantima brand to CompAir Drucklufttechnik GmbH, a fellow group company, for £9 18 million The consideration was satisfied by the creation of an intercompany loan note

16 Sale of business

The following table details the profit on sale of the assets and liabilities to Gardner Denver Ltd on 1 April 2009

	£000
Tangible fixed assets	2,591
Stocks	6,802
Debtors and prepayments	15,666
Cash at bank and in hand	921
Trade creditors and accruals	(12,528)
Amounts owed to group undertakings	(307)
Taxation recoverable	150
Net assets transferred	13,295
Consideration	45,766
Profit on sale of assets and liabilities	**32,471**

Notes *(continued)*

17 Immediate parent undertaking

The immediate parent undertaking of CompAir UK Limited is CompAir Limited, a company registered in England and Wales

18 Ultimate parent undertaking

The ultimate parent undertaking is Gardner Denver, Inc , a company registered in Delaware USA, whose principal place of business is at 1800 Gardner Expressway, Quincy, Illinois, USA Copies of the consolidated financial statements can be obtained from this address

19 Related party transactions

The company has taken advantage of the exemption available under FRS 8 not to disclose transactions with other members of the Gardner Denver Inc group