

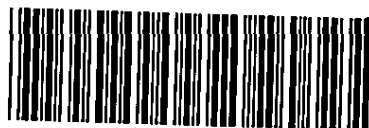
Flowtech Holdings Limited

**Directors' report and consolidated
financial statements**

Registered number 05207649

31 December 2006

THURSDAY



A4927UH7

A09

08/11/2007

367

COMPANIES HOUSE

Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	4
Independent auditors' report to the members of Flowtech Holdings Limited	5
Consolidated profit and loss account	7
Consolidated balance sheet	8
Company balance sheet	9
Consolidated cash flow statement	10
Notes	11

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

Principal activities and future developments

The principal activity of the company is to act as a holding company. The principal activity of the group is the distribution of engineering components.

Business review

Flowtech Holdings Limited acquires and develops a group of companies for the distribution of Fluid Power and Industrial products.

The group continues to focus on the distribution market via distributors and re-sellers, giving total commitment to providing excellent customer service and innovative range development. We provide a next day service, and our aim is to be always No. 1 for service.

The results of the group are set out on page 7 of the financial statements.

A post balance sheet acquisition of Allfitt NV in Holland will enable the group to enter the European Market.

Principal risks and uncertainties

The group has invested in businesses with substantial borrowings which are financed on variable interest rates linked to the UK base rate. Any change in base rate can have a significant impact on the cost of this finance. To minimise these effects the companies have taken out partial interest rate protection which is effective to December 2007.

The group, through its subsidiaries, purchases large amounts of materials that have been shown to suffer severe price volatility due to both availability and the effect of foreign exchange. To minimise these effects the companies buy deep stocks of effected products and for foreign exchange the company buys forward to stabilise margins.

Environment

The group recognises the importance of its environmental responsibilities and operates in accordance with policies agreed through a Health and Safety Committee and a Staff Consultative Committee. Initiatives designed to minimise the company's impact on the environment include recycling of waste where practical.

The health and safety of the Group's employees, customers and members of the general public is a matter of primary concern. Accordingly it is the Group's policy to manage its activities so as to avoid causing any unnecessary or unacceptable risk to the health of its employees and members of the public.

Employees

Details of the number of employees and related costs can be found in note 4 to the financial statements. The company is committed to providing staff and management with training designed to develop attitudes and skills and give opportunities for advancement. The company promotes good communication and consultation with regular management meetings, staff briefings, an in-house magazine and a Staff Consultative Committee to involve staff in the progress of the company and its future.

All staff participate in company performance bonus schemes. The company believes that these schemes demonstrate the company's commitment to involving employees in performance.

The Group seeks to ensure that disabled people, whether applying for, or in employment, receive equal opportunities and are not discriminated against on the grounds of their disability.

Directors' report (*continued*)

Proposed dividend and transfer to reserves

The profit for the period retained by the group is £778,000 (2005 loss £249,000) and this has been transferred to reserves

The directors do not recommend payment of a dividend

Directors and directors' interests

The directors who held office during the period were as follows

SJ Keyworth
DK Crosby
AK Dickinson
K Greenwood
K McMullen
A Marsh
KW Lawrence
J Farmer

The directors who held office at the end of the period and had interests in the shares of the company, as recorded in the register of directors' share and debenture interests, as follow

	Ordinary 'B' Shares of 1p each	
	At beginning of period	At end of period
SJ Keyworth	300,000	300,000
DK Crosby	200,000	200,000
AK Dickinson	200,000	200,000
K Greenwood	200,000	200,000
K McMullen	200,000	200,000
J Farmer	200,000	200,000

According to the register of directors interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families

Charitable and Political Donations

Charitable contributions made by the Group in the period amounted to £840 (2005 £743) No political contributions were made during the period.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Directors' report (*continued*)

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board

A handwritten signature in black ink, appearing to read 'SJ Keyworth', is written over the printed name.

SJ Keyworth
Managing Director

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss 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,
- 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 group and the parent 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 parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities



KPMG LLP

8 Princes Parade
Liverpool
United Kingdom

Independent auditors' report to the members of Flowtech Holdings Limited

We have audited the group and parent company financial statements (the "financial statements") of Flowtech Holdings Limited for the year ended 31 December 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

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

Independent auditors' report to the members of Flowtech Holdings Limited
(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2006 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

VPMGUP.

6 November 2007

KPMG LLP
Chartered Accountants
Registered Auditor

Consolidated profit and loss account
period ended 31 December 2006

	<i>Note</i>	Period ended 31 December 2006 £000	Period ended 31 December 2005 £000
Turnover		28,652	29,472
Cost of sales		(17,375)	(16,342)
Gross profit		11,277	13,130
Administration expenses before exceptional expenses		(5,400)	(7,199)
Other operating income		-	53
Operating profit	2	5,877	5,984
Interest receivable and similar income	5	23	141
Interest payable and similar charges	6	(4,991)	(6,142)
Profit/(loss) on ordinary activities before taxation		909	(17)
Tax on profit/(loss) on ordinary activities	7	(131)	(232)
Profit/(loss) for the financial period	18	778	(249)

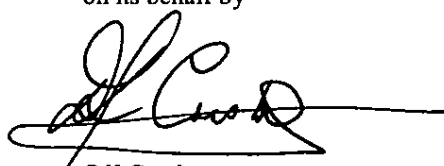
All operations are continuing

The group had no recognised gains and losses other than the profit for the period

Consolidated balance sheet
at 31 December 2006

	Note	2006 £000	2005 £000
Fixed assets			
Intangible assets	8	44,938	45,024
Tangible assets	9	1,579	1,306
Investments	10	136	136
		<u>46,653</u>	<u>46,466</u>
Current assets			
Stock	11	6,168	4,631
Debtors	12	7,982	7,028
Cash at bank and in hand		396	1,658
		<u>14,546</u>	<u>13,317</u>
Creditors, amounts falling due within one year	13	(7,628)	(7,140)
Net current assets		<u>6,918</u>	<u>6,177</u>
Total assets less current liabilities		<u>53,571</u>	<u>52,643</u>
Creditors, amounts falling due after more than one year	14	(52,699)	(52,549)
Net assets		<u>872</u>	<u>94</u>
Capital and reserves			
Called up share capital	17	96	96
Share premium account	18	247	247
Profit and loss account	18	529	(249)
Equity shareholders' funds		<u>872</u>	<u>94</u>

These financial statements were approved by the board of directors on 4th Sept 2007 and were signed on its behalf by


DK Crosby
Director

Company balance sheet
at 31 December 2006

	<i>Note</i>	31 December 2006 £000	31 December 2005 £000
Fixed assets			
Investments	<i>10</i>	343	343
Net assets		343	343
Capital and reserves			
Called up share capital	<i>17</i>	96	96
Share premium account	<i>18</i>	247	247
Equity shareholders' funds		343	343

These financial statements were approved by the board of directors on *4 Sept 07* and were signed on its behalf by


 DK Crosby
 Director

Consolidated cash flow statement
for the period ended 31 December 2006

	<i>Note</i>	Period ended 31 December 2006 £000	Period ended 31 December 2005 £000
Net cash inflow from operating activities	21	3,499	1,704
Return on investments and servicing of finance			
Interest paid	(1,411)	(2,601)	
Interest received	23	141	
		(1,388)	(2,460)
Taxation			
UK Corporation tax paid			(672)
Capital expenditure			
Purchase of tangible fixed assets	(511)	(870)	
Sale of tangible fixed assets	19	17	
		(492)	(853)
Acquisitions and disposals			
Purchase of subsidiary undertakings	-	(52,936)	
Cash acquired with subsidiaries	(15)	2,415	
Purchase of investments	(160)	(175)	(50,521)
Net cash inflow before financing			(52,802)
Financing			
Proceeds from issue of shares	-	343	
New loans	-	56,117	
Finance leases	400	(2,000)	
Loan repayment	(2,800)	(2,400)	54,460
(Decrease)/increase in cash and cash equivalents	22, 23	(1,262)	1,658

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2006. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired are included in the consolidated profit and loss account from the date of acquisition.

In the company's accounts, investments in subsidiary and associated undertakings are stated at cost. Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company.

In accordance with Section 230(4) of the Companies Act 1985 Flowtech Holdings Limited is exempt from the requirement to present its own profit and loss account. The result for the year dealt with in the financial statements of Flowtech Holdings Limited is disclosed in note 18 to these accounts.

Goodwill

Goodwill on consolidation is not amortised as it is deemed to have an infinite useful economic life. Consolidated goodwill is subject to an annual impairment review. This is not in line with Schedule 4 of the Companies Act 1985 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify this effect on the financial statements of this departure. Any impairment charge is included within operating profits.

Purchased goodwill within subsidiary companies, representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic life.

Turnover

Turnover is the total amount receivable by the company for goods supplied and for services provided, excluding VAT and discounts.

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than free hold land by equal annual instalments over their expected useful lives. The rates generally applicable are

Plant and machinery	6.7% - 20%
Motor vehicles	33%

Leased assets

Assets held under finance leases and hire purchases contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charge to the profit and loss account on a straight line basis over the lease term.

Investments

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

Stocks

Stock are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items.

Catalogue costs

The costs of producing the company's annual catalogue are written off in the year to which the catalogue relates.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is dealt with through the profit and loss account.

Defined Contribution Pension Scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Government Grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned.

Government grants of a revenue nature are credited to the profit and loss account in the same period as the related expenditure.

Notes (continued)

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	Year ended 31 December 2006 £000	Period ended 31 December 2005 £000
Auditors' remuneration		
- Audit	58	38
- Other services	30	33
Depreciation	219	216
Amortisation of goodwill (included in administration expenses)	220	438
Operating leases rentals	408	399
	<hr/>	<hr/>

3 Remuneration of directors

	Year ended 31 December 2006 £000	Period ended 31 December 2005 £000
Directors' emoluments		
Remuneration as executives	421	647
Pension contributions	19	15
	<hr/>	<hr/>
	504	662
	<hr/>	<hr/>

Highest paid Director

The emoluments for the highest paid director for the year	155	201
	<hr/>	<hr/>

4 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows

	Number of employees Year ended 31 December 2006	Period ended 31 December 2005
Distribution	60	60
Administration	73	63
	<hr/>	<hr/>
	133	123
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows

	Year ended 31 December 2006 £000	Period ended 31 December 2005 £000
Wages and salaries	2,778	3,100
Social security costs	241	259
Pension costs	26	27
	<hr/>	<hr/>
	3,045	3,386
	<hr/>	<hr/>

Notes (continued)

5 Interest receivable and similar income

	Year ended 31 December 2006 £000	Period ended 31 December 2005 £000
Bank interest receivable	21	108
Other interest receivable	2	33
	<u>23</u>	<u>141</u>

6 Interest payable and similar charges

	Year ended 31 December 2006 £000	Period ended 31 December 2005 £000
On bank loans	2,629	2,917
On other loans	2,362	3,225
	<u>4,991</u>	<u>6,142</u>

Included within interest on bank loans & overdrafts and other loans are finance costs of £136,000 and £95,000 (2005 £202,000 and £122,000) respectively, which are associated with the raising of acquisition finance. The finance costs have been allocated over the term of the loan to give a constant rate on the carrying amount of the debt in accordance with FRS 4.

7 Taxation

	Year ended 31 December 2006 £000	Period ended 31 December 2005 £000
Current tax		
UK corporation tax on profit for the period	131	311
Deferred tax		
Origination and reversal of timing differences	-	(79)
Adjustments in respect of prior periods	-	-
Tax on profit on ordinary activities	<u>131</u>	<u>232</u>

Notes (continued)

7 Taxation (continued)

The tax charge assessed for the year is lower (2005 higher) than the standard rate of corporation tax in the UK (30%)

The differences are explained below

	Year ended 31 December 2006 Group £'000	Year ended 31 December 2006 Company £'000	Period ended 31 December 2005 Group £'000	Period ended 31 December 2005 Company £'000
Profit/(loss) on ordinary activities before taxation	909	-	(17)	-
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	273	-	(5)	-
Effects of	-	-	-	-
Expenses not deductible for tax purposes	-	-	181	-
Movements in tax losses	-	-	141	-
Capital allowances in excess of depreciation	-	-	(5)	-
Adjustments in respect of prior periods	(161)	-	(1)	-
Other differences	19	-	-	-
Current tax charge for the period	131	-	311	-

8 Intangible fixed assets

Group	Goodwill £000
Cost	
At beginning of period	45,462
Acquisition in period	33
	45,495
Amortisation	
At beginning of period	438
Charged on purchased goodwill in the period	119
At end of period	557
Net book value	
At end of period	44,938
At beginning of period	45,024
Net book value at the year end is made up of	
Purchased goodwill	267
Goodwill on consolidation	44,537
	44,804

Notes (continued)

9 Tangible fixed assets

	Plant, machinery & equipment	Motor vehicles	Total
Group	£000	£000	£000
Cost			
At beginning of period	1,489	24	1,513
On acquisition			
Additions	511	-	511
Disposals	(19)	(15)	(34)
At end of period	1,981	9	1,990
Depreciation			
At beginning of period	190	17	207
Charge for period	217	2	219
Disposals	(5)	(10)	(15)
At end of period	402	9	411
Net book value	1,579	-	1,579
At end of period			
At beginning of period	1,299	7	1,306

10 Fixed asset investments

Company	Subsidiary undertakings £000
Cost and net book value	
At beginning of period	343
Acquisition	-
At end of period	343

Notes (continued)

10 Fixed asset investments (continued)

Subsidiary companies included in the consolidation are as follows

	Class of shares	Percentage of shares held by Group Company	Direct parent	Principal activity	Net assets/ (liabilities) £000	Net profit / (loss) for period ended December 2006 £000
Flowtech Mid-co Limited	Ordinary	100%	Flowtech Holdings Limited	Holding company	(176)	(227)
Flowtech IPL Limited	Ordinary	100%	Flowtech Mid-co Limited	Holding company	(11,411)	(4,699)
Flowtech Limited	Ordinary	100%	Flowtech IPL Limited	Distributors of engineering components	18,700	5,226
Euro Plumbing Supplies Limited	Ordinary	100%	Flowtech IPL Limited	Supply of plumbing products	2,036	527
Euro Pipe Supports Limited	Ordinary	100%	Flowtech IPL Limited	Supply of plumbing products	-	(110)

The above subsidiary undertakings are registered in England and Wales

Group	Other investments £000
<i>Cost and net book value</i>	
At beginning and end of period	136

Flowtech limited owns 10% of the Ordinary shares in All-Fitt Benelux BV, a company incorporated in the Netherlands

11 Stock

	Group 2006 £000	Company 2006 £000	Group 2005 £000	Company 2005 £000
Finished goods and goods for resale	6,168	-	4,631	-
	<u>6,168</u>	<u>-</u>	<u>4,631</u>	<u>-</u>

Notes (continued)

12 Debtors

	Group 2006 £000	Company 2006 £000	Group 2005 £000	Company 2005 £000
Trade debtors	7,000	-	6,511	-
Other debtors	158	-	289	-
Prepayments	823	-	228	-
	<u>7,981</u>	<u>-</u>	<u>7,028</u>	<u>-</u>

13 Creditors: amounts falling due within one year

	Group 2006 £000	Company 2006 £000	Group 2005 £000	Company 2005 £000
Bank Loans	3,739	-	2,709	-
Trade creditors	2,565	-	2,375	-
Corporation tax	287	-	462	-
Other taxes and social security	544	-	1,196	-
Other creditors	195	-	139	-
Accruals and deferred income	298	-	259	-
	<u>7,628</u>	<u>-</u>	<u>7,140</u>	<u>-</u>

Bank loans are stated net of finance costs of £105,000 (2005 £91,000) These costs are being spread in accordance with FRS 4 over the term of the finance to which they relate

14 Creditors: amounts falling due after more than one year

	Group 2006 £000	Company 2006 £000	Group 2005 £000	Company 2005 £000
Bank loans	21,096	-	24,646	-
Other loans	31,203	-	27,903	-
	400	-	-	-
	<u>52,699</u>	<u>-</u>	<u>52,549</u>	<u>-</u>

Bank loans and other loans are stated net of finance costs of £568,000 and £579,000 (2005 £709,000 and £664,000) respectively These costs are being spread in accordance with FRS 4 over the term of the finance to which they relate

Notes (continued)

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

Bank and other loans

The bank and other loans are repayable in instalments as follows

	Group 2006 £000	Group 2005 £000
Within one year	3,800	2,800
1-2 years	4,300	3,800
2-5 years	13,650	13,400
In more than 5 years	29,567	34,117
Loans	<u>51,317</u>	<u>54,117</u>
Finance cost	(1,252)	(1,464)
Interest rolled up	5,973	2,605
	<u>56,038</u>	<u>55,258</u>

The interest charged on bank and other loans is as follows

	Interest rate above base	Group Principle outstanding £000
Gresham loan	Base + 4%	26,117
Barclays loan - £18m	Base + 2.25% + 0.0106% administration charge	13,200
Barclays loan - £5m	Base + 2.75% + 0.0106% administration charge	5,000
Barclays loan - £3m	Base + 4% + 0.0106% administration charge	3,000
Barclays loan - £4m	Base + 2.25% + 0.625% administration charge	4,000

Notes (continued)

15 Acquisitions

On 31 March 2006, the Flowtech IPL Limited acquired a 100% of the business of Euro Pipe Supports Limited for a consideration of £160,000. Goodwill arising on the acquisition has been capitalised in line with the group accounting policy. Fair value is deemed to be equal to book value for all acquired assets and liabilities.

	Fair value £'000
Debtors	273
Cash	(15)
Creditors	(131)
	<hr/> 127
Consideration paid in cash	(160)
	<hr/> 33
Goodwill on consolidation	<hr/> <hr/>

Notes (continued)

16 Called up share capital

	2006		2005	
	Number	Number	Number	£000
<i>Authorised</i>				
'A' Ordinary shares of 1p each	8,300,000	83	8,300,000	83
'B' Ordinary shares of 1p each	1,700,000	17	1,700,000	17
'C' Ordinary shares of 1p each	193,680	2	193,680	2
	<u>10,193,680</u>	<u>102</u>	<u>10,193,680</u>	<u>102</u>
<i>Allotted, called up and fully paid</i>				
'A' Ordinary shares of 1p each	8,300,000	83	8,300,000	83
'B' Ordinary shares of 1p each	1,300,000	13	1,300,000	13
	<u>9,600,000</u>	<u>96</u>	<u>9,600,000</u>	<u>96</u>

Dividends

Dividends will be paid to holders of the 'A' ordinary shares in priority to any payment by way of dividend to the holders of any other shares of the capital of the company 'A' ordinary shares will receive a cumulative participating dividend of an amount equal to a percentage of net profit for each financial year The percentage of net profit to be paid as dividend will be 7% in 2006 – 2007, 7.5% in 2008 and 10% for 2009 and all subsequent years Dividends on 'A' shares will be paid ipso facto and without any resolution of the board or of the company in a general meeting

No dividends shall be declared or paid on the 'B' shares or the 'C' shares without the prior written consent of the Majority Investors

Voting rights

The 'A' ordinary shares, 'B' ordinary shares and 'C' ordinary shares carry one vote per share

Return of capital

On a return of assets, the assets of the company remaining after the payment of liabilities shall be paid on 'A' ordinary shares, 'B' ordinary shares and 'C' ordinary shares on an equal basis

Notes (continued)

17 Reserves

Group	Share premium £000	Profit & loss account £000
At beginning of period	247	(249)
Premium on shares issued during the period	-	-
Retained profit for the period	-	778
At end of period	<u>247</u>	<u>529</u>

Company	Share premium £000	Profit & loss account £000
At beginning of period	247	-
Premium on shares issued during the period	-	-
Loss retained for the period	-	-
At end of period	<u>247</u>	<u>-</u>

Notes (continued)

18 Reconciliation of movement in shareholders' funds

	Period ended 31 December 2006		Period ended 31 December 2005	
	Group £000	Company £000	Group £000	Company £000
Profit/(loss) for the period	778	-	(249)	-
New share capital subscribed	-	-	343	343
	<hr/>	<hr/>	<hr/>	<hr/>
Net addition to shareholders' funds	778	-	94	343
Opening shareholders' funds	94	343	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	872	343	94	343
	<hr/>	<hr/>	<hr/>	<hr/>

19 Capital commitments

The company had no capital commitments at 31 December 2006

20 Leasing commitments

Operating lease payments amounting to £6,000 (2005 £5,000) are due within one year. The leases to which these amounts relate expire as follows:

	Land and buildings 2006 £000	Other 2006 £000	Land and buildings 2005 £000	Other 2005 £000
In one year or less	-	6	-	5
Between one and two years	-	37	-	38
Between two and five years	-	40	-	40
Over five years	312	-	285	-
	<hr/>	<hr/>	<hr/>	<hr/>
	312	83	285	83
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

21 Reconciliation of operating profit to net cash inflow from operating activities

	2006 £000	2005 £000
Operating profit	5,877	5,984
Depreciation	219	216
Amortisation charge	119	438
Profit on disposal of fixed assets	-	(5)
Increase in stocks	(1,537)	(1,097)
Increase in debtors	(681)	(1,545)
Decrease in creditors	(498)	(2,287)
Net cash inflow from operating activities	<u>3,499</u>	<u>1,704</u>

22 Reconciliation of net cash flow to movement in net debt

	2006 £000	2005 £000
(Decrease)/increase in cash in the period	(1,262)	1,658
Cash outflow from acquisition	-	(56,117)
Repayment of capital	2,400	2,000
Capitalised loan interest	(3,580)	(2,605)
Amortisation of FRS 4 costs	-	1,464
Movement in net debt for the period	<u>(2,422)</u>	<u>(53,600)</u>
Net debt brought forward	(53,600)	-
Net debt carried forward	<u>(56,042)</u>	<u>(53,600)</u>

23 Analysis of net debt

	At start of the period £000	Cash flow £000	Non-cash movement £000	At the end of the period £000
Cash at bank and in hand	1,658	(1,262)	-	396
Debt due within one year	(2,709)	2,709	(3,739)	(3,739)
Debt due after one year	(52,549)	(309)	159	(52,699)
Total	<u>(53,600)</u>	<u>1,138</u>	<u>(3,580)</u>	<u>(56,042)</u>

24 Related party transactions

Flowtech Limited trades with All-Fitt Benelux BV in which it also holds a 10% shareholding. In the period Flowtech Limited made purchases from All-Fitt Benelux BV of £109,000 and sales of £148,000. These transactions were made at arms length.