

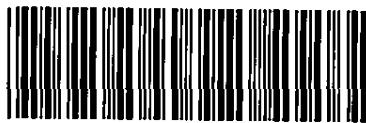
Webster Drives Limited

**Directors' report and financial
statements**

Registered number 553051

31 December 2007

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Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	3
Independent auditors' report to the members of Webster Drives Limited	4
Profit and loss account	6
Balance sheet	7
Reconciliation of movements in shareholders' funds	8
Statement of total recognised gains and losses	8
Notes	9

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

Principal activity

The company is principally engaged in the development, manufacture and merchanting of power take-off equipment, ancillary drives and transmissions for commercial vehicles, vehicle hydraulics and hydraulic tipping rams.

Financial position and performance

In the year to December 2007 the company traded satisfactorily and in line with expectations. The company achieved profits before taxation of £1,556,173 (2006 - £1,153,671) on turnover of £6,259,462 (2006 - £5,476,065). The market conditions underpinning the results are expected to remain broadly the same during 2008

The directors do not recommend the payment of a final dividend (2006 £1,500,000)

Principal risks and uncertainties

The principal risks and uncertainties affecting the company include

- Exposure to economic downturns and cyclical markets
- Large or rapid increases in the costs of raw materials or substantial decreases in their availability could adversely affect operating results
- Economic, political and other risks associated with international sales could adversely affect the business (for example political or economic instability in certain markets, currency fluctuations or import restrictions)
- The nature of the company's products creates the possibility of product liability and warranty claims, which could harm the business

These risks are closely monitored and, where appropriate and practical, the directors take steps to minimise the effects of these risks

Key performance indicators

Key performance indicators of the company include Sales, Operating Profit, Delivery Performance, Quality, Customer Satisfaction and Accident rates. These indicators are monitored on an ongoing basis

The company is also audited on its quality procedures and performance by Lloyds Institute under ISO 9001

Directors

The directors of the company are as follows

M L Brown
H Cornell (USA)
T Pagliara (USA)
S Mawson
W Beese

Directors' report *(continued)*

Research and development

The company continues an active programme of research and development and actively seeks opportunities within new market sectors.

Political and charitable contributions

The group made no political or charitable contributions during the year (2006 £nil)

Employees

It is the company's policy to employ the most suitably qualified people, regardless of sex, ethnic origin or religion. The company encourages the employment and career development of disabled people. The company regularly reviews its responsibilities for the health, safety and welfare of its employees. It recognises the benefit of keeping employees informed of the performance of the business and updates employees by regular communicative reports.

On 13 July 2007, all employees of the company were notified of the intention to change their employer to Gardner Denver Group Services Ltd. The change duly came into effect on 1 August 2007 and the company entered into an agreement with Gardner Denver Group Services Limited for the provision of services by their former employees. In conjunction with this transaction, Gardner Denver Group Services Limited assumed the net pension liabilities of the Gardner Denver British Pension Scheme.

The company paid a special contribution of £608,595 into the Gardner Denver British Pension Scheme in advance of the assumption of the pension liability by Gardner Denver Group Services Ltd.

Auditors

The directors who held office at the date of approval of this 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 they ought to have taken as a member to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Pursuant to s 487 of the Companies Act 2006, the company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

By order of the Board,



M E Grummett
Secretary

Springmill Street
Bradford
West Yorkshire
BD5 7HW

31 July 2008

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

1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditors' report to the members of Webster Drives Limited

We have audited the financial statements of Webster Drives Limited for the year ended 31 December 2007 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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.

Independent auditors' report to the members of Webster Drives Limited (*continued*)

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 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

31 July 2008

Profit and loss account

For the year ended 31 December 2007

	<i>Note</i>	2007 £	2006 £
Turnover	2	6,259,462	5,476,065
Change in stocks of finished goods and work in progress		(12,932)	(47,818)
Raw materials and consumables		(2,164,397)	(1,856,043)
Other external charges		(1,181,415)	(509,503)
Staff costs	3,4	(1,200,360)	(1,836,983)
Depreciation		(169,922)	(139,446)
Operating profit		<u>1,530,436</u>	<u>1,086,272</u>
Interest receivable	5	36,633	97,400
Interest payable	6	(10,896)	(30,001)
Profit on ordinary activities before taxation	7	<u>1,556,173</u>	<u>1,153,671</u>
Taxation on profit on ordinary activities	8	(504,965)	(336,082)
Profit for the financial year	17	<u><u>1,051,208</u></u>	<u><u>817,589</u></u>

A reconciliation of movements in shareholders' funds and statement of total recognised gains and losses is given on page 8.

All income and expenditure arose from continuing activities

Balance sheet

As at 31 December 2007

	Note	2007		2006	
		£	£	£	£
Fixed assets					
Tangible assets	10		1,143,620		1,164,066
Current assets					
Stocks	11	469,180		467,916	
Debtors	12	1,526,170		1,155,497	
Cash at bank and in hand		564,349		390,330	
		<u>2,559,699</u>		<u>2,013,743</u>	
Creditors amounts falling due within one year	13	(1,447,699)		(1,038,796)	
Net current assets			<u>1,112,000</u>		<u>974,947</u>
Total assets less current liabilities			<u>2,255,620</u>		<u>2,139,013</u>
Creditors amounts falling due after one year	14		-		(11,745)
Provisions for liabilities and charges	15		-		(84,131)
Net assets – excluding pension liability			<u>2,255,620</u>		<u>2,043,137</u>
Pension liability	15		-		(1,354,500)
Net assets – including pension liability			<u>2,255,620</u>		<u>688,637</u>
Capital and reserves					
Called up share capital	16		16,950		16,950
Profit and loss account	17		2,238,670		671,687
Shareholders' funds			<u>2,255,620</u>		<u>688,637</u>
Shareholders' funds					
Equity			2,244,320		677,337
Non-equity			11,300		11,300
			<u>2,255,620</u>		<u>688,637</u>

These financial statements were approved by the board of directors on 31 July 2008 and were signed on its behalf by



S Mawson
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2007

	2007 £	2006 £
Profit for the financial year	1,051,208	817,589
Pension fund actuarial gains	714,799	56,000
Deferred tax on pension fund actuarial gains	(199,024)	(16,800)
Dividends paid	-	(1,500,000)
	<hr/>	<hr/>
Net increase / (reduction) in shareholders' funds	1,566,983	(643,211)
Opening shareholders' funds	688,637	1,331,848
	<hr/>	<hr/>
Closing shareholders' funds	2,255,620	688,637
	<hr/>	<hr/>

Statement of total recognised gains and losses
for the year ended 31 December 2007

	2007 £	2006 £
Profit for the financial year	1,051,208	817,589
Pension fund actuarial gains	714,799	56,000
Deferred tax on pension fund actuarial gains	(199,024)	(16,800)
	<hr/>	<hr/>
Total recognised gains relating to the financial year	1,566,983	856,789
	<hr/>	<hr/>

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

Basis of preparation

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

The company has taken advantage of the exemption from preparing a cash flow statement on the grounds that it is a wholly owned subsidiary of Gardner Denver, Inc., a company incorporated in the USA, which prepares publicly available consolidated financial statements which include a cash flow statement

The company has taken advantage of the exemptions set out in Financial Reporting Standard 8 relating to subsidiary undertakings and has not disclosed transactions with other group companies

Research and development

Expenditure on research and development is written off to the profit and loss account as incurred.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Depreciation

Depreciation is provided by the company to write off the cost less the estimated residual values of tangible fixed assets by equal instalments over their estimated useful economic lives, as follows

Freehold and long leasehold buildings	-	up to 50 years
Short leasehold improvements	-	over the residue of the lease
Plant, equipment and vehicles	-	2-10 years

No depreciation is provided on freehold land

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate

Warranty

Provision for warranty costs are raised in respect of certain products and are revised annually in accordance with the actual warranty costs incurred and the unexpired periods of warranty given. Warranty costs are charged against these provisions

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.

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

The taxation liabilities of group companies are reduced wholly or in part by the surrender of losses by other group companies

Deferred taxation 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 FRS19

Notes (continued)

Pension costs and other post retirement benefits

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlement and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

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.

Turnover

Turnover is recognised at the point of despatch of goods. Revenue from service contracts is recognised when the services are performed and earned. Rental income receivable is recognised on an accruals basis.

Foreign currency

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.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Notes (continued)

2 Turnover

In the opinion of the directors, the disclosure of geographical analysis of turnover would be prejudicial to the interests of the group

3 Staff numbers and costs

As discussed in the Directors' report, the employees of the company transferred employment contracts on 1 August 2007 to Gardner Denver Group Services Limited. Consequently, both the average number of employees and payroll costs disclosed below for 2007 relate to the period 1 January 2007 to 31 July 2007.

	Average number of employees	
	2007	2006
Management and administration	13	21
Manufacturing and development	27	45
	<u>40</u>	<u>66</u>

The aggregate payroll costs of these persons were as follows

	2007 £	2006 £
Wages and salaries	985,136	1,538,761
Social security costs	74,853	116,608
Other pension costs	140,371	181,614
	<u>1,200,360</u>	<u>1,836,983</u>

4 Remuneration of directors

	2007 £	2006 £
Directors' emoluments		
Remuneration as executives	58,622	79,918
Pension contributions	10,613	17,940
	<u>69,235</u>	<u>97,858</u>

Retirement benefits are accruing to one (2006 one) director under defined benefit schemes

Notes (continued)

5 Interest receivable

	2007 £	2006 £
Bank interest receivable	36,633	97,400

6 Interest payable

	2007 £	2006 £
Finance charges payable in respect of finance leases and hire purchase contracts	3,473	5,001
Interest payable on pension scheme liabilities (see note 18)	7,423	25,000
	<u>10,896</u>	<u>30,001</u>

7 Profit on ordinary activities before taxation

	2007 £	2006 £
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Profit on ordinary activities before taxation is stated after charging:

Operating lease rentals		
Plant and machinery	26,366	35,987
Other	47,500	47,500
Auditors' remuneration		
Audit – pursuant to legislation	5,844	5,860
Taxation	3,533	3,500
Depreciation of owned fixed assets	156,872	126,396
Depreciation of leased fixed assets	13,050	13,050

8 Taxation on profit on ordinary activities

	2007 £	2006 £
<i>UK Corporation tax</i>		
Current tax on income in the year	403,629	301,116
Adjustments in respect of prior years	10,238	(893)
Total current tax	<u>413,867</u>	<u>300,223</u>
<i>Deferred tax (see note 15)</i>		
Origination of timing differences	60,950	35,859
Effect of decrease in tax rate	30,148	-
Total deferred tax	<u>91,098</u>	<u>35,859</u>
Tax on profit on ordinary activities	<u>504,965</u>	<u>336,082</u>

Notes (continued)

8 Taxation on profit on ordinary activities (continued)

	2007 £	2006 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,556,173	1,153,671
	<hr/>	<hr/>
Current tax at 30 % (2006 30%)	466,852	346,101
<i>Effects of</i>		
Expenses not deductible for tax purposes	1,230	1,111
Fixed asset timing differences	50,084	(38,559)
Non taxable income	-	(10,237)
Short term timing differences	6,289	10,800
Other timing differences	(117,323)	(8,100)
Industrial buildings allowance	(3,503)	-
Adjustments to tax charge in respect of previous periods	10,238	(893)
	<hr/>	<hr/>
Total current tax charge (see above)	413,867	300,223
	<hr/>	<hr/>

9 Dividends

	2007 £	2006 £
Equity shares		
Interim dividend paid on 3 November 2006	-	1,500,000
	<hr/>	<hr/>

Notes (continued)

10 Tangible fixed assets

	Long leasehold property £	Short leasehold improvements £	Plant, equipment and vehicles £	Total £
Cost				
At beginning of year	198,568	60,798	3,745,653	4,005,019
Additions	42,723	-	106,753	149,476
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	241,291	60,798	3,852,406	4,154,495
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of year	69,912	56,645	2,714,396	2,840,953
Charge for year	4,694	1,216	164,012	169,922
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	74,606	57,861	2,878,408	3,010,875
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2007	166,685	2,937	973,998	1,143,620
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	128,656	4,153	1,031,257	1,164,066
	<hr/>	<hr/>	<hr/>	<hr/>

Included in the net book value of plant, equipment and vehicles is £69,600 (2006: £82,650) in respect of assets held under finance leases. Depreciation for the year on these assets was £13,050 (2006: £13,050).

11 Stocks

	2007 £	2006 £
Raw materials and consumables	387,379	373,184
Work in progress	55,305	64,043
Finished goods and goods for resale	26,496	30,689
	<hr/>	<hr/>
	469,180	467,916
	<hr/>	<hr/>

Notes (continued)

12 Debtors

	2007 £	2006 £
Trade debtors	1,298,297	1,027,929
Amounts owed by group undertakings	89,972	60,498
Other debtors	-	105
Prepayments and accrued income	93,673	66,965
Deferred tax assets (note 15)	44,228	-
	<u>1,526,170</u>	<u>1,155,497</u>

13 Creditors: amounts falling due within one year

	2007 £	2006 £
Trade creditors	290,286	418,580
Amounts owed to group undertakings	460,183	53,009
<i>Other creditors including taxation and social security</i>		
Corporation tax	403,629	301,116
Other taxes and social security	167,973	116,458
Other creditors	27,700	27,700
Obligations under hire purchase contracts	11,745	23,490
Accruals and deferred income	86,183	98,443
	<u>1,447,699</u>	<u>1,038,796</u>

14 Creditors: amounts falling due after more than one year

	2007 £	2006 £
Obligations under hire purchase contracts	-	11,745
	<u>-</u>	<u>11,745</u>
<i>Amounts due after one year</i>		
Between one and two years	-	11,745
	<u>-</u>	<u>11,745</u>

Notes (continued)

15 Provisions for liabilities and charges

	Deferred Tax on pension liability £	Pensions provision £	Total £
At beginning of year	(580,500)	1,935,000	1,354,500
Charge for the year in the profit and loss account	219,457	103,921	323,378
Pension contributions paid	-	(745,482)	(745,482)
Charge / (credit) to the statement of total recognised gains and losses	199,024	(714,799)	(515,775)
Transferred to Gardner Denver Group Services Limited	162,019	(578,640)	(416,621)
	<u>-</u>	<u>-</u>	<u>-</u>
At end of year	-	-	-

The deferred tax liability calculated at 28% (2006 30%) represents the full potential liability, analysed as follows

	2007 £	2006 £
Deferred tax asset on net pension fund deficit	-	(580,500)
Deferred tax on pension contributions	(70,135)	-
Other short-term timing differences	(15,950)	-
	<u>(86,085)</u>	<u>(580,500)</u>
Deferred tax assets	(86,085)	(580,500)
	<u>41,857</u>	<u>84,131</u>
Accelerated capital allowances – deferred tax liabilities	41,857	84,131
	<u>(44,228)</u>	<u>-</u>
Net deferred tax assets excluding pension fund deficit (note 12)	(44,228)	-

16 Called up share capital

	2007 £	2006 £
Authorised		
Equity 17,400 ordinary shares of 50p each	8,700	8,700
Non-equity 11,300 deferred shares of £1 each	11,300	11,300
	<u>20,000</u>	<u>20,000</u>
Allotted, called up and fully paid		
Equity 11,300 ordinary shares of 50p each	5,650	5,650
Non-equity 11,300 deferred shares of £1 each	11,300	11,300
	<u>16,950</u>	<u>16,950</u>

The deferred shares have no rights to a dividend and have restricted rights in the return of capital. In the event of a poll, each ordinary share represents 5,000 votes to a deferred share's one vote.

Notes (continued)

17 Profit and loss account

	2007 £
At beginning of year	671,687
Pension scheme actuarial gains	714,799
Deferred tax on actuarial gains	(199,024)
Profit for the financial year	1,051,208
	<hr/>
At end of year	2,238,670
	<hr/>

18 Pensions

The company sponsors the Gardner Denver British Pension Scheme (the Scheme), a defined benefit pension scheme

On 31 July 2007, the Scheme was frozen in respect of future service accrual. The assets and liabilities of the Scheme were subsequently transferred to the Gardner Denver Pension Scheme on 1 August 2007. The Scheme is now in the process of being wound up.

An actuarial valuation of the Scheme was carried out for accounting purposes by a qualified independent actuary for the period ended 31 July 2007.

Total normal employer contributions in the period were £136,887, equivalent to 14.9% of pensionable salary for monthly paid members and 12.3% of pensionable salary for weekly paid members. In addition, a special contribution of £608,595 was paid in advance of the transfer of the Scheme assets and liabilities into the Gardner Denver Pension Scheme.

The assets of the Scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	2007	2006	2005
Rate of increase in salaries	4.25%	4.0%	3.75%
Rate of increase in pensions in payment (inflation with a 5% cap)	3.1%	3.0%	2.75%
Discount rate	5.8%	5.1%	4.75%
Revaluation rate for deferred pensioners	3.25%	3.0%	2.75%
Inflation assumption	3.25%	3.0%	2.75%
Allowance for commutation of pension for cash at retirement	Included	Included	Included

The mortality assumptions adopted at 31 July 2007 imply the following life expectancies:

Male currently age 40	45 years
Female currently age 40	48 years
Male currently age 65	20 years
Female currently age 65	23 years

Notes (continued)

18 Pensions (continued)

Scheme assets

The fair value of the total scheme's assets and liabilities on the date of transfer into the Gardner Denver Pension Scheme were

	Expected long term rate of return	Market value	Expected long term rate of return	Market value	Expected long term rate of return	Market value
	31 July 2007	31 July 2007	31 December 2006	31 December 2006	31 December 2005	31 December 2005
	%	£	%	£	%	£
Equities	7.50%	28,161,000	7.50%	26,344,000	7.10%	23,027,000
Bonds	7.50%	12,479,000	4.70%	12,464,000	4.30%	13,094,000
Property	5.40%	1,237,000	7.50%	1,082,000	7.10%	1,079,000
Cash	5.50%	5,146,000	-	-	-	-
Market value of scheme assets	7.23%	47,023,000	6.63%	39,890,000	6.11%	37,200,000
Present value of scheme liabilities		(51,200,000)		(53,965,000)		(51,882,000)
Deficit in the scheme – Pension liability		(4,177,000)		(14,075,000)		(14,682,000)
Related deferred tax asset		1,170,000		4,223,000		4,405,000
Net pension liability		(3,007,000)		(9,852,000)		(10,277,000)

Movement in the company's proportion of deficit during the year

	2007 £	2006 £
Deficit in scheme at beginning of year	(1,935,000)	(2,018,000)
Current service cost	(96,498)	(170,000)
Contributions paid	745,482	222,000
Other finance expenditure	(7,423)	(25,000)
Actuarial gain	714,799	56,000
Transferred to Gardner Denver Group Services Ltd	578,640	-
Deficit in the scheme at end of year	-	(1,935,000)

Notes (continued)

18 Pension Scheme (continued)

Analysis of amounts included in interest payable

	2007 £	2006 £
Expected return on pension scheme assets	212,930	316,389
Interest on pension scheme liabilities	(220,353)	(341,389)
	<u>(7,423)</u>	<u>(25,000)</u>

Analysis of amount recognised in statement of total recognised gains and losses

	2007 £	2006 £
Actual return less expected return on assets	116,430	42,449
Changes in assumptions	738,442	(355,220)
Experience gains and losses arising on liabilities	(140,073)	368,771
	<u>714,799</u>	<u>56,000</u>

History of experience gains and losses

	2007	2006	2005
Difference between the expected and actual return on scheme assets			
Amount (£)	933,000	308,000	3,078,000
Percentage of scheme assets	2.0%	0.8%	8.2%
Experience gains and losses on scheme liabilities			
Amount (£)	(1,019,000)	2,667,000	(1,291,000)
Percentage of present value of scheme liabilities	(2.0%)	4.9%	(2.5%)
Total amount recognised in statement of total recognised gains and losses			
Amount (£)	5,286,000	406,000	(3,456,000)
Percentage of present value of scheme liabilities	10.3%	0.8%	(6.7%)

Notes (continued)

19 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2007 £	2006 £
Property rentals on leases which expire In more than five years	47,500	47,500
Equipment rentals on leases which terminate		
Within one year	-	17,467
In two to five years	10,563	10,563
	<u>58,063</u>	<u>75,530</u>

20 Contingent liabilities

The company has guaranteed the bank borrowings of certain group undertakings which at 31 December 2007 amounted to £2,030,708 (2006 £853,668). The company has guaranteed the VAT liability of certain group undertakings which at 31 December 2007 amounted to £nil (2006 £40,582).

21 Ultimate parent company

The company is a 100% owned subsidiary undertaking of Powered Access Platforms Limited, registered in England and Wales.

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.