

**Flowtech Limited**

**Directors' report and financial  
statements**

Registered number 01672034

31 December 2006

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## **Directors' report**

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

### **Business review and principal activities**

The company is a wholly owned subsidiary of Flowtech IPL Limited. Its ultimate holding company is Flowtech Holdings Limited, a UK registered company operating through subsidiaries in Europe and the UK.

Flowtech Limited's principal activity is the purchasing and distribution of engineering components, principally within the UK and Eire. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

As shown in the company's profit and loss account on page 6, the company's sales have increased by over 4% from the previous year to £23,210,666. Whilst this new business has been encouraging, the volatility of raw material prices, particularly metal, has impinged on gross profit, which has decreased slightly.

The balance sheet on page 9 of the financial statements shows that there have been significant movements in working capital during the year, with higher stock held as the company seeks to protect itself against volatile metal prices. In addition Flowtech now operates payments on behalf of other group companies and as such there are significant year on year increases in inter-company debtors.

The company'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 the 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 company operates in a highly competitive market place with an emphasis on the availability of stock and service. As such, it puts particular emphasis on stock availability and being No. 1 for service. The company manages this risk by having a broad spread of customers and focuses on delivering a quality level of service and building strong relationships with customers.

The company 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 company buys deep stocks of effected products and for foreign exchange the company buys forward to stabilise margins.

### **Environment**

The company 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 the recycling of waste where practical.

### **Employees**

Details of the number of employees and related costs can be found in note 6 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.

## Directors Report *(Continued)*

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.

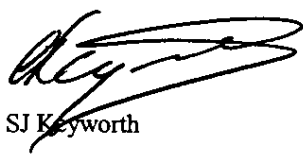
### Disclosure of information to auditors

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

### 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 financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities



**KPMG LLP**

8 Princes Parade  
Liverpool L3 1QH  
United Kingdom

**Independent auditors' report to the members of Flowtech Limited**

We have audited the financial statements of Flowtech Limited for the year ended 30 December 2006 which comprise the Profit and Loss Account, the Balance Sheet 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 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 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 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 company's affairs as at 31 December 2006 and of its 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

VSPMG LLP.

6 November 2007

KPMG LLP  
*Chartered Accountants*  
*Registered Auditor*

**Profit and loss account**  
*for the year ended 31 December 2006*

	<i>Note</i>	2006 £	2005 £
<b>Turnover</b>		23,210,666	22,256,245
Cost of sales		(13,121,476)	(12,097,678)
<b>Gross profit</b>		10,089,190	10,158,567
Administrative expenses		(4,841,540)	(4,413,412)
<b>Operating profit</b>		5,247,650	5,745,155
Interest receivable and similar income	4	20,223	61,836
Interest payable and similar charges	5	(68,304)	(10,366)
<b>Profit on ordinary activities before taxation</b>		5,199,569	5,796,625
Tax on profit on ordinary activities	7	26,630	(180,500)
<b>Profit on ordinary activities after taxation</b>		5,226,199	5,616,125
<b>Profit for the financial year</b>	17	5,226,199	5,616,125

There were no recognised gains or losses other than the profit for the financial year

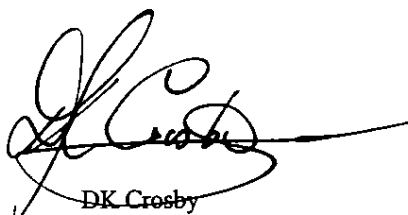
All turnover and operating profits are derived from continuing operations



**Balance sheet**  
*at 31 December 2006*

	Note	2006	2005
		£	£
<b>Fixed assets</b>			
Intangible assets	8	266,680	453,191
Tangible assets	9	1,497,057	1,216,192
Investments	10	136,019	136,019
		<u>1,899,756</u>	<u>1,805,402</u>
<b>Current assets</b>			
Stocks	11	4,887,254	4,066,169
Debtors	12	15,373,804	9,675,568
Cash at bank and in hand		390,831	1,163,519
		<u>20,651,889</u>	<u>14,905,256</u>
<b>Creditors' amounts falling due within one year</b>	13	<u>(3,297,868)</u>	<u>(3,164,075)</u>
<b>Net current assets</b>		<u>17,354,021</u>	<u>11,741,181</u>
<b>Total assets less current liabilities</b>		<u>19,253,777</u>	<u>13,546,583</u>
<b>Creditors' amounts falling due after one year</b>	14	(400,357)	-
<b>Provisions</b>	15	(153,655)	(73,017)
		<u>18,699,765</u>	<u>13,473,566</u>
<b>Capital and reserves</b>			
Called up share capital	16	100	100
Share premium account	17	9,974	9,974
Profit and loss account	17	18,689,691	13,463,492
		<u>18,699,765</u>	<u>13,473,566</u>
<b>Shareholders' funds</b>	18	<u>18,699,765</u>	<u>13,473,566</u>

These financial statements were approved by the director on 4th Sept 2007 and were signed by

  
DK Crosby  
Director

## 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 principal accounting policies of the company have remained unchanged from the previous year and are set out below

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of the group headed by Flowtech Holdings Limited, the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Flowtech Holdings Limited, within which this Company is included, can be obtained from the address given in note 22.

#### *Goodwill*

Purchased goodwill, 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 of three to six years.

#### *Turnover*

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

#### *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 freehold land by equal annual instalments over their expected useful lives. The rates generally applicable are

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

## **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 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.

#### ***Deferred taxation***

Deferred taxation is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date.

#### ***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 Turnover

The turnover and profit before taxation is attributable to the company's principal activity, which is carried on in a single geographical market

### 3 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging

	2006 £	2005 £
Auditors' remuneration		
- audit	53,250	17,000
- non audit	29,965	6,000
Depreciation	171,909	136,368
Amortisation	186,511	354,276
Profit on foreign exchange transactions	(91,674)	(138,851)
Other operating lease rentals	408,432	285,000
Profit on disposal of tangible fixed assets	-	(5,516)
	<u>          </u>	<u>          </u>

### 4 Interest receivable and similar income

	2006 £	2005 £
Bank interest receivable	18,786	61,836
Other interest receivable	1,437	-
	<u>20,223</u>	<u>61,836</u>

### 5 Interest payable and similar charges

	2006 £	2005 £
On bank loans and overdrafts	37,007	4,997
Other interest	31,297	5,369
	<u>68,304</u>	<u>10,366</u>

## Notes (continued)

### 6 Directors and employees

	2006 £	2005 £
<i>Staff costs during the year were as follows</i>		
Wages and salaries	2,532,694	2,294,543
Social security costs	216,083	195,558
Other pension costs	25,979	21,375
	<u>2,774,756</u>	<u>2,511,476</u>

The average number of employees of the company (including directors) during the year was

	2006 Number	2005 Number
Distribution	60	59
Administration	73	63
	<u>133</u>	<u>122</u>

Remuneration in respect of directors was as follows

	2006 £	2005 £
Emoluments	440,168	477,138
	<u>440,168</u>	<u>477,138</u>

During the year no directors (2005 Nil) participated in money purchase pension schemes

The amounts set out above include remuneration in respect of the highest paid director as follows

	2006 £	2005 £
Emoluments	155,016	151,244
	<u>155,016</u>	<u>151,244</u>

## Notes (continued)

### 7 Taxation

Analysis of charge in the year	2006 £	2005 £
<b>Current tax</b>		
UK corporation tax (receivable)/payable	(107,267)	177,483
<b>Deferred tax</b>		
Origination of timing differences	37,390	3,395
Adjustments in respect of prior periods	43,247	(378)
<b>Tax on profit on ordinary activities</b>	<u>(26,630)</u>	<u>180,500</u>

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

The differences are explained below

Factors affecting the tax charge in the year	2006 £	2005 £
Profit on ordinary activities before taxation	<u>5,199,569</u>	<u>5,796,625</u>
Current tax at 30% (2005 30%)	1,559,871	1,738,988
<b>Effects of</b>		
Expenses not deductible for tax purposes	-	19,757
Capital allowances in year in excess of depreciation	(38,141)	(3,395)
Group relief	(1,477,357)	(1,577,867)
Adjustments in respect of prior year	(169,718)	-
Other differences	18,078	-
<b>Current tax (credit)/charge for the year</b>	<u>(107,267)</u>	<u>177,483</u>

## Notes (continued)

### 8 Intangible fixed assets

	Goodwill £
<b>Cost</b>	
At 1 January 2006	1,262,865
Additions	-
<b>At 31 December 2006</b>	<b>1,262,865</b>
<b>Amortisation</b>	
At 1 January 2006	809,674
Provided in the year	186,511
<b>At 31 December 2006</b>	<b>996,185</b>
<b>Net book value</b>	
<b>At 31 December 2006</b>	<b>266,680</b>
At 31 December 2005	453,191

### 9 Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Total £
<b>Cost</b>			
At 1 January 2006	2,323,639	15,000	2,338,639
Additions	467,270	-	467,270
Disposals	(19,061)	-	(19,061)
<b>At 31 December 2006</b>	<b>2,771,848</b>	<b>15,000</b>	<b>2,786,848</b>
<b>Depreciation</b>			
At 1 January 2006	1,107,447	15,000	1,122,447
Charge for year	171,909	-	171,909
On disposals	(4,565)	-	(4,565)
<b>At 31 December 2006</b>	<b>1,274,791</b>	<b>15,000</b>	<b>1,289,791</b>
<b>Net book value</b>			
<b>At 31 December 2006</b>	<b>1,497,057</b>	<b>-</b>	<b>1,497,057</b>
At 31 December 2005	1,216,192	-	1,216,192

## Notes (continued)

### 10 Fixed asset investments

	Total	Investments in subsidiary undertakings	Other investments
	£	£	£
Cost at 1 January 2006 and at 31 December 2006	136,019	3	136,016

At 31 December 2006 the company held 20% or more of the share capital of the following

Company	Country of incorporation	Class of share capital held	Proportion held	Nature of business
<b>Subsidiary undertakings</b>				
ABD Flowtech Limited	England & Wales	Ordinary	100%	Dormant
Flowtech Co UK Limited	England & Wales	Ordinary	100%	Dormant
IPL Fluid Power Limited	England & Wales	Ordinary	100%	Dormant

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

### 11 Stocks

	2006 £	2005 £
Finished goods and goods for resale	4,887,254	4,066,169

### 12 Debtors

	2006 £	2005 £
Trade debtors	5,671,572	5,528,602
Other debtors	134,657	272,521
Prepayments and accrued income	823,783	210,193
Amounts owed by group undertakings	8,743,792	3,664,252
	15,373,804	9,675,568



## Notes (continued)

### 13 Creditors: amounts falling due within one year

	2006 £	2005 £
Trade creditors	2,386,676	2,259,033
Corporation tax	39,832	181,606
Social security and other taxes	432,166	522,006
Other creditors	151,830	2,537
Accruals and deferred income	287,365	198,893
	<u>3,297,869</u>	<u>3,164,075</u>

### 14 Creditors: amounts falling due after one year

	2006 £	2005 £
Finance Leases	400,357	-
Provisions for liabilities and charges (note 15)	153,655	73,017
	<u>554,012</u>	<u>73,017</u>

### 15 Provisions for liabilities and charges

	Deferred taxation £
At January 2006	73,017
Current year movement	37,391
Adjustment to previous year	43,247
<b>At 31 December 2006</b>	<u><b>153,655</b></u>
<b>Deferred taxation is represented by</b>	
Accelerated capital allowances	<u><b>153,655</b></u>

## Notes (continued)

### 16 Called up share capital

	2006 £	2005 £
<i>Authorised</i>		
2,000 "A" Ordinary shares of 10 pence each	200	200
2,000 "B" Ordinary shares of 10 pence each	200	200
2,000 "C" Ordinary shares of 10 pence each	200	200
2,000 "D" Ordinary shares of 10 pence each	200	200
2,000 "E" Ordinary shares of 10 pence each	200	200
	<hr/> 1,000 <hr/>	<hr/> 1,000 <hr/>
<i>Allotted, called up and fully paid</i>		
451 "A" Ordinary shares of 10 pence each	45	45
349 "B" Ordinary shares of 10 pence each	35	35
100 "C" Ordinary shares of 10 pence each	10	10
50 "D" Ordinary shares of 10 pence each	5	5
50 "E" Ordinary shares of 10 pence each	5	5
	<hr/> 100 <hr/>	<hr/> 100 <hr/>

Each category of share has equivalent rights in respect of both voting and on a winding-up of the company

### 17 Share premium and reserves

	Share premium account £	Profit and loss account £
At 1 January 2006	9,974	13,463,492
Profit for the year	-	5,226,199
	<hr/> 9,974 <hr/>	<hr/> 18,689,691 <hr/>
At 31 December 2006	9,974	18,689,691

## Notes (continued)

### 18 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Profit for the financial year	5,226,199	5,616,125
Dividends	-	-
	<hr/>	<hr/>
Shareholders' funds at 1 January 2006	5,226,199 13,473,566	5,616,125 7,857,441
	<hr/>	<hr/>
Shareholders' funds at 31 December 2006	18,699,765	13,473,566
	<hr/> <hr/>	<hr/> <hr/>

### 19 Capital commitments

The company had no capital commitments at 31 December 2006 or 31 December 2005

### 20 Leasing commitments

Operating lease payments amounting to £6,435 (2005 £5,354) are due within one year. The leases to which these amounts relate expire as follows

	Land and buildings		Other	
	2006 £	2005 £	2006 £	2005 £
In one year or less	-	-	6,435	5,354
Between one and two years	-	-	37,117	27,187
Between two and five years	-	-	40,115	14,962
Over five years	312,500	285,000	-	-
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	312,500	285,000	83,667	47,503
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes** *(continued)*

**21 Transactions with directors and other related parties**

Flowtech Limited made purchases from All-Fitt Benelux BV (a 10% investment) of £5,948 (2005 £108,901) and sales to All-Fitt Benelux BV of £147,674 (2005 £114,991)

**22 Ultimate parent company and parent undertaking of larger group of which the company is a member**

The company is a subsidiary undertaking of Flowtech IPL Limited, incorporated in the United Kingdom. The ultimate parent company is Flowtech Holdings Limited, incorporated in the United Kingdom

The largest and smallest group in which the results of the company are consolidated is that headed by Flowtech Holdings Limited

The consolidated accounts of this company are available to the public and may be obtained from Pimbo Road, Skelmersdale, Lancashire, England, WN8 9RB