

Flowtech Limited

**Directors' report and financial
statements**

Registered number 01672034

31 December 2008

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

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 £25,710,437. Whilst this new business has been encouraging, the volatility of raw material prices, particularly metal, together with adverse currency movement has impinged on gross profit, which has decreased from 41.5% to 39%. Administration costs have been managed at 2007 levels wherever possible with an overall increase of wage cost just over 1%, nevertheless overall Profit before tax fell back to £4,207,805.

The balance sheet on page 7 shows that the net assets of the company have increased by over £3M, substantially through higher debtors. This is the result inter-company support particularly for growth of European activities through its sister company Allfitt Flowtechnology.

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 affected products.

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.

Directors' Report *(Continued)*

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.

Charitable and Political Donations

Charitable contributions made by the Group in the period amounted to £ Nil (2007: £900).

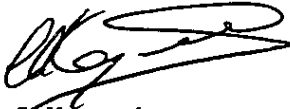
Disclosure of information to auditors

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

Persuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

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 31 December 2008 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 2008 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.

VPMG LLP

31 March 2009

KPMG LLP
Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 31 December 2008

	<i>Note</i>	2008 £	2007 £
Turnover	<i>1,2</i>	25,710,437	24,709,750
Cost of sales		(15,802,672)	(14,446,661)
		<hr/>	<hr/>
Gross profit		9,907,765	10,263,089
Administrative expenses		(5,540,086)	(4,998,560)
		<hr/>	<hr/>
Operating profit		4,367,679	5,264,529
Interest receivable and similar income	<i>4</i>	31,303	1,096
Interest payable and similar charges	<i>5</i>	(191,177)	(125,330)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	<i>3</i>	4,207,805	5,140,295
Tax on profit on ordinary activities	<i>7</i>	(1,002,288)	(40,431)
		<hr/>	<hr/>
Profit on ordinary activities after taxation	<i>18</i>	3,205,517	5,099,864
		<hr/>	<hr/>

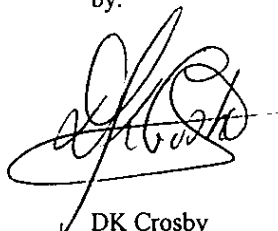
There were no recognised gains or losses other than the profit for the financial year. Accordingly, a Statement of Total Recognised Gains and Losses has not been prepared.

All turnover and operating profits are derived from continuing operations.

Balance sheet
at 31 December 2008

	Note	2008	2007
		£	£
Fixed assets			
Intangible assets	8	133,360	200,020
Tangible assets	9	1,703,287	1,680,533
Investments	10	136,019	136,019
		<u>1,972,666</u>	<u>2,016,572</u>
Current assets			
Stocks	11	5,129,123	4,978,432
Debtors	12	26,186,516	23,517,783
Cash at bank and in hand		929,318	152,342
		<u>32,244,957</u>	<u>28,648,557</u>
Creditors: amounts falling due within one year	13	<u>(6,880,857)</u>	<u>(6,407,251)</u>
Net current assets		<u>25,364,100</u>	<u>22,241,306</u>
Total assets less current liabilities		<u>27,336,766</u>	<u>24,257,878</u>
Creditors: amounts falling due after one year	14	(159,921)	(284,420)
Provisions for liabilities	15	(171,699)	(173,829)
Net assets		<u>27,005,146</u>	<u>23,799,629</u>
Capital and reserves			
Called up share capital	16	100	100
Share premium account	17	9,974	9,974
Profit and loss account	17	26,995,072	23,789,555
Shareholders' funds	18	<u>27,005,146</u>	<u>23,799,629</u>

These financial statements were approved by the directors on 31st March 2009 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 directors have carefully considered the current and future cash flow and funding position and despite the market difficulties and tough conditions expected over the next few months they believe that the company has taken sufficient steps to withstand the impact of the credit crunch and has recently 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 and therefore enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

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 21.

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. Turnover is recognised in the profit and loss account at the point of dispatch.

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	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

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

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 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 are attributable to the one principal activity of the company.

	2008 £	2007 £
United Kingdom	24,362,729	23,440,223
Europe	1,301,683	1,251,246
Rest of World	46,025	18,281
	<u>25,710,437</u>	<u>24,709,750</u>

3 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging/(crediting):

	2008 £	2007 £
Depreciation	274,270	216,554
Amortisation	66,660	66,660
Profit on foreign exchange transactions	124,719	(85,654)
Other operating lease rentals	441,960	415,268
Profit on disposal of tangible fixed assets	-	(426)
	<u> </u>	<u> </u>
<i>Auditor's remuneration :</i>		
Audit of these financial statements	31,500	30,000
Other services in relation to taxation	18,228	22,750
	<u> </u>	<u> </u>

4 Interest receivable and similar income

	2008 £	2007 £
Bank interest receivable	-	824
Other interest receivable	31,303	272
	<u>31,303</u>	<u>1,096</u>

5 Interest payable and similar charges

	2008 £	2007 £
Invoice discounting facility	160,551	93,394
Other interest	7,253	-
Finance charges payable in respect of finance leases	23,373	31,936
	<u>191,177</u>	<u>125,330</u>

Notes (continued)

6 Directors and employees

	2008 £	2007 £
<i>Staff costs during the year were as follows:</i>		
Wages and salaries	2,695,047	2,661,605
Social security costs	229,896	226,426
Other pension costs	36,514	30,700
	<u>2,961,457</u>	<u>2,918,731</u>

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

	2008 Number	2007 Number
Distribution	68	61
Administration	66	72
	<u>134</u>	<u>133</u>

Remuneration in respect of directors was as follows:

	2008 £	2007 £
Emoluments	<u>551,279</u>	<u>551,684</u>

During the year no directors (2007: Nil) participated in money purchase pension schemes.

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

	2008 £	2007 £
Emoluments	<u>166,172</u>	<u>163,834</u>

Notes (continued)

7 Taxation

Analysis of charge in the year	2008 £	2007 £
Current tax		
UK corporation tax payable/(receivable)	718,257	-
Adjustment in respect of prior year	286,161	20,257
Total current tax	1,004,418	20,257
Deferred tax		
Origination of timing differences	(2,130)	32,574
Adjustments in respect of prior periods	-	16
Impact on deferred tax of change in the tax rate	-	(12,416)
Total deferred tax	(2,130)	20,174
Tax on profit on ordinary activities	1,002,288	40,431

The tax assessed for the year is lower (2007: lower) than the standard rate of corporation tax in the UK of 28% (2007: 30%).

The differences are explained below:

Factors affecting the tax charge in the year	2008 £	2007 £
Profit before taxation	4,207,805	5,140,295
Profit on ordinary activities multiplied by the hybrid rate of corporation tax in the UK at 28.5% (2007: 30%)	1,199,224	1,542,089
Effects of		
Other timing differences	878	(32,531)
Depreciation for the year in excess of capital allowances	1,252	(1,529,811)
Movements in tax losses	-	20,253
Expenses not deductible for tax purposes	29,311	20,257
Adjustment in respect of prior periods	286,161	-
Group relief	(512,377)	-
Effect of difference between hybrid rate and closing deferred tax rate	(31)	-
Current tax charge/(credit) for the year	1,004,418	20,257

Notes (continued)

8 Intangible fixed assets

	Goodwill £
<i>Cost</i>	
At 1 January 2008	1,262,865
Additions	-
At 31 December 2008	1,262,865
<i>Amortisation</i>	
At 1 January 2008	1,062,845
Provided in the year	66,660
At 31 December 2008	1,129,505
<i>Net book value</i>	
At 31 December 2008	133,360
At 31 December 2007	200,020

9 Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Total £
<i>Cost</i>			
At 1 January 2008	3,147,033	15,000	3,162,033
Additions	297,023	-	297,023
At 31 December 2008	3,444,056	15,000	3,459,056
<i>Depreciation</i>			
At 1 January 2008	1,466,500	15,000	1,481,500
Charge for year	274,269	-	274,269
At 31 December 2008	1,740,769	15,000	1,755,769
<i>Net book value</i>			
At 31 December 2008	1,703,287	-	1,703,287
At 31 December 2007	1,680,533	-	1,680,533

Notes (continued)

10 Fixed asset investments

	Total	Investments in subsidiary undertakings	Other investments
	£	£	£
Cost at 1 January 2008 and at 31 December 2008	136,019	3	136,016

At 31 December 2008 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
Subsidiary undertakings				
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. The immediate holding company of Flowtech Limited (Flowtech IPL) owns the remaining 90% of the shares.

11 Stocks

	2008	2007
	£	£
Finished goods and goods for resale	5,129,123	4,978,432

12 Debtors

	2008	2007
	£	£
Trade debtors	5,176,924	5,842,120
Other debtors	11,905	133,434
Prepayments and accrued income	1,348,952	2,007,264
Amounts owed by group undertakings	19,648,735	15,534,965
	<u>26,186,516</u>	<u>23,517,783</u>

Notes (continued)

13 Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	2,892,704	3,425,775
Corporation tax	1,004,418	-
Social security and other taxes	300,086	345,280
Other creditors	36,563	48,125
Accruals and deferred income	505,599	497,461
Finance lease	124,485	115,951
Barclays invoice discounting facility	2,017,002	1,974,659
	<u>6,880,857</u>	<u>6,407,251</u>

14 Creditors: amounts falling due after one year

	2008 £	2007 £
Finance leases	<u>159,921</u>	<u>284,420</u>

15 Provisions for liabilities

	Deferred taxation £
At January 2008	173,829
Current year movement	
Adjustment in respect of prior year	(2,130)
At 31 December 2008	<u>171,699</u>

	Current year		Prior year	
	Provided £	Unprovided £	Provided £	Unprovided £
Capital allowance in excess of depreciation	173,221	-	174,473	-
Short term timing differences	(1,523)	-	(645)	-
	<u>171,698</u>	<u>-</u>	<u>173,828</u>	<u>-</u>

Notes (continued)

16 Called up share capital

	2008	2007
	£	£
<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
	<u>1,000</u>	<u>1,000</u>
<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
	<u>100</u>	<u>100</u>

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 2008	9,974	23,789,555
Profit for the year	-	3,205,517
	<u>9,974</u>	<u>26,995,072</u>
At 31 December 2008	<u>9,974</u>	<u>26,995,072</u>

Notes (continued)

18 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Profit for the financial year	3,205,517	5,099,864
Shareholders' funds at 1 January 2008	23,799,629	18,699,765
	<hr/>	<hr/>
Shareholders' funds at 31 December 2008	27,005,146	23,799,629
	<hr/>	<hr/>

19 Capital commitments

The company had no capital commitments at 31 December 2008 or 31 December 2007.

20 Operating lease commitments

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

	Land and buildings		Other	
	2008	2007	2008	2007
	£	£	£	£
Expiring:				
In one year or less	-	-	17,146	33,042
Between one and two years	83,000	83,000	10,546	19,719
Between two and five years	30,000	30,000	3,668	14,480
In more than five years	312,500	312,500	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	425,500	425,500	31,360	67,241
	<hr/>	<hr/>	<hr/>	<hr/>

21 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.