

Parker Hannifin (UK) Limited

Annual report and financial statements

for the year ended 30 June 2009

Registered number 3503896

THURSDAY



LD9 *LTKN8H1B* 28/01/2010 62
COMPANIES HOUSE

Parker Hannifin (UK) Limited

Contents

	Pages
Directors' report	1 - 3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 17

Parker Hannifin (UK) Limited

Directors' report for the year ended 30 June 2009

The Directors present their annual report and the audited financial statements of the Company for the year ended 30 June 2009.

Principal activity

The principal activity of the Company is, and will continue to be, the manufacture and sale of filters.

Review of business and future developments

The Company has made a loss for the year of £230,000 (2008: profit of £4,462,000). 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.

As part of the implementation of the Group's strategic European Business Initiative, the Company agreed to sell its inventory to Parker Hannifin Europe Sarl, a fellow group undertaking. The sale took place on 1 October 2009 and included raw materials, finished goods, work in progress, goods in transit and associated components. The inventory sold will continue to be located at the existing UK premises but future purchases will be procured and paid for by Parker Hannifin Europe Sarl. The inventory was sold at book value for cash.

Results and dividends

The Company's results for the financial year are set out in the profit and loss account on page 5.

The Directors do not recommend the payment of a dividend (2008: £Nil).

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.

Directors

The Directors who held office during the year and up to the date of signing the financial statements were as follows:

I Molyneux
NR Parsons
GM Ellinor

Qualifying third party indemnity provisions

A qualifying third party indemnity provision as defined in Section 232(2) of the Companies Act 2006 is in force for the benefit of each of the Directors and the Company Secretary in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which directors may not be indemnified a directors' and officers' liability insurance policy was maintained by the Parker Hannifin Corporation group throughout the financial year.

Parker Hannifin (UK) Limited

Directors' report for the year ended 30 June 2009 (continued)

Payment to 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 2009 was 54 days (2008: 55 days).

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 2009 amounted to £72,000 (2008: £146,000).

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 effect 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 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 profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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 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 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 (UK) Limited

Directors' report for the year ended 30 June 2009 (continued)

Disclosure of information to auditors

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditors

The auditors, Deloitte LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the annual general meeting.

By order of the Board



**GM Ellinor
Director**

26 JANUARY 2010

Parker Hannifin (UK) Limited

Independent auditors' report to the members of Parker Hannifin (UK) Limited

We have audited the financial statements of Parker Hannifin (UK) Limited for the year ended 30 June 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 20. 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 Sections 495 and 496 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 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 directors and auditors

As explained more fully in the Directors' Responsibilities Statement, 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 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 (APB'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.

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 2009 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.

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.



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

26 January 2010

Parker Hannifin (UK) Limited

Profit and loss account for the year ended 30 June 2009

	Note	2009 £'000	2008 £'000
Turnover	2	39,376	54,316
Cost of sales		(30,706)	(38,411)
Gross profit		8,670	15,905
Administrative expenses		(8,596)	(9,307)
Operating profit	3	74	6,598
Income from fixed asset investments		217	190
Profit on ordinary activities before interest and taxation		291	6,788
Interest receivable and similar income		14	20
Profit on ordinary activities before taxation		305	6,808
Tax on profit on ordinary activities	6	(535)	(2,346)
(Loss) / profit for the financial year	15	(230)	4,462

All of the above amounts relate to continuing activities.

The Company has no recognised gains or losses other than those set out above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the (loss) / profit for the financial year stated above, and their historical cost equivalents.

Parker Hannifin (UK) Limited

Balance sheet as at 30 June 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Intangible assets	7	6,656	7,406
Tangible assets	8	6,047	6,338
Investments	9	6,444	6,444
		19,147	20,188
Current assets			
Stock	10	2,396	3,725
Debtors	11	26,835	30,397
Cash at bank and in hand		-	2
		29,231	34,124
Creditors: amounts falling due within one year	12	(12,365)	(18,069)
Net current assets		16,866	16,055
Net assets		36,013	36,243
Capital and reserves			
Called up share capital	14	36,400	36,400
Capital contribution reserve	15	10,067	10,067
Profit and loss account	15	(10,454)	(10,224)
Shareholder's funds	16	36,013	36,243

The financial statements for Parker Hannifin (UK) Limited (registered number 3503896) on pages 5 to 17 were approved by the Board of Directors on **26 JANUARY** 2010 and were signed on its behalf by:


 GM Ellinor
 Director

Parker Hannifin (UK) Limited

Notes to the financial statements for the year ended 30 June 2009

1 Principal accounting policies

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 current and preceding year, are set out below.

Going concern

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.

Intangible assets - goodwill

Goodwill pertaining to 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. Goodwill is subject to an annual impairment review and provision is made for any impairment in value.

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

Tangible assets and depreciation

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.

Investments

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

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.

Raw materials are defined as material which will be converted via the manufacturing process into components and/or products. 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 (UK) Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

1 Principal accounting policies (continued)

Deferred tax

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.

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.

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.

Research and development

Costs associated with research and development are expensed in the profit and loss account in the period in which they arise.

Pension arrangements

The Company participates in a group funded defined benefit scheme operated by Parker Hannifin Limited, a fellow group undertaking, in the United Kingdom. The assets of the scheme are held separately from the assets of the Company and the Group.

The Company is unable to identify its share of the underlying assets and liabilities of the group scheme, therefore no disclosure has been provided in these financial statements. Full disclosure of the underlying assets and liabilities of the scheme, together with key assumptions, are disclosed in the financial statements of Parker Hannifin Limited.

The pension contributions made by this Company to the scheme are accounted for in the accounting period in which they fall due.

Turnover

Turnover, which excludes value added tax, comprises UK sales at invoiced value and export sales on a free on board basis.

Parker Hannifin (UK) Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

2 Segmental information

The Directors regard the operations of the Company as comprising a single activity. All turnover and profits and losses were derived from continuing activities and arose in the United Kingdom. The geographical analysis of turnover by destination was as follows:

	2009 £'000	2008 £'000
United Kingdom	1,370	2,440
Rest of Europe	36,257	49,023
Rest of World	1,749	2,853
	39,376	54,316

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

3 Operating profit

Operating profit is stated after charging / (crediting):

	2009 £'000	2008 £'000
Amortisation of goodwill (note 7)	750	750
Depreciation of tangible fixed assets (note 8)	746	758
Research and development costs	72	146
Government grants receivable	-	(80)
Operating lease charges		
- plant and machinery	116	-
- other	90	67
Exchange losses / (gains)	355	(151)

Fees payable to the Company's auditors in respect of the audit of the Company's financial statements amounting to £36,000 (2008: £34,000) were borne by Parker Hannifin Limited, a fellow group undertaking, and have not been recharged.

Parker Hannifin (UK) Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

4 Directors' remuneration

The Directors who held office during the year received no remuneration (2008: £Nil) for their services to the Company. There are no retirement benefits (2008: £Nil) accruing for any of the Directors in respect of their services to the Company.

Two Directors (2008: two) hold share options in the ultimate parent undertaking, Parker Hannifin Corporation. One of the Directors (2008: one) exercised options during the year.

5 Employee information

The average monthly number of persons employed by the Company, including executive directors, during the year and their payroll costs were as follows:

	2009 Number	2008 Number
Production	127	133
Administration	129	128
	256	261

	2009 £'000	2008 £'000
Wages and salaries	8,102	8,617
Social security costs	837	848
Pension costs	796	1,106
	9,735	10,571

Parker Hannifin (UK) Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

6 Tax on profit on ordinary activities

	2009 £'000	2008 £'000
Current tax		
UK corporation tax at 28% (2008: 29.5%)	424	1,712
Adjustments in respect of previous periods	88	-
Double tax relief	(15)	(13)
UK corporation tax charge	497	1,699
Overseas tax	15	13
Total current tax charge	512	1,712
Deferred tax		
Origination and reversal of timing differences (note 13)	23	634
Tax charge on profit on ordinary activities	535	2,346

The tax assessed for the year is higher (2008: lower) than the standard rate of corporation tax in the UK of 28% (2008: weighted average of 29.5%). The differences are explained below:

	2009 £'000	2008 £'000
Profit on ordinary activities before taxation	305	6,808
Profit on ordinary activities multiplied by standard rate in the UK of 28% (2008: 29.5%)	85	2,008
Effects of:		
Expenses not deductible for tax purposes	208	226
Capital allowances in excess of depreciation and other timing differences	(17)	(66)
Transfer pricing adjustment – imputed interest	148	70
Utilisation of trading losses brought forward	-	(526)
Overseas tax	15	13
Double tax relief	(15)	(13)
Adjustments in respect of previous periods	88	-
Total current tax charge	512	1,712

Parker Hannifin (UK) Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

7 Intangible fixed assets

	Goodwill £'000
Cost	
At 1 July 2008 and 30 June 2009	15,001
Amortisation	
At 1 July 2008	7,595
Charge for the year	750
At 30 June 2009	8,345
Net book value	
At 30 June 2009	6,656
At 30 June 2008	7,406

8 Tangible fixed assets

	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 July 2008	4,336	5,069	9,405
Additions	93	363	456
Disposals	-	(131)	(131)
At 30 June 2009	4,429	5,301	9,730
Depreciation			
At 1 July 2008	581	2,486	3,067
Charge for the year	175	571	746
Disposals	-	(130)	(130)
At 30 June 2009	756	2,927	3,683
Net book value			
At 30 June 2009	3,673	2,374	6,047
At 30 June 2008	3,755	2,583	6,338

The value of freehold land not subject to depreciation is £700,000 (2008: £700,000).

Parker Hannifin (UK) Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

9 Investments

	Unlisted investments £'000
Cost	
At 1 July 2008 and 30 June 2009	10,067
Impairment	
At 1 July 2008 and 30 June 2009	3,623
Net book value	
At 30 June 2008 and 30 June 2009	6,444

At 30 June 2009, the Company held shares in the allotted share capital of the following company:

	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.

10 Stock

	2009 £'000	2008 £'000
Work in progress	2	32
Finished goods	2,394	3,693
	2,396	3,725

Parker Hannifin (UK) Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

11 Debtors

	2009 £'000	2008 £'000
Trade debtors	5,183	10,092
Amounts owed by group undertakings	21,197	19,230
Deferred tax asset (note 13)	45	68
Other debtors	370	816
Prepayments and accrued income	40	191
	26,835	30,397

Included within amounts owed by group undertakings is a loan amounting to £411,000 (2008: £397,000) on which interest is charged at a rate of 0.30% (2008: 4.85%) per annum. This loan is unsecured and is repayable on 24 March 2010. All other amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

12 Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Trade creditors	3,068	6,101
Amounts owed to group undertakings	8,854	11,224
Accruals and deferred income	443	744
	12,365	18,069

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

Parker Hannifin (UK) Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

13 Deferred tax

	£'000
At 1 July 2008	(68)
Charge to the profit and loss account (note 6)	23
At 30 June 2009 (note 11)	(45)

The deferred tax asset included in the balance sheet is as follows:

	2009 £'000	2008 £'000
Decelerated capital allowances	(45)	(68)

14 Called up share capital

	2009 £'000	2008 £'000
Authorised		
38,000,000 ordinary shares of £1 each	38,000	38,000
Allotted, called up and fully paid		
36,400,000 ordinary shares of £1 each	36,400	36,400

15 Reserves

	Capital contribution reserve £'000	Profit and loss account £'000
At 1 July 2008	10,067	(10,224)
Loss for the financial year	-	(230)
At 30 June 2009	10,067	(10,454)

Parker Hannifin (UK) Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

16 Reconciliation of movements in shareholder's funds

	2009 £'000	2008 £'000
(Loss) / profit for the financial year	(230)	4,462
Opening shareholder's funds	36,243	31,781
Closing shareholder's funds	36,013	36,243

17 Financial commitments

At 30 June 2009, the Company had annual commitments under non-cancellable operating leases expiring as follows:

	2009			2008		
	Land and buildings £'000	Other £'000	Total £'000	Land and buildings £'000	Other £'000	Total £'000
Within one year	-	15	15	-	-	-
Within two to five years	77	78	155	67	-	67
	77	93	170	67	-	67

18 Cash flow statement and related party transactions

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).

The Company is also 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.

19 Events after the balance sheet date

As part of the implementation of the Group's strategic European Business Initiative, the Company agreed to sell its inventory to Parker Hannifin Europe Sarl, a fellow group undertaking. The sale took place on 1 October 2009 and included raw materials, finished goods, work in progress, goods in transit and associated components. The inventory sold will continue to be located at the existing UK premises but future purchases will be procured and paid for by Parker Hannifin Europe Sarl. The inventory was sold at book value for cash.

Parker Hannifin (UK) Limited

Notes to the financial statements for the year ended 30 June 2009 (continued)

20 Immediate and ultimate parent undertakings

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 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.