

**ANDRITZ SPROUT LIMITED**

**Report and Financial Statements**

**31 December 2007**

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**ANDRITZ SPROUT LIMITED**

**REPORT AND FINANCIAL STATEMENTS 2007**

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**ANDRITZ SPROUT LIMITED**

**REPORT AND FINANCIAL STATEMENTS 2007**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

D Tattersfield  
P Fuchs

**SECRETARY**

P Kiel

**REGISTERED OFFICE**

Stockholm Road  
Sutton Fields  
Hull  
East Yorkshire  
HU7 0XL

**BANKERS**

Lloyds TSB Bank Plc

**AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Leeds

# ANDRITZ SPROUT LIMITED

## DIRECTORS' REPORT

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

### PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The company is a wholly owned subsidiary of Andritz AG and operates as part of the group's European division. The principal activity of the company comprises the manufacture, sale and service of pelleting presses and feed milling machinery.

There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year. The directors expect the company to continue to trade at its current scale for the foreseeable future.

As shown in the company's profit and loss account on page 5, the company's sales have decreased by approximately 9% over the prior year and profit before tax has similarly decreased from £682,883 to £395,942.

The balance sheet on page 6 of the financial statement shows that the company's financial position at the year end is, in both net assets and cash terms, has improved significantly on the prior year. Details of amounts owed to the parent company are shown in note 13.

The directors do not recommend payment of a final dividend (2006: £nil).

### DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

H Heber	(resigned 1 October 2007)
P Fuchs	(appointed 1 October 2007)
D Tattersfield	(appointed 1 February 2007)

None of the directors, who held office at 31 December 2007, had any interests in the share capital of the company at that date. There are no other interests that require disclosure under Section 234 of the Companies Act 1985.

### DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

1. so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
2. the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of section s234ZA of the Companies Act 1985.

### AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

D Tattersfield  
Director



5 SEPTEMBER 2008

# **ANDRITZ SPROUT LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and of the profit or loss of the group for that period. In preparing these 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 UK 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANDRITZ SPROUT LIMITED**

We have audited the financial statements of Andritz Sprout Limited for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 21. 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 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 the director and auditors**

The director's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Director's Responsibilities.

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 Director's 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 or other transactions is not disclosed.

We read the Director's 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom 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 Director's Report is consistent with the financial statements.

*Deloitte + Touche LLP*

**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
Leeds

18 September 2008

# ANDRITZ SPROUT LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 December 2007

	Note	2007 £	2006 £
<b>TURNOVER</b>	2	4,103,038	4,512,206
Cost of sales		(2,657,710)	(2,899,033)
Gross profit		1,445,328	1,613,173
Other operating expenses (net)	4	(1,061,417)	(920,344)
Operating profit		383,911	692,829
Interest receivable	6	29,774	18,651
Interest payable	7	(17,743)	(28,597)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	5	395,942	682,883
Tax on profit on ordinary activities	8	132,860	2,516
<b>RETAINED PROFIT FOR THE YEAR TRANSFERRED TO RESERVES</b>	16	528,802	685,399

All of the above results relate to continuing operations

There are no recognised gains and losses in either year other than the profit for the year. Accordingly no statement of total recognised gains and losses has been presented.

The accompanying notes are an integral part of this profit and loss account.

# ANDRITZ SPROUT LIMITED

## BALANCE SHEET At 31 December 2007

	Note	2007 £	2006 £
<b>FIXED ASSETS</b>			
Intangible assets - negative goodwill	9	-	-
Tangible assets	10	330,961	342,116
		<u>330,961</u>	<u>342,116</u>
<b>CURRENT ASSETS</b>			
Stocks	11	683,210	714,884
Debtors	12	818,881	647,478
Cash at bank and in hand		1,025,016	925,509
		<u>2,527,107</u>	<u>2,287,871</u>
<b>CREDITORS amounts falling due within one year</b>	13	<u>(1,134,987)</u>	<u>(1,413,952)</u>
<b>NET CURRENT ASSETS</b>		<u>1,392,120</u>	<u>873,919</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,723,081</u>	<u>1,216,035</u>
<b>PROVISIONS FOR LIABILITIES</b>	14	<u>(111,089)</u>	<u>(132,845)</u>
<b>NET ASSETS</b>		<u>1,611,992</u>	<u>1,083,190</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	1,000,000	1,000,000
Profit and loss account	16	611,992	83,190
<b>EQUITY SHAREHOLDERS' FUNDS</b>	17	<u>1,611,992</u>	<u>1,083,190</u>

These financial statements were approved by the Board of Directors on ~~SEPTEMBER~~ 2008

Signed on behalf of the Board of Directors

D Tattersfield  
Director



The accompanying notes are an integral part of this balance sheet



**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2007**

**1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

**Basis of accounting**

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

The company is exempt from the requirement of FRS 1 "Cash Flow Statements (Revised 1996)" to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of Andritz AG, which produces publicly available consolidated financial statements incorporating the results of the company.

**Intangible assets - negative goodwill**

Negative goodwill is included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

**Tangible fixed assets**

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	2% per annum
Plant and machinery	10% per annum
Computer equipment	33% per annum

**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.

**Long-term contracts**

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock.

**Taxation**

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.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

# ANDRITZ SPROUT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

### 1 ACCOUNTING POLICIES (continued)

#### Turnover

Turnover represents amounts receivable for goods and services delivered/provided to customers in the normal course of business, net of trade discounts, VAT and other sales related taxes

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as proportion of total contract value in line with costs incurred to date bear to total expected costs for that contract

#### Pension costs and other post retirement benefits

The company operates a defined contribution pension scheme. 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

#### Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All exchange differences 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

### 2. TURNOVER

The turnover is attributable to the principal activity and represents monies earned in the normal course of business

Turnover arose on sales to

	2007 £	2006 £
UK	2,835,029	3,362,921
Rest of Europe	915,822	948,372
Asia	211,011	129,246
North America	133,081	60,873
Africa	8,095	10,794
	<u>4,103,038</u>	<u>4,512,206</u>

# ANDRITZ SPROUT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2007 £	2006 £
<b>Directors' remuneration</b>		
Emoluments	42,800	-
Company pension contributions to money purchase schemes	-	-
	<u>42,800</u>	<u>-</u>

No directors had retirement benefits accruing under money purchase pension schemes in either the current or proceeding year

	2007 Number	2006 Number
<b>Average number of persons employed</b>		
Production	12	12
Sales	6	5
Administration	2	2
	<u>20</u>	<u>19</u>

	2007 £	2006 £
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	544,924	489,683
Social security costs	55,741	53,292
Pension costs	30,479	30,705
	<u>631,144</u>	<u>573,680</u>

### 4. OTHER OPERATING EXPENSES (NET)

	2007 £	2006 £
Administrative expenses	954,807	840,354
Selling and distribution costs	141,610	102,990
Other operating income	(35,000)	(23,000)
	<u>1,061,417</u>	<u>920,344</u>

### 5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2007 £	2006 £
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Negative goodwill written back	-	(28,667)
Depreciation and amounts written off tangible fixed assets	11,155	17,558
Operating lease rentals – other	38,565	42,804
Fees payable to the company's auditors for the audit of the company's annual accounts	13,078	17,000
Total audit fees	<u>13,078</u>	<u>17,000</u>
Tax services	<u>3,800</u>	<u>4,233</u>
Total non-audit fees	<u>3,800</u>	<u>4,233</u>

# **ANDRITZ SPROUT LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** **Year ended 31 December 2007**

### **6. INTEREST RECEIVABLE**

	2007 £	2006 £
Interest receivable from fellow group companies	29,774	18,651

### **7. INTEREST PAYABLE**

	2007 £	2006 £
Interest payable to fellow group companies	17,743	28,597

### **8. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2007 £	2006 £
The tax credit comprises		
<b>Current tax</b>		
Adjustments in respect of prior years		
- UK corporation tax	-	(2,516)
	-	(2,516)
Deferred tax	(132,860)	-
<b>Total tax on profit on ordinary activities</b>	(132,860)	(2,516)

The difference between the current tax charge and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	2007 £	2006 £
<b>Profit on ordinary activities before tax</b>	395,942	682,883
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	118,783	204,865
Effects of		
Expenses not deductible	1,517	2,964
Income not taxable/Negative Goodwill amortisation	-	(8,600)
Capital allowances in excess of depreciation – not recognised	(1,857)	(4,612)
Movement in short term timing differences – not recognised	-	(1,306)
Utilisation of tax losses	(118,443)	(193,311)
Adjustments in respect of prior years	-	(2,516)
<b>Current tax (credit) for the period</b>	-	(2,516)

The company has an overall deferred tax asset at 31 December 2006 of £248,183 which was not recognised  
This asset is made up as follows

	2006 £
Excess of tax allowances over depreciation	956
Trading losses	53,624
Other short term timing differences	193,603
	248,183

# ANDRITZ SPROUT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

### 8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

In the prior year the company considered that the utilisation of the components of this asset was not certain as it is dependent on a number of factors which are the subject of great uncertainty. One of the most significant of these factors is likely future profitability of the company. No such uncertainty existed at 31 December 2007 and a deferred tax asset has been recognised (Note 12).

A change in the corporation tax rate for future accounting periods from 30% to 28% was announced prior to the balance sheet date. This change in tax legislation had been enacted and will come into effect from 1 April 2008.

### 9. INTANGIBLE ASSETS - NEGATIVE GOODWILL

	£
<b>Cost</b>	
At 1 January 2007 and 31 December 2007	495,742
<b>Amortisation</b>	
At 1 January 2007 and 31 December 2007	495,742
<b>Net book value</b>	
At 31 December 2007	-
At 31 December 2006	-

### 10. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Computer £	Total £
<b>Cost</b>				
At 1 January 2007 and 31 December 2007	411,724	155,518	104,730	671,972
<b>Depreciation</b>				
At 1 January 2007	71,197	153,929	104,730	329,856
Charge for the year	9,566	1,589	-	11,155
At 31 December 2007	80,763	155,518	104,730	341,011
<b>Net book value</b>				
At 31 December 2007	330,961	-	-	330,961
At 31 December 2006	340,527	1,589	-	342,116

The value of non depreciable land included in freeland land and buildings is £Nil (2006: £Nil)

### 11. STOCKS

	2007 £	2006 £
Work-in-progress	54,981	120,592
Finished goods and goods for resale	628,229	594,292
	683,210	714,884

In the opinion of the directors, there is no material difference between the balance sheet value of stocks and their replacement cost.

# **ANDRITZ SPROUT LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** **Year ended 31 December 2007**

### **12. DEBTORS**

	2007	2006
	£	£
Amounts falling due within one year		
Trade debtors	588,090	558,307
Amounts owed by group undertakings	67,491	70,386
Prepayments and accrued income	30,440	18,785
Deferred taxation	90,000	-
	<u>776,021</u>	<u>647,478</u>
	2007	2006
	£	£
Deferred taxation	<u>42,860</u>	<u>-</u>

Deferred taxation assets relate to prior year taxables losses

### **13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2007	2006
	£	£
Payments received on account	180,882	97,779
Trade creditors	352,496	237,629
Amounts owed to group undertakings	484,864	1,003,737
Other taxes and social security	63,960	45,038
Accruals and deferred income	52,785	29,769
	<u>1,134,987</u>	<u>1,413,952</u>

### **14. PROVISIONS FOR LIABILITIES**

	Product warranties £
At 1 January 2007	132,845
Utilised in the year	(41,756)
Charged to profit and loss account	<u>20,000</u>
At 31 December 2007	<u>111,089</u>

The provision for product warranties relates to expected warranty claims on products sold in the last 12 months and to any specific warranty claims received from customers during the year. It is expected that most of this expenditure will be incurred in the next financial year.

### **15. CALLED UP SHARE CAPITAL**

	2007	2006
	£	£
Authorised, allotted, called up and fully paid		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

# ANDRITZ SPROUT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

### 16 RESERVES

	Profit and loss account £
At 1 January 2007	83,190
Retained profit for the year	528,802
At 31 December 2007	<u>611,992</u>

### 17. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2007 £	2006 £
Profit for the financial year	528,802	685,399
Net addition to equity shareholders' funds	528,802	685,399
Opening equity shareholders' funds	1,083,190	397,791
Closing equity shareholders' funds	<u>1,611,992</u>	<u>1,083,190</u>

### 18 FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows

	2007 £	2006 £
Expiry date		
- within 1 year	36,767	1,334
- between 1 and 5 years	10,289	36,787
- after five years	<u>17,400</u>	<u>17,400</u>

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs

### 19. PENSION ARRANGEMENTS

Since 1 January 2006 the company has operated a defined contribution scheme for which the pension cost charge for the year amounted to £30,479 (2006 £30,705). At the year end the amount due to the scheme was £6,600 (2006 £5,978) which is included in creditors amounts falling due within one year

### 20 RELATED PARTY DISCLOSURES

As a wholly owned subsidiary undertaking of Andritz AG, the company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" not to disclose transactions with other members of the group headed by Andritz AG since that company produces financial statements which are available to the public and which include the results of Andritz Sprout Limited. There are no other related party transactions requiring disclosure

### 21. ULTIMATE CONTROLLING PARTY

The directors regard Andritz AG, a company incorporated in Austria, as the immediate parent, ultimate parent company and the ultimate controlling party

Andritz AG is the parent company of the largest and smallest group of which the company is a member and for which group financial statements are drawn up. Copies of the financial statements are available from Andritz AG, Stattegger Strasse 18, A-8045 Graz, Austria