Flowtech Holdings Limited

Directors' report and consolidated financial statements

Registered number 05207649

31 December 2007

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007.

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 6 of the financial statements.

In May 2007, the group acquired the remaining 90% of the shares in Allfitt Flowtechnology BV, a similar distribution company offering access into 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.

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 affected products.

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 5 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 loss *(2006: profit)* for the year retained by the group is £315,000 (2006: £778,000) 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

Charitable and Political Donations

Charitable contributions made by the Group in the period amounted to £900 *(2006: £840)*. 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.

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

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 2007 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 3.

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 2007 and of the group's loss 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.

KPMG LLP   8 January 2009

KPMG LLP
Chartered Accountants
Registered Auditor

Consolidated profit and loss account

Year ended 31 December 2007

	Note	**Year ended 31 December 2007 £000**	Year ended 31 December 2006 £000
Turnover	*2*	**31,958**	28,652
Cost of sales		**(20,085)**	(17,375)
Gross profit		**11,873**	11,277
Administration expenses		**(6,223)**	(5,400)
Operating profit		**5,650**	5,877
Interest receivable and similar income	*6*	**2**	23
Interest payable and similar charges	*7*	**(5,756)**	(4,991)
(Loss)/profit on ordinary activities before taxation	*3*	**(104)**	909
Tax on profit on ordinary activities	*8*	**(211)**	(131)
(Loss)/profit for the financial period	*19*	**(315)**	778

All operations are continuing.

There were no recognised gains or losses other than the profit for the financial year. A statement of total gains and losses is therefore not required.

Consolidated balance sheet
at 31 December 2007

	Note	2007 £000	2007 £000	2006 £000	2006 £000
Fixed assets					
Intangible assets	*9*	45,653		44,938	
Tangible assets	*10*	1,932		1,579	
Investments	*11*	-		136	
			47,585		46,653
Current assets					
Stock	12	7,906		6,168	
Debtors	*13*	10,595		7,982	
Cash at bank and in hand		395		396	
		18,896		14,546	
Creditors: amounts falling due within one year	*14*	(10,969)		(7,628)	
Net current assets			7,927		6,918
Total assets less current liabilities			55,512		53,571
Creditors: amounts falling due after more than one year	*15*		(54,782)		(52,699)
Provisions for liabilities	*16*		(173)		-
Net assets			557		872
Capital and reserves					
Called up share capital	*18*		96		96
Share premium account	*19*		247		247
Profit and loss account	*19*		214		529
Shareholders' funds	*20*		557		872

These financial statements were approved by the board of directors on 8th January 2009 and were signed on its behalf by:

DK Crosby
Director

Company balance sheet
at 31 December 2007

	Note	31 December 2007 £000	31 December 2006 £000
Fixed assets			
Investments	*11*	**343**	343
Net assets		**343**	343
Capital and reserves			
Called up share capital	*18*	**96**	96
Share premium account	*19*	**247**	247
Shareholders' funds		**343**	343

These financial statements were approved by the board of directors on 8th Jan 2009 and were signed on its behalf by:

DK Crosby
Director

Consolidated cash flow statement
for the year ended 31 December 2007

	Note		**Year ended 31 December 2007**		Year ended 31 December 2006
			£000		£000
Net cash inflow from operating activities	*24*		**7,069**		3,499
Return on investments and servicing of finance					
Interest paid		**(2,264)**		(1,411)	
Interest received		**2**		23	
			(2,262)		(1,388)
Taxation					
UK Corporation tax paid			**(305)**		(306)
Capital expenditure					
Purchase of tangible fixed assets		**(524)**		(511)	
Sale of tangible fixed assets		**-**		19	
			(524)		(492)
Acquisitions and disposals					
Purchase of subsidiary undertakings		**(1,302)**		-	
Cash acquired with subsidiaries		**25**		(15)	
Purchase of investments		**-**		(160)	
			(1,277)		(175)
Net cash inflow before financing			**2,701**		(1,138)
Financing					
Loan repayment			**(2,727)**		(2,400)
Decrease in cash and cash equivalents	*25, 26*		**(26)**		(1,262)

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.

The directors have carefully considered the current and future funding position and despite the market difficulties and tough conditions expected over the next few months that they are confident that the company has taken sufficient steps to withstand the impact of the credit crunch and has just agreed new facilities. Should market conditions deteriorate, the directors believe a number of options remain available to ensure the conditions of their funding will continue to be met.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2007. 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 19 to these accounts.

In accordance with the exemptions conferred by Financial Reporting Standard 8, "Related Party Disclosures" details of transactions with entities 90 per cent or more of whose voting rights are controlled within the same company have not been disclosed.

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 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 charged 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
Stocks 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.
The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings is consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

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 Turnover

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
United Kingdom	**29,420**	28,442
Europe	**2,501**	210
Rest of World	**37**	-
	31,958	28,652

3 (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging:	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Auditors' remuneration		
- Audit	**63**	58
- Other services	**25**	30
Depreciation	**296**	219
Amortisation of goodwill	**100**	220
Impairment of goodwill	**33**	-
Gain on foreign exchange transaction	**(194)**	(213)
Operating leases rentals	**507**	408

4 Remuneration of directors'

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Directors' emoluments:		
Remuneration as executives	**568**	421
Pension contributions	**2**	19
	570	440
Highest paid Director:		
The emoluments for the highest paid director for the year	**163**	155

Notes *(continued)*

5 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 2007**	Year ended 31 December 2006
Distribution	**67**	60
Administration	**77**	73
	144	133

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Wages and salaries	**3,234**	2,778
Social security costs	**301**	241
Pension costs	**30**	26
	3,565	3,045

6 Interest receivable and similar income

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Bank interest receivable	**1**	**21**
Other interest receivable	**1**	**2**
	2	**23**

7 Interest payable and similar charges

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
On bank loans	**3,238**	2,629
On other loans	**2,518**	2,362
	5,756	4,991

Included within interest on bank loans & overdrafts and other loans are finance costs of £159,650 and £95,000 (2006: £136,000 and £95,000) 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.

Notes *(continued)*

8 Taxation

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Current tax		
UK corporation tax		
Current tax on income for the period	-	131
Adjustments in respect of prior periods	16	-
Foreign tax		
Current tax on income for the period	22	-
Total current tax	38	131
Deferred tax		
Origination and reversal of timing differences	20	-
Adjustments in respect of prior periods	153	-
Total deferred tax	173	
Tax on profit on ordinary activities	211	131

The tax charge assessed for the year is higher *(2006: lower)* than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

	2007 Group £'000	2006 Group £'000
(Loss)/profit on ordinary activities before taxation	(104)	909
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(31)	272
Effects of:		
Other timing differences	-	19
Depreciation for the year in excess of capital allowances	(31)	-
Losses carried forward	62	-
Permanent differences	25	-
Adjustment in respect of prior periods	16	(160)
Group relief	-	-
Effects of lower rates of tax	-	-
Overseas tax at higher/lower rate than UK	(3)	-
Current tax charge for the period	38	131

Notes *(continued)*

9 Intangible fixed assets

Group	Goodwill £000
Cost	
At beginning of period	45,495
Acquisition in period	848
	46,343
Amortisation	
At beginning of period	557
Charged on purchased goodwill in the period	100
Impairment	33
At end of period	**690**
Net book value	
At end of period	**45,653**
At beginning of period	44,938

Net book value at the year end is made up of:

Purchased goodwill	234
Goodwill on consolidation	45,419
	45,653

10 Tangible fixed assets

	Plant, machinery & equipment	Motor vehicles	Total
Group	**£000**	**£000**	**£000**
Cost			
At beginning of period	1,981	9	1,990
Acquisition	129	-	129
Additions	524	-	524
Disposals	(50)	-	(50)
At end of period	**2,584**	**9**	**2,593**
Depreciation			
At beginning of period	402	9	411
Charge for period	296	-	296
Disposals	(46)	-	(46)
At end of period	**652**	**9**	**661**
Net book value			
At end of period	**1,932**	**-**	**1,932**
At beginning of period	1,579	-	1,579

Notes *(continued)*

11 Fixed asset investments

Group	**Other investments**	
	£000	**£000**
	2007	**2006**
Cost and net book value		
	-	136

Flowtech Limited owns 10% of the Ordinary shares in Allfitt Benelux BV, a company incorporated in the Netherlands. During the year Flowtech IPL Limited acquired the remaining 90% consequently Allfitt has been accounted for as a subsidiary in the consolidated accounts for the year ended 31 December 2007. Refer note 17.

Subsidiary companies included in the consolidated are as follows:

Subsidiary	Country of Incorporation	Class of shares	Percentage of shares held by Group Company	Direct parent	Principal activity	Net assets/ (liabilities) £000	Net profit / (loss) for year / period ended December 2007 £000
Flowtech Mid-Co Limited	UK	Ordinary	100%	Flowtech Holdings Limited	Holding Company	(420)	(244)
Flowtech IPL Limited	UK	Ordinary	100%	Flowtech Mid-co Limited	Holding company	(16,955)	(5,543)
Flowtech Limited	UK	Ordinary	100%	Flowtech IPL Limited	Distributors of engineering components	23,799	5,100
Euro Plumbing Supplies Limited	UK	Ordinary	100%	Flowtech IPL Limited	Supply of plumbing products	2,388	352
Euro Pipe Supports Limited	UK	Ordinary	100%	Flowtech IPL Limited	Supply of plumbing products	-	-
Allfitt Flowtechnology B.V.	Netherlands	Ordinary Ordinary	90% 10%	Flowtech IPL Limited Flowtech Limited	Distributors of engineering components	657	60

The above subsidiary undertakings are registered in England and Wales.

Notes *(continued)*

11 Fixed asset investments *(continued)*

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

12 Stock

	Group 2007 £000	Company 2007 £000	Group 2006 £000	Company 2006 £000
Finished goods and goods for resale	7,906	-	6,168	-
	7,906	-	6,168	-

13 Debtors

	Group 2007 £000	Company 2007 £000	Group 2006 £000	Company 2006 £000
Trade debtors	8,257	-	7,000	-
Other debtors	329	-	158	-
Prepayments	2,007	-	824	-
Deferred tax asset	2	-	-	-
	10,595	-	7,982	-

14 Creditors: amounts falling due within one year

	Group 2007 £000	Company 2007 £000	Group 2006 £000	Company 2006 £000
Bank Loans and overdrafts	3,048	-	3,739	-
Trade creditors	4,546	-	2,565	-
Corporation tax	-	-	287	-
Other taxes and social security	498	-	544	-
Other creditors	150	-	195	-
Accruals and deferred income	600	-	298	-
Finance lease	116	-	-	-
Other loans	37	-	-	-
Invoice discount facility	1,974	-	-	-
	10,969	-	7,628	-

Bank loans and other loans are stated net of finance costs of £147,921 (2006: £105,000). These costs are being spread in accordance with FRS 4 over the term of the finance to which they relate.

Notes *(continued)*

15 Creditors: amounts falling due after more than one year

	Group 2007 £000	Company 2007 £000	Group 2006 £000	Company 2006 £000
Bank loans and overdrafts	19,910	-	21,096	-
Other loans	34,588	-	31,203	-
Finance lease	284	-	400	-
	54,782	-	52,699	-

Bank loans and other loans are stated net of finance costs of £376,717 and £474,040 (2006: £568,000 and £537,000) respectively. These costs are being spread in accordance with FRS 4 over the term of the finance to which they relate.

Bank and other loans

The bank and other loans are repayable in instalments as follows:

	2007 £000	2006 £000
Bank loans due within one year	3,000	3,800
Other loans	196	-
Finance costs	(148)	(61)
Total bank loans due within one year	3,048	3,739
1 to 2 years	3,500	4,300
2 to 5 years	13,250	14,100
Bank loans due within 2 to 5 years	16,750	18,400
Other loans due within 2 to 5 years	271	-
Finance costs	(318)	(552)
Total bank and other loans due within 2 to 5 years	16,703	17,848
Other loans due in more than 5 years	29,117	29,117
Finance costs	(532)	(639)
Interest rolled up	9,210	5,973
Total bank and other loans due in more than 5 years	37,795	34,451
Total bank and other loans	57,546	56,038

Interest charged on bank and other loans is as follows:

		2007 £	2006 £
Gresham loan	Base + 4%	26,117,000	26,117,000
Bank loan - £22m	Base + 2.25% + 0.112% administration charge	10,750,000	13,200,000
Bank loan - £5m	Base + 2.75% + 0.112% administration charge	5,000,000	5,000,000
Bank loan - £4m	Base + 2.25% + 0.625% administration charge	4,000,000	4,000,000

Notes *(continued)*

16 Provision for liabilities

	Deferred taxation £000
At 1 January 2007	-
Current year movement	20
Adjustment in respect of prior year	153
	173

	Current year		Prior year	
	Provided 2007 £000	**Unprovided 2007 £000**	Provided 2006 £000	Unprovided 2006 £000
Capital allowances in excess of depreciation	**174**	-	-	-
Short term timing differences	**(1)**	-	-	-
	173	-	-	-

17 Acquisitions

On 31 May 2007, Flowtech IPL Limited acquired a further 90% of the business of Allfitt BV for a consideration of £1.3m. The initial 10% was previously acquired by Flowtech Limited for a consideration of £136k refer note 11. 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.

Notes *(continued)*

17 Acquisitions *(continued)*

	Fair value £'000
Fixed assets	
Tangible	129
Current assets	
Stock	1,066
Debtors	527
Other debtors and prepayments	9
Cash	24
Total assets	1,755
Current liabilities	
Creditors	264
Other creditors and accruals	84
Other tax and social security	73
	421
Finance and loans	744
Total liabilities	1,165
Net assets	590
Consideration	
90% acquired in year	1,302
Cost of 10% held by Flowtech Limited	136
	1,438
Less net assets	**590**
Goodwill on consolidation	**848**

18 Called up share capital

	2007 Number	£000	2006 Number	£000
Authorised				
'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
	10,193,680	102	10,193,680	102
Allotted, called up and fully paid				
'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
	9,600,000	96	9,600,000	96

Notes *(continued)*

18 Called up share capital *(continued)*

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 5% in 2006 and 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.

19 Reserves

Group	**Share premium £000**	**Profit & loss account £000**
At beginning of period	247	529
Retained loss for the year	-	(315)
At end of period	**247**	**214**

Company	**Share premium £000**	**Profit & loss account £000**
At beginning of period and end of period	247	-

20 Reconciliation of movement in shareholders' funds

	Year ended 31 December 2007		**Year ended 31 December 2006**	
	Group £000	**Company £000**	**Group £000**	**Company £000**
(Loss)/profit for the period	(315)	-	778	-
Net (deduction)/ addition to shareholders' funds	(315)	-	778	-
Opening shareholders' funds	872	343	94	343
Closing shareholders' funds	**557**	343	872	343

Notes *(continued)*

21 Capital commitments

The company had no capital commitments at 31 December 2007 or 31 December 2006.

22 Leasing commitments

Operating lease payments amounting to £484,000 (2006: £6,000) are due within one year. The leases to which these amounts relate expire as follows:

	Land and buildings 2007 £000	**Other 2007 £000**	Land and buildings 2006 £000	Other 2006 £000
In one year or less	**4**	**18**	-	6
Between one and two years	**7**	**13**	-	37
Between two and five years	**14**	**39**	-	40
Over five years	**385**	**4**	312	-
	410	**74**	312	83

23 Pension scheme

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £30,700 *(2006 :£25,979).*

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

	2007 £000	2006 £000
Operating profit	**5,650**	5,877
Depreciation	**296**	219
Amortisation charge	**100**	119
Impairment	**33**	-
Increase in stocks	**(609)**	(1,537)
Increase in debtors	**(2,030)**	(681)
Increase(decrease) in creditors	**3,629**	(498)
Net cash inflow from operating activities	**7,069**	3,499

Notes *(continued)*

25 Reconciliation of net cash flow to movement in net debt

	2007 £000	2006 £000
Decrease in cash in the period	(220)	(1,262)
Repayment of capital	2,921	2,400
Capitalised loan interest	(3,237)	(3,580)
Cash acquired with subsidiary	25	-
Loan acquired with subsidiary	(743)	-
Amortisation of FRS 4 costs	(255)	-
Movement in net debt for the period	(1,509)	(2,442)
Net debt brought forward	(56,042)	(53,600)
Net debt carried forward	(57,551)	(56,042)

26 Analysis of net debt

	At start of the period £000	Cash flow £000	Non-cash movement £000	Acquisitions £000	At the end of the period £000
Cash at bank and in hand	396	(26)		25	395
Debt due within one year	(3,739)	2,727	(1,565)	(471)	(3,048)
Debt due after one year	(52,699)	-	(1,927)	(272)	(54,898)
Total	(56,042)	2,701	(3,492)	(718)	(57,551)