

Druck Limited

Directors' report and financial statements

For the year ended 31 December 2003

Registered number: 01590333



Druck Limited

Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1-2
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes	7-18

Druck Limited

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The principal activity of the company is design and manufacture of pressure testing equipment.

Business review

The company made a profit before tax during the year ended 31 December 2003 of £1,821,000 (*period 1 April 2002 to 31 December 2002: £1,263,000*).

Dividends

The directors recommend the payment of £1,800,000 as a dividend during the year ended 31 December 2003 (*period 1 April 2002 to 31 December 2002: nil*).

Directors and directors' interests

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

J S Chaffe	(resigned 18 June 2004)
R S Etherington	(resigned 6 August 2004)
D M Godfrey	(resigned 15 November 2004)
M W Beasley	
R J Davies	(resigned 31 January 2004)
M G Bryant	(resigned 19 August 2004)
T Amram	(appointed 18 June 2004)
G P Boisseau	(appointed 18 June 2004)
D N Jones	(appointed 18 June 2004)
C W Green	(appointed 18 June 2004)

Since the company meets the definition of S736(2)(3) of the Companies Act 1985 of a wholly owned subsidiary of a body corporate incorporated outside Great Britain, the company has taken advantage of regulation 3 (1)(a) of Statutory Instrument 1985/802 exempting the company from the requirement to disclose directors' share interests and options in group companies.

Employees

The company pays close attention to the health and safety of employees, having particular regard to the provisions of the Health and Safety at Work Act 1974.

The company gives sympathetic consideration to applications for employment vacancies from disabled persons. Successful applicants are given appropriate assistance and training and have the same career prospects as other employees. Should employees become disabled during their employment, every assistance will be given to enable them to continue their career.

The company recognises the benefits of keeping employees informed as to the current business performance. Whilst methods of passing information vary from business to business, examples of communication with employees are staff newspapers and review meetings.

Druck Limited

Directors' report *(continued)*

Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

On behalf of the board



D N Jones
Director

13th May 2005

Druck Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They also have a 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.

Report of the independent auditors, KPMG Audit Plc, to the members of Druck Limited

We have audited the financial statements on pages 5 to 18.

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 are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by 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 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 transactions with the company is not disclosed.

Basis of audit 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 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 of the state of the company's affairs at 31 December 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

13th May,

2005

1 Waterloo Way
Leicester
LE1 6LP

Druck Limited

Profit and loss account

for the year ended 31 December 2003

	Note	Year ended 31 December 2003 £000	9 months ended 31 December 2002 £000
Turnover	1 (b), 2	44,465	30,712
Cost of sales		(22,480)	(20,187)
Gross profit		21,985	10,525
Selling and distribution expenses		(818)	(3,293)
Administrative expense		(18,770)	(5,995)
Other operating (charges) / income		(500)	2
Operating profit	3	1,897	1,239
Interest receivable and similar income	6	214	363
Interest payable and similar charges	7	(290)	(339)
Profit on ordinary activities before taxation		1,821	1,263
Tax on profit on ordinary activities	8	(322)	(43)
Profit on ordinary activities after taxation		1,499	1,220
Dividend payable		(1,800)	-
Retained (loss)/profit for the period	18	(301)	1,220

The notes on pages 7 to 18 form part of the financial statements.

The movement in reserves is shown in note 18 to these financial statements.

The company has no other recognised gains or losses and therefore no separate statement of total recognised gains and losses has been presented.

The profit for the current year and preceding financial period is calculated on a historical cost basis and is not materially different to the profit disclosed above. Accordingly a note of historical cost profits and losses as required by paragraph 26 of FRS 3 has not been presented.

Druck Limited

Balance sheet

at 31 December 2003

	Note	2003 £000	2002 £000
Fixed Assets			
Intangible assets	10	1,459	-
Tangible assets	11	8,700	8,730
		<u>10,159</u>	<u>8,730</u>
Current assets			
Stocks	12	7,974	7,584
Debtors	13	11,259	16,412
Cash at bank and in hand		7,734	137
		<u>26,967</u>	<u>24,133</u>
Creditors: amounts falling due within one year	14	<u>(14,026)</u>	<u>(8,739)</u>
Net current assets		<u>12,941</u>	<u>15,394</u>
Net total assets less current liabilities		<u>23,100</u>	<u>24,124</u>
Creditors: amounts falling due after more than one year	15	-	(936)
Provision for liabilities and charges	16	<u>(1,314)</u>	<u>(1,101)</u>
		<u>21,786</u>	<u>22,087</u>
Capital and reserves			
Called up share capital	17	50	50
Profit and loss account	18	21,736	22,037
		<u>21,786</u>	<u>22,087</u>
Equity shareholders' funds	18	<u>21,786</u>	<u>22,087</u>

The notes on pages 7 to 18 form part of these financial statements.

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

13th May

2005



D N Jones
Director

Druck Limited

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.

(a) Basis of preparation

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

(b) Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

(c) Tangible assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on a systematic basis so as to write-off the relevant assets over their remaining useful economic lives.

Plant and machinery	10% to 25% Straight line
Fittings and equipment	10% to 25% Straight line
Motor vehicles	25% Straight line

Assets in the course of construction are not depreciated until they are brought into use.

The carrying values of tangible fixed assets are reviewed for impairment in the period if events or changes in circumstances indicate that the carrying value may not be recoverable.

(d) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using 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.

(e) Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown within creditors.

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

(f) Taxation

The charge for taxation is based on the profit for the year. 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.

(g) Pensions and other post-retirement benefits

The company participates in two group funded retirement pension schemes; defined contribution and defined benefit schemes. The defined benefit pension scheme is operated by GE Druck Holdings Limited. The scheme requires contributions to be made to separately administered funds, based on triennial actuarial valuations. Contributions to defined benefit schemes are charged to the profit and loss account on the basis of the substantially level percentage of the current and expected future pensionable payroll, on a systematic and rational basis over the period during which the company expects to derive benefits from its employees' service plus adjustments for variations to expected cost from surpluses or deficiencies. Contributions to other schemes are charged to the profit and loss account as they fall due.

Druck Limited

Notes

(continued)

1. Accounting policies (continued)

(h) Transactions with related parties

The company, as a wholly owned subsidiary undertaking of General Electric Company, has taken advantage of an exemption contained in FRS 8, "Related Party Disclosures", in preparing its financial statements. This exemption allows the company not to disclose details of transactions with other group companies or investees of the group qualifying as related parties, as the consolidated financial statements of General Electric Company in which the company is included are available to the public and can be obtained from the address given in note 22.

(i) Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value.

(j) Intangible assets

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the net assets acquired) is amortised by equal annual instalments over a period of 20 years.

(k) Cash flow statement

Under FRS 1 (Revised 1996) the company is exempt from the requirement to prepare a cash flow statement. Exemption is on the grounds that it is a wholly owned subsidiary undertaking and its cash flows appear in a consolidated cash flow statement in the financial statements of the ultimate parent company which are available to the public and can be obtained from the address mentioned in note 22.

(l) Research and Development

Research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

2. Analysis of turnover

	Year ended 31 December 2003 £000	9 months ended 31 December 2002 £000
By geographical market:		
United Kingdom	10,372	7,445
Rest of Europe	15,903	9,846
USA	11,553	7,967
Others	6,637	5,454
	<hr/>	<hr/>
	44,465	30,712
	<hr/>	<hr/>

Druck Limited

Notes

(continued)

3. Operating profit

Operating profit is stated after charging/(crediting) the following:

	Year ended 31 December 2003 £000	9 months ended 31 December 2002 £000
Depreciation on tangible assets	1,234	1,112
Operating lease rentals	179	50
Research and development costs	3,659	3,621
Auditors remuneration – audit fees	59	44
– other	-	6
Cost of fundamental re-organisation	700	-
Loss/(profit) on disposal of tangible fixed assets	590	(43)

4. Staff numbers and costs

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

	Year ended 31 December 2003	9 months ended 31 December 2002
Production	408	418
Sales and distribution	78	85
Administration	136	105
	<u>622</u>	<u>608</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2003 £000	9 months ended 31 December 2002 £000
Wages and salaries	13,553	9,555
Social security costs	1,004	815
Other pension costs	1,027	469
	<u>15,584</u>	<u>10,839</u>

Druck Limited

Notes

(continued)

5. Directors' emoluments

	Year ended 31 December 2003 £000	9 months ended 31 December 2002 £000
Remuneration	231	286
Money purchase scheme	28	27
	<hr/>	<hr/>
Total emoluments	259	313
	<hr/>	<hr/>
Remuneration of highest paid director	84	135
Company's contribution to money purchase scheme of highest paid director	10	10
	<hr/>	<hr/>
Number of directors covered under:		
Defined benefit scheme	3	3
	<hr/>	<hr/>

6. Interest receivable and similar income

	Year ended 31 December 2003 £000	9 months ended 31 December 2002 £000
On amounts owed by group undertakings	214	235
Bank interest	-	126
Other interest	-	2
	<hr/>	<hr/>
	214	363
	<hr/>	<hr/>

7. Interest payable and similar charges

	Year ended 31 December 2003 £000	9 months ended 31 December 2002 £000
On amounts owed to group undertakings	241	94
On bank loans and overdrafts	49	245
	<hr/>	<hr/>
	290	339
	<hr/>	<hr/>

Druck Limited

Notes

(continued)

8. Tax on profit on ordinary activities

a) Analysis of charge in the period

	Year ended 31 December 2003 £000	9 months ended 31 December 2002 £000
UK corporation tax at 30% (2002: 30%)	390	79
Adjustment in respect of prior years	-	(115)
	<hr/>	<hr/>
Total current tax	390	(36)
	<hr/>	<hr/>
Deferred tax (see note 16)		
Origination and reversal of timing differences	(68)	118
Adjustment in respect of prior years	-	(39)
	<hr/>	<hr/>
Total deferred tax	(68)	79
	<hr/>	<hr/>
Tax on profit on ordinary activities	322	43
	<hr/>	<hr/>

b) Factors affecting current tax charge in year

	Year ended 31 December 2003 £000	9 months ended 31 December 2002 £000
Profit on ordinary activities before tax	1,821	1,263
	<hr/>	<hr/>
Tax on profit on ordinary activities at UK standard rate of 30% (2002: 30%)	546	379
Effects of:		
Depreciation in excess of capital allowances	29	(69)
Short term timing differences	40	(49)
Expenses not deductible for tax purposes	50	(182)
Research and development tax credit relief	(275)	-
Adjustment to tax charge in respect of previous periods	-	(115)
	<hr/>	<hr/>
Total current tax charge for the year	390	(36)
	<hr/>	<hr/>

Druck Limited

Notes

(continued)

9. Purchase of trade and assets

On 31 December 2003, the company purchased the trade, assets and liabilities of Pressurements Limited for a consideration of £1,561,000.

	2003 £000
Tangible fixed assets	37
Stocks	65
	<hr/>
Net assets	102
Goodwill (note 10)	1,459
	<hr/>
Purchase consideration	1,561
	<hr/> <hr/>

10. Intangible fixed assets

	Purchased Goodwill £000
Cost and net book value	
At beginning of year	-
Additions (note 9)	1,459
	<hr/>
At end of year	1,459
	<hr/>

Goodwill is amortised over 20 years. The directors consider this to be appropriate in view of their assessment of the durability of the acquired businesses and their long term plans to maintain and develop their respective ranges of services and products.

Druck Limited

Notes

(continued)

11. Tangible fixed assets

	Plant and machinery	Assets in course of construction	Total
	£000	£000	£000
<i>Cost</i>			
At 31 December 2002	15,977	1,324	17,301
Additions	1,813	-	1,813
Reclassifications	1,324	(1,324)	-
Disposals	(1,544)	-	(1,544)
	<hr/>	<hr/>	<hr/>
At 31 December 2003	17,570	-	17,570
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 31 December 2002	8,571	-	8,571
Charge for the period	1,234	-	1,234
Disposals	(935)	-	(935)
	<hr/>	<hr/>	<hr/>
At 31 December 2003	8,870	-	8,870
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2003	8,700	-	8,700
	<hr/>	<hr/>	<hr/>
At 31 December 2002	7,406	1,324	8,730
	<hr/>	<hr/>	<hr/>

12. Stocks

	2003 £000	2002 £000
Raw materials and consumables	2,212	2,253
Work in progress	4,124	4,328
Finished goods and goods for resale	1,638	1,003
	<hr/>	<hr/>
	7,974	7,584
	<hr/>	<hr/>

13. Debtors

	2003 £000	2002 £000
Trade debtors	390	-
Amounts owed by group undertakings	8,771	15,909
Corporation tax	1,479	365
Other debtors	587	44
Prepayments and accrued income	32	94
	<hr/>	<hr/>
	11,259	16,412
	<hr/>	<hr/>

Druck Limited

Notes

(continued)

14. Creditors: amounts falling due within one year

	2003 £000	2002 £000
Bank loans and overdraft	-	3,907
Trade creditors	5,098	2,943
Amounts owed to group undertakings	7,805	638
Accruals and deferred income	671	800
Other taxes and social security	435	310
Other creditors	17	-
Dividend proposed	-	141
	<hr/>	<hr/>
	14,026	8,739
	<hr/>	<hr/>

15. Creditors: amounts falling due after one year

	2003 £000	2002 £000
Bank loans	-	936
	<hr/>	<hr/>
	-	936
	<hr/>	<hr/>
Analysis of total borrowings and repayments:		
Within one year or less or on demand	-	3,907
More than one year but not more than two years	-	936
More than two years but not more than five years	-	-
	<hr/>	<hr/>
	-	4,843
	<hr/>	<hr/>

Druck Limited

Notes

(continued)

16. Provision for liabilities and charges

	Balance as of 31 December 2002 £000	Charge/(credit) to the profit and loss for the year £000	Balance as of 31 December 2003 £000
Warranty Charges	315	281	596
Deferred Tax	786	(68)	718
	<hr/>	<hr/>	<hr/>
As at 31 December 2003	1,101	213	1,314
	<hr/>	<hr/>	<hr/>

Warranty provision

A provision of £596,000 (year ended 31 December 2002: £315,000) has been recognised for expected claims against warranties on products sold. It is expected that most of this expenditure will be incurred in the next financial year. The provision has not been discounted since the effect of discounting is not material.

The amounts provided and unprovided for deferred taxation are set out below:

Deferred taxation	2003 £000	2002 £000
At beginning of year	786	707
Charge for the year	(68)	79
	<hr/>	<hr/>
At end of year	718	786
	<hr/>	<hr/>

	2003		2002	
	Provided £000	Potential liability £000	Provided £000	Potential liability £000
Difference between accumulated depreciation and amortisation and capital allowances	(803)	(803)	831	831
Short term timing differences	85	85	(45)	(45)
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred tax liability	718	718	786	786
	<hr/>	<hr/>	<hr/>	<hr/>

Druck Limited

Notes

(continued)

17. Called up share capital

	2003 £000	2002 £000
<i>Authorised:</i>		
50,000 ordinary shares of £1 each	50	50
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
50,000 ordinary shares of £1 each	50	50
	<hr/>	<hr/>

18. Reconciliation of movements in equity shareholders' funds

	Called up share capital £000	Profit and loss account £000	Shareholders' funds 2003 £000	Shareholders' funds 2002 £000
At beginning of the year	50	22,037	22,087	20,867
Profit for the year	-	1,499	1,499	1,220
Dividend paid	-	(1,800)	(1,800)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At the end of the year	50	21,736	21,786	22,087
	<hr/>	<hr/>	<hr/>	<hr/>

Druck Limited

Notes

(continued)

19. Pension scheme

During the year the company had two types of retirement pension schemes for eligible employees; a defined contribution scheme, the Druck Group Personal Pension Plan, and a defined benefit scheme, the Druck Retirement Fund.

The defined contribution scheme, Druck Group Personal Pension Plan, is funded by contributions from the employer and the employees and the employer's cost is charged in the profit and loss account in the year it is incurred. The pension charge on the defined contribution scheme was £11,000, (year ended 31 December 2002: £162,000). The accrual at the end of the year was £7,000 (year ended 31 March 2002: £43,000).

The funded defined benefit pension scheme is operated providing benefits based on final pensionable pay. The scheme is part of a group scheme, the Druck Retirement Fund. The defined benefit scheme is funded by contributions from the employer and the employees, and the employer's cost is charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives. The contributions, which are based on pension costs across the group, are determined by a qualified actuary, on the basis of triennial valuations using the projected unit method. Accordingly the company is unable to identify its share of the assets and liabilities of this scheme. The funding surplus/deficit in respect of this scheme is disclosed in the financial statements of GE Druck Holdings Limited. The last full actuarial valuation was carried out at 31 December 2003 by a qualified independent actuary. At this date there was a deficit of £3,190,000 and a funding level of 70%. Employer contributions are paid at the rates of 14.0% and 10.5% in respect of 'senior' and 'junior' members of the fund, respectively in accordance with the fund's schedule of contributions. These rates may be subject to review at the next actuarial valuation of the fund or if a new schedule of contributions, subject to certification by the Scheme Actuary, as agreed between Trustees and Employer.

The pension charge on the defined benefit pension scheme for the year ended 31 December 2003 was £1,016,000 (period 1 April 2002 to 31 December 2002: £307,000), and the agreed contribution rate for the next 12 months is 15.5% or 19% depending on the employment contract. The accrual at the end of the year was £44,000 (year ended 31 December 2002: nil).

20. Capital commitments

	2003 £000	2002 £000
Contracted for but not provided in the financial statements	153	223

21. Operating leases

Annual commitments for land and building under non-cancellable operating leases are as follows:

	2003 £000	2002 £000
<i>Expiring within:</i>		
Within one year	18	1
2 to 5 years	116	19
More than 5 years	48	-
	182	20

Druck Limited

Notes

(continued)

22. Parent undertakings

The company's immediate parent undertaking and immediate controlling entity is GE Druck Holdings Ltd, a company registered in England and Wales.

The smallest group in which the results of the company are consolidated is that headed by IGE USA Investments, a company registered in England and Wales. The consolidated financial statements for this company are available to the public and may be obtained from 3rd Floor, Trevelyan Square, Leeds LS1 6HP.

The largest group in which the results of the company are consolidated is that headed by the company's ultimate parent undertaking and ultimate controlling entity, General Electric Company, a company incorporated in the United States of America. The consolidated financial statements for this company are available to the public and may be obtained from 3135 Easton Turnpike, Fairfield, Connecticut 06431, USA or at www.ge.com