

REGISTERED NUMBER: 03503896

**Report of the Directors and
Financial Statements for the Year Ended 30 June 2012
for
Parker Hannifin Manufacturing
(UK) Limited**

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**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Contents of the Financial Statements
for the Year Ended 30 June 2012**

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditor	5
Profit and Loss Account	6
Balance Sheet	7
Notes to the Financial Statements	8

**Parker Hannifin Manufacturing
(UK) Limited**

**Company Information
for the Year Ended 30 June 2012**

DIRECTORS:

N R Parsons
G M Ellinor
S D Fryer
J D O'Reilly
J A D Elsey
C P Mason

SECRETARY:

J D O'Reilly

REGISTERED OFFICE:

Parker House
55 Maylands Avenue
Hemel Hempstead
Hertfordshire
HP2 4SJ

REGISTERED NUMBER:

03503896

AUDITOR:

Deloitte LLP
Chartered Accountants and Statutory Auditor
St Albans, United Kingdom

SOLICITORS:

Eversheds LLP
Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Report of the Directors
for the Year Ended 30 June 2012**

The directors present their annual report and the audited financial statements of the company for the year ended 30 June 2012

PRINCIPAL ACTIVITY

In the previous year, the principal activity of the company was the manufacture and sale of filters. Since the beginning of the current year, the principal activity of the company was to act as a toller manufacturer on behalf of Parker Hannifin Europe Sarl, a fellow group company.

REVIEW OF BUSINESS

The company has made a loss after tax for the year of £257,000 (2011 profit of £476,000)

On 1 July 2011, the company changed its name to Parker Hannifin Manufacturing (UK) Limited

On 1 July 2011, the trading model of the company was changed to that of a toller manufacturer. Since that date the company has acted, and will continue to act, as a toller manufacturer on behalf of Parker Hannifin Europe Sarl, a fellow group company. All turnover in the current year relates to fees charged for services performed on behalf of Parker Hannifin Europe Sarl.

The directors expect present levels of activity to be maintained and that the company will be profitable in the foreseeable future.

The directors consider that it is appropriate to prepare the financial statements on a going concern basis as its ultimate parent undertaking, Parker Hannifin Corporation, has committed to provide financial support in order for the Company to meet its financial obligations as they fall due, for a period of at least twelve months from the date of signing the financial statements.

DIVIDENDS

The directors do not recommend the payment of a dividend for the year (2011 £Nil)

RESEARCH AND DEVELOPMENT

The company has continued to invest in research and development programmes and infrastructure to support and expand its range of products. The company's research and development expenditure for the year ended 30 June 2012 amounted to £533,000 (2011 £1,508,000).

DIRECTORS

The directors shown below have held office during the whole of the period from 1 July 2011 to the date of this report.

N R Parsons
G M Ellinor
S D Fryer
J D O'Reilly

Other changes in directors holding office are as follows:

P B Vos - resigned 10 February 2012
J A D Elsey - appointed 28 November 2011
C P Mason - appointed 1 July 2011

COMPANY'S POLICY ON PAYMENT OF SUPPLIERS

The company's policy in relation to the payment of its suppliers is to settle its terms of payment with each supplier when agreeing the terms of each business transaction. The supplier is made aware of the terms, which are detailed in the company's purchase orders. It is company practice to abide by the agreed terms of payment. The company's average creditor payment period at 30 June 2012 was 56 days (2011 66 days).

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Report of the Directors
for the Year Ended 30 June 2012**

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's strategy are subject to a number of risks

The key business risks and uncertainties affecting the company are considered to relate to the expansion or contraction of the manufacturing economy, industry competition and employee retention. The company believes there is a high correlation between interest rates and industrial manufacturing activity. Increases in interest rates could have a negative impact on industrial production, thereby lowering future orders.

KEY PERFORMANCE INDICATORS ("KPI'S")

The directors manage the company's operations on a divisional basis. For this reason, the company's directors believe that analysis using key indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of the company. The development, performance and position of the motion control systems sector is discussed in the Group annual report of the ultimate parent undertaking, Parker Hannifin Corporation, which does not form part of this report.

EMPLOYEE POLICIES

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through internal communication, briefing groups and the distribution of the annual report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 judgements and accounting 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 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.

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Report of the Directors
for the Year Ended 30 June 2012**

DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware. The directors also confirm they have each taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

AUDITOR

The auditor, Deloitte LLP, has indicated its willingness to continue in office and a resolution that it be reappointed will be proposed at the annual general meeting.

ON BEHALF OF THE BOARD:



GM Ellnor - Director

Date **03 JANUARY 2013 .**

**Report of the Independent Auditor to the Members of
Parker Hannifin Manufacturing
(UK) Limited**

We have audited the financial statements of Parker Hannifin Manufacturing (UK) Limited for the year ended 30 June 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 21. 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 a Report of the Auditor 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 Statement of Directors' Responsibilities, 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 of the Directors 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 my 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 30 June 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.

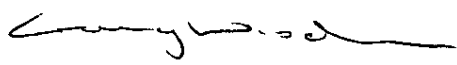
Opinion on other matter prescribed by the Companies Act 2006

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

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 my 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.


Craig Wisdom ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
St Albans, United Kingdom

Date 4 January 2013

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Profit and Loss Account
for the Year Ended 30 June 2012**

	Notes	2012 £'000	2011 £'000
TURNOVER	2	18,417	48,003
Cost of sales		<u>(17,166)</u>	<u>(36,760)</u>
GROSS PROFIT		1,251	11,243
Distribution costs		-	(3,147)
Administrative expenses		<u>(1,475)</u>	<u>(6,992)</u>
		(224)	1,104
Other operating income		<u>486</u>	<u>370</u>
OPERATING PROFIT	5	262	1,474
Income from fixed asset investments	6	239	-
Interest receivable and similar income		<u>49</u>	<u>1</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		550	1,475
Tax on profit on ordinary activities	7	<u>(807)</u>	<u>(999)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	18, 21	<u>(257)</u>	<u>476</u>

CONTINUING OPERATIONS

All of the above amounts relate to continuing activities

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the loss for the current year and the profit for the previous year

The notes on pages 8 to 16 form part of these financial statements

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Balance Sheet
30 June 2012**

	Notes	2012 £'000	2011 £'000
FIXED ASSETS			
Intangible assets	9	4,406	5,156
Tangible assets	10	6,162	5,453
Investments	11	<u>6,444</u>	<u>6,444</u>
		<u>17,012</u>	<u>17,053</u>
CURRENT ASSETS			
Stocks	12	513	549
Debtors	13	<u>27,548</u>	<u>27,386</u>
		28,061	27,935
CREDITORS			
Amounts falling due within one year	14	<u>(7,564)</u>	<u>(7,353)</u>
NET CURRENT ASSETS		<u>20,497</u>	<u>20,582</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		37,509	37,635
PROVISIONS FOR LIABILITIES	16	<u>(131)</u>	<u>-</u>
NET ASSETS		<u>37,378</u>	<u>37,635</u>
CAPITAL AND RESERVES			
Called up share capital	17	36,400	36,400
Capital contribution reserve	18	10,067	10,067
Profit and loss account	18	<u>(9,089)</u>	<u>(8,832)</u>
SHAREHOLDERS' FUNDS	21	<u>37,378</u>	<u>37,635</u>

The financial statements were approved by the Board of Directors on **03 JANUARY 2013** and were signed on its behalf by



GM Ellinor - Director

The notes on pages 8 to 16 form part of these financial statements

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Notes to the Financial Statements
for the Year Ended 30 June 2012**

1 ACCOUNTING POLICIES

Basis of preparing the financial statements

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

Cash flow statement

The company is a wholly owned subsidiary of Parker Hannifin Corporation and is included in their consolidated financial statements, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

Turnover

Turnover, which excludes value added tax, comprises toller manufacturer fees invoiced to Parker Hannifin Europe Sarl, a fellow group company.

Goodwill

Goodwill pertaining to the businesses acquired, being the excess of the fair value of the purchase price over the fair value of net assets acquired, is accumulated and amortised over the directors' estimate of the life of the goodwill, not exceeding 20 years.

A full year's amortisation is charged in the year of acquisition.

Tangible fixed assets

Tangible fixed assets are shown at cost less accumulated depreciation.

Depreciation is calculated to write off the cost of fixed assets on a straight-line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose, which are consistent with those of the previous year are:

Freehold buildings	2% - 5%
Plant and equipment	10% - 20%

Freehold land is not depreciated.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis and in the case of manufactured products, includes all direct expenditure and production overheads, based on the normal level of activity incurred in bringing the stocks to their current state and location. Net realisable value is the amount at which it is expected items of stock can be disposed of in the normal course of business after allowing for all further costs to completion and all directly related costs to be incurred in marketing, selling and distribution.

Work in progress is product in various stages of completion throughout the manufacturing process including all raw material, components issued for processing, labour costs and overheads through the last production process. Finished goods are items on which all manufacturing operations, including final test, have been completed or was purchased complete and are available for sale.

Provision is made for slow moving, obsolete and defective stock.

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2012**

1 ACCOUNTING POLICIES - continued

Taxation

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

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax is not provided on unremitted earnings where there is no binding commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Research and development

Costs associated with research and development are expensed in the profit and loss account in the period in which they arise. Government grant income received in relation to research and development expenditure is accounted for as other operating income in the period in which it is received.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date or at contracted rates and results are translated at the exchange rate ruling at the date of the transaction. In both instances, foreign exchange differences are taken to the profit and loss account in the period in which they arise.

Pensions

In accordance with FRS 17, the company has taken the multi-employer exemption in relation to defined benefit scheme and 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.

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

Operating leases

Annual rentals in relation to operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Investments

Investments are stated at cost plus all other associated costs, less any provision for impairment.

Going concern

The company has net assets of £37,378,000 (2011: £37,635,000). The Directors consider that it is appropriate to prepare the financial statements on a going concern basis as its ultimate parent undertaking, Parker Hannifin Corporation, has committed to provide financial support in order for the Company to meet its financial obligations as they fall due, for a period of at least twelve months from the date of signing the financial statements.

Note of historical cost profits and losses

The difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis is not material.

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2012**

2 TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company

An analysis of turnover by geographical market is given below

	2012 £'000	2011 £'000
United Kingdom	-	332
Rest of Europe	18,417	45,010
Rest of World	-	2,661
	<u>18,417</u>	<u>48,003</u>

The majority of the company's net assets are based within the United Kingdom

3 STAFF COSTS

	2012 £'000	2011 £'000
Wages and salaries	7,867	7,243
Social security costs	810	737
Other pension costs	977	972
	<u>9,654</u>	<u>8,952</u>

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

	2012	2011
Production	99	98
Administration	125	119
	<u>224</u>	<u>217</u>

4 DIRECTORS' EMOLUMENTS

	2012 £	2011 £
Directors' remuneration	183,000	-
Directors' pensions	<u>28,000</u>	<u>-</u>

Four directors (2011 two) hold share options in the ultimate parent undertaking, Parker Hannifin Corporation
Two of the directors (2011 none) exercised options during the year

Directors' remuneration of £182,647 is also that of the highest paid director (2011 £Nil) The number of directors to whom retirement benefits were accruing was as follows

Defined benefit schemes	<u>1</u>	<u>-</u>
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5 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2012 £'000	2011 £'000
Other operating leases	234	101
Depreciation - owned assets	601	693
Profit on disposal of fixed assets	-	(1)
Goodwill amortisation	750	750
Foreign exchange differences	256	(239)
Government grant income	(467)	(370)
Research and development costs	<u>533</u>	<u>1,508</u>

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2012**

5 OPERATING PROFIT - continued

Audit fees amounting to £37,500 (2011 £37,500) were borne by Parker Hannifin Manufacturing Limited, a fellow group undertaking, and have not been recharged

6 INCOME FROM FIXED ASSET INVESTMENTS

	2012 £'000	2011 £'000
Income from fixed asset investments	<u>239</u>	<u>-</u>

7 TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows

	2012 £'000	2011 £'000
Current tax		
UK corporation tax	549	726
Adjustments to tax charge in respect of previous periods	<u>(53)</u>	<u>(7)</u>
Total current tax	496	719
Deferred tax	<u>311</u>	<u>280</u>
Tax on profit on ordinary activities	<u>807</u>	<u>999</u>

UK corporation tax has been charged at 25.5%

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	<u>550</u>	<u>1,475</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 25.5% (2011 - 27.5%)	140	406
Effects of		
Expenses not deductible for tax purposes	227	205
Income not taxable for tax purposes	(5)	-
Capital allowances in excess of depreciation	-	(3)
Depreciation in excess of capital allowances	7	-
Adjustments to tax charge in respect of previous periods	(53)	(7)
Transfer pricing adjustment - imputed interest	238	242
Enhanced research and development deductions	(41)	(124)
Double taxation relief	<u>(17)</u>	<u>-</u>
Current tax charge	<u>496</u>	<u>719</u>

Change in tax rate

On 1 April 2012 the main rate of corporation tax reduced from 26% to 24%, this resulted in an effective tax rate for the year of 25.5% (2011 27.5%)

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2012**

8 PENSIONS

Parker Hannifin Manufacturing Limited, an associate group company, is the sponsoring employer to the defined benefit pension arrangement in the UK which is known as the Parker Hannifin Pension and Death Benefit Plan (the "Parker Plan"). On 30 June 2004, the Parker Plan was closed to new employees, however benefits continue to accrue for existing members. A number of employees who are members of the Parker Plan are employed by Parker Hannifin Manufacturing (UK) Limited. The number of employees in question represent a relatively low proportion of the total membership of the Parker Plan - once deferred members and pensioner numbers are taken into consideration. The assets and liabilities accruing to these members cannot be reliably estimated.

In accordance with FRS 17, the company has taken the multi-employer exemption in relation to defined benefit scheme and 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. The total liability of the Parker Plan as at 30 June 2012 is £56,095,000. The relevant FRS17 accounting disclosures for the Parker Plan as a whole are reported within the financial statements for Parker Hannifin Manufacturing Limited.

9 INTANGIBLE FIXED ASSETS

	Goodwill £'000
COST	
At 1 July 2011	
and 30 June 2012	<u>15,001</u>
AMORTISATION	
At 1 July 2011	9,845
Amortisation for year	<u>750</u>
At 30 June 2012	<u>10,595</u>
NET BOOK VALUE	
At 30 June 2012	<u>4,406</u>
At 30 June 2011	<u>5,156</u>

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2012**

10 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and equipment £'000	Totals £'000
COST			
At 1 July 2011	5,069	8,720	13,789
Additions	29	1,281	1,310
Disposals	-	(1,654)	(1,654)
At 30 June 2012	<u>5,098</u>	<u>8,347</u>	<u>13,445</u>
DEPRECIATION			
At 1 July 2011	1,624	6,712	8,336
Charge for year	148	453	601
Eliminated on disposal	-	(1,654)	(1,654)
At 30 June 2012	<u>1,772</u>	<u>5,511</u>	<u>7,283</u>
NET BOOK VALUE			
At 30 June 2012	<u>3,326</u>	<u>2,836</u>	<u>6,162</u>
At 30 June 2011	<u>3,445</u>	<u>2,008</u>	<u>5,453</u>

Included in cost of land and buildings is freehold land of £700,000 (2011 - £700,000) which is not depreciated

11 FIXED ASSET INVESTMENTS

	Other investments £'000
COST	
At 1 July 2011 and 30 June 2012	<u>10,067</u>
PROVISIONS	
At 1 July 2011 and 30 June 2012	<u>3,623</u>
NET BOOK VALUE	
At 30 June 2012	<u>6,444</u>
At 30 June 2011	<u>6,444</u>

At 30 June 2012, the company held shares in the allotted share capital of the following

	Country of registration and operation	Percentage held	Nature of business
Kuroda Precision Industries Limited	Japan	33.4%	Active

The directors consider that although the company maintains a 33.4% interest in the share capital of Kuroda Precision Industries Limited, it does not maintain any influence over its operating and financial policies. Therefore the directors consider it appropriate to account for this holding as a trade investment. The market value of the investment is £11,024,000 (2011: £14,516,000).

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2012**

12 STOCKS

	2012 £'000	2011 £'000
Raw materials	446	452
Work-in-progress	11	4
Finished goods	<u>56</u>	<u>93</u>
	<u>513</u>	<u>549</u>

13 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £'000	2011 £'000
Trade debtors	-	8,109
Amounts owed by group undertakings	27,115	17,348
Other debtors	422	1,732
Deferred tax asset	-	180
Prepayments and accrued income	<u>11</u>	<u>17</u>
	<u>27,548</u>	<u>27,386</u>

Included within amounts owed by group undertakings is a loan amounting to £4,997,000 (2011 £413,000) on which interest is charged at a rate of 1.672% (2011 0.35%) per annum. This loan is unsecured and is repayable on 25 March 2013. The remaining amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £'000	2011 £'000
Trade creditors	1,957	1,711
Amounts owed to group undertakings	4,766	5,033
Other creditors	41	-
Accruals and deferred income	<u>800</u>	<u>609</u>
	<u>7,564</u>	<u>7,353</u>

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment.

15 OPERATING LEASE COMMITMENTS

At 30 June 2012, the company had annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings		Other operating leases	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Expiring				
Within one year	-	-	9	-
Between one and five years	-	15	67	86
In more than five years	<u>19</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>19</u>	<u>15</u>	<u>76</u>	<u>86</u>

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2012**

16 PROVISIONS FOR LIABILITIES

	2012 £'000
Deferred tax liability	<u>131</u>
	Deferred tax £'000
Balance at 1 July 2011	(180)
Accelerated capital allowances	289
Adjustment to prior years	9
Effect of tax rate change	<u>13</u>
Balance at 30 June 2012	<u>131</u>

The entire deferred tax liability for the current and prior year relates to accelerated capital allowances

17 CALLED UP SHARE CAPITAL

Allotted, Number	issued and fully paid Class	Nominal value £1	2012 £'000	2011 £'000
36,400,000	Ordinary		<u>36,400</u>	<u>36,400</u>

18 RESERVES

	Profit and loss account £'000	Capital contribution reserve £'000	Totals £'000
At 1 July 2011	(8,832)	10,067	1,235
Deficit for the year	<u>(257)</u>	<u>-</u>	<u>(257)</u>
At 30 June 2012	<u>(9,089)</u>	<u>10,067</u>	<u>978</u>

19 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate parent undertaking is Parker Hannifin Industries Limited, a company incorporated in the United Kingdom

The ultimate parent undertaking and controlling party is Parker Hannifin Corporation, a company incorporated in the state of Ohio, USA. Parker Hannifin Corporation is the parent undertaking of the largest and smallest group to consolidate the company's financial statements and copies of its consolidated financial statements can be obtained from the Company Secretary, Parker Hannifin Corporation, 6035 Parkland Boulevard, Cleveland, Ohio, 44124-4141, USA

**Parker Hannifin Manufacturing
(UK) Limited (Registered number: 03503896)**

**Notes to the Financial Statements - continued
for the Year Ended 30 June 2012**

20 RELATED PARTY DISCLOSURES

The company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Parker Hannifin Corporation group

21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012	2011
	£'000	£'000
(Loss)/profit for the financial year	<u>(257)</u>	<u>476</u>
Net (reduction)/addition to shareholders' funds	(257)	476
Opening shareholders' funds	<u>37,635</u>	<u>37,159</u>
Closing shareholders' funds	<u>37,378</u>	<u>37,635</u>