

Flowtech Holdings Limited

Financial statements

Registered number 05207649

For the year ended 31 December 2013

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Strategic report

Business review

The group continues to focus on the European 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 always “Exceed Expectations”.

The results of the group are set out on page 7 of the financial statements. The directors are pleased with the results for the year and believe the outlook remains good.

The group is financed by a combination of bank loans of £9,375,000 (2012: £11,399,000), shareholder loans of £26,117,000 (2012: £26,117,000) and rolled up loan note interest of £29,006,000 (2012: £26,253,000). Under UK Generally Accepted Accounting Practice, the shareholder loan notes are classified as long term liabilities rather than permanent equity capital. The group therefore shows an excess of liabilities over assets resulting in an overall net liability position. If the shareholder loan notes and associated interest were considered to be permanent equity capital, the group would show an overall net assets position of £42,075,000 (2012: £41,240,000). If the interest charged during the year on the shareholder loan notes were considered to be a dividend payment, the profit on ordinary activities before taxation would be £3,222,000 (2012: £1,836,000).

Key Performance Indicators

The group’s management uses a number of key measures to monitor and manage the performance of the business. The performance of individual customers and individual products is reviewed daily in terms of turnover and profitability, with particular focus on service and the comparison of actual performance with prior year and target performance. At operating company level the key performance indicators are sales, gross margin, EBITA, cash generation, together with working capital measures against stock and debtors.

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. Although the majority of these borrowings are subject to fixed rate hedging instruments, a change in base rate can have an impact on the cost of this finance. The group’s bank financing is subject to a variety of covenants including interest cover, cash flow cover and EBITA/net debt ratios.

The group, through its subsidiaries, purchases large amounts of materials that have been shown to suffer some price volatility due to both availability and the effect of foreign exchange. To minimise these effects the companies buy extensive stocks of potentially 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 group’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.

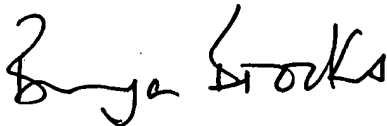
Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements. The group is committed to providing staff and management with training designed to develop attitudes and skills and give opportunities for advancement. The group promotes good communication and consultation with regular management meetings, staff briefings, and a Staff Consultative Committee to involve staff in the progress of the group and its future.

All staff participate in group performance bonus schemes. The group believes that these schemes demonstrate the group'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.

By order of the board



BR Brooks
Director

Date:

28 Apr 2014

Pimbo Road
Skelmersdale
Lancashire
WN8 9RB
2014

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2013.

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, concentrating on the fluid power industry.

On 18 June 2013, the group successfully refinanced its bank facilities with a significant reduction in on-going interest burden and with a repayment programme suited to cash generation forecasts over the same period.

Proposed dividend and transfer to reserves

The loss for the year retained by the group is £1,945,000 (2012: £2,163,000) and this has been transferred to reserves.

The directors cannot recommend payment of a dividend.

Directors

The directors who held office during the year and since the year end were as follows:

KW Lawrence	(resigned 31 January 2014)
SM Fennon	
BR Brooks	
P Watson	
W Wilson	

Charitable and political donations

Charitable contributions made by the group in the year amounted to £5,386 (2012: £6,116). No political contributions were made during the year.

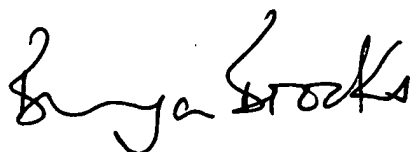
Disclosure of information to auditors

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

Grant Thornton UK LLP offer themselves for reappointment as auditor in accordance with Section 485(4) of the Companies Act 2006.

By order of the board



BR Brooks

Director

Date: 28 APR 2014

Pimbo Road
Skelmersdale
Lancashire
WN8 9RB
2014

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Flowtech Holdings Limited

We have audited the financial statements of Flowtech Holdings Limited for the year ended 31 December 2013 which comprise the consolidated profit and loss account, the consolidated and parent company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's 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 Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Stuart Muskett
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
Manchester

Date: 28 April 2014.

Consolidated profit and loss account

Year ended 31 December 2013

	Note	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Turnover	2	34,272	33,830
Cost of sales		(22,863)	(23,349)
Gross profit		11,409	10,481
Sales and distribution costs		(1,823)	(1,968)
Administrative expenses		(5,381)	(4,910)
Operating profit		4,205	3,603
Interest payable and similar charges	6	(5,236)	(5,498)
Loss on ordinary activities before taxation	3	(1,031)	(1,895)
Tax on loss on ordinary activities	7	(914)	(268)
Loss for the financial year	17	(1,945)	(2,163)

All operations are continuing.

The notes on pages 12 to 25 form part of the financial statements.

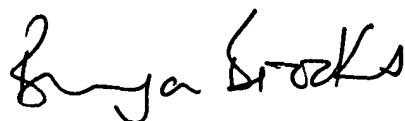
Consolidated balance sheet

As at 31 December 2013

	Note	2013 £000	2013 £000	2012 £000	2012 £000
Fixed assets					
Intangible assets	8	42,524		42,919	
Tangible assets	9	1,729		1,810	
			44,253		44,729
Current assets					
Stock	11	9,804		9,197	
Debtors	12	7,821		7,881	
Cash at bank and in hand		2,265		283	
		19,890		17,361	
Creditors: amounts falling due within one year	13	(16,256)		(14,268)	
Net current assets			3,634		3,093
Total assets less current liabilities			47,887		47,822
Creditors: amounts falling due after more than one year	14		(60,672)		(58,780)
Provisions for liabilities	15		(263)		(172)
Net liabilities			(13,048)		(11,130)
Capital and reserves					
Called up share capital	16		96		96
Share premium account	17		247		247
Profit and loss account	17		(13,391)		(11,473)
Shareholders' deficit	18		(13,048)		(11,130)

The notes on pages 12 to 25 form part of the financial statements.

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



BR Brooks
Director

Date: 28 Apr 2014

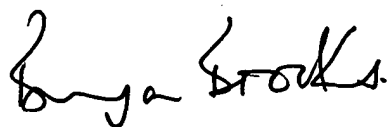
Company balance sheet

As at 31 December 2013

	Note	2013 £000	2013 £000	2012 £000	2012 £000
Fixed assets					
Investments	10		343		343
Current assets					
Debtors	12	-		2	
Cash at bank and in hand		2		-	
		<u>2</u>		<u>2</u>	
Creditors: amounts falling due within one year	13	<u>(2,979)</u>		<u>(1,812)</u>	
Net current liabilities			<u>(2,977)</u>		<u>(1,810)</u>
Net liabilities			<u>(2,634)</u>		<u>(1,467)</u>
Capital and reserves					
Called up share capital	16		96		96
Share premium account	17		247		247
Profit and loss account	17		<u>(2,977)</u>		<u>(1,810)</u>
Shareholders' deficit	18		<u>(2,634)</u>		<u>(1,467)</u>

The notes on pages 12 to 25 form part of the financial statements.

These financial statements were approved by board of directors and were signed on its behalf by:



BR Brooks
Director

Date: 28 April 2014.

Consolidated cash flow statement
for the year ended 31 December 2013

		Year ended 31 December 2013	Year ended 31 December 2012
	Note	£000	£000
Net cash inflow from operating activities	22	4,396	4,526
Return on investments and servicing of finance			
Interest paid		(4,339)	(952)
Taxation			
Corporation tax paid		(883)	(170)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(385)	(472)
Proceeds on disposal of fixed assets		11	27
		(374)	(445)
Acquisitions and disposals			
Additional payment for prior year acquisition		-	(10)
Net cash (outflow)/inflow before financing		(1,200)	2,949
Financing			
Receipt of bank loan		9,825	-
Net receipt/(repayment) of short term financing		3,692	(1,262)
Bank loan repayment		(10,139)	(2,523)
Capital element of finance lease payments		(17)	(16)
		3,361	(1,277)
Increase/(decrease) in cash and cash equivalents	23,24	2,161	(852)

The notes on pages 12 to 25 form part of the financial statements.

Consolidated statement of total recognised gains and losses
for the year ended 31 December 2013

	2013 £000	2012 £000
Loss for the financial year	(1,945)	(2,163)
Net exchange differences on the retranslation of net investments and related borrowings	27	(70)
Total recognised gains and losses relating to the financial year	(1,918)	(2,233)
Total gains and losses recognised since last annual report	(1,918)	(2,233)

The notes on pages 12 to 25 form part of the financial statements.

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 group's financial statements, except as noted below.

Basis of preparation

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

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding the net liabilities of £13,048,000 which the directors believe to be appropriate for the following reasons.

In common with most private equity funded transactions, the capital structure comprises equity and loan funding from shareholders together with bank funding. The directors have carefully considered the banking facilities and their future covenant compliance in light of the current and future cash flow forecasts and they believe that the company and group are appropriately positioned to ensure the conditions of its funding will continue to be met and therefore enable the company and group to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2013. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary and associated 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.

Under S408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

An associate is an undertaking in which the group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the group has a long-term interest and over which it exercises joint control. The group's share of the profits less losses of associates and of joint ventures is included in the consolidated profit and loss account and its interest in their net assets, other than goodwill, is included in investments in the consolidated balance sheet.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life unless it is considered to have an indefinite useful life, in which case it is not amortised but is subject to annual review for impairment. The latter is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 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 that 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 the effect on the financial statements of this departure. Any impairment charge is included within operating profits.

Notes (continued)

1 Accounting policies (continued)

Impairment of fixed assets and goodwill

The carrying amounts of the group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost.

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed on intangible assets and goodwill only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount. For other fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current year.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Turnover

Turnover is the total amount receivable by the group for goods supplied and for services provided, excluding VAT and discounts. Turnover is recognised in the profit and loss account at the point of despatch.

Cost of sales

Cost of sales represents all costs incurred up to the point of despatch including the operating expenses of the warehouse.

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 economic lives as follows:

Plant and machinery	5 to 15 years	(6% - 20% per annum)
Motor vehicles	3 years	(33% per annum)

Notes (continued)

1 Accounting policies (continued)

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.

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 contracted rate of 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 are 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.

Interest bearing borrowings

Immediately after issue, debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Dividends on shares presented within equity

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Notes (continued)

2 Turnover

	2013 £000	2012 £000
United Kingdom	28,279	28,037
Europe	5,788	5,582
Rest of World	205	211
	<u>34,272</u>	<u>33,830</u>

3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2013 £000	2012 £000
Auditors' remuneration		
- Audit of these financial statements	8	8
- Audit of financial statements of subsidiaries pursuant to legislation	32	30
- Due diligence services	104	-
Depreciation of owned assets	442	412
Depreciation of leased assets	6	12
Impairment of goodwill	395	-
Loss/(gain) on foreign exchange transactions	36	(38)
Operating leases rentals		
- Land and buildings	516	550
- Other	163	156
Loss on disposal of fixed assets	10	37
	<u></u>	<u></u>

4 Remuneration of directors

	2013 £000	2012 £000
Directors' emoluments:		
Remuneration	509	427
Benefits	28	21
	<u></u>	<u></u>

Highest paid director:

The emoluments for the highest paid director for the year

	250	210
	<u></u>	<u></u>

Notes (continued)

5 Staff numbers and costs

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

	Number of employees	
	2013	2012
Distribution	75	81
Administration	97	99
	<u>172</u>	<u>180</u>

The aggregate payroll costs of these persons were as follows:

	2013 £000	2012 £000
Wages and salaries	4,463	4,589
Social security costs	474	509
Pension costs	59	66
	<u>4,996</u>	<u>5,164</u>

6 Interest payable and similar charges

	2013 £000	2012 £000
On bank loans	973	1,497
On other loans	4,261	3,999
On finance leases	2	2
	<u>5,236</u>	<u>5,498</u>

Included within interest on bank loans and other loans are finance costs of £29,000 and £Nil (2012: £11,191 and £94,808) respectively, which are associated with the raising of acquisition finance. The finance costs are 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)

7 Taxation

	2013 £000	2012 £000
Current tax		
<i>UK corporation tax</i>		
Current tax on income for the year	597	326
Adjustments in respect of prior periods	151	(30)
<i>Foreign tax</i>		
Current tax on income for the year	45	35
Adjustments in respect of prior periods	97	-
Total current tax	890	331
Deferred tax		
Origination and reversal of timing differences	36	34
Adjustments in respect of prior periods	2	(103)
Effect of change in tax rate	(14)	6
Total deferred tax	24	(63)
Tax on loss on ordinary activities	914	268

The tax charge assessed for the year differs from the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%).

The differences are explained below:

	2013 Group £000	2012 Group £000
Loss on ordinary activities before taxation	(1,031)	(1,895)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	(240)	(464)
Effects of:		
Other timing differences	(15)	(13)
Movement in tax losses	-	(48)
Difference between depreciation and capital allowances	(21)	27
Adjustment in respect of prior periods	151	(30)
Permanent differences	912	859
Adjustment in respect of prior periods – overseas tax	97	-
Overseas tax at different rate to the UK	6	-
Current tax charge for the year	890	331

Notes (continued)

8 Intangible fixed assets

Group	Goodwill £000
<i>Cost</i>	
At beginning and end of year	43,843
	<hr/>
<i>Impairment</i>	
At beginning of year	924
Impairment	395
	<hr/>
At end of year	1,319
	<hr/>
<i>Net book value</i>	
At end of year	42,524
	<hr/>
At beginning of year	42,919
	<hr/>

During the year, management identified that the goodwill recognised of £395,000 in respect of Industrial Product & Supplies was impaired, and an impairment loss has been recognised within administration expenses.

9 Tangible fixed assets

	Plant, machinery & equipment	Motor vehicles	Total
Group	£000	£000	£000
<i>Cost</i>			
At beginning of year	5,282	45	5,327
Additions	385	-	385
Disposals	(25)	(45)	(70)
Revaluation of assets held in foreign currencies	14	-	14
	<hr/>	<hr/>	<hr/>
At end of year	5,656	-	5,656
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	3,479	38	3,517
Charge for year	445	3	448
Disposals	(8)	(41)	(49)
Revaluation of assets held in foreign currencies	11	-	11
	<hr/>	<hr/>	<hr/>
At end of year	3,927	-	3,927
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At end of year	1,729	-	1,729
	<hr/>	<hr/>	<hr/>
At beginning of year	1,803	7	1,810
	<hr/>	<hr/>	<hr/>

Notes (continued)

10 Fixed asset investments

Subsidiary	Country of Incorporation	Class of shares	Percentage of shares held	Direct parent	Principal activity
Flowtech Mid-Co Limited	UK	Ordinary	100%	Flowtech Holdings Limited	Holding Company
Flowtech IPL Limited	UK	Ordinary	100%	Flowtech Mid-co Limited	Holding company
Flowtech Limited	UK	Ordinary	100%	Flowtech IPL Limited	Distributors of engineering components
Industrial Products & Supplies Limited	UK	Ordinary	100%	Flowtech IPL Limited	Supply of engineering products
Flowtechnology Benelux B.V	Netherlands	Ordinary	100%	Flowtech Europe Limited	Distributors of engineering components
Vitassem Limited	UK	Ordinary	100%	Industrial Equipment & Supplies Limited	Dormant
Flowtechnology CZ Limited	UK	Ordinary	100%	Flowtech Europe Limited	Assembly of engineering components
Flowtech Europe Limited	UK	Ordinary	100%	Flowtech IPL Limited	Holding company
Flowtechnology Asia Limited	UK	Ordinary	100%	Flowtech IPL Limited	Holding company
IPL Fluid Power Limited	UK	Ordinary	100%	Flowtech Ltd	Dormant
Flowtechnology HK Limited	China	Ordinary	100%	Flowtechnology Asia Limited	Holding company

Company
Cost and net book value
At beginning and end of year

**Subsidiary
undertakings
£000**

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Notes (continued)

11 Stock

	Group	Company	Group	Company
	2013	2013	2012	2012
	£000	£000	£000	£000
Finished goods and goods for resale	9,804	-	9,197	-

12 Debtors

	Group	Company	Group	Company
	2013	2013	2012	2012
	£000	£000	£000	£000
Trade debtors	7,450	-	7,415	-
Corporation tax	-	-	25	-
Other debtors	176	-	214	2
Prepayments	195	-	227	-
	7,821	-	7,881	2

13 Creditors: amounts falling due within one year

	Group	Company	Group	Company
	2013	2013	2012	2012
	£000	£000	£000	£000
Bank loans and overdrafts	3,692	-	5,193	-
Trade creditors	3,013	-	3,158	-
Corporation tax	492	-	510	-
Other taxes and social security	649	112	702	140
Other creditors	88	-	70	57
Accruals and deferred income	805	68	806	-
Finance lease	12	-	16	-
Invoice discount facility	4,730	-	3,813	-
Amounts owed to group undertakings	-	2,799	-	1,615
Stock Loan Facility	2,775	-	-	-
	16,256	2,979	14,268	1,812

Bank loans are stated net of deferred arrangement costs of £58,000 (2012: £Nil).

Notes (continued)

14 Creditors: amounts falling due after more than one year

	Group 2013 £000	Company 2013 £000	Group 2012 £000	Company 2012 £000
Bank loans	5,537	-	6,385	-
Other loans	55,123	-	52,370	-
Finance leases	12	-	25	-
	<u>60,672</u>	<u>-</u>	<u>58,780</u>	<u>-</u>

Bank loans are stated net of deferred arrangement costs of £88,000 (2012: £Nil).

Bank and other shareholder loans

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

	2013 £000	2012 £000
Bank loans due within one year	3,750	5,014
Invoice discounting facility	4,730	3,813
Stock loan facility	2,775	-
Less: deferred arrangement costs	(58)	-
Total bank loans due within one year	<u>11,197</u>	<u>8,827</u>
1 to 2 years	2,500	-
Less: deferred arrangement costs	(58)	-
	<u>2,442</u>	<u>-</u>
2 to 5 years	3,125	4,500
Interest rolled up	-	1,885
Less: deferred arrangement costs	(30)	-
Bank loans due in over 1 year	<u>5,537</u>	<u>6,385</u>
Other shareholder loans due within 2 to 5 years	26,117	26,117
Interest rolled up	29,006	26,253
	<u>55,123</u>	<u>52,370</u>
Total bank and other shareholder loans due between 1 and 5 years	<u>60,660</u>	<u>58,755</u>
There are no loans due in more than five years		
Total bank and other shareholder loans	<u>71,857</u>	<u>67,582</u>

Notes (continued)

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

Interest charged on principal bank and other shareholder loans is as follows:

Loan	Rate	2013 Balance £	2012 Balance £
Shareholder loan	Base + 4% (subject to de minimus of 8%)	26,117,000	26,117,000
Bank loan	Base + 5% + 0.0059% administration charge	-	4,500,000
Bank loan	Base + 4.75%	-	5,000,000
Bank loan	Base + 3%	9,375,000	-
Stock loan facility	Base + 4% (maximum borrowing £3m)	2,775,000	-
Invoice discounting facility	Base + 3% (maximum borrowing £5.75m)	4,730,000	3,813,000

15 Provision for liabilities

Group

	Onerous lease provision £000	Provision for dilapidations £000	Deferred taxation £000	Total £000
At 1 January 2013	-	104	68	172
Current year credit	67	-	24	91
	<u>67</u>	<u>104</u>	<u>92</u>	<u>263</u>
At 31 December 2013	67	104	92	263

Deferred tax

	2013 Provided £000	Unprovided £000	2012 Provided £000	Unprovided £000
Capital allowances in excess of depreciation	109	-	90	-
Short term timing differences	(17)	(147)	(22)	(169)
	<u>92</u>	<u>(147)</u>	<u>68</u>	<u>(169)</u>
Liability/(asset)	92	(147)	68	(169)

The 2013 Budget on 20 March 2013, announced that the main rate of corporation tax will fall to 20% from 1 April 2015. A reduction in the rate from 24% to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012, and further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax assets and liabilities at 31 December 2013 have been calculated based on the rate of 20%, which is the lowest substantively enacted rate at the balance sheet date.

Notes (continued)

16 Called up share capital

Group and company

	2013		2012	
	Number	£000	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
	<hr/>	<hr/>	<hr/>	<hr/>
	10,193,680	102	10,193,680	102
	<hr/>	<hr/>	<hr/>	<hr/>
<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
	<hr/>	<hr/>	<hr/>	<hr/>
	9,600,000	96	9,600,000	96
	<hr/>	<hr/>	<hr/>	<hr/>

No minority interest has been recognised in respect of the B and C ordinary shares as they have no rights to dividends and are only entitled to a return of capital on sale if the enterprise value of the group exceeds a threshold specified in that company's articles of association. Since this is contingent on a future uncertain event it is not possible to quantify the minority interest.

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.

17 Reserves

Group	Share premium £000	Profit & loss account £000
At beginning of year	247	(11,473)
Retained loss for the year	-	(1,945)
Exchange adjustments	-	27
	<hr/>	<hr/>
At end of year	247	13,391
	<hr/>	<hr/>

Notes (continued)

17 Reserves (continued)

Company	Share premium £000	Profit & loss account £000
At beginning of year	247	(1,810)
Retained loss for the year	-	(1,167)
At end of year	247	(2,977)

18 Reconciliation of movement in shareholders' deficit

	2013 Group £000	2013 Company £000	2012 Group	2012 Company £000
Loss for the financial year	(1,945)	(1,167)	(2,163)	(969)
Other recognised gains and losses related to the year	27	-	(70)	-
Net increase in shareholders' deficit	(1,918)	(1,167)	(2,233)	(969)
Opening shareholders' deficit	(11,130)	(1,467)	(8,897)	(498)
Closing shareholders' deficit	(13,048)	(2,634)	(11,130)	(1,467)

19 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2013 £000	2012 £000	2013 £000	2012 £000
In one year or less	57	141	27	24
Between one and five years	444	30	130	123
In more than five years	67	380	-	-
	568	551	157	147

20 Pension scheme

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £58,741 (2012: £65,705).

21 Post balance sheet events

Subsequent to the balance sheet date, on 4 April 2014, the Company sold its shares in the subsidiary undertaking, Industrial Product & Supplies Limited.

Notes (continued)

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

	2013 £000	2012 £000
Operating profit	4,205	3,603
Impairment	395	-
Loss on disposal fixed assets	10	37
Depreciation	448	424
Movement in dilapidation provision	-	(40)
(Increase)/decrease in stocks	(607)	614
Decrease in debtors	35	614
Decrease in creditors	(90)	(726)
Net cash inflow from operating activities	4,396	4,526

23 Reconciliation of net cash flow to movement in net debt

	2013 £000	2012 £000
Increase/(decrease) in cash in the year	2,161	(852)
Repayment of capital	10,156	3,802
Net new finance advanced	(13,517)	-
Capitalised loan interest	(4,456)	(4,441)
Repayment of capitalised interest	3,588	-
Amortisation of FRS 4 costs	(29)	(106)
New finance leases	-	(50)
Movement in net debt for the year	(2,097)	(1,647)
Net debt brought forward	(67,519)	(65,872)
Net debt carried forward	(69,616)	(67,519)

24 Analysis of net debt

	At start of the year £000	Cash flow £000	Non-cash movement £000	At the end of the year £000
Cash at bank and in hand	283	1,982	-	2,265
Bank overdraft	(179)	179	-	-
	104	2,161	-	2,265
Debt due within one year	(8,827)*	(2,341)	(29)	(11,197)
Debt due after one year	(58,755)	2,348	(4,253)	(60,660)
Hire purchase	(41)	17	-	(24)
	(67,623)	24	(4,282)	(71,881)
Total	(67,519)	2,185	(4,282)	(69,616)

Included in cash movements are repayments of previously accrued interest of £3,588,000. Non-cash movements represent capitalisation of interest on loans of £4,253,000 and amortisation of deferred arrangement costs of £29,000.

*The opening net debt figure has been restated to include the invoice discounting facility, which was previously shown as a movement in creditors.