

LSP Acquisition (UK) Ltd
Annual report and financial statements
for the year ended 31 December 2012

Registered number 07319417



LSP Acquisition (UK) Ltd

Annual report and financial statements for the year ended 31 December 2012

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LSP Acquisition (UK) Ltd

Directors and advisers

Directors

A Hoffman
P Soldatos
A Wilkinson

Secretary and registered office

P J Lawton
Kennicott House
Well Lane
Wolverhampton
WV11 1XR

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Bankers

Lloyds Banking Group Plc
114-116 Colmore Row
Birmingham
B3 3BD

LSP Acquisition (UK) Ltd

Directors' report for the year ended 31 December 2012

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2012

Principal activities

The principal activity of the company during the year was that of an intermediate holding company

Business review and future developments

The company was an intermediate holding company in the year, with inter group dividend income and bank interest costs. The company is forecast to continue in this manner for the foreseeable future. The company received inter group dividend income of £4,000,000 (2011 £4,000,000) in the year.

Results and dividends

The loss for the year after taxation amounted to £1,161,000 (2011 £1,368,000). The directors have not recommended payment of a dividend (2011 £nil). The directors expect the business to receive dividend income from its subsidiaries during 2013.

Key performance indicators

The various businesses within the group operate across a diverse range of geographies and markets supplying a range of gasket and fastener products. Each business has its own key performance indicators (including margin, order intake and productivity statistics) with which to manage its operations. Many of these KPIs are business unit specific and therefore are not measured and reported on a consolidated basis.

Principal risks and uncertainties

The company seeks to mitigate exposure to all forms of risk, both external and internal and, where practical, transfer the risk to insurers where this is cost effective. There are no other additional risks in the company other than those disclosed in its parent, LSP Holding (UK) Ltd.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the parent company LSP Holding (UK) Ltd. The directors have received confirmation that LSP Holding (UK) Ltd intend to support the company for at least one year after these financial statements are signed.

Financial risks

Credit

The group is exposed to credit risk in relation to customers, banks, and insurers. Credit control procedures take into account the identified risks relating to customers, which includes credit checks and limits for customers. Where appropriate, the group insures business risks with insurers of good standing. Credit risk in relation to banks is mitigated by the group's policy to deal only with major financial institutions.

LSP Acquisition (UK) Ltd

Directors' report for the year ended 31 December 2012 (continued)

Financial risks (continued)

Interest rate

The company has interest bearing liabilities, consisting of bank loans. The company's policy is to manage its exposure to short-term interest rate movements through the use of derivative contracts where appropriate. The company has 50% of its outstanding bank loans covered by interest rate swap agreements to fixed interest rates to provide enhanced stability to the company's finance cost.

Directors

The Directors of the company during the year and up to the date of signing the financial statements were

A Hoffman
A Wilkinson
P Soldatos

Director indemnity provision

Pursuant to the company's Articles of Association, the company has executed a deed poll of indemnity for the benefit of the directors of the company and persons who were directors of the company in respect of costs of defending claims against them and third party liabilities. The indemnity is a qualifying third party indemnity provision. This provision was in force throughout the last financial year and is currently in force. The indemnity provision in the company's Articles of Association also extends to provide a limited indemnity in respect of liabilities incurred as a director, secretary or officer of an associated company of the company.

A copy of the deed poll of indemnity and the company's Articles of Association are available for inspection at the company's registered office during normal business hours.

Statement of disclosure of information to auditors

In the case of each director in office at the date of the director's report is approved under section 418 of the Companies Act 2006, the following applies:

- So far as each director is aware, there is no relevant audit evidence of which the company's auditors are unaware, and
- Each director has taken steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

LSP Acquisition (UK) Ltd

Directors' report for the year ended 31 December 2012 (continued)

Statement of directors' responsibilities

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 prepared 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 judgements and accounting 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 adequate 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

By order of the Board



A Hoffman
Director

30 April 2013

Registered number: 7319417

Independent auditors' report to the members of LSP Acquisition (UK) Ltd

We have audited the financial statements of LSP Acquisition (UK) Ltd for the year ended 31 December 2012 which comprises the Profit and loss account, the Balance sheet and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Annual 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 financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss 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

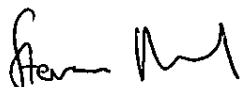
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of LSP Acquisition (UK) Ltd (continued)

Matters on which we are required to report by exception

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

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



Steven Kentish (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

30 April 2013

LSP Acquisition (UK) Ltd

Profit and loss account for the year ended 31 December 2012

	Note	2012	2011
		£'000	£'000
Income from shares in group undertakings	2	4,000	4,000
Interest receivable and similar income	4	443	3
Interest payable and similar charges	5	(5,604)	(5,371)
Loss on ordinary activities before taxation	3	(1,161)	(1,368)
Tax on loss on ordinary activities	6	-	-
Loss for the financial year	12	(1,161)	(1,368)

All activities relate to continuing operations

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

There is no material difference between the historical cost gains and losses and those presented above, and thus no statement of historical cost profits and losses has been presented

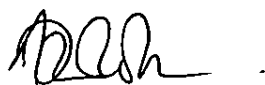
The notes on pages 9 to 18 form part of these financial statements

LSP Acquisition (UK) Ltd

Balance sheet as at 31 December 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Investments	7	50,909	50,909
Current assets			
Debtors	8	4,002	29
Cash at bank and in hand		17	5
		4,019	34
Creditors: amounts falling due within one year	9	(1,886)	(1,131)
Net current liabilities		2,353	(1,097)
Total assets less current liabilities		53,262	49,812
Creditors : amounts falling due after more than one year	10	(55,880)	(51,269)
Net liabilities		(2,618)	(1,457)
Capital and reserves			
Called up share capital	11	14	14
Share premium account	12	1,421	1,421
Profit and loss account	12	(4,053)	(2,892)
Total shareholders' deficit	13	(2,618)	(1,457)

The board of directors approved the financial statements on 30 April 2013 and they were signed on its behalf by



A Hoffman
Director

The accompanying notes on pages 9 to 18 form part of these financial statements

Registered number. 07319417

LSP Acquisition (UK) Ltd

Notes to the financial statements for the year ended 31 December 2012

1 Principal accounting policies

Basis of accounting

The financial statements have been prepared on a going concern basis in accordance with applicable accounting standards in the United Kingdom under the historical cost convention and the Companies Act 2006. A summary of the principal accounting policies that have been consistently applied during the year are set out below.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company LSP Holding (UK) Ltd. The directors have received confirmation that LSP Holding (UK) Ltd intend to support the company for at least one year after these financial statements are signed.

Consolidation

The company was, at the end of the year, a wholly-owned subsidiary (directly or through an immediate parent undertaking) of LSP Holding (UK) Ltd, which is incorporated in the EEC and prepares consolidated financial statements. Therefore, in accordance with Section 400 of the Companies Act 2006, the company is not required to produce, and has not published, consolidated financial statements.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard 1 "Cash Flow Statement" (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent undertaking, LSP Holding (UK) Ltd, publishes a consolidated cash flow statement in its financial statements for the year ended 31 December 2012.

Investments

Investments are shown at cost less any provisions for impairment.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account when arriving at the operating profit.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Current taxation

Current tax is recognised on the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

LSP Acquisition (UK) Ltd

Notes to the financial statements for the year ended 31 December 2012 (continued)

1 Principal accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events 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.

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

Borrowings

All borrowings are initially stated at the cost of the consideration received after the deduction of related finance costs. These costs are charged to the profit and loss account over the estimated life of the relevant borrowings.

Interest rate swaps

Interest rate swap agreements are used to manage the exposure to adverse movements in short-term interest rates. These are recognised at cost and not fair valued.

2 Income from shares in group undertakings

	2012	2011
	£'000	£'000
Dividend received	4,000	4,000

3 Loss on ordinary activities before taxation

Auditor's remuneration

Auditor's remuneration of £2,000 (2011: £2,000) in respect of the company is paid for by LSP Holdings (UK) Ltd and is not recharged to the company.

Employees and Directors

The company had no employees during the year (2011: none) other than directors, none of whom received any emoluments for their services to the company during the year (2011: none).

LSP Acquisition (UK) Ltd

Notes to the financial statements for the year ended 31 December 2012 (continued)

4 Interest receivable and similar income

	2012	2011
	£'000	£'000
Foreign exchange gains on loans	443	3

5 Interest payable and similar charges

	2012	2011
	£'000	£'000
Interest payable on bank loans	1,138	1,222
Interest payable on group loans	4,130	3,764
Amortisation of finance issue costs	336	340
Other interest and similar charges	-	45
	5,604	5,371

6 Tax on loss on ordinary activities

(a) Analysis of the tax charge in the year

	2012	2011
	£'000	£'000
Current tax		
UK corporation tax at 24.5% (2011: 26.5%)	-	-
Total current tax	-	-
No deferred tax occurred in the current or prior year		

LSP Acquisition (UK) Ltd

Notes to the financial statements for the year ended 31 December 2012 (continued)

6 Tax on loss on ordinary activities (continued)

(b) Factors affecting the current taxation charge

The tax for the year is higher than (2011 higher than) the standard rate of corporation tax in the UK of 24.5% (2011 26.5%) as shown below

	2012	2011
	£'000	£'000
Loss on ordinary activities before taxation	(1,161)	(1,368)
Loss on ordinary activities multiplied by the standard rate	(285)	(356)
<i>Effect on tax charge of</i>		
Income not chargeable for tax purposes	(980)	(1,060)
Group relief surrendered for nil consideration	1,265	1,416
Total current tax	-	-

(c) Factors affecting future tax charges

During the year there have been a number of changes to the UK Corporation tax rates. A resolution passed by Parliament on 26 March 2012 reduced the main rate of corporation tax to 24% from 1 April 2012 and subsequently to 23%, which was substantially enacted on 3 July 2012 and will be effective from 1 April 2013.

In addition to the changes in rates of Corporation tax disclosed above, further changes were announced in the Autumn statement 2012 and Budget 2013. These include further reductions to the main rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The proposed changes are not expected to have a material impact on the financial statements.

The company has no recognised or unrecognised deferred tax (2011: £nil).

7 Fixed asset investments

	Shares in subsidiary undertakings
Cost	£'000
At 1 January and 31 December 2012	50,909
Net Book value	
At 1 January and 31 December 2012	50,909

LSP Acquisition (UK) Ltd

Notes to the financial statements for the year ended 31 December 2012 (continued)

7 Fixed asset investments (continued)

The company owns 100% of the issued share capital of the following companies

Name	Nature of business	Country of incorporation
Lone Star Holdings UK Ltd*	Holding company	England and Wales
Lone Star Leeds Limited (previously Lone Star LWD Precision Engineering Ltd)	Manufacture of precision components	England and Wales
Lone Star Grange Ltd	Supply and distribution of gaskets and seals	England and Wales
Triplefast Middle East Ltd	Distribution of industrial fasteners	England and Wales
Eurofast Petrochemicals Supplies Ltd	Manufacture, stocking, and distribution of fasteners and fittings for the petrochemical industry	England and Wales
PRD Fasteners Ltd	Manufacture and distribution of fasteners	England and Wales
Triplefast International Ltd	Export distribution of industrial fasteners	England and Wales
PRD Precision Engineering Ltd	Precision engineering	England and Wales
PRD International Trading (Ningbo) Ltd	Intermediate holding company	Peoples' Republic of China
Ningbo Panxiang Import & Export Co Ltd	Export distribution of industrial fasteners, gaskets and associated products	Peoples' Republic of China
Lone Star SRL*	Distribution of industrial fasteners and gaskets	Romania
Lone Star PRD Group Ltd*	Intermediate holding company	England and Wales
Lone Star Triplefast Private Ltd*	Distribution and logistics centre for gaskets, fasteners and associated products	Singapore
Oil Field Sealing Techno Systems Private Limited	Manufacture and distribution of fastener and gaskets	India

*The company holds direct interest in these subsidiaries

The directors believe that the carrying value of the investments is supported by their underlying net assets or future expected trading

LSP Acquisition (UK) Ltd

Notes to the financial statements for the year ended 31 December 2012 (continued)

8 Debtors

	2012	2011
	£'000	£'000
Amounts falling due within one year		
Amounts owed by group undertakings	4,002	-
Prepayments and accrued income	-	29
	4,002	29

9 Creditors: amounts falling due within one year

	2012	2011
	£'000	£'000
Bank loans (net of issue costs)	1,666	1,124
Accruals	-	7
	1,666	1,131

Bank loans and overdrafts are secured by fixed and floating charges over the assets and undertakings of the group

Details of secured loans are shown in note 10

LSP Acquisition (UK) Ltd

Notes to the financial statements for the year ended 31 December 2012 (continued)

10 Creditors: amounts falling due after more than one year

	2012	2011
	£'000	£'000
Bank loans (net of issue costs)	15,949	18,038
Amounts owed to group undertakings	39,931	33,231
	55,880	51,269

Amounts owed to group undertakings have an interest charge of 12 125% and are not repayable until 2020

Analysis of borrowings:

2012	Bank loans	Issue costs	Amounts due to group undertakings
	£'000	£'000	£'000
In one year or less, or on demand	2,002	(336)	-
In more than one year but not more than two years	2,575	(336)	-
In more than two years but not more than five years	14,285	(575)	-
In more than 5 years	-	-	39,931
	18,862	(1,247)	39,931

LSP Acquisition (UK) Ltd

Notes to the financial statements for the year ended 31 December 2012 (continued)

10 Creditors: amounts falling due after more than one year (continued)

	Bank loans	Issue costs	Amounts due to group undertakings
2011	£'000	£'000	£'000
In one year or less, or on demand	1,464	(340)	-
In more than one year but not more than two years	2,049	(340)	-
In more than two years but not more than five years	7,027	(903)	-
In more than 5 years	10,205	-	33,231
	20,745	(1,583)	33,231

Total costs of £2,038,000 were incurred in obtaining the bank loan facilities. These costs are being amortised over the expected economic life of the borrowings. The amount of issue costs not yet amortised at 31 December 2012 is £1,247,000 (2011: £1,583,000) and is offset against the borrowings.

The bank loan is subject to the conditions of the credit agreement signed on 31 August 2010, and consists of four elements:

	Nominal interest rate	Year of maturity	Face value	Carrying amount £'000
UK - A1 Sterling	6 10%	2016	£4,397,857	4,398
UK - B1 Sterling	6 60%	2017	£5,365,700	5,366
UK - A1 Dollars	5 60%	2016	\$7,230,750	4,472
UK - B1 Dollars	6 10%	2017	\$7,480,000	4,626
				18,862

On 1 September 2010, the Facility A and B elements were drawn down in full for the purposes of paying the consideration to the shareholders of LS Precision Manufacturing Inc. for the acquisition of the shares in that entity.

The drawn down amounts are subject to interest at a rate based on LIBOR plus a margin expected for sterling and US dollar dominated loan. The company has entered into interest rate swap agreements in relation to 50% of the Facility A and Facility B loans. These swap agreements expire in September 2013 and convert the borrowings linked to LIBOR to fixed rates of 1.5875% plus margin and 1.105% plus margin for the sterling and dollar facilities respectively. The fair value of the interest rate swap agreements at 31 December 2012 was £64,000 (2011: £78,000) out of the money.

Repayments are due under the Facility A loan via quarterly instalments from 31 March 2011 with the final payment due 31 March 2016. The amounts repayable on each repayment date increase during the period of the loan. The Facility B loan is to be repaid in full by 31 March 2017.

LSP Acquisition (UK) Ltd

Notes to the financial statements for the year ended 31 December 2012 (continued)

11 Called up share capital

	2012	2011
	£'000	£'000
Allotted and fully paid		
14,354 (2011 14,354) ordinary shares of £1 each	14	14

12 Reserves

	Share premium account	Profit and loss account
	£'000	£'000
At 1 January 2012	1,421	(2,892)
Loss for the financial year	-	(1,161)
At 31 December 2012	1,421	(4,053)

13 Reconciliation of movements in total shareholders' deficit

	2012	2011
	£'000	£'000
Loss for the financial year	(1,161)	(1,368)
Net reduction in total shareholders' deficit	(1,161)	(1,368)
Opening total shareholders' deficit	(1,457)	(89)
Closing total shareholders' deficit	(2,618)	(1,457)

LSP Acquisition (UK) Ltd

Notes to the financial statements for the year ended 31 December 2012 (continued)

14 Related party transactions

The company is a wholly owned subsidiary undertaking of LSP Holdings (UK) Ltd and has taken advantage of the exemptions permitted under Financial Reporting Standard 8 "Related Party Transactions" not to provide details of transactions with fellow wholly owned group undertakings in these financial statements

15 Contingent liability

The company is party to a group debt facility agreement provided by Lloyds Banking Group Plc, whereby the majority of companies within the LSP Holding (UK) Ltd guarantee the debt of other companies within the group. LSP Holding (UK) Ltd group's banking facilities are supported by legal charges on the assets of the group. At 31 December 2012 the company had contingent liabilities of £nil (2011 £4,152,000) under this cross guarantee arrangement. The directors do not anticipate that the company will be called upon to honour this guarantee.

16 Ultimate parent company and controlling party

The company is a wholly owned subsidiary of LSP Holding (UK) Ltd, a company registered in England and Wales.

The ultimate parent company is LSP Holding Sarl, a company registered in Luxembourg. These financial statements can be obtained from the registered office of LSP Holding Sarl, 2 rue Albert Borschette, L-1246 Luxembourg. The ultimate controlling party of LSP Holding Sarl is AEA Investors LP.

The largest and smallest group in which the company is consolidated is that of LSP Holding (UK) Ltd, and consolidated financial statements can be obtained from the registered office address of Kennicott House, Well Lane, Wednesfield, Wolverhampton, WV11 1XR.