Krauss Maffei (UK) Limited

Report and Financial Statements

30 September 2011

Directors
D Straub
A Meehan
M Bate

Secretary
A Meehan

Auditors
Ernst & Young LLP
100 Barbirolli Square
Manchester M2 3EY

Registered Office
Krauss-Maffei House
Europa Boulevard
Gemini Business Park
Warrington WA5 5TR

Registered No 992565

Directors' report

The directors present their report and financial statements for the year ended 30 September 2011

Principal activities and review of the business

The company's principal activities during the year continued to be the selling and servicing of injection moulding equipment, extruders and polyurethane plant for the plastics industry

Key financial data -

	2011	2010	Change
	£	£	%
Turnover	4,836,667	4,553,868	+6%
Profit after tax	165,225	8,891	+1758%
Orders received placed directly with KraussMaffei Technologies GMBH	10,631,852	5,542,554	+91%

Results and dividends

The profit for the year after taxation amounted to £165,225 (2010 – profit of £8,891) The directors do not recommend a final dividend (2010 – £nil)

Principal risks

It is essential to identify risks effectively relating to the various business activities in order to measure, aggregate and control these The Group installed a framework of risk principles, organizational structures as well as processes and guidelines for risk measurement and monitoring The risk management system includes risk reporting and a compliance department

Below is a description of select factors that, amongst other, could have a material adverse effect on the future profitability of the company

Capital equipment demand is influenced by changes in macro-economic conditions, consumer spending and industrial production trends The company's broad product line partly mitigate these exposures

Price increases for raw materials, especially steel and crude oil, which is the basis for the main production material used in the groups machines and the material subsequently processed (i e plastic) may have material adverse effects on the company's profitability The group is continuously trying to reduce costs and to develop new supply sources, thus optimising the purchasing processes

Going Concern

The directors have received a commitment from the parent company Krauss Maffei GmbH that they will continue to provide the company with financial support so that the company can meet its liabilities as and when they fall due for a period of at least 12 months from the date of approval of these financial statements Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements, as explained in note 1, Accounting Policies

Directors' report

Directors

The directors who served the company during the year were as follows

D Straub
A Meehan
M Bate

Political and charitable contributions

The company made no political or charitable donations or incurred any political expenditure during the year (2010 – £nil)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

KPMG LLP resigned as auditors on 22nd September 2011 and Ernst & Young LLP was appointed in their place.

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

By order of the Board

A. Meehan
Secretary

15 June 2012

Registered number 992565

Directors' Responsibilities Statement

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) Under company law the directors must not approve the financial statements unless they are satisfied that they 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, and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and 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 2006 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

Independent auditors' report

to the members of Krauss Maffei (UK) Limited

We have audited the financial statements of Krauss Maffei (UK) Limited for the year ended 30 September 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 19 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom 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 Krauss Maffei (UK) Limited

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

Ernst + Young LLP

Andrea Harrison (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Manchester

19 June 2012

Profit and loss account

for the year ended 30 September 2011

	Notes	2011 £	2010 £
Turnover	2	4,836,667	4,553,868
Cost of sales		(3,390,654)	(3,201,314)
Gross profit		1,446,013	1,352,554
Selling expenses			
Normal		(561,805)	(659,999)
Exceptional	3	–	(36,259)
Administrative expenses		(525,583)	(454,146)
Other operating expenses		(7,851)	(18,159)
Operating profit	3	350,774	183,991
Interest payable	6	(166,723)	(172,882)
Profit on ordinary activities before taxation		184,051	11,109
Tax	7	(18,826)	(2,218)
Profit for the financial year		165,225	8,891

Statement of total recognised gains and losses

for the year ended 30 September 2011

	Note	2011 £	2010 £
Profit for the year		165,225	8,891
Actuarial loss on pension scheme	17	(431,000)	(794,000)
Deferred tax on actuarial loss	13	52,810	194,850
Total loss relating to the year		(212,965)	(590,259)

All amounts are from continuing operations

Balance sheet

at 30 September 2011

	Notes	2011 £	2010 £
Fixed assets			
	8	833,432	846,055
Current assets			
Stocks	9	142,244	253,574
Debtors	10	1,026,472	979,923
Cash at bank and in hand		20,855	23,038
		1,189,571	1,256,535
Current liabilities			
Creditors amounts falling due within one year	11	(2,302,457)	(2,540,466)
Provisions	12	(279,214)	(251,517)
		(2,581,671)	(2,791,983)
Net current liabilities		(1,392,100)	(1,535,448)
Total assets less current liabilities		(558,668)	(689,393)
Pension fund liability	17	(2,349,000)	(2,005,310)
Net liability		(2,907,668)	(2,694,703)
Capital and reserves			
Called up share capital	14	100,000	100,000
Profit and loss account	15	(3,007,668)	(2,794,703)
Shareholders' Deficit	15	(2,907,668)	(2,694,703)

These financial statements were approved by the board of directors on 15th June 2012 and were signed on its behalf by

A. Meehan
Director

Registered number 992565

Notes to the financial statements

at 30 September 2011

1. Accounting policies

Basis of preparation

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

The directors have taken advantage of the exemption in FRS8, paragraph 3(c) and have not disclosed any related party transactions with parent and fellow subsidiary undertakings

Statement of cash flows

The company has taken advantage of the exemption available under FRS 1 not to prepare a statement of cash flows

Going concern

The financial statements have been prepared on the going concern basis on the grounds that Krauss Maffei GmbH has confirmed to the directors that its present intention is to provide financial support to enable the company to continue its operations and to meet its financial obligations as they fall due, for at least 12 months following signing of these financial statements

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows

Freehold land and buildings	–	2 ½% on cost
Fixtures and fittings	–	10½%-33% on cost
Computer hardware	–	20-33% on cost
Computer software	–	33% on cost
Plant and machinery	–	15% on cost
Cranes	–	5% on cost

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

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value

Deposits made and received

Deposits made for machines ordered are held within work in progress and deposits received from customers are netted off the work in progress balance, any excess is included within creditors due within one year as payments received on account

Notes to the financial statements

at 30 September 2011

1. Accounting polıcıes (continued)

Deferred taxatıon

Deferred taxatıon ıs recognısed ın respect of all tımıng dıfferences that have orıgınated but not reversed at the balance sheet date where transactıons or events have occurred at that date that wıll result ın an oblıgatıon to pay more, or rıght to pay less or to receıve more, tax, wıth the followıng exceptıons

- Provısıon ıs made for tax on gaıns arısıng from the revaluatıon (and sımılar faır value adjustments) of fixed assets, or gaıns on dısposal of fixed assets that have been rolled over ınto replacement assets, only to the extent that, at the balance sheet date, there ıs a bındıng agreement to dıspose of the assets concerned However, no provısıon ıs made where, on the basıs of all avaılable evıdence at the balance sheet date, ıt ıs more lıkely than not that the taxable gaın wıll be rolled over ınto replacement assets and charged to tax only where the replacement assets are sold

- Deferred tax assets are recognısed only to the extent that the dırectors consıder that ıt ıs more lıkely than not that there wıll be suıtable taxable profits from whıch the future reversal of the underlyıng tımıng dıfferences can be deducted

Foreign currencıes

Transactıons ın foreıgn currencıes are recorded at the rate rulıng at the date of the transactıon

Monetary assets and lıabılıtıes denomınated ın foreıgn currencıes are retranslated at the rate of exchange rulıng at the balance sheet date

All dıfferences are taken to the profit and loss account

Operatıng leases

Operatıng lease rentals are charged to the profit and loss account on a straıght lıne basıs over the perıod of the lease

Pensıons

The company operates a contrıbutory defined pensıon scheme ın the Unıted Kıngdom wıth regular pensıon costs assessed as a substantıally level percentage of pensıonable payroll and charged to the profit and loss account so as to spread the cost of pensıons over the employees, workıng lıves

Turnover

Turnover consısts of sales of equıpment, together wıth spare parts, servıce and hıre charges (excludıng value added tax)

Revenue from the sale of goods ıs recognısed when the sıgnıficant rısks and rewards of ownershıp of the goods have passed to the buyer, usually on dıspatch of the goods

Where machınes are subject to a performance guarantee, the company does not recognıse the sales untıl the guarantee has been satısfied

The dırectors belıeve that ıt would be prejudıcıal to the ınterest of the company to dısclose the turnover and related profit of each of the product groups

Notes to the financial statements

at 30 September 2011

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to one continuing activity, as stated in the directors' report

An analysis of turnover by geographical market is given below

	2011	*2010*
	£	£
UK and Ireland	4,283,096	3,370,300
Rest of Europe	553,571	1,183,586
	4,836,667	4,553,868

3. Operating profit

This is stated after charging/(crediting)

	2011	*2010*
	£	£
Auditors' remuneration	10,000	6,000
Depreciation of owned fixed assets	38,286	36,479
Amounts paid in respect of operating leases	124,081	116,629
Exchange losses	10,599	18,159
Restructuring	–	36,259

4. Directors' remuneration

	2011	*2010*
	£	£
Remuneration	219,850	181,531
Pension contributions	3,533	–
	223,383	181,531

A management charge of £18,000 (2010 £18,000) in respect of administration costs has been made by Krauss Maffei AG, the company's parent company, which includes the directors' remuneration for Mr D Straub which it is not possible to identify separately

Notes to the financial statements

at 30 September 2011

5. Staff costs

	2011	*2010*
	£	*£*
Wages and salaries	1,125,859	1,104,343
Social security costs	126,772	117,605
Other pension costs	19,778	–
	1,272,409	1,221,948

The average monthly number of employees during the year was made up as follows

	No	*No*
Sales and service	15	15
Administrative and management	10	10
	25	25

6. Interest payable and similar charges

	2011	*2010*
	£	*£*
Intercompany interest	65,723	76,882
Interest on pension scheme	101,000	96,000
	166,723	172,882

Notes to the financial statements

at 30 September 2011

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2011 £	*2010* £
Current tax:		
UK corporation tax on the profit for the year	–	–
Under provision in prior years	199	(9,128)
Total current tax (note 7(b))	199	(9,128)
Deferred tax.		
Deferred taxation	7,127	(414)
Deferred taxation pension scheme	11,500	11,760
Total tax on ordinary activities (note 13)	18,826	2,218

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 26% (2010 – 28%) The differences are explained below

	2011 £	*2010* £
Profit on ordinary activities before tax	184,052	11,109
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2010 – 28%)	47,854	3,110
Effects of		
Expenses not deductible for tax purposes	17,388	14,526
Other timing differences	(18,001)	6,341
Depreciation in excess of capital allowances	4,006	3,809
Losses utilised	(51,247)	(27,786)
Other provision in respect of prior year	199	(9,128)
Losses carried forward	–	–
Current tax for the year (note 7(a))	199	(9,128)

Notes to the financial statements

at 30 September 2011

8. Tangible fixed assets

	Freehold land and buildings	*Fixtures and fittings*	*Plant and machinery /equipment*	*Total*
	£	*£*	*£*	*£*
Cost or valuation				
At 1 October 2010	1,155,604	215,860	210,859	1,582,323
Additions	–	9,472	16,191	25,663
At 30 September 2011	1,155,604	225,332	227,050	1, 607,986
Depreciation				
At 1 October 2010	361,915	201,582	172,771	736,268
Provided during the year	22,877	2,674	12,735	38,286
At 30 September 2011	384,792	204,256	185,506	774,554
Net book value				
At 30 September 2011	770,812	21,076	41,544	833,432
At 1 October 2010	793,689	14,278	38,088	846,055

9. Stocks

	2011	*2010*
	£	*£*
Machines for resale	56,084	171,901
Spares stock	71,817	71,790
Work in progress	92,630	36,003
Less deposits received	(78,287)	(26,120)
	142,244	253,574

10. Debtors

	2011	*2010*
	£	*£*
Trade debtors	867,440	861,560
Prepayments and accrued income	24,529	24,068
Amounts owed from group undertakings	92,729	45,394
Deferred taxation (note 13)	41,774	48,901
	1,026,472	979,923

Notes to the financial statements

at 30 September 2011

11. Creditors: amounts falling due within one year

	2011	*2010*
	£	*£*
Trade creditors	83,596	143,718
Other taxes and social security costs	158,674	138,560
Accruals and deferred income	328,384	338,624
Amounts due to group undertakings	1,684,650	1,873,169
Other creditors	47,153	46,395
	2,302,457	2,540,466

12. Warranty

	2011	*2010*
	£	*£*
At 1 October	251,517	203,000
Arising during the year	27,697	48,517
At 30 September	279,214	251,517

A provision is recognised for expected warranty claims on products sold during the last 3 years and it is expected that most of these costs will be incurred in the next financial year

13. Deferred tax asset

The amounts provided for deferred taxation is set out below

	2011	*2010*
	£	*£*
Deferred tax asset	824,774	790,591

	Deferred tax
	£
At 1 October 2010 including deferred tax on defined benefit pension liability	790,591
Credit to the profit and loss for the year (note 7)	(18,627)
Pension Cost	52,810
At 30 September 2011 including deferred tax on defined benefit pension liability	824,774

Notes to the financial statements

at 30 September 2011

13. Deferred tax asset (continued)

The provision for deferred taxation is made up as follows

	2011 £	*2010* £
Accelerated capital allowances	(11,053)	(9,449)
Other timing differences	(30,721)	(39,452)
Included in defined benefit pension liability (note 17)	(783,000)	(741,690)
	(824,774)	(790,591)

The company has trade tax losses of £474,000 (2010 £671,000) available for carry forward and offset against profits of the same trade

14. Issued share capital

Allotted, called up and fully paid	*2011* No	*2011* £	*2010* No	*2010* £
Ordinary shares of £1 each	100,000	100,000	100,000	100,000

15. Reconciliation of shareholders' funds

	2011 £	*2010* £
At 1 October 2010	(2,694,703)	(2,104,444)
Profit for the financial year	165,225	8,891
Actuarial losses net of deferred tax	(378,190)	(599,150)
At 30 September 2011	(2,907,668)	(2,694,703)

16. Commitments

Annual commitments under non-cancellable operating leases are as follows

	2011 £	*2010* £
Amount expiring		
Within one year	27,631	27,207
In the second to fifth years inclusive	220,098	73,865
	247,729	101,072

Notes to the financial statements

at 30 September 2011

17. Pensions

The company operates a defined benefits, flat salary pensıon scheme, the Krauss Maffeı (UK) Lımıted Pensıon Fund

A full actuarıal valuatıon of the scheme was carrıed out as at 1 January 2005, whıch has been updated to 30 September 2010 by a qualıfied ındependent actuary

Overall expected rates of return are establıshed by applyıng publıshed brokers' forecasts to each category of scheme assets

Pensıon contrıbutıons of £226,000 were made ın the year to 30 September 2011 (2010 – £226,000)

Contrıbutıons expected to be paıd to the scheme durıng the annual perıod followıng the 30 September 2011 ıs £219,600 (2010 – £219,600)

The major assumptıons used by the actuary were

	2011	*2010*	*2009*
	%	*%*	*%*
Inflatıon	3 4	3 2	3 1
Rate of ıncrease ın salary growth	–	–	–
Rate of ıncrease for pensıons ın payment and deferred pensıon			
Untıl 01 07 03	3 4	3 2	3 1
From 01 07 03	3 4	3 2	3 1
Dıscount rate	5 2	4 8	5 6

Expected returns on assets

	2011	*2010*
	£	*£*
Equıtıes	8 0	8 0
Bonds	5 0	5 5
Property	6 5	7 0
Cash	3 5	3 5

Demographıc assumptıon

	2011	*2010*
	£	*£*
Assumed lıfe expectancy ın years on retırement at 65		
Retırıng today		
Males	23 50	23 50
Females	25 40	26 50
Retırıng ın 20 years		
Males	25 80	23 50
Females	27 80	26 50

Notes to the financial statements

at 30 September 2011

17. Pensions (continued)

Pre-retirement mortality rates

The following mortality rates represent the probability of a person age 65 exact dying within one year

	Male	*Female*
Age		
30	0 00033	0 00019
40	0 00052	0 00041
50	0 00138	0 00104
60	0 00441	0 00278

The main categories of scheme assets as a percentage of total assets are as follows

	2011	*2010*
	%	*%*
Equities	43 10	45 30
Bonds	26 30	25 40
Property	29 00	27 40
Cash	1 60	1 60
	100 00	100 00

The amounts recognised in the balance sheet are

	2011	*2010*
	£	*£*
Net liability	(3,132,000)	(2,747,000)
Related deferred tax asset	783,000	741,690
Net pension liability	(2,349,000)	(2,005,310)

Notes to the financial statements

at 30 September 2011

17. Pensions (continued)

Changes in the present value of the defined liability are as follows

	2011	*2010*
	£	*£*
At 1 October	4,895	4,430
Current service cost	79	88
Interest cost	223	229
Actuarial losses (gains)	260	920
Benefits paid	(567)	(772)
At 30 September	4,890	4,895

Changes in the fair value of the scheme assets are as follows

	2011	*2010*
	£	*£*
At 1 October	2,148	2,435
Expected return	122	133
Actuarial gain (losses)	(171)	126
Employer contributions	226	226
Benefits paid	(567)	(772)
At 30 September	1,758	2,148

Analysis of amounts charged to operating costs

	2011	*2010*	*2009*
	£	*£*	*£*
Current service costs	79,000	88,000	66,000
Losses on curtailment	–	–	379,000
	79,000	88,000	445,000

Analysis of amounts credited to other finance income

	2011	*2010*
	£	*£*
Expected return on pension scheme assets	122,000	133,000
Interest on pension scheme liabilities	(223,000)	(229,000)
	(101,000)	(96,000)

Notes to the financial statements

at 30 September 2011

17. Pensions (continued)

Analysis of amounts recognised in the statement of recognised gains and losses

The movement in the scheme's net liabilities during the year is as follows

	2011 £	*2010* £	*2009* £	*2008* £	*2007* £
Actual return less estimated return on pension scheme assets	(171,000)	126,000	(225,000)	(259,000)	74,000
Experience gains and losses on scheme liabilities	(260,000)	(920,000)	(179,000)	(34,000)	215,000
Changes in assumption underlying the present value of the scheme liabilities	-	-	-	(231,000)	-
Actuarial loss recognised in the STRGL	(431,000)	(794,000)	(404,000)	(524,000)	289,000

The movement in the scheme's net liabilities during the year is as follows

	2011 £	*2010* £
At 1 October	(2,747)	(1,995)
Movement in year		
Current service cost	(79)	(88)
Contributions paid by the employer	226	226
Actuarial loss	(431)	(794)
Finance charge	(101)	(96)
At 30 September	(3,132)	(2,747)

Cumulative actuarial gains and losses recognised in equity are as follows

	2011 £	*2010* £
At 1 September	(1,249)	(455)
Net actuarial losses recognised in the year	(431)	(794)
At 1 October	(1,680)	(1,249)

18. Related party transactions

The company has taken advantage of the exemption available under FRS 8 not to disclose transactions with other members of the Krauss Maffei AG group

Notes to the financial statements

at 30 September 2011

19. Ultimate parent undertaking and controlling party

The dırectors consıder the ultımate parent undertakıng and controllıng party to be Krauss Maffeı AG

The parent undertakıng of the group of undertakıngs for whıch group financıal statements are drawn up and of whıch the company ıs a member Copıes of the financıal statements can be obtaıned from

KraussMaffeı Fınancıal Servıces GmbH
FC3, Mr Johann Adler
Krauss-Maffeı-Str 2
80997 Munchen
Germany