

Registered number 3503896

Parker Hannifin (UK) Limited

Directors' report and financial statements

for the year ended 30 June 2005



Parker Hannifin (UK) Limited

Directors' report and financial statements for the year ended 30 June 2005

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Parker Hannifin (UK) Limited

Directors' report for the year ended 30 June 2005

The directors present their report and the audited financial statements of the Company for the year ended 30 June 2005.

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 £566,000 (2004: £2,160,000). The directors do not recommend the payment of a dividend (2004: £nil).

Directors and their interests

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

R M Arthur
I Molyneux
T G Maye (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 2005 (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.

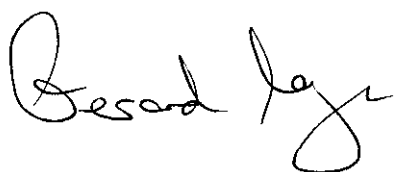
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 June 2005 and that applicable accounting standards have been 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

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board

A handwritten signature in black ink, appearing to read 'T G Maye', with a stylized flourish at the end.

T G Maye
Director
1 August 2006

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 which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

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 2005 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

1 August 2006

Parker Hannifin (UK) Limited

Profit and loss account for the year ended 30 June 2005

	Notes	2005 £'000	2004 £'000
Turnover	3	39,209	34,525
Cost of sales		(31,187)	(27,946)
Gross profit		8,022	6,579
Net operating expenses	4	(8,588)	(8,739)
Loss on ordinary activities before taxation		(566)	(2,160)
Tax on loss on ordinary activities	8	-	-
Loss for the financial year	16	(566)	(2,160)

All of the above items relate to continuing activities.

The Company has no recognised gains or losses other than those set out above, therefore no separate statement of total 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.

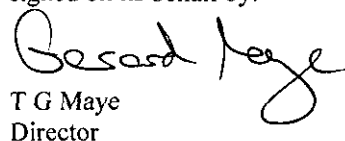
The notes on pages 6 to 15 form part of these financial statements.

Parker Hannifin (UK) Limited

Balance sheet as at 30 June 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Intangible assets	9	9,657	10,407
Tangible assets	10	5,687	6,101
Investments	11	6,444	6,444
		21,788	22,952
Current assets			
Stocks	12	3,209	4,036
Debtors	13	24,179	10,713
Cash at bank and in hand		-	15
		27,388	14,764
Creditors - amounts falling due within one year	14	(21,233)	(9,207)
Net current assets		6,155	5,557
Net assets		27,943	28,509
Capital and reserves			
Called up share capital	15	36,400	36,400
General reserve	16	10,067	10,067
Profit and loss account	16	(18,524)	(17,958)
Equity shareholders' funds	17	27,943	28,509

The financial statements on pages 4 to 15 were approved by the board of directors on 1 August 2006 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 2005

1 Principal accounting policies

These financial statements are prepared under the historical cost convention, the accounting policies set out below and in accordance with the Companies Act 1985 and 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 2005 (continued)

1 Principal accounting policies (continued)

Turnover

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

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 Limited, 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 unable to identify its share of the underlying assets and liabilities of the group scheme, therefore no disclosure has been provided in these financial statements. Full disclosure of the underlying assets and liabilities of the scheme, together with key assumptions, are disclosed in the financial statements of Parker Hannifin Limited.

The pension contributions made by this company to the scheme are accounted for in the accounting period in which they fall due.

2 Cash flow statement

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 2005 (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:

	2005	2004
	Total	Total
	£'000	£'000
United Kingdom	8,894	8,884
Rest of Europe	24,967	18,977
Rest of world	5,348	6,664
	39,209	34,525

4 Net operating expenses

The table below relates to net operating expenses.

	2005	2004
	Total	Total
	£'000	£'000
Other operating costs	3,539	3,478
Sales expenses	2,104	2,803
Administrative expenses	2,945	2,458
Net operating expenses	8,588	8,739

Parker Hannifin (UK) Limited

Notes to the financial statements for the year ended 30 June 2005 (continued)

5 Operating loss

	2005	2004
	£'000	£'000
Operating loss is stated after charging		
Depreciation of tangible fixed assets (note 10)	665	617
Amortisation of goodwill (note 9)	750	749
Operating lease charge		
- plant and machinery	-	292
-other	-	67
Exchange loss	192	307

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 2005 received no remuneration (2004: nil) for their services to the Company during the year. There are no retirement benefits (2004: nil) accruing for any of the directors in respect of their services to the Company.

Two directors (2004: two) hold share options in the ultimate holding company, Parker Hannifin Corporation, none of the directors exercised options during the year.

7 Employee information

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

	2005	2004
	Number	Number
Production	131	130
Administration	149	147
	280	277

	2005	2004
	£'000	£'000
Wages and salaries	7,159	6,445
Social security costs	593	505
Other pension costs	630	588
	8,382	7,538

Parker Hannifin (UK) Limited

Notes to the financial statements for the year ended 30 June 2005 (continued)

8 Tax on loss on ordinary activities

	2005 £'000	2004 £'000
Current tax:		
UK corporation tax @ 30% (2004: 30%)	-	-
Overseas tax	-	-
Double tax relief	-	-
Taxation charge/(credit)	-	-

The tax assessed for the period is higher (2004: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £'000	2004 £'000
Loss on ordinary activities before tax	(566)	(2,160)
Loss on ordinary activities multiplied by standard rate in the UK 30% (2004: 30%)	(170)	(648)
Effects of:		
Tax losses carried forward	180	264
Expenses not deductible for tax purposes	242	232
Depreciation in excess of capital allowances	(252)	152
Current tax charge for the period	-	-
The unrecognised deferred tax asset is as follows:		
Accelerated capital allowances	(321)	(573)
Tax losses	(1,700)	(1,503)
Total unrecognised deferred tax asset	(2,021)	(2,076)

The deferred tax asset not recognised would be recoverable if sufficient future taxable profits arose in the company.

Parker Hannifin (UK) Limited

Notes to the financial statements for the year ended 30 June 2005 (continued)

9 Intangible fixed assets

	Goodwill £'000
Cost	
At 1 July 2004	15,001
At 30 June 2005	15,001
Aggregate amortisation	
1 July 2004	4,594
Charge for the year	750
At 30 June 2005	5,344
Net book value	
At 30 June 2005	9,657
At 30 June 2004	10,407

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 2005 (continued)

10 Tangible fixed assets

	Freehold land and buildings	Plant and equipment	Total
	£'000	£'000	£'000
Cost			
At 1 July 2004	3,477	6,371	9,848
Additions	17	409	426
Disposals	(171)	(441)	(612)
Reclassification	(4)	4	-
At 30 June 2005	3,319	6,343	9,662
Depreciation			
At 1 July 2004	249	3,498	3,747
Charge for the period	107	558	665
Disposals	(68)	(369)	(437)
At 30 June 2005	288	3,687	3,975
Net book value			
At 30 June 2005	3,031	2,656	5,687
At 30 June 2004	3,228	2,873	6,101

The value of freehold land not subject to depreciation is £790,000 (2004: £790,000).

Parker Hannifin (UK) Limited

Notes to the financial statements for the year ended 30 June 2005 (continued)

11 Investments

	£'000
Cost and net book value at 1 July 2004 and 30 June 2005	6,444

At 30 June 2005 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

	2005	2004
	£'000	£'000
Raw materials	361	524
Work in progress	24	66
Finished goods	2,824	3,446
	3,209	4,036

13 Debtors

	2005	2004
	£'000	£'000
Trade debtors	6,715	5,957
Amounts receivable from Parker Hannifin affiliates	17,389	4,705
Prepayments and accrued income	75	51
	24,179	10,713

Amounts receivable from 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 2005 (continued)

14 Creditors - amounts falling due within one year

	2005	2004
	£'000	£'000
Trade creditors	3,667	3,875
Amounts owed to Parker Hannifin affiliates	17,309	4,658
Other creditors	-	585
Accruals and deferred income	257	89
	21,233	9,207

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

15 Called up share capital

	2005	2004
	£'000	£'000
Authorised		
38,000,000 ordinary shares of £1 each	38,000	38,000
Allotted and fully paid		
36,400,000 ordinary shares of £1 each	36,400	36,400

16 Reserves

	General reserve	Profit and loss account
	£'000	£'000
At 1 July 2004	10,067	(17,958)
Loss for the financial year	-	(566)
At 30 June 2005	10,067	(18,524)

Parker Hannifin (UK) Limited

Notes to the financial statements for the year ended 30 June 2005 (continued)

17 Reconciliation of movements in shareholders' funds

	2005	2004
	£'000	£'000
Loss for the year	(566)	(2,160)
Opening shareholders' funds	28,509	30,669
Closing shareholders' funds	27,943	28,509

18 Financial commitments

At 30 June 2005 the Company had annual commitments, under non-cancellable operating leases expiring as follows:

	Other	Other
	2005	2004
	£'000	£'000
Within one year	17	-
Within two to five years	52	-
	69	-

19 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.

20 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.