

Registered number 3503896

Parker Hannifin (UK) Limited  
Directors' report and financial statements  
for the year ended 30 June 2004



# Parker Hannifin (UK) Limited

## Directors' report and financial statements for the year ended 30 June 2004

### Contents

	<b>Pages</b>
Directors' report .....	1-2
Independent auditors' report.....	3
Profit and loss account .....	4
Statement of recognised gains and losses.....	5
Balance sheet .....	6
Notes to the financial statements .....	7-17

# **Parker Hannifin (UK) Limited**

## **Directors' report for the year ended 30 June 2004**

The directors present their report and the audited financial statements of the Company for the year ended 30 June 2004.

### **Principal activity**

The principal activity of the Company is the manufacture and sale of filters and thermoplastic extruded hose.

### **Review of business and future developments**

The Company has made a loss for the year. The directors expect present levels of activity to increase and that the Company will be profitable in the future.

### **Results and dividends**

The Company's loss for the financial year is £2,160,000 (2003: £1,703,000). The directors do not recommend the payment of a dividend.

### **Directors and their interests**

The directors who held office during the year are given below:

E J Bates (appointed 28 February 2003 and resigned 1 July 2003) (Company Secretary)  
R M Arthur  
I Molyneux  
T G Maye (appointed 1 July 2003) (Company Secretary)

According to the register required to be kept under Section 325 of the Companies Act 1985, no directors had, either at the beginning or the end of the year any interest in the shares of the Company or any other group Company which are required by section 324 of the Companies Act 1985 to be notified to the Company.

None of the directors had a material interest in any contract of significance to which the Company or its subsidiary undertakings was a party during the financial year.

### **Employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to effect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through internal communication, briefing groups and the distribution of the annual report.

# **Parker Hannifin (UK) Limited**

## **Directors' report for the year ended 30 June 2004 (continued)**

### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

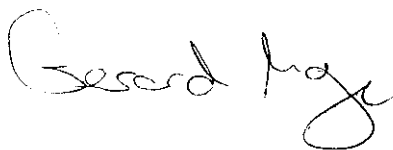
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 June 2004 and that applicable accounting standards have been followed.

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 the financial statements comply with the Companies Act 1985. 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.

### **Auditors**

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the Board



T G Maye  
Director  
29 July 2005

# **Parker Hannifin (UK) Limited**

## **Independent auditors' report to the members of Parker Hannifin (UK) Limited**

We have audited the financial statements, which comprise the profit and loss account, the balance sheet and the related notes.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown, or in to whose hands it may come, save where expressly agreed by our prior consent in writing.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with auditing standards 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 judgements 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.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 30 June 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
St Albans

29 July 2005

## Parker Hannifin (UK) Limited

### Profit and loss account for the year ended 30 June 2004

	Notes	2004 £'000	2003 £'000
Turnover	3	34,525	33,473
Cost of sales		(27,946)	(26,772)
<b>Gross profit</b>		<b>6,579</b>	<b>6,701</b>
Net operating expenses	4	(8,739)	(8,404)
<b>Loss on ordinary activities before taxation</b>		<b>(2,160)</b>	<b>(1,703)</b>
Tax on loss on ordinary activities	9	-	-
<b>Loss for the financial year</b>	18	<b>(2,160)</b>	<b>(1,703)</b>

*All of the above items relate to continuing activities.*

The Company has no recognised gains or losses other than those set out above. A separate statement of recognised gains and losses has been presented in respect of the prior year.

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents.

## **Parker Hannifin (UK) Limited**

### **Statement of total recognised gains and losses for the year ended 30 June 2004**

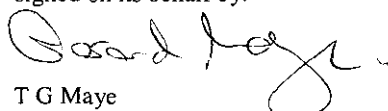
	<b>Year ended 30 June 2004</b>	<b>Year ended 30 June 2003</b>
	<b>£'000</b>	<b>£'000</b>
Loss for the financial year	<b>(2,160)</b>	<b>(1,703)</b>
Total recognised gains and losses relating to the financial year	<b>(2,160)</b>	<b>(1,703)</b>
Prior year adjustment	-	1,921
<b>Total gains and losses recognised since last annual report</b>	<b>(2,160)</b>	<b>218</b>

# Parker Hannifin (UK) Limited

## Balance sheet as at 30 June 2004

	Note	2004 £'000	2003 £'000
<b>Fixed assets</b>			
Intangible assets	9	10,407	13,039
Tangible assets	10	6,101	5,694
Investments	11	6,444	6,444
		<b>22,952</b>	<b>25,177</b>
<b>Current assets</b>			
Stocks	12	4,036	4,544
Debtors	13	10,713	12,516
Cash at bank and in hand		15	-
		<b>14,764</b>	<b>17,060</b>
Creditors - Amounts falling due within one year	14	(9,207)	(11,568)
<b>Net current assets</b>		<b>5,557</b>	<b>5,492</b>
<b>Net assets</b>		<b>28,509</b>	<b>30,669</b>
<b>Capital and reserves</b>			
Called up share capital	16	36,400	36,400
General reserve	17	10,067	10,067
Profit and loss account	17	(17,958)	(15,798)
<b>Equity shareholders' funds</b>	18	<b>28,509</b>	<b>30,669</b>

The financial statements on pages 4 to 18 were approved by the board of directors on 29 July 2005 and were signed on its behalf by:

  
T G Maye  
Director



# **Parker Hannifin (UK) Limited**

## **Notes to the financial statements for the year ended 30 June 2004**

### **1 Principal accounting policies**

These financial statements are prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards.

#### **Goodwill**

Goodwill represents amounts reclassified from investments following the transfer of the trade and assets of fellow group undertakings to the Company, and is amortised over the directors' estimate of the life of the goodwill, which is taken to be 20 years, in line with Financial Reporting Standards in the United Kingdom.

#### **Fixed asset investments**

Investments are stated at cost of the shares plus all other associated costs less any provision for impairment.

#### **Tangible fixed assets and depreciation**

Fixed assets are shown at cost less accumulated depreciation.

Depreciation is calculated to write off the cost of fixed assets on a straight-line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose, which are consistent with those of the previous year are:

Freehold buildings	2%-5%
Plant and equipment	10%-20%
Motor vehicles	25%-33 1/3%
Computer equipment	20%-50%

Leasehold land and buildings are amortised over 50 years or the period of the lease, whichever is the shorter. Freehold land is not depreciated.

#### **Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date or at contracted rates and results are translated at the exchange ruling at the date of the transaction. In both instances, foreign exchange differences are taken as part of the loss on ordinary activities before taxation in the period in which they arise.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in, first out basis and in the case of manufactured products, includes all direct expenditure and production overheads, based on the normal level of activity incurred in bringing the stocks to their current state and location. Net realisable value is the amount at which it is expected items of stock can be disposed of in the normal course of business after allowing for all further costs to completion and all directly related costs to be incurred in marketing, selling and distribution. Provision is made for slow moving, obsolete and defective stock.

# **Parker Hannifin (UK) Limited**

## **Notes to the financial statements for the year ended 30 June 2004 (continued)**

### **1 Principal accounting policies (continued)**

#### **Deferred taxation**

Following the introduction of FRS 19, provision is made for deferred tax in so far as a liability or asset arises as a result of transactions that have occurred by the balance sheet date and gives rise to an obligation to pay more tax in future, or a right to pay less tax in future. Assets have not been recognised to the extent that the transfer of future economic benefits is uncertain. Deferred tax assets and liabilities have not been discounted.

#### **Operating leases**

The annual rentals in relation to operating leases are charged to operating profit on a straight-line basis over the lease term.

#### **Pension arrangements**

The Company participates in a group funded defined benefit scheme operated by Parker Hannifin plc, a fellow group undertaking, in the United Kingdom. The assets of the scheme are held separately from the assets of the Company and the group.

The Company is required to provide disclosure under the transitional arrangements within FRS17 "Retirement Benefits". The Company is unable to identify its share of the underlying assets and liabilities and hence it is accounted for as a multi-employer under FRS17. Full disclosure of the underlying assets and liabilities of the scheme, together with key assumptions, are disclosed in the financial statements of Parker Hannifin plc.

Pension contributions are accounted for in the accounting period in which they fall due.

#### **Turnover**

Turnover, which excludes value added tax, comprises UK sales at invoiced value and export sales on a free on board basis.

### **2 Cash flow statement and related party disclosures**

The Company is a wholly owned subsidiary of Parker Hannifin Corporation and is included in the consolidated financial statements of Parker Hannifin Corporation which are publicly available. Consequently the Company has taken advantage of the exemption from preparing a cashflow statement under the terms of FRS 1 (Revised 1996).

# Parker Hannifin (UK) Limited

## Notes to the financial statements for the year ended 30 June 2004 (continued)

### 3 Segmental information

The Directors regard the operations of the Company as comprising a single activity. All turnover originates from, and all net assets are based within, the United Kingdom. The geographical analysis of Group turnover by destination was as follows:

	2004	2003
	Total	Total
	£'000	£'000
United Kingdom	8,884	9,790
Rest of Europe	18,977	18,922
Rest of world	6,664	4,761
	34,525	33,473

### 4 Net operating expenses

The table below relates to net operating expenses.

	2004	2003
	Total	Total
	£'000	£'000
Other operating costs	3,478	3,401
Sales expenses	2,803	2,283
Administrative expenses	2,458	2,720
Net operating expenses	8,739	8,404

## Parker Hannifin (UK) Limited

### Notes to the financial statements for the year ended 30 June 2004 (continued)

#### 5 Operating loss

	2004	2003
	£'000	£'000
<b>Operating loss is stated after charging/(crediting)</b>		
Depreciation of tangible fixed assets (note 11)	617	682
Amortisation of goodwill (note 10)	749	850
Operating lease charge		
- plant and machinery	292	291
-other	67	67
Exchange loss / (gain)	307	(38)

Audit fees were borne by Parker Hannifin plc, a fellow group undertaking, in the current and prior year and have not been recharged.

#### 6 Directors' emoluments

The directors who held office at any time during the year to 30 June 2003 received no remuneration (2003: nil) for their services to the Company during the year. There are no retirement benefits (2003: nil) accruing for any of the directors in respect of their services to the Company.

Two directors (2003: two) hold share options in the ultimate holding company, Parker Hannifin Corporation, none of the directors exercised options during the year.

# Parker Hannifin (UK) Limited

## Notes to the financial statements for the year ended 30 June 2004 (continued)

### 7 Employee information

The average monthly number of persons employed by the Company, including executive directors, during the year and their payroll costs were:

	2004	2003
	Number	Number
Production	130	133
Administration	147	148
	277	281
	2004	2003
	£'000	£'000
Wages and salaries	6,445	6,050
Social security costs	505	487
Other pension costs	588	567
	7,538	4,104

### 8 Tax on loss on ordinary activities

The current year tax charge for the period is £nil. The tax assessed for the period is higher (2003: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004	2003
	£'000	£'000
Loss on ordinary activities before tax	(2,160)	(1,703)
Loss on ordinary activities multiplied by standard rate in the UK 30% (2002: 30%)	(648)	(511)
Effects of:		
Adjustment to tax in respect of prior period	-	-
Tax losses carried forward	264	3
Expenses not deductible for tax purposes	232	278
Other timing differences	-	-
Depreciation in excess of capital allowances	152	230
Withholding tax on dividend received	-	-
Current tax charge for the period	-	-
The unrecognised deferred tax asset is as follows:		
Accelerated capital allowances	(573)	(663)
Tax losses	(1,503)	(1,190)

## Parker Hannifin (UK) Limited

### Notes to the financial statements for the year ended 30 June 2004 (continued)

#### 9 Intangible fixed assets

	Goodwill £'000
<b>Cost</b>	
At 1 July 2003	16,994
Disposals	(1,993)
<b>At 30 June 2004</b>	<b>15,001</b>
<b>Aggregate amortisation</b>	
1 July 2003	3,955
Charge for the year	749
Disposals	(110)
<b>At 30 June 2004</b>	<b>4,594</b>
<b>Net book value</b>	
<b>At 30 June 2004</b>	<b>10,407</b>
At 30 June 2003	13,039

Following the transfer of the trade and assets of UCC Securities Limited (a subsidiary undertaking which has since been dissolved) and Extrudit Limited to Parker Hannifin (UK) Limited at net book value on 30 June 1998, the original investment in subsidiaries was reclassified as goodwill in the period ended 30 June 1999.

# Parker Hannifin (UK) Limited

## Notes to the financial statements for the year ended 30 June 2004 (continued)

### 10 Tangible fixed assets

	Freehold land and buildings	Plant and equipment	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 July 2003	3,732	5,453	9,185
Additions	-	1,145	1,145
Disposals	(255)	(227)	(482)
<b>At 30 June 2004</b>	<b>3,477</b>	<b>6,371</b>	<b>9,848</b>
<b>Depreciation</b>			
At 1 July 2003	268	3,223	3,491
Charge for the period	130	487	617
Disposals	(149)	(212)	(361)
<b>At 30 June 2004</b>	<b>249</b>	<b>3,498</b>	<b>3,747</b>
<b>Net book value</b>			
<b>At 30 June 2004</b>	<b>3,228</b>	<b>2,873</b>	<b>6,101</b>
At 30 June 2003	3,464	2,230	5,694

The value of freehold land not subject to depreciation is £790,000 (2003: £790,000).

## Parker Hannifin (UK) Limited

### Notes to the financial statements for the year ended 30 June 2004 (continued)

#### 11 Investments

	£'000
<b>Cost and net book value at 1 July 2003 and 30 June 2004</b>	<b>6,444</b>

At 30 June 2004 the Company held shares in the allotted share capital of the following:

	Country of registration and operation	Percentage held	Nature of business
Kuroda Precision Industries	Japan	31.2%	Active

The directors consider that although the Company maintains a 31.2% interest in the share capital of Kuroda Precision Industries, it does not maintain any influence over the operating and financial policies of the undertaking. Therefore the directors consider it appropriate to account for this holding as a trade investment.

#### 12 Stocks

	2004	2003
	£'000	£'000
Raw materials	524	2,295
Work in progress	66	75
Finished goods	3,446	2,174
	<b>4,036</b>	<b>4,544</b>

#### 13 Debtors

	2004	2003
	£'000	£'000
Trade debtors	5,957	4,684
Amounts owed by Parker Hannifin affiliates	4,705	7,498
Prepayments and accrued income	51	334
	<b>10,713</b>	<b>12,516</b>

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.



## Parker Hannifin (UK) Limited

### Notes to the financial statements for the year ended 30 June 2004 (continued)

#### 14 Creditors - Amounts falling due within one year

	2004	2003
	£'000	£'000
Bank overdraft	-	275
Trade creditors	3,875	2,554
Amounts owed to Parker Hannifin affiliates	4,658	8,723
Other creditors	585	-
Accruals and deferred income	89	16
	9,207	11,568

Amounts owed to Parker Hannifin affiliates are unsecured, interest free and have no fixed date of repayment.

#### 15 Provision for liabilities and charges

Provisions for liabilities and charges are analysed as follows:

Deferred tax assets have not been recognised as they mainly relate to carried forward losses for which there is insufficient evidence of utilisation in the foreseeable future. The potential deferred tax asset is analysed as follows:

	2004	2003
	£'000	£'000
Accelerated capital allowances	-	(740)
Tax losses	-	(1,597)
Other short term timing differences	-	-
	-	(2,337)

#### 16 Called up share capital

	2004	2003
	£'000	£'000
<b>Authorised</b>		
38,000,000 ordinary shares of £1 each	38,000	38,000
<b>Allotted and fully paid</b>		
36,400,000 ordinary shares of £1 each	36,400	36,400

# Parker Hannifin (UK) Limited

## Notes to the financial statements for the year ended 30 June 2004 (continued)

### 17 Reserves

	General reserve	Profit and loss
	£'000	£'000
At 1 July 2003	10,067	(15,798)
Loss for the financial year	-	(2,160)
At 30 June 2004	10,067	(17,958)

### 18 Reconciliation of movements in shareholders' funds

	2004	2003
	£'000	£'000
Loss for the year	(2,160)	(1,703)
Opening shareholders' funds	30,669	32,372
Closing shareholders' funds	28,509	30,669

### 19 Capital commitments

Capital commitments contracted for but not provided for at year end amounted to £nil (2003: £78,000),

### 20 Financial commitments

At 30 June 2004 the Company had annual commitments, under non-cancellable operating leases expiring as follows:

	Land & buildings		Other	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Within two to five years	-	67	-	292
	-	67	-	292

## **Parker Hannifin (UK) Limited**

### **Notes to the financial statements for the year ended 30 June 2004 (continued)**

#### **21 Related party disclosures**

The company has taken advantage of the exemption provided by Financial Reporting Standard 8, where subsidiary undertakings (of which 90% or more of the voting rights are controlled within the group) are exempt from the requirement to disclose transactions with other group companies where the parent publishes its consolidated financial statements.

#### **22 Ultimate parent undertaking**

The ultimate holding company and controlling party is Parker Hannifin Corporation, a company incorporated in the USA. Copies of its annual financial statements may be obtained from the Company Secretary, Parker Hannifin Corporation, 6035 Parkland Boulevard, Cleveland, Ohio 44124-4141, USA.

The immediate parent company is Parker Hannifin Holdings Limited.