Parker Hannifin Limited

Annual report and financial statements

for the year ended 30 June 2008

Registered number 4806503

Parker Hannifin Limited

Contents

Parker Hannifin Limited

Directors and advisors for the year ended 30 June 2008

Registered Office
Parker House
55 Maylands Avenue
Hemel Hempstead
Hertfordshire
HP2 4SJ

Directors
I Molyneux
NR Parsons
GM Ellinor

Company Secretary
GM Ellinor

Principal Bankers
Barclays Bank plc
PO Box 22
Gateshead Business Centre
Gateshead
Tyne and Wear
NE8 1BX

Solicitors
Eversheds LLP
Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES

Auditors
Deloitte LLP
3 Victoria Square
St Albans
Hertfordshire
AL1 3TF

Directors' report for the year ended 30 June 2008

The Directors present their annual report and the audited financial statements of the Company for the year ended 30 June 2008.

Principal activity
The principal activity of the Company is, and will continue to be, the manufacture and sale of motion control systems.

Review of business and future developments
The Company has made a loss for the year of £39,817,000 (2007: restated loss of £67,444,000). The Directors expect present levels of activity to be maintained and that the Company will be profitable in the future.

On 1 August 2007, the Company acquired 100% of the ordinary share capital of Rectus - Tema (UK) Limited for a consideration of £1,317,000.

On 1 June 2008, the Company acquired 100% of the ordinary share capital of KV Process Controls Limited and Ultraline Limited for a consideration of £2,733,000 and £1 respectively.

During the year, the UK trade and assets of Zander (UK) Limited, KV Limited, KV Process Controls Limited and Ultraline Limited were transferred to the Company at market value.

Results and dividends
The Company's results for the financial year are set out in the profit and loss account on page 6.

The Directors do not recommend the payment of a dividend (2007: £Nil).

Principal risks and uncertainties
The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the Company are considered to relate to the expansion or contraction of the manufacturing economy, industry competition and employee retention. The Company believes there is a high correlation between interest rates and industrial manufacturing activity. Increases in interest rates could have a negative impact on industrial production, thereby lowering future orders.

Key performance indicators ("KPI's")
The Directors manage the Company's operations on a divisional basis. For this reason, the Company's Directors believe that analysis using key indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the motion control systems sector is discussed in the Group annual report of the ultimate parent undertaking, Parker Hannifin Corporation, which does not form part of this report.

Directors
The Directors who held office during the year and to the date of signing the financial statements were as follows:

I Molyneux	
NR Parsons	(appointed 3 August 2007)
GM Ellinor	(appointed 6 April 2008)
IL Clinton	(resigned 31 July 2008)
TG Maye	(resigned 4 August 2007)
RM Arthur	(resigned 6 April 2008)

Directors' report for the year ended 30 June 2008 (continued)

Payment to suppliers
The Company's policy in relation to the payment of its suppliers is to settle its terms of payment with each supplier when agreeing the terms of each business transaction. The supplier is made aware of the terms, which are detailed in the Company's purchase orders. It is Company practice to abide by the agreed terms of payment. The Company's average creditor payment period at 30 June 2008 was 28 days (2007: 37 days).

Research and development
The Company continued to invest in research and development programmes and infrastructure to support and expand its range of products.

Employee policies
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.

Charitable donations
During the year, the Company made charitable donations amounting to £22,000 (2007: £18,000).

Statement of Directors' responsibilities
The Directors are responsible for preparing the Annual 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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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 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.

Directors' report for the year ended 30 June 2008 (continued)

Disclosure of information to auditors
The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors also confirm that they have each taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors
On 24 September 2008, Deloitte LLP were appointed as auditors to the Company.

By order of the Board

GM Ellinor

GM Ellinor
Director

26 JUNE 2009

Independent auditors' report to the members of Parker Hannifin Limited

We have audited the financial statements of Parker Hannifin Limited for the year ended 30 June 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 29. 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 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 June 2008 and of its loss 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.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
St Albans

26 June 2009

Parker Hannifin Limited

Profit and loss account for the year ended 30 June 2008

	Note	2008 £'000	2007 (restated) £'000
Turnover	2		
Existing operations		**385,954**	338,543
Acquisitions		**4,028**	-
Continuing operations		**389,982**	338,543
Cost of sales	3	**(297,092)**	(255,050)
Gross profit	3	**92,890**	83,493
Selling and distribution costs		**(17,753)**	(20,430)
Exceptional administrative expenses	4	**(27,824)**	(143,978)
Other administrative expenses	3	**(69,043)**	(55,971)
Total administrative expenses		**(96,867)**	(199,949)
Operating loss	5		
Existing operations		**(22,230)**	(136,886)
Acquisitions		**500**	-
		(21,730)	(136,886)
Income from fixed asset investments	8	**-**	82,102
Loss on ordinary activities before interest and taxation		**(21,730)**	(54,784)
Interest receivable and similar income	9	**912**	1,334
Interest payable and similar charges	10	**(30,669)**	(32,087)
Other finance income	24	**2,100**	1,700
Loss on ordinary activities before taxation		**(49,387)**	(83,837)
Tax on loss on ordinary activities	11	**9,570**	16,393
Loss for the financial year	22	**(39,817)**	(67,444)

All of the above amounts relate to continuing activities.

Exceptional administrative expenses for 2007 have been restated to reflect the prior year adjustment as detailed in note 12.

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

Statement of total recognised gains and losses for the year ended 30 June 2008

	Note	2008 £'000	2007 (restated) £'000
Loss for the financial year		**(39,817)**	(67,444)
Actuarial (loss) / gain on pension scheme	24	**(19,304)**	17,700
Current tax credit on pension relief	11	**-**	1,749
Movement on deferred tax relating to pension scheme	20	**3,696**	1,040
Total recognised gains and losses for the year		**(55,425)**	(46,955)
Prior year adjustments	12	**(58,335)**	
Total recognised gains and losses since the last annual report		**(113,760)**	

Parker Hannifin Limited

Balance sheet as at 30 June 2008

	Note	2008 £'000	2007 (restated) £'000
Fixed assets			
Intangible assets	13	**141,351**	147,630
Tangible assets	14	**31,816**	43,117
Investments	15	**329,652**	326,372
		502,819	517,119
Current assets			
Stock	16	**35,411**	31,766
Debtors			
Amounts due from group undertakings		**48,397**	81,062
Other		**66,276**	66,496
	17	**114,673**	147,558
Cash at bank and in hand		**1,210**	80
		151,294	179,404
Creditors: amounts falling due within one year			
Amounts due to group undertakings		**(587,339)**	(587,235)
Other		**(39,854)**	(36,458)
	18	**(627,193)**	(623,693)
Net amounts due to group undertakings		**(538,942)**	(506,173)
Other net current assets		**63,043**	61,884
Net current liabilities		**(475,899)**	(444,289)
Total assets less current liabilities		**26,920**	72,830
Creditors: amounts falling due after more than one year	19	**-**	(541)
Net assets excluding pension deficit		**26,920**	72,289
Pension deficit	24	**(11,703)**	(2,188)
Net assets		**15,217**	70,101
Capital and reserves			
Called up share capital	21	**151,766**	151,766
Share premium account	22	**7,900**	7,900
Share option reserve	22	**1,279**	738
Profit and loss account	22	**(145,728)**	(90,303)
Shareholder's funds	23	**15,217**	70,101

The financial statements on pages 6 to 31 were approved by the Board of Directors on 26 JUNE 2009 and were signed on its behalf by:

GM Ellinor
Director

Notes to the financial statements for the year ended 30 June 2008

1 Principal accounting policies

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Going concern
Parker Hannifin Corporation has undertaken to provide the funds necessary for the Company to continue as a going concern for a minimum of twelve months from the date of approval of the financial statements. Having made enquiries of its ultimate parent, the directors are satisfied that the group has sufficient resources to continue to make these funds available. On this basis the directors consider it is appropriate to prepare the accounts on a going concern basis.

Consolidation
The financial statements contain information about Parker Hannifin Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under Section 228A of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent undertaking, Parker Hannifin Corporation, a company incorporated in the USA.

Intangible assets
Goodwill
Goodwill pertaining to businesses acquired, being the excess of the fair value of the purchase price over the fair value of net assets acquired, is accumulated and amortised over the Directors' estimate of the life of the goodwill, not exceeding 20 years.

A full year's amortisation is charged in the year of acquisition.

Trademarks and patents
Trademarks and patents acquired from third parties are amortised over the useful economic lives of the assets.

A full year's amortisation is charged in the year of acquisition.

Negative goodwill
Negative goodwill pertaining to businesses acquired, being the excess of the fair value of the net assets acquired over the fair value of the purchase price, is accumulated and amortised to the profit and loss account in the periods in which the non-monetary assets acquired are recovered.

A full year's amortisation is recognised in the year of acquisition.

Intangible assets are subject to an annual impairment review and provision is made for any impairment in value.

Tangible assets and depreciation
Tangible 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	1%-2.5%, improvements 5%-10%
Leasehold land and buildings	2%-2.5% or over the term of the lease whichever is shorter
Plant and equipment	10%-30%

Freehold land is not depreciated.

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

Notes to the financial statements for the year ended 30 June 2008 (continued)

1 Principal accounting policies (continued)

Stock
Stock is stated at the lower of cost and net realisable value. 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.

Raw materials are defined as material which will be converted via the manufacturing process into components and / or products. Work in progress is product in various stages of completion throughout the manufacturing process including all raw material, components issued for processing, labour costs and overheads through the last production process. Finished goods are items on which all manufacturing operations, including final test, have been completed or was purchased complete and are available for sale.

Provision is made for slow moving, obsolete and defective stock.

Deferred tax
Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax is not provided on unremitted earnings where there is no binding commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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 rate ruling at the date of the transaction. In both instances, foreign exchange differences are taken to the profit and loss account in the period in which they arise.

Finance leases
The Company is a lessee under a number of finance lease agreements, that is, leases where substantially all of the risks and rewards of ownership accrue to the lessee.

The policies adopted are as follows:

(i) the asset concerned is included in fixed assets at the cost or estimated cost to the lessor and is depreciated on a straight-line basis over the shorter of the lease term or the life of the asset; and

(ii) lease payments made are apportioned between repayments of capital and interest so as to amortise the total interest charge on a straight-line basis over the life of the asset and:

- the interest elements are charged to the profit and loss account as they accrue; and
- the aggregate of the outstanding capital repayments payable is included as a liability in the balance sheet.

Operating leases
Annual rentals in relation to operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Notes to the financial statements for the year ended 30 June 2008 (continued)

1 Principal accounting policies (continued)

Research and development
Costs associated with research and development are expensed in the profit and loss account in the period in which they arise.

Pension arrangements
The Company participates in schemes run on a group basis. The pension schemes of the Group are classified as either defined contribution or defined benefit schemes.

The defined benefit scheme is now closed to all new employees. The assets of the scheme are held separately from those of the Company in an independently administered fund, and pensions payable under the scheme are based on final pensionable salary. In accordance with Financial Reporting Standard 17, the operating costs of providing these benefits are recognised in the profit and loss account in the accounting period in which the benefits are earned by the employees, and related financing and other costs are recognised in the period in which they arise.

For the defined contribution scheme, the charge for pension costs is equal to the contributions payable to the scheme.

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

Share based payments
The Company's employees participate in share option plans operated by Parker Hannifin Corporation, the ultimate parent undertaking. All share based payments are equity settled and are measured at fair value at the date of grant. A charge is made to administrative expenses to reflect the calculated fair value of employee options granted over and above the exercisable price paid by the employees. This charge is calculated at the date of the grant of the options and is charged equally over the vesting period. The credit entry is reported directly to reserves as a capital contribution from the ultimate parent undertaking.

The Company has taken advantage of the exemption available and has applied the provisions of Financial Reporting Standard 20 only to those options granted after 7 November 2002 and which had not vested on or before 1 January 2006.

The fair value of share based payments is determined by using an appropriate valuation model.

2 Segmental information

The Directors regard the operations of the Company as comprising a single activity. All turnover and profits and losses were derived from continuing activities and arose in the United Kingdom. The geographical analysis of turnover by destination was as follows:

	2008 £'000	2007 £'000
United Kingdom	**149,120**	141,808
Rest of Europe	**148,109**	125,922
Rest of World	**92,753**	70,813
	389,982	338,543

The majority of the Company's net assets are based within the United Kingdom.

Notes to the financial statements for the year ended 30 June 2008 (continued)

3 Cost of sales, gross profit and net operating expenses

	Existing operations £'000	Acquisitions £'000	2008 Total Continuing operations £'000	2007 Total Continuing Operations £'000
Cost of sales	294,436	2,656	297,092	255,050
Gross profit	91,518	1,372	92,890	83,493
Selling and distribution expenses	17,534	219	17,753	20,430
Other administrative expenses	68,171	872	69,043	55,971

4 Exceptional administrative expenses

	2008 £'000	2007 (restated) £'000
Impairment of goodwill (note 13)	19,478	81,933
Impairment of other intangible fixed assets (note 13)	1,374	-
Impairment of tangible fixed assets (note 14)	6,202	-
Impairment of fixed asset investments (note 15)	770	62,045
	27,824	143,978

At 30 June 2008, the Directors considered the carrying value of goodwill as compared to the discounted future cash flows of the underlying individual business units. This led to an impairment provision of £19,478,000. The charge includes a credit in respect of a past impairment of £16.4 million following an improvement in expected cash flows for that acquisition.

At 30 June 2008, the Directors reviewed the carrying value of other intangible fixed assets and this led to an impairment provision of £1,374,000.

At 30 June 2008, the Directors reviewed the carrying value of tangible fixed assets and this led to an impairment provision of £6,202,000.

At 30 June 2008, the Directors considered the carrying value of investments as compared to the underlying net assets represented by the subsidiary undertakings. This led to an impairment provision of £770,000.

The discount rate used in the impairment test was 10%.

Exceptional administrative expenses for 2007 have been restated to reflect the prior year adjustments as detailed in note 12.

Notes to the financial statements for the year ended 30 June 2008 (continued)

5 Operating loss

Operating loss is stated after charging / (crediting):

	2008 £'000	2007 £'000
Amortisation of intangible fixed assets (note 13)	**11,727**	12,722
Depreciation of tangible fixed assets (note 14)		
- owned	**9,043**	8,450
- leased	**901**	989
Loss / (profit) from fixed asset disposals	**597**	(3,297)
Operating lease charges		
- plant and machinery	**758**	560
- other	**7,697**	7,030
Research and development	**1,533**	2,078
Auditors' remuneration – audit services	**62**	142
Auditors' remuneration – tax services	**140**	472

6 Directors' emoluments

	2008 £'000	2007 £'000
Aggregate emoluments	**620**	389

Retirement benefits are accruing to five Directors (2007: three) under the Company's defined benefit scheme.

Four Directors (2007: three) hold share options in the ultimate parent undertaking, Parker Hannifin Corporation. One of the Directors (2007: one) exercised options during the year.

	2008 £'000	2007 £'000
Highest paid Director		
Aggregate emoluments	**232**	157

The amount of pension and pension lump sum accruing for the highest paid Director at 30 June 2008 is £46,000 (2007: £25,000) and £114,000 (2007: £63,000) respectively.

Notes to the financial statements for the year ended 30 June 2008 (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 as follows:

	2008 Number	2007 Number
Production	**1,614**	1,714
Administration	**1,486**	1,389
	3,100	3,103

	2008 £'000	2007 £'000
Wages and salaries	**74,738**	71,104
Social security costs	**8,438**	7,104
Pension costs	**6,931**	7,795
Share based payments (note 27)	**541**	336
	90,648	86,339

8 Income from fixed asset investments

	2008 £'000	2007 £'000
Dividend from subsidiary undertaking	**-**	82,102

9 Interest receivable and similar income

	2008 £'000	2007 £'000
On bank deposits	**495**	450
On amounts owed by group undertakings	**417**	884
	912	1,334

10 Interest payable and similar charges

	2008 £'000	2007 £'000
On overdrafts and bank loans	**167**	1,068
On amounts owed to group undertakings	**30,461**	30,881
Finance lease interest	**41**	138
	30,669	32,087

Notes to the financial statements for the year ended 30 June 2008 (continued)

11 Tax on loss on ordinary activities

	2008 £'000	2007 (restated) £'000
Current tax		
UK corporation tax at 29.5% (2007: 30%)	(8,779)	(3,061)
Adjustments in respect of previous periods	(4,644)	(615)
Total current tax credit	(13,423)	(3,676)
Deferred tax		
Origination and reversal of timing differences (note 20)	3,853	(12,717)
Tax credit on loss on ordinary activities	(9,570)	(16,393)

The tax assessed for the year is higher (2007: higher) than the standard rate of corporation tax in the UK of 29.5% (2007: 30%). The differences are explained below:

	2008 £'000	2007 (restated) £'000
Loss on ordinary activities before taxation	(49,387)	(83,837)
Loss on ordinary activities multiplied by standard rate in the UK of 29.5% (2007: 30%)	(14,569)	(25,151)
Effects of:		
Expenses not deductible for tax purposes	7,210	47,312
Dividend income not assessable to tax	-	(24,631)
Capital allowances in excess of depreciation and other timing differences	810	(2,000)
Transfer pricing adjustment – imputed interest	(2,100)	(184)
Adjustments in respect of previous periods	(4,644)	(615)
Tax booked directly to equity	-	1,749
Research and development relief	(130)	(156)
Total current tax credit	(13,423)	(3,676)

Notes to the financial statements for the year ended 30 June 2008 (continued)

12 Prior year adjustments

The prior year adjustment relates to a reduction in the carrying value of the Company's investment in domnick hunter Group Limited at 30 June 2007.

The Directors have identified that the carrying value of the Company's investment in domnick hunter Group Limited was overstated by £58,335,000 at 30 June 2007 following a comparison to the underlying net assets represented by the subsidiary undertakings. As a result, an additional impairment provision is required in the year ended 30 June 2007. The comparative figures have been restated accordingly.

The effect of the prior year adjustments in the year ended 30 June 2007 is to increase exceptional administrative expenses, increase the loss for the financial year and reduce net assets at 30 June 2007 by £58,335,000.

13 Intangible fixed assets

	Goodwill	Patent	Trademark	Other intangibles	Negative goodwill	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 July 2007	172,318	6,305	28,022	38,629	(388)	244,886
Additions	-	-	-	16	-	16
Additions from trade transfer	22,397	120	2,045	1,722	-	26,284
Reclassification	15,657	-	-	(15,657)	-	-
At 30 June 2008	**210,372**	**6,425**	**30,067**	**24,710**	**(388)**	**271,186**
Amortisation and impairment						
At 1 July 2007	93,796	315	1,438	1,931	(224)	97,256
Charge for the year	5,132	321	1,503	4,790	(19)	11,727
Impairment charge	19,478	390	205	779	-	20,852
Reclassification	1,566	-	-	(1,566)	-	-
At 30 June 2008	**119,972**	**1,026**	**3,146**	**5,934**	**(243)**	**129,835**
Net book value						
At 30 June 2008	**90,400**	**5,399**	**26,921**	**18,776**	**(145)**	**141,351**
At 30 June 2007 as restated	78,522	5,990	26,584	36,698	(164)	147,630

Notes to the financial statements for the year ended 30 June 2008 (continued)

13 Intangible fixed assets (continued)

At 30 June 2008, the Directors considered the carrying value of goodwill as compared to the discounted future cash flows of the underlying individual business units. This led to an impairment provision of £19,478,000 (2007: £81,933,000).

At 30 June 2008, the Directors reviewed the carrying value of other intangible fixed assets and this led to an impairment provision of £1,374,000 (2007: £Nil).

14 Tangible fixed assets

	Land and buildings				
	Freehold	Long leasehold	Short leasehold	Plant and equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 July 2007	13,522	2,355	-	42,255	58,132
Additions	24	9	520	3,394	3,947
Disposals	-	-	-	(6,114)	(6,114)
Intra-group transfers	-	-	-	1,552	1,552
At 30 June 2008	**13,546**	**2,364**	**520**	**41,087**	**57,517**
Depreciation					
At 1 July 2007	513	91	-	14,411	15,015
Charge for the year	616	105	28	9,195	9,944
Impairment charge	377	250	-	5,575	6,202
Disposals	-	-	-	(5,460)	(5,460)
At 30 June 2008	**1,506**	**446**	**28**	**23,721**	**25,701**
Net book value					
At 30 June 2008	**12,040**	**1,918**	**492**	**17,366**	**31,816**
At 30 June 2007	13,009	2,264	-	27,844	43,117

At 30 June 2008, the Directors reviewed the carrying value of tangible fixed assets and this led to an impairment provision of £6,202,000 (2007: £Nil).

Included within plant and equipment are assets held under finance leases with a capitalised cost of £3,217,000 (2007: £3,031,000) and a net book value of £551,000 (2007: £1,266,000).

15 Investments

	Subsidiary undertakings £'000
Cost	
At 1 July 2007	388,417
Additions	4,050
At 30 June 2008	**392,467**
Impairment	
At 1 July 2007 as previously reported	3,710
Prior year adjustment (note 12)	58,335
At 1 July 2007 as restated	62,045
Charge for the year	770
At 30 June 2008	**62,815**
Net book value	
At 30 June 2008	**329,652**
At 30 June 2007 as restated	326,372

On 1 August 2007, the Company acquired 100% of the ordinary share capital of Rectus - Tema (UK) Limited for a consideration of £1,317,000.

On 1 June 2008, the Company acquired 100% of the ordinary share capital of KV Process Controls Limited and Ultraline Limited for a consideration of £2,733,000 and £1 respectively.

At 30 June 2008, the Directors considered the carrying value of investments as compared to the underlying net assets represented by the subsidiary undertakings. This led to an impairment charge of £770,000 (2007: restated impairment charge of £62,045,000).

Notes to the financial statements for the year ended 30 June 2008 (continued)

15 Investments (continued)

At 30 June 2008, the Company held shares in the allotted share capital of the following companies:

	County of registration and operation	Percentage held	Nature of business
* Indirectly held			
Parker Hannifin (2004) Limited	England	100%	Active
Parker Hannifin Pension Trustees Limited	England	100%	Dormant
Commercial Intertech Limited	England	100%	Dormant
Maxam Pneumatics Limited	England	100%	Dormant
Fairey Arlon Limited	England	100%	Dormant
* Denison International Limited	England	100%	Active
* Denison Financial Holdings Limited	England	100%	Active
* Denison Hydraulics UK Limited	England	100%	Active
* Denison Holdings Limited	England	100%	Dormant
SSD Drives Holdings Limited	England	100%	Active
* SSD Drives Limited	England	100%	Active
* SSD Drives Holdings 2 Limited	England	100%	Active
* SSD Drives Holdings 3 Limited	England	100%	Active
* SSD Drives Holdings 4 Limited	England	100%	Active
* SSD Drives Holdings 5 Limited	England	100%	Active
* Eurotherm Drives Limited	England	100%	Dormant
Sterling Hydraulics Limited	England	100%	Active
Kenmore UK Limited	England	100%	Active
Virginia KMP Limited	England	100%	Active
Parker Hannifin RAC Limited	England	100%	Active
Zander (UK) Limited	England	100%	Active
Tecknit Europe Limited	England	100%	Active
domnick hunter Group Limited	England	100%	Active
* domnick hunter Limited	England	100%	Active
* domnick hunter Fabrication Limited	England	100%	Active
* domnick hunter Overseas Limited	England	100%	Active
* domnick hunter Nihon Limited	England	100%	Active
* domnick hunter Finance Limited	England	100%	Active
* domnick hunter Trustees Limited	England	100%	Active

Notes to the financial statements for the year ended 30 June 2008 (continued)

15 Investments (continued)

	Country of registration and operation	Percentage held	Nature of business
* domnick hunter Investments Limited	Scotland	100%	Active
* domnick hunter Technologies Limited	England	100%	Active
* domnick hunter France Limited	England	100%	Dormant
* domnick hunter Filters Limited	England	100%	Dormant
* domnick hunter Engineers Limited	England	100%	Dormant
* domnick hunter China Limited	England	100%	Dormant
* Tanlea Engineering Limited	England	100%	Active
* Nitrox Limited	England	100%	Dormant
* PTI Technologies (UK) Limited	England	100%	Dormant
Rectus - Tema (UK) Limited	England	100%	Active
KV Process Controls Limited	England	100%	Active
Ultraline Limited	England	100%	Active
* Dumfries Realisations (No1) Limited	Scotland	100%	Dormant
* Abbotshaugh Enterprises Limited	Scotland	100%	Dormant
* domnick hunter WAI Limited	Scotland	100%	Dormant
* Clevegirth Finance Limited	Scotland	100%	Dormant
* Solsgirth Finance Limited	Scotland	100%	Dormant
* Cleveleys Investments Limited	Scotland	100%	Dormant

The results and net assets of the Company's principal subsidiaries are as follows:

	Profit for the year ended 30 June 2008 £'000	Net assets at 30 June 2008 £'000
* Indirectly held		
Kenmore UK Limited	(86)	4,891
* domnick hunter Limited	5,593	155,222
* domnick hunter Trustees Limited	-	-
Rectus – Tema (UK) Limited	109	547
KV Process Controls Limited	1,906	2,744
Ultraline Limited	101	-

Notes to the financial statements for the year ended 30 June 2008 (continued)

16 Stock

	2008 £'000	2007 £'000
Raw materials	**3,881**	3,431
Work in progress	**2,295**	3,411
Finished goods	**29,235**	24,924
	35,411	31,766

17 Debtors

	2008 £'000	2007 £'000
Trade debtors	**56,939**	52,748
Amounts owed by group undertakings	**48,397**	81,062
Deferred tax (note 20)	**6,315**	10,390
Prepayments and accrued income	**3,022**	3,358
	114,673	147,558

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

18 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	**28,542**	25,766
Amounts owed to group undertakings - debenture loan	**114,360**	114,360
Amounts owed to group undertakings	**472,979**	472,875
Obligations under finance leases	**546**	947
Other creditors	**362**	-
Accruals and deferred income	**10,404**	9,745
	627,193	623,693

On 15 June 2007, the Company issued 7.4% fixed rate unsecured loan notes amounting to £114,360,000 to a fellow group undertaking. The loan notes are redeemable at par on 14 June 2012, or within 15 days of receiving written notice, and are quoted on the Guernsey Channel Island Stock Exchange. In the prior year financial statements the debenture loan was shown in creditors: amounts falling due after more than one year. The presentation has been restated to reflect the impact of this notice period on the classification.

Other amounts owed to group undertakings are unsecured and repayable on demand.

The gross obligation under finance leases of £554,000 (2007: £988,000) is reduced by deferred interest of £8,000 (2007: £41,000).

Notes to the financial statements for the year ended 30 June 2008 (continued)

19 Creditors: amounts falling due after more than one year

	2008 £'000	2007 £'000
Obligations under finance leases	-	541

The gross obligation under finance leases of £Nil (2007: £549,000) is reduced by deferred interest of £Nil (2007: £8,000).

The debenture loan amounting to £114,360,000 previously included within creditors: amounts falling due after more than one year has now been reclassified to creditors: amounts falling due within one year (note 18).

20 Deferred tax

	2008 £'000	2007 £'000
At 1 July	(11,241)	-
Intra-group transfer	222	2,516
Credit to the profit and loss account (note 11)	3,853	(12,717)
Credit to the statement of total recognised gains and losses	(3,696)	(1,040)
	(10,862)	(11,241)
Deferred tax provision at 30 June on pension deficit (note 24)	4,547	851
At 30 June (note 17)	(6,315)	(10,390)

Deferred tax included in the balance sheet is as follows:

	2008 £'000	2007 £'000
Accelerated capital allowances	(5,541)	(5,330)
Losses	-	(3,790)
Pension	(4,933)	(1,914)
Other short term timing differences	(61)	-
Share options	(327)	(207)
	(10,862)	(11,241)
Deferred tax asset relating to pension deficit (note 24)	4,547	851
	(6,315)	(10,390)

Deferred tax assets have been recognised as the Company foresees it has sufficient future taxable profits against which the assets can be utilised.

Notes to the financial statements for the year ended 30 June 2008 (continued)

21 Called up share capital

	2008 £'000	2007 £'000
Authorised		
151,766,621 ordinary shares of £1 each	**151,766**	151,766
Allotted, called up and fully paid		
151,766,621 ordinary shares of £1 each	**151,766**	151,766

22 Reserves

	Share premium account £'000	Share option Reserve £'000	Profit and loss account £'000
At 1 July 2007 as previously reported	7,900	738	(31,968)
Prior year adjustments (note 12)	-	-	(58,335)
At 1 July 2007 as restated	7,900	738	(90,303)
Loss for the financial year	-	-	(39,817)
Addition to share option reserve	-	541	-
Actuarial loss on pension scheme	-	-	(19,304)
Current tax credit on pension relief	-	-	-
Movement on deferred tax relating to pension scheme	-	-	3,696
At 30 June 2008	**7,900**	**1,279**	**(145,728)**

23 Reconciliation of movements in shareholder's funds

	2008 £'000	2007 (restated) £'000
Total recognised gains and losses for the year	**(55,425)**	(46,955)
Addition to share option reserve	**541**	336
Net proceeds of issue of ordinary share capital	-	120,961
Net (reduction) / addition to shareholder's funds	**(54,884)**	74,342
Opening shareholder's funds / (deficit) as previously reported	**128,436**	(4,241)
Prior year adjustments (note 12)	**(58,335)**	-
Opening shareholder's funds / (deficit) as restated	**70,101**	(4,241)
Closing shareholder's funds	**15,217**	70,101

Notes to the financial statements for the year ended 30 June 2008 (continued)

24 Pensions

The Company's main pension arrangement in the UK is the Parker Hannifin Pension and Death Benefit Plan ('the Parker Plan'), which provides benefits on a defined benefit basis. On 30 June 2004, the Parker Plan was closed to new employees, however benefits continue to accrue for existing members. The Company also operates four closed defined benefit schemes under which benefits cease to accrue. These schemes are Commercial Hydraulics Kontak Pension Life and Assurance Scheme (the "Kontak Staff Plan"), Commercial Intertech Limited Retirement Benefits Plan, Ultra Group Pension Scheme and Commercial Hydraulics Kontak Limited Cash Retirement and Death Benefit Plan for Works Employees. The Company also operates a defined contribution scheme.

Following the valuation carried out as at 30 June 2002, the Company made a commitment to eliminate the deficit within five years by making five annual contributions to the Parker Plan. During the year, the Company made a special contribution of £5.9 million (2007: £5.8 million). The Company's current contribution rate to the Parker Plan is 15% (2007: 15%) of pensionable pay. The Company contributed £9.5 million (2007: £9.9 million) in total to the Parker Plan during the year which included the special contribution of £5.9 million (2007: £5.8 million).

For the purpose of Financial Reporting Standard 17, the disclosures below set out the valuations as at 30 June 2008 of the defined benefit section of the Parker Plan and of the closed Kontak Staff Plan. The valuation has been made under the Projected Unit Credit actuarial method to assess the Plans' liabilities. The most recent assessment of the Parker Plan's financial position was carried out as at 31 March 2006 and the most recent formal valuation of the Kontak Staff Plan was carried out on 6 April 2007. These assessments have been updated to 30 June 2008 by qualified actuaries who are independent of the company.

The Commercial Intertech Limited Retirement Benefits Plan and the Ultra Group Pension Scheme were merged into the Parker Plan on 3 July 2003 and historic figures in respect of these arrangements are included in the disclosures. Historic figures are also included in respect of the Commercial Hydraulics Kontak Limited Cash Retirement and Death Benefit Plan for Works Employees (the "Kontak Works Plan") which was wound up and members' benefits secured with an insurance company with effect from 30 June 2004.

The Parker Plan closed to new members on 30 June 2004 and so the service cost is expected to increase as the members approach their retirements.

The financial assumptions used to calculate scheme liabilities under Financial Reporting Standard 17 at 30 June 2008 were:

	30 June 2008 % pa	30 June 2007 % pa	30 June 2006 % pa
Rate of increase in salaries	**4.90**	4.40	4.05
Rate of increase in pensions in payment and in deferment	**3.90**	3.15	2.80
Discount rate	**6.70**	5.80	5.30
Rate of inflation	**3.90**	3.15	2.80

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 21 years if they are male, and for a further 24 years if they are female. For a member who retires in the future at age 65 the assumptions are that they will live on average for a further 22 years after retirement if they are male, and for a further 25 years after retirement if they are female.

Notes to the financial statements for the year ended 30 June 2008 (continued)

24 Pensions (continued)

The investments of the Plans are externally managed. The assets and liabilities of the Plans and the expected rates of return at 30 June 2008 are as follows:

Value at 30 June 2008

	Long-term rate of return expected at 30 June 2008	Schemes in surplus £m	Schemes in deficit £m	Total £m
Equities	7.65%	1.2	63.0	64.2
Equities (overseas)	7.65%	-	63.0	63.0
Bonds	6.05%	0.1	25.1	25.2
Fixed interest gilts	5.05%	-	2.4	2.4
Index linked gilts	4.85%	-	23.4	23.4
Other	4.60%	-	8.1	8.1
Total market value of assets		1.3	185.0	186.3
Overall rate of return	6.92%			
Present value of plan liabilities		(1.1)	(201.2)	(202.3)
Surplus / (deficit) in the plan		0.2	(16.2)	(16.0)
Less irrecoverable surplus		(0.2)	-	(0.2)
Recognised pension liability		-	(16.2)	(16.2)
Related deferred tax asset		-	4.5	4.5
Net pension liability		-	(11.7)	(11.7)

The Company employs a "building block" approach in determining the long-term rate of return on pension scheme assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the schemes.

Notes to the financial statements for the year ended 30 June 2008 (continued)

24 Pensions (continued)

Value at 30 June 2007

	Long-term rate of return expected at 30 June 2007	Schemes in surplus £m	Schemes in deficit £m	Total £m
Equities	7.75%	1.3	73.3	74.6
Equities (overseas)	7.75%	-	73.3	73.3
Bonds	5.80%	0.1	23.8	23.9
Property	7.55%	0.1	4.9	5.0
Index linked gilts	4.95%	-	23.8	23.8
Other	4.65%	-	0.5	0.5
Total market value of assets		1.5	199.6	201.1
Present value of plan liabilities		(1.2)	(202.6)	(203.8)
Surplus / (deficit) in the plan		0.3	(3.0)	(2.7)
Less irrecoverable surplus		(0.3)	-	(0.3)
Recognised pension liability		-	(3.0)	(3.0)
Related deferred tax asset		-	0.8	0.8
Net pension liability		-	(2.2)	(2.2)

The equity investments and bonds which are held in scheme assets are valued at the current bid price following the adoption of the amendment to Financial Reporting Standard 17. Previously, these assets were valued at mid price. The value of assets at 30 June 2007 has not been restated in the financial statements.

Reconciliation of present value of scheme liabilities	**2008 £m**	2007 £m
At 1 July	**203.8**	206.7
Current service cost	**5.5**	5.1
Interest cost	**11.8**	10.8
Contributions paid	**1.4**	1.6
Benefits paid	**(7.5)**	(6.9)
Actuarial gain	**(12.7)**	(13.5)
At 30 June	**202.3**	203.8

Notes to the financial statements for the year ended 30 June 2008 (continued)

24 Pensions (continued)

Reconciliation of fair value of scheme assets	2008 £m	2007 £m
At 1 July	**201.1**	179.6
Expected return on scheme assets	**13.9**	12.5
Contributions paid	**10.9**	11.5
Benefits paid	**(7.5)**	(6.9)
Actuarial (loss) / gain	**(32.1)**	4.4
At 30 June	**186.3**	201.1

The actual return on scheme assets in the year was a deficit of £(18.2)m (2007: gain of £16.9m).

	2008 £m	2007 £m
Operating profit		
Current service cost	**5.5**	5.1
Other finance income		
Expected return on pension scheme assets	**13.9**	12.5
Interest on pension scheme liabilities	**(11.8)**	(10.8)
Net return	**2.1**	1.7
Statement of total recognised gains and losses ("STRGL")		
Actual return less expected return on pension scheme assets	**(31.8)**	4.3
Experience gains and losses arising on scheme liabilities	**(0.7)**	2.6
Changes in assumptions underlying the present value of the scheme	**13.2**	10.8
Actuarial (loss) / gain recognised in the STRGL	**(19.3)**	17.7

The cumulative amount of actuarial losses recognised in the STRGL is £56.6m.

Notes to the financial statements for the year ended 30 June 2008 (continued)

24 Pensions (continued)

Amounts for current and previous four years:	**2008 £m**	2007 £m	2006 £m	2005 £m	2004 £m
Fair value of scheme assets	**186.3**	201.1	179.6	151.9	128.0
Defined benefit obligation	**(202.3)**	(203.8)	(206.7)	(178.4)	(148.1)
Deficit in scheme	**(16.0)**	(2.7)	(27.1)	(26.5)	(20.1)
Experience gains and losses on scheme assets	**(32.1)**	4.4	10.5	9.2	5.0
Experience gains and losses on scheme liabilities	**(0.7)**	2.6	(6.2)	(3.2)	0.7
Total amount recognised in the STRGL	**(19.3)**	17.7	(6.8)	(11.3)	4.0

The estimated amount to be charged to the profit and loss account for the year ending 30 June 2009 is as follows:

	£m
Current service cost	**5.4**
Expected return on pension scheme assets	**(12.3)**
Interest on pension scheme liabilities	**13.6**
	6.7

The actual amount to be charged to the profit and loss account for the next financial year is likely to be different from that estimated above. This may be due to changes to scheme benefits, settlement / curtailment events that are not yet known or actual scheme cash flows being different to expected cash flows.

Defined contribution scheme

The cost of contributions made by the Company to the defined contribution scheme amounted to £1,906,000 (2007: £1,366,000).

25 Financial commitments

At 30 June 2008, the Company had annual commitments under non-cancellable operating leases expiring as follows:

	2008			2007		
	Land and Buildings £'000	**Other £'000**	**Total £'000**	Land and buildings £'000	Other £'000	Total £'000
Within one year	**1,085**	**471**	**1,556**	1,248	411	1,659
Within two to five years	**1,010**	**1,440**	**2,450**	1,563	1,113	2,676
After five years	**992**	**-**	**992**	2,561	-	2,561
	3,087	**1,911**	**4,998**	5,372	1,524	6,896

26 Acquisitions

During the year, the Company acquired the UK trade and assets of Zander (UK) Limited, KV Limited, KV Process Controls Limited and Ultraline Limited at market value. The total consideration paid was £38,157,000. All acquisitions took place on 30 May 2008, with the exception of Zander (UK) Limited which took place on 1 July 2007.

There were no fair value adjustments on acquisition except for the creation of patents, trademarks and other intangibles. The fair values of the assets and liabilities of the major acquisitions at the date of acquisition were as follows:

	KV Limited	KV Process Controls Limited	*Others	Total
	£'000	£'000	£'000	£'000
Patents	120	-	-	120
Trademarks	2,045	-	-	2,045
Other intangibles	1,620	-	102	1,722
Fixed assets	660	-	40	700
Stocks	2,594	58	345	2,997
Debtors	8,762	1,363	1,303	11,428
Cash at bank and in hand	190	21	67	278
Creditors	(2,026)	(304)	(1,203)	(3,533)
Deferred tax	-	-	3	3
Net assets acquired	13,965	1,138	657	15,760
Goodwill (note 13)	19,656	1,595	1,146	22,397
Consideration – current debt	33,621	2,733	1,803	38,157

* Others comprise of Zander (UK) Limited and Ultraline Limited.

The trading results of KV Limited and KV Process Controls Limited were as follows:

	KV Limited	KV Process Controls Limited
	13 months to 1 June 2008	13 months to 1 June 2008
	£'000	£'000
Turnover	16,261	1,657
Operating profit	1,815	275
Profit on ordinary activities before taxation	1,947	302
Tax on profit on ordinary activities	(393)	-
Profit for the financial period	1,554	302

The profit for the financial period for KV Limited and KV Process Controls Limited for the year ended 30 April 2007 was £1,308,000 and £41,000 respectively.

Notes to the financial statements for the year ended 30 June 2008 (continued)

27 Employee share schemes

Share based payments

The Company's ultimate parent undertaking, Parker Hannifin Corporation, has stock incentive plans that provide for the granting of nonqualified options and stock appreciation rights ("SARs") to officers, directors and key employees of the Group. The nonqualified stock options allow the recipient to purchase shares of common stock at a price not less than 100% of the fair market value of the stock on the date options are granted. Outstanding options and SARs are exercisable from one to three years after the date of grant and expire no more than ten years after grant.

The number and weighted average exercise prices of share options are as follows:

	2008 Number of options	**2008** Weighted average exercise price USD	2007 Number of options	2007 Weighted average exercise price USD
Outstanding at 1 July 2007	**106,548**	**44.39**	62,163	39,95
Granted during the year	**62,100**	**60.93**	49,860	49.75
Forfeited during the year	**(3,100)**	**55.76**	(2,208)	47.96
Exercised during the year	**(16,104)**	**47.47**	(3,267)	39.17
Outstanding at 30 June 2008	**149,444**	**50.70**	106,548	44.39
Exercisable at 30 June 2008	**91,424**	**46.24**	62,808	41.66

The options outstanding and exercisable at the year end have an aggregate intrinsic value of $6,985,013 (2007: $5,608,597) and $4,739,039(2007: $3,936,085) respectively and have a weighted average contractual life of 6.4 years (2007: 6.7 years) and 5.1 years (2007: 5.9 years) respectively.

A summary of the status and changes of shares subject to share based payments and the related average price per share are as follows:

	Number of shares	**Weighted average grant date fair value USD**
Nonvested at 1 July 2007	43,740	21.98
Granted	62,100	24.17
Vested	(47,820)	22.68
Nonvested at 30 June 2008	**58,020**	**23.71**

Notes to the financial statements for the year ended 30 June 2008 (continued)

27 Employee share schemes (continued)

Share based payments (continued)

The fair values for the significant stock-based awards granted in 2008 and 2007 were estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	2008	2007
Fair value at measurement date	**US$24.17**	US$22.56
Weighted average share price	**US$94.19**	US$104.06
Exercise price	**US$41.45**	US$47.74
Expected volatility	**25.6%**	30.2%
Expected option life	**5.2 years**	5.1 years
Expected dividends	**1.4%**	1.5%
Risk free interest rate	**4.4%**	4.7%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options). Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

The total expenses recognised for the year arising from share based payments are as follows:

	2008 £'000	2007 £'000
Equity settled share based payments	**541**	336

28 Cash flow statement and related party transactions

The Company is a wholly owned subsidiary of Parker Hannifin Corporation and is included in their consolidated financial statements, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

The Company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Parker Hannifin Corporation group.

29 Immediate and ultimate parent undertakings

The immediate parent undertaking is Parker Hannifin (GB) Limited, a company incorporated in the United Kingdom.

The ultimate parent undertaking and controlling party is Parker Hannifin Corporation, a company incorporated in the USA. Parker Hannifin Corporation is the parent undertaking of the largest and smallest group to consolidate the Company's financial statements and copies of its consolidated financial statements can be obtained from the Company Secretary, Parker Hannifin Corporation, 6035 Parkland Boulevard, Cleveland, Ohio, 44124-4141, USA.