

**Flowtech Limited**

**Directors' report and financial  
statements**

**Registered number 01672034**

**For the year ended 31 December 2010**

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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2010

### **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 increased by 8% from the previous year to £22,428,816. Gross profit margin increased from 29% to 34%.

The balance sheet on page 7 shows that the net assets of the company have increased by over £3 million.

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 the company provides a next day delivery service aiming to always "Exceed Expectations". 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 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 7 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 and directors' interests**

The directors who held office during the period were as follows:

SJ Keyworth	Resigned 9 <sup>th</sup> June 2010
DK Crosby	Resigned 31 <sup>st</sup> March 2010
AK Dickinson	
K Greenwood	
K McMullen	
J Farmer	
SM Fennon	
BR Brooks	Appointed 29 <sup>th</sup> March 2010

### **Charitable and Political Donations**

Charitable contributions made by the Company in the period amounted to £60 (2009 £226).

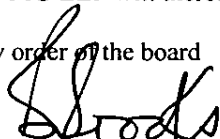
### **Disclosure of information to auditors**

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**

Pursuant 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



B Brooks  
Director

Pimbo Road  
Skelmersdale  
Lancashire  
WN8 9RB

## **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)

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 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 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 its financial statements comply with the Companies Act 2006. 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 auditor's report to the members of Flowtech Limited**

We have audited the financial statements of Flowtech Ltd for the year ended 31<sup>st</sup> December 2010 set out on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditors' 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**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://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 company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **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:

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

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



HP Jones (Senior statutory auditor)  
for and on behalf of KPMG LLP, Statutory auditor  
*Chartered Accountants*  
*Liverpool*

13 May 2011.

**Profit and loss account**  
*for the year ended 31 December 2010*

	<i>Note</i>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
<b>Turnover</b>	<b>2</b>	<b>22,428,816</b>	20,847,393
Cost of sales		<b>(14,698,869)</b>	(14,759,726)
<b>Gross profit</b>		<b>7,729,947</b>	6,087,667
Distribution costs		<b>(1,525,915)</b>	(1,398,935)
Administrative expenses		<b>(2,731,470)</b>	(2,250,041)
Other operating income	<b>3</b>	<b>-</b>	477,282
<b>Operating profit</b>		<b>3,472,562</b>	2,915,973
Interest receivable and similar income	<b>5</b>	<b>28,100</b>	38,477
Interest payable and similar charges	<b>6</b>	<b>(63,267)</b>	(62,695)
<b>Profit on ordinary activities before taxation</b>	<b>4</b>	<b>3,437,395</b>	2,891,755
Tax on profit on ordinary activities	<b>8</b>	<b>(368,655)</b>	507,016
<b>Profit on ordinary activities after taxation</b>	<b>19</b>	<b>3,068,740</b>	3,398,771

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.

The notes on pages 8 to 17 form part of the financial statements.

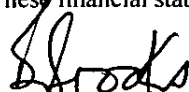


**Balance sheet**  
*at 31 December 2010*

	Note	£	2010 £	£	2009 £
<b>Fixed assets</b>					
Intangible assets	9		-		66,700
Tangible assets	10		1,497,078		1,529,043
Investments	11		136,019		136,019
			<hr/>		<hr/>
			1,633,097		1,731,762
<b>Current assets</b>					
Stocks	12	5,070,473		3,697,888	
Debtors	13	33,442,951		29,602,535	
Cash at bank and in hand		329,125		614,888	
			<hr/>	<hr/>	
			38,842,549	33,915,311	
<b>Creditors: amounts falling due within one year</b>	14	(6,800,330)		(4,993,361)	
			<hr/>	<hr/>	
<b>Net current assets</b>			32,042,219		28,921,950
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			33,675,316		30,653,712
<b>Creditors: amounts falling due after one year</b>	15		-		(34,152)
<b>Provisions for liabilities</b>	16		(202,659)		(215,643)
			<hr/>		<hr/>
<b>Net assets</b>			33,472,657		30,403,917
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	17		100		100
Share premium account	18		9,974		9,974
Profit and loss account	18		33,462,583		30,393,843
			<hr/>		<hr/>
<b>Shareholders' funds</b>	19		33,472,657		30,403,917
			<hr/>		<hr/>

The notes on pages 8 to 17 form part of the financial statements

These financial statements were approved by the directors on 13/5/11 and were signed by



B Brooks  
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, 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

The Company is exempt by virtue of s400 of the Companies Act 2006 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 FRS 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 Flowtech IPL Limited, the company has taken advantage of the exemption contained in FRS 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.

#### ***Going concern***

In common with most private equity funded transactions the capital structure of the group, part of which has been guaranteed by this company, 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 is appropriately positioned to ensure the conditions of its 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.

#### ***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 despatch.

## Notes (continued)

### 1 Accounting policies (continued)

#### *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 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)

#### *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.

#### *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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 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

### 2 Turnover

The turnover and profit before taxation are attributable to the one principal activity of the company

	2010 £	2009 £
United Kingdom	22,164,692	19,819,298
Europe	257,675	994,099
Rest of World	6,449	33,996
	<u>22,428,816</u>	<u>20,847,393</u>

### 3 Other operating income

	2010 £	2009 £
Income arising on the settlement of currency contracts	-	477,282
	<u>-</u>	<u>477,282</u>

### 4 Profit on ordinary activities before taxation

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

	2010 £	2009 £
Depreciation	309,896	294,568
Amortisation	66,700	66,660
Loss on foreign exchange transactions	74,049	160,998
Other operating lease rentals	466,051	463,604
	<u>816,700</u>	<u>925,830</u>
Auditor's remuneration		
Audit of these financial statements	33,500	31,500
Other services in relation to taxation	5,000	5,000
	<u>38,500</u>	<u>36,500</u>

### 5 Interest receivable and similar income

	2010 £	2009 £
Other interest receivable	28,100	38,477
	<u>28,100</u>	<u>38,477</u>

## Notes (continued)

### 6 Interest payable and similar charges

	2010 £	2009 £
Invoice discounting facility	51,397	32,495
Other interest	4,631	15,342
Finance charges payable in respect of finance leases	7,239	14,858
	<u>63,267</u>	<u>62,695</u>

### 7 Directors and employees

	2010 £	2009 £
<i>Staff costs during the year were as follows:</i>		
Wages and salaries	2,608,198	2,517,199
Social security costs	199,782	218,492
Other pension costs	65,895	38,150
	<u>2,873,875</u>	<u>2,773,841</u>

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

	2010 Number	2009 Number
Distribution	61	60
Administration	62	64
	<u>123</u>	<u>124</u>

Remuneration in respect of directors was as follows

	2010 £	2009 £
Emoluments	<u>756,657</u>	<u>573,902</u>

During the year no directors (2009 nil) participated in money purchase pension schemes

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

	2010 £	2009 £
Emoluments	<u>174,736</u>	<u>161,344</u>

## Notes (continued)

### 8 Taxation

	2010	2009
	£	£
<b>Analysis of charge in the year</b>		
<b>Current tax</b>		
UK corporation tax payable	384,139	-
Adjustment in respect of prior year	-	(508,961)
<b>Total current tax</b>	<u>384,139</u>	<u>(508,961)</u>
<b>Deferred tax</b>		
Origination of timing differences	(9,283)	(4,382)
Effect of tax rate change on opening balance	(6,201)	-
Adjustments in respect of prior periods	-	6,327
<b>Total deferred tax</b>	<u>(15,484)</u>	<u>1,945</u>
<b>Tax on profit on ordinary activities</b>	<u><u>368,655</u></u>	<u><u>(507,016)</u></u>

The tax assessed for the year is lower (2009 lower) than the standard rate of corporation tax in the UK of 28% (2009 28%)

The differences are explained below

	2010	2009
	£	£
<b>Factors affecting the tax charge in the year</b>		
Profit before taxation	<u>3,437,395</u>	<u>2,891,755</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK at 28% (2009 28%)	962,471	809,691
<b>Effects of</b>		
Other timing differences	4,159	10,917
Depreciation for the year in excess of capital allowances	(6,292)	5,065
Expenses not deductible for tax purposes	21,950	20,194
Adjustment in respect of prior periods	-	(508,961)
Group relief	(598,149)	(845,867)
<b>Current tax charge/(credit) for the year</b>	<u><u>384,139</u></u>	<u><u>(508,961)</u></u>

## Notes (continued)

### 9 Intangible fixed assets

	<b>Goodwill</b>
	<b>£</b>
<i>Cost</i>	
At 1 January 2010	1,262,865
Additions	-
<b>At 31 December 2010</b>	<b>1,262,865</b>
<i>Amortisation</i>	
At 1 January 2010	1,196,165
Provided in the year	66,700
<b>At 31 December 2010</b>	<b>1,262,865</b>
<i>Net book value</i>	
<b>At 31 December 2010</b>	<b>-</b>
At 31 December 2009	66,700

### 10 Tangible fixed assets

	<b>Plant and machinery</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
<i>Cost</i>		
At 1 January 2010	3,579,380	3,579,380
Additions	277,931	277,931
<b>At 31 December 2010</b>	<b>3,857,311</b>	<b>3,857,311</b>
<i>Depreciation</i>		
At 1 January 2010	2,050,337	2,050,337
Charge for year	309,896	309,896
<b>At 31 December 2010</b>	<b>2,360,233</b>	<b>2,360,233</b>
<i>Net book value</i>		
<b>At 31 December 2010</b>	<b>1,497,078</b>	<b>1,497,078</b>
At 31 December 2009	1,529,043	1,529,043

## Notes (continued)

### 11 Fixed asset investments

	Total	Investments in subsidiary undertakings	Other investments
	£	£	£
Cost at 1 January 2010 and at 31 December 2010	136,019	136,016	3

At 31 December 2010 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 Europe Limited (formerly 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 Flowtechnology Benelux BV, a company incorporated in the Netherlands. The immediate holding company of Flowtech Limited (Flowtech IPL Limited) owns the remaining 90% of the shares.

### 12 Stocks

	2010 £	2009 £
Finished goods and goods for resale	5,070,473	3,697,888

### 13 Debtors

	2010 £	2009 £
Trade debtors	5,503,440	4,768,065
Other debtors	102,275	9,083
Prepayments and accrued income	306,553	859,856
Amounts owed by group undertakings	27,530,683	23,965,531
	33,442,951	29,602,535



## Notes (continued)

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

	2010 £	2009 £
Trade creditors	2,750,081	2,585,597
Amounts owing to group undertaking	-	174,811
Corporation tax	384,139	209,296
Social security and other taxes	320,318	310,952
Other creditors	13,786	41,621
Accruals and deferred income	515,863	348,271
Finance lease	34,992	125,773
Bank invoice discounting facility	2,781,151	1,197,040
	<u>6,800,330</u>	<u>4,993,361</u>

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

	2010 £	2009 £
Finance leases	-	34,152
	<u>-</u>	<u>34,152</u>

### 16 Provisions for liabilities

	Provisions for dilapidations £	Deferred taxation £	Total £
At January 2010	42,000	173,643	215,643
Current year movement	2,500	(15,484)	(12,984)
At 31 December 2010	<u>44,500</u>	<u>158,159</u>	<u>202,659</u>

#### Deferred tax

	2010 £	2009 £
Capital allowance in excess of depreciation	158,159	173,643
	<u>158,159</u>	<u>173,643</u>

Deferred tax is provided in full

## Notes (continued)

### 17 Called up share capital

	2010	2009
	£	£
<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

### 18 Share premium and reserves

	Share premium account £	Profit and loss account £
At 1 January 2010	9,974	30,393,843
Profit for the year	-	3,068,740
	<u>9,974</u>	<u>33,462,583</u>
At 31 December 2010	<u>9,974</u>	<u>33,462,583</u>

### 19 Reconciliation of movements in shareholders' funds

	2010 £	2009 £
Profit for the financial year	3,068,740	3,398,771
Shareholders' funds at 1 January 2010	30,403,917	27,005,146
	<u>33,472,657</u>	<u>30,403,917</u>
Shareholders' funds at 31 December 2010	<u>33,472,657</u>	<u>30,403,917</u>

## Notes (continued)

### 20 Capital commitments

The company had no capital commitments at 31 December 2010 or 31 December 2009

### 21 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings		Other	
	2010	2009	2010	2009
	£	£	£	£
Expiring				
In one year or less	83,000	-	21,451	27,363
Between one and two years	-	83,000	16,632	19,422
Between two and five years	30,000	30,000	9,936	-
In more than five years	312,500	312,500	-	-
	<u>425,500</u>	<u>425,500</u>	<u>48,019</u>	<u>46,785</u>

### 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.